

Strategic Analysis Paper

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India's Neighbourhood Connectivity is Improving, But Slowly

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Key Points

- Due to troubled ties with its neighbours, India's attempts at enhancing its transport connections in South Asia and beyond have not been entirely successful.
- In recent years, as a result of improved ties with Bangladesh, economic relations have witnessed an upswing and attempts are being made to enhance connectivity.
- Attempts have also been made to strengthen connectivity with Afghanistan, through Iran's Chabahar Port.
- Recent statements by the Pakistani Prime Minister and Army Chief regarding improved ties and connectivity with India are welcome, but it remains to be seen if both sides possess the political will to actually make those links happen.
- New Delhi needs to focus on connectivity with Afghanistan and Central Asia, while keeping all its options open.

Summary

Connectivity with its South Asian neighbours has not been one of India's strong points and is a consequence of a number of factors, especially its troubled relationships with neighbours like Pakistan. In recent years, improved ties with some of its neighbours, like Bangladesh,

have resulted in closer trade and connectivity linkages. Efforts are being made to further strengthen not just bilateral [economic relations and connectivity](#), but also to find common ground on projects like the India-Myanmar-Thailand trilateral highway. The bilateral relationship is not without its problems, with elements in Dhaka who believe that Bangladesh is kowtowing to India.

While India faces a gamut of geopolitical challenges and has also been found wanting in terms of delivering on its commitments on infrastructural projects, China, despite facing criticism for its projects being economically unsustainable and leading to debt traps, has initiated such ventures in a number of countries (which cite a paucity of alternatives), via the Belt and Road Initiative.

Analysis

India has taken some important steps over the last decade to enhance its connectivity along terrestrial and maritime routes with the rest of the region. India has begun to look beyond what was long considered its immediate neighbourhood and has begun to focus on its “extended neighbourhood” in order to achieve its connectivity objectives. A particularly notable example of New Delhi’s renewed emphasis on “connectivity”, which takes it beyond land connectivity, is its involvement in the development of the Chabahar Port project in Iran’s Sistan Baluchistan Province, which is being touted as its gateway to Afghanistan. India has also sought to boost its economic relations with Afghanistan via [air freight corridors](#) that connect Kabul-New Delhi, Herat-New Delhi and Kabul to Mumbai).

Significance of the Chabahar Project

Iran’s approval for India to develop part of the port had great geopolitical significance. Chabahar is located on Iran’s Arabian Sea coast and is one the best access points to the Indian Ocean and the Strait of Hormuz. It gave Indian trade a strategic port from which it could access the countries of Central Asia, bypassed Pakistan and, simultaneously, reduced landlocked Afghanistan’s dependence on Pakistani ports for its exports. That aside, Chabahar Port is located less than 100 miles from Pakistan’s Gwadar Port, which is a key component of the China-Pakistan Economic Corridor. Those factors have led some observers to view Chabahar as India’s answer to Gwadar. Most importantly, the port at Chabahar gives India a way to bypass Pakistan, which has refused to give India access to its overland routes to Afghanistan and the Central Asian Republics.

While India has long been cautious about overplaying its hand in developing Chabahar port, given the US’s dim view of countries that create or enhance their ties to Iran, its predilection towards imposing sanctions on countries that do, and the increasing ties between New Delhi and Washington in recent years. Months after the signing of the Joint Comprehensive Plan of Action (JCPOA), more commonly known as the Iran Nuclear Deal, India in May 2016 signed a trilateral agreement with Iran and Afghanistan to develop part of Chabahar port, with India providing [US\\$500 million](#) (\$646 million) to develop Afghanistan’s access to Chabahar.

This move was significant not just in the context of India's relationship with Afghanistan and Iran, but also with Central Asia, to which region it functions as a conduit. Chabahar is, moreover, located around [550 nautical miles](#) (around 1,020 kilometres) from Kandla port in the Indian state of Gujarat, and 786 nautical miles (1,454 km) from Mumbai.

Chabahar and the INSTC

New Delhi has also been keen to make Chabahar part of the ambitious International North-South Transit Corridor (INSTC), which includes Iran, Russia and India and, later, the Central Asian countries. The INSTC was first proposed in 2000 and aimed to connect India with Russia and beyond. For geopolitical reasons and also due to a lack of consensus, not much progress has been made on the initiative.

The matter was discussed during Iranian President Hassan Rouhani's visit to New Delhi in 2018. The [joint statement](#) released by Iran and India stated:

'Both sides reiterated their commitment to International North-South Transport Corridor (INSTC) and stressed on the need for inclusion of Chabahar within its framework.'

The INSTC project, if it is completed, could reduce transportation costs from India to Afghanistan and Central Asia and transit times drastically.

Chabahar Project has Facilitated Transportation of Consignments to Afghanistan

In December 2018, India Ports Global Limited took over the management of Shah Behesti, Phase One of the Chabahar Project. It used the port on several occasions to send consignments of goods to Afghanistan. In 2017, India sent its first consignment of wheat to Afghanistan, and in [2019](#) Afghanistan sent its exports of dried fruits, textiles, carpets and mineral products to the port. The consignments were transported by truck from Zaranj in Afghanistan to Chabahar and from Chabahar to Mumbai. During the Covid-19 pandemic, India sent consignments of [wheat](#) to Afghanistan via Chabahar to fulfil its commitment of shipping 75,000 tonnes of wheat via that port.

India's Participation in Chabahar, the China Factor and US Policy vis-à-vis Iran

New Delhi needs to keep in mind the fact that Iran has entered into a long-term agreement with China, and will look to re-join the global economy one way or the other. With the signing of the Iran-China 25-year strategic partnership and the Biden Administration not making much headway on improving its relationship with Iran, Tehran has few options but to move deeper into China's orbit.

New Delhi has not made public previously its concerns about China and Pakistan being part of the Chabahar development project. On more than one occasion, the Iranian leadership [invited China and Pakistan to invest in Chabahar](#) and link Gwadar with it. Iran has also expressed [its interest to join BRI](#).

One of the reasons Iran cites for asking other countries to join the Chabahar Project was India's inability to keep its [commitments](#) and its slow progress. Some analysts believe that it

was India's decision to end its purchase of oil in [April 2019](#), after the US withdrew the exemptions from sanctions, which annoyed Tehran. The Iranian Ambassador to India stated that New Delhi should have stood up to Washington like other countries, and pointed out that work on the Chabahar project was being affected.

India's Renewed Focus on the Chabahar Port

In 2020, there were differences between Iran and India over New Delhi being kept out of the Chabahar-Zahedan railway, but the matter was resolved. After Biden's electoral victory and, based on his promise to return the US to the JCPOA, India renewed its efforts to develop the Chabahar facility. In January 2021, India shipped its first instalment of equipment, two 140-ton mobile harbour cranes, to assist it in that effort. India is also likely to start full-scale operations at Chabahar general cargo in [May 2021](#).

Chabahar's Advantages over Gwadar

It is also important for India to bear in mind that Gwadar has some clear advantages over Chabahar. While the maximum planned capacity of Chabahar '[is 10 to 12 million tons per annum, Gwadar's will be 300 million to 400 million tons](#)' once it reaches full capacity and could handle 500 million tonnes in the future, completely outstripping its Iranian competitor.

New Delhi needs to speed up its delivery and hope for a thaw between the US and Iran, so that progress on the Chabahar Port is not further delayed.

Pakistan and India's Regional Connectivity Initiatives

Recently, both Pakistani Prime Minister Imran Khan and the Pakistani Army chief Qamar Javed Bajwa, while addressing the National Security Dialogue at Islamabad, spoke about the need to improve bilateral relations with India and also referred to how closer ties could benefit India's connectivity with Central Asia. Those statements were made days after the announcement of a joint ceasefire by India and Pakistan along the Line of Control, the de facto border between the two countries. As [Bajwa noted](#):

'Stable Indo-Pak relations are the key to unlocking the potential of south and central Asia by ensuring connectivity between east and west Asia'.

Bajwa also referred to the Afghanistan-Pakistan Transit Trade Agreement (APTTA). According to the APTTA, Afghan goods can enter India via Pakistan through the Wagah border crossing, but Indian goods are not allowed to enter Afghanistan through Pakistan.

Reconciliatory statements have been made in the past, however, which could explain sceptical reactions to those calls. In 2017, it was said that [Pakistan was willing](#) to discuss the issue of providing India with land access to Afghanistan and Central Asia. Imran Khan, after taking office as Prime Minister, spoke about strengthening bilateral trade relations. Since 2019, however, the bilateral relationship has witnessed a steady deterioration and the only positive outcome was the opening of the [Kartarpur Religious Corridor](#) in November 2019.

Bilateral trade was again suspended in August 2019, although Pakistan did allow Afghan goods to enter India via Wagah in [July 2020](#) under the APTTA. [Pakistan's Economic Coordination Council](#), the top decision-making body, decided on 31 March to allow the import of sugar, cotton and yarn from India, an important decision that is likely to pave the way for the resumption of Indo-Pakistani trade. On 1 April, however, the Pakistan Cabinet had to reverse that decision due to opposition from many, including certain members within Imran Khan's Cabinet.

With South Asia's economies having been impacted by the Covid-19 pandemic – the number of [cases is rising](#) yet again – and the Pakistani and Indian economies facing difficult challenges, it makes sense to boost bilateral trade relations and also explore new forms of connectivity. While connectivity to Afghanistan and Central Asia would benefit India, Pakistan too would benefit from more harmonious relations, economically, politically and security-wise.

Given the domestic political narratives in both countries, it is important to have realistic expectations. Taking tangible steps to boost bilateral trade relations through the Wagah-Attari land crossing is a more realistic proposition in the short run.

In conclusion, while Chabahar Port is important for India's connectivity with Afghanistan, New Delhi should explore other options. Apart from enhancing air connectivity with Afghanistan, land connectivity to Afghanistan and Central Asia is an important option. A lot will, of course, depend on whether New Delhi and Islamabad can build on their recent bonhomie.

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