Bypassing Pakistan: Afghanistan, India, Iran and Chabahar

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Key Points

- The Chabahar Agreement between India and Iran could be a regional game changer.
- It could assist India to enhance its energy security and give it access to Central Asia, bypassing Pakistan.
- Iran could, through this agreement, expand its energy market share and its regional influence at the expense of arch-rival, Saudi Arabia.
- Afghanistan could gain an alternative to Pakistan for its maritime access.

Summary

It was recently reported that Afghanistan, India and Iran have reached a consensus, called the Chabahar Agreement, which will give India access to Afghanistan via the port of Kalantari in the Iranian city of Chabahar that is located on the coast of the Gulf of Oman, thus bypassing Pakistan. This is a major strategic gain for India for, not only will it give New Delhi immediate access to Afghanistan, it will, in the longer term, provide it with access to the energy resources of Central Asia. It will enable India to bypass the necessity of negotiating with Pakistan on constructing an oil and gas pipeline from Turkmenistan through Afghanistan and Pakistan, where it could possibly have been at its most insecure, and possibly aid in balancing China to an extent in that region, as well as in Iran. Indian products
can now be exported to Afghanistan without having to take into account India-Pakistan relations that have been, at best, beset by mutual suspicions. The two countries have gone to war three times and fought an undeclared war in 1999. The Pakistani army, having been defeated in each of those by its arch-rival, has sought every opportunity and used every instrument it could to bring down most, if not all, efforts by the governments of the two countries to mend their differences, including asymmetric warfare. By constructing a pipeline within Iran to Chabahar and from there shipping energy products to India, New Delhi can negate the risk inherent in having a pipeline pass through Pakistan, which could have been held to ransom in times of heightened tension or, worse, permanently damaged. Landlocked Afghanistan, for its part, now gains direct access to the sea, thus permitting it to enhance its own export industry. Iran, likewise, stands to gain from creating a major market for its energy products in India without the latter having to worry about conforming to US-led sanctions on the former. While this enables Tehran to erode Saudi market share, it also enables India to diversify its energy sources, thus reducing its reliance on Saudi oil imports. 

In short, the trilateral Chabahar Agreement has the potential to change the regional dynamic to a significant extent.

Analysis

India first began meeting with Iran about gaining access to the Chabahar port in 2002, following which it constructed the 215-kilometre stretch of road that linked the Garland Highway, so-called because of its loop or garland shape, from Kabul to Kandahar and then onto Herat to the town of Zaranj, which lies on the Afghanistan-Iran border. This gave Afghanistan an alternative route to a port, thus reducing its dependence upon Pakistan for access to maritime routes. New Delhi, which, with Beijing, has special dispensation allowing it to purchase limited quantities of Iranian energy products during the period that the US-led West had imposed sanctions on Tehran, was reluctant to go against those sanctions and thus endanger its trade with the West. It therefore lost a
decade in developing the Chabahar connection despite intermittent discussions between the two countries. A trilateral working group was, nevertheless, established between the two countries and Afghanistan in August 2012. The **objective** of the meeting was ‘to explore ways to expand trade and transit co-operation, including investment, among the three countries starting with the Chabahar Port.’

The start of the negotiations between Tehran and the P5+1 over the Iranian nuclear programme saw New Delhi renew its efforts to gain access to Chabahar port and, in 2015, when the Iran-P5+1 negotiations were close to being concluded, India’s Minister for Shipping, Nitin Gadkari, reached an agreement with Iran to lease two berths at Chabahar to be used as multi-purpose cargo terminals for US$85 million. The project gained further impetus when Indian Prime Minister Narendra Modi met with Iranian President Hassan Rouhani on the side-lines of the Shanghai Co-operation Organisation summit in Ufa, in July 2015. A few weeks after the Joint Comprehensive Plan of Action was announced by the P5+1 and Iran in Vienna that same month, the Iranian Foreign Minister, Javad Zarif, travelled to India to discuss Chabahar, along with other issues. In the meantime, Afghanistan and India also held bilateral discussions on the issue of Chabahar, among others, over the last year and Afghan Chief Executive Abdullah Abdullah visited Chabahar in January of this year. In February, during a visit to New Delhi, he reiterated Afghanistan’s interest in seeing the development of the Chabahar project, and stated that, ‘The development of Chabahar port in Iran is key to India-Afghanistan trade. It can act as a gateway towards opening new energy and trade routes not only in Afghanistan, but in Central Asia as well.’ In February, the Indian Cabinet **approved** the provision of US$150 million credit to Iran to construct new jetties and berths at the port and Dharmendra Pradhan, India’s Minister of State (I/C) for Petroleum and Natural Gas, visited Iran from 9-10 April, during which he **announced** that Indian organisations were willing to invest an estimated US$20 billion in petrochemical and fertiliser plants, including in the Chabahar SEZ, either through joint ventures between Indian and Iranian public sector companies or with private sector partners. India **hopes** that it will have full access to the port by December of this year. India will, additionally, provide Iran with steel railway tracks worth around US$400 million to develop the Chabahar-Zahedan railway link.

**The Geo-Strategic Rationale**

A major motivator of India’s wish to have access to Chabahar Port is its desire to counter Pakistani influence in Afghanistan. Afghanistan has, up to now, been dependent upon Pakistani ports for access to the sea and it has had to comply to a degree with Pakistan’s Afghan policy, which is formulated to a very large extent by the Pakistani Army. The maritime access that Chabahar now gives Afghanistan means that Kabul can formulate its policies independent of its concerns about Pakistan. The fact that India has helped it to do so will only strengthen Afghan-Indian ties, already traditionally strong, even further. It is these ties, coupled with the physical access that Chabahar affords, that will allow India to make further inroads into Afghan markets, which will, in turn, increase its influence in Kabul and give it further access to energy-rich Central Asian countries such as Turkmenistan, which will enable New Delhi to begin to focus on countering China’s influence in the region.
It is to be noted that while Russia and China may be seen to co-operate elsewhere in the world to balance the US, theirs is a marriage of convenience. Beijing and Moscow do not trust each other to any large degree and Chinese President Xi’s legacy-driven New Silk Road project, which is designed to run through Central Asia to the rich markets of Western Europe, has long been a source of irritation to Russian President Putin, who sees the former Soviet Republics of Central Asia as Russia’s zone of influence. While Russia will not be overly pleased to see yet another actor in the region, it has had strong strategic ties with India and does not believe that India seeks to play a zero-sum game for influence in the region as China does. To this extent at least, Moscow will likely prefer to have an ally in Central Asia to offset China’s growing influence there.

Apart from increasing its influence in Central Asia, New Delhi will wish to have access to Turkmen gas. If, as it plans, New Delhi constructs an undersea oil and gas pipeline from Oman to its western state of Gujarat, it could pipe Iranian oil and gas into the same pipeline with relatively ease and then add Turkmen gas to the mix. As Future Directions International has previously noted:

Indian Minister for External Affairs, Salman Khurshid, met his Omani counterpart, Yousuf bin Alawi bin Abdullah, and Iran’s Foreign Minister, Javad Zarif, in February 2014 to discuss the creation of a sub-sea gas pipeline from Oman and Iran to India. This plan was floated to remove the insecurity posed by having an overland pipeline from those countries pass through Pakistan. The easing of sanctions on Iran now makes this venture more feasible than ever before. Added to that, Indian Prime Minister Narendra Modi met Turkmen President Gurbanguly Berdimuhamedov in mid-July [2015] and signed seven agreements pertaining to fertilisers, defence and natural gas. If Turkmen gas can be routed from its Dauletabad and Galkynysh gas fields through Chabahar to join the Oman-Iran-India pipeline it would add to India’s energy security and give New Delhi a viable option to the Turkmenistan-Afghanistan-Pakistan-India pipeline, of which many Indian strategists were sceptical since it, too, had to pass through Pakistan. India could then realise several of its geo-strategic goals in Central Asia. Turkmenistan’s support for India’s desire to join the Ashgabat Agreement on trade and transit, which includes Uzbekistan, Iran, Turkmenistan, Kazakhstan and Oman, can only add to India’s need to make this pipeline a reality.

India, however, does not appear to seek to only import Iranian oil; it wishes to invest in Iranian oil and gas fields, thus further securing its energy from that country. Iranian Foreign Minister Javad Zarif evinced much interest in India’s proposal to develop the Farzad-B gas field. This oilfield, which was first explored by an Indian consortium that was led by the Oil and Natural Gas Corporation (ONGC) in 2008, could not be developed because of the sanctions that were imposed on Iran at the time. India welcomed Iran’s decision, therefore, not to auction the rights to develop this field internationally now that the sanctions have been lifted, presumably to give India the option of developing it. The consortium has reportedly submitted a proposal worth an estimated US$3 billion to develop the field. The
first phase of the development project is estimated to produce one billion cubic feet of natural gas a day.

Zarif and his Indian counterpart, Sushma Swaraj, have noted that agreements on preferential trade, double taxation avoidance and the bilateral investment treaty need to be concluded on a priority basis. Once completed, these agreements can only draw the two countries into a closer relationship.

Iran will undoubtedly be aware that the Chabahar and energy agreements with India can only enhance to their own strategic interests. Iran, as is commonly known, has been and remains locked in a rivalry with Saudi Arabia for regional pre-eminence and market share for its energy products. It is aware that it can increase its regional influence, and thus achieve its strategic goals, only if its economy develops. It is the acute rivalry that it has with Saudi Arabia that saw it forego the opportunity to attend the recent summit on oil in Doha on 17 April. Iran refused to attend the meeting, which was called by major oil-producing countries in an effort to boost the current low oil prices by freezing production. Iran insisted that it would continue to increase its production in order to regain the market share that it had lost to Saudi Arabia and other oil producers due to the sanctions, despite threats by Saudi Arabia to do likewise, which could keep prices low and possibly force Iran to capitulate. Tehran will no doubt be banking on the fact that while it has prodigious amounts of proven oil and gas reserves, Riyadh only has oil reserves, albeit being the largest oil producer in the world. Tehran knows that Saudi oil exports and market share can only decrease as long as US crude oil reserves remain at very high levels and Libyan oil production increases. Given those factors, it is critical that Iran increase its market share of energy products, which makes its growing relationship with India that much more important. Iran will also wish to reduce its dependence on China as a purchaser of its energy. India will, to an extent at least, off-set that dependency.

In the event, the oil summit in Doha concluded after five hours of acrimonious discussions and no agreement was reached. Tehran knows that every such incident demonstrates to OPEC members and the other oil-producing countries that Saudi influence over oil production and exports is, if not waning, not as salient as was previously thought.

Conclusion

The India-Iran Chabahar Agreement has the potential to create a win-win situation for both countries. India stands to enhance its energy security, its access to Afghanistan, which will enable it to increase its influence in Afghanistan, and its access to the energy resources of Central Asia, thus increasing its influence in that region. It will, moreover, obtain these advantages while bypassing Pakistan altogether. Iran could increase its market share of energy products and its regional influence and Afghanistan, in turn, stands to gain by acquiring an alternative to its maritime access via Pakistan’s ports.

The loser, it would appear, is Pakistan, which could see its influence in Afghanistan eroded. This, however, may prove dangerous as it could lead to increased asymmetric attacks in Afghanistan as Pakistan attempts to maintain its influence there. The other loser could be
Saudi Arabia, which could see a diminution of its oil market share and regional influence in a zero-sum game with Iran.

In the final analysis, however, India and Iran are the clear winners if the Chabahar Agreement eventuates according to plan.