



A LANDMARK INDIA-MIDDLE EAST-EUROPE ECONOMIC CORRIDOR

A multibillion-dollar rail and shipping corridor that links India, the Middle East and Europe was announced at the recently concluded G20 summit in the country's capital. The India-Middle East-Europe Economic Corridor or the IMEC, will involve establishment of rail link, digital network as well as infrastructure for electricity and clean energy.

The corridor will particularly enable the trade time between India and Europe to become 40 per cent faster. At present, it takes anywhere between 20 to 30 days for the transport of cargo through the Suez Canal.

On September 09, the first day of the G20 summit, eight nations including India, Saudi Arabia, the European Union, the United Arab Emirates, France, Germany, Italy and US, together signed a Memorandum of Understanding (MoU) and affirmed their commitment to work together

to establish the IMEC.

The IMEC which includes the UAE, Saudi Arabia, India, Jordan, Israel and the European Union would significantly enhance connectivity and integration between participating countries. The cross-border ship-to-rail transit corridors will reduce shipping costs across the network and facilitate trade in goods and services to, from, and between the UAE, Saudi Arabia, India, and Europe. For instance, the destination for India's engineering exports are primarily the Middle East and Europe. These exports will get a fillip.

According to the MoU, the IMEC will be made up of two pathways — the east corridor connecting India to the Arabian Gulf and the northern corridor connecting the Arabian Gulf to Europe. The funding for the corridor will be covered under the 'Partnership for Global Infrastructure and Investment', an initiative launched by the G7 nations.

create green hydrogen and green ammonia hubs near the coasts and supply the commodities via shipping and rail network to the Middle East and eventually Europe.

Within the next sixty days, working groups from the participating countries will meet to develop and commit to an action plan with relevant timetables for developing the corridor. The first phase will involve identifying the areas that need investment and where physical infrastructure can be connected between countries.

IMEC and BRI

Analysts and observers say the project which forms part of the Partnership for Global Infrastructure and Investment (PGII) serves as a counter to China's economic influence in the Eurasian region.

Though the IMEC policy documents do not talk about the Belt and Road Initiative (BRI) promoted by China, the project parallels BRI, which is a global trade and infrastructure plan based on the lines of the old Silk Road that linked China and the West.

In terms of objectives, both the mega transnational projects are similar. However, China's New Silk Route is larger in terms of scale. Announced in 2013, China has signed BRI cooperation documents with more than 150 countries and over 30 international organisations, galvanising nearly US\$1 trillion and creating over 3,000 projects. Even some of the IMEC MoU signatories are also part of BRI, such as Italy, Saudi Arabia and the UAE. Though Italy has now decided to pull out of it.

Reportedly, BRI has its own share of issues such as allegations of it being a "debt trap" for developing countries. For instance, Sri Lanka, which joined BRI, last year declared that it is unable to meet its debt obligations marking the worst economic crisis in the island country in the last several decades.

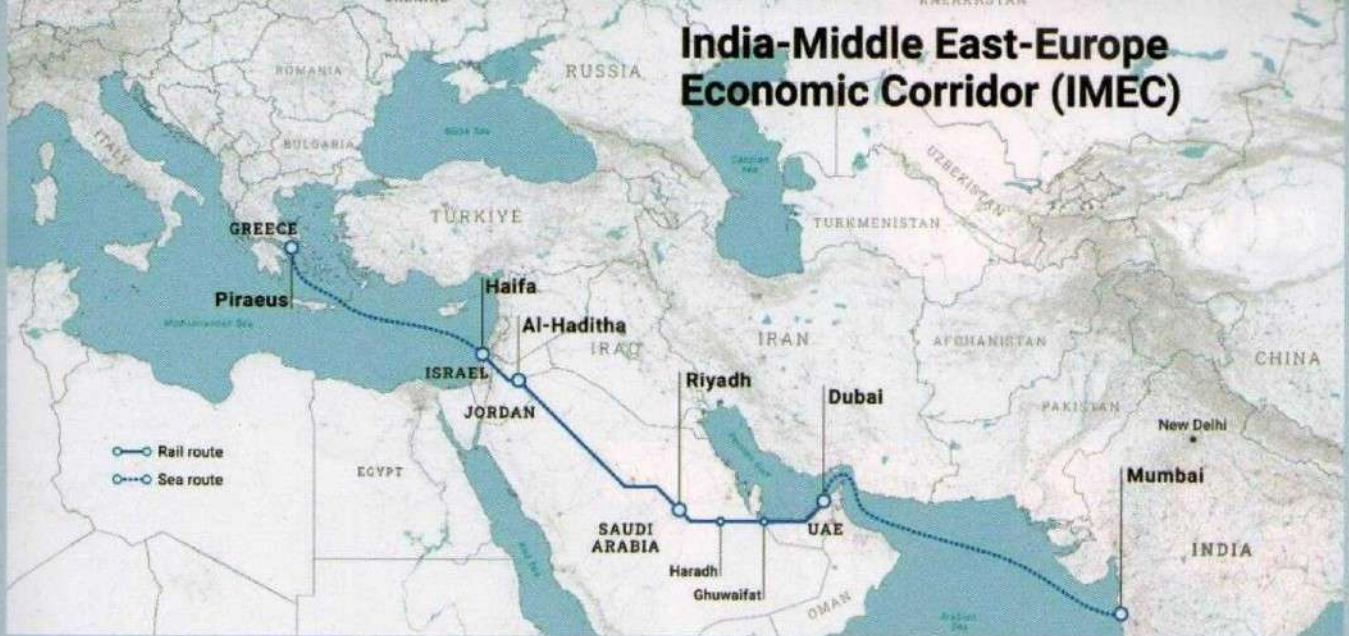
Meanwhile, analysts say that China's BRI is already a decade ahead of the IMEC. The finances should not be an issue, but a more concrete comparison could be made once the remaining aspects are finalised.

THE OPPORTUNITY

- Generating economic growth while incentivising new investments in the region.
- Connecting the two continents (Asia and Europe) with commercial hubs and facilitating development and export of clean energy.
- Supporting existing trade and manufacturing synergies, strengthening food security and supply chains.
- Linking energy grids and telecommunication lines through undersea cables to expand access to electricity, Internet, etc.

The project will help bolster clean hydrogen exports too, and lower greenhouse gas emissions and integrate environmental conservation as part of joint efforts in the initiative. Basically, it offers India the opportunity to

India-Middle East-Europe Economic Corridor (IMEC)



The Big Strides

The purchase of Israel's Port of Haifa for about US\$1.2 billion last year by Adani Ports and Special Economic Zone (APSEZ) in association with its local partner Gadot Group, is not merely a significant commercial acquisition by one of India's largest conglomerates, but also represents a big stride in India's geo-economic ambitions. And it is the private players India has to count on and the Adani Group has emerged as the sole Indian conglomerate for achieving those objectives.

The acquisition gives fillip to the development of the IMEC to Europe which aims at creating a new economic trade route to Europe via the Middle East. The corridor will be a key component for complementing the India-UAE Food Security Corridor.

IMEC will connect major Indian ports with those located in the UAE and from there onwards via rail route to Haifa crossing Saudi Arabia and Jordan. Both Israel and UAE are seeking to connect Dubai and Haifa with rail connectivity as part of strategic regional infrastructure projects, which both nations have agreed to develop under the Abraham Accords Peace Agreement of 2020.

Definitely, geopolitics has been in play in the past few years which is aiming to bring the corridor into reality. The normalisation of the relationship between Israel and UAE under the Abraham Accords of 2020 has paved the way for enhanced economic cooperation between the two countries. Additionally, the regional grouping of

THE CHALLENGES

- ✦ Creating a firm plan to establish the corridor. Laying a network of railway lines, roads and port connectivity across countries requires a high-level of coordination and planning.
- ✦ Financial commitments will only be decided in about two months.
- ✦ The corridor also passes through Jordan and Israel, which throws up geopolitical challenges and would require a fine balance of economic and diplomatic manoeuvring.
- ✦ When coordinating with countries, challenges related to financial packages, geopolitics, diplomatic considerations, etc. may arise.
- ✦ Saudi Arabia and the UAE are part of the BRI. A balance has to strike between the two commitments.

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India, Israel, UAE, and US, known as I2U2 and informally referred to as Western Quad established in 2021, has become a regional platform for enhancing India's economic connectivity with the Middle East. It was probably no coincidence that the announcement by Adani Ports on their acquisition of Haifa Port came a day after (on July 15, 2022) the first meeting of the leaders of the four countries of I2U2 Grouping (on July 14, 2022).

Haifa port, which is among the two biggest commercial ports in Israel, handles nearly half of the country's container cargo and is also the nation's principal port for passenger traffic and cruise ships.

Located in the north of Israel, it is close to the eponymous city which is one of the major industrial areas of the country.

The port features two container terminals and two multi-cargo terminals. The total developed quay length measures more than 2,900 metres. The maximum draft available ranges from 11 metres to 16.5 metres.

It has a roll-on roll-off, a cruise terminal with various passenger facilities, and a waterfront length of 2 km for development. During 2021, HPC handled 1.46 million twenty equipment units of containers, 2.56 million tonnes of general and bulk cargo.

While Adani Group has been the most high profile one, other heavyweights in the infrastructure and energy sector such as Larsen & Toubro and GMR Group have also lined up

their investments and planning to undertake mega projects, all along the proposed corridor and in the process are spearheading India's geopolitical interest.

According to new agency ET, engineering and construction major ET is looking to bid for railway projects in the Middle East, namely the Oman-UAE Railway Network Project, which will connect UAE's Abu Dhabi with Muscat and Sohar Port in Oman. If the regional rail network between the two countries becomes part of the economic corridor then ships from India will be able to dock in at Sohar Port, located in northern Oman or Fujairah Deep Sea Port in northern UAE, without traversing through the volatile Strait of Hormuz.

In Saudi Arabia, L&T is engaged in energy projects associated with the NEOM Project launched by Saudi Arabia, which has also been instrumental in envisaging the IMEC. L&T Construction will construct renewable energy infrastructure for the Green Hydrogen plant at NEOM, touted to be the world's largest.

Across the Mediterranean Sea in Europe, GMR Group, which already has a presence in undertaking development of Crete airport, in Heraklion, Greece, is looking to further expand its presence.

Further, news has it that Adani Group is looking to undertake investments in the ports of Kavala in the European country to strengthen its presence in the Mediterranean region. 