

A significant Analysis of Business ecosystem in India and Afghanistan

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Abstract: The India and Afghanistan trade relations traces back to Indus valley civilization era. The record shows that Soon after India's independence in the Treaty of commerce signed between the Royal kingdom of Afghanistan & Republic of India on 4th April 1950¹ which both side agreed to treat each other as most favored nation in doing business activities. Also the other trade agreement between the government of India & government of Republic of Afghanistan signed on in New Delhi on 3rd September 1975, 1978² clearly show the close relationship of the two nations

The India and Afghanistan involvement in the strategic trade route of Chabahar port dates back to the last quarter of year 2002, it was on January 2003 that India, Iran and Afghanistan signed a memorandum of understanding (MoU) for the development of transit and transport infrastructure in Chabahar port, Zaranj & Delaram route. India and Iran also signed another MoU to invest in infrastructure including Chabahar port and Chabahar-Zaranj-Bum railway link in order to promote bilateral trade. Both countries took another step by signing the Strategic Partnership Agreement between the two countries later in 2011. As Afghanistan was undergoing three simultaneous political, security and economic transitions in 2016, India had allayed its fears about its future by making a long-term commitment to the security and development of Afghanistan. One of the significant and strategically important step taken by India, Iran and Afghanistan is the Chabahar port development agreement which will pave the way for India's business community to enter central Asian Market via Afghanistan by passing Pakistan.

The author is trying to find out the strategic importance of Chabahar port for India and Afghanistan International business expansion and the probable challenges facing both countries merchants by providing interview questionnaires for 40 merchants, government employees of Afghan, trade experts in Afghanistan chamber of commerce & Industries (ACCI) and Indian Embassy commerce wing staff.

Keywords: Chabahar Port, strategic significance, business ecosystem, international business.

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I. Introduction

India and Afghanistan had land transit route before separation of Pakistan from India in 1947. During this almost seven decades India Afghanistan trade relations faced many ups and downs. The merchants of both the countries were not allowed to use Pakistan land (Wagah Border), for their business activities and road transit, they had to use either air transport or Bandar -E- Abas port in Iran which is very far and the cost of products will be high which both side's trader cannot compete with those of the Pakistan and Iranian trader in Afghanistan and or in the Central Asian markets.

The recent step taken by India and Afghanistan to sign Strategic agreement of Chabahar port development with Islamic Republic of Iran and Strategic Partnership Agreement (SPA) between Afghanistan and India inter alia, provides for assistance to help rebuild Afghanistan's infrastructure and provide technical assistance to re-build indigenous Afghan capacity in different areas, encouraging investment in Afghanistan's natural resources, providing duty free access to the Indian market for Afghanistan's exports.

India is trying to enlarge its economic presence in Afghanistan. Specially, it wants to improve transport connectivity and economic collaboration with countries in Central and South Asian countries. India has already invested US \$ 10.8 billion in Afghanistan as of 2012 (Yatnoor and Tegnoor 2015). Strategic location of Afghanistan is very important for India. Afghanistan is situated at crossroads between south Asia and Central

¹ Came in to force on 24th March 1952, two months after exchange of the instrument ratifications which took place at Kabul on 24th January 1952 in accordance with the article 18 of the treaty.

² IBTA VO 1 Doc No 33 Sep 3rd 1975

Asia, South Asia and the Middle East and is a major partner in the TAPI (Turkmenistan Afghanistan-Pakistan-India) pipeline project which will fulfill India's energy need.

The Iranian port of Chabahar (previously Bandar Beheshti), directly or indirectly, is situated in the path of some of the above-mentioned corridors and can be considered one of the most strategic transit locations for India, Iran & Afghanistan. It is often referred to as the 'Golden Gate' to the landlocked Commonwealth of Independent States (CIS) countries and Afghanistan.

Chabahar is not only strategically located but has immense potential to connect the business growth centers in South Asia (India), the Middle East (Dubai), Central Asia and Afghanistan. It is close to the mainline shipping routes to Asia and Europe, located on the Makran coast of the Sistan-Baluchistan province of Iran and facilitates the transit of goods to northern and southern Afghanistan and the Central Asian Republics from India. The port distance to Milak on the Afghanistan border is 950 km; it is 1,827 km to Sarakhs on the Turkmen border and it is 120 km from the Pakistan border. India & Iran plans to use this port for transshipment to Afghanistan and Central Asia and maintain the Bandar-e-Abbas port as a major hub for trade with Russia and Europe. The Chabahar port has 2.5 million metric tons (MT) capacity per annum. Its capacity is expected to go up to 6 million MT per year in the first phase, going up to 12 and finally to 20 million MT per annum. Natural gas is carried to this province through 56 pipelines that are expected to reach Chabahar port in about two to three years.

The Chabahar port being one of the India's main strategic deals that gives route access for India to reach Central Asian markets via Afghanistan but the significance of Chabahar port depends on peace & stability in Afghanistan. The port will gear for India connectivity to Afghanistan with the development of the mining sector, the energy sector, the development of rail way sector. India is committed in principle to construct from Hajigak mine of Afghanistan to Chabahar port in Iran will only come about when Indian investment begins to flow. India constructed the Delaram-Zaranj road and Afghanistan in 2009 and also invested 100 million USD to operationalize the Chabahar port.

Undertaking research on strategic significance of Chabahar port for India & Afghanistan International business expansion is a timely endeavor, as Afghanistan is witnessing the early phase of business community entry to the Indian market through Chabahar port.

This research is a step towards informing the debate on linking India & Afghanistan through Chabahar port. This research entailed in-depth interviews through a non-probability structured questionnaire from 40 experts of Afghanistan Chamber of Commerce and Industries (ACCI), Ministry of Commerce & University professors. This paper presents recommendations based on my analysis of the findings. The recommendations are geared towards helping expand export import between India & Afghanistan and beyond.

Objective of the study:

- To study the India-Afghanistan International business relations before & after 1947
- To study the significant benefits Afghanistan from Chabahar Port Business Expansion
- To find out the challenges & opportunities between India & Afghanistan from Port Management business
- To provide suitable suggestions for trade expansion between India & Afghanistan

II. Literature Review

The Strategic Significance of Chabahar port for India & Afghanistan International business relations goes back to the year 2003 when the MoU was signed between India, Afghanistan & Iran to develop infrastructure in Chabahar port.

Dr. Meena Singh Roy is a Research Fellow at IDSA, New Delhi. In her article *Iran: India gateway to Central Asia* published on Nov 2012 stated that from India's point of view, the strategic importance of Chabahar is immense. It not only gives access to the oil and gas resources in Iran but also provides access to Central Asian Republics. It is widely argued that this is an elaboration of the North-South corridor. According to Maghsudul Hasan Nuri. In his paper "India and Iran: Emerging Strategic cooperation" "Tehran declaration was, in fact an introduction for further cooperation during Khatami's reciprocal visit to India on January 2003. India considered Khatami's visit very important and welcomed him as the Chief Guest at India's Republic Day's parade. Delhi Declaration directly pointed to the infrastructure development of Chabahar port. Aagam G Shah, Political Observer stated in his article "strategically significance of the Chabahar port deal dated 24 May 2016" that Chabahar port will provide an alternative route for India to Afghanistan and central Asia, bypassing Pakistan. It reduces the dependence on Pakistan, for trade with Afghanistan and its related neighboring states.

"With our joint investments in Chabahar, we can connect India through a reliable route to Afghanistan and countries in Central Asia," Iranian president Hassan Rouhani said in press conference on 23rd May 2016 in Tehran "The agreement today is not only an economic document: It's also a political and a regional one." he added. India's transport minister Nitin Gadkari said in Tehran on May 23, "and so what this agreement does is to

enable us quick movement of goods first to Iran and then onwards to Afghanistan and Russia through a new rail and road link”.

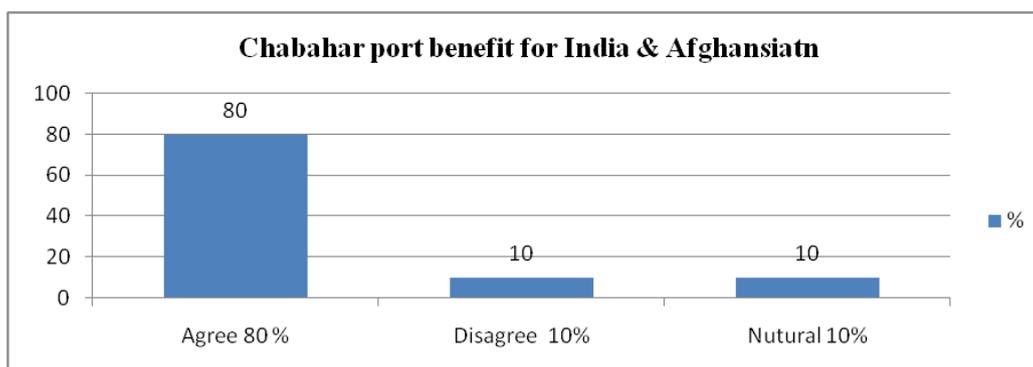
India Prime Minister Narendra Modi during his visit to Iran on May 23rd stated that “The Agreement on the establishment of a Trilateral Transport and Transit Corridor signed just a while ago can alter the course of history of this region. It is a new foundation of convergence between our three nations. The corridor would spur unhindered flow of commerce throughout the region. Inflow of capital and technology could lead to new industrial infrastructure in Chabahar.

Chabahar port: A Gate way to India & Afghanistan

The findings of this study from Ministry of Commerce and ACCI show that the Chabahar port development would help both countries to develop trade and commerce among each other. 80% of the participants are optimistic with regards to Indian merchants to reach Central Asian Markets (CAM) through this port without any obstacles. Further the participants pointed out the MoU signed between three countries (India, Iran and Afghanistan) is obvious for expansion of export- import among these countries. 10% of participants are of the opinion that the delay in development of Chabahar port may adversely effect to both side’s trade and commerce development and 10% of the participant have no opinion in this regard.

No of participants	Agree	Disagree	Neutral
100	80	10	10

Source: Interview questioner

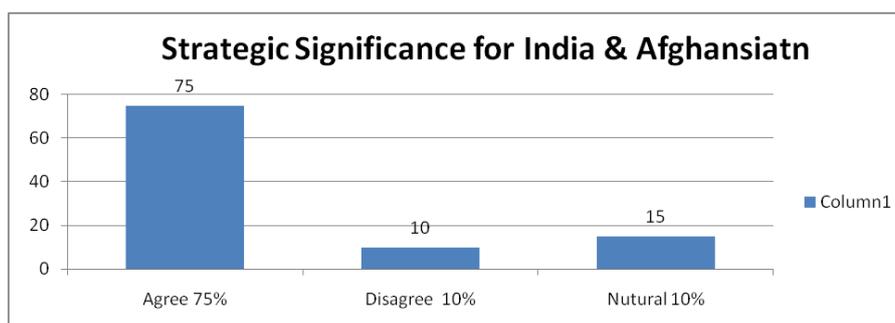


Strategic Significance of Chabahar port for India & Afghanistan

According to 75 percent of the participants the Chabahar port has strategic significance for both the countries. These interviewees are of the opinion that Afghanistan being land lock having no route to sea and India blocked by Pakistan in case of land transit have no other option to increase their trade between each other and beyond. Hence Chabahar port is strategically very important for both sides. 10 percent of the participants are feeling that India & Iran can come up with an agreement with Pakistan in terms of trade and commerce development, which will be helpful for the entire region but, 15 percent of the interviewees are having no clue about the current development in the region which will be helpful for the region in short run.

No of participants	Agree	Disagree	Neutral
100	75	10	15

Source: Interview questioner

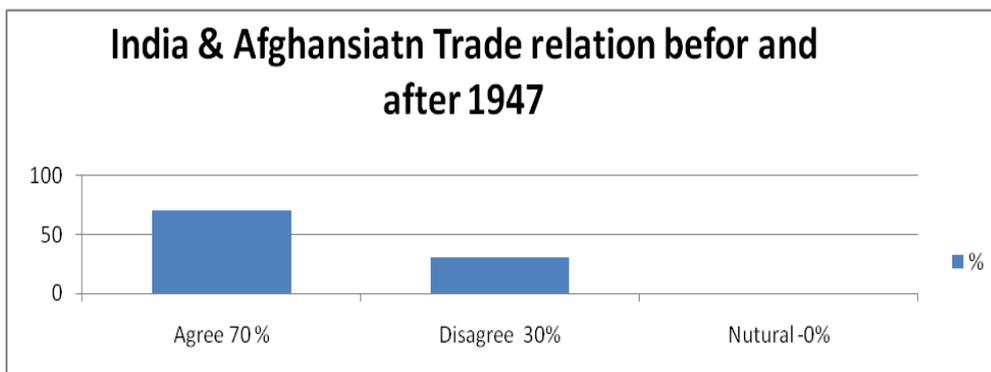


Trade Relation between India & Afghanistan

With regards to trade relation between India & Afghanistan before 1947 & after that 70 percent of participants stated that the Indian and Afghanistan trade relation was directly through land before 1947 as there was no border between these two countries. After 1947 due to separation of Pakistan the land transit got stopped as India and Pakistan relations was not friendly, hence the trade relation between the two countries faced many ups and downs. The remaining 30 percent of the participants are of the opinion that there is no change in trade & commerce relation between India & Afghanistan and both sides are on the same track before & after India's independence.

No of participants	Agree	Disagree	Neutral
100	70	30	0

Source: Interview

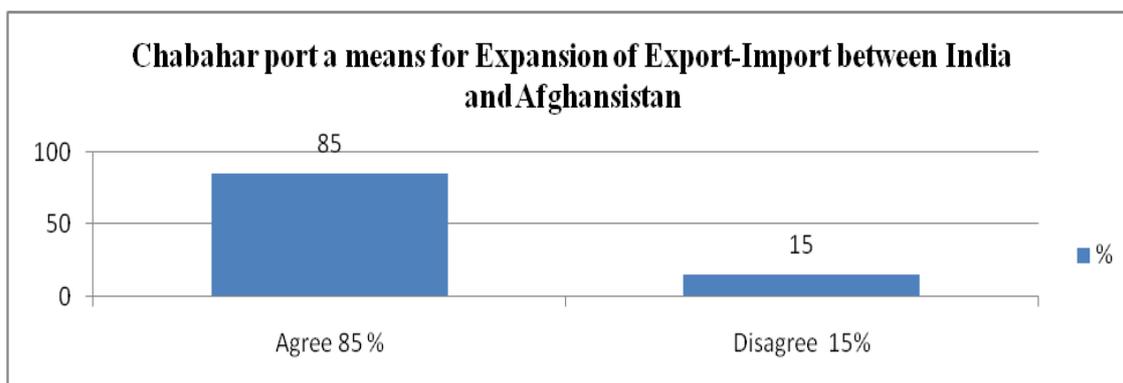


Chabahar port a means for Expansion of Export-Import between India & Afghans

In case of export-Import expansion after operationalization of Chabaharport 85 percent of the participants are of the opinion that the Chabahar port operationalization will increase the export-import volume between India & Afghanistan as the cost of transportation will be reduced and more of products will be traded within India, Afghanistan & Central Asia and 15 percent are pessimistic for this outcome in the short period due to instability in Afghanistan and US-Iran unstable relation.

No of participants	Agree	Disagree	Neutral
100	80	10	10

Interview questioer



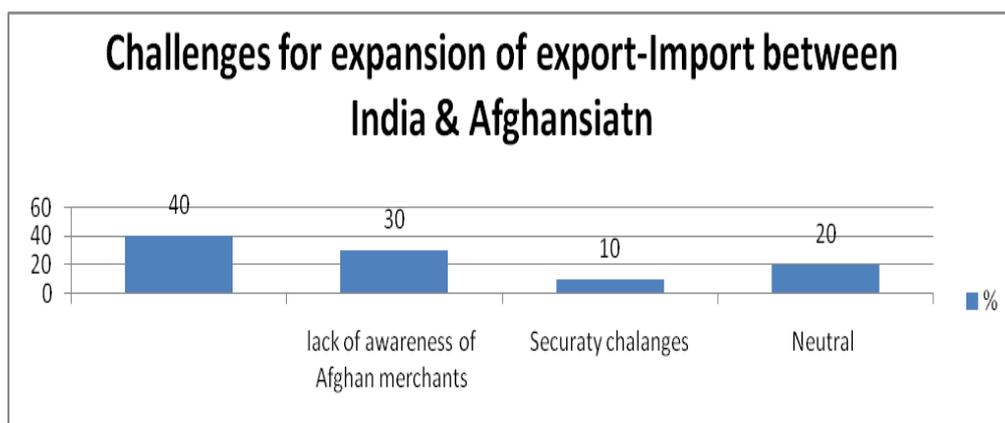
Challenges for expansion of export-Import between India & Afghanistan

The challenges faced by the exporter's importers according to 40 percent of interviewees are

- India's lack of geographical contiguity and limited access to Afghanistan
 - Pakistan continues interference in Afghanistan affairs
 - Pakistan army had a huge impact in Afghanistan
 - security issues in boarder of Iran & Afghanistan, and Indian nationals working for rebuilding Afghanistan
 - US-Iran unstable relations
 - Pakistan influence to Afghanistan business community
- 30 percent of participants are of the opinion that

- lack of Afghan merchant’s awareness of Indian market
- lack of Afghanistan government support to business sector are the main challenges of export-import expansion b/w the two countries
30 % believes that lack of commercial education and literacy of Afghan merchants and lack of giving loan for business community are another challenges faced for business community. And 10 percent of the interviewees are highlighted that
- Restriction of commercial visa for Afghan merchants is seen a challenge which make them either to stop or turn to Pakistan for their commercial activities.
- 20 percent of the interview is neutral in this regard.

No of participants	Security, US-Iran tie, pak interference	Lack of awareness of Afg Merchants	Boarder	Neutral
100	40	10	10	100



Source: Interview

III. Recommendations

- Chabahar port being one of the important mile stone for India &Afghanistan trade & commerce development needs more attention by both the countries to reach their goal of coming closer bypassing Pakistan and expand their export-Import among each other in order to meet their requirements they should fulfill their commitments and the MoU signed between them.
- India being the main donor may invest the amount required for the operationalization of the Chabahar port as the delay will impact the goal, which is set to be reached.
- The railway links from Chabahar to Milak& Bum city of Iran should be constructed as per the agreement signed between India & Iran.
- Afghanistan on the other hand should pay attention to the stabilizing of the security in the Delaram-Zarange area boarder to Iran to make sure Indian cargo are save while passing the region to reach Central Asian countries,
- The Afghan government should organize awareness program to the merchants on the importance of Chabahar port and Indian market to Afghans business community in collaboration with Indian government through organizing trade fairs and exhibitions.
- Iran government should cooperate in operationalization of the chabahar port as promised in MoU
- Indian companies should accelerate their investment in Chabahar port.

IV. Conclusion

India being one of the main players in south Asia and having good experience in port development, needs to pay more attention to bring the Chabahar port in to operation. The Indian business community is looking for better opportunities in countries like Afghanistan & Central Asian markets in order to expand their trade. Afghanistan is land lock as it has no link to sea & India has no land transit route. Chabahardevelopment will pave the way for both sides business community expand their trade and commerce among each other & beyond. At the end it can be said that Afghanistan can become a bridge in brining all other countries in the region together

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