

IMEC: Reimagining Connectivity through Shared Aspirations

Group Captain Praveer Ashok Purohit (Retd)[®]

Abstract

Leaders from India, United States (US), United Arab Emirates (UAE), Saudi Arabia, Italy, France, Germany, and the European Commission met at the G-20 summit in New Delhi and announced the India-Middle East-Europe Economic Corridor (IMEC). IMEC aims to stimulate economic development through enhanced connectivity and economic integration between Asia and the west. Comprising an eastern corridor that connects India to the Arabian Peninsula and a northern one that connects the Arabian Peninsula to Europe, IMEC has the potential to transform the economic landscape and geopolitics of the region. Actively supported by US and enabled by peace initiatives such as Abraham Accords, IMEC will boost multilateral engagements and multi-polarity. An indicator of broad strategic convergence amongst participants, IMEC nonetheless, must overcome some critical challenges in areas of funding, interoperability and harmonising different systems and policies. Geopolitical challenges such as the Hamas-Israel conflict and Chinese chequers will have to be addressed with adroit diplomacy. A promising initiative with sustainable development at its core, IMEC will add to India's influence in the region.

[®]**Group Captain Praveer Ashok Purohit (Retd)** served in the Indian Air Force for over 32 years. A Qualified Flying Instructor with over 5500 hours of flying experience, he has flown over all types of terrain. He is a post graduate from Defence Services Staff College and has completed M. Phil in Defence & Management while undergoing Higher Command Course. He is a winner of the Lt Gen SL Menezes Essay competition in 2020. He writes extensively on defence, strategic affairs and geopolitics, and his papers/articles/book reviews and opinion pieces have appeared newspapers and publications.

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Introduction

The need to establish geographical connectivity dates to the earliest human civilisations. When European powers discovered the sea route to India, they not only established connectivity with India but in a wider sense with Asia. Along with trade, the major European powers of the time were also able to expand their power, influence, and interests in Asia. Thus, connectivity was a tool effectively used for furthering geopolitics. Information from archives reveals that between 1857 and 1900, there were connectivity corridors proposed from Moscow to Delhi, London to Delhi and Berlin to Delhi.¹ Each of these proposals had geostrategic calculations at their core. As time passed, the means of connectivity have improved and now encompass not just the physical but also the digital domain. The benefits of globalisation and economic inter-dependence require more efficient ways of connectivity. Although sub-regional connectivity corridors did exist, China's announcement in 2013 of launching the Silk Road Economic Belt and in 2014, of the 21st Century Maritime Silk Road made the world take notice. Subsequently rechristened 'Belt and Road Initiative' (BRI), these two connectivity initiatives involve projects worth over USD 1 tn.

Very soon, the strategic drivers behind BRI were evident to the world. India has steadfastly refused to join BRI, flagging its lack of transparency and sustainability. Soon, more countries, especially the United States (US) and some European ones, came to view BRI with suspicion. It was in this backdrop that the European Union (EU) came up with a 'EU-Asia Connectivity Strategy' in 2018. The objective of the strategy was to enhance connectivity in a rule-based and sustainable manner by means of infrastructure upgrades, guarantee of internationally agreed standards, sound financing and respect for sovereignty of partner countries. The signing of the EU-Japan Connectivity Partnership on 27 Sep 2019 and establishment of the EU-India Connectivity Partnership on 08 May 2021² set the Europe-Asia connectivity project going.

Setting the Stage: Geopolitical Developments

The onset and havoc caused by the COVID pandemic, led to disruption and delays in the Europe-Asia connectivity project. Chinese inroads into the Middle East necessitated getting major

regional players there, such as Saudi Arabia and United Arab Emirates (UAE) on board. The economic prowess of these two countries also weighed heavily in this attempt. Any connectivity project of this nature was also dependent upon a semblance of peace in the traditionally conflict-ridden Middle East. Mediated by US, the first step was the signing of the Abraham Accord between UAE, Israel, and Bahrain in 2020. This was soon followed by India, Israel, UAE, and US coming together in 2021 to form a group known as I2U2. As stated in the joint statement during the I2U2 Leaders' summit in 2022, the group aimed to, 'harness the vibrancy of our societies and entrepreneurial spirit to tackle some of the greatest challenges confronting our world, with a particular focus on joint investments and new initiatives in water, energy, transportation, space, health, and food security'.³

Meanwhile India stepped up diplomatic engagement with Saudi Arabia and resumed negotiations for the India-Gulf Cooperation Council (GCC) Free Trade Agreement. The US brokered effort to normalise relations between Saudi Arabia and Israel was an equally important factor to prevent derailing any connectivity project between Europe and Asia.

Birth of India-Middle East-Europe Economic Corridor

Leaders of India, US, UAE, Saudi Arabia, Italy, France, Germany, and the European Commission met on the side-lines of the G-20 summit at New Delhi on 09 Sep 2023 and announced their shared ambition of creating an India-Middle East-Europe Economic Corridor (IMEC). A Memorandum of Understanding (MoU) was signed by India, US, Saudi Arabia, UAE, France, Germany, EU, and Italy.⁴ It spelt the broad contours of political commitments of the participants.

MoU on IMEC: Salient Features

The IMEC aims to stimulate economic development through enhanced connectivity and economic integration between Asia, the Arabian Gulf, and Europe. The IMEC will comprise two corridors, the east corridor connecting India to the Arabian Gulf and the northern corridor connecting the Arabian Gulf to Europe. Along the railway route, participants intend to enable the laying of cable for electricity and digital connectivity, as well as pipelines for clean hydrogen export. This corridor will secure regional supply chains, increase trade accessibility, improve trade facilitation, and

support an increased emphasis on environmental, social, and government impacts.⁵ As per the MoU, the participating countries have been given sixty days to develop and commit to an action plan with relevant timetables.

Economic and Developmental Advantages of IMEC

In connecting India with Europe via the Middle East, the trade between the east and the west is expected to witness a massive flow of goods, services, technologies, and energy through partner nations. IMEC is expected to reduce shipping and transportation costs while simultaneously achieving the sustainable development goals.

IMEC has existing linkages in place and is more of a 'plug and play' type of corridor. In the eastern corridor, goods from India would be transported by sea to UAE from where they would be transported by rail. The rail route from UAE is likely to go to Al Ghweifat on the Saudi border, a 605 km stretch where an Etihad Rail track is already operational. A 250 km section from the Saudi-UAE border to Haradh is under construction, while a 1,392 km long railway line from Haradh to Al Haditha on the Saudi-Jordan border is already in place. That only leaves a 300 km stretch from Al Haditha to Haifa in Israel via Beit She'an on the Jordan-Israel border.⁶ A good chunk of the physical rail infrastructure is, therefore, already in place. The northern leg of the corridor will commence in Haifa and use the sea route up to Piraeus in Greece. Thereafter the European rail network will be used to transport the goods to their final destinations.

A major advantage of IMEC is in reducing the dependence on the Suez Canal. Moreover, through IMEC, goods from Mumbai can reach Europe in 10 days, which is 40 per cent faster than through the Suez Canal. The spill-over benefits could include lower cost and enhanced reliability. The emphasis on digital connectivity in the MoU indicates two imperatives, cyber security, and a potential advantage to India for exporting information technology enabled services to Middle East and Europe.

The laying of cables for electricity grids mentioned in the MoU can be correlated to India's leadership of the International Solar Alliance, under which it has promoted the 'One Sun, One World, One Grid' initiative; an ambitious attempt to connect the

world's key regional grids into a common green grid that can transfer renewable energy from one region to another. It would leverage different time zones to maximise the use of solar energy and reduce the need for expensive energy storage systems.⁷ Thus, it is significant from an Indian perspective.

The intent to incorporate green hydrogen pipelines in IMEC is a visionary step. Existing investments worth billions of dollars by Indian, UAE and Saudi companies in green hydrogen projects are the first step towards developing intercontinental green transit connectivity between Asia with Europe.

International trade will get a boost with IMEC by reducing the cost of trading, promoting market access, and encouraging investment opportunities between the participating countries.⁸ Notably, the enhanced connectivity can improve cross-border cooperation, ensure clean energy supply, and logistical efficiencies. C Raja Mohan has opined that IMEC also enhances connectivity within the Middle East. It gives India's ambitions for connectivity a new life, especially since none of our previous connectivity projects such as Iran-Pakistan-India or Turkmenistan-Afghanistan-Pakistan-India have really taken off.⁹

Geopolitical Advantages of IMEC

Post the end of the cold war and the two Iraq wars, US and Europe had withdrawn their leadership role in the Middle East leaving a sort of vacuum. Lately, China sought to fill this vacuum. However, China has not been able to provide the security guarantees that the Saudis sought. IMEC heralds the repositioning and willingness of US and EU to engage in the region once again substantially with multiple stakeholders. It may serve as a catalyst for increased diplomatic collaboration and geopolitical stability among the participating nations. Close economic ties resulting from the corridor will incentivise collaboration on various fronts, including security, counterterrorism, and regional stability.¹⁰ Spurred by a shared economic interest, avenues for cooperation, dialogue, and diplomacy will broaden thereby ensuring a favourable geopolitical equilibrium. The IMEC provides Europe with the opportunity to shape policies in specific Asian regions.¹¹

The corridor and its potential benefits are likely to favour multilateralism and multipolarity, which fits well with Indian foreign policy. For too long we were fixated around the various conflicts

such as Arab-Israeli, and the cause of Palestine. The importance and linkage of the Middle East region to our growth and aspiration of being a great power emerged only about three decades ago. IMEC heralds a shift in our thinking and engagement with the Middle East while consolidating India's geoeconomic outreach to the Middle East.¹² It can provide secure connectivity and upgrade ties with Arab states where there is a large Indian diaspora. By collaborating closely with diverse countries to establish the IMEC, India has demonstrated its ability to generate innovative ideas. IMEC is an opportunity for India to secure greater economic leverage over China and Pakistan by joining a natural alternative to the BRI. In the past, Pakistan has essentially maintained a veto on overland connectivity between India and the west. IMEC will break this Pakistani veto, opening vistas to more economic integration between India and Europe via the Middle East.¹³

Seriousness of the China challenge has galvanised many of the 'China affected countries' such as India, US, Japan, and many European ones to devise mitigation strategies. China's opacity and suspected role in creating the COVID pandemic was the ultimate 'wake-up' call. Using the BRI to assert its hegemony, China was able to pursue its dream of a 'Sinocentric' world order for almost a decade. However, the pushback has begun and IMEC is an important component of it. IMEC also signals a refreshingly different approach by the US and EU in its engagement with Asia, one that heralds the possibility of peace, stability, and growth.

Challenges to IMEC

Although the promise of IMEC is great, there are several critical challenges. Among the foremost challenges for the IMEC is navigating the complex geopolitics of the region. Different operating philosophies, varying political interests, and a history of tensions may complicate cooperation. Presently, neither is all infrastructure in place nor is it interoperable. Creating an integrated trans-continental transportation system that covers vast distances over varied terrain poses significant logistical challenges. Addressing logistical issues such as customs procedures, border regulations, and transportation delays would be critical to preventing bottlenecks and ensuring smooth trade flows.¹⁴ The different legal systems, trade protocols, and regulations of participating countries would require smooth harmonising to overcome bureaucratic hurdles. Ensuring regulatory convergence is complex and could potentially

create conflicts of interest. The IMEC has too many transshipment points and different modes of transportation. All these factors require thorough planning and coordination. Domestic politics of participating countries may create pressure towards embracing protectionism.

The announcement of IMEC made Turkish President, Recep Erdogan bitter about his country's exclusion. The day after the corridor was announced, Erdogan asserted that "there is no corridor without Turkey". He added that "the most convenient line for traffic from east to west has to pass through Turkey".¹⁵ Egypt earns roughly USD 10 bn annually from traffic plying through the Suez Canal¹⁶ and may not be too happy with IMEC as it may result in reducing its revenues. The outbreak of hostilities between Hamas and Israel since 07 Oct has complicated matters for the IMEC. Saudi Arabia has reportedly suspended talks with Israel for normalisation of relations.¹⁷ Addressing these challenges will require considerable diplomatic finesse.

Large-scale infrastructure projects such as IMEC require substantial financial resources and one of the critical challenges is to secure adequate funding in a timely manner. Creative financing options are hence required. Another challenge is the large Chinese economic footprint over the Middle East and Europe. Bilateral trade between India and the EU in 2022 amounted to USD 163.23 bn¹⁸ whereas between EU and China, it stood at USD 1015.70 bn.¹⁹ While India GCC bilateral trade in 2022 was USD 154.73 bn,²⁰ the China-GCC bilateral trade in 2020 itself was USD 161.4 bn.²¹ Viability of IMEC depends on increasing the trade volume between India, the Middle East and Europe, which in turn depends upon economic growth and demand in these regions.²² It is therefore imperative that India dramatically expands its manufacturing capacity to be able to increase the volume of its exports and thereby make the corridor economically viable.

Conclusion

The countries participating in IMEC constitute 40 per cent of the world's population and roughly 50 per cent of the global economy.²³ The IMEC signatories are scheduled to meet in Nov 2023 to announce an action plan. In the absence of details, it is speculative if IMEC involves lateral corridors connecting the main one. The development of feeder routes which would generate additional

traffic to and from ports, manufacturing hubs and consumption centres is a proposition worth considering. Connecting Duqm port in Oman (three-day ship journey from Mumbai) by rail to Riyadh could further reduce transit time and logistics costs significantly.²⁴ Notwithstanding its infancy, the IMEC is a promising project that heralds an optimistic chapter in connectivity and globalisation. Conceptually, IMEC is significantly ahead of other such initiatives and if implemented properly, has the potential to economically integrate Asia, Europe, and the Middle East. A combination of technology, capital and political resolve can make IMEC into a 'Green Corridor' that ushers a new era in our quest towards a cleaner and sustainable planet.

Comparisons with BRI are inevitable, and China will not sit tight as it views IMEC as strategic competition. In repositioning geopolitical relations and partnerships through IMEC; India, US and EU have demonstrated their commitment to 'de-risk' from China. IMEC will boost multilateral engagements and multi-polarity. It fits well and broadly converges with the strategic outlook of the participating countries. Importantly, it increases the strategic space for India, adding to our stature, growth, and influence in the region.

"IMEC is much more than just a railway or a cable. It is a green and digital bridge across continents and civilisations".

- European Commission President, Ursula von der Leyen.

Endnotes

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