

Chabahar Port: A Geopolitical Need Or, Economic Compulsion for India

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Abstract:

In the year 2024, in the case of Chabahar port in Iran, two important events took place; first, the visit of Mr. S Jaishankar, India's External Affairs Minister to Tehran in January 2024 and second, one is the terror attack on Chabahar port by Jaish-al-Ahad on 3 April 2024. Both these developments are pole apart as far as the development of Chabahar port and the realisation of The International North-South Transportation Corridor (INSTC) is concerned. The first one talks about development, hope, connectivity, and the future of trade through a new corridor and the second one is about the existing security challenges in the region which has put this project on a slow grind since the year 2002. As we are aware the International North-South Transportation Corridor (INSTC) is a multi-modal transportation network connecting India, Iran, Russia, Central Asia, and Europe. It aims to facilitate the movement of goods and reduce transportation costs by providing an alternative route to traditional sea routes. The Chabahar Port, located in southeastern Iran, plays a crucial role in the INSTC as a key maritime gateway.



India's Interest in INSTC

India's investment in the Chabahar Port is driven by several strategic and economic objectives. Some of them are as under

- **Access to Central Asia and Afghanistan** Chabahar Port provides India with access to landlocked countries in Central Asia and Afghanistan. By bypassing Pakistan, India can establish direct trade routes to these regions, reducing dependence on volatile geopolitical routes and enhancing regional connectivity.
- **Diversification of Trade Routes** India's investment in Chabahar Port diversifies its trade routes and reduces reliance on traditional maritime routes through the Strait of Malacca. This enhances India's strategic autonomy and resilience in maritime trade by providing alternative access to markets in the Middle East, Central Asia, and Europe.
- **Boosting India-Iran Trade** Investment in Chabahar Port strengthens economic ties between India and Iran. It facilitates bilateral trade and investment by providing India with a strategic foothold in Iran and access to Iran's vast energy resources, while Iran benefits from Indian investment and expertise in port development and infrastructure.
- **Humanitarian Assistance and Development** Chabahar Port serves as a vital gateway for humanitarian assistance and development projects in Afghanistan. India's investment in Chabahar facilitates the transit of humanitarian aid, reconstruction materials, and development assistance to Afghanistan, contributing to stability and socio-economic development in the region.
- **Strategic Counterbalance to China's Belt and Road Initiative (BRI)** India's investment in Chabahar Port is seen as a strategic counterbalance to China's growing influence in the region through the Belt and Road Initiative (BRI). By participating in infrastructure projects like Chabahar, India aims to protect its geopolitical interests and ensure that regional connectivity initiatives are aligned with its strategic objectives.

Overall, India's investment in the Chabahar Port and its participation in the International North-South Transportation Corridor is part of its broader strategy to enhance regional connectivity, diversify trade routes, strengthen economic ties with neighbouring countries, and promote its strategic interests in the wider Indo-Pacific region. However, the success of these initiatives depends on factors such as geopolitical stability, infrastructure development, regulatory reforms, and international cooperation.

Challenges for International North-South Transportation Corridor (INSTC)

The International North-South Transportation Corridor (INSTC) faces several challenges that have hindered its progress. Some of them are as under:

- **Geopolitical Tensions** Geopolitical tensions between countries along the INSTC route, such as India, Iran, Russia, and Azerbaijan, as well as neighbouring countries like Pakistan and China, have impacted the corridor's progress. Political differences, territorial disputes, and regional rivalries have hindered cooperation and coordination among participating countries, affecting the implementation of infrastructure projects and trade facilitation measures.
- **Infrastructure Deficiencies** The INSTC relies on the development of infrastructure such as roads, railways, ports, and customs facilities to facilitate seamless transportation along its route. However, infrastructure deficiencies, including inadequate transportation networks, poor road conditions, and limited connectivity, pose significant challenges to the efficient operation of the corridor. Delays in infrastructure development projects have slowed down progress on the INSTC and hampered its effectiveness as a transportation route.

- **Logistical Challenges:** Logistical challenges such as bureaucratic red tape, cumbersome customs procedures, and border delays impede the smooth movement of goods along the INSTC route. Inefficient border crossings, lack of standardized procedures, and regulatory barriers increase transportation costs, transit times, and transactional complexities for businesses involved in cross-border trade, discouraging their participation in the corridor.
- **Security Concerns:** Security concerns, including terrorism, piracy, and political instability in certain regions along the INSTC route, pose risks to the safety of cargo shipments and transportation operations. Security threats deter investment in infrastructure projects, disrupt trade flows, and increase insurance costs for businesses operating along the corridor, affecting the corridor's viability and attractiveness as a transportation route.
- **Financing and Investment Challenges:** Financing and investment challenges, including funding constraints, lack of private sector participation, and limited international support, have hindered the implementation of infrastructure projects and trade facilitation initiatives under the INSTC. The high costs associated with infrastructure development and operational expenses require substantial investments from governments, multilateral institutions, and private investors, which have been slow to materialize.
- **Intermodal Coordination:** The INSTC involves multiple modes of transportation, including sea, rail, road, and inland waterways, which require seamless coordination and interoperability to ensure efficient transportation and logistics operations. However, coordination challenges among different transport operators, regulatory agencies, and logistics service providers have hindered the integration of transportation networks and the optimization of intermodal connections along the corridor.

Addressing these challenges requires concerted efforts from participating countries to enhance political dialogue, improve infrastructure, streamline logistics processes, enhance security measures, mobilize investment, and promote regional cooperation. Overcoming these obstacles is essential to unlock the full potential of the INSTC as a key transportation corridor connecting South Asia, Central Asia, and Europe, and to realize its benefits in terms of trade facilitation, economic integration, and regional development.

Recommendations to Overcome Challenges

To overcome the challenges facing the International North-South Transportation Corridor (INSTC) and facilitate its progress, several recommendations can be considered:

- **Enhance Political Dialogue and Cooperation:** Participating countries should engage in constructive political dialogue and diplomatic negotiations to address geopolitical tensions, resolve territorial disputes, and build trust and confidence among stakeholders. Strengthening regional cooperation frameworks and bilateral/multilateral agreements can help create a conducive environment for collaboration on INSTC-related initiatives.
- **Invest in Infrastructure Development:** Governments and international financial institutions should prioritize investment in infrastructure projects along the INSTC route, including roads, railways, ports, and logistics hubs. Infrastructure development should focus on improving connectivity, enhancing intermodal transportation networks, and modernizing customs and border facilities to facilitate seamless movement of goods and reduce transit times.
- **Streamline Customs and Trade Procedures:** Harmonizing customs procedures, simplifying documentation requirements, and implementing electronic clearance systems can streamline trade

processes and reduce administrative burdens for businesses. Establishing single-window clearance mechanisms and mutual recognition agreements can facilitate faster clearance of goods at border crossings and improve the efficiency of trade along the INSTC route.

- **Enhance Security Measures:** Strengthening security measures, including maritime patrols, border controls, and surveillance systems, can mitigate security risks such as terrorism, piracy, and smuggling along the INSTC route. Enhancing information sharing, intelligence cooperation, and joint security operations among participating countries can improve the safety and security of cargo shipments and transportation operations.
- **Promote Intermodal Connectivity:** Enhancing intermodal connectivity and interoperability between different modes of transportation, including sea, rail, road, and inland waterways, is essential to optimize transportation routes and improve logistics efficiency along the INSTC corridor. Investing in multimodal transportation infrastructure, such as multimodal terminals and transshipment hubs, can facilitate the seamless transfer of cargo between modes of transport and reduce transportation costs.
- **Facilitate Private Sector Participation:** Governments should create an enabling environment to attract private sector investment in INSTC-related projects and initiatives. Offering incentives, tax breaks, and investment guarantees can incentivize private sector participation in infrastructure development, logistics services, and trade facilitation activities along the corridor. Public-private partnerships (PPPs) and joint ventures can mobilize private sector resources and expertise to complement government-led efforts.
- **Promote Regional Cooperation and Integration:** Strengthening regional cooperation mechanisms, such as the INSTC-Express Corridor Committee and the Economic Cooperation Organization (ECO), can facilitate coordination and collaboration among participating countries on INSTC-related issues. Enhancing information sharing, technical assistance, and capacity-building initiatives can foster greater regional integration and mutual benefits from the corridor.
- **Harness Digital Technologies:** Leveraging digital technologies such as blockchain, artificial intelligence (AI), and the Internet of Things (IoT) can enhance transparency, efficiency, and security in INSTC-related logistics and trade processes. Implementing digital platforms for customs clearance, cargo tracking, and supply chain management can streamline operations and reduce transactional costs for businesses along the corridor.

By implementing these recommendations, participating countries can overcome the challenges facing the International North-South Transportation Corridor and unlock its full potential as a key transportation route connecting South Asia, Central Asia, and Europe. Effective collaboration, strategic planning, and sustained investment are essential to ensure the progress and success of the INSTC in facilitating trade, economic integration, and regional development.