Chapter Five

Chapter V: Regional Cooperation in Asia and It’s Relevance to Chabahar Port

The purpose of this chapter is to evaluate the geo-strategic location of Iran which can provide Central Asian states the shortest possible route to the warm waters of the Persian Gulf, Oman Sea and Indian Ocean. In addition, From Oman Sea and Indian Ocean Chabahar Port can serve as an entrance for trade with Central Asian States. The Chabahar port will enrich itself and would bring economic stability to the province of Sistan and Baluchistan in general and Iran’s coastal areas in particular. This chapter is investigate the Socio-Political programs of the Sistan and Baluchistan Province as well as that of the central government in the development of Chabahar free-trade zone and also the role of all countries which will join in world trade (global business) on the North-South corridor.
1) Introduction:

The land bordering the Caspian Sea has long been known for holding sizeable energy resources.¹ The Caspian region of Central Asia has the potential to become the largest supplier of oil and gas to Asia and Europe with its estimated reserves of approximately 200 billion barrels, surpassing any region outside the Persian Gulf.² The extraction and transportation of oil and gas from the region has emerged as the major source for geopolitical rivalry. The physical access to these reserves remains an obstacle due to the regions physiography.³

The use of foreign capital and technology, primarily for exploration and transportation of the Central Asia’s oil and gas reserves is the cause of the infusion of extra regional, political and economic influences in this region. The oil corporations in the regions are involved not only in the development of oil and gas explorations projects but also in the affairs of the Caspian Sea Basin, which have acquired an importance role in the foreign policy of many countries in the region.

The physiography constraints have complicated the transportation of resources from the Central Asia. The region exports by using the territory of other

countries and it doesn’t have any direct access to navigable international waterways. So Central Asian states dependent heavily upon other countries routes for trade and transportation for their natural resources. However pipelines, in whichever direction they are built, would entail a high transit fee and be of great length.

Thus the Central Asia has the problem of transporting its resources to the world markets. The biggest obstacle to Central Asia oil is the distance to the markets i.e. the cost between $3 and $4 per barrel just to get the oil to a seaport for export and additional fixed overhead of shipping costs.

The geo-strategic position of Iran provides these states the shortest possible route to the warm waters of the Persian Gulf, Oman Sea and Indian Ocean. In addition to serving as an entrance for trade with Central Asian States, the Chabahar port will enrich itself and would bring economic stability to the province of Sistan & Baluchistan in general and Iran’s coastal areas in particular. The essence of Iranian foreign policy lies in the formation of a multi-polar world order under the aegis of the UN, in which Iran and other Islamic countries will represent one of the poles. At the same time Central Asia is considered in Tehran as a continuation of the region of the Persian Gulf and Arabian Sea, which is a vitally important zone of Iranian economic interest as a whole. In this connection the Islamic Republic of Iran traditionally recognises the project for energy routes from Central Asia states through its territory as the cheapest and most economically viable on the ground.¹

This chapter investigates the Socio-Political plans and programs of the Sistan and Baluchistan Province as well as those of the central government for the

development of Chabahar free-trade zone and also the role of other countries which plan to join in the world trade (Global business) by the North-south corridor.

2) Regional Cooperation:

Diplomatic and economic isolation from the United States has forced Iran to expand its business and security links with other states in order to remain economically viable. Iranian businesses have been successful in the commodity and energy trades in particular, competing for influence in the region with Russia and Turkey. Trade ties have grown rapidly between Iran and the Central Asian states in the past decade, with the strengthening and broadening of diplomatic relations. However, tensions between Iran and some other countries in the region remain. In particular, the division of the Caspian Sea boundaries is a major source of disagreement between Iran, Turkmenistan, Kazakhstan, Azerbaijan and Russia. Iran insists that the demarcations should remain the same as that agreed upon by the Soviet Union and Iran in 1921 and 1941.

Uzbekistan considers Iran to be a critical access route to world markets and fosters a close relationship with that country. Trade between Iran and Uzbekistan is strong, with the total in 2004 reaching $300 million. Both countries have a strong interest in cooperating to create transportation infrastructure, with plans to constructed a north-south road from Iran through Afghanistan to Uzbekistan.

Iran has invested in the construction of the route connecting Tashkent with Mazar-e-Sharif and Herat in Afghanistan, traversing the Iranian port of Chabahar and ending at Bandar Abbas in Iran. The transportation network will include rail

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links and will provide much needed access for Uzbek goods to reach the Iranian ports of Bandar Abbas and Chabahar. Uzbekistan and Iran also share security interests in countering regional terrorist activities and drug smuggling, creating the basis for bilateral security cooperation in these areas.\(^6\)

Trade and transport have become an increasingly important component of relations with Tajikistan. Tajikistan and Iran share close cultural ties and both countries speak the same language, which create a strong basis for commerce and investment. Strategic relations were expanded during the war against the Taliban: Both Tehran and Dushanbe were united in supporting anti-Taliban factions. These ethnic and linguistic bonds have proved to be useful in expanding relations in the economic arena as well. Trade between the two countries was approximately $100 million in 2004 and initiatives in transportation links between the two countries are likely to lead to greater exchanges in the coming years.\(^7\)

Iran in 2003 agreed to give Tajikistan $31 million for the development of transport in 2005 it pledged another $5 million in transport grants. In January 2005, Iran, Russia and Tajikistan agreed to build a hydroelectric power station at Tajikistan in two stages. Russia would build Sangtuda1 to be followed by Iranian construction of Sangtuda2.\(^8\)

Iran is also involved in the construction of the Anzob tunnel, which would connect Iran to Kazakhstan, Kyrgyzstan and Tajikistan to the South Asian ports through Afghanistan and Pakistan, providing greater trade access throughout the

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The new tunnel is currently under construction by the Iranian company Sabir International. When completed, it is estimated to cut travel time between Iran and Central Asia by four to five hours. The assistance package comprises $10 million as aid and the remaining $21 million as a loan. This would also be used for the construction of other roads through Tajikistan.¹⁰

Bilateral relations with Turkmenistan have deepened with recent agreements on trade in electricity, cooperation against drug trafficking and the building of a “friendship dam” on the Iran-Turkmenistan border. The two countries agreed for electricity generation in 2003 and inaugurated the supply of 562 meters per kilowatt hour (m/kWh) per year via the Balkanabat-Gonbad power transmission line. In 2004, a second power transmission line was built to provide electricity from Turkmenistan to Iran, with an expected annual export of 375m/kWh. The Dousti (friendship) dam was built with costs shared equally by Iran and Turkmenistan and was officially inaugurated in April 2005.¹¹

Kazakhstan and Iran have fostered a deepening relationship in the past few years. Disagreements on the Caspian Sea issue are yet to be resolved, though both countries maintain positive security, energy and trade relationships and both countries have discussed about cooperation in combating terrorism, drug trafficking and organized crime.¹² Iran and Kazakhstan have an energy swap


wherein Kazakhstan supplies oil to Iran via the Caspian Sea up to Neka Port and in return, Kazakhstan receives the equivalent amount of oil via the Iranian port of Kharq in the Persian Gulf. Overall bilateral trade stands at $780 million. There are more than 100 Iranian companies which are active in Kazakhstan.\textsuperscript{13}

Relations with Kyrgyzstan have been warm in recent years, although currently Iran is closely observing developments in Kyrgyzstan following the overthrow of the Akayev regime. In 2004, Iran gave $10 million in aid to Kyrgyzstan for the development of that country. Discussions remain underway for Iran’s energy trade with Kyrgyzstan, with the two main options being the Uzbekistan-Turkmenistan route or a Tajikistan-Afghanistan route.\textsuperscript{14}

3) Iran and Afghanistan Cooperation:

Trade and cultural links between Afghanistan and Iran have always been encouraged by close ties between the two countries. Close contacts continued between the two states until the Taliban came to power. However, with the fall of the Taliban, connections were re-established. Political and economic ties between Iran and Afghanistan have flourished over the years.

Iran has become a major trading partner of Afghanistan. Iran’s exports to Afghanistan mainly include foodstuff, garments, carpets and construction materials. Both states have managed to boost economic interaction to a great

\textsuperscript{13} Payvand. Kazakhstan to build two oil terminals in Iran. \textit{Payvand’s Iran News}. (Tehran, 21 October, 2004).

extent in the framework of Iranian assistance to Afghanistan’s reconstruction drive, amounting to a little over $260 million.\(^{15}\)

The Iranian government in order to cement economic and commercial ties with Afghanistan established the Iran-Afghanistan Joint Chamber of Commerce and the first Iran-Afghanistan Joint Economic Commission to facilitate trade between both states.\(^{16}\) Iran has also established the first Iranian bank (Ariyan Bank) in Kabul. Iran has been eager to extend its influence over Afghanistan using several instruments such as economic aid and support for reconstruction. The increase of trade links between the two countries and larger Iranian investment in the area. This is aimed at consolidating economic interdependence. The building of roads and rail links are a way to “steering” the economy away from geopolitical inducement to Afghanistan from the western countries.

Iran’s exports to Afghanistan have risen from $52 million in 2001 to $500 million in 2005-2006.\(^{17}\) Hence, relations between Iran-Afghanistan have extensively progressed in the past four years. Iran and Afghanistan have signed an MOU and an agreement relating to the port of Chabahar and the Chabahar Free Trade-Industrial Zone (CFTZ) on 15 September 2003.\(^{18}\)

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\(^{15}\) Islamic Republic News Agency. Iran, Afghanistan trade at $260m a year. *IRIN News*, (Tehran, 09 March, 2005).


\(^{17}\) Xinhua. Iran, Afghanistan keen on cooperation in all fields. *People’s Daily Online*, (Beijing, 28 may, 2006).p. 2.

The MOU\textsuperscript{19} covers reciprocal measures for commercial license to be issued to traders and business men of each country and for improvements of security along transit routes. A bilateral Trade and Transit Agreement created the Chabahar Free Zone Authority, that allows the import and export of goods to and from Afghanistan at a 90 percent discount on Iranian customs duties or tariffs and it also allows 20 percent of the port’s warehouse space to be allocated for goods en route to Afghanistan.\textsuperscript{20}

There are plans to increase the space of the warehouse to 30 percent in the future and Afghanistan will also be given the opportunity to construct its own quay in Chabahar Port. Afghanistan also has the advantage of using the other main Iranian port, Bandar Abbas, due to a transit agreement signed in 1974. However, access from Afghanistan to Chabahar Port remains difficult.\textsuperscript{21}

To further boost bilateral trade between both states, in January 2005, a road linking the Dogharoun border region in north-eastern Iran with the western Afghan city of Herat was completed.\textsuperscript{22} The Dogharoun-Herat Road and Milak Bridge as well as several power supplies, agriculture, development, telecommunication, health, vocational and cultural projects have so far been implemented in Afghanistan by Iranian firms. A component of Tehran’s foreign policy is its desire to make maximum use of its advantageous geo-strategic position as the most convenient route for transporting oil and gas. The operation of

\textsuperscript{19} Memorandum of understanding


\textsuperscript{21} Ibid

\textsuperscript{22} Golnaz, Esfandiari. Kabul turns to Tehran. \textit{Asia Times Online}, (Hong Kong, 28 January, 2005).p. 4.
old and the laying of new pipelines are vitally important for Iran. Therefore, in this area, the country’s priorities are as follows.

First, completing the extensive network of internal transportation, communication lines, in particular pipelines, which would connect the country’s north with terminals on the Gulf coast, as well as pipelines that connect the Central Asian republics with Iran’s pipeline network.

Second, building the Mashhad-Bandar Abbas railroad, which will shorten the current route from Central Asia to the Persian Gulf by 900 Km. Third, rapidly developing the economic infrastructure in the provinces and the country’s free economic areas. As of today, there are three free economic areas in Iran located on the coasts of the Persian Gulf and Oman Sea. The shortest route to the Central Asian republics lies through the Chabahar Port in the southeast of the Iran.23

Tehran believes that the formation of a purely economic organization, such as the ECO, the role of Iran’s cultural heritage will make it possible to consolidate the economic union of countries and create a sustainable image for it in the Islamic world. The Iranians believe that precisely the unique of their ancient culture, its deep roots in history and the consciousness of the South Asian peoples will help today’s states to more efficiently integrate into the region and promote its development and creation in the light of the cultural-political and economic communality of neighbouring countries.24


4) The Road system of Central Asia and Iran:

Basically, Central Asian Road links are connected to each other. In Kyrgyzstan which is a mountainous country, building a railroad is a very difficult task, it is also very expensive. Roads are connected to Shimkent, Namangan, Jambyl and Almaty in Kazakhstan, Namangan, Dushanbe in Tajikistan, Tashkent and Furghane in Uzbekistan. Some parts are also connected to Kashgar in China through Bishkek road. It is worth to mention that Iran is helping these countries in road development.

In Kyrgyzstan there is 33,888 Km road that is connected to Uzbekistan Roads and through Tajikistan is connected to Tajikistan roads and in the north linked to the Russian Road system. Tajikistan road network length is 29,900 Km of which 8,500 Km has been built in mountainous area which become useless in winter. In short, building of roads in Tajikistan is very difficult because of natural barriers. But without its road network it cannot connect to other parts of Central Asia. Iran is building Dushanbe-Herat highway and when it is finished it will connect Iran to Tajikistan and Afghanistan through a land road.

Uzbekistan is one of double land locked country that crosses two territories reaching open sea. Lack of coasts in this country force them to do its major trade and transportation through rail and road lines, as developing its road and rail network needs foreign investments. By considering the geographical location of Uzbekistan and the importance of its roads in Central Asia, reaching an Uzbek

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road network for Iran is vital. In this regard Iranian companies are repairing roads from Uzbekistan to Kazakhstan and Tajikistan and north Afghanistan.

The Uzbek government is building a transit route via Afghanistan to Iran for transporting goods. At present goods and passengers are carried through Iran. Uzbekistan's approach Bandar Abbas port passing Sarakhs on the Iran-Turkmenistan border to southern Khorasan, Kerman and finally to Hormozgan province. This direction enables Uzbekistan to reach target markets. Uzbekistan is also seeking for the security and stability of Afghanistan. They are thinking about connecting the Uzbek rail network to that of the Iran rail via Afghanistan territory and if such work is done the Termez- Mazar Sharif-Herat path will be more suitable for Uzbekistan. 28

Compared to Tajikistan, Kyrgyzstan & Uzbekistan, Turkmenistan has better road condition. Turkmenistan road's length is about 50,023 Km, this country does some part of its transportation through sea. According to official figures in 1995 about 19,100 Km of its routes passed through hard lands. Turkmenistan is trying to optimize its transportation network between Eshgabad-Mary and Eshgabad-Turkmenbashi and is also building a highway which passes Amudarya through a bridge near Charko. 29

Iran took responsibility to build the Bajgiran-Eshghabad road and also six lines road of Turkmenbashi-Eshghabad which is about 500 Km. After the disintegration of the Soviet Union, the volume amount of Central Asian trade with


the CIS\textsuperscript{30} states and also their foreign trade increased. The main reason for this increase is the production and export of raw materials. In this regard getting raw material and goods to markets are the basic needs of Central Asian countries.

For obtaining these goals Iranian routes were considered the most secure, cheap and shortest routes. Iran is located on the Silk Road that is more than 2000 years old and it recalls historical memories of the Silk Road that played an important role in transportation in ancient Asia. Presently the Silk Road is a synonym of economic and political development that combined with oil, gas and raw material.\textsuperscript{31}

\begin{figure}[h]
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\includegraphics[width=\textwidth]{figure20.png}
\caption{The Road System of Central Asia and Iran\textsuperscript{32}}
\end{figure}

\textsuperscript{30} The Commonwealth of Independent States (CIS) is the international organization, or , consisting of eleven former Soviet Republics: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Ukraine, and Uzbekistan. Turkmenistan discontinued permanent membership as of August 26 2005 and is now an associate member.


\textsuperscript{32} Source: \url{http://easterncampaign.files.wordpress.com}
Tehran is pressing ahead to build a highway into neighbouring Afghanistan. Iran, which is seeking to establish itself as a main trade route, sees Afghanistan as a potential land link between the Persian Gulf, Oman Sea, Central Asia and China.

The Asian Highway routes link the Islamic Republic of Iran to Afghanistan, Azerbaijan, Pakistan, Turkey and Turkmenistan and also connect the seaports of Bandar Abbas, Bandar Emam and Chabahar Port which provide entry ports for the Central Asian and Caucasus regions (See Figure 19). New projects to enhance international transport are being implemented, such as the North-South corridor linking the Russian Federation and Azerbaijan and the Kerman–Zahedan part of.

Iran has expanded its transit routes to meet the increasing needs of Central Asian countries. In January 1994 Iran opened a new road linking Turkmenistan with Turkey via Iran. The road halves the distance between the two points and thus Turkmenistan is no longer compelled to use the long Russian route to Europe.

Iran has also prepared the port of Chabahar on the Oman Sea for the transit of goods to Central Asia; this port is currently connected to Central Asia via roads and is to be connected via railways. In May 1994 Iran and Turkmenistan began reconstruction work on a road linking Turkmenistan with the Middle East via Iran.33

5) The Central Asian and Iranian Rail Network:

Central Asian states inherited their rail network system from the Soviet era. Basically Central Asia favoured the rail network for carrying cargo similar to the

Soviet Union era and maintains a very vast system throughout the region. Russian rail network connected to that of the Siberia system rail road. This network connected to Turkmenistan and Uzbekistan. And their rail system connected Almaty in Kazakhstan to Urimchi in Sinkiang in China. It was inaugurated in 1992. This system not only connected Beijing to Kazakhstan but also Tashkent and Eshghabad via Sarakhs in 1996. By the inauguration of the rail network of Bafgh to Mashhad, Central Asia became 1000 Km closer to the Persian Gulf (See figure 20).

This rail system from Bafgh to Mashhad connects Sarakhs to Tehran and so Bandar Abbas Port in the Persian Gulf beach is more economically profitable and plays a crucial role in the economic life of Central Asia.

It should be mentioned that this road, has shortened distance between the Central Asian regions to the Persian Gulf by one third. The aftermath of this distance decrease is the development of transportation and trade in the region. But the amount of commodities transported is not as much as expected.

As a whole, four connections stand between Bajgiran, Lotfabad, Incheboron, and Sarakhs in Turkmenistan border and this has made transportation easier and very profitable. By completion of Mashhad-Sarakhs-Tajan rail road in 1996, Central Asian land lock states were linked to Iran. The advantage of this link is decreased dependency of these states to the Russian rail and road system. Iran and Turkmenistan links have 3 to 5 million tonnes potential of carrying cargo.

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Kazakhstan rail road is connected to Europe through Russia, via Iran to the Persian Gulf and through China to Pacific Ocean ports. For development of its rail and road infrastructure, Kazakhstan signed two bilateral agreements with the neighbouring countries by borrowing from the Bank of Development. Tajikistan and Kyrgyzstan have a 500 and 375 Km rail road respectively which provides the shortest link to whole of Central Asia.

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36 Source: http://allshipsmarine.com/centralasia.html


In Kyrgyzstan in spite of difficulties such as land unevenness, its rail system is connected to that of Kazakhstan and Uzbekistan in the Furghanan Valley. Uzbekistan is also connected to Kazakhstan, Tajikistan and Kyrgyzstan. The shortest part of this rail network goes to Kyrgyzstan and connect Kojand to Furghanan Valley, at the centre of cottons plantation in Gurgan Tape and Termez.39

Turkmenistan’s main rail road stretches from Turkmenbashi port in the shore of the Caspian Sea to the east and connects Eshghabad, Mary and Charjo. In addition to the rail road of Tajan, Sarakhs, Mashhad and then the Tehran, Istanbul connection is also considered as well. After the Soviet demise this system was connected to other Central Asian states and with northwest links to Russia via Uzbekistan and the Kazakhstan rail road. Turkmenistan recently tried to build rail links, one from Kazanjk, Gezel Atrak to Turkmen Port and on other side is the Turkmenistan-Kazakhstan rail link which connects the Central Asian Republics through Iran to the Persian Gulf.

UNDP40 introduced Central Asian transportation links as an alternative route for the Russian system in 1996 that includes four links:

A) By ship crossing through Kazakhstan via Azerbaijan and the Georgia port of Batumi in the Black Sea.

B) Through China which links into the Pacific Ocean which was inaugurated in 1992

C) An Iranian route to Bandar Abbas (Tajan, Sarakhs, masjhad, Kerman and Bandar Abbas)


40 United Nations Development Programme
D) From a new Iranian link to Istanbul in Turkey

Two of these four links passing Iran. Three alternative routes also are:

1) From Kazakhstan ports to Iran and also to Maku and Astarakhan

2) Building a rail link in the bank of the Caspian Sea which can connect Iran to Astarakhan. This project recently has been approved by Turkmenistan, Kazakhstan, Russia and Iran that recently joined.

3) Building a rail link in the Chabahar port which can connect Chabahar port to Tajan, Sarakhs, Mashhad, Kerman and finally to the Central Asian countries.41

The growth of trade and commercial links require facilitation of smooth movement of cargo, development of transit infrastructure, simplified and harmonized procedures along the transit route. Iran's unique geographical position makes it a natural transit hub for South Asia, Afghanistan and Central Asia with multiple transit routes that bring down costs, provide multiple options to landlocked countries and encourage trade. The development of North South Corridor founded by India, Iran and Russia is proceeding along these lines and has demonstrated that when fully developed, it would cut transit time considerably. It is a great example of regional cooperation which shows how such a vision can galvanize the trade and economy of the whole region. India, Iran and Afghanistan are working together to develop the Chabahar-Milak-Zaranj-Delaram route to Afghanistan.

India has committed USD 135 million for the construction of the Zaraj-Delaram road and Iran would start executing the project once they have examined

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the detailed project report already available with Iran. An Indian consortium has been engaged by Iran’s Ports and Shipping Organization for working on the development of the Chabahar Port and railway link between Chabahar-Fahraj-Bam.\textsuperscript{42}

6) India and Iran Cooperation:

Relations between India and Iran have been deepening with respect to most issues, especially in the area of security, energy, and the North-South Transportation Corridor. Transportation relations were initiated in January 2003 when the Iranian president visited India, at which time the two nations signed a number of agreements, including a “Memorandum of Understanding on the Road Map to Strategic Cooperation.”\textsuperscript{43}

In addition to the foregoing, Tehran and New Delhi have been discussing the construction of a natural gas pipeline from Iran via Pakistan (or via the Persian Gulf and Arabian Sea) to India. The two countries want to establish a trade bloc consisting of India, Iran, Afghanistan, Bangladesh, Nepal, Sri Lanka, and Pakistan to promote trade and commerce in Central Asia. Indo-Iranian trade has been growing steadily with bilateral trade reaching around US$12.896 billion in the financial year 2007-2008, with non-petroleum products accounting for US$2.3 million,\textsuperscript{44} but which is not considered optimal given the good political relations between the two countries. With the development of Chabahar Port and the 200

\textsuperscript{42} Opening Statement by EAM at the 13th Session of the India-Iran Joint Commission, (Tehran 13/12/2003) http://meaindia.nic.in/speech/2003/12/13ss01.htm.


\textsuperscript{44} H., Hossieny. Two percent Indian trade with Iran. \textit{Sarmayeh}, (Tehran, 03 November 2008), p. 05.
kilometre North-South Corridor linking Uzbekistan, Afghanistan, Iran, and India, the future trade in this area is potentially destined to grow.\textsuperscript{45}

The potential for India-Central Asian trade has been hamstrung by the India-Pakistan rivalry. The shortest route from India to the Central Asian republics is through Pakistan and Afghanistan, but New Delhi cannot use this route given its troubled relations with Islamabad. The relationship between India-Iran-Central Asia provides a new link which could transform the face of trade in the region. Linking the Indian commercial capital of Mumbai with the Iranian ports of Chabahar and Bandar Abbas by maritime transport will then rely on road and rail networks to connect Chabahar port and Bandar Abbas with Central Asia and Afghanistan. The corridor could evolve towards boosting trade between Central Asia and the world. This new initiative is expected to reduce the cost of transit and transportation of goods.\textsuperscript{46}

India needs Iran to achieve its varied objectives in Central Asia. Iran, for its part, sees a tremendous complementarily of interest with India. Both governments are optimistic about the commercial benefits of Central Asia markets and hope to share the benefits of the North-South Transit Corridor. Iran will require massive infrastructure investments to extract maximum benefits from it, and India is lined up to provide cost-effective intellectual and material assistance in the development of information technology networks, ports, roads, and rail projects.\textsuperscript{47}

With the completion of the Mashhad-Sarakhs-Tajan railway in 1996, the landlocked Central Asian states became linked to Iran and saw a slow decrease of


\textsuperscript{46} S., Ramachandran. India, Iran, Russia map out trade route. \textit{Asia Times}, (Hong Kong, 29 June, 2002). p. 3.

their dependency on the Russian railways and road system. The Indian Government’s Border Road Organization financed to the tune of US$136 million the opening up of a road link between the deep ports at Chabahar in Iran and Afghanistan’s main ring road highway system. The 215-kilometer road from Zaranj to Delaran was completed on January 22, 2009. This is part of a garland road network in Afghanistan that forms a circular route connecting Herat and Kabul via Mazar-e-Sharif in the north and also Kandahar in the south, thereby potentially connecting Afghanistan to Uzbekistan. This fits in with Iran’s focus on Central Asia, which lies to its north-east, a region that has seen increasing development as compared to its south and east, with Mashhad emerging as the second largest city of Iran.

7) The North South Trade Corridor:

The corridor plans flow out of the Inter-Governmental Agreement on International “North-South Transport Corridor” between India, the Russian Federation and Iran that was signed in September 2000 at St. Petersburg. The agreement, ratified by all the parties, entered into force in May 2002 which will be valid for a period of 10 years. This is part of the Indo-Iranian endeavour to facilitate movement of goods across Central Asia and Russia. To this end, the two countries also signed an earlier trilateral agreement on transit of goods with Turkmenistan in 1997.

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The corridor is expected to cut transport time of goods by 10-12 days besides shrinking transport costs. This would be an alternative to the current cargo route between India and Russia that goes either through the Baltic ports of St. Petersburg and Kotka, the European port of Rotterdam or through the Ukrainian Black Sea ports of Illychevsk and Odessa to join the Mediterranean.50

One report, pre-dating Khatami’s Delhi visit in January 2003, suggested that goods will be routed to the Iranian ports of Bandar Abbas and Chabahar by sea, whereupon road and rail networks would transfer them to the Caspian Sea port of Bandar Anzali and Bandar Amirabad, via Tehran. The cargo would then be transferred to the Russian ports of Astrakhan and Lagan en route to St. Petersburg on the Baltic Sea — which is Russia’s maritime access to Europe — thus potentially extending the Helsinki-Petersburg-Moscow trade route across the Caspian Sea to Iran and India. Compared with the currently used 16,129 kilometre route through the Suez Canal and the Mediterranean, the North-South Corridor is just 6,245 Km long, causing Indian officials to admit that it would link Southeast Asia and Europe.51

Estimates of saved transport costs vary from 15-20 percent to 40 percent. Trial runs were conducted for over a year that involved 1800 freight containers which were expected to go up to 8000 by the end of 2002 (In fact, Iran proposed during Khatami’s visit that the North-South corridor could be utilized for


51 Sudha, Ramachandran. India, Iran, Russia map out trade route. *Asia Times*, (Hong Kong, 29 June, 2002). p. 3.
transferring 5,000 tons of tea produced by blending Indian and Iranian tea for consumption in the Russian market).\textsuperscript{52}

There are concerns relating to the corridor’s passage through the conflict-prone Caucasus region and its potential in fostering arms trade and nuclear proliferation while questions over the provision of funds needed to upgrade the road and rail networks remain unresolved. Notwithstanding, the corridor is expected to handle $15 million to $20 million tons of freight annually, with the trade turnover pegged at $10 billion.\textsuperscript{53}

Russian sources state that more than two million tons of cargos, worth $700 million, were shipped between Russia and Iran in 2001. Analyst Stephen Blank summarizes the uses saying, “The idea of the Corridor has multiple purposes. For Russia, it’s the opportunity to bypass the Silk Road. Iran gains political and economic benefits from trade with Russia, Central Asia and India perhaps at the expense of Pakistan. And India gets access to Russian, Central Asian and Eastern European markets for its goods and links to a variety of energy import sources.”\textsuperscript{54}

As part of these transportation projects India will build a railway track that connects the Iranian port of Chabahar to the Afghan city of Zaranj which will be used to take Indian goods to interior Afghanistan via Delaran and beyond.\textsuperscript{55} The congested Bandar Abbas Port has given way to Chahbahar Port, which will be the

\textsuperscript{52}The Hindu Special Correspondent. North-South corridor will save height and time. \textit{The Hindu Online edition of India’s National Newspaper} , (Madras, 26 June, 2003). p. 2.

\textsuperscript{53}Sudha, Ramachandran. India, Iran, Russia map out trade route. \textit{Asia Times} , (Hong Kong, 29 June, 2002). p. 3.


node to transport Indian goods that will additionally benefit from reduced tariffs according to the agreements reached during Khatami's visit.