



### ANALYZING THE INDO-IRAN CHABAHR AGREEMENT

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*(Views expressed in the brief are those of the author, and do not represent those of ISSI)*



**“Towards prosperity through greater connectivity”, was the slogan under which Iran and India signed the interim agreement for handing over the operational control of the first phase of Chabahar port to India for 18 months. Out of the 15 agreements signed between New Delhi and Tehran in February 2018, 9 agreements focus particularly on the Chabahar port lease agreement.<sup>1</sup>**

This deal between the two countries seemed elusive up till now mainly due to the economic embargo being faced by Iran prior to the nuclear agreement of 2015. The leaders of the two countries beamingly oversaw the signing of the agreements, most important one of which is the ‘Lease Contract for the Shahid Beheshti Port-Phase I of Chabahar.’<sup>2</sup> Other agreements signed between the two were:

- i. Agreement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income.
- ii. MoU on Exemption from Visa requirement for holders of Diplomatic Passports.
- iii. Instrument of Ratification of Extradition Treaty.

<sup>1</sup> News Desk, “Iran-India sign 15 agreements during Rouhani visit”, *Iran Daily*, February 17, 2018, <http://www.iran-daily.com/News/210161.html>

<sup>2</sup> Ministry of External Affairs India, India-Iran Joint Statement during Visit of the President of Iran to India (February 17, 2018), <http://www.mea.gov.in/bilateral-documents.htm?dtl/29495/IndiaIran+Joint+Statement+during+Visit+of+the+President+of+Iran+to+India+February+17+2018>

- iv. MoU on Cooperation in the field of Traditional Systems of Medicine.
- v. MoU on the establishment of an Expert Group on Trade Remedy Measures to promote cooperation in areas of mutual interest.
- vi. MoU on Cooperation in the field of Agriculture and Allied Sectors.
- vii. MoU on Cooperation in the field of Health and Medicine.
- viii. MoU on Postal Cooperation.
- ix. Lease Contract for Shahid Beheshti Port-Phase 1 of Chabahar during Interim Period between Port and Maritime Organization (PMO), Iran and India Ports Global Limited (IPGL).<sup>3</sup>

The Chabahar lease contract is a temporary agreement evident by its short time duration during which the IPGL will work on borrowed Iranian equipment as India lacks its own for the time being. Being only 90 km away from the geo-strategically central port of Gwadar, Chabahar is often propped up as a competitor by New Delhi. It is dubbed the 'gateway' for India to reach Afghanistan with which it is not territorially contiguous. It has been highlighted in spiteful abundance by the Indian media that the port will 'bypass' Pakistan to get to Afghanistan and will decrease New Delhi's economic dependence on Pakistan road networks for its shipments to eastern Iran and Afghanistan.<sup>4</sup> India is also eager to invest in laying down the Chabahar-Zahedan rail link so that a comprehensive shore-side infrastructure for Indian access to Afghanistan can be established.<sup>5</sup>

Iranian President Hassan Rouhani highlighted the ancient ties between the people and civilizations of the two countries. "We, in the Islamic Republic of Iran, believe that the people of Iran and India have had friendly relations with each other. We have had (close) cultural, economic and other relations with each other since the last many centuries."<sup>6</sup> With Chabahar port's potential, India and Iran hope to extend the potential of their ties to the regional level, with India getting easier access to Afghanistan and the Central Asian states. It a highly beneficial arrangement for the two, as Iran being previously embargoed from the international markets, has seen a period of economic drought. However, a few facts and derivations being drawn from this arrangement in terms of its implications

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<sup>3</sup> Ibid.

<sup>4</sup> News Desk, "India Signs Short-Term Lease at Chabahar Port", *The Maritime Executive*, February 22, 2018 <https://www.maritime-executive.com/article/india-signs-short-term-lease-at-chabahar-port>

<sup>5</sup> Ibid.

<sup>6</sup> News Desk, "Iran President's India Visit Highlights: Iran's Hassan Rouhani Meets with President Ram Nath Kovind", *NDTV*, February 18, 2018, <https://www.ndtv.com/india-news/iran-presidents-india-visit-live-updates-hassan-rouhani-pm-narendra-modi-meet-trade-chabahar-port-on-1813765>

for the region in general and Pakistan in particular are rather exaggerated and misleading to say the least.

The Chabahar port harbor capacity at its current level stands at about 8.5 million tons of cargo which is hoped to be expanded to about 80 million tons of cargo.<sup>7</sup> On the other hand, the China Overseas Port Holding Company (COPHS) has planned to eventually expand Gwadar port's capacity to up to 400 million tons of cargo per year.<sup>8</sup> Thus, the capacity is no premise for competition at all. While there are no grounds for capacity competition, time is of essence. India carried out its first shipment of wheat to Afghanistan through the Chabahar port in November 2017, while Gwadar port at present has only been handling cargo for its own infrastructure development and expansion projects.<sup>9</sup>

With such close proximity, a competition of sorts tends to invent itself between countries such as Pakistan and India. But it is imperative to see whether true grounds for such a tussle even exist or not. It could have worried Pakistan to see India flank its western border while already being an irksome presence towards the east if the port of Chabahar belonged to India itself. Seeing that a mere short-term lease has come into place after years of yearning and besieging the Iranians which also limits India's control of the port only to utilization of its economic potential, Pakistan need not worry at all. Flanking Afghanistan the way India has always dreamed of, Pakistan already sits comfortably close to the 'gateway' to the opportune cities of Central Asia.

Pakistan and Iran have long discussed and clarified concerns about Chabahar Port, particularly after the episode of the Indian spy Kulbushan Jadev passing into Pakistani territory from the city of Chabahar. Taking it one step further, President Rouhani reassured that Chabahar is not a rival to the port of Gwadar. Iranian officials have also time and again reassured Pakistan that Iran's soil will never be used against Pakistan. While economic competition is a healthy impetus for progress, Iranian scholars think that Chabahar and Gwadar must not be pitted against one another. Dr. Hadi Soleimannpour, Head, Centre for International Research and Education (CIRES) said at an international

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<sup>7</sup> Taher Shirmohammadi, Wesley Rahn, "Can India challenge China with news Iranian Chabahar Port", *DW*, December 5, 2017, <http://www.dw.com/en/can-india-challenge-china-with-new-iranian-chabahar-port/a-41659083>

<sup>8</sup> <http://dlca.logcluster.org/display/public/DLCA/2.1.3+Pakistan+Gwadar+Port;jsessionid=67DBFDB192E95CDOCE71651BA41FE5CB>

<sup>9</sup> Dipanjan Roy Chaudhury, "India sends first wheat shipment to Afghanistan via Chabahar port", *The Economic Times*, October 30, 2017, <https://economictimes.indiatimes.com/news/politics-and-nation/first-wheat-consignment-from-india-to-afghanistan-via-chabahar-port-flagged-off/articleshow/61320722.cms>

conference in 2017 at ISSI, “Both Gwadar and Chabahar should be complimentary ports, otherwise the potential of resources held by both Iran and Pakistan would be lost.”<sup>10</sup>

With China’s ‘Belt and Road Initiative’ taking off from the ground primarily through the China-Pakistan Economic Corridor (CPEC), the powerful impact of Pakistan’s geostrategic positioning will reach far and wide. Economic cooperation between Iran and India mustn’t alarm Pakistan as it is purely economic, and which only warrants an upsurge of economic activity in Pakistan itself. Although this step increases India’s geostrategic outreach to Afghanistan which gives it a chance to further its anti-Pakistan agenda, but its dream of building a military base will not see light of day as Iran eyes this entire arrangement through a purely economic angle. As far as United States is concerned, the close cooperation between its close ally India and nemesis Iran, is cause for concern. However, no objections have yet been made to this venture by the US, but its dissatisfaction over the nuclear deal and unilateral imposition of sanctions against Iran will hang a sword over India’s head as long as this arrangement lives. As to India’s regional and global ambitions for its access to Afghanistan through Iran are concerned, it cannot replace Pakistan’s transitory potential, as the idea of US or its allies using Iran’s connection for logistic or weaponry transport into Afghanistan is ludicrous.

However, while fretting over this deal is unnecessary, it is important to eye this development crucially. Pakistan and China’s promising economic partnership has great potential for regional prosperity, but it is important to expedite the construction and operation of Gwadar port. It is also important for Pakistan to engage China in trilateral ventures with Iran so that a healthy economic balance is built instead of a petty strategic rivalry. To be able to do that, Pakistan needs to raise its bilateral trade volume with regional countries and to tactfully utilize its geostrategic potential to a full extent.

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<sup>10</sup> <http://issi.org.pk/international-conference-on-pakistan-china-iran-a-trident-of-regional-connectivity-2/>