

The Chabahar Conundrum

Chabahar, which in Persian stands for four springs or pleasant conditions, ironically presents quite rough waters for New Delhi to navigate. India faces stifling pressure from looming deadlines of the U.S. sanctions waiver, Iran's turbulence ridden domestic politics with its spillover effects, and the formidable task of securing its strategic interests amidst policy ambiguity. On 12 January 2026, U.S. President Donald Trump announced a 25% tariff on nations involving in business with Iran, a move that could directly impact the India-Iran joint venture at Chabahar Port.¹



Anticipated Uncertainties

The present uncertainty surrounding Chabahar did not spinoff solely from recent geopolitical triggers such as airstrikes on Iran amid the Israel-Hamas war, renewed tensions over Iran's nuclear programme, or U.S.-backed political headwinds shaping Tehran's domestic landscape. Rather, much like the proverbial "boiling frog" syndrome, pressures had been simmering well before they captured headlines, a trajectory that New Delhi had long anticipated.

The Ministry of External Affairs has dispelled claims of India's silent withdrawal from the Chabahar agreement, drawing attention instead to guidance issued by the U.S. Treasury on 28 October 2025. This guidance granted a **conditional sanctions waiver for Chabahar**, valid until 26 April 2026. It was told that India has remained in

continuous engagement with Washington to clarify the scope of this arrangement, particularly in light of subsequent U.S. sanctions announcements.²

These waivers continue the exemptions first granted by the U.S. in 2018 under the Iran Freedom and Counter-Proliferation Act (IFCA), **representing a limited exception rather than a complete relaxation of sanctions**. They follow the intense tactful negotiations by New Delhi after the Trump administration announced its decision to revoke sanctions waivers for Chabahar Port on September 18, 2025, as part of a renewed 'maximum pressure' campaign against Tehran.³

Crucially, the October 2025 waiver was not a blanket lifting of sanctions. It permits port operations, infrastructure development, investment, cargo handling, select banking transactions, ship insurance, and humanitarian trade. Narrowly tailored to civilian and commercial activities, it implicitly requires India to prepare a 'wind-down' or transition plan upon expiry. Notably, the waivers were granted on Washington's stated rationale of **supporting Afghanistan's** economic independence, access to regional markets and supporting its reconstruction.⁴

The current scenario, however, remains a strategic and diplomatic ordeal, casting shadow of risks and ambiguities over India's future investments and operational footprint at Chabahar.

High Stakes and a Protracted Agreement

Nearly a decade has passed since the initiation of the Chabahar project, yet progress has remained slow, phased, and often disrupted by external constraints. In May 2015, India and Iran signed a Memorandum of Understanding on the "*Partnership of India in the Development Plan of Chabahar Port*." This was followed by a trilateral agreement between India, Iran, and Afghanistan to establish an International Transport and Transit Corridor, positioning Chabahar as a critical connectivity hub.

As stated by the Ministry of External Affairs on December 24, 2018 India created a Special Purpose Vehicle - **India Ports Global Limited** (a joint venture between - Jawaharlal Nehru Port Trust and Kandla Port Trust). Through its wholly owned subsidiary, India Ports Global Chabahar Free Zone, India took over operations to refurbish one berth at the Shahid Beheshti Terminal. The project involved reconstructing a 600-metre-long container handling facility and deploying new port equipment to enhance operational capacity.

The commitment deepened in May 2024, when India signed a ten year contract with the Ports and Maritime Organisation of Iran with automatic renewal provisions.⁵ As part of this agreement, India has already transferred USD 120 million to Iran to fully liquidate its financial commitments for the supply of port equipment. In addition, a line of credit of up to USD 150 million from EXIM Bank has reportedly been committed to support further development.⁶

Big Gamble or Calculated Risk?

Taken together, these developments underscore both the strategic stakes involved and the drawn-out nature of the agreement shaped as much by geopolitical constraints as by India's determination to sustain a long-term presence at Chabahar. Vulnerabilities have remained high, like longstanding U.S. imposed legal restrictions on Iran since 1979, security threats posed by non-state actors such as the Houthis whose disruptions of

critical sea lanes could adversely affect Chabahar shipments and the long persistent volatility across the Middle East.

Nonetheless, India's bet on Chabahar is best understood not as a risky indulgence, but as a strategic necessity. At its geostrategic core, the port breaks India's enforced continental isolation by Pakistan, offering the only direct route to Afghanistan and Central Asia via the Zahedan–Zaranj corridor. For a country seeking sustained regional influence, this is not optional connectivity but strategic access. Cargo movement from Mumbai to Chabahar, backed by India–Iran rail and highway projects, converts the port from a symbolic foothold into a functional logistics hub.

Beyond trade, Chabahar fits into India's wider geopolitical architecture. It strengthens New Delhi's role in post-Taliban Afghanistan by sustaining economic and humanitarian engagement, even as political leverage remains limited. It also feeds into larger connectivity visions such as the International North–South Transport Corridor, reducing dependence on longer sea routes and integrating India with Eurasian markets, while complementing emerging initiatives like IMEEC.

Most importantly, Chabahar provides a strategic counterweight to China's expanding maritime footprint. As Gwadar under CPEC consolidates Beijing's influence in Pakistan, Chabahar offers India an alternative node that blunts the logic of China's "string of pearls" and secures a presence in the western Indian Ocean. Moreover, India could effectively deal with cases of piracy and serve as first line of defense, enabled by docking facility available at the port.

Treading the Tight rope

In this scenario of uncertainty, diplomatic restraint and tactical patience matter more than dramatic signalling. Volatile global developments have pushed India–Iran relations to a nadir and complicated New Delhi's engagement with key Western partners. At the same time, India must manage its ties with the United States -a major trade partner and defence collaborator -without abandoning a project that is central to its regional strategy. While public positions suggest strain, informed sources point to quiet backchannel understandings, indicating that current frictions may be temporary rather than structural.

Operationally, India has sought to limit risk without relinquishing ground. India Ports Global Limited, which has been managing Chabahar since 2024 under a ten-year agreement with Iran, may enter interim arrangements with local entities to ensure continuity until sanctions constraints ease, with control reverting fully to India thereafter. However, political instability in Iran and the possibility of regime change introduce legal and contractual uncertainties that cannot be ignored. Yet a premature withdrawal would be strategically costly, creating space for China to step in and dilute India's long-term interests. By combining flexibility at the operational level with firmness on strategic intent, New Delhi can navigate the present turbulence and preserve Chabahar as a durable asset rather than a casualty of short-term geopolitical pressure.

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