#220 - NOTE

ASIA FOCUS

THE INDIA-MIDDLE EAST-EUROPE CORRIDOR, A STILLBORN PROJECT?

Olivier Da Lage / Associate Research Fellow, IRIS

May 2024

AUTHOR'S PRESENTATION

Olivier Da Lage / Associate Research Fellow, IRIS

Olivier Da Lage is an Associate Research Fellow at IRIS, specialising in India and the Arabian Peninsula. Olivier Da Lage began his professional career as a correspondent in the Gulf, based in Bahrain. He then returned to France to join Radio France internationale (RFI) where he spent most of his career as a journalist. In recent years, he held the position of weekend editor-in-chief at RFI.

PRESENTATION OF THE ASIA FOCUS COLLECTION

The «Asia Focus» series offers analyses, interviews with experts or players, or notes on major works produced by specialists in the region. Its aim is to provide in-depth analysis of topical issues and offer insights into current challenges in Asia. The focus is on political, security, economic, cultural and societal dynamics.

The collection is edited by **Barthélémy Courmont**, Senior Research Fellow at IRIS and lecturer at the Catholic University of Lille, and **Emmanuel Lincot,** associate researcher at IRIS, professor at the Catholic Institute of Paris and sinologist. It is part of the IRIS Asia-Pacific Programme.

PROGRAMME
ASIA-PACIFIC

Due to its economic and demographic weight and the persistence of a multitude of political, strategic and security challenges, the Asia-Pacific is the focus of much attention. The IRIS Asia-Pacific Programme and its network of researchers and its network of nationally and internationally recognised researchers aim to decipher the major regional dynamics, while analysing in detail the different countries that make up the region and the challenges they face.
The fields of intervention of this programme are multiple: animation of the strategic debate; realisation of studies, reports and consultancy notes; organisation of conferences, symposiums, semnars; customised training.

This programme is directed by **Barthélémy Courmont**, director of research at IRIS and lecturer at the Catholic University of Lille.

In September 2023, on the sidelines of the G20 summit in New Delhi, several participants[1] whose combined economies account for almost half the world's GDP announced the signing of a Memorandum of Understanding paving the way for a multimodal corridor linking India to Europe via the Middle East, a distance of almost 4,800 kilometres. This is the most ambitious project of its kind since China announced its "New Silk Roads" programme in 2013, also known technically as the Belt and Road Initiative (BRI), described by President Xi Jinping as the "project of the century". As a result of the G20 meeting under the Indian Presidency, a new acronym has appeared on the global geo-economic scene: India-Middle East-Europe Corridor (IMEC).

For Washington, which is in the driving seat, this bold plan offers not only economic and commercial advantages, but also the no less important, and undoubtedly crucial, advantage of countering Chinese ambitions and anchoring India to the West, an India that prides itself on its "multi-alignment", enabling it to play both the Russian and American cards simultaneously.

From India's point of view, the IMEC not only helps secure its supplies and exports, it also provides New Delhi with an opportunity to dispel recurrent (and far from unjustified) accusations of protectionism, reinforced by India's abrupt withdrawal from talks on the creation of the Regional Comprehensive Economic Partnership (RCEP), a trade bloc bringing together the Asia-Pacific countries[2].

The IMEC consists of an Eastern corridor (India-Gulf) and a Northern corridor (Gulf-Europe). For all concerned, the main advantage of the scenario announced in September 2023 is that it does not start from scratch: to a large extent, it involves putting existing segments end to end, making them more fluid, ensuring interconnections, and adding new ones. Goods leaving the port of Bombay for the port of Jebel Ali in Dubai (United Arab Emirates) then take the train through Saudi Arabia to the Israeli port of Haifa, via Jordan, before embarking for the European ports of Piraeus (Greece), Messina (Italy) and Marseille (France), from where they will continue on to Germany and other European countries using the rail network. And of course, this corridor will operate in both directions, supplying India with European products. Once completed, the gain in speed for the goods transported would be close to 40%, thanks to the train (which is faster than ships) and the reduction in the total journey.

[1] India, the United States, the United Arab Emirates, Saudi Arabia, Italy, France, Germany and the European Commission.

[2] Officially created in November 2020, the RCEP comprises fifteen nations: the ten ASEAN countries (Burma, Brunei, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam), plus Australia, China, Japan, South Korea and New Zealand.

The inherent weakness of this edifice is that it rests on a premise that is as bold as it is questionable: a lasting end to the conflicts in the Middle East, in the wake of the Abraham Accords[3]. One month just after New D elhi 's announcement, the Hamas attack on Israel on October 7, 2023 and the massacre that accompanied it called IMEC's foundations into question.

The volatility of the Middle East was well known and taken into account by the negotiators. But the context was favourable and all the stars were aligned almost perfectly : Iran and Saudi Arabia had re-established diplomatic relations in March, and this détente extended to the entire region and now seemed general. The rift between Qatar and its neighbours was now a thing of the past; for its part, Turkey, which had fallen out with many of the region's players, had re-established relations with Saudi Arabia, Egypt and Israel, while the prospect of Saudi Arabia establishing diplomatic relations with Israel seemed imminent.

In a way, this unbridled optimism is reminiscent of the spirit that prevailed in the Middle East after the Oslo Accords, developed in particular by Shimon Peres, who imagined peace taking root in the economic prosperity that would result from the interweaving of the economies of the Arab countries with those of Israel. This was known as the "peace dividend". It was a time when Qatar was planning to deliver its natural gas to Israel via a pipeline running through Saudi territory. The second intifada had not happened and neither had the rift between Riyadh and Doha, two events that have put this scenario on hold until now, waiting for better days.

Is this due to the uncertainties that remain, or to a certain haste on the part of the signatories, eager to take advantage of the circumstances to show that they are successful before the forthcoming elections in 2024 in India and the United States? In any case, the signing of the Memorandum of Understanding was not accompanied by the publication of a provisional budget or timetable. At most, the signatories undertook to meet again within sixty days, a promise that could not be kept because of the war waged by Israel in Gaza following the Hamas attack on October 7. Eight months on, the horizon does not seem to be clearing and the risks of a regional extension of the conflict have not been ruled out.

[3] Signed in Washington in September 2020 at the initiative of the Trump administration, the Abraham Accords are in fact two peace treaties concluded between Israel on the one hand, and Bahrain and the United Arab Emirates on the other, extended by agreements between Israel and Morocco, and then with Sudan. They pave the way for commercial and strategic cooperation between the signatories. Kuwait, Qatar, Saudi Arabia and the Sultanate of Oman have remained on the sidelines barely after the New Delhi announcement, the Hamas attack on Israel on October 7, 2023 and the massacre that accompanied it brutally challenged the foundations of IMEC..

THE EXACT OPPOSITE OF THE CHINESE INITIATIVE

The ambitions of the IMEC evoke a Prévert-style catalogue. It is not simply a commercial agreement: in addition to these routes combining maritime and rail transport, the IMEC ("multimodal") agreement also provides for the creation of a high-speed data transport network that would largely replace the existing undersea cables, in which China has a direct interest for the most part. Finally, it includes a "green energy" component, comprising an electricity grid connected to the renewable energies produced by India and a gas pipeline network to transport "clean hydrogen". India aims to be at the forefront of solar energy production and is home to the headquarters of the International Solar Alliance. Several hours a day, in some Indian states, there is a surplus of solar-generated electricity, which could be fed into the grid. The truth is, however, that India as a whole is a massive net importer of energy, hence the importance of improving connectivity with the hydrocarbon-producing countries of the Gulf.

The IMEC presents itself as the exact opposite of the BRI initiative, in particular by sparing its co-contractors the debt trap that has closed in on so many of the African and Asian partners of the Chinese "Silk Roads". As we have seen, the India-Middle East-Europe corridor has not been created ex nihilo, but is based on what already exists, in particular the numerous bilateral and "minilateral" agreements signed by India with the various Middle Eastern states. All along the way, the aim is to consolidate, rationalise and complete the infrastructures already available. India is already a partner of the United States, Israel and the UAE in I2U2, also known as the "Middle East Quad", and in the "Trilateral Dialogue" with France and the UAE.

The six Arab monarchies of the Arabian Peninsula that are members of the Gulf Cooperation Council (GCC)[4] are one of India's major financial partners, with trade totalling 184 billion dollars in the financial year 2022-2023. What sets them apart is that India and the GCC are complementary, not competitors. India has already signed a free trade agreement with the UAE in 2022. Extrapolating the effects of this agreement to the GCC as a whole, it is estimated that trade between the two groups could increase by around 40%. Plans to develop the rail industry in the United Arab Emirates, and especially in Saudi Arabia, are obviously a crucial part of the planned network.

The Memorandum of Understanding signed in Delhi contains a number of anomalies that have not been sufficiently highlighted: while Jordan and Israel are essential elements of the

[4] Since 1981, the GCC has comprised Saudi Arabia, the Sultanate of Oman, Kuwait, Qatar, Bahrain and the United Arab Emirates.

route, their membership of the project was not mentioned at the signing, probably because these two countries, unlike the others, do not belong to the G20. Another absence is more troubling: that of the Sultanate of Oman. Not only is there no political obstacle to Oman joining the project, but its very position on the Indian Ocean means it is free from the political vicissitudes affecting shipping in the waters of the Persian Gulf. This is also the case for the Emirati port of Foujeirah, which is also located in the Arabian Sea, outside the Strait of Hormuz.

THE SPITE OF EGYPT AND TURKEY

While a number of countries have welcomed the prospects opened up by the signing of the IMEC, this is not the case for two countries in the region, Egypt and Turkey, which have been left out of the project and consider that its implementation will cause them considerable harm.

For Egypt, the implementation of the IMEC would be catastrophic from both an economic and geopolitical point of view, and the two aspects are intimately linked through the Suez Canal. Before the attack on October 7, Egypt had recorded record traffic and revenue: one tenth of the world's maritime trade passed through the canal in the 2022-2023 financial year, and the revenue collected represented the third largest source of resources for the Egyptian state, after tourism and remittances from emigrants, amounting to 2% of GDP. The war in Gaza and its extension to the Red Sea since November 2023, when the Yemeni Houthis, allied with Iran, began attacking merchant ships cutting traffic in the Red Sea and the Suez Canal by almost half, and, consequently, the royalties paid to Egypt by the same amount. The financial blow has been compounded by a political shock, because not only was Cairo not involved in the preparation of the IMEC agreement from the outset, but the stated aim of the agreement - and its inevitable consequence - is to enable goods from or to India to (or from) Europe to bypass the canal, thereby saving substantial amounts of time and money. In a way, the Gaza crisis allows Egypt to anticipate the loss this will represent for it both financially and in terms of influence.

Similarly, Turkey, despite being a full member of the G20, unlike Egypt, was also excluded from the project, and President Erdogan immediately criticised theroute designed to bypass his country. However, as soon as the Gaza war broke out, he seized the opportunity to propose as an alternative the Iraq Development Road (IDR), a project developed jointly with Iraq to link Europe to Asia by road and rail from the Iraqi port of Fao, on the Shatt-el-Arab which flows into the Persian Gulf as far as the borders of the European Union[5]. This route, like the IMEC, competes directly with traffic passing through the Red Sea and the Suez Canal and remains at a distance from the ongoing conflict in Gaza and the Red Sea, even though it passes through an area (Iraq, Kurdistan in Turkey) which is also subject to turbulence. It is interesting to note that in April 2024, Qatar and the United Arab Emirates signed a Memorandum of Understanding with Iraq and Turkey to this end. The fact that the UAE is present in three rival projects, BRI, IMEC[6] and IDR, shows that India is not alone in practising "multi-alignment". For the time being, this is the only sign of interest in the Turkish initiative since the signing of the IMEC Memorandum of Understanding.

No budget estimate accompanied the announcement made at the New Delhi summit. A cross-check of different sources revealed that, initially, each of the routes in the corridor could cost between 3 and 8 billion dollars, and that Saudi Arabia has committed itself to financing the corridor to the tune of 20 billion dollars. At the same time, the United Arab Emirates has announced its intention to invest 75 billion dollars in India over time as part of the IMEC and Saudi Arabia has announced an investment target of 100 billion dollars in India.

In addition, the G7 members had previously committed to mobilising 600 billion dollars from public and private sources over five years to finance infrastructure development in emerging economies, a significant part of which could benefit the IMEC. Generally speaking, the total cost of transport infrastructure (railways), electricity cables, digital infrastructure and hydrogen pipelines will be very high and will require considerable investment from both governments and the private sector.

The truth is that the total cost of the project, assuming it goes ahead in its entirety, is a mystery, and given the volatility of the geopolitical situation of the areas it encompasses, the most reasonable thing to say is that we don't know anything about it, but that in the end it will turn out to be very high: several hundred billion dollars and perhaps even more.

IMEC is first and foremost a geopolitical project, even if it has the appearance of an economic project. A long-term project. Probably even very long-term, to the extent that no timetable has been put forward for its completion. It seems to be based on the principle that all the obstacles in its way will be removed. In the Middle East, vulnerability to political tensions is a permanent feature of the region's history.

[5] This project is reminiscent of the famous BBB, the Berlin-Bagdad-Bahn, which was designed at the beginning of the 20th century as a water access route from the Gulf to Germany via Turkey, illustrating the rivalry between European imperialisms in the Middle East.
[6] Saudi Arabia is also a stakeholder in both IMEC and BRI.

The India-Middle East-Europe corridor brings geopolitics and geo-economics into conflict. At the moment, at least, it is the former that has the upper hand.

Strategic expertise in complete independance

PROGRAMME
ASIA-PACIFIC

IRIS
INSTITUT DE RELATIONS INTERNATIONALES ET STRATÉGIQUES

2 bis, rue Mercœur - 75011 PARIS / France

+ 33 (0) 1 53 27 60 60

contact@iris-france.org

iris-france.org

IRIS is one of the main French think tanks specialising in geopolitical and strategic issues. It is the only one to have the singularity of combining a research centre and a teaching centre delivering diplomas, via its IRIS Sup' school, a model that contributes to its national and international attractiveness.

IRIS is organised around four areas of activity: research, publication, training and event organisation.