Chapter two: Geopolitics of Free Zones in International North South Transport Corridor
Geopolitical Impacts on International Business

The geopolitical paradigm of international business is arranged along three dimensions of the geopolitical phenomena with ability to explain transformation of designs and catalytic forces in the constantly changing geopolitical environment. This affects international business operations as when Soviet Union was formed or the British Commonwealth emerged. The international business took place between the colonies and the colonial powers primarily in a colonial set-up. The international business was determined by two important norms a) control of resources b) import of resources. This relationship ensured that the colonial powers profited primarily from their investments (1).

In the East Indies, the East India Company comprising Dutch, Danish and French were vigilant players during this period. A major breakthrough in international and geopolitical relationships was the formation of British Commonwealth of Nations which laid the framework for international cooperatives based economics with independent countries.

Cold War Period

The emergence of U.S as a major hegemony with global interests and commitment after World War II was the turning point in history. The Western alliance worked with the prime and principal objective of containing communism, physically and economically. The Soviets used ideological maneuvering to extend their influence around the world. This mindless rivalry led to wasteful military expenditure and war machinery build-ups that were huge. The Soviets worried about Western supremacy and US and British worked to safeguard western soul from the onslaught of communism. In these petty quarrels the motives behind the purpose of the Commonwealth underwent massive divergence which ultimately led gradual disintegration and Cold War.

USSR got into restrictive trade pact negotiations with East European Countries in 1947 as it felt threatened by the Truman Doctrine and Marshall Plan. The U.S goods and dollars flowed out in the name of world trade and investment to create a false sense of prosperity and unprecedented American influence in the world. This led to redefinition of lopsided international business and fanciful comfort zone bubbles.
The chief feature of these times was the augmentation of private investment and the growth of MNCs. The Gross Domestic Product (GDP) of 87 countries was no match for the annual volume of sales of the 10 largest MNCs which established themselves as powerful foreign entities with the capacity to influence government policies in their explicit favor (2).

These were a number of countries that at the initial stages tried to uphold a neutral position in world politics during the bipolar positioning of countries in the Cold War Era. In order to safeguard their interests and self respect these countries maintained an equidistant position from the both the superpowers. They tried not to get involved in Cold War rivalries or the East-West rivalry.

**Post – Cold War Period**

The collapse of the Soviet Union brought a major shift in the geopolitical environment and it democratized the Eastern Europe. The ideological imperatives were replaced by geographic proximity, regional, national and political interests and core values for cooperation. The East European countries were kept out of the European Community. This reluctance is also illustrative of a trend that global players could influence particular regional or country market (3). The argument that follows it that global geopolitics and its ephemeral nature would unite companies to shoulder jointly the risks and uncertainties of international joint venturing.

**Place Dimension**

That strategic value of an area influences relationships among states, is a geopolitical perspective. The importance of an area based upon its natural resources, size, and proximity and future prospects in relation to other countries was the basis of this value. For example Australia’s relationship with New Zealand its neighbor was of more strategic value than its relationship with Sri Lanka. In addition, the size of countries was of importance too, Indonesia, one of the most populated large countries in the vicinity of Australia became important for it.

Every political community set on a specific territory will also have a geographical base that is unique in terms of location, shape, size, climate and natural resources combinations. The crucial geographical considerations cloud most significance transactions that arise among nations. The thrust of international business
decisions is an emphasis on transactions among nations. The obvious observation reveals elements of proximity and regionalism. They are:

Natural Resources: A significant geopolitical variable is the availability of natural resources. The Colonial infusion began with a thrust to primarily exploit resources. Raw materials are conveniently imported by foreign companies through a vertical integration for vertically integrated firms constitute multinationals that are seeking resources.

Strategic Location: In 1861-1947 Sir Halford MacKinder a British political geographer started a theory where initially the concept of “Heartland” was proposed. It began in 1904 got revised in 1919 and 1943. He forecast that Eurasia in North-Central Asia would become the heart of the world on account of its geographic strategic location. On account of its vast natural resources, it would become a political and economic power (4). Singapore too owes its success to its strategic location in the Sea.

Geographic Proximity: The major factors that constitute the cover of geopolitical dimension, is the physical distance. Most foreign companies extend business into the areas that are in the vicinity and of close proximity physically. The structure of international business operation is impacted by geographical distances which act as a barrier. The international firms are unfamiliar with the markets that are geographically distant lands so they formed International Joint Ventures with local partners to overcome barriers and reduce risk and uncertainty.

Regionalism: Distance dictated the restrictions formerly though communication has in reality overcome it. In the recent years momentum has been gained by regionalism. Where intra-regional trade and investments increase give preferential trade advantages. For example, More than 95% of FDI recorded in world trade come from Organization for Economic Cooperation and Development (OECD) and members who invest almost three-quarters of it in other OECD countries (5). In other intra- regional fora too FDI is prevalent as special privileges for easily available investment.

The geostrategic alignments are of no import to the U.S anymore. ASEAN concentrates on trade and investment within the region in the post cold war scenario and to enhance business relationships within the region has formed the ASEAN FTZ. The growing regionalism may be explained from the international business perspective, as partial response to the adverse impact possible in an increasingly forceful volatile
global market. The preferential trade and investment agreements present between the
countries in a region obstruct direct competition from arch rivals outside the region (6).

**Population of size**

Population is a geopolitical variable some of its various characteristics, are
varied, qualitative and ideological. The important motivator for international business
growth is the size of a populace. India and its huge population base motivate foreign
investors to invest there on a long-term basis (7). Another demographic with close
relation to population size is the supply of labor. It creates a competitive labor market
and low labor costs for large population ensures larger supply of labor.

**Role of Environmental, Ethnic and Religious Groups**

The regulation of WTO (World Trade Organization) are fraught with
negotiations that provide institutions, organizations and countries the power to impose
restrictive measures, which promote and conserve exhaustible natural resources if they
effectively curb domestic production or consumption (8). The effect of ethnic and
religious conflicts on a national economy is epitomized by the conflicts between Serbs,
Croats and Muslims in Herzegovina Bosnia. A very small number are ethnically
homogeneous in the 180 nations of the international system. The relationship of a
country with others can be positively influenced by the ethnic population which helps
to foster better business relationships among nations.

**Globalization and Geopolitics**

Globalization and geopolitics work hand in hand in the same arena but an inter
relation between globalization and geopolitics in international business was not
attempted before. The globalization of markets and production is very evident yet
specific differences still remain between countries and nations. (9).

There is a need to look at geopolitics from the dimensions of a) time, b) place,
c) demography. The time dimension: the epoch without global focus was the period
from 16th Century-1945 to World War II. The Cold War period (1945-1991) was the
growth and evolution of regionalism. The superpowers (U.S & USSR) endorsed
security arrangement that led to regional economic integration processes.

The surge of regionalism was witnessed in the post-Cold War period (1945-
present). The operational regional agreements that exist in the world today came into
being in the five years between 1992 and 1996. The 77 new regional pacts account for three-quarters of the international agreements. Global issues, such as the reductions of tariff and non-tariff barriers across countries and regions evolved from GATT and formation of WTO to constitute global agendas. They cannot be regarded as tools of globalization but as tools of geopolitics.

The place dimension: Is with regard to cluster of countries that are regionally rich in natural resources of a specific kind e.g. the Middle East which produces oil. Such a region gains strategic importance due to its location in the region in particular and world in general.

The demographic dimension: This dimension looks at population size which is primarily specific to a country and is targeted by international business firms. Some of these variables may have a quasi – global texture. A defined geopolitical paradigm to formulate pivotal bilateral trade relations must take into account the aspects of these dimensions.

Geopolitics of the Persian Gulf Security

Asia, Europe and Africa, the three important continents are linked by the Persian Gulf region with a presence in the Indian ocean, which provides a system that links the Mediterranean Sea, the Red Sea, the Indian Ocean and the Pacific Ocean. The strategic location of the Persian Gulf attracts traders, businessmen and big powers who have an important commercial interest there and fight innumerable wars for its control. The Persian Gulf became an area where the intractable commercial and political rivalry of the Western maritime powers played itself out.

At beginning of the 20th century, in the Persian Gulf oil was found. In 1908 the Anglo – Persian Oil Company was formed to extract oil which had an importance for Great Britain and all those who felt the need for it. The geopolitics of the region was altered by this discovery of big fossil fuel resources in a region of the Persian Gulf that could fulfill the needs of all industrialized countries (10).

Today the U.S is worried about Terrorism and weapons of mass destruction that bedevil the Persian Gulf, the heartland or the axis of the new geopolitical centre or its concepts. In the Persian Gulf, it is the Strait of Hormuz that links it to the Indian Ocean and has especially significant position in geopolitics. The outside the world receives other essential commodities from here. The economic and financial significance of this
waterway is evident from this, so the one with control over these waters could decide the fate of the powerful industrial countries of the world (11).

Both internal and external strife and other factor can affect the national security of a country. The use of force, economic and commercial diplomacy by means of global propaganda could tackle and counter the external threats to the security of a country (12).

The economies of oil importing countries depend on oil producing countries who could manipulate the quantity and price of their exports. The main framework of contemporary international order is constituted by interdependence of states where the exporters and importers depend on each other for oil. Today, dialogue is a major factor in the determination of the attitude of a country with regard to the world global security.

The fossil energy has been a geopolitical actor and factor since the end of First World War. Its dominance will continue for several decades to come. The world economy depends crucially on major oil and gas producing regions which are important to them. It is reliably learnt that few countries will be able to continue with oil exports in the coming decades. This is why Persian Gulf regions have its special significance. As the largest consumer of oil in the world, it will need 25 million barrels of oil per day for consumption. So securing a safe supply of oil and gas energy will be prominent concern for the U.S. The role of the Persian Gulf fossil energy is vitally important to the U.S and directly impacts hegemony in the world (13).

67.5% of the consumption of Persian Gulf oil is by the western countries. The U.S, Europe, China, Japan and India use 25, 25, 7.6, 6.8 and 1.3 per cent respectively. The subservience to the country that controls the oil lines going out of the Persian Gulf is based on this dependence. In August 1953 Iran fled from the country and later the British withdrew from the Persian Gulf. The security vacuum was caused by this withdrawal in 1971.

United State safeguarded their interests by friendly local governments, led by Iran and Saudi Arabia, to keep the Soviet Union out of the Persian Gulf (14). A large number of military bases in the region and externally in the Persian Gulf reinforced the military might of Iran. The largest naval base in the Indian Ocean was at Chah Bahar.
The countries in need of oil from the Persian Gulf had to respect the U.S. as it had a superior position there. They had to submit to its hegemony and helped to develop this supremacy. The war of 2003 against Iraq by the U.S was to prevent Iraq from further developing the alleged WMD, the justification and the effort that are severally criticized today. To protect and defend the Arab States from all hostile bids, the U.S entered into agreements with Qatar, Saudi Arabia, Kuwait, Bahrain, the United Arab Emirates and Oman after the 1991 Persian Gulf War.

Iranian government staunchly defends the idea that foreign power should not be allowed to undertake the security of the region. The onus should be on the Persian Gulf countries. The coast of Iran is 1259 kilometers long, stretching along Persian Gulf with islands to protect, the strait. Iran also has the naval and technological advantage. The Kyoto Agreement recommended the use of clean energy. The natural gas could assume an important status as a clean fuel among other fossil energies and its consumption would greatly increase in the coming times. The Persian Gulf holds 40 per cent of the gas reserves of the world. Iran has 15.5 per cent share in these reserves (15). A Pipeline from Iran to Europe could decrease the dependence on Russia for the European countries.

The economic crisis of today in the United States will impact the whole world. Iran has geographical, economic and strategic advantage to create regional stability and security. The globalization and geopolitics demand that Persian Gulf countries that talk with Iran should do so with no preconditions, to resolve different issues. Both U.S. and Iran need mutual resolution of difference and animosity to restore amicable relations. The entire region awaits their good will gestures.

**Geopolitical Game in Caspian Sea**

There is a critical geopolitical approach to a sensitive zone, the Caspian Sea and Central Asia, and an economic contest for the supremacy of its important energy resources, oil and natural gas. The geographical area has republics of the former Soviet Union that became independent in 1991. These states, will affect regional equilibrium, with radical Islamism and boundary claims or geo-economic advantages/disadvantages. The Caspian Sea basin and its surrounding areas, especially Central Asia has become an area for domination.
The control of raw energy products, oil and natural gas is the aspiration of major and medium powers. The majority of energy reserves available on the planet, is still provided by the Middle East and the Persian Gulf. Washington has alliances in the Caspian Sea Region where it offers military assistance, sale of weapons and military transfers and training (16), they also help with commitments to fight against global terrorism of despotic regimes.

The best hoax by Washington is the twofold scale of promoting democracy in Central Asia. The mainstream media demonizes regimes like Syria and Iran for its human rights abuses and violations. There are air and special operations bases in the region of Uzbekistan and Kyrgyzstan (17).

Uzbekistan offers clearly the biggest petroleum reserves and wells, though Caspian zone is still unexplored. The Republic of China has an interest in pipeline construction and development of transportation routes (and corridors) for raw materials, through Central Asia. The Caspian and Central Asian regions have geopolitical confrontations presently that attract new countries, multinational corporations and international organizations. The terrorist networks and radical movements have also shown interest in Caspian and Central Asian regimes (18).

The “Great Games” must not threaten the economics security or political stability or become a quagmire for it. The Caspian and Central Asian regions could become a ticking time bomb (19).

Washington & Russia should mutually work for global peace initiatives and the maintenance and development of stable economic competition there. The presence of US troops in Uzbekistan, and Tajikistan do not favor such a scenario. Washington can acquire geopolitical advantage on account of the geographical significance of this region and defend special operations and logistic of global war on terrorism. The salient objective of Washington is to control Afghanistan, which largely produces and exports drugs like heroin and opium.

The US strategy is to build alliances for “pipeline diplomacy” with the help of China, India, Russia and Japan. The “new great game” will be driven by very stringent energy politics, demands and geopolitical imperatives. The basic constituent principles of an open civil society, freedom, liberty, and private property may be undermined by
the U.S which needs to pay attention to the logistics of geography and opt out of spreading havoc and hatred.

**Caspian Geopolitics: The View from Moscow**

At collapse of the Soviet Union in 1991, there were only two littoral states. There are now five: Iran, Russia, Azerbaijan, Kazakhstan, and Turkmenistan in the Persian Gulf. Russia objected, to the exploitation of energy resources by western investment. It claimed that the Caspian was an inland lake that alls projects on it needed the agreement of all the littoral states, as the oil and natural gas export pipelines, of the Caspian Sea routed to reach international markets, had to cross Russia, Iran or Georgia.

To allow export through Persian Gulf a pipeline to Iran, or a system of swaps with Iran, is needed. The U.S sanctions regime against Teheran proscribes this route. The tankers need to pass through Russia, Georgia and the Bosporus; Turkey is alarmed at the prospect of increased tanker traffic here.

By pushing for a pipeline from Baku, via Georgia, to the Turkish Mediterranean port of Ceyhan, would make littoral states independent of the Russian pipelines. This could isolate Iran while Russia could garner transit fees. In early July 1998 the initials were finally set down on the agreement to divide the sea bottom and preserve the waters of the Caspian Sea. This arrangement gave legitimacy to dividing the wealth of the seabed. Russia was allowed to use excuses of ecological transgression for preventing proposals on Trans Caspian pipelines.

The oil companies were concerned about costs after the price of oil fell during 1999 – 2000. At the Istanbul OSCE summit, a formal agreement for Baku-Ceyhan got initialed by the presidents of Turkey, Azerbaijan, Georgia and Turkmenistan. Kazakhstan legalized the many consortia arrangements initiated by the littoral states, with the exception of Iran by an agreement in 1998. This left the question of undersea pipelines unresolved. Thus Baku-Ceyhan is not very viable now. The Kremlin has managed to wrangle the geopolitical CPC (Caspian Pipeline Consortium). CPC acts as a chief export route from the vast Tengiz field in Kazakhstan through Russia to Novorossiisk (20).

Most CIS states are not capable of paying for the gas. Russia plans to steer a purposeful course by turning the Caspian Sea into a zone of peace, stability, and good
neighborliness (21). Russia finds it difficult to persuade the other littoral states to adopt its policies.

Russia’s relationship with Iran is based on export of sophisticated nuclear technology to Teheran. Russia has accepted the sectoral division of the Caspian to leave Iran as the odd man out. A 20 percent share of Caspian resources is demanded by Tehran. For its help to military and nuclear sales to Iran (22), Russia wants a cohesive role in Caspian Sea geopolitics. It must move carefully for peaceful stability.

**Regionalism as aspects of Political & Economy**

In security studies regionalism is an explanatory variable. In international relations Cultural, environmental and geopolitical differences and distinctions are acknowledged. There is a spatial element in inter-state relations which is associated with political and economic interactions and deal with conflict behavior and political violence. The political borders are believed to be the pure artifact of social interaction and conflict. Both conflict and cooperation are the functions of the spatial structure as a whole. In classic liberal economics, civil society generates economy and separates itself from politics for the provision of societal security.

In the Weberian state it is legitimate state monopoly to provide security which precedes and enables economic activity. This is a largely non-economic, non-competitive, exogenously-determined political activity which produces an essential and elemental public good. The social costs are distributed equally to all members of society (23)

The premises of the integration theory are that the domestic and external security functions of the state are interlinked. In increased functional cooperation between proximate states will reduce the perception of hostility and security threat, and the social costs of providing security. The reduced elemental societal costs will spillover and help economic coordination and raise productive efficiency and speed societal and systemic development, to create lasting peace. Trade, welfare, and warfare can be correlated by reference to open and closed systems to simplify the explanation.

By contrast, an open system, could act as a potential antidote to the war trap. The transparent system would diffuse lateral pressures by enabling and promoting communication, cooperation, and coordination among systemic units. The alternative, non-violent conflict management schemes regimes, organization, and institutions could
defuse, channel, or transform systemic tensions away from-disrupting behaviors to enable greater welfare returns which maximize productivity and efficiency and minimize waste, destruction, and predation.

Trade, in the transparent system would substitute for war as the primary medium of exchange among units. To maximize the welfare function and decrease security costs and preserves autonomy of the essential units simultaneously. Trade, welfare, and security are notable simultaneous functions. Each one has a substantial effect on the other. The relationship between welfare and security functions involves complexities. As trade promotes welfare it becomes a consequence of increased welfare and a victim of decreased welfare.

**Ethnocentrism and policy orientation**

Some social scientists are attracted to bipolar global geopolitical models. A unipolar model would offer requisite guarantee for stability. The tripolar tripartite global model, with a fundamental geopolitical base is considered hypothetically attractive by some members of this latter group of scholars.

Brzezinski:

Without Europe, America is still preponderant but not globally omnipotent, while without America, Europe is rich but impotent (24).

A world undergoing both the globalizing and fragmenting processes has changed the role of states. A range of factors are responsible for the spread of regionalism among countries which by tradition avoided such an approach.

1. A need to stay in the growing web of preferential deals
2. A belief that, quicker results may be obtained regionally with shorter product cycles and longer multilateral negotiating cycles.
3. A belief that, complex and unwieldy multilateral processes will ensure fit disciplines over a wider range of goods and services to be attained regionally
4. The use of regional liberalization as a catalyst for domestic reform is the objective.
5. The governments use bilateral deals to promote political or strategic objectives as a tactic in some instances.
Innumerable challenges many arise due to the increasing tendency towards regionalism. Economists affirm that unanimous multilateral liberalization is superior to liberalization on a preferential basis (25).

**Geographical Location of Chahbhar free trade zone**

Iranian government has an officially designated free trade zone in Chabahar, situated on the Makran Coast of the Sistan and Baluchestan province of Iran. This free zone status helped the city to increase its significance in international trade. In Persian char means four and bahar means spring. Hence it implies a place where all seasons resemble springtime.

For Iran, the nearest access point to the Indian Ocean is here. It acts as the focal point of Iran for development of the East of the country. There are expanded transit routes in the countries situated in the northern part of the Indian Ocean and Central Asia (26). The development of transit routes, and better security and transit services, will chiefly benefits the residents of this area; this is the driving force and hope for growth here.

**Transportation Facilities**

Air, sea and land connect Chabahar which has multimodal transportation. There are two daily flights to the capital, Tehran, three weekly flights to Zahedan and two weekly flights to Mashhad, Shiraz and Bandar Abbas that take-off from Konarak Airport. There are weekly international flights to Doha and Dubai and a biweekly flight to Muscat. Two jetties connect Chabahar to the international waterways.

Chabahar has national road networks like the Chabahar-IRanshahr-Kerman, Chabahar-Bandar Abbas, Chabahar-IRanshahr-Zahedan-Milak (on the Afghanistan border) and Chabahar-IRanshahr-Zahedan-Mashahd which are the four main routes that connect it to national and international roads. India plans to construct a 900-km railway line that will connect it to Chabahar port in Iran, and to the mineral-rich Hajigak region of Afghanistan. These will be built by cooperation with India. The plans are being finalized (27).

**History**

The Portuguese were the first to attack the Makran in the Oman Sea. Under Alfonso de Albuquerque they gained control of Chabahar and Tis, staying there until
1031 A.H. In the 17th century (year 1616) AC (1026 A.H.), the British and later Portuguese entered this region. Chabahar gained logistical and strategic importance after the Iran-Iraq war which brought insecurity in the Strait of Hormuz. The ships obstructed from entering Persian Gulf; urged the Iranians to use Chabahar as the chief port during the war. In the 1980s, Iranian government came up with the scheme called the Eastern Axis Development Scheme. The aim was to use geographical position of Chabahar as a regional development tool to stimulate economic growth of the Eastern Provinces. In 1992 the Chabahar free trade industrial zone was established as a result of this scheme (28)

**Geographical Location of Anzali free zone**

Bandar Anzali is a well equipped and modern Caspian Sea port. The unique geographical position as the only free port in the area gives it a significant role in development of International North – South Transport corridor. The Port is located within Anzali Zone area, and provides special facilities to owners of goods, traders and investors. Now the potential and actual capabilities of this port have been upgraded.

The Anzali port in recent years, developed after the completion and construction of infrastructure. This includes construction of six posts of piers, renovation of five old posts piers with a total length of 1581 meters. It has the capability for berth of 12 ships simultaneously. The area of the port has increased from 24 hectares to 71 hectares. With maritime activity of telecommunications strategic equipment, loading and unloading operations has been assigned to three main terminals. There has been investment in BOT and shopping centers etc.

A model warehouse grain storage silo, has been constructed and so also highways for port activities and fuel transit. Taking advantages of modern technology has made this port a strategic port in the Caspian Sea shoreline. Its capacity has risen from two million tons to 7 million tons of goods per year. The forecast shows that this capacity can reach 11 million tons in future. The Anzali port fuel terminal can deliver and transit 2 million tons of fuel annually. There are five hive storage silos with a capacity of 6000 tons of cereals, which can transit one million tons of wheat annually to Iraq and Persian Gulf countries.

With industry and free trade port, Anzali is on the one hand, entering in to the business of the raw material procurement of steel to transform into machinery, artifacts,
and other pieces. The objective is to create value addition by supply of steel raw materials to the other side. The construction of fuel tanks for fuel transit has helped to increase maritime transport with neighboring countries for Iran. It will also provide a prosperous industry and a transport system for production and exports for Iran (29).

**Guilan Province**

Has the privilege of a prime geographical position in the INSTC.

- It is connected by land and water with the CIS countries.
- The rich natural resources, good climate, dense forests and fertile agricultural soil with unique lagoons (Wetland) and beautiful sea beaches give this province significance in geopolitics.
- There are perennial rivers like Shafaroud, Sepidrood, Paulroud, Karganroud, and ...
- The Anzali Industrial Zone is a boon to the province.
- This region is known for agriculture since ancient time.
- It boasts of temperate climate and scenic beauty.
- It can be easily accessed by the maritime ports in Astrakhan and Lakan Russia.
- The short cut to this path goes through Gilan.
- The advantages of economic manufacturing are evident here.
- It is the industrial node for agricultural processing and marine activities.
- There are industries like pharmaceutical, textile and cellulose.
- It has rich supply of raw materials for processing industries.
- Several large paper and textiles and steel industries also exist in Gilan province.
- Across the province there are many industrial parks.
- There is easy availability of skilled, educated and cheap labour for the varied economic sectors.
- The energy resources such as water, electricity, gas are available in plenty and their consumption in low (30).

**Anzali free zones area**

In Anzali city the Anzali free zone has range area of 3200 hectares of land. The waters run 2 kilometers into the deep coast in the west. The Anzali Free Trade – Industrial Zone barring the port area stretches in the West to Navy lands and Talebabad Village in the east to village of Chaparpood.

Anzali free zone has three segments. Each segment is potentially ripe for growth.

Section one: Golshan district has an area of 2091 hectares of agricultural land and low population density. The residential areas, with some rice field has access to beautiful beaches with recreational and tourism facilities.

Section two: Hassanroud Industrial Park vicinity includes 946 hectares area with an industrial park, and some wetlands.

Section three: Harbor area of Anzali free zone companies 106 hectares area with provision for loading and unloading facilities for ship cargo (31).

**Anzali a proming key factor of INSTC**

There are four power stations in Rasht area. They are namely Rasht Loshan, hydro power and wind power station of Manjil. There are also extensive distribution networks for transmission of electricity to the province. The fuel storage tanks store about 200 million liters of kerosene, gasoline and gas oil. They provide fuel to Gilan, Ardebil, and West Mazandaran. The road transport, international airports and ports at Anzali and Astara-Rasht form a network for easy transportation. It has easy access to markets in Azerbaijan on its boundary.

**Geographical Location of Astrakhan and Volga River**

**Astrakhan**

Astrakhan is a major city in Russia with an administrative center at Astrakhan Oblast. The Volga River discharges into the Caspian Sea at an altitude of 28 meters (92 ft) below the sea level. Astrakhan is situated in the Volga Delta on the left bank it
has rich sturgeon and exotic plants. Astrakhan boasts of a steppe climate with cold winters and hot summers. It is the driest city in Europe.

Astrakhan has rail link to the north to connect Volgograd, Moscow. In the east is Kazakhstan and Atyrau; in the south it links Makhachkala and Baku. There are direct trains to Moscow from here. This region boasts of important geopolitical position for transportation as it gives Russian access to the Caspian Sea. Astrakhan is the transport nodal point which is the shortest and most convenient route from Europe to Middle and South Asia. More than 60% enterprises in the region are concentrated upon cargo freight. The two major shipping companies are Northern Caspian shipping company and the Astrakhan Steamship Company.

**Volga River**

The Volga is largest river in Europe, flows through central Russia. Eleven, of the largest cities in Russia including the capital Moscow, are situated on the Volga, which is the longest river in Europe. It begins at the closed basin of the Caspian Sea, rising in the Valdai Hills 225 meters (738 ft) above sea level to the northwest of Moscow and flows 320 kilometers (200 mi) southeast of Saint Petersburg. The Volga heads east past Lake Sterzh, Tver, Dubna, Rybinsk, Yaroslavl, Nizhny Novgorod, and Kazan. When it turns south, it flows past Ulyanovsk, Tolyatti, Samara, Saratov and Volgograd, before discharging into the Caspian Sea below at Astrakhan at 28 meters (92 ft) below sea level. It bends toward the Don ("the big bend"). At its most strategic point Volgograd (formerly Stalingrad) is located. It is the only place in Russia where pelicans, flamingos, and lotuses are found. In terms of length, discharge and watershed, it is the largest estuary in Europe.

Western Russia receives the Volga waters. The irrigation and hydroelectric power are watered by large reservoirs. The Moscow Canal, the Volga–Don Canal, and the Volga–Baltic Waterway form navigable waterways and networks. Moscow gets connected to the White Sea and the Baltic Sea through these networks.

The fertile river valley grows large quantities of wheat, and is rich in mineral resources. A substantial petroleum industry has developed in the Volga Valley on account of natural resources like gas, salt, and potash. The Volga Delta and the Caspian Sea are well known fishing grounds too. Astrakhan is also the centre of the caviar industry as it is situated at the Delta. Volga facilitates the export of the largest cargo.
The Russian waterways were out of the bounds for foreign vessels with very limited access until recently. Russia after contacts with the European Union has created new policies with regard to the access to the Russian inland waterways. The vessels from other nations may soon be granted permission to cross these waterways (32).

**INSTC 21st Century Silk Road**

The Silk Road of the 20th century will be the International North-South transport corridor that links India, Iran and Russia. It has environmental, commercial and strategic significance. It will strengthen India's position in Central Asia, and reduce the economic isolation of Central Asia and bring about rationalization of energy trade among Central Asian states. The access to Central Asia states through the ITC will enable India to meet its energy requirements and ensure its energy security.

INSTC will deliver cargoes from Arabian Sea and Persian Gulf to Iranian free zones, and to the Caspian Sea and to the Russian railroad terminals or to river-marine vessels and also to Europe and Scandinavian countries. The development of transport infrastructure in the Caspian region is required. The Astrakhan transport hub can become nodal point in the INSTC for the transit of some three million tones of cargoes bound for Caspian ports of Iran. For the emergence of the INSTC, the construction of additional free zone facilities in this region is required. The boost to FTZ capacities is measured to arrange and develop the INSTC which will tremendously enhance the economic, political and strategic value of this area. The geopolitics of the 20th century demands the role of an international corridor to act as a bridge between the East and the West. It will strengthen cultural and historic ties between South Asia & Europe. The mission of INSTC is to bridge the two continents of Europe and Asia and connect it to the globe at large (33).

The transport route between Asia and Europe and development of East West links are important for energy security in this region.

The United States and the European Union emphasize the importance of links between countries of the Caucasus and central Asia. There is a need to develop north – south transport routes which link the markets in South Asia with Europe via Iran and Russia. It is an attempt to recreate the historical trade conventions for essential commodities between South Asia and Europe. The International North-South Transport Corridor hopes to be a multimodal transportation corridor. It was established in
September 2000 at St. Petersburg. India, the Islamic Republic of Iran and the Russian Federation support this project. It will also include, countries from Central Asia, Europe located within the sphere of influence of the corridor.

The International North South Transport Corridor will connect the ports on the Baltic Sea, chiefly St. Petersburg, to the ports of the Persian Gulf. Through the Bandar Abbas and the Chabahar free zone. The corridor could become the short, cheap and the most suitable route for trade between Asia and Europe. The landlocked countries of Central Asia and the Caucasus region could become sectors of the corridor with easy access to the Chabahar free zone and the port of Bandar Abbas in the Islamic Republic of Iran. The transit range of the routes within the corridor starts from and ends at locations in Iran. The Russian sector of the corridor could comprise of three sectors.

1. The Central Asian countries; Kazakhstan, Turkmenistan and Uzbekistan, could use the east of Caspian route.
2. A ferry connection route through the Caspian Sea to connect ports in the Russian Federation; Astrakhan, Makhachkala, Olya and the free zones and port of the Islamic Republic of Iran Bandar-e-Amirabad, Bandar-e-Anzali, Nowshahr.
3. The Caucasus region could use west of the Caspian Sea Route.

As the shortest land route it just needs the completion of a 375-km which is the missing link between the city of Qazvin in Iran and Astara in Azerbaijan. Some work is under way already on the Qazvin-Rasht section in Iran. The distance between St. Petersburg and the Port of Bandar Abbas will be only 4,200 km when it is completed.

In Baku region the North-South Corridor will eventually connect with the Baku-Tbilisi-Kars (BTK) project. This will call for the construction of a 105-km missing link between Kars in Turkey and Akhalkalaki in Georgia, and the up gradation of existing tracks in Georgia and Azerbaijan. The link which is expected to be completed in 2011, will connect the Turkish ports of Iskenderun and Mersin on the Mediterranean Sea.

In addition to the North-South Corridor, the Northern Corridor too can help the Caucasus and Central Asian countries gain entry in to the Russian Federation or Kazakhstan. The Caucasus countries, Central Asia as well as Iran and Turkey have undertaken projects to develop efficient trade routes, by the creation of intermodal facilities. These initiatives are particularly important as there are several landlocked
countries in this region, like Armenia, Uzbekistan, Azerbaijan, Kyrgyzstan, Tajikistan, Turkmenistan and Kazakhstan (34).

**Geographical advantages of the free zones of Iran**

1. Chabahar is on the southern coasts of Iran and connects the major international waterways via the Oman Sea and the Indian Ocean.
2. They are accessible easily by major air, sea and land transportation modes and connect regions at local, regional, and international levels.
3. They are in close proximity of regional markets which can import raw materials, intermediate resources or manufactured goods because of easy access to neighbouring local markets located in the West, South and Central Asia and the Persian Gulf.
4. Very skilled and semi-skilled manpower is available and the competitive wage demands in the region are reasonable.
5. The abundant sources of energy such as natural gas second in the world and crude oil fourth in the world.
6. The mineral wealth resources, that is unique to the Middle East, and which is essential for industrial production and exports is readily available.
7. The major trade centers have earned international reputation.
8. The climatic conditions attract tourists.

**Salient features of investment**

1. Investors can have joint ventures with limitless investment share holding.
2. Regulation for gainful employment.
3. Tax exemption for 15 years.
4. Limitless foreign investments allowed.
5. All investment carry good guarantee.
6. Banking facilities for national and international exchange.
7. Non banking credit practices and offshore banking facilities.
8. Unrestricted flow of currency.
9. Both capital and profit can be repatriated 100%.
10. Energy resources in abundance.
11. Skilled pool of manpower for all trades.
12. Neither red tape nor bureaucratic regulatory obstructions.
13. Feasible for Tourism.
14. Foreign National would not require entry visa. (35).

The Geopolitics of the Gulf of Oman & Caspian Sea and the generic of free trade zones

Several political economists have investigated the performances of the projects. Their question is why do states voluntarily limit their sovereign power by establishing these liberalized territories. The Chabahar free zone of Iran was developed to project territorial sovereignty in turbulent geostrategic setting of the state and to act as nodes for circulation of rent to domestic and international members of ruling coalitions. The Middle East cannot remain indifferent to the process of globalization. It must comprehend reactively this complex process. When local strategies work with international processes for economic and political inter linking, free trade zones become necessary.

The self-regulating markets must foster the movement of capital and labor to maximize profits, productivity, and growth during globalization which needs continuous inexpensive movement of finance, raw materials, labor, and surplus commercial products. The surplus capital movement across the globe will aid floating exchange rates, integrated credit markets, and relaxed profit repatriation regulations, so that firms can transnationalise production and the investors and speculators can have an array of equity markets to carry on business affairs.

Labor can move to places where jobs are prevalent but high land is not mobile or cannot be transported away. It is a fixed asset which gives significance to relevant geography. Territorial assets enable movement of capital and labor. In the contemporary parlance world territory and transnational trade centres indicate various economic zones and havens that combine to form the offshore world. The free zones become legal mechanisms that allow the flow of land despite its inherent quality of being an immovable asset.

On entry into a free trade zone by a company or a citizen the prevalent laws of that country gets suspended but the juridical sovereignty of the state is left unhindered. The sovereign states thus help the creation and accommodation of zoning strategies. When political archipelago of enclaves of variegated sovereignty can co-exist, an
attempt to make borders, topographies, distances, and places less important become the quintessence of the zoning technology called the free trade zones (36).
Reference and Notes for Chapter Two


23. For the literature on enormous economics of defense expenditures Chan (1991) gives a survey of that literature. See Hoole and Huang (1992) attempt a traditional economic perspective on defense. Shaikh and Tonak (1994) reformulate the economics of security as a social consumption, variable rather than a production, one.


28. See: Art 1- Laws for the establishment and administration of free trade-industrial zone in Iran.


