

## Regional Connectivity and Pakistan-Iran Trade Corridors

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### Abstract

*The phenomenon of economic integration is hugely dependent on the density and quality of connectivity, known as regional infrastructure. The Eurasian territory is categorized as a supercontinent contributing about 60 percent of global gross product. With the market economy receiving broader acceptance, infrastructure development is becoming vital for reducing Eurasia's trade costs and improving regional trade. The South-West Asian rim land, which predominantly symbolizes the Pakistan-Iran coastal belt along the Arabian Sea and the Persian Gulf, is ideally placed to enhance Eurasian trade and transit activities. While multiple regional connectivity initiatives are being developed in Eurasia, two such projects have been envisaged through the territories of Pakistan and Iran as well. Although, the trans-regional infrastructure development facilitates economic integration, however, it can fuel strategic rivalry in the region also. In the case of Pakistan and Iran, the trade corridors planned through both countries appears to be rivaling each other.*

**Key Words:** Economic integration, regionalism, infrastructure development, connectivity, trade corridors, market economy, strategic rivalry, China-Pakistan Economic Corridor (CPEC), International North-South Trade Corridor (INSTC), One Belt One Road (OBOR), Gwadar seaport, Chabahar seaport, Central Asia, Caucasus, Indian Ocean, energy.

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## **Introduction**

The Eurasian rim land states of Pakistan and Iran jointly occupy a vital geographical landmass on the resource rich continent and offer southward access to warm water seaports. Both the geographically proximate states have shared borders but form part of different regions: Pakistan is a South Asian state while Iran is part of the Middle East in West Asia. Notwithstanding their location in diverse regions, the geographical proximity of both the neighbors puts them in an inextricable bilateral connection. According to the definition, a region is a combination of geographical proximity, the density of interactions, shared institutional frameworks, and common cultural identities (Griffiths, O'Callaghan & Roach, 2008, p. 280). Thus, in the hindsight, Pakistan and Iran together can be assumed as part of one region for numerous plausible reasons. It is, therefore, presumable that the policies of Islamabad and Tehran would be shaped with the strategic environments influencing the region, which affects both the states almost equally.

The Eurasian continent has traditionally been the center of great power politics during all periods of the recorded history, owing to its immense geographical, political and economic significance. Pakistan and Iran have been in the middle of most of the strategic contests ensuing between the regional as well as trans-regional players and found it hard to formulate truly independent policies, which could benefit both the neighbors. Paradoxically, the bilateral relations and potential cooperation for shared economic, political and strategic gains have mostly been shaped by the external environments influencing the two states. Geller & Singer (1998, p. 78) are of the view that at the dyadic level, proximate states were more inclined to engage in conflict and war, than remote states and that, furthermore, conflict and war were more probable between states whose territories were contiguous. Consequently, Islamabad and Tehran being the geographically proximate nations continue to face the challenges impacting their mutual relationship.

Grieco (1990, p. 4) opines that the nation-states are predominantly anxious about their security and power, and being typically predisposed toward conflict and competition, are less keen for cooperation. Glaser (2010, p. 59) has been of the view that competition is the norm and tends to be intense while cooperation is rare and limited to areas of secondary importance. Notwithstanding more inclination toward conflict and competition as suggested by Grieco (1990), sustaining the persistent clash, especially when located in a geographically contiguous region is always demanding. According to Milner (1992, p. 467), cooperation between the nation-states is attained when actors adjust their behavior to the actual or anticipated preferences of others, through a process of policy coordination. Cooperation between the states can, thus, help in seeking shared economic gains, leading eventually to the regionalism. Regionalism aims at the reconfiguration of a specific regional space along distinct economic and political lines for mutual gains, mainly in the economic domain (Gamble & Payne, 1996, p. 17).

With notions such as self-help and maximizations of gains through all conceivable means appearing as standard norms in the global arena, the actors are expected to pursue rationalistic policies for preserving respective national interests. Thus, nation-states resort to cooperation with other players when a mutual quest for acquiring shared gains seems viable as well as potentially rewarding. Pakistan and Iran both currently seem predisposed towards maintaining conflicting

policies with each other, being under the influence of diverging strategic predilections. The regional and global strategic rivalry in and around the region has substantially influenced the policies of Tehran and Islamabad as both the states pursue conflicting objectives. Resultantly, the major trade connectivity initiatives planned through the region, the China-Pakistan Economic Corridor (CPEC) and International North-South Trade Corridor (INSTC) appear to be rivaling each other. As Islamabad seeks to reap the financial benefits of the CPEC while Tehran aspires to promote INSTC, the competition between the two neighbors is likely to continue in the foreseeable future.

### **Connectivity Projects: Impact on Regionalism**

#### ***Importance of Economic Integration***

The quest towards economic integration interdependence through regionalism for shared gains has been one of the most sought-after objectives among the nation-states of the contemporary world. Regionalism emerges as the political tool for the active steering and intensification of interdependencies between the states of a region (Brook, 1998, p. 231). The mutual cooperation of the states through regionalism promises each member adequate financial share by facilitating regional economic integration. Integrating regionally for economic rewards in the simplest of explanation implies ease of mutual trade, minimum restrictions on movement across the borders, and functional transit connectivity between the partners. At a systematic level, integration essentially refers to a process whereby states transfer some degree of political, economic, and legal decision-making power to supranational institutions (Griffiths et al., 2008, p. 155). According to Dent (2002), regional integration refers to the convergence or at least congruence of common foreign policies of states in the same geographic region that requires respective management initiatives (as quoted by Loewen & Zorob, 2018, p. 3).

#### **Regional Connectivity and Trade Corridors**

The trade corridors help initiate economic activities along the intended routes and may include energy pipelines, industrial estates, telecommunication and electricity transmission cables, and tourism activities (Ishida, 2009, p. 4). The development of economic corridors envisages connectivity between the economic agents located in a specific geography, and function through a well-defined system, while connecting various economic nodes (Brunner, 2013, p. 1). Constructing and upgrading infrastructure is regarded as a tool of regional geopolitics since by developing roads, railways, pipelines, and ports, states aim at breaking out of their prescribed geography while pursuing respective national interests (Daniels, 2013, p. 94). The economic process initiated through the development of regional infrastructure cannot be limited to one odd participant; it rather promotes larger interdependence among the involved states, benefitting all in the process. In a way, connectivity initiatives reject the notion of absolute gains and encourage cooperation among the nation-states for seeking shared rewards while mitigating the prospects of conflict.

The economic integration of a region is largely dependent on the density and quality of connectivity, known as regional infrastructure; and operationally viable connectivity not only

supports the trade but also yields better income and prosperity (De, 2013, p. 2). With post-Cold War focus shifting towards regional economic integration and mutual interdependence, the development of complementing infrastructure assumes greater importance. Hence, the realization of the dream of reaping the economic potential of a region through integration of the national economies is linked with the regional transport infrastructure, which transpires as one of the major determinants of the entire process (Vickerman, 2002). The infrastructure development in the form of transit and trade corridors is not limited to the construction of roads alone; it essentially entails regional connectivity with a network of roads, railway lines, sea routes, air links and the energy pipelines. The development of connectivity through construction as well as maintenance of the infrastructure in itself is a major economic activity, which may involve the entire region in the process.

### ***Importance of Infrastructure Development for Economic Integration***

The infrastructure development enhances the regional connectivity and facilitates trade activities in the region and beyond, thus improving the commercial potential of the participating states. An operationally functioning and cost-effective transport mechanism enhances the regional connectivity, supports the market forces and thereby plays a vital role in the growth of the national economies. At times, few states prefer to undertake the development of bilateral connectivity initiatives, however, all-inclusive infrastructure projects in a geographically contiguous region appear most viable as well as a rewarding option. The rising intra-regional trade after the Cold War era has introduced increasing proclivity for opening additional border crossings as well as domestic routes for international transport, while the bilateral and multilateral agreements on transport facilitation are used for improving the infrastructure (De, 2013, p. 20). There is a growing awareness about the potential economic gains through integration, which is facilitated by developing better regional connectivity despite longstanding political issues, especially among the states of the global South.

The existence of an operationally functional infrastructure has a pivotal role in the commercial activities of a region as it facilitates mutual trade among the participating nations and resultantly enhances their financial standing. As the economic growth gets intimately dependent upon connectivity, the officials of developing countries are not surprised when investment climate surveys tell them that they should rank infrastructure as a top priority (Estache, 2006, p. 47). With paramount significance in the inter-regional trade and transit activities, connectivity through the infrastructural services assumes the status of the complementary factor. The development of infrastructure essentially promotes regional economic integration by the mutual trade and investment expansion and inspires regional cooperation, with collective efforts for the infrastructure development, generating a virtuous cycle (Brooks & Stone, 2010, p. 4). Moreover, the countries offering the transit facilities for global and regional commercial activities through trade corridors are promised huge financial incentives for their services.

A sustainable infrastructure system improves connectivity with transnational supply chains and distribution networks for producers, and facilitates in decreasing transaction costs, raising value added and increasing potential profitability (Brooks et al., 2010, p. 2). It is largely accepted that

the development of infrastructure leads to better connectivity, helps minimize unwanted interruptions in the ports, border crossing procedures, or transit times, and projects a country's propensity to trade (Brooks & Stone, 2010, p. 8). A well-maintained infrastructure is not only inevitable for the economy, but it strengthens inclusiveness and reduces poverty, hence contributing towards the growth and poverty reduction through intra-regional trade (Brooks & Stone, 2010, p.1). The expansion or improvement in the quality of infrastructure is essential since it lowers marginal costs, raising the minimum efficient scale of production, transportation, or marketing (Brooks & Stone, 2010, p. 1). With better connectivity, the growing regional trade relations increase mutual interdependence, promise economic prosperity, and ultimately, reduce political friction among the participating states.

### ***Infrastructure Development through Pakistan-Iran Territories***

The Eurasian territory is a massive and diverse supercontinent, accommodating nearly two-thirds of the world's population and contributing about 60 percent of its gross product (Vinokurov, 2014, p. 69). After the Cold War, the market economy received global acceptance, with infrastructure development contributing to reducing Asia's trade costs, and improving regional trade (Brooks & Hummels, 2009). As the globalization encourages and accelerates international exchanges of products and services in both extensive and intensive margins, it also necessitates the corresponding development of Asia's transportation networks (Brooks, 2008; Hummels, 2009). Eurasia and its rimland territories can potentially have substantial economic gains from higher trade owing to region's geographical contiguity, provided the infrastructure and trade costs are improved (De, 2008; Brooks, 2008 and Hummels, 2009).

The land routes offer an alternative to maritime options from the Indian Ocean and can be preferable mode if properly developed and managed through the Eurasian continent, where the rail distance linking Europe and Asia is almost half (Vinokurov, 2014, p. 82). The rim land regions of Eurasia in South and West Asia, where Pakistan and Iran are both located, assume a pivotal role in the development of land-based trade and transit connectivity. However, virtually the huge continental landmass of Eurasia is confronted with the underdeveloped infrastructure networks, and inevitably requires the development of trans-border and transcontinental infrastructure for operationalizing the international economic linkages (Vinokurov, 2014, p. 81). With almost non-functional regional land connectivity between the Eurasian mainland and the coastline along with South-West Asian territories, the mutual trade activities are well below the true potential. Notwithstanding the essence of cooperation on developing the regional infrastructure, political expediencies are limiting the prospects of consensual progress in this regard.

The South-West Asian rim land, which predominantly denotes the Pakistani and Iranian coastal belt along the Arabian Sea and the Persian Gulf respectively, is geographically ideal to enhance trade and transit connectivity in Eurasia. However, like most parts of Asia, this region also lacks an elaborate land infrastructure and allied transit facilities, which could facilitate the trans-border trade movement. Presently, multiple regional connectivity initiatives are being developed in Eurasia, with two such projects under construction through the territories of Pakistan and Iran both. These two trade and transit infrastructure projects are linked with the Gwadar (Pakistan) and

Chabahar (Iran) seaports, involving China and India; Beijing is financing Gwadar with its trade corridor while New Delhi has been sponsoring the competing port at Chabahar along with a linked land route (Daniels, 2013, p. 95). While the development of transit corridors essentially removes the longstanding barriers impeding mutual trade and interdependence, it also sets in motion a new strategic rivalry in the region.

Pakistan-China cooperation in the construction of a land corridor, which allows Beijing land access from its central Asian hinterland, has apparent strategic implications in the region as it circumvents India on the western land approaches (Scott, 2008, p. 6). In regional geopolitical milieu, Beijing and New Delhi are apprehensive of the connection of others with the infrastructure development, viewing it as a plan of strategic encirclement through containment to suppress opponent's economic and otherwise (Daniels, 2013, p. 94). Chinese access to strategically vital Gwadar through Pakistani soil is enormously significant in the face of two Indian deep-sea port facilities on the southwest coast at Kavar and on the southeast coast some 50 kilometers south of Visakhapatnam, which may threaten Beijing's crucial sea Lines of Communications (SLOCs) between the Persian Gulf and the Straits of Malacca (Scott, 2008, p. 9). Thus, the Sino-Indian strategic rivalry has been permeated into the under-construction trade corridors as well, undermining regional connectivity, at least for the time being.

### **Regional Implications of Connectivity Projects Involving Pakistan and Iran**

#### ***The China-Pakistan Economic Corridor (CPEC)***

After the end of the Cold War and the consequent breakup of the once-mighty Soviet empire, there was a triumph of the capitalist world with attributes of a free-market economy achieving global receptivity. China's economic reorientation through Deng Xiaoping's reforms and amenability towards a market-based economy massively enhanced the trade potential of entire Eurasia. Beijing thus quickly reckoned the essence of developing land connectivity and embarked on the creation of major infrastructure projects named "One Belt One Road (OBOR)". China envisioned the development of the OBOR initiative in September 2013 by reviving the historical silk route, with a tri-corridor venture, which sought to connect it with Russia, Europe, and Pakistan (Mahmood, 2015, p. 58).

OBOR initiative envisaged the development of an infrastructure with several railway lines, highways, and maritime trade arteries, connecting the Chinese mainland with the neighboring states. According to Liping (2015), Chinese financed OBOR plan with CPEC being one of the communication channels, aims at incorporating an area with a population of 4.4 billion and a total economic volume of US \$ 21 trillion, which is 29 percent of the world's total (Javaid. U & Javaid. R, 2016, p. 129). Winter (2016) quotes the incumbent Chinese President Mr. Xi Jinping while stating that the OBOR would promote inter-civilization exchanges to build bridges of friendship for people, drive human development and safeguard the peace of the world (as cited by Afridi & Khalid, 2016, p. 663).

The post-Soviet era with the emergence of American dominated unipolar world witnessed a strategic transformation where the economic interests secured precedence over security concerns. The newfound strategic realities shifted the focus towards economic interdependence and restructured the regional alignments according to the emerging dynamics. Consequently, Islamabad-Beijing collaboration, which has been intended at balancing Indian strategic ambitions, has been transforming into a commercial alignment with the infrastructure development in the region (Javaid. U & Javaid. R, 2016, p. 127). With rising economic as well as political standing of China, resurging Russia, and the Indo-US thaw, the development of CPEC can be viewed as a strategic game-changer in the region.

Beijing-Islamabad agreement on the CPEC was reached in May 2013 during the visit of the Chinese Prime Minister Li Keqiang to Pakistan, where the Gwadar Port was formally handed over to China for further development and operations (Afridi & Khalid, 2016, pp. 659-660). Pakistan's decision of handing over Gwadar port to China led towards evolving a consensus on the construction of an all-encompassing transit-trade link between the two. During President Xi Jinping's visit to Islamabad on 20-21 April 2015, aspects such as economic linkages, communication, infrastructure development, and energy cooperation were agreed (Afridi & Khalid, 2016, p. 663). While the CPEC offered financial gains to all regional stakeholders; project was opposed by India due to strategic concerns.

CPEC can be regarded as an extension of the OBOR initiative, which aims at linking Europe and Africa going through the Asian continent by connecting about 66 countries through cooperation in infrastructure development, energy, telecommunications, logistics, and transportation sectors (Afridi & Khalid, 2016, p. 663). While the CPEC project has the potential to serve commercial interests of the entire region, both the founding partners attain maximum with China gaining access to Southern coastline while Pakistan's fragile economy receiving much needed relief. Furthermore, Pakistan through CPEC acts as a regional prop of China and Central Asia and can benefit from the expanding regional trade, transport, and energy links (Javaid. U & Javaid. R, 2016, p. 127).

The infrastructure development through CPEC plans to construct several land routes with roads, railways and even pipelines for energy supply. The project is anticipated to spread over 3000 km, linking the Gwadar port with China's Xinjiang province and initiating a large economic activity in the entire region (Khan, Farooq & Gul, 2016, p. 234). The geographically located seaports along the South-West Asian coastal belt offer Eurasian mainland, especially the landlocked but energy-rich Central Asian and Caucasian regions an outlet to the strategically vital Indian Ocean. From the commercial perspective, the Pakistani as well as Iranian seaports are ideally placed for regional trade and transit if supported by the functionally sustainable infrastructural facilities.

The CPEC assumes the outlook of a regional project as it plans to link territories of South Asia, Middle East, and Central Asia and further to Africa and Europe, and provides landlocked Afghanistan and Central Asian republics access to the southern coastline (Afridi & Khalid, 2016, p. 662). Notwithstanding the negative projection of the CPEC from the players opposing the

initiative, the under construction trade and transit initiative envisages facilitating regional economic cooperation. However, the operationalization of the CPEC and Gwadar Port also proffers China an uninterrupted access to the Indian Ocean and the Middle East, thus reducing its strategically intricate reliance on the South China Sea (Ali, 2015, p. 3).

Pakistan's decision to re-assign operational control of the Gwadar Seaport to China in 2013 has reinforced Beijing-Islamabad bilateral relations in all domains, ranging from strategic harmony to economic cooperation. Consequently, the CPEC is not only a trade route between the two neighbors, but it contemplates the development of several associated facilities, which includes various road links, railway tracks, pipelines, industrial parks, and economic zones (Afridi & Khalid, 2016, p. 662). Notwithstanding many incentives on offer, opponents of CPEC link it with China's ambition of enhancing maritime presence in the Indian Ocean/ Arabian Sea, particularly for dealing with piracy threats and vulnerability of its SLOCs in any future conflict (Perveen & Khalil, 2015, p. 352).

The economically rising China has been desperately looking at the options of securing viable, secure, and sustainable energy supply routes to maintain its impressive financial growth. Towards this end, Beijing focused on the multi-pronged strategy, which seeks to develop the required infrastructure and pursuing political relationships with energy-producing countries, as well as those located astride the transit routes (Mahmood, 2015, p. 59). Presently, China depends on the shipping of 80 percent of its oil and energy needs through the Malacca Strait, but anticipates that its economic and energy security interests are vulnerable due to the ongoing power struggle in the South and the East China Sea (Ali, 2015, p. 4).

With the vulnerability of the energy supply chain through strategically contested the Indian Ocean, CPEC emerges not only as of the short and comparatively secure transit facility for the Chinese but, the easiest extension and most economical route of the OBOR project (Afridi & Khalid, 2016, p. 669). Hence, the operationalization of the Gwadar port assumes greater significance in Beijing's energy security calculus as it helps reducing its current maritime transportation distance from 12000 km to 3000 km (Ali, 2015, p. 3). China's access to the Indian Ocean from the Gwadar Port minimizes its susceptibility of 'Malacca Dilemma,' and provides economic security when the Strait of Malacca is increasing transforming into a contested territory (as cited by Ali, 2015, p. 3).

In the contemporary world, with geo-economics gaining precedence over other considerations, the rising economies like China and India are looking for access to the maintainable, secure, and uninterrupted trade routes. With the persistent strategic rivalry between Beijing and New Delhi, both the Asian giants are seeking control over the potential regional trade and transit routes and undertaking alignments with the countries astride such territories. According to Holmes (2013), Chinese access to the Indian Ocean through Gwadar is viewed apprehensively by the Indians, who consider the CPEC as a strategic initiative of China that can potentially allow Beijing the naval power projection in the India Ocean to contain India and successfully implement the String of Pearls strategy (as cited by Ali, 2015, p. 2).



India's apprehensions over growing Chinese influence in South Asia and a secure reach to energy hubs of the Middle East through Pakistani territory are essentially shaping the response of New Delhi. Up till now, the conception and development of the CPEC have been portrayed as a challenge to China-India relations due to Pakistan being a major beneficiary, hence prompting New Delhi's regional collusion with Tehran and Kabul (Hussain, 2017, p. 9). Saunders (2014) outlines the trans-regional influence by indicating the revival of American interest in the Asia-Pacific region and growing military, economic and strategic focus through forming regional strategic alignments with countries like India, who are opposing rising Chinese global clout (as cited by Ali, 2015, p. 4).

While Pakistan-China collaboration on the development of the CPEC may cause anxieties for countries like India in the prevailing strategic milieu, nonetheless, the viability of the initiative for the regional financial interests cannot be ignored. The Sino-Pakistan trade route providing access to the landlocked energy-rich states of Central Asia with the Indian Ocean through Gwadar port can assume vital strategic significance as the energy corridor of the world (Perveen & Khalil, 2015, p. 352). From a regional perspective, the CPEC can assure enormous economic rewards for perpetually unstable countries like Afghanistan, while Iran may also be tempted to join the initiative due to the prospects of linking with the energy starved markets of South Asia as well as China.

The trade route crisscrossing Pakistani landmass before reaching at the Arabian Sea coast at Gwadar is the shortest possible route for Afghanistan and the Central Asian states and projected to attract 25 percent of the national and international chain by 2020 (Hussain, 2017, p. 7). Ranjan (2015) has noted that almost every regional country backs the transit corridor barring India, which resists the Chinese attempt to expand its direct influence in the region and deems the project against its strategic interests (as cited by Makhdoom, Shah & Sami, 2018, p. 39). New Delhi thus considers the operationalization of the CPEC as one of the major projects of the OBOR strategically detrimental to its longstanding ambition of achieving hegemonic influence over South Asia.

Pakistan has long been recognized as the geographically vital territory for providing a gateway to Central Asia, South Asia, East Asia, and West Asia and any significant trade and transit project involving these regions (Ali, 2015, p. 4). Pakistan's landmass has the distinction of connecting the energy-starved countries of South Asia and China, with the energy rich territories of Western as well as Central Asian regions. Hence, the functionalization of CPEC through Pakistan transpires as an alternative energy route to states like Azerbaijan, Kazakhstan, Turkmenistan and Uzbekistan, owing to their heavy reliance on Russia for oil and gas exports through the Black Sea pipeline network (Hussain, 2017, p. 7).

Syed (2013) has suggested that the operationalization of the Gwadar seaport and CPEC, can make Pakistan the pivot of commercial activities among the energy-rich Gulf and Central Asian states, Afghanistan, and China, thus offering Pakistan Navy strategic depth, besides its coast as a marine base (as cited by Javaid. U & Javaid. R, 2016, p. 131). Islamabad's potential strategic gains by assuming the status of a regional commercial hub may not be a pleasing development for other players like Iran who has been pursuing similar eminence through its own transit project.

Nonetheless, linking Gwadar and Chabahar ports can enhance and facilitate regional and cross-regional trade among the countries of South, Central, West, and East Asia (Ali, 2015, p. 9).

The present regional geostrategic environments around Pakistan and Iran appear least conducive for potential regional economic interdependence. However, presumably, the connectivity between the Chabahar Port of Iran and the Gwadar Port and CPEC, and Bangladesh-China-India-Myanmar (BCIM) can expedite the prospects of regional economic integration (Ali, 2015, p. 8). Apparently, the regional consensus, especially between China and India holds the key for achieving economic gains through the connectivity initiatives planned from Pakistani and Iranian territories. Such a development is largely reliant on the political harmony in the region and the amicable resolution of the longstanding as well as contentious issues between some of the regional players.

### ***International North-South Transport Corridor (INSTC)***

INSTC has been conceived as a communication infrastructure, spanned over an area of approximately 7,200 kilometers and comprising of roads, sea routes and railroads that aims at enabling trade between India, Iran, Russia, the Central Asian Republics (CARs), Azerbaijan and Europe (Ullah & Brohi, 2018, p. 101). The original treaty on the INSTC had been agreed between Iran, India and Russia in the beginning of September 2000, which was later ratified by the three participants in 2002. INSTC contemplates linking the land transit corridor with the Chabahar port, on the Makran Coast of the Sistan, which may develop as an international commercial port for the regions of South Asia, South-East Asia, West Asia, and Central Asia, while also providing India access to energy resources (Khan, 2013, p. 79).

Chabahar port has huge strategic importance and economic value, owing to its vicinity next to the Gulf of Oman, and at the mouth of the Strait of Hormuz (Amirthan, 2017, p. 87). Iranian revolutionary regime intended to develop the Chabahar seaport soon after the end of the war with Iraq and has been looking for the foreign investment for initiating the project. However, Tehran's Chabahar port development plan coincided with its post-revolution animosity with the US, resulting in nearly insurmountable political as well as financial barriers. With foreign investment on Chabahar hard to come by, India also could not manage to bypass the sanctions to invest in this strategic route, deemed vital by New Delhi for evading Pakistani territory (Rizvi & Behuria, 2016, p. 358).

The commercial significance of the energy-rich Central Asian and Caucasian regions surfaced after the disintegration of the Soviet Union and the independence of these states. Owing to its geographical proximity and being one of the littoral states of the Caspian Sea, Iran braced itself for a prominent role in the regional connectivity. While the INSTC preserves its commercial value and potential as the most feasible access to the Indian Ocean for Central Asia and the Caucasus, the global strategic dynamics have been limiting its prospects. Despite economic sanctions on Iran, India justified the development of Chabahar as a strategic port for keeping Chinese maritime activities under surveillance, besides gaining access to Afghanistan and Central Asia (Rizvi & Behuria, 2016, p. 361).

Indo-Iran cooperation for developing Chabahar port and the INSTC was influenced by their shared strategic interests and the regional geopolitical dynamics in the backdrop of Soviet disintegration. While post-revolutionary Iran had distanced itself from its Cold War allies in the region, India was also getting increasingly anxious with rising Pakistani clout in the region after the Afghan war. Pakistan-Iran discord over post-war Afghanistan and growing animosity with the US has led Tehran to strengthen ties with New Delhi. The death of Ayatollah Khomeini in 1989, departure of the Soviet forces from Afghan soil, the disintegration of the Soviet Union which ended the Cold War and Iraq's occupation of Kuwait in 1990-1991, intensified Indo-Iran ties, resulting in the convergence of security interests (Singh & Lele, 2010, p. 91).

The regional dynamics in the wake of 9/11 terrorist attacks on the US and Tehran's support of the American military invasion of Afghanistan facilitated Indo-Iran strategic collaboration in the Indian Ocean and the Arabian Sea (Khan, 2013, p. 79). Indo-Iran strategic nexus was expedited during the visit of Iranian President Syed Mohammad Khatami in January 2003 and the signing of vital New Delhi Declaration (Singh & Lele, 2010, p. 91). The growing warmth in Iran-India relations was taking place when the regional strategic dynamics had transformed due to the US-led invasion of Afghanistan. Consequently, the signing of the New Delhi Declaration and Iran's visible inclination towards strategic alignment with India posed a serious dilemma for Pakistan.

Indian commercial and strategic ambitions to reach Afghanistan and beyond were hampered due to antagonistic relations with Pakistan and prompted New Delhi to seek some alternative. Iran's geographical location appeared as the most viable route for the Indians to link up with the West and Central Asia while evading Pakistani territory. Hence, serving the mutual interests of both, the New Delhi declaration, accentuated the urgency of enabling legislation for Indo-Iran bilateral trade and economic exchanges and enhancing the business confidence between the entrepreneurs of the two countries (Singh & Lele, 2010, p. 91). For cash-starved Iran, the potential Indian financial investment in the development of Chabahar port and INSTC promised vital economic gains.

Indian analysts have been cognizant of the essence of reaching Central Asia and underlined the need for a proactive and meaningful policy for the region with the 'Look North' policy (Dar & Firdous, 2014, p. 42). New Delhi's eagerness for Iranian connectivity projects transpired with the funding of US\$136 million for developing 218 km-long link road from Delaram to Zaranj in Afghanistan in 2009, and the investment of US\$85 million to build two berths at Chabahar in 2014 (Rizvi & Behuria, 2016, p. 359). According to Dikshit (2013), New Delhi regarded 'Look North' policy vital for trade, transit, energy and communication routes, traversing the entire region from Turkey to India and between Eurasia and the Arabian Sea, with Afghanistan at its heart (Dar & Firdous, 2014, p. 42).

Indian Connect Central Asia policy, which was launched in 2012, affirmed the significance of geographical connectivity, transportation and trade networks for establishing a wide-ranging relationship with the Central Asian region and Afghanistan (Dave, 2016, p. 5). The functionalization of Chabahar port, as well as completion of the North-South transit corridor, was regarded as inevitable for Indian access in Central Asia, which would enable New Delhi to transport its goods at a cheaper cost to European markets (Singh & Lele, 2010, p. 91). In the

hindsight, Indian backing of the INSTC and the Chabahar Seaport not only aims at commercial gains, but it is viewed by New Delhi as a vital maneuver for realizing its strategic ambitions in the region.

The development of the INSTC appeared game-changer for the Indo-Russia mutual trade, which has to traverse a long route through the Red Sea, Suez Canal, the Mediterranean Sea, the North Sea, and the Baltic Sea (Sarma, 2010, p. 81). In terms of railways, the vital 677-kilometer-long Kazakhstan-Turkmenistan-Iran link, designated as North-South Transnational Corridor, commenced operations in the early part of 2014 and connected CARs with the Persian Gulf for international trade (Ullah & Brohi, 2018, p. 107). One more key rail link termed as the North-South Railway Corridor is projected to offer a link between the Black Sea and the Persian Gulf of INSTC (Ullah & Brohi, 2018, p. 107).

The INSTC aims at connecting Astrakhan, Moscow, and Baku located in north and Mumbai in the south with an infrastructure network comprising of land, railways and maritime routes while assuming potential transportation of roughly 20 million tons of cargo (Ullah & Brohi, 2018, p. 101). INSTC is planned to offer connectivity from Mashhad to Russian territory leading up to Baltic as well as Europe thus decreasing transportation time by 60 percent and transportation cost by 50 percent, for India's exports (Amirthan, 2017, p. 90). Mahapatra (2012) claims that the transit of goods through the INSTC is envisaged to cut the transportation distance from Mumbai to the Chabahar port and subsequently to the European countries by two thirds, compared to the present Red Sea route.

INSTC promises enough commercial incentives to all the participating nations besides serving Indian ambitions of reaching to the north. In addition to being the hub for Iran's energy supplies to India, Chabahar port is also projected as an initiative to minimize the reliance of Central Asian nations on Russia, China and Pakistan, thereby allowing them some degree of economic and strategic autonomy (Kumar, 2016, p. 3). Indian interest in the completion of the INSTC is complemented with the prospects of evading Pakistani territory while executing its 'Look North' policy. New Delhi considers the success of 'Look North' initiative without resolving its longstanding issues with Pakistan as a huge strategic accomplishment and is, therefore, frustrated with the persistent snags impeding the project.

Notwithstanding sluggish progress of the INSTC, the project has been favorably received in the region with eleven more countries including Turkey, Azerbaijan, Kazakhstan, Armenia, Belarus, Tajikistan, Kyrgyzstan, Oman, Syria, Bulgaria and Ukraine, joining the initiative (Ullah & Brohi, 2018, p. 101). A major success for INSTC has been the Agreement on the Establishment of International Transport and Transit Corridors, with the inclusion of Afghanistan at the second trilateral meeting of Experts on April 11, 2016, in New Delhi (Rizvi & Behuria, 2016, p. 358). In Indian calculus, Chabahar seaport gains strategic significance for being located 72 nautical miles west of Gwadar port and providing connectivity with Afghanistan at Zaranj overland through Zahedan (Rizvi & Behuria, 2016, p. 359).

## **Conclusion**

There is no denying that connectivity initiatives usually contribute significantly to promoting regional economic integration by facilitating commercial activities, which offer financial incentives to all the participants. In most parts of the contemporary world, connectivity projects have played a vital role in promoting trade between the nations and helped achieve regionalism for economic gains. Moreover, regionalism thrives with regional awareness that can be termed as the shared perception of belonging to a particular community, achieved by internal factors, often defined in terms of a common culture, history, and religious traditions (Hurrell, 1995, p. 335). Hence, regionalism as well as greater connectivity helps in alleviating political rivalries among the participating states, persuading them to develop consensus for share good.

The states participating in the CPEC and INSTC projects have requisite attributes to mutually pursue shared economic gains in the region and promote regionalism, for the collective good. The commercial potential of the region is so enormous that both the transit corridor projects can easily complement each other instead of getting into a rivalry. It can be fairly assumed that from a purely commercial perspective, both the connectivity initiatives traversing Pakistani and Iranian territories can lead towards greater economic integration and mutual interdependence of the region. However, in the hindsight, Pakistan-Iran connectivity initiatives have fueled a fresh contest in the region, resulting in further polarization and divergences among the key players. With the involvement of trans-regional actors, the strategic dynamics have gone even more complicated, thus eluding the prospects of immediate consensus among the participating states of both the transit projects.

While INSTC as well as CPEC enhance connectivity and both the initiatives can play a significant part in the regional economic integration, however, the strategic conflicts between key players undermine such prospects. Indian rivalry with Pakistan in particular and China in general mitigates the probability of New Delhi participating in the CPEC in the foreseeable future, thus compelling it to focus on Chabahar port and the INSTC for staying relevant in the region. India's strategic interests are well served with Pakistan-Iran rivalry on transit corridors and projection of both the initiatives as competitors. On the other hand, the Chinese desire to play a part in Chabahar and the related transport network leading up to Central Asia, through Iranian territory despite India's proactive role can expand Beijing's regional clout compared to New Delhi and even Moscow (Kumar, 2016, p. 4).

While the connectivity is perceived to be a doable recipe for promoting regionalism, however, prevailing strategic rivalries in the region have resulted in the trust deficit and competition. Notwithstanding the immense potential of both the transit corridors to complement each other, the regional environments are far from being conducive to any such possibility. With Iran under economic sanctions, the prospects of the operationalization of the INSTC and Chabahar port appear slim in the near future, virtually putting Tehran out of competition and getting irrelevant in the regional commercial activities. Thus, the prospects of the successful completion and functionalization of the CPEC and Gwadar port may not be very pleasing for the countries involved in the development of the INSTC, especially India.

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