

Govt assures bank support for Chabahar



DHRUVAKSH SAHA & SHREYA NANDI
New Delhi, 28 August

In order to address the hesitance of the industry and financiers to conduct business through Iran's Chabahar Port, the ministry of ports, shipping, and waterways would facilitate support from Indian banks to go through the processes, senior officials told *Business Standard*. The industry's hesitance stems from the fact that Iran is facing international sanctions.

The Centre has been involved in diplomatic deliberations over the future of the geo-politically significant port. It is still ironing out issues affecting cargo movement through the port.

Despite the port being exempted from Iranian sanctions for the development of Afghanistan and India's investment in the port, banks have been risk-averse. They have stonewalled paperwork such as bank guarantees for consignments moving through the terminal, industry and government officials said.

A senior government official said that the initial onboarding of banks will be facilitated by the ministry. Financing obstacles will also be further straightened out once the virtuous cycle of investment begins through the port.

"Many banks are still reluctant to negotiate documents where goods are moved through the INSTC (International North South Transport Corridor) because of OFAC (US's Office of Foreign Assets Control) sanctions on Bandar Abbas.

This comes although goods are simply transiting through the port and the combined transport bill of lading clearly shows the destination of goods beyond Iran. Chabahar port can be a much better option, being not under sanction, for pushing goods through INSTC," Ajay Sahai, director-general (DG) and chief executive officer (CEO), Federation of Indian Export

Organisations (FIEO) said.

Chabahar port is the gateway to the multi-nation INSTC, which can establish a shorter trade route between India and commonwealth of independent states (CIS) countries.

Founded by India, Iran and Russia, the development of the port and the corridor, however, continues to be mired with challenges.

Sahai said that INSTC is a cost-effective alternative to the Suez Canal, Mediterranean

routes and Bosphorus. The INSTC route takes less than 25 days from Russia to India, way less than the 40-day journey on other routes.

"Once the volume picks up, more shipping lines will be operating on the route. It would address the equipment shortage issue as well. And, the freight will also be much more competitive than the traditional routes," Sahai said.

Under the INSTC supply route, Russia sends a goods consignment to India from its ports.

The consignment would head towards the port at southern Russia's Astrakhan. Then, it would go to the Caspian port of Anzali, which is in the Gilan Province of Iran, and the Bandar Abbas port. Thereafter, the consignment moves to the Jawaharlal Nehru Port Trust (JNPT) or Mundra Port in the western part of India.

Another official said that close to 700 containers have been transported through this route. Some of them have arrived in India from Russia over the last two-three months.

However, more trade should happen if banks shed their reluctance.

This paper recently reported that India and Iran have also launched talks for a long-term agreement for the port's development. This may take concrete shape over the next couple of months.

Recently, Union minister Sarbananda Sonowal visited Iran to review Chabahar's progress.

Industry's hesitance stems from the fact that Iran is facing international sanctions