

Launching Ceremony of the Research Paper

"Strategic Analysis of the Chabahar Port: Afghanistan – Iran – India Relations"

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The Afghan Institute for Strategic Studies (AISS) held the launching ceremony of the research paper entitled “Strategic Analysis of the Chabahar Port: Afghanistan – Iran – India Relations” on March 18, 2018. Distinguished politicians and diplomats, academics, civil society members and media representatives attended the event.

The launching ceremony was moderated by Nazir Kabiri, AISS Fellow Researcher. Mr. Qadir Mutfi, on behalf of the research team presented the key findings of the research paper, H.E. Dr. Abdullah Abdullah, CEO of the National Unity Government of Afghanistan, H.E. Mohammad Reza Bahrami, Ambassador of the Islamic Republic of Iran, and H.E. Manpreet Vohra, Ambassador of India to Afghanistan, each spoke about the significance of the Chabahar project for sealing strategic relationships between the three countries and the role it will play in promoting regional connectivity.

Afghan Institute for Strategic Studies

Introductory remarks

In his opening remarks the AISS director Dr. Davood Moradian appreciated the fact that the launching ceremony of the paper coincides with the beginning of the New Year in Afghanistan and Iran and all other countries associated with Nawroz including India. “The Chabahar project is not only interesting for Iran, India and Afghanistan, but it is also beneficiary to all regional countries as it provides opportunities for economic cooperation among across the region. Hopefully we can turn the celebration of Nowruz into a regional platform for dialogue and cooperation among all regional countries. The Nawruz region is an ancient region. India, Afghanistan and Iran are old friends. I hope that we can reinvigorate this relationship in 21th century according to the realities of new era.”

Mr. Qadir Mutfi – Main research findings

Mr. Qadir Mutfi, on behalf of the research team presented the key findings of the research paper as following:

“Afghanistan has a long history of trade with India & Iran. But in recent times, it has become extremely difficult to trade with India, and the prime reason is Pakistan. Pakistan has exploited its geographic position to its advantage and thus limited access for Afghanistan products to India and vice versa.

With this deal, Chabahar port and ports across western India would be directly linked together, thus providing an important route for trade between the three countries. This is an important step in maintaining independence and bypassing Pakistan altogether.

For all the participants, the economic rewards of this pact are massive. The development of Chabahar port and the connecting transport-and-trade corridor has the potential to unlock the untapped energy and mineral riches of Iran, Afghanistan, and Central Asia for export to India, one of the largest and fastest growing economies in the world.

For India, a fast growing economy presents an insatiable need for energy and raw materials. The Chabahar pact ends the country's economic isolation from Central Asia, opening access that has been choked by an unfriendly Pakistan since 1947. In the long run, India's connectivity could expand to Russia and Europe, adding further economic vibrancy to India-Iran-Afghanistan cooperation.

Iran needs no introduction as an energy supplier. What is momentous is that Iran is also emerging as the gateway between Central Asia and India and furthermore an Indian manufacturing hub by creating a junction of cheap energy and Afghan raw materials for Indian markets.

Though currently impoverished, Afghanistan is a mineral rich country. The U.S. Geological Survey has verified previous Soviet findings. Afghanistan may hold 60 million tons of copper, 2.2 billion tons of iron ore, and 1.4 million tons of rare earth elements such as lanthanum, cerium and neodymium, in addition to aluminum, gold, silver, zinc, mercury, and lithium. Rare earth deposits in Helmand province alone are valued at \$89 billion. Total Afghan mineral wealth is estimated between \$1 to 3 trillion, according to the U.S. Geological Survey. Such mineral deposits have remained untapped due to the lack of connectivity to a major economy, among other factors. Such constraints will be addressed through this new connectivity to India. Afghanistan might be able to jump-start the engine of modern economic growth and move the economy beyond poppy cultivation. Also, a successful corridor further enforces Afghanistan as a transit route for oil and natural gas exports from Central Asia to the Arabian Sea. The resources generated from mining, the export of raw materials and later finished commodities like iron and aluminum could have a transformational impact on Afghanistan's economy, society, and politics.

The purpose of this paper is to present a plan on how to build strategic relations between Afghanistan, Iran and India so that steps may be taken towards the full implementation of the Chabahar Agreement and its operationalization. To this end, operationalization can be achieved through the endorsement and implementation of the India-Iran-Afghanistan trilateral transit corridor and the Afghanistan-India- Iran Transit Trade Agreements.

The development of small and medium enterprise exports and foreign direct investment are considered the most important elements in capital attraction, poverty reduction and increased employment in developing nations. For Afghanistan, the Chabahar Port presents an opportunity for strengthening Afghanistan's role in the global economy by making its goods available to the wider market and, in turn, making foreign goods available within the country. The port will thus promote the job market for not only SMEs but also traders and merchants. Furthermore, with the Chabahar Port in operation, the country can work towards developing a sustainable, long-term labour force that facilitates the import and export of goods. Moreover, increased trade may serve as a means of increasing foreign investments, provided security along the trade routes can be maintained.

Chabahar port is a milestone in the integration of Afghanistan into regional and global trade. In order to derive benefit from these agreements, Afghanistan must be prepared to capitalize on the opportunities created. The Afghan Government is committed to pro-trade policies and maintaining low trade barriers as evidenced by Afghanistan's relatively low tariff regime. One of the Government's top trade priorities is to improve trade and commercial relations with regional countries by adopting policies and procedures that

facilitate and promote transit and trade. Regionally and internationally, Afghanistan's traders and traders are viewed as highly innovative and industrious businessmen capable of operating across multiple boundaries. The Chabahar port present an opportunity of capitalizing on both the social capital of this business expertise that exists within the nation and a physical route that connects Afghanistan to global markets."

H.E. Dr. Abdullah Abdullah, CEO of the National Unity Government of Afghanistan

H.E. Dr. Abdullah Abdullah, CEO of the National Unity Government of Afghanistan spoke about the Afghan government's point of view as saying:

"The Chabahar project presents a big opportunity for the prosperity of our people across India, Iran, Afghanistan and Central Asian countries. Hopefully the recommendations put forward in this research paper will be considered seriously by all parties. This region has a long history of trade among the nations. But interaction in this region has not been only limited to commerce and trading goods, as the people would exchange ideas and knowledge as well. In fact people to people connections have been realized in different forms and ways. The Chabahar project – among many other regional projects, is a unique opportunity that can transfer this region for better. The location of Afghanistan posed threats to this country in that pas. But Afghanistan's location can also present opportunities. Trade and transit are essential for Afghanistan as a landlocked country. We faced serious problems in this regard; but hope to overcome such challenges. We hope that our problems with Pakistan will be solved. However, that is a fact that Afghanistan cannot rely only on one rout for promoting trade and transit. We hope that based on mutual respect and shared interests we can find solutions to our problems. There is no doubt that our infrastructure is broken due to years of conflict. Afghanistan follows policies toward reducing and removing trade barriers, including emplacing low tariff regime. We expect other countries to do the same in order to better coordinate our cooperation. But, in order to promote economic growth and productivity- whether in agriculture sector or small and medium-sized enterprises, we need to do our homework as well. A lot of work has been done, but it's not enough. We need to provide the private sector better condition for growth. There are of course challenges to be overcome; including corruption, legal barriers and some cultural problems. As mentioned before, there are lots of opportunities in Afghanistan, especially in agriculture business and mineral sector which is very rich. Through associating with regional and international organizations- such as SAARC, CAREC and The Heart of Asia- Istanbul Process, Afghanistan is now in a better position to deal with its problems. Furthermore, in our mutual relationship with other countries, we are considering the improvement of trade and commerce as a priority. Of course we try to improve local industrial production capacity and address the balance between export and import. Efforts are being done, including regional initiatives such as TAPI, CASA 1000, railway connections, etc. helping us to better connect with the outside world. I appreciate the AISS research paper on Chabahar port, hoping that all parties work together for the realization of shared opportunities."

H.E. Mohammad Reza Bahrami, Ambassador of the Islamic Republic of Iran

H.E. Mohammad Reza Bahrami, Ambassador of the Islamic Republic of Iran started his speech, congratulating the upcoming Nowruz and thanking the AISS director for undertaking the joint research

project on Chabahar port. “We hope to use the findings of this research paper for the operationalization of the Chabahar project. This is a very important project which can be used as a platform for regional cooperation. The Chabahar project is a milestone for regional connectivity that can facilitate regional prosperity. I think there are lots of opportunities in this region to be exploited. Regional initiatives such as TAPI, CASA 1000 or Chabahar, not only facilitate trade and commerce in this region; but also they could be utilized for cultural exchange and security cooperation. I’m very happy to see that progress is being made in some of the regional projects. I think the Five Nations Railway Corridor is one of the most important regional project next of Chabahar. They can facilitate more connectivity among the nations of this region and reduce trade costs across the region, resulting in regional integration. This is what all of us look for. With regard to Chabahar we tried to facilitate good conditions for the Afghan traders and create trust. We had productive talks with the Afghan officials. We hope that these talks will be continued in the future. We already discussed some important aspects of our cooperation in Chabahar, including the prospects of cooperation in the mineral sector of Afghanistan; some interesting suggestions have been discussed, including building factories in Chabahar region for production of steel and joint export of the product. This is related to the Sangan project which is recently being discussed upon between Iran and Afghanistan. We are open to the inclusion of other regional and international countries including Qatar and Italia.

Right now, the turnover between Afghanistan and Iran exceeds several billion dollars including trade rate, income rate of Afghan migrants in Iran and passengers traffic between the two countries. Last year we issued some 250,000 visas for Afghan citizens. This year we issued some 400,000 visas for Afghan citizens. This indicates that interaction between Afghanistan and Iran is increasing both in governmental level and people to people connection. In order for use to be able to systematize this promising interaction, we need proper banking services. This issue has been raised in talks with the Afghan officials. Promoting banking services is essential for benefiting from Chabahar opportunities. We hope that limitations such as financial sanctions imposed on Iran by other countries will be removed for the sake of Afghanistan’s prosperity and regional cooperation. The relationship between Afghanistan and Iran are in good mode. For the first time, senior officials from both countries have reached to a consensus to coordinate their joint affairs. We defined our relationship through various agreements in all fields of cooperation and negotiation between the two countries are continuing. We think that government to government relationship guarantees future relationship between the two countries. This relationship is based on mutual respect, shared interest and the principle of win- win interaction. We cannot maintain a reliable relationship based on unilateral approaches. So, in all cases, we should think of each other’s interest. In his latest meeting with Pakistani officials, H.E Mohammad Javad Zarif, Iran’s foreign minister, emphasized the importance of supporting government in Afghanistan and facilitating peace talks between the Afghan government and the Taliban by all countries. We think that peace and stability in Afghanistan can play an important role for regional peace and stability.” In his concluding remark, ambassador Bahrami, emphasized that Chabahar project is open for the inclusion of all interested countries. “The Chabahar project is not against any other projects. In our region there are many opportunities to be exploited; therefore all projects can complement each other.”

H.E. Manpreet Vohra, Ambassador of India to Afghanistan

H.E. Manpreet Vohra, Ambassador of India to Afghanistan started his speech with congratulation message for the occasion of Nawruz, appreciating the research paper as an important effort for clarification of Chabahar project. “Economic logic is very fundamental to this project. It is also a very strong logic. The Chabahar project is a win- win project for not only Iran, India and Afghanistan, but also for many other countries and regions including Central Asia, even Russia, Eurasia and Europe. The Chabahar port is

located in east of Iran which is an underdeveloped area; so, the economic projection of Chabahar port will benefit the population living across the area. Similarly, the west part of Afghanistan is also an underdeveloped region which can benefit from the implementation of this project. The economic logic is very self-evident. For India, as mentioned in the report, transportation cost as well as time delay for sending anything to Europe will be reduced by almost 50%. Central Asia is a region that we don't have access to. Thanks also to the restrictions imposed by on particular country. So, the shortest and most cost effective routes for India to connect to Central Asia is via Iran and Afghanistan. There is in fact no other replacement. The report says that India, s trade with Central Asia alone, could go up by 4 to 500 billion dollars in matter of years. That is really significant from India's point of view.

Strategic logic is also self- evident. For Iran, the development of other port; this time a port which is to the east of Strait of Hormuz. Anything happens there, will not affect Chabahar, while Bandar-e Abbass could be effected. For Afghanistan, here we are with an alternative route, a short, all season port for Afghanistan. You can reach to the markets of India very easily. It is the fastest and shortest route for Afghanistan; it will reduce and eliminate the dependency that you have on a neighbor that exploited that dependency the landlocked location of Afghanistan. For India, as I mentioned earlier, connectivity to Central Asia, connectivity to Afghanistan and Iran, connectivity to the International North South Transport Corridor which also runs through Iran. All of this makes a lot of strategic sense. The dependencies that are created with any cross border transnational project and connectivity of this nature is also self- evident. It also brings peace. In fact dependencies have the advantage of trying to make it easier to at least talk about the more difficult issues. Resolution of difficult issues by definition takes longer time, but why should that stop us from what is possible today and thousands of thousands of things are possible today, even between counties that may have differences.

We need to have our eyes open and discuss the challenges too. For a very long time, we all know that why it was not possible to move forward on Chabahar and a few other projects that involved Iran. But 2015 onwards there have been very positive changes and things have moved on. We have a new administration in the US with certain policies towards doing business with Iran. Financial vulnerabilities could pose serious challenges on the development of the Chabahar project. Lack of infrastructure is another challenge. We need lots of missing road links and missing rail links in the overall paradigm of Chabahar. Unless you have infrastructure, you will not have fast and cost effective use of this corridor. Security is a challenge, threatening not only the Chabahar, but also many other initiatives. Security will remain a challenge until it is improved. Bureaucracy is another important challenge. There could be challenge of inefficient bureaucracies including the Indian bureaucracy. For India, at least in the past few years, out experience of doing projects overseas – some of them very complex projects- in Africa and elsewhere, improved our own system; at least to some extent. We are more confident today. But things are easy to resolve. I'm very happy to tell all of you that last year we have also issued 20% more visas to the Afghan citizens as compared to the previous year. As I said, implementation delay is what I fear the most. But I think the economic and security logic of the project are so powerful. External actors and external factors can always impact any project. If things go hand in hand, I think the future of Chabahar is bright.”

The event concluded with an open question and answer session.