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Pakistan and China: Don't Fear Chabahar Port

A closer look at what Iran's Chabahar port deal with India and Afghanistan really means for China and Pakistan's CPEC.

By Ahmad Bilal Khalil
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Recently, on the sidelines of the sixth Heart of Asia Conference-Istanbul Process in Amritsar, India, Afghanistan and India planned to start air cargo transportation over Pakistan. The move will help greatly in exporting Afghan goods, such as fruits and carpets, to India and allowing Indian medicines to be imported to Afghanistan. According to Afghan official sources, both sides will soon sign a memorandum of understanding in this regard.

This air cargo deal comes after Afghanistan and India, along with Iran, signed the Chabahar transport and transit agreement in Tehran. That trilateral agreement, centered on the Chabahar port, provoked suspicions in the region and negatively influenced hawkish views in both Pakistan and India. Strategists in both India and Pakistan are overestimating the potential of the Chabahar port and often frame it as the main rival to the China-Pakistan Economic Corridor (CPEC), which is anchored by Gwadar port in Pakistan.

For Kabul, the Chabahar agreement was a sigh of relief. The Afghan ambassador to India, Shaida Mohammad Abdali, praised the deal as “heralding a new era in regional integration,” fulfilling “a billion hopes” and “a billion dreams.” The Chabahar deal means that Afghanistan is no longer dependent on Pakistan for its transit and trade with India and the rest of the world. It has diversified transit routes options for Kabul, giving an end to the Pakistani transit route's monopoly.

The Chabahar Dilemma?

Given the importance of Chabahar in the current strategic milieu, observers might be surprised to know a similar arrangement was proposed by Afghanistan all the way back in the 1950s. At the beginning of the Cold War, Afghanistan-Pakistan relations were soured and even severed due to “Pashtunistanism” and the issue of the Durand line border between the two countries. Cold bilateral ties also damaged Afghan trade through Pakistan. Therefore, in the 1950s, Kabul asked Washington for assistance in carving out a new transit route through Iran to the Chabahar port, thus bypassing Pakistan completely. However, both the United States and Iran rejected the Afghan proposal regarding Chabahar port as being economically “impractical.”

Today, the signing of the Chabahar transit agreement in Tehran has left Pakistan in a quandary. This transit trade agreement, seen with both suspicious and hopeful eyes in Islamabad, has since become a dilemma for Pakistanis. The reactions of the Pakistani media (particularly the Urdu media) have been uneasy; some retired army generals (and former defense secretaries) even referred to the Chabahar agreement as a “security threat” to Pakistan. Though these views can’t officially represent governmental policies, they surely shed some light on what Pakistan’s power center (the army) might be thinking regarding Chabahar.

In this vein, it is interesting to note that the former spokesman of the Pakistan Army, Asim Bajwa, recently shared an article titled “The New Great Game” on his Twitter account, saying it was “worth the weekend read.” The article, written by Munir Akram, a former Pakistani ambassador to UN, spoke of a “new Great Game” taking place in regional geopolitics, particularly against the backdrop of the Chabahar agreement, One Belt, One Road (OBOR), and CPEC. According to this article, a new Great Game is under way this time between China and the United States (and to a lesser extent between the U.S. and Russia) with Pakistan, India, Iran, and others in “subsidiary” roles. The main motivation behind this new Great Game, according to Akram, is China’s twin projects of OBOR and CPEC; the Indians and Americans are considered to be rivals to these Chinese mega-projects. The author recommends that Pakistan should further strengthen its ties with China, Saudi Arabia, and Turkey in order to balance a growing Indo-Iranian and Indo-American nexus.

These suspicions are due to typical Pakistani strategic thinking about being strategically “encircled” by India, along with a rising concern about being bypassed in regional transit routes. Some Pakistani analysts argue that Chabahar, in the context of Indian Prime Minister Narendra Modi’s foreign policy, is a step to “isolate” Pakistan at the regional level. Most importantly, some even view the agreement as an Indian reply to CPEC, a view reflected in Indian media as well. Overall, Islamabad’s concerns over Chabahar are apparently due to the “Indian factor” and the possibility of losing transit customers such in Central Asia and Afghanistan.

Despite open concerns voiced in Pakistani media, and by former and current officials, the Pakistan Muslim League (Nawaz) of PML(N) government’s top officials have expressed their support for Chabahar and labeled Chabahar and Gwadar as “sister ports.” Moreover, Sartaj Aziz, advisor to Prime Minister Nawaz Sharif on foreign affairs, and Tareq Fatemi, special assistant to Sharif on foreign affairs, have also spoken about the chances to link Gwadar with Chabahar and build a motorway between Peshawar and Chabahar.

The Chinese, on the other hand, have been mostly silent over Chabahar and rarely expressed their views publicly. However, some news sites have cited Chinese Prime Minister Li Keqiang as saying that Chabahar and CPEC (including Gwadar port) are complementary projects and will benefit China. The argument is that the geopolitical and economic importance of the Chinese projects mainly depends on the health of regional infrastructure as a whole; Chabahar will improve infrastructure in Iran and Afghanistan, which will then indirectly boost Chinese projects.

I heard a similar views when I had an opportunity to discuss Chabahar with the top Chinese diplomat at the Chinese Embassy in Kabul. I asked about Beijing's stance on the Chabahar agreement, the diplomat said that "China welcomes interconnectivity in the region and hence it welcomes Chabahar port." Regarding some countries' concerns over OBOR and CPEC and the debate over "Chabahar versus CPEC (and Gawadar)," he diplomatically answered that OBOR is "inclusive," not "exclusive." He further explained that Chabahar will also help China because the region is infrastructure poor and any improvement in infrastructures in the region will automatically boost OBOR.

Chabahar and Gwadar Are Not 'Rivals'

Despite both being transit and deep sea ports, there is a big difference between Gwadar and Chabahar that must be taken into consideration. The underlying goal behind CPEC is to develop China's western provinces. Accordingly, it was economically logical to have a transit route via Pakistan to not only import energy to western Chinese regions but also export western Chinese products to the Middle East and to the rest of world through Pakistan. By doing so, Beijing will cut the time and cost needed to reach the sea (China's western provinces are farther from the Chinese coast lines than Pakistani ports such as Gwadar and Karachi). This Chinese initiative to develop its western provinces is a step toward balanced growth, which is seen as a necessary step in fighting against terrorism, separatism, and extremism in the country.

CPEC is a part of the larger OBOR initiative. The main motives are threefold: economics, geopolitics and energy security. It is expected that these projects will lift Chinese trade to \$2.5 trillion within a decade at a time when Chinese GDP is growing at its lowest rates since the 1990s. OBOR will pass through Central Asia, the Middle East, and the European Union, with whom Beijing has very strong trade relations. According to Chinese statistics quoted in Ma Yuan's *New Silk Road: A Journey Restarts*, the EU has been China's largest trade partner since 2004, with bilateral trade touching \$559.1 billion in 2013. China had bilateral trade of \$50.2 billion with Central Asia republics, up from \$460 million in 1992, when Central Asian republics declared independence from the former Soviet Union. Meanwhile Beijing's bilateral trade with Gulf Cooperation Council states (Saudi Arabia, United Arab Emirates, Qatar, Bahrain, and Oman) in 2012 was \$155 billion and will further increase if a free trade agreement between these two partners is signed. China also is dependent on the Middle East, Central Asia, and Russia for its energy resources. OBOR will further enhance energy and trade relations with these regions.

Chabahar will not affect China's ability to achieve these goals, and so will not derail CPEC. As of now, the sole purpose of Chabahar port is "transit trade" with Central Asian republics and

Afghanistan. It is neither an alternative route to Chinese transit through Pakistan and nor a substitute for Chinese investments in Pakistan.

Afghanistan wisely welcomed these big Chinese projects and signed an MoU with Beijing to become a part of OBOR during Afghan Chief Executive Officer Dr. Abdullah Abdullah's visit to China in 2016. Regarding CPEC, the former Afghan ambassador to Pakistan and the new Afghan ambassador to China, Janan Mosazai, has said in an interview that Kabul "supports[the] China-Pakistan Economic Corridor. We would like to link up with it." Mosazai added that Kabul is ready to "facilitate the linking of Central Asian countries with the corridor."

Iran is also expected to be an active part of the Chinese OBOR at a time when Tehran is just becoming open to the world. Iran also wants to connect CPEC (and Gwadar) and Chabahar. Given that both Afghanistan and Iran have embraced OBOR, it seems unlikely that Chabahar will line up in direct competition with the Chinese project.

The rivalry between Chabahar and Gwadar mostly hinges on two factors. First, analysts posit that the probability of a Chinese and Indian military (especially navy) presence in these ports will increase Sino-Indian rivalry in the Indian Ocean. Second, there is an expectation that Chabahar port will diminish the importance of Gwadar port (the end of CPEC) as a transit hub and route for Central Asian republics and Afghanistan.

Strategically, though Pakistan may give permission to China to use Gwadar militarily, it will definitely be on Pakistani terms. Moreover, Pakistan might also use the port for its own military purposes. However, Iran, for her part, may not agree to allow India to use Chabahar for military purposes. Iran may not want to enter into the Sino-Indian strategic rivalry at a time when Sino-Iranian economic, political, and strategic relations far outweigh Indo-Iranian relations. Bilateral trade between India-Iran is \$14 billion, compared to \$51.8 billion between China and Iran. Moreover, Iran and China agreed in January 2016 to increase bilateral trade to \$600 billion in the next 10 years. Moreover, it was China (along with Russia) that vetoed United Nations Security Council resolutions against Bashar al-Assad's regime in Syria, a strategic ally of Tehran.

In addition, the close ties between the United States and India will influence Iranian strategic thinkers. It is unlikely that Iran will allow its ports to be used militarily by Indians against China as Tehran considers the Indo-U.S. alliance in the Indian Ocean as against its own interests. In order to avoid Chinese and Pakistani misconceptions, the Iranian envoy to Pakistan has already invited both Pakistan and China to be a part of the Chabahar accord. Given the opportunities among Pakistan's lengthy coastline and ports, both China and Pakistan may be reluctant to take part in developing Chabahar. But the chances for Chinese investment in Chabahar are not negligible. The Chinese envoy to Iran expressed earlier that Chinese firms are ready to invest in Chabahar port. A technical team from Beijing had even visited the port in April 2016. According to Iranian sources, both sides signed an MoU on the construction of an industrial town in Chabahar in 2015.

Regarding the question of Afghanistan-Pakistan transit, problems were in place long before the Chabahar deal was signed. Afghanistan's deputy minister of commerce and industries, Muzamil Shinwari, said in an interview that due to the transit and trade problems with Pakistan, Afghan

traders have diverted their attentions to Bandar-e-Abbas in Iran. He explained that “in 2008-2009 nearly 60 percent of Afghan imports were transited from Pakistan, but now, in 2016, it is not even 30 percent.” On the other hand, “nearly 15-20 percent Afghan imports were transited from Iran in 2008-2009 but it is now 37-40 percent.”

However, the increase in transit from Iran and decrease in transit from Pakistan is not due to the Chabahar port. The change is driven by the state of bilateral relations between Kabul and Islamabad and Pakistan’s reluctance to give Afghan goods a path to enter into India. The distrust works both ways. A Pakistani minister told Pakistani media that Islamabad will soon enter into a quadrilateral transit agreement with Central Asian republics and China. Thus Pakistan will bypass Afghanistan and reach Central Asian republics through China and CPEC.

Why Afghanistan Needs Chabahar

Chabahar has helped the landlocked Afghanistan to overcome its transit dilemma. Many Afghans believe that Islamabad is using the right of a landlocked country to transit as a pressure point against Kabul. Thus, Afghan transit is linked with Kabul-Islamabad ties; the worse bilateral relations are, the worse the transit situation becomes for Kabul.

Afghanistan’s top 10 trading partners through the Afghanistan-Pakistan Transit Trade Agreement are, in order of trade volume: China, the United States, Malaysia, Indonesia, India, UAE, Kenya, Vietnam, Hong Kong, and South Korea. In 2012, 2013 and 2014, 33 percent of total Afghan imports through APTTA were solely Chinese imports to Afghanistan, which made China Afghanistan’s top trading partner through APTTA. In the absence of a direct trading route with China through Wakhan pass and with technical problems in the newly established railway link between Afghanistan and China, Afghanistan’s trade with China will continue to mostly depend on Pakistan and CPEC.

That is to say, despite Kabul’s love affair with Chabahar, the port deal with Iran and India may not represent a paradigm shift in Afghan transit in the short run. But, in the long run, factors such as the persistence of transit and trade problems faced by Afghans on Pakistani soil, Islamabad’s reluctance to make India a part of a transit trade agreement between Afghanistan and Pakistan, and the opening of alternate routes for Afghan imports from China via Pakistan (the five-nations railway line linking China, Kyrgyzstan, Tajikistan, Afghanistan, and Iran, along with a smoothly-functioning China-Afghanistan rail link) will further decrease the importance of Pakistani transit route.

However, the Pakistani route could still be of importance for both Afghanistan and India. But this will depend on whether Pakistan agrees to make India a part of APTTA, allowing for the smooth movement of Indian goods from Pakistan to Afghanistan and beyond, and Afghan goods through Pakistan to India and beyond.