

The Limits of Hedging?

Chabahar and the Future of India's Strategic Autonomy

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(Nathan Posner - Anadolu Agency)

India has increasingly embraced hedging as its defining foreign policy strategy, engaging simultaneously with competing great powers rather than aligning exclusively with any one of them. Its participation in the Quad alongside enduring defence ties with Russia, and its parallel investments in the U.S.-backed India-Middle East-Europe Economic Corridor (IMEC) and the International North-South Transport Corridor (INSTC), have made New Delhi a paradigmatic case of middle-power flexibility in an emerging multipolar order. Chabahar Port, however, offers a critical test of this proposition. Conceived as India's gateway to Afghanistan and Central Asia and a counterweight to China's presence in Gwadar, the port's future now depends less on decisions in New Delhi or Tehran than on sanctions policy shaped in Washington. Chabahar thus provides a revealing lens through which to assess whether hedging constitutes a durable strategy of autonomy for middle powers or remains contingent on the tolerance of great powers.

Introduction

Few countries have mastered the art of geopolitical balancing as successfully as India. As the international system becomes increasingly multipolar, New Delhi has refined hedging as a distinctive foreign policy strategy that enables it to engage simultaneously with competing great powers without fully aligning with any of them. It has arguably become the textbook example of this approach. It is a member of the Quad alongside the United States, Japan and Australia, while simultaneously remaining one of Russia's largest defence partners. It has deepened security cooperation with Washington without abandoning its longstanding ties with Moscow, maintained a complex economic relationship with China despite an increasingly adversarial border dispute, and expanded its engagement with the Gulf while preserving a strategic partnership with Iran.

This policy outlook examines how the U.S. policy toward regional geopolitics would affect India's strategic vision for Chabahar Port, either as an enabler or a limitation. So far, connectivity has become one of the most visible manifestations of India's hedging strategy. New Delhi has enthusiastically embraced the U.S.-backed India-Middle East-Europe Economic Corridor (IMEC), participates in the I2U2 minilateral grouping with the United States, Israel and the United Arab Emirates, and simultaneously remains a principal stakeholder in the International North-South Transport Corridor (INSTC), linking India with Iran, the Caucasus, Russia and Europe. Few countries participate so actively in infrastructure initiatives that embody competing geopolitical visions. Yet one infrastructure project may now expose the structural limits of India's strategic autonomy. The future of Iran's Chabahar Port is no longer simply a question of bilateral relations between Tehran and New Delhi. More broadly, Chabahar has evolved into a microcosm of the contemporary international order. Questions surrounding sanctions, connectivity corridors, supply-chain resilience, and competition over strategic resources increasingly intersect at a single geographic node. The port therefore offers insight not only into India's foreign policy choices, but also into the wider tensions shaping multipolarity itself: the coexistence of growing diplomatic flexibility with enduring structural dependence on great-power decisions.

A Twenty-Year Strategic Investment

India's interest in Chabahar predates both China's Belt and Road Initiative and the current discourse surrounding connectivity geopolitics. The project originated from a much older strategic problem: Pakistan. Since the partition of British India in 1947, Pakistan has effectively blocked India's overland access to Afghanistan and, beyond it, to Central Asia. As a result, New Delhi has long sought an alternative western gateway to circumvent Pakistan altogether. Chabahar, located on Iran's south-eastern coast along the Gulf of Oman, offered precisely such an opportunity.

Unlike Bandar Abbas, which lies inside the Strait of Hormuz, Chabahar opens directly onto the Arabian Sea, making it Iran's only oceanic port. Its location also carries symbolic geopolitical significance. Barely 170 kilometres east lies Pakistan's Gwadar Port, which would later become one of the flagship projects of China's Belt and Road Initiative under the China-Pakistan Economic Corridor (CPEC). Long before Gwadar emerged as a strategic concern, however, India had already recognised Chabahar's potential as its western maritime gateway.

The first formal agreement between India and Iran on port development was [signed](#) in 2003 during President Mohammad Khatami's visit to New Delhi. Progress, however, proved painfully slow. International sanctions on Iran, bureaucratic inertia and shifting regional dynamics repeatedly delayed implementation.

Nevertheless, India continued investing in the broader connectivity architecture surrounding Chabahar. One of its most significant contributions came in 2009 with the [completion](#) of the 218-kilometre Zaranj-Delaram Highway in western Afghanistan. Constructed by India's Border Roads Organisation at a cost of approximately \$150 million, the highway connected Afghanistan's ring road to the Iranian border, creating the missing land link that would eventually make Chabahar strategically viable. The project came at considerable human cost; more than one hundred Indian and Afghan personnel reportedly lost their lives during construction amid persistent Taliban attacks.



(Hassan Ghaedi - Anadolu Agency)

The significance of the highway extended far beyond development assistance. It represented India's first tangible attempt to build an independent connectivity corridor into Afghanistan without relying on Pakistani territory. Chabahar and the Zaranj-Delaram Highway were never separate projects; they were conceived as complementary segments of a single strategic vision stretching from the Indian Ocean into Central Asia.

The JCPOA Moment

A decisive breakthrough finally arrived with the signing of the Joint Comprehensive Plan of Action (JCPOA) in July 2015. The nuclear agreement dramatically reduced international sanctions on Iran and created the most favourable environment for foreign investment in the country in decades. India moved quickly. In May 2016, Prime Minister Narendra Modi [travelled to](#) Tehran, where India, Iran and Afghanistan signed the Trilateral Transit and Transport Agreement. The agreement transformed years of strategic planning into an operational connectivity project. India [committed](#) approximately \$500 million of credit toward developing Chabahar and associated transport infrastructure while extending an [additional \\$150 million](#) credit line through the Export-Import Bank of India for port-related investments.

The timing of this deal proved particularly significant. Only three years earlier, in 2013, President Xi Jinping had unveiled the Belt and Road Initiative (BRI), placing connectivity at the centre of China's global strategy. Gwadar rapidly became the maritime anchor of the China-Pakistan Economic Corridor following President Xi's landmark visit to Islamabad in 2015.

For New Delhi, therefore, Chabahar acquired an additional geopolitical function. It was no longer merely an alternative route into Afghanistan. It also became India's principal answer to Gwadar and CPEC, providing New Delhi with its own strategic foothold on the Arabian Sea while preventing China from monopolising the region's emerging connectivity architecture.

The port soon began demonstrating its practical value. In 2017, India successfully [shipped](#) wheat to Afghanistan through Chabahar, bypassing Pakistan for the first time. In December 2018, India Ports Global Limited [formally assumed](#) operations at the Shahid Beheshti Terminal, marking India's first overseas port management project.

Ironically, this period of progress coincided with the return of U.S. sanctions. In May 2018, President Donald Trump withdrew the United States from the JCPOA and reimposed comprehensive sanctions on Iran under the revived "maximum pressure" campaign. On paper, Chabahar appeared destined to become another casualty of deteriorating U.S.-Iran relations.

Instead, Washington made an unexpected strategic calculation. Recognising Chabahar's importance for

Afghanistan's economic stability, the U.S. administration granted the port a rare sanctions exemption. The waiver allowed India to continue developing and operating Chabahar despite the broader sanctions regime, explicitly acknowledging that facilitating Afghanistan's access to international markets served broader American strategic interests. At a time when U.S. forces remained deployed across Afghanistan, reducing Kabul's dependence on Pakistan was judged to outweigh the costs of permitting limited engagement with Iran. The exemption was extraordinary. It demonstrated that, under certain geopolitical circumstances, connectivity could supersede sanctions. More importantly, it enabled India to continue pursuing its hedging strategy without being forced to choose between its strategic partnership with Washington and its long-standing cooperation with Tehran. That delicate equilibrium, however, would prove increasingly difficult to sustain.

Afghanistan Changes, So Does Chabahar's Strategic Logic

The strategic rationale underpinning Chabahar, however, changed fundamentally with the collapse of the Islamic Republic of Afghanistan in August 2021. The Taliban's return to power not only transformed Afghanistan's domestic political landscape but also altered the geopolitical calculations of every external stakeholder invested in the country.

For the United States, the military withdrawal from Afghanistan weakened one of the principal justifications for maintaining Chabahar's sanctions exemption. During the previous decade, Washington had viewed the port primarily through the lens of Afghan economic stabilisation. Providing Kabul with an alternative trade route that bypassed Pakistan complemented broader U.S. efforts to support the Afghan government and reduce its dependence on Islamabad. Once the Taliban assumed power, that rationale became considerably less compelling.



(Sefa Karacan - Anadolu Agency)

Yet Afghanistan did not lose its strategic relevance. If anything, it became even more consequential. The withdrawal of U.S. forces transformed Afghanistan from a theatre of counterterrorism into an arena of geopolitical competition. Increasingly, the contest has shifted from military presence to infrastructure, logistics, investment, and access to critical resources. Connectivity has become the principal currency of influence.

This shift coincides with another structural transformation in global geopolitics: the race for critical minerals. Long regarded as one of the world's least explored mineral frontiers, Afghanistan possesses enormous deposits of copper, iron ore, lithium, cobalt, niobium, gold and rare earth elements (REEs). In 2010, the U.S. Geological Survey (USGS), together with the U.S. Department of Defence's Task Force for Business and Stability Operations, [estimated](#) that Afghanistan's untapped mineral wealth could exceed \$1 trillion. Afghan officials later [suggested](#) that the figure could approach \$3 trillion, although these estimates remain difficult to verify given decades of conflict and limited geological surveys.

Among these resources, rare earth elements have become particularly significant. Despite their name, REEs are relatively abundant in the Earth's crust. Their strategic value lies in the complexity of extraction, separation and processing. They are indispensable for permanent magnets used in electric vehicles and offshore wind turbines, precision-guided missiles, radar systems, advanced semiconductors, satellites and a wide range of defence technologies. In an era increasingly defined by technological competition and energy transition, control over REE supply chains has become a matter of national security.

Afghanistan hosts several promising REE deposits, [including](#) the Khanneshin carbonatite complex in Helmand Province, which contains significant concentrations of light REEs. Equally important are the country's vast lithium reserves, often described, perhaps somewhat simplistically, as the "[Saudi Arabia of lithium](#)," and the [Mes Aynak copper deposit](#), one of the largest undeveloped copper reserves in the world.

China has understood this strategic reality for years. Already responsible for refining [roughly 90 per cent](#) of global rare-earth output, Beijing has steadily sought to expand its upstream control over mining projects abroad. Chinese companies [secured](#) the Mes Aynak concession as early as 2007, although security challenges delayed development for years. Since the Taliban's return, Beijing has renewed negotiations over Mes Aynak while simultaneously expanding its engagement with the Taliban government through investments in oil extraction, infrastructure and mining.

For China, Afghanistan is no longer merely a security concern on its border with Xinjiang. It is increasingly viewed as a long-term source of strategic minerals

essential to sustaining Chinese technological and industrial competitiveness in an age when high-tech has become one of the most fundamental areas of geopolitical competition.

This broader context fundamentally changes the meaning of Chabahar for great powers. The port is no longer simply about transporting containers from India to Afghanistan. It represents a potential gateway into future critical mineral supply chains stretching across Afghanistan and Central Asia. Connectivity, in other words, has become inseparable from industrial strategy. It has also become a major geopolitical instrument. For India, this transformation significantly raises the stakes surrounding Chabahar. What was originally conceived as an alternative trade route to Afghanistan has increasingly acquired strategic importance as a potential gateway into future supply chains for critical minerals, thereby linking connectivity policy to broader questions of technological competitiveness and economic security.

A New Sanctions Dilemma

However, India's position has become increasingly precarious. In May 2024, India and Iran signed a landmark [ten-year agreement](#) granting India Ports Global Limited operational control over Shahid Beheshti Terminal, the first long-term overseas port management contract secured by India. The agreement signalled New Delhi's continued commitment to Chabahar despite growing geopolitical uncertainty stemming from the broader rivalry between the U.S. and Iran.

The optimism surrounding the agreement proved short-lived. Following the return of President Donald Trump to office, Washington revived its maximum pressure campaign against Iran with renewed intensity. The subsequent military confrontation between the United States and Iran, first in June 2024 and then in February 2026, reached its peak, further hardening the political climate surrounding sanctions policy.

The six-month waiver granted to facilitate India's continued activities at Chabahar [expired](#) in April 2026, placing New Delhi in an increasingly uncomfortable position. Unlike previous years, there has been little indication that Washington remains prepared to routinely extend exemptions.

India's own behaviour suggests that policymakers [anticipated](#) precisely this outcome. Before the waiver expired, New Delhi accelerated procurement of port equipment worth approximately \$120 million, thereby fulfilling key contractual obligations while minimising future exposure. Equally revealing was the absence of fresh allocations for Chabahar in India's 2026-27 Union Budget. Rather than expanding its investment, India appears to have adopted a strategy of strategic pause, preserving

existing assets while avoiding new financial commitments until Washington clarifies its sanctions policy.

Although from a budgetary perspective the decision is understandable, from a geopolitical perspective, it is far costlier. A prolonged suspension of Indian activity at Chabahar would weaken the western pillar of India's connectivity strategy at precisely the moment when China's regional influence continues to expand through CPEC, Gwadar and its broader engagement with both Iran and Afghanistan.

Ironically, Washington now faces a strategic dilemma remarkably similar to the one it confronted in 2018, but under very different geopolitical circumstances. During Trump's first administration, exempting Chabahar served the objective of supporting Afghanistan while reducing Pakistani leverage. Today, renewing the waiver could serve an entirely different strategic objective: to preserve India's regional influence while preventing China from consolidating yet another node within the regional connectivity architecture.

Refusing to renew the exemption may increase economic pressure on Iran. Yet it could simultaneously narrow India's strategic options, weaken one of Washington's most important Indo-Pacific partners, and leave China with fewer obstacles to expanding its influence across Afghanistan, Iran and the Arabian Sea.

This is the paradox confronting American policymakers as sanctions designed to constrain Tehran may ultimately accelerate Beijing's geopolitical reach.

The Real Limits of Middle-Power Hedging

The story of Chabahar therefore extends well beyond one port or even one bilateral relationship. It raises a broader theoretical question about the nature of multipolarity itself. Much of the contemporary literature we know assumes that an increasingly multipolar international system provides middle powers with greater diplomatic flexibility. By engaging multiple centres of power simultaneously, countries such as India, Türkiye, Indonesia, and Saudi Arabia are believed to have greater room for manoeuvre than during the Cold War. India's foreign policy has often been presented as the strongest empirical evidence supporting this proposition.

Yet the story of India and Chabahar is poised to question this theoretical ground. Connectivity may indeed provide middle powers with new instruments of strategic autonomy, allowing them to diversify trade routes, expand diplomatic influence and reduce dependence on any single partner. However, the infrastructure that underpins this autonomy often remains embedded within geopolitical structures controlled by great powers.

Ports require sanctions waivers because all related financial transactions depend on access to global banking systems. Shipping companies respond to secondary sanctions, and insurance markets remain vulnerable to political risk.



(BRICS / Handout - Anadolu Agency)

Therefore, infrastructure may be built by middle powers, but the political conditions that determine whether it can function frequently may remain in the hands of major powers.

This is precisely what makes Chabahar such an important case study. The future of India's western connectivity strategy is no longer determined solely by decisions taken in New Delhi or Tehran. It also depends upon calculations made in Washington regarding Iran, China, Afghanistan and the broader balance of power across West Asia.

However, the irony about the middle power identity and the ability to pursue hedging is difficult to ignore. Connectivity has often been [featured](#) as one of the defining characteristics of the emerging multipolar order. Yet the Chabahar case demonstrates that connectivity itself can become an instrument through which great powers shape the strategic autonomy of middle powers. Whether Washington ultimately renews India's sanctions waiver will therefore have implications extending far beyond the operational future of a single port. It will reveal whether the United States views India's strategic autonomy as an asset to be preserved in its broader competition with China, or as collateral damage in its campaign of maximum pressure against Iran.

The Iran Dimension

The war against Iran demonstrated to the world how connectivity can be weaponised through the strategic chokepoint of the Strait of Hormuz. The attempted blockade and mine-laying operations conducted by the Iranian

Revolutionary Guard Corps (IRGC) Navy underscored that maritime connectivity has become one of the principal instruments of deterrence in contemporary warfare. In the context of a potential ceasefire and subsequent peace negotiations, one possible outcome is the establishment of a toll-based financial regime under which vessels transiting the Strait would be required to pay passage fees. Such an arrangement would constitute a [clear departure from the existing legal framework](#) established under the United Nations Convention on the Law of the Sea (UNCLOS) and would almost certainly provoke significant international opposition. Such a scenario may also push regional and international actors to pursue diversification strategies.

At the same time, a comprehensive lifting of sanctions, overseen by the U.S. Office of Foreign Assets Control (OFAC), remains extremely unlikely, at least for now. A temporary [suspension](#) of U.S. sanctions on Iranian oil exports by the Trump administration for 60 days could instead be interpreted as a goodwill gesture aimed at fostering a conducive negotiating environment or as a confidence-building measure. Nevertheless, the future trajectory of sanctions on Iran remains highly uncertain.

Three broad scenarios can be identified regarding the future of Chabahar Port, each shaped by the trajectory of U.S. sanctions policy toward Iran and the evolving strategic competition surrounding regional connectivity. At their core, these scenarios reflect competing interpretations within Washington regarding India's role in the emerging regional order. The question is not merely whether Chabahar should receive sanctions relief, but whether India's strategic autonomy is viewed as an asset that



(Fateme Bahrami - Anadolu Agency)

strengthens broader balancing efforts vis-à-vis China or as a secondary consideration within a more uncompromising Iran policy.

The first scenario assumes that Washington assesses China's limited progress on the China-Pakistan Economic Corridor (CPEC) as a manageable rather than urgent strategic challenge. Under this scenario, the United States prioritises its emerging energy cooperation with Pakistan by facilitating the transportation of oil imports through Pakistani ports. Should Washington simultaneously preserve or renew sanctions waivers on Iranian energy exports and on Chabahar, the port's strategic significance for India would gradually diminish. New Delhi's original rationale for investing in Chabahar—as a sanctions-compliant gateway to Afghanistan and Central Asia that bypasses Pakistan—would become less compelling if Iran were able to attract independent investment, expand port operations, and integrate more effectively into regional trade networks. In this scenario, Chabahar would increasingly transition from a strategically indispensable asset for India to a commercially viable Iranian port with a more diversified portfolio of international partners.

The second scenario envisages a renewed tightening of the U.S. sanctions regime against Iran. Rather than introducing additional sanctions exemptions, Washington could restore an uncompromising maximum pressure strategy to further isolate Tehran economically and diplomatically. Under such conditions, India's long-term strategic objectives in Chabahar would face significant constraints. Even if New Delhi remained politically committed to the project, the heightened risk of secondary sanctions, financial restrictions, insurance challenges, and limitations on international banking transactions would substantially reduce the commercial viability of port operations. As a result, Chabahar would struggle to fulfil its intended role as India's principal gateway to Afghanistan, Central Asia, and the broader Eurasian connectivity landscape.

The third and arguably most plausible scenario lies between these two extremes. Rather than pursuing either comprehensive sanctions relief or a return to maximum pressure, Washington could adopt a calibrated sanctions policy that selectively accommodates the strategic interests of key partners while maintaining broader economic pressure on Tehran. Under such a framework, India could receive a renewed or narrowly tailored sanctions waiver permitting continued investment and operations at Chabahar without fundamentally weakening the overall sanctions architecture. This approach would allow the United States to preserve leverage over Iran while simultaneously supporting India's regional connectivity ambitions and balancing China's growing influence across the northern Indian Ocean. It would also be consistent with Washington's previous practice of granting limited exemptions for Chabahar because the port contributes to regional economic stability and provides an alternative trade route to Afghanistan.

Conclusion

Ultimately, the future trajectory of Chabahar will depend less on the port's intrinsic economic potential than on the strategic choices made in Washington regarding Iran. Whether the United States views Iran as a candidate for gradual reintegration into the regional order, a state to be subjected to sustained but calibrated pressure, or an adversary requiring renewed maximum coercion will largely determine Chabahar's operational viability, investment attractiveness, and geopolitical relevance. In this sense, Chabahar should be understood not merely as a commercial port, but as a strategic barometer of the evolving intersection between U.S. sanctions policy, India's connectivity ambitions, and the broader geopolitical contest shaping the Indian Ocean and the wider Middle East. For India, meanwhile, Chabahar has become far more than a commercial investment. It is a test of whether strategic autonomy can survive when the infrastructure that enables it lies at the intersection of competing great-power agendas. In that sense, the fate of Chabahar may become one of the clearest indicators of where the real limits of middle-power hedging lie in an increasingly contested multipolar world.