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Iran's Infrastructure Projects: India, China Competing?

By Sumitha Kutty

Synopsis

With international sanctions lifted against Iran last week, New Delhi would be wise to step up its efforts to secure the contract for developing the Chabahar port in Iran. Time is no longer on its side as the writer observed during a field trip to Chabahar.

Commentary

WITH THE lifting of international sanctions against Iran following the P5+1 nuclear deal, Asian powers such as India and China are stepping up their competition for big infrastructure projects in the Islamic republic. However India, which had signed an agreement (MOU) to develop the Chabahar port on the Indian Ocean, nine months ago, finds itself mired in technical talks and other difficulties related to the commercial contract. China, meanwhile, is set to boost its bid with President Xi Jinping's current visit to Iran and the Middle East.

India has already missed its first deadline for concluding the commercial contract (originally November 5, 2015). The project's first phase was slated to be completed by May this year – a second deadline that will certainly be missed. Up until now, India dithered over the Chabahar port project with good reason – the sanctions scuttled all plans of doing business with the regime.

Notwithstanding Iran's agreement with India, Beijing has repeatedly expressed interest in developing the Chabahar port, Iran's free port situated in the Gulf of Oman. A Chinese delegation led by the ambassador visited the city in November to reiterate this offer.

Iran's dithering over India

The Iranians are emphatic that “India is our first choice”. But prodding further, this writer observed that China comes a very close second. In discussions in Tehran and Chabahar, officials were quick to stress Chinese efficiency and their ability to ‘quickly deliver’ on promises – huge positives in comparison to the Indians, as they see it. (Although many confess distaste for certain Chinese business practices).

New Delhi is painfully aware of this fact and is now picking up the pace to ensure Chabahar does not slip away. It does not help India’s case that Iran, on its part, never misses a chance to vociferously convey its frustrations. By October 2015, the head of Iran’s Ports and Maritime Organization told the media that the ‘grace period’ for India’s involvement in the project had passed. Indian embassy officials were however quick to dismiss such declarations as merely a pressure tactic – all part and parcel of doing business in Iran.

China playing the long game

On visiting Chabahar, it becomes crystal clear that Beijing is thinking in the long term here. The primary factor fuelling Chinese investment strategy across coastal Iran seems to be the setbacks it has faced in developing the Gwadar port in Pakistan’s restive Balochistan province. Chinese investments in Iran go well beyond the country’s stakes in Iran’s energy sector.

The country is already an active partner in Chabahar’s free trade zone. There is even a ‘Chinese bazaar’ located inside one of the city’s many ‘malls’ – an entire floor where businessmen from China sell their wares. The Chinese have also set their sights on an upcoming petrochemical plant near Chabahar – the Negin Mokran petrochemical complex – and local officials claim they have acquired land adjacent to it.

Elsewhere in the country, the Chinese are already working with the Iranians to set up an industrial town in the port of Jask in the southern Hormozgan province. Jask is also home to an Iranian naval base since 2008.

India’s to-do list

There are a number of investment opportunities in Chabahar apart from the port. The city’s free trade zone as well as the newly commissioned Negin Mokran petrochemical complex in the outskirts of the city are ripe for investment.

New Delhi will need to, first, expeditiously iron out the differences with Tehran on the terms of the port’s commercial contract. The free trade zone comes as a valuable add-on once the port project is set in motion. The zone is already up and running and stands to only benefit further from Indian businesses. This would require lesser diplomatic capital once the port project is a go.

Second, the government needs to figure out ways to fund a number of project contracts that are already in place. These include supplying steel rails, rolling stock, signalling and steel pellets by Indian companies. Within this category, India would

also need to take a final call on its participation in a railway line connecting Chahbahar to Zahedan in Iran.

New Delhi wants to also build a port-based urea plant to cut down transport costs and eventually halve local subsidies. This plant fits perfectly with Iran's aim to make Chabahar a major petrochemical hub. The urea plant could perhaps be located within the Negin Mokran petrochemical complex that will shortly be ready for investment.

As discussions drag out in New Delhi and the Chinese president Xi Jinping wraps up his first state visit to Iran this week, Prime Minister Narendra Modi would be wise to remember that time is running short. Decisions need to be made – and fast!

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