

# Iran Drops India From Chabahar Rail Project

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Four years after India and Iran signed an agreement to construct a **rail line from Chabahar port to Zahedan, along the border with Afghanistan**, the Iranian government has decided to proceed with the construction on its own, citing delays from the Indian side in funding and starting the project.

## Recent Developments Regarding Chabahar Rail Project

The Iranian government inaugurated the track-laying process for the **628 km Chabahar-Zahedan line, which will be extended to Zaranj across the border in Afghanistan**. The entire project would be completed by March 2022, and the Iranian Railways will proceed without India's assistance, using approximately \$400 million from the Iranian National Development Fund. The development comes as **China finalises a massive 25-year, \$400 billion strategic partnership deal with Iran**, which could cloud India's plans.

## Chabahar Rail Project

The railway project, which was being discussed between the Iranian Railways and the state-owned **Indian Railways Construction Ltd (IRCON)**, was meant to be part of **India's commitment to the trilateral agreement between India, Iran and Afghanistan to build an alternate trade route to Afghanistan and Central Asia**. IRCON had promised to provide all services, superstructure work and financing for the project (around \$1.6 billion).

However, despite several site visits by IRCON engineers, and preparations by Iranian railways, India never began the work, ostensibly due to worries that these could attract **U.S. sanctions**. The U.S. had provided a sanctions waiver for the

Chabahar port and the rail line to Zahedan, but it has been difficult to find equipment suppliers and partners due to worries they could be targeted by the U.S. India has already **zeroed out its oil imports from Iran due to U.S. sanctions.**

Meanwhile, complicating matters further, Iran and China are close to finalising a 25-year Strategic Partnership which will include **Chinese involvement in Chabahar's duty free zone, an oil refinery nearby, and possibly a larger role in Chabahar port** as well. Further, Iran proposed a **tie-up between the Chinese-run Pakistani port at Gwadar and Chabahar** last year, and has offered interests to China in the **Bandar-e-Jask port** 350km away from Chabahar, as well as in the Chabahar duty free zone.