

Iran: India's New Gateway to Central Eurasia, the Case of the International North–South Transport Corridor

Ghodratollah Behboudi Nejad*
Sanjay Kumar Pandey**

Abstract

Most of the discourses on India–Iran relations are either focused on cultural and civilization links with Iran, or its relevance as an energy-rich nation. Its transit potential in providing India with access to Central Asia has not received adequate attention. While there is a general acceptance that Iran provides India with access to Central Asia, what is little known and thus not analysed is the question: to what extent has India been able to realise Iran's transit potential and what are the major bilateral, regional and international challenges faced by both of these countries for realising that potential? The hypothesis is; Due to its growing economy and the increasing need for energy and access to energy sources and markets in central Asia and Afghanistan, India competes with China and Pakistan on the International North-South transport corridor, which is way more reliable and less costly. Now given its potential and special position, Iran is India's gateway to reach its goals in Eurasia and Afghanistan. The article argues that despite Iran's geostrategic location as well as regional complexities, the Iran–US standoff, security challenges and lack of adequate economic resources, constrain India's efforts to maximise the potential offered by the INSTC land, sea and rail routes connecting India to the Eurasian region through Iran. A new thrust by all regional partners supported by international agencies to revive old links and build new INSTC corridors therefore becomes necessary.

Keywords: Iran, India, Central Eurasia, INSTC, Pakistan.

* PhD Student of International Studies, University of Jawaharlal Nehru behboudi n@mail.com

** Professor, of International studies, University of Jawaharlal Nehru skpandeyj nu@mail.com

Introduction

India's economic growth since the early 1990s came with greater need for energy resources. As domestic supplies remained static, economic liberalization accelerated demands for oil and gas, which are increasingly met by imports, largely from the Persian Gulf and the Caspian region. Until the 1980s, the bulk of demand for oil was met domestically but since the early 1990s most of India's crude oil comes from outside. Various Indian and international estimates suggest that this import dependency will only increase in the coming years. According to *India Hydrocarbon Vision 2025*, a document published by the Indian Planning Commission, 'The gap between supply and availability of crude oil, petroleum products as well as gas from indigenous sources is likely to increase over the years.' The Paris-based International Energy Agency estimates that 90 per cent of India's crude oil need would have to be met through imports by 2030. It also estimates that by 2024 India would overtake Japan as the world's third largest oil importer after the US and China. On the other hand India, one of the biggest importers of raw materials, has long desired overland access to natural gas and mineral-rich Central Asia and Afghanistan. The lack of geographical contiguity, the absence of a suitable transport corridor, and uneven relations with Indian Ocean littoral states that border upon Central Asia have blocked India's access to the area. Of these, the last is the most critical factor. India's relations with Pakistan have always been less than cordial. Relations with Iran have, age-old cultural ties, natural complementarities in the energy and transportation sectors and shared strategic interests in the region. The International North-South transport corridor through Iran helps India to reach central Asia, the Caucasus and Afghanistan.

The increasing cooperation and trade between India and the West has led India to find shorter and cheaper trade routes. Iran, an important Indian partner provides India with such a route.

As a matter of fact, Iran is the second largest oil exporter to India as the amount of oil exportation reaches 425000 barrels of oil every day. On the other hand, India is one of the largest foreign investors in Iran's gas and oil industries. Iran's position as a regional crossroads is a very valuable potential which is pointed out in most viewpoints on Iran, both by Iranians and non-Iranians. Iran's infrastructural facilities for road and rail transportation as well as its ports and trade services such as on loading and offloading, storage and distribution enjoy good potential. From a geopolitical viewpoint, transportation of goods through the North-South Corridor will not only have many benefits for Iran, but will also strengthen Iran's standing in the Caspian Sea region because Iran plays a central role in this corridor. From a strategic viewpoint, this corridor can be used when critical conditions govern international waters and cause problems for shipping, and as such, guarantee

continuation of the free flow of goods. Since Iran is a gravitational center in this corridor, the activation of the corridor will have many benefits for the country. This mechanism is one way to turn Iran's geographical position into a geopolitical position.

Iran is not only stable, but also shares a direct border with Central Asia that, just as importantly, lies on both sides of the Caspian Sea. Iran shares land and (inland) sea borders with Afghanistan, Armenia, Azerbaijan, Turkmenistan and Turkey. Unlike Pakistan, Iran can access Central Asia bypassing Afghanistan. Iran's Chabahar Port, therefore, offers India an ideal Central Asian gateway in addition to the role it can play as a hub for Iran's energy supplies to India. By virtue of its geographical position, Iran has a great potential to play the role of a strategic partner of the Central Asian Republics, as Iran provides their gateway to the Middle and Near East and South Asia. Hence, for developing mutually beneficial politico-economic relations, there are a number of factors of special interest between Iran, India and the CARs. Indian economic strength will depend on this port in the future.

I. Conceptual Framework

One main feature of economic development in the last decade of the 20th century has been the globalisation of markets which brought with it increased demand for the unhindered movement of people, goods and services. In this new environment, transport has become both an economic resource and a servant of economic activity. However, increased demand for mobility can only be satisfied if two important conditions are met. One is the provision of safe and reliable international transport routes and networks. The other is the efficient management of the infrastructure including the 'software aspects' of transport relating to the necessary harmonisation of the documents required as well as their speedy and unadulterated transmission between the parties involved.

The overall competitiveness in a global economy is impaired when transport services are inadequate, with the poorer, peripheral regions often paying the highest penalties in as much as they are kept away from the mainstream of economic activities with related consequences on their social development. This has encouraged the physical development of routes/networks, either through the provision of new infrastructure or a process of upgrading existing national and international infrastructures, so that they can accommodate the increase in traffic volumes.

Wider recognition of the above, combined with improved political stability in most parts of the Asian continent, has made possible the expression of a common desire by the countries concerned to make greater efforts towards bringing fragmented national networks closer together in order to form regional and sub-regional transport systems. However, a study on the development of International North-South corridor shows that Northern Europe – the Russian Federation - Central Eurasia – the Persian Gulf try to establish the feasibility of rail container transport as a possible alternative to shipping between Northern Europe (Scandinavian countries) and the Persian Gulf to serve regions such as the Caucasus region, the Central Asian countries and countries of South Asia such as India with possible shipping connections from these countries to countries in South-East Asia.

The research and the objectives of the research demand to deploy a pattern which would describe the impacts of the variable factors at the center of the analysis. These factors are being offered with respect to the fact that the bilateral political integration of the two states is broadly affected by secondary or external factors. Those factors have a direct link to the interests of the two states because of the interference of the international community in the foreign policies of the states. Moreover, scholars of international studies, attempt to study and understand the international relations and the world order in accordance with the major international relations theories. However, in foreign policy, attention is paid to the relation of two or more role-players as well as the world order.

Conversely, in International Relations theories, world order and relations between major powers cannot be ignored as long as the Indian-Iranian relations are concerned; therefore the foreign policies of the two states have symbiosis with world order.

Additionally, factors such as Cultural and religious similarities in addition to their common history can create a strong deterrent force against the restraining factors. It is remarkable that the most significant economic factor among the empowering factors is the energy security considering India's economic progress and its colossal need of securing energy which can be very vital in the relations of the two states. It is worth mentioning that the methodology of the research is based on an analytical approach rather than a theoretical one. In other words, the research scholar attempts to analyse the relations on the basis of objective indicators such as economic and trade exchanges. Thus, the research is not confined to one International Relations theory but rather it looks at the variety of factors such as economic, geopolitical, cultural, civilizational, spiritual and ideological elements. Thus, it is imperative that the research points at every single aspect of the relations between Iran and India. Meanwhile, if the research had just been based on one single International Relations theory, it would not have been able to grasp the significant factors such as spirituality. Although the research is mostly centered on the core objective of economic indicators, however it does not omit the rest of the factors. Therefore, it should not be a surprise that some analysts would consider the research as being a realistic one and would differentiate between a theoretical structure of the research from an analytical one. The author of the research has used both primary and secondary sources.

II. Iranian-Indian Relations

India shares strong historical and civilizational ties with Iran, Next to Iran, India has the second largest population of Shia Muslims globally (around one quarter of India's 172 million Muslims, or more than 40 million) Iran also has been one of India's major sources of energy .During the last 15 years, however, relations with Iran have become increasingly vexed by the simultaneous growth of indo American ties and Washington's own Iran obsession. Nor have Indians desire to cordial relations with other players in the Middle East, many of whom have their own troubles with Iran, made things easy for New Delhi. During the Afghanistan conflict, India and Iran worked together to back the Northern Alliance Afghanistan, although they have had diverging opinions about the presence of the North Atlantic treaty

organisation (NATO) and American forces. Despite western sanctions, India sought to maintain commercial and energy ties. Still, oil importing from Iran, dipped from 16.4 percent of total Indian oil imports in 2008-2009 to 5.2 percent in 2015 (versa, 2016). The nuclear agreement between Iran and the international community and the removal of sanctions will definitely boost bilateral ties. With the removal of sanctions, Indian oil majors will be more likely to purchase Iranian oil and make investments in Iranian oil fields where they have already made discoveries. This will also help India to expand its options in Eurasia. Due to difficult India-Pakistan relations, Iran has been and will continue to be a crucial part of the Indian strategy toward Central Asia and the Caucasus. The establishment of the INSTC and the participation in the construction of the Chabahar port in Iran have been part of an Indian strategy to connect central Asia while bypassing Pakistan. (Sachdeva (b), 2016:10).

India needs Iran to achieve its varied objectives in Central Asia. Iran, for its part, sees a tremendous complementarity of interest with India. Both states seek to undermine unipolarity, and both states are uncomfortable with the role that the United States has played and will likely continue to play in the Middle East—despite the fact that both states have very different relations with the United States (Robert, 2016).

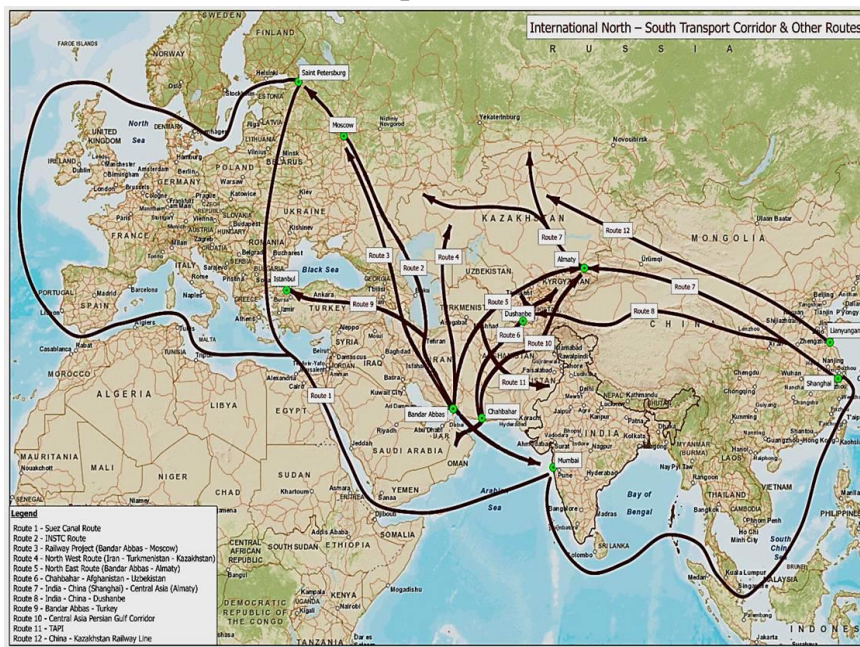
Both Iran and India share concerns about the domestic security situation in the Central Asian states, fear a recrudescence of [Sunni] Islamist power in Afghanistan and elsewhere, and are wary of the multitude of security threats that Pakistan poses to the region and beyond. Iran and India are both optimistic about the commercial benefits of Central Asian markets and hope to share the spoils of the North-South Transit Corridor. Iran will require massive infrastructure investments to extract maximum benefits from this corridor, and India is lined up to provide cost-effective intellectual and material assistance in the development of information technology networks, ports, roads, and rail projects. Both India and Iran see tremendous value in military cooperation, even if to date, few large-scale military interactions have taken place (Christine Fair, 2007:266).

III. International North-South Transport Corridor

India has taken the lead in what it calls kick-starting an international north-south corridor from Iran to Russia via Turkmenistan and Kazakhstan to ensure a seamless connectivity to Central Asia. It should be noted that India wanted this corridor to be operational by 2013. The North-South Transport Corridor is a term used to describe the ship, rail, and road route for moving freight from South Asia to Europe through Central Asia, the Caucasus, and Russia. (Sachdeva, 2016:359) The route primarily involves moving goods from India via ship to Iran. From Iran, the freight moves by ship across the Caspian Sea or by truck or rail to Southern Russia. From there, the goods are transported by truck or rail along the Volga River through Moscow to Northern Europe. In 2001, Russia, Iran, and India signed an agreement to further develop the route. The Government of India had started this project with the view to enhance trade relations between South Asia and Central Asia. The primary step towards trade enhancement was the signing of an understanding Memorandum between India and Iran over the development of the Chabahar port

and transshipment facility at Banadr Abbas and Imam Khomani ports. This "International North-South Transport Corridor" will have its starting point from Mumbai, and via transshipment the goods will reach Bandar Abbas Port in Iran, then a railway link will be established between Iran, Turkmenistan, Kazakhstan, Azerbaijan and it will finally reach Russia. India and Russia will strive to revive the North-South Transport Corridor (NSTC) through Iran that has failed to take off for more than 10 years after the three countries signed an agreement to set up the trade route. This trade route will cut the time of cargo transportation by two-thirds from Indian Ocean areas and the Persian Gulf to Europe, and reduce the price of shipment of each cargo container by 400 dollars. By 2005 Russia, India and Iran plan to double cargo flows, bringing them to eight million tonnes. The distance of the new route in comparison to the previous route is 40% shorter; it means that instead of 45-60 days journey, it will become between 25-30 days, see the map, (Roy, 2013).

Map: INSTC and Alternative Routes



Source: Institute for Defence Studies and Analyses, New Delhi (2016).

Goals and purposes: The goals and purposes sought through the implementation of the North-South International Corridor project include:

- Development of transportation ties among involved countries in order to organize transport of goods and passengers along the North-South International Corridor;
- Increased access by involved countries to global markets through facilitation of rail, road, maritime, river, and air transportation ;(Annual reports,2016).
- Helping to increase the volume of international transport of goods and passengers;
- Ensuring security of traveling, safety of products, and protection of environment in accordance with relevant international standards; and providing suitable conditions for suppliers of all kinds of goods and passenger transport services in involved countries within framework of the North-South International Corridor.

IV. INSTC 21st Century Silk Road

The Silk Road of the 20th century will be the International North-South transport corridor that links India, Iran and Russia. It has environmental, commercial and strategic significance. It will strengthen India's position in Central Asia, and reduce the economic isolation of Central Asia and bring about rationalization of energy trade among Central Asian states. The access to Central Asian states through the ITC will enable India to meet its energy requirements and ensure its energy security.

The International North-South Transport Corridor will connect the ports on the Baltic Sea, chiefly St. Petersburg, to the ports of the Persian Gulf, through the Bandar Abbas and the Chabbahar free zones. The corridor could become the shortest, cheapest and the most suitable route for trade between Asia and Europe. The landlocked countries of Central Asia and the Caucasus region could become sectors of the corridor with easy access to the Chabbahar free zone and the port of Bandar Abbas in the Islamic Republic of Iran. The transit range of the routes within the corridor starts from and ends at locations in Iran.

For India importantly, the INSTC will allow India to bypass Pakistan, a neighbour with which it has contentious relations and is not currently, nor in the near future, a viable option as a transit country. Moreover, in November 2016, the first Chinese shipment of goods successfully passed from the north to the south of Pakistan before being shipped from Gwadar port towards destinations in the Middle East and Africa. It is likely that the launch of the first set of goods from Gwadar, a competitor to Iran's Chabahar port that India has invested in, played a role in the decision to officially begin using the INSTC. (Given that the INSTC found but mild mention in the joint statement issued following the Modi- Putin meeting in early November 2016, it is likely that the Gwadar port was a major determinant in India's decision to start using the INSTC the very next month.)

The INSTC, too, has equal grounds on which to stake such commercial merit—the 2014 dry run showed the newer route to be 40 percent shorter and 30 percent cheaper than the traditional route taken through the Suez Canal. (Embajada, 2010).

Given cheaper costs of transportation, increased competitiveness is another factor that makes an economic case for transport corridors. The INSTC is expected to boost the competitiveness of India's trade. With easier access to unfulfilled markets, there is potential for not just India but other INSTC members to increase production and lower costs. (ESCAP, 2016: 40-41). The chances of this happening are higher, given the more level-playing field among India and the other INSTC members, than compared to, say, China's trading strength—especially given its current overcapacity versus those of most of its trading partners around the world. And yet, as Oleg Larin of the Russian Institute of Strategic Studies points out, it is unclear whether the price of Indian goods that arrive in Russia will be cheaper than Chinese goods that still retain manufacturing competitiveness.

Another aspect of competitiveness is that of the entire route against other emerging overland transport corridors if missing links (such as the Qazvin-Rasht-Astara rail link) are built and non-infrastructure-related hurdles are overcome. The INSTC could compete with other corridors (such as China's Silk Road Economic Belt) as a transit route between Southeast Asia and Europe, for example. ASEAN and the EU are each other's third and second-largest trading partners, respectively;

the INSTC will functionally buttress the bilateral FTAs that have been concluded or else are in the pipeline.

V. Chabahar

India and Iran have expressed commitment in terms of the port use besides strengthening bilateral ties. India has also conveyed its readiness in the interim period between the actual requested India to provide up to 150 activation of the Chabahar Port contract.

India and Iran had signed a pact for the and operate the Chabahar port. The shipping ministry of India and a joint venture will invest \$85 million in developing two cargo berths.

Iran's Chabahar port located on the coast gives access to the energy-rich Persian sources with the Chabahar port becoming functional. (Vinsonies, 2017).

Why Chabahar port is important for India?

Access to Afghanistan: The first and foremost significance of the Chabahar port is the fact that India can bypass Pakistan in transporting goods to Afghanistan. Chabahar port will boost India's access to Iran, the key gateway to the International North-South Transport Corridor that provides sea, rail and road routes between India, Russia, Iran, Europe and Central Asia.

Countering Chinese presence: Chabahar port will be beneficial to India in countering Chinese presence in the Arabian Sea which China is trying to ensure by helping Pakistan develop the Gwadar port. Gwadar port is less than 400 km from Chabahar by road and 100 km by sea.

Iran as Military Ally: With Chabahar port being developed and operated by India, Iran also becomes a military ally to India. Chabahar could be used in case China decides to flex its navy muscles by stationing ships in Gwadar port to reckon its upper hand in the Indian Ocean, Persian Gulf and the Middle East.

Boost to Imports: With Chabahar port becoming functional, there will be a significant boost in the import of iron ore, sugar and rice to India. The import cost of oil to India will also see a considerable decline. India has already increased its crude purchase from Iran since the West-imposed ban on Iran was lifted.

Sustainable Connectivity: Chabahar port will ensure the establishment of a politically sustainable connectivity between India and Afghanistan. This in turn, will lead to better economic ties between the two countries.

Humanitarian Assistance: From a diplomatic perspective, Chabahar port could be used as a point from where humanitarian operations could be coordinated.

Ease of Access: The Zaranj-Delaram road constructed by India in 2009 can give access to Afghanistan's Garland Highway, setting up road access to four major cities in Afghanistan-Herat, Kandahar, Kabul and Mazar-e-Sharif (sameer, 2015).

VI. The Pakistan Factor

Until the 1979 Islamic Revolution, Iran was much closer to Pakistan than to India, which perhaps explains the lukewarm India-Iran relationship. This changed in the 1980s, after Pakistan drew closer to Saudi Arabia and the two promoted Sunni rebels in Afghanistan and even in Iran's Sistan and Baluchestan province. In the mid-1990s, Iran helped India shoot down Pakistan's Kashmir resolution in the Organisation of

the Islamic Conference. Pakistan's refusal to allow India transit rights to Afghanistan and beyond into Central Asia, and the bleak chances for any breakthrough in India-Pakistan relationship, has pushed India to approach other countries. (Kumar, 2016). India fears strategic encirclement by China and as it takes the Chinese building of the road and plans to develop Gawadar port into consideration, India moved ahead with the Chabahar Port Project. The Central Asian region has remained a focus of China and India to establish their respective regional influence. The region, also popularly known as the Heart of Eurasia, is blessed with abundant natural resources and has significant geo-political and geo-economic strategic importance. India made many attempts to reach Afghanistan and Central Asian markets through Pakistan. But Pakistan has always been reluctant. Therefore, Chabahar port would serve as a gateway for India to reach Afghanistan and Central Asian markets, bypassing Pakistan.

On the other hand, in the same way, the Afghan-India trade through Pakistan has remained low due to restrictions set by Pakistan. In this context, Chabahar will provide a getaway from a trade stalemate situation that can be used as an alternative route for Afghanistan to establish trade relationship with India and other countries. So the chabahar infrastructure project has great potential for India to become a game changer in the region (Rahim, 2016).

The Foreign Policy of India, 2015---2020, has highlighted the importance of the International North-South Transport Corridor (INSTC) in expanding India's trade and strategic links with Central Asia. (Falak, Muneer and Riaz, 2016:11). The proposed trade corridor brings tremendous benefits for India towards enhancing trade linkages with the countries in Central Asia and Eurasia. The development of Chabahar port will be an appropriate step in this direction. Once completed, these development projects will open numerous geo-political and economic opportunities for India. It will lead not only to increasing India's leverage in Afghanistan but will also establish its strategic presence in the region. Indian companies will have opportunities to venture into Afghanistan and explore its enormous mineral wealth. In the long term, it will act as a hub for Indian trading operations to venture into the Oil and mineral rich Central Asia. In fact, Iran had land links to Central Asia in the past and its ports offer warm-water sea routes to India.

Free trade zones Iran of INSTC will serve as backdoors for India to reach Central Asia and Caucasus Countries

For India, Iran becomes a backdoor to Central Asia because the Iranian approach is contradictory and ambivalent with regard to general international economic integration. The location zones of the destination with internal complexities discourage any investment or attraction of investment. Iran looks to India to overcome its political isolation from the world. India, in turn, will expect free access to Central Asian regions (Miyagiwa, 2014:187). Thus mutually, India will get backdoor entry to many of the regions of Central Asia and will be able to realize a positive avenue for growth and mutual development. Where the closed door countries open up their vistas to the winds of positive change, perhaps the globe can leave a sigh of relief.

Anzali a priming key factor of INSTC: There are four power stations in Rasht area.

They are namely Rasht, Loshan, hydro power and wind power station of Manjil. There are also extensive distribution networks for the transmission of electricity to the province. The fuel storage tanks store about 200 million liters of kerosene, gasoline and gas oil. They provide fuel to Gilan, Ardebil, and West Mazandaran. The road transport, international airports and ports at Anzali and Astara-Rasht form a network for easy transportation. It has easy access to markets in Azerbaijan on its boundary. (Expert Ra Rating Agency, 2010).

VII. The Afghanistan Factor

One of the factors for India is access to Afghanistan. For the protection of its interests in Afghanistan, India requires a viable access to the country, and, at present, Iran provides India the most viable transit. The Indian Ambassador to Afghanistan, Amar Sinha, stated in July 2013 that India is fully committed to the development of the Chabahar Port as it represents the best option for the transit of Indian goods to Afghanistan (*Press TV*, July 18, 2013). Pakistan, in theory, provides a shorter and more direct route to Afghanistan. In fact, it has previously allowed the use of the Karachi Port a few times for the docking and unloading and onward journey of Indian wheat meant for Afghanistan, under UN auspices (Jyoti, 2013). However, Pakistan has largely refused to provide land transit to Indian goods bound for Afghanistan through its territory. Under the Afghanistan-Pakistan Trade and Transit Agreement, Afghan trucks can carry transit cargo to Pakistani ports and to Wagah, but the same facility is not extended to Indian goods. Rawalpindi has been wary of the growing ties between Kabul and New Delhi, and is keen to restrict India's growing influence in Afghanistan (Sinha and Das, 2013). Denying transit access to India is part of this strategy. As Pakistan has refused to provide land transit to India, the development of a port in Iran can serve as an alternative route to land-locked Afghanistan and Central Asia.

India is among the largest bilateral donor nations to Afghanistan and has contributed with about US\$ 2.5 billion towards the reconstruction of the country since 2001. It is keen to further increase its presence in Afghanistan in the future and to enhance bilateral trade, which at present stands at roughly US\$ 700 million.

Chabahar is well-suited to facilitate this process: goods brought at the port can be easily transported to the Afghan border through a series of roads constructed by the Iranian government, from where they are distributed to different parts of Afghanistan via the Zaranj-Delaram highway (Zachary, 2013). India is also currently negotiating a transit agreement with Iran according to which Indian goods meant for Central Asia and Afghanistan could get preferential treatment and tariff reductions at Chabahar. India's plans to extend the Zaranj-Delaram highway to connect with Uzbekistan should be seen in this context (Zachary, 2013). Similarly, Iranian and Uzbek plans to develop a rail link connecting Chabahar with Termez via Zahedan, Mashhad, Herat and Mazar-e-Sharif will also serve India's purpose of gaining access to Central Asia (*Tolo News*, July 18, 2013).

India's efforts at promoting Afghanistan's integration with the rest of the region are also motivated by its desire to reduce Pakistan's influence in the country. Afghanistan has historically been dependent on Pakistani territory for access to maritime trade from the Arabian Sea, giving Islamabad monopoly on most trade

with Kabul and influence over much of Afghanistan's economic and political life. The Chabahar Port, in that sense, reduces some of Afghanistan's dependence on Pakistan as it provides an alternative access to sea (*Khaama Press*, July 25, 2011).

VIII. The China Factor

India's concerns about China's rising influence in the region are widely seen as driving its Chabahar plans. For instance, it was reported in the Indian media that it was China's decision to operate the Gwadar Port that finally compelled India to announce its investment of US\$ 100 million in Chabahar. It has also been claimed that India's decision to begin working on Chabahar in 2002 itself was a response to China's decision to begin working on Gwadar (Jeffrelot, 2013). There is no doubt that many in India are concerned about the possibility of 'strategic encirclement' by China through its efforts to develop a series of strategically located ports in India's neighbourhood— Sri Lanka, Myanmar and Bangladesh. There is a worry that these trade-oriented ports funded or developed by China could in the future be converted into permanent naval bases. Pakistan's decision to hand over the operation of the Gwadar Port to China in February 2013, 80 percent of which was funded by Beijing itself and which is just 76 km from the Chabahar Port has intensified this concern. Despite clarifications made by the Chinese that Gwadar was not meant to encircle India, India's Defence Minister A.K. Antony stated China's presence at Gwadar was “a matter of concern” for India (*The Hindu*, February 6, 2013).

Recent moves by Pakistan and China to develop a transit corridor from Kashgar in China's Xinjiang province to Gwadar add to these apprehensions (*The Express Tribune*, July 6, 2013). This transit corridor will improve Pakistan's connectivity with China and Central Asia and also provide another outlet to sea for the landlocked Central Asian countries via Pakistan bypassing both Afghanistan and Iran and thereby enhancing the transit potential of Pakistan. Gwadar Port could, thus, potentially challenge India's intentions vis-à-vis Chabahar Port.

India-Iran relations are rather complex. As Iran continues to be important for India, the ties with Washington are also equally important for New Delhi. The Indian move did not go down well with US as well as Israel who did not waste a moment to warn India of its “hasty decision”. In addition to this, the recently concluded agreement was in the form of an MOU - not a formal agreement - with the intention that the MOU will serve as a stepping stone to a formal accord to follow. Thus, considering the ongoing stage of negotiation on the Iranian nuclear deal, the port will certainly take some time to operationalize.

If the nuclear negotiations fail, the Indian investments are likely to be at risk. On the other hand, in case the deal is signed Iran gets various options and will not shy away from bargaining hard to extract a better deal from India.

In terms of using Chabahar as a terminal for export of gas there is also some scepticism about Iran choosing Europe over Asia as a preferred destination. In that case, it needs to be checked what proportion of Iran's gas exports will be heading towards Asia in general and India in particular as Iran can supply Europe through the existing Trans-Anatolian natural Gas pipeline, impinging on Chabahar's importance as an energy hub (clawsin,2016)

Another key factor that will determine the economic rationale of the INSTC is

the financing. Securing INSTC will involve; among other things, keeping in mind what returns on investments to expect. The INSTC is currently a precise project in its scope. Different stretches of the transport corridor and other complementary routes are being funded by different stakeholders instead of being dependent principally on one actor. For instance, the crucial missing Rasht-Astara railway link that connects Iran to Azerbaijan is estimated to cost just over \$1 billion; of this, \$500 million will be provided through a loan from Azerbaijan. Iran and Azerbaijan are now looking to secure the rest of the money. Another actor is the Asian Development Bank, which is to provide a loan worth \$200 million for the construction of the Baku-Yalama (in Russia) rail link (although the bank has “postponed consideration of the possibility of 53 allocating” this sum to this year). The ADB and the Islamic Development Bank have both contributed loans to the Kazakhstan-Turkmenistan-Iran railway link, which is otherwise being funded by the governments of the three countries (sodhi, 2015). India will invest \$500 million to develop the Chabahar port, as well as provide a line of credit to make berths at the port.

The event of a Trump presidency has spawned several questions as to how the new US administration will handle ties with Iran and Russia. The more aggressive stance Trump seems to be taking vis-à-vis Iran (witness the fresh set of sanctions slapped on Iran following its failed medium range ballistic missile test at the end of January) raises concerns about the future of the Iranian nuclear deal—and the impact it will have on Indian businesses and investments in Iran, particularly those staked in the Chabahar project (Shankar,2016). It would be pertinent to engage analysis on what are the implications if Chabahar is taken out of the conversation on the INSTC.

Conclusion

The location of Iran is ideal for India to access Central Asia and the Caucasus. The creation of the North-South Corridor is the best opportunity for India to expand its transit corridor to Iran. The idea of the North-South Corridor has multiple purposes and is, therefore, seen as an opportunity to bypass the East-West Silk Road project. India gains political and economic benefits from trade with Russia, Central Asia, and Iran, perhaps at the expense of Pakistan. India gets access to Russian, Central Asian, and Eastern European markets for its goods and links to a variety of energy import sources. Although India is closest to the Central Asian supply chain and could potentially be the biggest consumer of Central Asian exports, it currently has no toe-hold in the region. The United States would prefer a route via Afghanistan, but it is likely to be a long time before peace returns there and any trade route would be considered safe. Lacking direct access to Central Asia, India sees Iran as a useful gateway to the markets and natural resources of that region. India hopes that it can diversify its energy sources from Central Eurasia, which has long figured imminently in these plans. India believes the Iranian route, therefore, may be the easiest and possibly the cheapest gateway for Central Asian goods. The route would travel some 1,300 kilometres (over 800 miles) through Iran to its warm water ports of Chabahar in the Arabian Sea. The port of Chabahar is a cargo terminal with connections to Central Asia and Afghanistan and the Indian commercial capital of Mumbai. Hence these are ideal trans-shipping points. For India, Iran continues to remain important

for various reasons: energy security, for countering Pakistani Taliban in Afghanistan, for access to trade and transport connectivity with Central Asia and Afghanistan and, to some extent, for managing the domestic political dynamics. India does not want to be a victim of the US policy in West Asia. However, equally important for India is its strategic partnership with the US. In the current context, the real test for India and Iran is to maintain and sustain the current momentum.

The significance of the North-South corridors is increasing as the Trans-European and Trans-Asian transportation networks become more integrated. There is no question that Iran will play an important role in the International North-South transport corridors. Compared to its neighbours, Iran relatively stronger economy and mid-term cash flow potential will make the country capable of accommodating all international projects involving the Persian Gulf, central Asia and South Caucasus.

References

- Christine Fair, 2007. "India –Iran Security: thicker than oil", *Middle East Review of International Affairs* (MERIA) Vol. 11, No. 1, p52. http://www.academia.edu/32869879/Indo_Iranian_Ties_Thicker_than_Oil (Accessed at November 2, 2017).
- Christophe Jeffrelot, , January 7, 2011 .“A tale of Two Ports”, *Yale Global*. <http://yaleglobal.yale.edu/content/taletwo-ports> (accessed July 18, 2016).
- Embajada de la Federacion De Rusia En La Republica De Chile**, 2010 . “International Transport Corridor-21st Century Silk Road”. Available at: http://www.chile.mid.ru/old/apec_03.html. Access: 5/06/2010.
- Expert Ra Rating Agency**.2016. “Astrakhan region”. Available at:<http://raexpert.org/database/regions/astrakhan/>.
- Falak, Jawad and others .2016 . , “**Chabahar india economic gamit**”, *Center for Strategic and Contemporary ResearchCSCR*. WWW.scr.pk/pdf/ib/chabahar.
- Jyoti Malhotra. June 3 ,2013 . “Iran port may give wings to India's ambitions in S Asia”, *Rediff News*, <http://www.rediff.com/news/report/iran-port-may-give-wings-to-indias-ambitions-in-sasia/> 20130603.htm (accessed July 17, 2016).
- Khaama Press**, July 25, 2011. “Iran vows to provide facilities for Afghan traders in Chabahar”, <http://www.khaama.com/iran-vows-to-provide-facilities-for-afghan-traders-in-chabar-port> (accessed July 19, 2016).
- Kumar, V. October 2015. “India and Iran Meet in Chabahar – Part Two: Why India, *Future Directions International*. http://futuredirections.org.au/wp-content/uploads/2016/01/India_and_Iran_Meet_in_Chabahar_Part_Two_Why_India.pdf.
- Miyagiwa, K.1999. “**The Locational Choice for Free-Trade Zones, Rural versus Urban Options,**” *Journal of Development Economics*, (No: 40. 1993): 187; D. Madani, “A review of the Role and Impact of Export Processing Zones,” World Bank Development Research Group, Policy Research Working Paper 2238 (Washington, DC, 1999).
- Mallya, Sameer. 2015. Chabahar Port And Its Implication On Indo- Iran Relations Financing and returns on investment, (daws. In) **claws**. In available at: <http://www.daws.in/1386/chabahar-port-and-its-implication-on-indo-iran-relations-sameer-mallya.html>.
- Ministry of external affairs India 2016*, Policy Planning and Research Division, Ministry of External Affairs, New Delhi, **Annual Report** , accessed at: www.mea.gov.in.
- Press TV, July 18, 2013. “India says Iran's Chabahar Port best for transit of goods to Afghanistan”,<http://www.presstv.ir/detail/2013/07/18/314416/irans-chabahar-indias-top-transit-choice/> (accessed July 20 , 2016).
- Robert, M. Hathaway APRIL 2004. “Strategic Partnership” Between India and Iran, **Wilson Center**, Accessed at: <https://www.wilsoncenter.org/publication/the-strategic-partnership-between-india-and-iran-pdf>.
- Sachdeva G. 2016. **The New Silk Roads, India**, Available at: <https://www.jnu.ac.in/.../New%20Silk%20Roads%20Gulshan%20Sac>.
- Sachdeva, Golshan.2016.India in a reconnecting Eurasia, a report of the CISS Russian and Eurasia Program, **Rowman Littlefield**, NewYowrk Accesses at: <https://www.csis.org/analysis/india-reconnecting-eurasia>.
- Singh Roy, Meena .2013. “India and Iran Relations: Sustaining the Momentum”, Institute for Defence Studies &Analyses (IDSA), **New Delhi Studies**, http://idsa.in/issuebrief/india-Iran_relations_msroy-200513.
- Shankar Acharya, 2016. India s Iran conundrum, **Aspin Institute India** http://www.anantaaspencentre.in/pdf/india_iran_conundrum.pdf.
- Sodhi, H.06 July 2015. **Chabahar –a strategic gateway**, *Centre for Air Power Studies*, Available at: http://capsindia.org/files/documents/CAPS_Infocus_HPS_2.pdf.
- Shishir Sinha and Mamuni Das. July 9, 2013. “India eyes long-term rights to develop Iranian port”, *The Hindu*, <http://www.thehindubusinessline.com/industry-and-economy/logistics/india-eyes-longterm-rights-to-develop-iranian-port/artide4898576.ece> (accessed July 9, 2013).
- Shoab, Rahim .July 2016. **Chabahar The Gains for Afghanistan from Strategic Competition**, University of Sussex, available at: <https://www.researchgate.net/publication/305722521>.

- The Express Tribune*, July 6, 2013. "Nawaz's Beijing visit: Trade corridor tops MoU bonanza", Available at : <http://tribune.com.pk/story/573220/nawazs-beijing-visit-trade-corridor-tops-mou-bonanza/> (accessed July 6, 2017).
- The Hindu*, February 6, 2013. "Chinese presence at Gwadar Port is a matter of concern: Antony", <http://www.thehindu.com/news/national/chinese-presence-at-gwadar-port-is-a-matter-of-concernantony/article4386103.ece> (accessed July 23, 2017).
- Tolo News*, July 18, 2013. "ChahBahar Port to Facilitate Strong Trade Ties Between Afghanistan, India and Iran", , 2013. <http://www.tolonews.com/en/afghanistan/11261-chah-bahar-port-to-facilitate-strong-trade-ties-betweenafghanistan-India-and-Iran> (accessed July 18, 2014).
- United Nation, Economic and Social Commission for Asia and the Pacific 2015. (ST/ESCAP/2556), **Policy Framework for the Development of Intermodal Interfaces as a part of an Integrated Transport Network in Asia.**
- Vinsonias. 2017. India, Iran Call for Early Operationalisation of Chabahar Port
Accessed at: <https://www.ndtv.com/india-news/india-iran-call-for-early-operationalisation-of-chabahar-port-1734660>.
- Warikoo, K .2016. "Central Asia and South Asia: Opportunities and Challenges", vol.72, No.1pp.1-15, <http://journals.sagepub.com/doi/pdf/10.1177/0974928415618751> (Accessed September 8, 2017).
- Zachary, Keck. 2013. "India's Afghan Power Play, Via Iran", *The Diplomat*, April 4, 2013 <http://thediplomat.com/Pacific-money/2013/04/04/India's-afghan-power-play-via-Iran/> (accessed July 17, 2015).
- Verma.Nidhi.2016."India Dec oil imports up 7 pct/y/y –trade data", *Reuters*, January 15, 2016, <http://in.reuters.com/artide/India-oil-impotrs-idINL3N14Y59G>.