U.S. sanction waiver on Chabahar port

Why in news?

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The US government recently announced a waiver to its sanctions on Indian investments in Chabahar port.

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How does it favour Afghanistan?

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- India signed a trilateral connectivity deal in May 2016 with Iran and Afghanistan that allows it to bypass Pakistan and reach Europe and Central Asia.
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- The hub of this connectivity agreement is the Chabahar Port, whose management was given to India for 18 months.
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- Chabahar port represents the shortest route for Afghanistan to the sea.
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- For Afghan traders, it is shorter than both Iran’s Bandar Abbas port and Pakistan’s Gwadar port.
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- Afghan businessmen will save 50% of their shipping costs when they use Chabahar.
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- India’s first shipment of wheat in October 2017 through Chabahar port is an initial outcome in this regard.
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- Thus, Afghanistan view Chabahar as an opportunity to liberate themselves from the control that Pakistan exercises on their movement and their

businesses.
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- Nearly 165 out of 500 Afghan companies are registered by the Chabahar Free Zone authority.
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- Afghanistan is also planning to launch their own shipping line that will fly their national flag between Indian ports and Chabahar.
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What are the concerns?

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- **Sanctions list** - Some of the Iranian companies in Chabahar are managed by Islamic Revolutionary Guards that are being accused of spreading terror in West Asia.
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- Hence, it is not clear how India will work with Iranian companies that are already in the sanction list of US.
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- **Finance** - The Indian government was also facing major banking hurdles in funding its infrastructural works.
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- It was trying to explore a rupee-riyal arrangement to hasten the port's progress as well pay for its oil purchases.
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- Under this system, India and Iran did not trade in international currencies like USD and preferred to trade in their local currencies.
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- **Communication** - Also, the US sanctions would prevent the use of SWIFT communication systems, which allows inter-bank transfer of funds.
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- Hence India was exploring to become part of the special purpose vehicle that the EU was creating to deal with Iran that allowed trading in euros, yuan and rouble.
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What are the takeaways?

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- The port gives India a unique opportunity to capitalise on growing exports

from current levels and embarking upon a new era of trade diplomacy with Afghanistan.
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- The waiver also gives Iran more options to deal with the stringent sanctions that have been imposed by the US government after it withdrew from the P5+1 nuclear deal.
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Source: Business Line

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