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The Chabahar Gambit: India's Play for Influence in Central Asia

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Abstract

Recent geopolitical disruptions and India's geoeconomic and geopolitical ambitions necessitate the building of new, more reliable multimodal trade corridors. This report examines the strategic importance for New Delhi of the ten-year agreement on Chabahar Port in Iran, and how it aligns with India's 'Connect Central Asia Policy'

and historical ties with the region. The Chabahar Port, along with the International North-South Trade Corridor (INSTC), offer India a resilient alternative for trade with Central Asia and beyond.

Introduction

The Russia-Ukraine war and the unrest in West Asia have disrupted traditional connectivity routes, causing unprecedented energy and food shortages and impacting emerging economies like India. It is urgent for India to take remedial steps, more so considering its ambitious economic growth targets. India aims to grow its economy to US\$10 trillion by 2030, and further to US\$15 trillion by 2034, through increased foreign direct investments and a surge in manufacturing activity. The Chabahar Port and the International North-South Trade Corridor (INSTC) are crucial in this context.

These two initiatives, which involve the development of new seaports, rail corridors, and maritime transport links to Eurasia, are not just about responding to the disruptions; they are also two of the cornerstones of India's geopolitical

and economic strategies and keys to achieving its growth targets. The escalating geopolitical tensions among global powers and emerging geo-economic and geostrategic challenges further underline the need for India to establish resilient, reliable, and diversified supply chains and sustainable transportation connections.

New Delhi is also determined to bolster political, economic, and cultural ties with the Central Asian Republics (CARs) through these connectivity projects, leveraging its rich historical and cultural relations with these hydrocarbon-rich regions that can be traced back to the era of the ancient Silk Road. The Silk Road, an extensive network of routes and highways, connected India and Central Asia for over 2,000 years, serving as a trade route and a conduit for cultural, religious, and philosophical exchanges.¹

Strategically, the CARs sit at the heart of Eurasia and have served as a pivot for geographical transformations within the ‘world island’. As geographer Halford Mackinder has observed, he who controls the heartland controls the world.^a In addition, the vast hydrocarbon resources of Kazakhstan and Turkmenistan make them vital areas of influence for global powers. India is also trying to expand its influence in the region.

However, India’s strategic, economic, and cultural interests have been curtailed by Pakistan’s refusal to allow it passage through its territory. The Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline, which promised to meet the increased energy demands of a fast-growing India, has been stalled since 2006. Unsurprisingly, Beijing has used the hostility between New Delhi and Islamabad for its parochial hegemonic

pursuits through the much-hyped Belt and Road Initiative (BRI). Through the BRI’s flagship programme, the China-Pakistan Economic Corridor (CPEC), China has ignored New Delhi’s sovereignty and integrity concerns in the disputed area of Pakistan-occupied Kashmir. China’s growing encirclement of India’s northern territory through the CPEC forced New Delhi to fix its strategy towards Eurasia, particularly the CARs. The Chabahar port is considered a ‘golden gate’ for the landlocked CARs and Afghanistan to access the Indian Ocean.² It also provides New Delhi with the shortest and fastest route to the whole of Eurasia, including the CARs, for trade and commerce.

This special report assesses the likely impact of India’s recent 10-year deal with Iran—signed in May 2024—on the Chabahar port, and how it will shape India’s relations with Eurasia, in general, and Central Asia, in particular.

a According to Mackinder, the “world island” comprises Europe, Asia, and Africa, containing two-thirds of the earth’s terrestrial surface. He believed that controlling the heartland of the world island, which includes the Central Asian River basins and the two seas, would mean controlling the world. See Halford J. Mackinder, “The Round World and the Winning of the Peace,” *Foreign Affairs*, 1943. <https://www.jstor.org/stable/20029780>

The Centrality of Connectivity in India-Central Asia Relations

After the collapse of the former Soviet Union, and the emergence of five Central Asian republics—Kazakhstan, Kyrgyzstan, Uzbekistan, Turkmenistan, and Azerbaijan—in 1991, India quickly established diplomatic relations with them and provided much-needed financial assistance. Soon, the two regions exchanged diplomatic visits at the highest levels. In 2012, New Delhi unveiled its ‘Connect Central Asia Policy’ to strengthen bilateral and multilateral relations with the region.³ New Delhi looked towards the CARs, with their abundant natural resources, as long-term partners for its energy security. It also sought to deepen cultural connections with the whole of Eurasia. This strategic hydrocarbon-rich region was firmly placed in India’s zone of interest following Prime Minister Narendra Modi’s visit to all the CARs in 2015. The prime minister’s visit

was reciprocated through official visits to New Delhi by the presidents of Tajikistan, Kyrgyzstan, and Uzbekistan, which showed the mutual desire of both regions to strengthen bilateral and trilateral engagements.⁴

New Delhi started the India-Central Asia dialogue at the foreign ministers’ level in 2019.⁵ This annual dialogue has become a platform to discuss regional security issues and enhance trade and economic engagement. In 2020, India also started a credit line of US\$1 billion for infrastructure development in the CARs. Taking forward the bilateral relations, in 2022, the prime minister of India and the presidents of the CARs held a virtual summit coinciding with the 30th anniversary of diplomatic relations. The outcome Delhi Declaration has become the cornerstone of future ties between New Delhi and the CARs.⁶

New Delhi and the CARs have also utilised multilateral forums to enhance their strategic and economic relationship. After 12 years of Observer status, India became a full member of the Shanghai Cooperation Organisation (SCO) in 2017. New Delhi and the CARs have used the SCO platform to deepen engagement and promote reliable, resilient, and diversified supply chains that still need better connectivity, but with full transit rights and respect for member countries' sovereignty and territorial integrity. On the economic front, India has started negotiating a Free Trade Agreement (FTA) with the Eurasian Economic Union (EEU), which includes Kyrgyzstan and Kazakhstan. The

group submitted a feasibility report in 2017; in March 2024, senior officials of India and member countries of the EEU met to start talks on the FTA.⁷

In most of these engagements between New Delhi and the CARs, the issue of direct connectivity, to increase economic engagement and trade, was discussed at length. The CARs and India have been making bilateral and multilateral efforts to achieve direct connectivity through Chabahar, as shown in Table 1.

Table 1: CARs-India Diplomatic Engagements on Chabahar and Connectivity

Year	Meetings	Discussions
2019	India-Central Asia dialogue at the foreign ministers' level	More efficient connectivity
2020	Uzbekistan, India, Iran - trilateral summit	Chabahar port trade and transit, enhancing regional connectivity
2021	Chabahar Day - India, Afghanistan, Armenia, Iran, Kazakhstan, Uzbekistan, and Russia	India proposed inclusion of Chabahar in the INSTC route
2021	Third meeting of the India-Central Asia Dialogue	Chabahar Port inclusion within the framework discussed further
2021	Second Trilateral Summit on Chabahar	Underlined the critical role of Chabahar

Year	Meetings	Discussions
2021	External Affairs Minister Dr S. Jaishankar with Tajikistan counterpart	Chabahar Port Discussed strengthening regional connectivity
2021	Prime Minister Modi's meeting with foreign ministers of CARs	Discussed connectivity for trade and enhanced economic cooperation
2022	India-Central Asia Virtual Summit	Decided that Chabahar Port and Turkmenbashi Port would be included in the INSTC to facilitate direct trade with India.
2022	India-Uzbekistan foreign office consultations	Both sides agreed to exploit the full potential of Chabahar port
2022	Bilateral between Prime Minister Modi and the President of Uzbekistan	Greater usage of the Chabahar Port and the INSTC
2023	India-Central Asia Joint Working Group on Afghanistan	Assistance to Afghanistan through Chabahar Port

Source: Author's own

The Rise of Chabahar Port

In 2015, India's then Minister of Shipping Nitin Gadkari, and Iran's Minister of Roads and Urban Development, Abbas Akhouni, signed a memorandum of understanding (MoU) to develop the Chabahar deep-sea port in the Sistan-Baluchistan province. The suggestion had been made in 2003 but the project was stalled because of sanctions on Iran.⁸ The port is strategically positioned in the open sea beyond the Strait of Hormuz, one of the three 'choke points' in the Indian Ocean. Its location ensures it remains unaffected by any Gulf or West Asian conflicts. Additionally, Chabahar Port is barely 550 nautical miles (nm) away from Mundra and Kandla ports in the Gulf of Kutch in Gujarat and only 780 nm from Jawaharlal Nehru Port in Maharashtra.^b A container ship can cover this distance in two days or less.⁹

In 2016, during Prime Minister Modi's visit to Iran, the two countries signed an agreement to develop two terminals of Chabahar port, with New Delhi investing US\$500 million.¹⁰ Chabahar has two port complexes, the Shahid Kalantari and Shahid Beheshti. The Aria Banader Iranian Port and Marine Services Co (ABI) of Iran and India Ports Global Ltd. (IPGL) of India signed a contract to equip and operate two terminals at the first development phase of the Shahid Beheshti complex.

The consequent development of the Chabahar port reflects New Delhi's ambition to directly connect with the resource-rich markets of Central Asia, the Caucasus region, and Afghanistan. In October 2017, New Delhi sent wheat to Afghanistan via Chabahar.¹¹ After its completion, the first phase of Chabahar was inaugurated in December 2017 by then Iranian President Hassan

b 1 nm equals 1.85 km.

Rouhani in the presence of officials from 17 countries. In 2018, Iran leased out the Chabahar port’s operational rights to IPGL for 18 months. India also provided the port with six mobile harbour cranes, two of which can handle 140 tonnes and four that can handle 100 tonnes, along with other equipment valued at US\$25 million.¹²

The port is being developed in four phases and is designed to handle 82 million tonnes of cargo annually upon completion, thus making it suitable for future maritime shipping and container handling needs. New Delhi intends to expand the port’s current cargo handling capacity from eight million tonnes to 18 million tonnes in the next phase.¹³ It also more than doubled the total budgetary allocation for Chabahar from INR 450 million in 2019-20 to INR 1 billion in 2020-21. From 2021-22 to 2024-25, fiscal allocation

has remained at INR 100 crore for each financial year.¹⁴

Between 2019 and 2021, 123 vessels and 1.8 tonnes of bulk and general cargo passed through Chabahar. By August 2022, the terminal had handled over 4.8 million tonnes of bulk cargo, including trans-shipments from Bangladesh, Brazil, Australia, Germany, the United Arab Emirates (UAE), and Russia.¹⁵ Since then, more than 90,000 20-foot equivalent units (TEUs) of container traffic and more than 8.4 MMT of bulk and general cargo have been handled by the port.¹⁶

Table 2: Cargo Handling at Chabahar Port (2018-19 to 2023-24, in TEUs of Container Traffic)

Financial Year	Container Traffic in TEUs
2018-19	225
2019-20	5,782
2020-21	8,110
2021-22	1,478
2022-23	9,126
2023-24	60,088

Source: Author’s own, using various government and media reports.

The port has seen steady growth in container traffic and general cargo, but for a dip in 2021-22, presumably due to the COVID-19 pandemic. In 2023-24, it handled 60,088 TEUs compared to 9,126 in 2022-23, an increase of 558 percent. In the first half of 2024, the Shahid Beheshti terminal alone handled 25,788 TEUs, with bulk cargo crossing the 1.5 MMT mark.¹⁷ The trade flow through Chabahar has increased because of its integration with a special free zone and various

New Delhi initiatives such as concessions on vessel-related charges and cargo handling charges. According to India's Shipping Ministry, the port witnessed an increase of 43 percent in vessel traffic and a rise of 34 percent in container traffic in 2023-24.¹⁸

Long-Term Contracts and their Economic Rationale

Chabahar port has seen its share of challenges, especially on the issue of arbitration in case differences arise over its administration, with Iran earlier refusing to accept an international arbitration framework. As a result, since 2018, India could only sign temporary, single-year contracts with shippers,¹⁹ which was a disincentive for those seeking a permanent arrangement. Iranian port authorities and their Indian counterparts held many joint working group meetings to resolve the issues. In August 2023, Prime Minister Modi discussed the matter with former Iranian President Ebrahim Raisi on the sidelines of the BRICS Summit in Johannesburg.²⁰ Finally, with the arbitration matter resolved, on 13 May 2024, in the presence of India's Minister of Ports, Shipping, Waterways and Roads Sarbananda Sonowal and Iran's Urban Development Minister Farzaneh Sadegh, India's IPGL and Iran's Port and Maritime Operations (PMO) signed a 10-year contract for India to operate the Shahid Beheshti

terminal. Under the deal, IPGL will invest US\$120 million to spur the next phase of development of Chabahar and provide a US\$250-million credit line for further project development, with plans to build 32 jetties.²¹ India will also procure new equipment, including reach stackers, forklifts, and pneumatic unloaders, which are required to expand port operations.

India's External Affairs Minister S. Jaishankar maintains that the 10-year deal would "clear the pathways for bigger investments to be made in the port" and accelerate the cargo handling capacity of the port.²² Both parties have agreed to arbitration under the rules framed by the UN Commission on International Trade Law (UNCITRAL). This will boost the confidence of shippers and investors to engage and invest more significantly in the port.

Strategic Necessity

Since the start of the 21st century, China's Eurasian initiatives have supported its global ambitions and addressed domestic economic and political concerns. The Communist Party of China (CPC) aims to overtake the United States (US) as the world's leading economic power by 2049. Domestically, China has faced severe overcapacity challenges because of excess production of iron, steel, cement, aluminium, and other building materials. It wants to convert this challenge “into an opportunity by ‘moving out’ this overcapacity on the basis of its development strategy abroad and [its] foreign policy”, as analyst He Yafei writes.²³ It was this strategy that led Chinese President Xi Jinping to unveil the BRI in 2013—an infrastructure development effort to encourage Chinese firms to invest in foreign countries using loans from Chinese

state-owned banks. Through the BRI, China seeks to gain control of strategic ports, natural resources, and land in debt-trapped countries by transferring technologies and providing aid for infrastructure development via a closed process.

After 1991, Beijing was able to draw the CARs into its economic and geopolitical orbit as their engagement with the outside world was then still inadequate. China has invested in the region's hydrocarbon resources and constructed a number of pipelines. Currently, China imports 30 percent of its natural gas, most of it from Turkmenistan, through pipelines connecting Beijing and Shanghai with Central Asia.²⁴

In 2023, China's trade with the CARs reached US\$89 billion.²⁵ Yet, the BRI investments have failed to integrate the region with China because of their obvious parochial economic and strategic interests. According to a December 2023 World Bank report, the CARs remain the least connected economies of the world.²⁶

Under CPEC, a flagship project of the BRI, Beijing has invested around US\$62 billion in Pakistan. As noted by Xi, it has immense strategic and geopolitical value for China, as it is located where the Silk Road economic belt meets the 21st-century maritime Silk Road.²⁷ The CPEC spans Pakistan-occupied Kashmir and encircles India's northern territory. Its strategic relationship with Pakistan also serves to counter the growing US-India strategic regional cooperation.²⁸ Additionally, since 2000, Beijing has built 38 ports in different parts of the world to increase its global economic and security footprint. China also has stakes in 78 existing ports and 43 more either planned or under construction within the domains of BRI.²⁹ Some of these ports constructed in South Asia can be viewed under the 'string of pearls' theory.³⁰

One of these strategic ports at Gwadar in Pakistan was handed over to a Chinese operating company in 2013. The Gwadar port has since become the heart of the CPEC, signalling Beijing's maritime ambitions in the Indian Ocean.³¹

The Chabahar port is vital to New Delhi's strategy of enhancing regional connectivity, economic growth, trade, and geostrategic influence in its nearby and extended neighbourhood, while also countering Beijing's expanding presence. Chabahar is about 170 km away from the Chinese-backed Gwadar port. Thus, it is seen as a strategic play that limits Beijing's growing influence in the Indian Ocean wielded through the BRI. Despite its reservations about the Iranian regime, the US, concerned about China's growing influence in the Gulf region, views the Chabahar port as a crucial counterbalance. In 2018, New Delhi obtained waivers from the US vis-à-vis Iran to develop Chabahar and other infrastructure projects.

Economically, the Chabahar port provides India with much-needed access and direct connectivity to Central Asia, bypassing the China-Pakistan axis. Given India's growing economic footprint, Central Asia has many opportunities for Indian goods and services. Given the region's rich resources of hydrocarbon energy and critical minerals like uranium, Chabahar can also serve as a crucial import point and a dependable supply chain that reduces reliance on traditional West Asian markets. Kazakhstan holds the second-largest uranium reserves in the world (after Australia), while Uzbekistan ranks fifth in uranium production.³² As per its 2015 agreement with India, Kazakhstan was obligated to supply it with 5,000 tonnes of uranium from 2015 to 2019.³³ With the supply deal renewed till 2024, an estimated 80 percent of India's uranium requirements come from Kazakhstan.³⁴

Chabahar port has the potential to become a transit hub, connecting India with Central Asia, the Southern Caucasus, Europe and Russia, via the INSTC. First proposed in 2000, and now ratified by 13 countries, the INSTC, once complete, will decrease transit time by 40 percent and freight cost by 30 percent compared to the Suez Canal

route. Its eastern corridor^c will use direct rail links through Kazakhstan and Turkmenistan with access to the Iranian railway network at the border crossing of Sarakhs and Inche Burun, close to the Turkmenistan border. This will give the CARs direct access to the Arabian Sea and Indian ports via Iran.³⁵ The western route will connect India to Azerbaijan and Russia via the western coast of the Caspian Sea. In Baku, the western route will connect to the middle corridor going towards Europe.

Work on the missing links of the INSTC was disrupted by the sanctions imposed on Iran from 2018. Western sanctions also affected trade along the northern corridor of Russia following the Ukraine war from February 2022, forcing Moscow to invest in the Western INSTC. In May 2023, Russia and Iran accelerated the construction of a 164-km railway line connecting the Iranian cities of Rasht and Astara via Anzali, with Russia giving Iran a US\$1.4-billion interstate loan; the line will be completed in 2027.³⁶ Still, in July 2022, the first shipment from Russia's Astrakhan Port using this route reached India's Jawaharlal Nehru Port.

c The INSTC has three corridors—eastern, middle, and western.

In 2023, 19 million tonnes of cargo were transported along the Eastern and Western corridors of the INSTC, compared to 14 million tonnes in 2022. Out of the 19 million tonnes, 12.5 million tonnes were transported by rail.³⁷ However, most cargo transportation was intraregional and towards Iran's Bandar Abbas port.

In June 2017, New Delhi acceded to the Customs Convention on International Transport of Goods under the cover of TIR Carnets^d to streamline the transport of goods between India and Central Asia via Iran and reduce transit time. In February 2018, India also joined the Ashgabat Agreement, a multi-modal transport agreement which includes Iran, Oman, Turkmenistan, and Uzbekistan.³⁸ India has explored options to connect Central Asia via Chabahar port; however, the crucial 628 km-long Chabahar-Zahedan

railway line has been delayed due to sanctions, as New Delhi had to pull out of this strategic railway project. Iran has proceeded with the track-laying process, and this crucial line is scheduled to be completed this year.³⁹ This will enhance Chabahar's potential as a gateway to Central Asia and Eurasia as the line will connect to the INSTC and the Iranian railway system.

Connectivity through Chabahar will boost trade with Central Asia and the South Caucasus region. Currently, trade is only at US\$5 billion, but the trade potential was estimated at around US\$170 billion in 2017. This includes US\$60.6 billion in Indian exports to Eurasia and US\$107.4 billion in India's imports from Eurasia.⁴⁰ Given India's economic development pace, the trade potential would have more than doubled by now.

d TIR, or Transports Internationaux Routiers (French for 'international road transport') is a globally accepted Customs document that allows goods to move across international borders.

The CARs Perspective

The Russia-Ukraine war has forced Central Asia to look for new partners like India. The CARs are seeking closer ties with India through increased diplomatic channels, frequent reciprocal visits, and signing of agreements. Since 2015, they have shown interest in connectivity with India via Chabahar and the INSTC. One indication is their admitting of India into the Ashgabat Agreement, which allows India to use the existing land connectivity in Central Asia and Eurasia, such as the Kazakhstan-Turkmenistan-Iran (KTI) railway line. New Delhi, in turn, has provided a line of credit of US\$1 billion to the region for infrastructure development, including projects such as Tajikistan's Dushanbe-Chortut highway.⁴¹


Ever since they broke away from the erstwhile Soviet Union in 1991, the CARs have worked to achieve strategic autonomy in connectivity, security, and trade through a multi-vector foreign policy and are relatively isolated. This has led them to align closely with China, even as anti-Chinese sentiments are rising in the region. CAR citizens are worried about debt diplomacy, encroachment of land resources, and the increase in private Chinese security companies in the region, deployed to safeguard the BRI and Chinese economic interests. However, the most important factor contributing to the rising anti-Chinese sentiments is the mistreatment of Uyghur, Kyrgyz, Kazakh, and other Muslim minorities living in China's Xinjiang province.

Unlike China with its hegemonic pursuits and parochial economic interests in BRI-led infrastructure projects, India has always emphasised reliable, resilient, and diversified supply chains with full rights of transit. Most India-led connectivity projects have also underlined consultative, transparent connectivity that respects territorial integrity and sovereignty.⁴² With the ongoing war in Ukraine, Beijing has tried to increase its heft over the region but the CARs have reinforced their resources and diplomacy to look for new partners in connectivity, trade, and security. The CARs are making strides towards new resilient connectivity corridors like the Middle Corridor, which directly connects the region with Europe via the South Caucasus.⁴³

Wedged between China and Russia in the post-Soviet era, the CARs view Chabahar port as an opportunity to diversify their export markets. The port will directly connect them to markets in South Asia, West Asia and beyond, for trade and geostrategic purposes. Primarily, the CARs aim to enhance economic ties with New Delhi and improve connectivity with India via Chabahar.

Conclusion

A confluence of geopolitical shifts, economic aspirations, and historical ties with the region has made Chabahar a pivotal strategic and geopolitical tool in India's foreign policy. The port is not just a maritime gateway and a cornerstone for New Delhi's economic ambitions but also a strategic counterbalance to Beijing's policy in the Indian Ocean. The recent 10-year deal on Chabahar signals an extended vision of New Delhi to solidify its position as a reliable and responsible partner in the region. With the global order undergoing tectonic shifts, the port, along with the INSTC and the Middle Corridor, are becoming more salient.

Despite India's aspirations to develop the Chabahar port, it still has numerous challenges to overcome. These include issues with infrastructure development, bureaucratic hurdles, and geopolitical tensions that are hindering ports connectivity with the INSTC. To address them, New Delhi must demonstrate a sustained commitment to using diplomatic efforts and making strategic investments with like-minded Western partners. The port enables New Delhi to establish itself as a regional maritime power and a significant player in Eurasian geopolitics and geo-economics. It will benefit India and contribute to regional stability, economic growth, and improved connectivity. 

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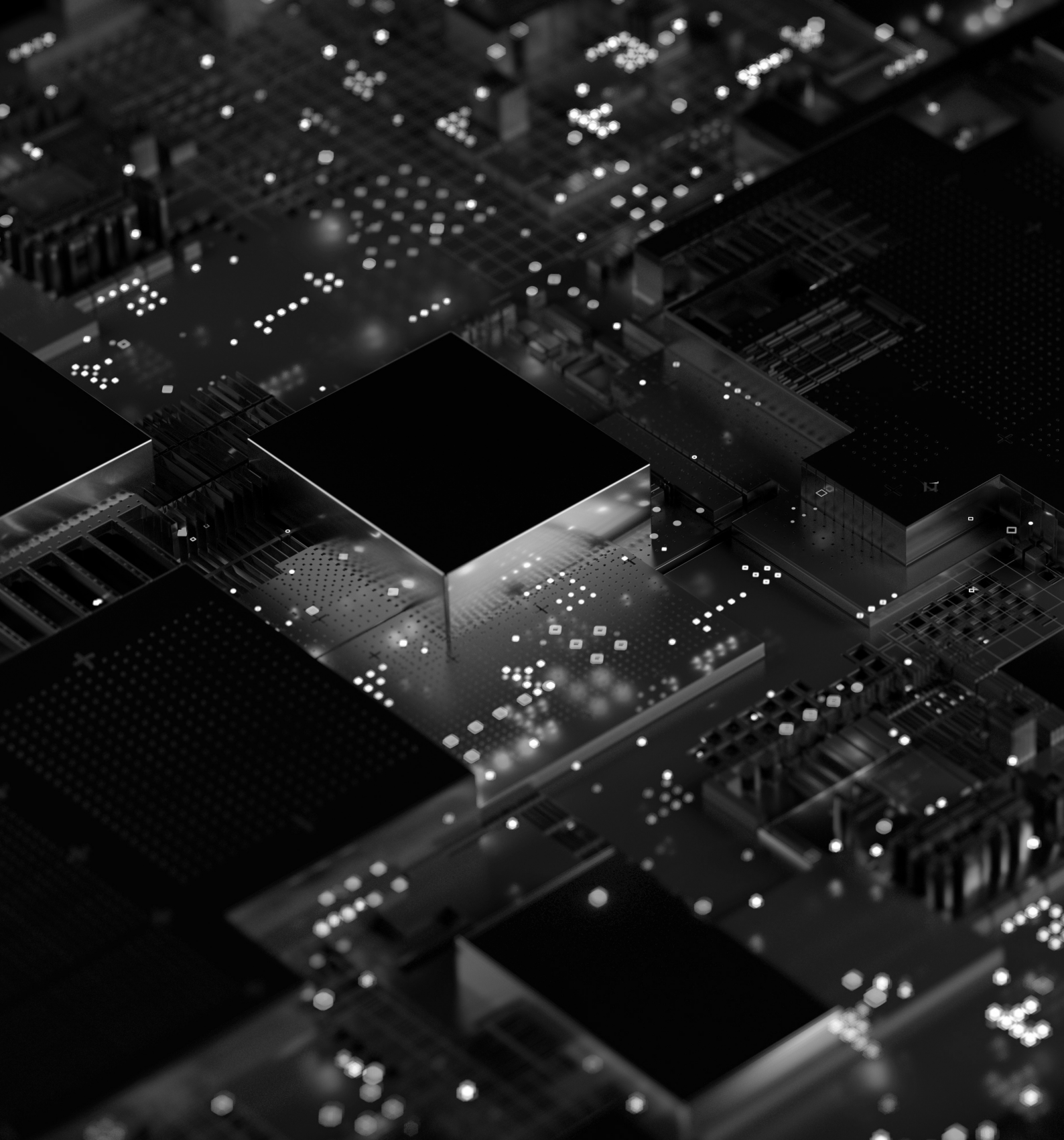
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