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Q1: Respondent details

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Q2: Country or Customs territory

AFGHANISTAN

Q3: Organization

Public sector

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Q4: Title of case story

Chabahr port - a New transit gateway for Afghanistan

Q5: Case story focus

Trade Facilitation.

Q6: Case story abstract

THE GEO- ECONOMIC, GEO- STRATEGIC AND GEO- POLITICAL LOCATION OF AFGHANISTAN HAS BEEN OF SIGNIFICANT IMPORTANCE HISTORICALLY. IT'S POSITION IN THE ANCIENT SILK ROUTE, SOUTH ASIA, AND PRESENCE IN THE MIDDLE OF IMPORTANT NEIGHBORING COUNTRIES ARE THE FACTORS WHICH HAVE SERVED AS AN ADVANTAGE AS WELL AS DISADVANTAGE FOR THE COUNTRY DEPENDING ON HOW EFFECTIVELY THE OPPORTUNITY HAS BEEN EXPLOITED. BUT BEING A LANDLOCK COUNTRY ACCESS TO SEA PORTS IS VERY CRITICAL FOR AFGHANISTAN.

Q7: Who provided funding?

Bilateral donor

Q8: Project/Programme type

Regional

Q9: Your text case story

Afghanistan's objective to make the country a regional "trade and transit hub" and achieve sustainable economic growth through attracting significant trade and investment can be achieved with broader integration into the world economy through membership in the World Trade Organization (WTO) and integration into regional transit and trade agreements. In line with this liberal approach to trade, Afghanistan has undertaken very substantial policy measures and attempts to broaden and strengthen its trading relationships within the region and globally.

Most recently Afghanistan has signed a trilateral agreement with Iran and India called "Chahbahar agreement that has been the only route for Afghanistan to the Indian Ocean.

The development of Chabahar port will also revive Afghanistan's historic and natural role as a "cross road" connecting Central Asia to South Asia, this port will be an incentive to access to ocean and more market destinations.

Chabahar is a seaport, located in the southernmost Sistan and Baluchistan province of Iran. The government of Iran has designated Chabahar as Free Trade and Industrial Zone and is 950 km away from Milak near Afghan border. In 2003, India and Iran signed an agreement under which India committed to make bulk of investment to develop the infrastructure of the port. However, the progress of work was very slow due to United States (US) sanctions over Iran. Despite this embargo, India invested \$135 million to build Zaranj- Dilaram highway in 2009 that connects Kabul- Herat Highway to Chabahar port, the city of Zaranj serves as the border crossing between Afghanistan and Iran, and historically it is of significant importance to the trade route between Central Asia, South Asia and the Middle East, The highway thus provides land-locked Afghanistan an alternative way to access the Arabian Sea and the Persian Gulf, instead of relying solely on the Pakistani routes.

In August 2015, upon easing of sanctions on Iran, the road was cleared for India to sign the agreement with Iran to lease and develop the chabahar port. Following that the agreement between India, Iran and Afghanistan has finalized the provisions of trilateral transport and transit pact called Chabahar. The agreement was signed in the presence of H.E Narendra Modi, prime minister of India, H.E Hassan Rohani, the president of Islamic republic of Iran and H.E Ashraf Ghani, president of Islamic Republic of Afghanistan on May 23, 2016 over a dedicated ceremony in Iran.

The berths will be developed at a cost of \$85 million over the course of 18 months. Under the agreement, India Ports Global will refurbish a 640 meter long container handling facility, and reconstruct a 600 meter long container handling facility at the port. India Ports Global will modernize ancillary infrastructure by installing four rail-mounted gantry cranes, sixteen rubber-tire gantry cranes, two reach stackers, two empty handlers, and six mobile harbor cranes. Upon completion of upgrade works agreed to in the May 2016 agreements, Chabahar's capacity will be increased to 8 million tons from the current 2.5 million ton capacity.

As a landlocked country, Afghanistan historically has relied on its southern neighbor. However, political considerations between the two countries has affected trade and caused loss to Afghan trade and businesses. In the same way, the Afghan- India trade through Pakistan has remained low due to restrictions set by Pakistan. In this context, Chabahar will provide a getaway from a trade stalemate situation that can be used as an alternative route for Afghanistan to establish trade relationship with India and other countries.

Moreover, the multilateral trade through Afghanistan would fill its coffers with transit fees and duties. In the same way, the project will provide investment opportunities to Afghan investors in the Free Trade Zone.

Afghanistan is blessed with abundant natural resources. The port project will open the gates for Afghanistan to extract and export its mineral wealth as well as develop transport infrastructure. Hajigak mines of Bamyán province house iron and other minerals of \$1 trillion worth. An Indian consortium has sought the rights of these mines led by Steel Authority of India Limited (SAIL). Further, India plans to construct a 900 km railway which will connect Hajigak region with Chabahar. The connectivity will operationalize the iron and steel project of around \$1.8 billion.

Chabahar port is 90 km closer to Kabul city than Abbas port and 700 km closer to Kabul city than the port of Karachi, which leads to reduce the cost of transit upto 1000 US dollars per container.

The opportunities presented by the new, growing involvement of China and Iran in the region stand to alter the realities of cross-border trade and transit, shifting the most expedient routes and providing better market access for Afghan exports. Development on Iran's Chabahar port could potentially redirect some Afghan trade from Pakistan to Iran, through which Afghan goods could more easily reach the lucrative Indian market. The Chabahar port could indeed allow Afghan goods to reach New Delhi in five days total, nearly halving the transit time when sent through Pakistan, meanwhile, Afghanistan chamber of commerce and Industries (ACCI) has confirmed that so far 150 Afghan traders has shown interest to invest in Chabahar port.

The chabahar agreement is beneficial for all the three countries, major benefits of chabahar particularly for Afghanistan are as follows:

1. An alternative route for Afghanistan to access sea port and limit its dependency to Pakistani ports.
2. Decrease the cost of transit approximately 500\$ to 1000\$ per container
3. Decrease the time required to transit a shipment from 10 days to 20 days comparing to the Gawadar Port of Pakistan.
4. Chabahar port could potentially redirect some Afghan trade from Pakistan to Iran, through which Afghan goods could more easily reach the lucrative Indian market.
5. It provides an opportunity for Afghan investors to invest in Free Trade Zone.
6. It helps in combating drug trafficking.

The successful implementation and operationalization of Chabahar port project would be a major step for Afghanistan towards economic development and regional integration. The mega infrastructure project has great potential to become a game changer in the region. However, the political and security situation of Afghanistan and the region may hinder the progress of work. Therefore, a collective effort at the regional and international level would be needed to ensure

the progress of work. Therefore, a collective effort at the regional and international level would be needed to ensure that the planned gains are materialized.

This case study is written as part of an academic exercise. The opinions expressed and arguments employed herein, do not necessarily refer the official views of a country, member state or international organization.

Q10: Lessons learnt

- (ongoing)

1. Bilateral ,regional trade and transit agreements are important to Afghan producers as they providing preferential access to new markets.
 2. Afghanistan benefits from closer integration with its neighbours which promotes trade and investment in Afghanistan in their competitive self-interest.
 3. Afghanistan will not achieve sustainable economic development without increasing trade. Therefore, an enhanced level of regional cooperation will be required to encourage development in the long term.
 4. Regional trade and transit facilities lead to further integration into the Multilateral trading system.
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