

## **INTERNATIONAL NORTH SOUTH TRANSPORT CORRIDOR (INSTC) CONNECTING INDIA CENTRAL – ASIA**

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### **Abstract**

After having a thriving experience from India's Look East Policy, Indian policy makers initiated Connect Central Asia policy in 2012 to develop its relations with the energy rich region of Central Asia which would give boost to its foreign policy on various aspects. India's growing concern for the development of International North South Transport Corridor as a part of Central Asia policy linking Iran with other Central Asian countries bypassing Pakistan is a major competition between china's developments of China- Pakistan Economic Corridor (CPEC). India's engagement to develop Chabahar port in Iran bypassing Pakistan to improve its relation with Central Asia is a very good alternative to improve economic engagement with the Central Asian countries which have a huge hydropower potential.

**Keywords INSTC CPEC, Central Asia, Chabahar, Pakistan**

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## 1. Introduction

Central Asia has always drawn the interest of regional and extra regional powers because of its important geographical location connecting Europe and Asia. The rich natural resource present in the region is another important reason to be in limelight for the major world powers. The relation between Central Asia and India has been dated back historically, economically and geopolitically linking the two regions. India's relations with Central Asia have been about three thousand years old comprising the old silk route which was the trading backbone of the two regions covering around 7000 miles connecting China, Central Asia, Northern India the Parthian, the Roman Empire.<sup>1</sup> Recently Central Asia has drawn attention of major world powers to control the natural resources untapped in the area. India's security, geopolitical, strategic, and economic interests are strongly connected with the developments in the region. The Chinese and Afghanistan factor has increased India's interest in the region considerably in the last 15 years. Though India still thinks that continuation of Russian influence is present in the region, it has also started to think of increasing Chinese expansion over the region through SCO and OBOR (One Belt One Road) project. The major challenges of terrorism, radicalism, and insecurity pose a serious threat to the sovereignty and integrity of India, and its neighborhood. After having a thriving experience from India's Look East Policy, Indian policy makers initiated Connect Central Asia policy in 2012 to develop its relations with the energy rich region of Central Asia which would give boost to its foreign policy on various aspects. In the present context, China has emerged a major economic and political player in the region surpassing Russian influence which has its own historical links. In spite of its lower trade and investment in Central Asia as compared to China, Russia still retains a significant amount of influence over the regional economies with its deep-rooted security cooperation.

The current article attempts to examine the potential of Indian economic engagement in the Central Asian region with the new 'Connect Central Asia' policy initiated by the Indian government after a successful Look East Policy. With a meaningful cooperation with the region India will have to uphold its current impetus of engagement by successfully implementing the

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<sup>1</sup> Sandeep Singh and Amanpreet Kaur, "Connect Central Asia Policy' Factor in India's Soft Power Initiatives in CARs: Problems and Prospects", *International Journal of Advanced Research in Management and Social Sciences*, vol 3(12), 2014.

‘Connect Central Asia’ policy. The major challenge faced by India to engage in the region is the connectivity issues which limit the engagement with the region. Besides India’s strategic interest in the region, India’s primary interest is to bring stability in the region as stated by India’s Vice President M. Hamid Ansari in October 2012<sup>2</sup>.

After 1991, India has constantly been trying to improve its relations with the newly independent Central Asian countries, but failed to gain major achievements in economic and trade linkages with the region. Lack of direct land route to the region with Pakistan in the middle creates major hurdle to connect with the region. During the past few years, Indian policy makers are now trying to engage Central Asia as a key foreign policy priority as part of its extended neighborhood. While others major players like U.S, Russian and china are active in engaging Central Asia, India is far behind them in terms of engagement. The lack of direct land connectivity with Central Asia, and Pakistan’s refusal to grant access through its territory, India is actively collaborating to develop an alternative route to connect Central Asia through Iranian seaport by actively taking part in the International North South Transport Corridor (INSTC). India has put the construction of the International North South Transport Corridor as a major priority after the CPEC initiative by China to develop the Gwadar port of Pakistan as Chinese OBOR initiative. With the inclusion of India in Shanghai Cooperation Organization (SCO) along with Pakistan in 2016, India wants to build both bilateral and multilateral partnership with the region. India’s growing population and significant economic growth with high demand of energy is forcing the country to seek an alternative in its foreign policy initiatives in the region.

## **2. Connect Central Asia Policy**

In 2012, India announced the ‘Connect Central Asia’ policy, and also announced to hold an India-Central Asia Dialogue at Track II annually in one of the republics<sup>3</sup>. Although India and

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<sup>2</sup> Inaugural Address by the Hon’ble Vice President of India, Shri M Hamid Anasari at National Seminar on “ India and Central Asia: a Perspectives on Bilateral and Regional Cooperation”, 17 October 2012, CRRID, Chandigarh, Raspal Malhotra ,Sucha Singh Gill , Neetu Gaur ed., Perspectives on Bilateral and Regional Cooperation South and Central Asia, Centre for Rural and Industrial Development(CRRID), Chandigarh, 2013, p. i

<sup>3</sup>Zafar, Athar , “India-Central Asia: Finding New Synergies for Greater Engagement”, *ICWA Policy Brief*, 9 July 2015.

Central Asian countries enjoy friendly relationship, the economic engagement between the two sides is far below potential.

India has speed up its engagement with the CARs to construct a long-term cooperative partnership with this region. To initiate this objective and promote stronger ties with the Central Asian region, New Delhi promoted its new 'Connect Central Asia' policy in 2012 based on proactive political, economic and people-to-people engagement with Central Asian countries. The Connect Central Asia Policy was first apprehended by the Minister of State for External Affairs E. Ahmed on First India-Central Asia dialogue organized on 12-13 June in 2012 in Bishkek, Kyrgyzstan for strengthening India's relations and interests with its extended neighbourhood countries. The visit of Indian Prime Minister Mr Narendra Modi to the five Central Asian countries in July 2015 further strengthens the relations between the two regions. Several agreements were signed and new initiatives were launched in promoting agriculture, small and medium enterprises, pharmaceuticals, and information technology, which in turn benefit to Central Asian countries with India's development experience<sup>4</sup>. The policy proposes to strengthen commitment with Central Asian countries through the SCO, Eurasian Economic Community and the Custom Union to enhance its markets within Eurasian space. The policy also aims to seek long term partnership in accessing energy and natural resources in the region.<sup>5</sup> Several soft power initiatives like setting up of civil hospitals and clinics in the medical field to ensure modern health care system in CARs, setting up a Central Asian University in Bishkek for imparting higher education facilities to convey world class education in areas like IT, Management, Philosophy and languages, to work on Central Asian e-networking with its hub in India, to promote construction sector, promote land connectivity by initiating and reactivating INSTC route are some of the important initiatives encouraged by India in the region<sup>6</sup>. The policy also indicates in expanding banking infrastructure and policy environment which is a major hindrance in initiating trade and investment. The policy also encourage to improve flight connectivity and tourism sector with people to people contact through mutual exchanges of

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<sup>4</sup> Ashok Sajjanhar, "India and the Shanghai Cooperation Organization", *The diplomat*, June 19, 2016, URL: <http://thediplomat.com/2016/06/indiaandtheshanghaicooperationorganization/?allpages=yes&print=yes>

<sup>5</sup> Das, J. P., "India's 'Connect Central Asia' Policy", *Foreign Policy Journal*, 2012 <<http://www.foreignpolicyjournal.com/2012/10/29/indias-connect-central-asia-policy/>>

<sup>6</sup> Taraporevala, P., S., H., Prasad, K. K. and Mullen, R. D., "India Central Asia" Backgrounder, Centre for Policy Research. 6 January, 2014. <<http://idcr.cprindia.org/p/page-4.html#a93>>

youth delegations, students, scholars, academics and future leaders of India to maintain our deep engagement<sup>7</sup>.

### 3. India interest in the region

After the dissolution of the Soviet Union, there is a major decline in India's export to the region. The major challenges that hinder the economic relations are to create access for its market and lack of overland trade transit route. Majority of the Central Asian countries are rich in natural resources and raw materials. A major growth area for India in the region is the energy sector which is strategically important for India's growing energy demand. India was the fourth-largest consumer of crude oil and petroleum products in the world in 2015, after the United States, China, and Japan. Around 58 percent of the imported crude oil comes mostly from the volatile Middle East countries mostly Saudi Arabia and Iraq.<sup>8</sup> Thus energy security has become a central part of Indian national security and foreign policy. India's energy needs likely to increase in the coming years on imported energy,<sup>9</sup> thus diversifying dependence on the Middle East and searching alternative sources of energy has become a crucial point.

As a alternative source of energy market Central Asia is rich in untapped natural resources and hydrocarbons, both on-shore and off-shore in the Caspian Sea. The region is home to an estimated 4 per cent of the world's natural gas reserves<sup>10</sup> and approximately 3 per cent of oil reserves<sup>11</sup>. Kazakhstan, Turkmenistan, and Uzbekistan, are rich in hydrocarbons while Tajikistan and Kyrgyzstan also have potential for generating hydro-electric power. The trade between the two regions is below average but is increasing over this decade. At present scenario, long drawn recession in Europe, Russian financial crisis, and fall in oil price provide a good opportunity for India for partnership between the two regions. Although the relation between the two region

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<sup>7</sup> Ahamed, E. (2012). Keynote address by MOS Shri E. Ahamed at First India-Central Asia Dialogue. from Ministry of External Affairs, Government of India <[http://www.mea.gov.in /Speeches Statements.htm?dtl/19791/Keynote+address +by +MOS +Shri +E+Ahamed +at +First+IndiaCentral+Asia+Dialogue](http://www.mea.gov.in/Speeches%20Statements.htm?dtl/19791/Keynote+address+by+MOS+Shri+E+Ahamed+at+First+IndiaCentral+Asia+Dialogue)> Accessed on November 5, 2014.

<sup>8</sup> U.S Energy Information Administration, Country Analysis Brief: India Last updated: June 14, 2016, see: <https://www.eia.gov/beta/international/analysis.cfm?iso=IND>

<sup>9</sup> Meena Singh Roy, 'India's interests in Central Asia', *Strategic Analysis*, 2001, Vol. XXIV, No. 12.

<sup>10</sup> International Crisis Group, "Central Asia's Energy Risks, Asia", 2007, Report No.133, p.12

<sup>11</sup> Kiesow, I & Norling, N, "The Rise of India: Problems and Opportunities", *Central Asia Caucasus Institute & Silk Road Studies Program*, 2007, URL: [www.silkroadstudies.org/new/docs/Silkroadpapers/2007/0701India.pdf](http://www.silkroadstudies.org/new/docs/Silkroadpapers/2007/0701India.pdf)

suffered by the trade blockade of Pakistan, still India's trade in goods has increased in multiple ways over the period.

**Table 1: India's export to Central Asian Countries (Values in US\$ Million)**

Country	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
<b>Kazakhstan</b>	172.16	244.39	286.23	261.51	250.68	151.91	121.12
<b>Kyrgyzstan</b>	25.79	30.55	34.99	34.54	37.76	25.11	31.09
<b>Tajikistan</b>	18.31	21.28	35.16	54.27	53.71	22.26	20.51
<b>Turkmenistan</b>	26.16	43.95	69.2	73.62	91.98	68.53	57.75
<b>Uzbekistan</b>	60.42	89.39	124.90	114.07	170.44	94.64	109.22
<b>Total</b>	302.83	429.55	551.20	538.02	604.58	362.46	333.69

Source: Department of Commerce: Export Import Data Bank, India

**Table II: India's Import from Central Asian Countries (Values in US\$ Million)**

Country	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
<b>Kazakhstan</b>	138.42	191.86	139.99	656.33	701.67	352.93	521.29
<b>Kyrgyzstan</b>	1.20	0.89	2.09	0.64	0.77	1.79	1.48
<b>Tajikistan</b>	23.02	8.86	12.86	0.86	4.39	9.98	21.82
<b>Turkmenistan</b>	9.73	19.46	8.33	14.10	13.05	46.97	21.32
<b>Uzbekistan</b>	20.63	37.04	31.85	31.50	55.86	45.26	46.54
<b>Total</b>	192.99	258.11	195.11	703.42	775.73	456.91	612.45

Source: Department of Commerce: Export Import Data Bank, India

According to the above data available from the ministry of commerce, Government of India, both the import and export to the region has increased to a subsequent level in this decade after suffering from blockage by Pakistan. Owing to the 'Connect Central Asia policy' it is expected to improve in future. The experts too recognized the geopolitical constraints for enhancing trade

and suggested early viable trade route. “Over the past decade, India’s state-owned Oil and Natural Gas Corporation (ONGC) has sought to invest in Kazakhstan, which has three of the world’s richest oilfields. ONGC acquired sizeable stakes in the Alibekmola and Kurmangazy oilfields in Kazakh owned areas of the Caspian Sea”.<sup>12</sup> The Indian government has considered importing natural gas via pipeline through several international projects such as Turkmenistan-Afghanistan-Pakistan-India (TAPI) and Iran-Pakistan-India (IPI). Due to unfeasibility of the IPI pipeline project, the government withdrew in 2009 from the project. But the government is participating in the TAPI pipeline project to bring natural gas from Turkmenistan. With many obstacles in this project and major geopolitical risks, technical challenges, and a lack of financial backing, the countries have made some progress in moving TAPI forward. A framework agreement has been signed by the partners of the project in 2010. In early 2012, they agreed on a single transit tariffs for the route and in May 2012 India signed purchase agreements of natural gas from Turkmenistan. Turkmenistan began construction of the TAPI pipeline in December 2015. The project is expected to be operational by 2019, although much doubt remains about security issues as participants seek out foreign investment.<sup>13</sup>

After adapting the Connect Central Asia Policy in 2012, relations between the two regions improved. India gained a major success in funding and developing the Human resource of Central Asia, using India’s Technical and Economic Cooperation (ITEC) programme. This scheme provide training to Central Asian countries in the areas of banking, small and medium enterprise development, diplomacy, information technology and engineering in Indian institutions. Kazakhstan also signed an agreement for the supply of uranium for India’s civilian nuclear energy programme in 2009. India’s state owned ONGC entered into Gas exploration agreements with Uzbekistan in 2011. India and Tajikistan entered into an agreement for India to modernize the Varzob-1 hydel power plant in 2006.<sup>14</sup>

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<sup>12</sup> Center for Strategic and International Studies, India’s ‘Look West’ Policy: Why Central Asia Matters, *South Asia Monitor*, 2010, Volume 110. 5, Washington D.C.

<sup>13</sup> Reuters, "Update 1- Turkmenistan to start work on TAPI pipeline in December," September 15, 2015 and Economic Times of India, "TAPI project: Work on \$10 billion gas pipeline to serve India's energy needs begins," November 7, 2015; The Indian Express, "TAPI gas pipeline project: Turkmenistan starts work on gas link to Afghanistan, Pak, India," December 14, 2015.

<sup>14</sup> See Speech by Ambassador Asoke Mukerji, Special Secretary, Indian Ministry of External Affairs Tuesday 10 July 2012, India, Central Asia and the new Silk Road

The region is not only important for energy security but also in terms of national security. The region is a source of religious extremism due to their internal problems after disintegration of the Soviet Union. India is more concerned about checking the radical extremist groups which may possess security threat to India.<sup>15</sup> The region has been a fertile recruiting ground for terrorist groups with links to Taliban and other militant groups which pose a serious threat to India's security, especially in the contested state of Kashmir.<sup>16</sup> Both the governments of India and central Asia are concerned about the security of the region. In 2013, the Vice-President of India visited Tajikistan where both governments stressed the importance of cooperation in dealing with probable security threats from Afghanistan<sup>17</sup>. India also established Joint Working Groups on Terrorism with Tajikistan and Kazakhstan. However, although mutual concerns over security, there is little effective security cooperation between India and Central Asian states. India's inclusion in the Shanghai Cooperation Organization (SCO) perhaps will maximize India's involvement in curbing the security threats in the region.

Central Asia also offers a good market for commercial goods which are good than the cheap lower quality Chinese manufactured goods that have flooded the region. Indian tea and pharmaceutical industries have already acquired a grip in the Central Asian market.<sup>18</sup> There is also scope for India to assist Central Asian states in developing small and medium-scale enterprises.

#### **4. Role of INSTC in enhancing Indo- Central Asia ties**

Connectivity always plays a crucial role in promoting regional cooperation and economic integration. On 12<sup>th</sup> September 2001, Russia, India and Iran signed an agreement in St Petersburg, curving out a vision for a North South transport corridor. It is a multi-modal project for the purpose of enhancing transport cooperation among member states. The project also includes Azerbaijan, Armenia, Belarus Kazakhstan, Kyrgyzstan, Oman, Tajikistan, Turkey and

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<sup>15</sup> See Strategic Environment in Central Asia and India, Op cit Sahgal, A & Anand, V

<sup>16</sup>Blank, S (2003) India's Rising Profile in Central Asia in Comparative Strategy, 22:2 p.141. [www.tandfonline.com/doi/abs/10.1080/01495930390202607#.UmEe\\_tL2ZxI](http://www.tandfonline.com/doi/abs/10.1080/01495930390202607#.UmEe_tL2ZxI)

<sup>17</sup> The Hindu (April 16, 2013) India, Tajikistan stress stakes in Afghan peace; [www.thehindu.com/news/national/india-tajikistan-stress-stakes-in-afghan-peace/article4620799.ece](http://www.thehindu.com/news/national/india-tajikistan-stress-stakes-in-afghan-peace/article4620799.ece)

<sup>18</sup> Gulshan, S , 'Regional Economic Linkages', in Nirmala, J (Ed) Reconnecting India and Central Asia Emerging Security and Economic Dimensions, 2010, (Central Asia-Caucasus Institute & Silk Road Studies Program); [www.silkroadstudies.org/new/docs/publications/1004Joshi-VII-Linkages.pdf](http://www.silkroadstudies.org/new/docs/publications/1004Joshi-VII-Linkages.pdf)

Syria. Bulgaria is an observer country to the project. The corridor is an ancient route that connected South Asia to Europe for many years. During the late 17th and early 19th centuries, Indian traders used this route to travel to the Central Asian markets.<sup>19</sup>

The modern day INSTC route links Indian Ocean and Persian Gulf to the Caspian Sea via Iran, and onward to northern Europe via St. Petersburg in Russia. The INSTC proposed movement of goods from Mumbai (India) to Bandar Abbas (Iran) by sea, from Bandar Abbas to Bandar-e-Anzali (Iranian port on the Caspian Sea) by road, and then from Bandar-e-Anzali to Astrakhan (Caspian port in the Russian Federation) through Caspian Sea, and after that from Astrakhan to other regions of the Russian Federation and further to Europe by Russian railways.<sup>20</sup>

The corridor extends from ports in India across the Indian Ocean to the southern port of Bandar Abbas in Iran. The goods are then transmitted to Caspian Sea and which is connected to St Petersburg in Russia via Volga River to northern Europe. This route is projected to offer both quicker and cheaper transportation than the other alternative route through Suez Canal to Europe and Baltic ports. Already there is a dramatic increase in Indian cargoes via this route. The corridor bypasses India's dependence on Pakistan to link up with Central Asia and Russia. The Iranian port of Chabahar and Bandar Abbas will serve as India's gateway to Iran and Afghanistan. The main objective of the corridor was to enhance trade and transport through rail, road, and sea by the member countries. The development of the project was very slow since it was signed. The project began to move since the meeting conducted by the member countries on January 18, 2012 in New Delhi. In the meeting, it was pointed out that the project needs help from Turkmenistan, Uzbekistan, Kyrgyzstan and Turkey to complete the missing links in corridor. Henceforth, efforts by the member countries gear up and the sixth meeting of the Experts Group I and II of the Coordination Council of the INSTC project was held from May 28-30, 2012 in New Delhi, followed by the 5th Coordination Council meeting in Baku on June 24-25, 2013.<sup>21</sup> To realize the potential of the corridor, India conducted its first dry run on the Nhava

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<sup>19</sup> Ziyadov, Taleh, "*Strategic Assessment of Euro-Asian Trade and Transportation: Azerbaijan as a Regional Hub in Central Eurasia*", Azerbaijan Diplomatic Academy, Baku and Johns Hopkins University, June 2011, p. 74.

<sup>20</sup> Roy, Meena Singh, "International North-South Transport Corridor: Re-energising India's Gateway to Eurasia", *IDSIA issue brief*, 18 august 2015.

<sup>21</sup> *ibid*

Sheva–Bandar Abbas (Iran)–Baku (Azerbaijan) and the Nhava Sheva–Bandar Abbas–Amirabad (Iran)–Astrakhan (Russia) route via Caspian Sea in August 2014 by the Federation of Freight Forwarders’ Associations in India (FFFAI). The dry run report suggests the route best and cost effective to connect Russia and Central Asian republics.<sup>22</sup> The activation of the corridor will help connect Russia with India within 16-21 days at initial freight rates enhancing the trade on the route. The first dry run experience followed India’s decision to become the 71<sup>st</sup> signatory to Transports Interationaux Routiers (TIR) or International Road transport corporation to facilitate seamless transfer of goods throughout the countries of Asia and Europe. The INSTC has moved closer to completion after India decided to join international customs convention TIR following cabinet approval. India plans to develop the Chabahar port after the first dry run. India also aims to conduct the second dry run on April 2017 to pull out all stop to operationalize the INSTC.

The first and original route is the central North South Transport corridor (NSTC) route starts in Helsinki, Finland and goes through St. Petersburg to the Russian Caspian ports of Astrakhan and Ola, crosses the Caspian Sea to the Iranian ports of Bander Anzali and Amirabad, and also Nowshahr. From Iran, the route connects India through Iran’s Persian Gulf ports of Bandar Abbas and Chabahar. The second or the western NSTC route goes along the western Caspian Sea crossing Azerbaijan and going to Iran and then India. This is considered as the fastest and shortest land-based route linking St. Petersburg and Helsinki to Bandar Abbas by road and rail.

The third, eastern route goes through the Central Asian countries, along Russia, Kazakhstan and Turkmenistan along the eastern shore of the Caspian Sea to Iran and India. It may also link up with Afghanistan and Pakistan. All these routes are intermodal; that is they use more than one type of transport for transporting cargos. The route is considerably shorter than the existing of Suez Canal route and the Mediterranean Sea.<sup>23</sup> India is developing the new port complex of Chabahar (cost US\$150 million) linking greater Central Asia through Zaranj Delaram highway (ZDR) in Afghanistan. India has also completed the construction of 235 km link from Zaranj on the Iran-Afghan border to Delaram, which connects all major cities in Afghanistan and, proceeds further north to the Central Asian Republics. India is also building the Afghan portion of the 22

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<sup>22</sup> Dry Run Study Conducted during August 2014 by Shankar Shinde/Sohel Kazani, at [http://instcindia.in/uploads/gallery/14335082094NEW\\_DRY.pdf](http://instcindia.in/uploads/gallery/14335082094NEW_DRY.pdf)

<sup>23</sup> Ziyadov, Taleh, “*Strategic Assessment Of Euro-Asian Trade and Transportation, Azerbaijan as a Regional Hub in Central Eurasia*”, June 2011, Azerbaijan Diplomatic Academy Baku, Azerbaijan, Johns Hopkins University, Washington DC.

km Zaranj- Milak road. The highway was inaugurated in May 2009<sup>24</sup>. Further the road transport project involves the linking of the Chabahar port to the Iranian rail network, which is connected to Central Asia and Europe.<sup>25</sup> This route will speed up the flow of goods, especially energy, from Greater Central Asia to Iran to India. The Iranian government is also planning to declare the Chabahar port as a free trade zone and improve its logistical infrastructure<sup>26</sup>.

## 5. Chabahar Port Project

The port of chabahar (previously Bandar Beheshti) in Iran is an important strategic transit location in the INSTC which can be a good alternative to avoid the busy port of Bander Abbas in Iran. India has been offered to develop the Chabahar port in Iran in 2003 by Iranian President Khatami. It is located at the mouth of the Straits of Hormuz in the Persian Gulf way, and was planned to serve as a vital access-point to land-locked Afghanistan, bypassing Pakistan which has been unwilling to provide overland transit to Indian goods through its territory. The port will connect both Jawaharlal Nehru (Mumbai) and Kandla ports on India's western coast. From India's viewpoint, the Chabahar Port would improve New Delhi's access to Afghanistan and the Central Asian Republics (CARs). India has used the Chabahar Port first time for facilitating trade with Afghanistan in March 2012 to transport 100,000 metric tons of wheat to Afghanistan as part of its humanitarian aid.<sup>27</sup> But the project development is very slow in its initial process due to U.S. sanctions on Iran. The visit of P.M. Narendra Modi on May 22-23<sup>rd</sup> 2016, to Iran strengthen cooperation in various sectors including trade and economy, connectivity, drug trafficking and most importantly on the issue of Chabahar. 12 bilateral MoUs were signed including Chabahar were signed during the visit of the Indian dignitaries. The Trilateral Transport and Transit Corridor agreement with the Presidents of Iran and Afghanistan was also signed during this

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<sup>24</sup> See Regional Economic Linkages, Gulshan Sachdeva, in "Reconnecting India and Central Asia Emerging Security and Economic Dimensions" ed by Nirmala Joshi, Central Asia-Caucasus Institute & Silk Road Studies Program, ISBN: 978-91-85937-76-9, 2010 pp: 153

<sup>25</sup> For details, see *Report on the Economic Impact of Central-South Asian Road Corridors* (ADB, 2005); C. Raja Mohan, India, Iran Unveil Road Diplomacy', *The Hindu*, 26 January 2003; Sudha Ramachandran, India, Iran, Russia Map out Trade Route', *The Asia Times*, 29 June 2002, and Stephan Blank, The India-Iranian Connection and its Importance for Central Asia, *Eurasianet.org*, 3/12/03

<sup>26</sup> <http://www.iran-daily.com/1387/3339/html/economy.htm#s363078>

<sup>27</sup> Bedi, Rahul, "India begins use of Chabahar port in Iran despite International pressure", *The Telegraph*, March 1, 2012 <http://www.telegraph.co.uk/news/worldnews/middleeast/iran/9115192/India-begins-use-of-Chabaharport-in-Iran-despite-international-pressure.html>

period.<sup>28</sup> Iran designated Chabahar as a Free Trade and Industrial Zone in the early 1990s to draw foreign and domestic investment. But the sanctions by the west sealed the engagement of foreign investors in the region. India also could not act in the Chabahar project for the same reason. The port was partly built by India in the 1990s to offer sea-land access to Afghanistan and Central Asia, bypassing Pakistan. Besides Chabahar is situated 72 kilometers<sup>29</sup> west of Pakistan's Gwadar port which is build by the Chinese as a part of China Pakistan Economic Corridor (CPEC) project. The port has an immense potential to connect the business centers of Middle East, South Asia, Central Asia and Afghanistan. It is 700 km away from the capital of the province of Zahedan and 2,200 km away from Tehran. After India build the 218 km Zaranj Delaram highway in Afghanistan to connect Chabahar, spending Rs 680 crores (approx. US\$136 million), India announced to build two berth at the port on October 2014 after the new government assumed office. Again the project got momentum after signing MoU six months later to develop two berths as container and multipurpose terminals, and in the second phase, to invest an additional US\$ 110 million to further upgrade and expands the port facilities. After lifting the western sanctions over Iran, India speeds up its investment to develop the port to connect the INSTC corridor.

In October 2014, a senior Indian trade official had stressed the importance of Chabahar port for investment in various sectors. The Makran petrochemical complex was visited by a Indian delegation of the representative of the Ministry of Chemical Substances, GACL, the then Indian ambassador to Iran, and two managers of Chabahar Free Zone to survey the potential of Indian participation in the upcoming Makran petro-chemical complex in Chabahar. Again on April 19, 2015, another delegation visited Iran to deal with the prospects of trade, energy and infrastructure.<sup>30</sup> By far in the absence of foreign investments, Iran has invested their own to prepare Chabahar as its third major petrochemical hub. Iran is always skeptical about India's ability to deliver its promises on time.

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<sup>28</sup> M. Mahtab Alam Rizvi and Ashok K. Behuria, "Importance of PM Modi's Visit to Iran: Opportunities and Challenges for India", *Strategic Analysis*, 2016 Vol. 40, No. 5, 357–364

<sup>29</sup> Ashok Behuria and Mahtab Alam Rizvi, "India's Renewed Interest in Chabahar: Need to Stay the Course", *IDSA Issue brief*, May 13, 2015.

<sup>30</sup> "Iran, India launch talks on petrochemical industries", *Mehr News Agency*, April 19, 2015, available at <http://en.mehrnews.com/detail/News/106735>

After India's momentum in the INSTC corridor, there is a significant improvement in the project where India committed to build, equip and operate the port (two terminals and five berths with cargo handling for 10 years). The MoU which was signed in 2016 agreement between India Iran provides the vital legal framework for trans-shipment of goods to Afghanistan. INSTC and Chabahar Port will balance each other for ensuring India's connectivity with Russia and Eurasia. The multiple transport corridors which run through the region can be accessed easily from the south. India is already committed to place a railway track from Chabahar to Zahedan, which can be further extended up to Mashhad near Iranian border to Turkmenistan. India is also interested in investing in the Chabahar-Faraj-Bam railway project. From Bam in Iran, goods will be taken through the Zaranj Delaram garland highway connecting all major Afghan cities. Besides the rail link between Hajigak and Chabahar and the Chabahar Zahedan-Mashhad rail link, extended to Herat and Mazar-e-Sharif will be connected with Termez in Uzbekistan.<sup>31</sup>

On another hand Indian Union cabinet has given its approval accede to the Ashgabat Agreement which India has applied. The agreement is a multimodal transport and transit corridor between Central Asia and the Persian Gulf for transportation of goods. Accession to the agreement will enable India to utilize the existing transport corridor for trade in the Eurasian region. It will help India to enhance the INSTC corridor. The INSTC project will have to face several obstacles to be in operation. One of the major problems will be the gauge problems in different railway tracks such as Central Asian railway and Iran railways. China had already overcome this problem in Central Asia. India too needed an approach to ease easy transfer of goods from one railway track to another.<sup>32</sup>

India has also signed a bilateral agreement with Tajikistan in 2015 to enhance connectivity. Kazakhstan, Tajikistan and Kyrgyzstan are already members of the INSTC.<sup>33</sup> After India's inclusion in the Shanghai Cooperation organization India wanted enhance connectivity to the central Asian markets. Japan seems interest in the Chabahar port as it will be a benefit to reach Russian and European market from an alternative trade route. Japan's foreign ministry has

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<sup>31</sup> In the Chabahar-Zahedan-Mashhad-Herat-Mazar-e-Sharif-Termez rail link only the Termez to Mazar-e-Sharif portion has been completed. This 75 km long rail link was built by Uzbekistan and inaugurated in 2010.

<sup>32</sup> "INSTC Conference-India 2015," 44

<sup>33</sup> P, Stobdan, "India Gears Up to Enter the Eurasian Integration Path", *IDS* issue brief, June 07, 2017

expressed serious concern proposals to improve connectivity between Iran, Afghanistan and Central Asia, and the Chabahar port<sup>34</sup>: “The two Prime Ministers welcome the prospects of cooperation between the two countries for promoting peace and prosperity in South Asia and neighboring region, through both bilateral and trilateral cooperation, inter-alia, in the development of infrastructure and connectivity for Chabahar.”<sup>35</sup>

## 6. China Factor

One of the major concerns for India is the China Pakistan Economic Corridor (CPEC), a part of the One Belt One Road (OBOR) initiative. In September 2013, during the visit of Chinese President Xi Jinping in Kazakhstan, China announced One Belt One Road initiative (OBOR) which will connect the landmass of Eurasia and the waters of the Indian Ocean. The initiative is to revitalize the old silk route named as “New Silk Road Economic Belt” with its maritime and land route that embraces all of Eurasia and the Indian Ocean littoral. The belt is made up of railways, highways, oil and gas pipelines, and major energy projects. The CPEC was finalized in April 2015 on the basis of 51 agreements. The CPEC includes of a series of highway, railway and energy projects, with the newly developed port of Gwadar on the Arabian Sea.

CPEC runs through the disputed territory of Greater Kashmir which is a great concern for New Delhi. The initiative of CPEC by China is to transport oil from the Gulf of Oman through India and Pacific Ocean. The Gwadar port is situated at the confluence of Gulf of Oman and Arabian Sea with its proximity to the Strait of Hormuz. The corridor will help China to access the warm waters of the Indian Ocean with safe passage under all weather condition all over the year. The port of Gwadar will connect the Chinese city of Kashgar via the Karakoram highway over the disputed territory of Gilgit- Baltistan. The Gwadar port is perceived as a strategic competitor to the Chabahar port in Iran built and managed by India. The distance between the two ports is barely 72 km away from each other which can alter the strategic balance in the region. While India might share China’s point that radicalism should be countered with development, but

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<sup>34</sup> Parashar, Sachin , “Japan expresses interest in Chabahar, says no need to stay confined to India's northeast,” The Times of India, September 8, 2016, <http://timesofindia.indiatimes.com/Japan-expresses-interest-in-Chabaharsays-no-need-to-stay-confined-to-Indias-northeast/articleshow/54159165.cms>.

<sup>35</sup> “India-Japan joint statement during the visit of Prime Minister to Japan,” Indian Ministry of External Affairs, November 11, 2016, URL: <http://mea.gov.in/bilateraldocuments.htm?dtl/27599/IndiaJapan+Joint+Statement+during+the+visit+of+Prime+Minister+to+Japan>.

cannot accept that the CPEC's projects should pass freely through large parts of Pakistan-occupied Kashmir.<sup>36</sup> The INSTC has particular economic and strategic significance to India given the increasing regional ambitions of Chinese One Belt, One Road Initiative.

In November 2016, the first Chinese shipment of goods successfully passed from the north to the south of Pakistan from Gwadar port towards destinations in the Middle East and Africa. The most sensitive part of this geopolitical game is that Iran is situated at the crossroads of the INSTC and China's Silk Road Economic Belt.<sup>37</sup> India is aware and nearly encircled by the Chinese string of pearls strategy in the Indian Ocean region. China has shown interest in the petrochemical investment zone surrounding Chabahar. Recently China has also started taking interest in the port itself. "A Chinese dredger, probably leased to Iran and flying the Iranian flag, was seen anchored in the Saeed Beheshti terminal of Chabahar port"<sup>38</sup>. In fact the Chinese are more eager to grab any opportunities in Chabahar port if India fails to execute its plans of developing the port effectively.

## 7. Conclusion

The major aspect of the INSTC project was the recognition of its potential by a large number of countries of Central Asia (Belarus, Kazakhstan, Tajikistan, Armenia, Azerbaijan, Ukraine, and Kyrgyzstan) and others (Turkey, Oman, Syria). The growth on the INSTC, compared to the Chinese OBOR was really slower during the years 2002-2012, but has again gained momentum after lifting international sanctions from Iran. The trade potential of INSTC corridor is enormous. Despite the lifting up on sanctions from Iran, there are several challenges for India to successfully implement the project. The major problem lies from the Indian side is the delivery deficit compared to China. The promise of delivering development and infrastructure is poor which can create an opportunity for the Chinese to grab a hold on the Chabahar port project. However the 'Connect Central Asia Policy' in 2012 by the government has increased an opportunity to diversify its economic outlook and boost the INSTC project. The visit of Indian

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<sup>36</sup> Ahmed, Talmiz, "Who's Afraid of One Belt One Road?", *The wire*, 3/6/2016, URL: <https://thewire.in/40388/one-belt-one-road-shaping-connectivities-and-politics-in-the-21st-century/>

<sup>37</sup> Passi, Ritika, "Money Matters: Discussing the Economics of the INSTC", *Observer Research Foundation Occasional Paper*, 112, April 2017

<sup>38</sup> Ashok Behuria and Mahtab Alam Rizvi, "India's Renewed Interest in Chabahar: Need to Stay the Course", *IDSA Issue brief*, May 13, 2015.

Prime Minister Mr Naredra Modi to Iran, Afghanistan and Central Asian countries with the MoU to start the Chabahar port in Iran has increased momentum in the INSTC corridor. India's decision to pursue its strategic interest with fresh determination will also warm the Iran India relations which was strained last year over issues of delaying release of funds for the Chabahar project. India was also skeptical about Iranian invitation to China in Chabahar project. On the other hand India is strongly feeling marginalized because of the Gwadar port which can be a direct challenge to India's major shipping hub of Mumbai and Kandla port. However with increase in connectivity among the countries the potential for growth of trade relations between Russia, Central Asia and South and ASEAN nations will be huge.