From Geo-political to Geo-economics: The significance of IMEC for India

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ABSTRACT: On the side-lines of the G20 Leaders’ Summit, Leaders of India, European Union, France, Germany, Italy, Saudi Arabia, UAE and US announced an MOU on 9th September 2023 committing to work together to develop a new India-Middle East-Europe Economic Corridor (IMEC). The IMEC will comprise of two separate corridors, the east corridor connecting India to the Gulf and northern corridor connecting Gulf to Europe. The corridor will provide reliable and cost-effective cross-border ship to rail transit network to supplement existing maritime routes. It intends to increase efficiency, reduce costs, secure regional supply chains, increase trade accessibility, enhance economic cooperation, generate jobs and lower greenhouse gas emission, resulting in a transformative integration of Asia, Europe and the Middle East (West Asia). This project reflects emerging geopolitical trends as it offers an alternative to China’s Belt and Road Initiative (BRI). BRI is often perceived as a tool for exerting influence and creating debt traps in developing nations. The Indian government’s efforts to strengthen political and strategic ties with the UAE and Saudi Arabia can now be further solidified by creating enduring connectivity between India and the Arabian Peninsula. This initiative dispels the notion that India and the United States may collaborate in the Indo-Pacific but not in the Middle East. The project showcases how India and the U.S., along with Israel and the UAE, can partner in developing joint economic projects through forums like the I2U2. The mega connectivity project has the potential to reduce political tensions in the Arabian Peninsula and serve as “Infrastructure for Peace” by promoting intra-regional connectivity, according to the U.S. The corridor signifies Europe’s active involvement in infrastructure development in the region. The European Union’s support for this initiative positions it as a major stakeholder in integrating India with both the Arabian Peninsula and Europe. The success of IMEC could lead to further strategic collaborations.

KEYWORDS: India-Middle East-Europe Economic Corridor (IMEC), Geopolitical, Geoeconomics

1. INTRODUCTION

Strengthening international trade by strategically remove bottlenecks of existing routes have long been at the centre stage for policy makers, thinktanks and governments alike. Majority of the economies collectively and individually aim towards building cohesive eco-systems for trade boosts. Enhancements in infrastructural developments combined with the lightning speed technological advancements can steer creation of new routes as well as improvisation of existing ones to strengthen rail, road, air and
waterways and improve connectivity along with reduction of costs and time involved. However, the idealistic plans are often faced with the realities of geo-economic issues, sanctions, political issues, national and international perspectives.

India hosted the annual G20 summit in New Delhi in September 2023. This international forum serves as a gateway to several multi-country resolutions aimed at win-win outcomes for member states. “The India-Middle East-Europe Economic Corridor (IMEC) was announced by leaders of France, Germany, India, Italy, Saudi Arabia, the United Arab Emirates, the United States, and the European Commission during this annual summit comprising of an eastern corridor linking India with the UAE, Saudi Arabia, Jordan, and Israel, and a northern corridor linking these Middle Eastern countries with Europe”(Kumar, 2023). IMEC is an ambitious trade and investment initiative seeking to complement the existing road and maritime transport routes by offering seamless connectivity and integration between Asia and Europe being bolstered by “their energy infrastructure, railways, high-speed cables, and shipping lanes.” (Cafiero, 2023) The countries in IMEC represent almost two-fifths of the world population and account for almost half of the global economy. This corridor plans to leverage the well-developed network of seaports, roads, and logistics hubs of both UAE and Saudi Arabia, which will make them central nodes of the world's trading routes.

As IMEC involves multiple countries with as many as six Gulf Cooperation Council (GCC) states, the geopolitical dimensions are strategic to its successful implementation. Except for “Oman, all members of this sub-regional institution are Dialogue Partners to the Shanghai Cooperation Organization (SCO).”(Cafiero, 2023) In August, invitations to join the bloc were dispatched to the UAE and Saudi Arabia, and up to this time, the UAE has quickly agreed to be a member while Saudi Arabia is expected to follow. Several states within the Gulf Cooperation Council (GCC) have been incorporated into the Shanghai Cooperation Organisation (SCO) and BRICS, highlighting a shift in the global economic and geopolitical balance. Notably, the United Arab Emirates and Saudi Arabia have demonstrated a strong interest in endorsing IMEC’s memorandum of understanding. “This transport corridor will serve to reinforce the centrality of energy-rich Gulf Arab states in the global economy, as the world’s centre of geo-economic gravity continues shifting away from the West to the East and the Global South—a shift that accelerated after the 2008-09 global financial crisis”.(Peri, 2023)

2. THE IMEC: VISION

IMEC was conceptualized during the I2U2 meeting virtually held in July 2022 involving India, Israel, the UAE, and the US, represents a strategic pivot towards enhancing regional infrastructure connectivity. This collaboration, further cemented by a MOU signed on September 9, 2023, aims to bridge economic gaps between Asia, Gulf nations, and Europe, challenging China's Belt and Road Initiative and offering an alternative to the Suez Canal. India's stance emphasizes that such projects should align with global norms, governance, transparency, and sustainable practices, ensuring equitable benefits. Prime Minister Narendra Modi, at the signing event, reiterated the commitment to legal adherence, sovereign respect, financial sustainability, and environmental considerations, principles unanimously agreed upon by the member nations. The IMEC embodies a collective move towards a transparent, accountable, and environmentally conscious global infrastructure effort, marking a significant shift towards a cooperative and inclusive international economic landscape. “The participation of World Bank representative in the MOU signing ceremony is also a positive development. European Commission President Ursula von der Leyen has described the project as ‘a green and digital bridge across continents and civilizations’. ”(Pant, 2023)

“The project forms part of the Partnership for Global Infrastructure and Investment (PGII). PGII is a values-driven, high-impact, and transparent infrastructure partnership to meet the enormous infrastructure needs of low and middle-income countries. It aims to stimulate economic development through improved connectivity and economic integration, with a focus on enhancing trade, creating jobs, and reducing logistics costs.” (ELDoh, 2023)
The plan is to set-up ship-to-rail networks, railroads, and road transport routes that span into two corridors: the Northern Corridor, which connects Europe to the Gulf, and the East Corridor, which connects India to the Arabian Gulf. In addition, there will be a high-speed data cable, a hydrogen pipeline, and an electrical cable in the IMEC corridor. On the Indian side, the proposed corridor would work on linking Jawaharlal Nehru Port Trust (Navi Mumbai), Kandla (Gujarat), and Mundra (Gujarat). While in the Middle East, “ports in Dammam and Ras Al Khair, Saudi Arabia; Fujairah, Jebel Ali, and Abu Dhabi” (Linganna, 2023), United Arab Emirates would be connected. Moreover, an electrical railway line will link the ports of Fujairah, United Arab Emirates, with Haifa, Israel, via Saudi Arabia (Ghuwaifat and Haradh) and Jordan and further to Marseille in France, Messina in South Italy, and the port of Piraeus, Greece in Europe.

3. OBJECTIVES AND METHODOLOGY

This paper attempts a critical evaluation of IMEC Initiative through information available through secondary sources including press releases, newspaper articles and few studies. There is paucity of existing literature as IMEC is a recent initiative. The study explores different dimensions of the initiative and examines prospects and challenges faced by IMEC. The study contributes to the growing body of literature on this subject and offers resolutions to address the listed challenges.

4. CHALLENGES

4.1 Geo-political Issues

IMEC offers economic advantages, positioning itself as a transformative initiative with profound geopolitical implications. It aims to bridge geographical divides by establishing a robust transportation infrastructure that seamlessly connects the three regions. However, it is pertinent that such an integrated network requires overcoming logistical hurdles, including the adaptation to varied geographical terrains, enhancing infrastructural and allied capacities, and ensuring interoperability across diverse regions. The initiative necessitates substantial investments and expertise to develop new ports, roads, railways, and other essential connectivity infrastructures while upgrading existing facilities. Furthermore, the collaboration involves countries with distinct legal frameworks, policies, and regulatory standards, necessitating a harmonized approach to streamline procedures and regulations to facilitate trade, investment, and economic collaboration. Achieving a delicate equilibrium between national sovereignties and the collective regional objectives demands rigorous diplomatic efforts and meetings. “The India-Middle East-Europe Economic Corridor (IMEC) is a ‘win-win situation’ for all states involved, Finance Minister Nirmala Sitharaman said here on Wednesday, while highlighting that the project is “not without its geopolitical challenges”. She also termed the ongoing conflict in Israel and Gaza as ‘a worrying manifestation of these’ challenges.” (Chorev, 2023) Additionally, there has to be strategy formulation at international level to formulate and adopt common for diverse countries like Israel and Jordan.

4.2 Geo-economic Issues and Economic Viability

In the realm of investment, a paramount challenge for the implementation of the IMEC is the prerequisite of sufficient funding. Apart from the financial hurdles, it's imperative to scrutinize the economic rivalry poised to unfold with China. China's global economic footprint, supported by BRI, proposes a direct competitive threat to the IMEC's ambitions. China, as a strategic challenge, is likely to endeavour in rerouting trade and investment flows towards its infrastructural networks, potentially compromising the IMEC's efficacy. Consequently, it becomes indispensable for India, the Middle Eastern nations, and Europe to devise and execute a strategic framework to adeptly manoeuvre through the competitive landscape shaped by China's initiatives. This strategic navigation requires a multifaceted
approach, integrating economic diplomacy, investment in competitive infrastructure, and fostering regional collaborations that can counterbalance the influence exerted by the BRI. Through such measures, the stakeholders of the IMEC can mitigate the risks posed by economic competition, ensuring the corridor's strategic and economic objectives are not only preserved but are also viable in the face of evolving global trade dynamics. (Rizvi, 2023) Saudi Arabia is the only country to have committed to invest US$20 billion in the IMEC.

4.3 An Alternate to Suez Canal and a Counter to BRI

In IMEC, the USA sees a strategic tool against China's rising Middle East influence and global infrastructure push via the Belt and Road Initiative. It aims to keep Gulf states aligned with the West, counter India's Iran projects, and foster Saudi-Israel ties by including Israel in IMEC. Abu Dhabi and Saudi Arabia view it as a chance to strengthen European connections and diversify from oil. This geopolitical chess game reflects the complex interplay of global ambitions, regional dynamics, and the quest for economic diversification. (Palit, 2023)

Given the Suez Canal's vital role in Egypt's economy, securing shipping routes should extend beyond it. The Red Sea, under threat from Houthi control in areas, poses risks to the Canal's shipping allure. Egypt must broaden its focus to ensure the safety and appeal of these crucial maritime pathways.

“The Israeli-Hamas also has significant global security implications. Iran and its proxy Hezbollah are forcing Israel and the US to contend with the possibility that the war could expand into a wider regional conflict. Saudi Arabia immediately suspended normalisation talks with Israel. With this backdrop, and the mood of the Arab street, realisation of IMEC becomes even more challenging and will be used by Egypt to highlight the indispensability of the Suez Canal.

4.4 Uncharted Territory of Middle East and North Africa (MENA) region

Securing the stability of nations involved in the IMEC is crucial, given the corridor's vulnerability to terrorism, conflicts, and political unrest. To protect this vital development, enhancing defence collaboration, intelligence sharing, and joint efforts to address security threats are essential. A safe, stable environment is key to drawing investment and spurring economic progress. However, geopolitical complexities, including Saudi-Iranian rivalry, and tensions in Syria, Yemen, and against Israel, pose significant cooperation barriers. The diverse political landscapes of these countries further complicate matters, as differing ideologies and historical disputes can obstruct effective collaboration. Achieving consensus and unified action among these nations, despite their varied priorities and views, is critical for the corridor's success.

The Middle East's volatility is crucial in linking Asia and Europe through the IMEC, necessitating a grasp of its strategic effects, especially on Egypt, despite many uncertainties, such as costs. The recent Israel-Hamas conflict introduces added layers of geopolitical complexity to the initiative. For Israel, participating in the IMEC complements the Abraham Accords, which normalized its relations with four Arab states, enhancing its strategic position. Additionally, the bilateral relationship between Israel and India has seen significant growth since PM Modi came into office in 2014, indicating a strengthening of ties in light of these developments. “The latest acquisition of the Haifa Port by the Indian Adani Group demonstrates that Haifa Port is also a key component of IMEC. Currently, Haifa Bayport is operated by the Shanghai International Port Group, which competes with the older Haifa Port, now run by Adani Group. This acquisition helps re-establish the Haifa port as a key Middle Eastern transport hub and provides Israel with a unique opportunity to establish a trade route connecting the Mediterranean and the Gulf, bypassing the Suez Canal.” (Shokri, 2023)

The implementation of IMEC could severely reduce traffic through the Suez Canal, potentially impacting Egypt more than any other country in the Middle East. Despite being invited to the G20 summit, Egypt opted not to sign the IMEC memorandum of understanding. “Admiral Mohab Mamish, a presidential advisor of the Suez Canal, emphasized that the canal remains unrivalled as the quickest maritime route, criticizing IMEC's costly multimodal (sea, land, rail) approach as incomparable to the Suez Canal's efficiency”. (Nova.news)
Despite the immense potential for economic development, trade enhancement and boosting regional connectivity, its execution and timely implementation prerequisites focussed commitment and cooperation amongst member states. Several issues over the geographically dispersed regions include interstate rivalries, geopolitical tensions, historical conflicts and/or cold wars, changing economic priorities and representation of the same at global levels. The United States of America being one of most influential and developed economies can play a catalyst’s role in supporting the IMEC. Its mighty security forces and extensive exposure to international geo-political issues including threats from extremist groups and geopolitical rivalries. “The US has maintained significant political and military engagement in the Middle East, striving towards regional stability. Its presence and efforts help in encouraging cohesive cooperation among the corridor nations as well as providing a platform for dialogue, conflict resolution, and the promotion of shared interests, which will further enhance the IMEC’s prospects for success.” (Shokri, 2023)

5. THE PROSPECTS

The development of IMEC’s components encompasses a shipping route connecting the UAE to Mumbai and Mundra (Gujarat). The network furthers from the UAE to Saudi Arabia, and Jordan to the Israeli port of Haifa and finally connecting to Greece and Europe. The initiative also envisions construction of pipelines to facilitate the export of energy from Gulf nations. All this along with high-capacity optical fibre cables, railroads, and a hydrogen pipeline together forms the East and Northern Corridors. The countries all across the routes can expect an absolute increase in ancillary facilities apart from trade like generation of employment opportunities, better economic cohesiveness, reduced carbon emissions, promotion of road tourism, cultural integration.

5.1 Strengthening trade ties with major trading partners

European Union (EU) is amongst India’s largest trading partners. This new corridor can lay down a strong foundation for increased trade along with reduction in time and costs involved on a recurring basis along with enhanced accessibility, a safer supply chain, and improved food security. Moreover, with increased demand for manufactured products, India can lead to an increase in national production and further contribute towards economic development.

The expansion of railway infrastructure in India is set to enhance job creation in the manufacturing industry. Additionally, the establishment of a hydrogen pipeline is projected to elevate trade in energy products, especially green hydrogen, fostering clean energy trade growth. The partnership also seeks to improve digital communication through the deployment of a high-speed cable, offering stable and secure internet access, which will enable efficient and secure digital connectivity between the partners.

Experts remain cautious, advocating for more time to evaluate the project. The corridor aims to unlock the economic potential of participating countries, potentially transforming their global status. India, in particular, could strengthen its leadership in the global supply chain through IMEC. The success of this initiative hinges on effectively addressing financial, tax, regulatory, and customs challenges, requiring meticulous planning and coordination across the involved transnational network.

5.2 Green Energy

The corridor could boost India's energy independence and expand its domestic market reach, strategically expanding over the Indian Ocean and the Mediterranean. Spearheaded by Prime Minister Narendra Modi, this initiative aims to leverage India's strengthening relationships with Saudi Arabia and several Gulf nations. IMEC is set to spur infrastructure development and green energy initiatives, complementing India’s military corridor in the Andaman and Nicobar Islands to improve trade flows and cut expenses. Furthermore, the Adani Group acquiring control over Israel's Haifa port marks a significant change in Middle East relations.

5.3 Easing out geo-political issues

The US perceives IMEC as an opportunity to foster Israel-Saudi Arabia normalization. In counterbalance, Turkey has initiated the $17 billion “Iraq Development Road Project” to link the Gulf with Turkey and Europe, featuring a highway and a high-speed rail, and plans for Gulf energy exports via pipelines, challenging IMEC’s influence and serving Turkey’s interests. IMEC’s emergence is prompting western
countries to re-examine their stance on a multipolar world, especially regarding Gulf states. Italy's planned exit from BRI in April 2024, after a five-year pact, reflects a wider global trend towards exploring alternative economic and infrastructure cooperation models, with IMEC as a notable alternative. Beyond economic gains, IMEC is poised to reshape geopolitical relations, prompting a global reassessment of alliances and partnerships in the evolving multipolar landscape, reinstating India's broader strategic ambitions that transcend IMEC's immediate objectives.

5.4 Alternative to BRI

India's consideration of the IMEC as an alternative to BRI necessitates a careful analysis of the United States' geopolitical strategies and the tangible benefits of the BRI. As founding members of BRICS, India and China have the potential for significant cooperative opportunities, moving beyond existing tensions. The BRI, initiated by China in 2013, has already seen nearly $1 trillion invested in over 3,000 infrastructure projects worldwide, including ports, railways, and energy facilities, drawing participation from over 150 countries. These investments highlight the BRI's role in enhancing global trade and connectivity, emphasizing the initiative's expansive reach and established momentum. (McBride et al., 2023)

"From the China-Pakistan Economic Corridor (CPEC) to railways in Laos and highways in Montenegro, the BRI's positive impact stretches across vast swathes of Asia, Europe, Africa, and the Middle East. The Indian economy grew at an impressive 7.8 percent annual rate in the second quarter of 2023. By joining the China-proposed BRI, India can easily boost its economic gains." (Khan, 2023)

"While the Adani Group has acquired the Haifa port in Israel, operational control remains with China's Shanghai International Port Group under a 25-year contract since 2021." (Rao, 2023) Similarly, the Greek port of Piraeus, with 51% ownership by China's Cosco, underlines the need for a realistic assessment of logistics. China continues to be a leading trade partner for Gulf and European nations. India's substantial trade with China suggests that the IMEC should be viewed as a complementary route to the existing International North-South Transport Corridor (INSTC), rather than a direct replacement, reflecting the complex interdependencies in global trade dynamics.

“Therefore, IMEC is a safer addition to trans-regional connectivity architectures, not a mechanism to contain or counter China. At the heart of the IMEC is a re-iteration that the global economic order is becoming more multipolar. The financing, however, remains a multi-pronged challenge.” (Rao, 2023)

6. CONCLUSION AND THE ROAD AHEAD

The IMEC has the potential to redefine global power dynamics in the context of increasing competition for transport routes, signifying a shift towards a multipolar world. By joining IMEC, Saudi Arabia and the UAE aim to diversify their international partnerships beyond traditional ties with the US, EU, and India, enhancing their strategic positions. IMEC can take a catalyst's role for change, aimed at fostering enhanced connectivity, promoting sustainable development, and transforming global connectivity by easing trade and investment barriers. The strategic intent behind this initiative, particularly from the US and European perspectives, is largely seen as a counterbalance to China's influence, positioning the new economic corridor as a potential rival to the BRI. For India, the implications of IMEC's success are multifaceted including broadening of India's geopolitical reach towards the West, boosting Indian economy, and positioning India as a central logistic focus for regional connectivity extending to the Western Indian Ocean and beyond. Additionally, it reinforces India as a key changemaker on the global stage, offering an alternative to China's BRI and presenting India as a more dependable partner in international development and cooperation efforts.

France, Italy, and Germany's challenging experiences with China's BRI have led them to view investment in IMEC as a strategic move to diversify risks, given their deep economic ties with China make a complete separation impractical. Europe's aim for greater strategic independence, coupled with economic stagnation post-COVID-19 also influences their support for IMEC as a means to stimulate growth. Moreover, IMEC offers a chance to enhance U.S.-Saudi relations, historically anchored by oil dependency but now strained due to China's growing presence in the Middle East. IMEC's strategic design could redefine geopolitical alliances, particularly by encouraging Saudi-Israel normalization, independent of the longstanding Israeli-Palestinian conflict. IMEC
represents a convergence of interests for all involved nations, suggesting a successful outcome is possible if they place economic cooperation above political differences. The recent regional political recalibration supports the potential for IMEC's success, highlighting the necessity for participating countries to focus on geoeconomics goals to overcome their political divergences.

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