

The India-Middle East-Europe Economic Corridor: Prospect and Developmental Impact

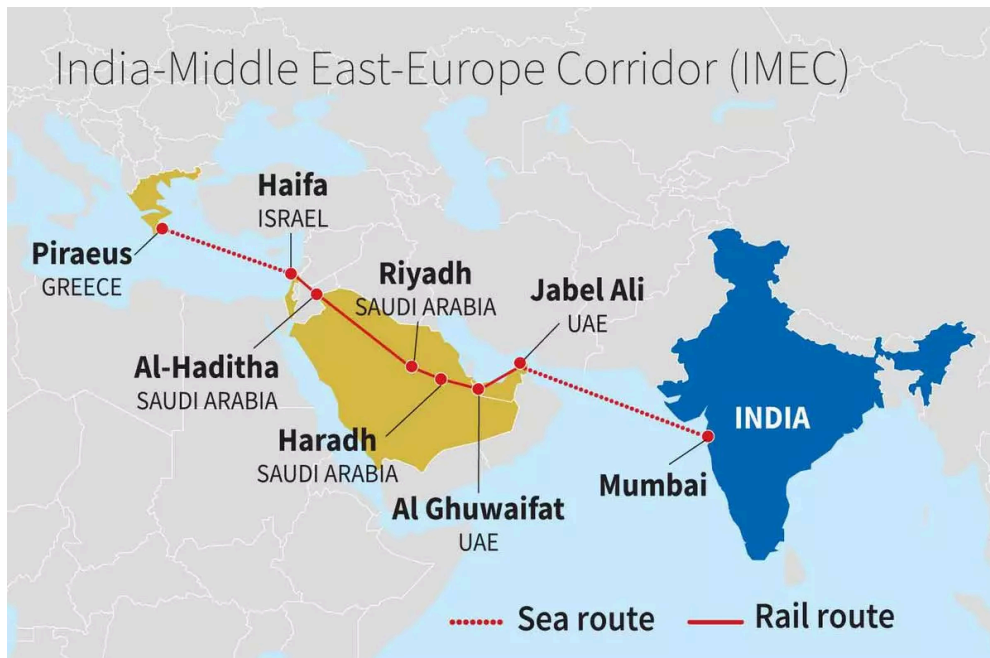
By Raunaq Bawa and M. Tharuni

India's diplomatic milestone, the G20 Summit 2023, has been able to successfully achieve consensus over several climate change, green development, digital public infrastructure, taxation etc. However, a significant outcome that envisioned a network transportation route encompassing railways and sea-lanes, is remarkable. Well, delving deep into this, and understanding the objective between the initiation of such a trade route, implications for India, and exploring how would one compare with a similar major initiative undertaken by China, is indeed, an intriguing endeavour!

Background and the Objectives of the IMEC

The IMEC, or The India-Middle East-Europe Economic Corridor, was [announced](#) at the sidelines of the G20 summit in September 2023. This project is officially under the Partnership for Global Infrastructure Investment (PGII), a G7 initiative that seeks to fund infrastructural development in the developing world. The corridor will [include](#) extensive linkages across the three regions (including India, Saudi Arabia, Israel, and Europe, among others), including a rail link, an electricity cable, a hydrogen pipeline, and a high-speed data cable. This historic economic trade route was agreed upon by the world leaders, the signatories to which [involved](#) India, Saudi Arabia, the UAE, Israel, Jordan, and the European Union. Not only will linking Europe, the Middle East and India

make it the most direct connection between these countries, but this corridor will also stimulate economic development through enhanced connectivity and economic integration between these regions.



Source: [The Hindu Business Line](#)

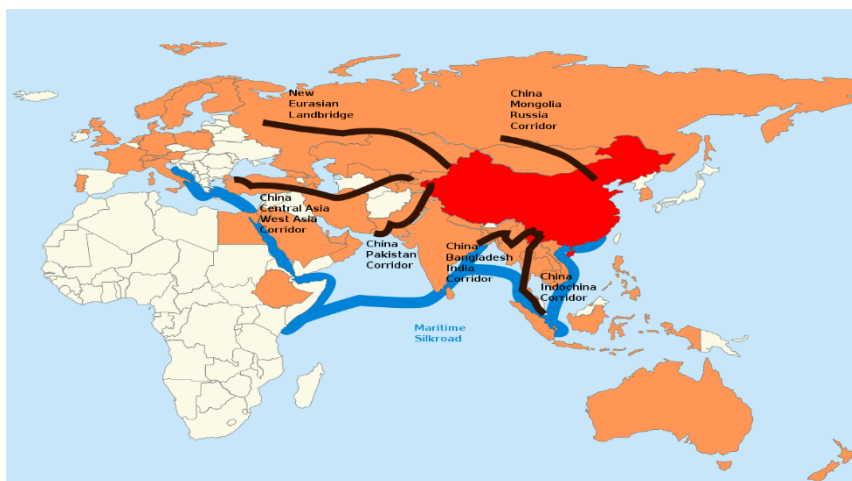
This an immensely ambitious project in terms of its scale, geographical coverage, and multiple modes of connectivity. Why is it being proposed, and what do the participating states hope to get out of it?

US President Joe Biden's adviser, Jon Finan, [outlined](#) three major reasons for the attractiveness of this deal:

1. Benefits arising out of faster energy and digital communication flows
2. Addressing the infrastructural needs of developing countries
3. Mitigating the socio-political turbulence in the Middle East

In the meanwhile, US and EU officials are hailing the deal claiming that it will allow India and Europe to cut their trade time by [40%](#), thus reducing costs, saving energy, increasing trade, and energising economic development. Furthermore, Saudi Arabia's state news agency [emphasised](#) the project's utility in strengthening energy security internationally.

Finally, an unstated but widely recognised purpose of this project is to act as a counterweight to China's Belt and Road Initiative, also a global infrastructure connectivity project:



[Source](#)

In 2013, China unveiled the Belt and Road Initiative ([BRI](#)) to the world as a massive infrastructure plan, inviting over 100 nations to participate and act on it. The People's Republic of China's Belt and Road Initiative, or BRI, is a strategy that aspires to connect Asia with Africa and Europe via land and sea networks in order to strengthen regional integration, increase commerce, and stimulate economic growth.

As the initiative progressed, the negative consequences became apparent. Volumes of Chinese state-led BRI lending has been declining since 2019. Many of the developing

countries that took part in the initiative encountered a lack of resources and saw their debt grow as a result of the massive investment in this initiative. For instance, it has countries like Pakistan, Bangladesh, Congo and Sri Lanka in debt.

So far, the Chinese have made the project unsustainable and then demanded political concessions in exchange for financial aid. Several countries have either abandoned or stopped certain projects in association with the BRI. For instance, investments under the project required the use of China's firms which inflated costs, making it infeasible for the countries. Those countries who were unable to repay their loans were forced to make strategic compromises, which led countries like Pakistan to secure a deal with the International Monetary Fund, in order to move away from the brink of economic collapse. Zambia has already cancelled its foreign loans with China, to stop aggravating its debt distress. As a result, [14 projects](#) under the BRI were withdrawn.

The IMEC is a new opponent and a counter to China's BRI.

Developmental Implications for Indians

An essential question that must be addressed regarding such a project—with obvious geopolitical motives behind it is: can we be sure it economically benefits the partnering states, and more importantly, their populations? Such criticisms have been levelled at China's BRI in the past, wherein the project has been characterised as being an instrument to ensnare lower income countries into a Chinese 'debt trap'. However, there may be reasons to feel optimistic about the IMEC project, given the nature of the interconnecting infrastructure being proposed.

For starters, the rail link is likely to speed up trade between India and the countries of the Middle East and Europe. One can be hopeful that this link increases export demand in the country, leading to much-needed creation of jobs and businesses, big and small. The Indian government will have to of course make conscious efforts to ensure these new export opportunities not only serve the interests of large producers, but also those of medium and small enterprises, entrepreneurs, farmers, and cooperatives. Internal initiatives for upskilling, credit creation, and internal infrastructural connectivity will go a long way in complementing the benefits of the IMEC rail link. European and Middle Eastern trade is a largely untapped market for India, given a historical denial of land connectivity in the West due to India's tensions with Pakistan. The sudden opening of this land-based link will be economically unprecedented, and all sectors of the Indian economy should be prepared to leverage this opportunity. Similarly, the IMEC's electricity cable will also act as a capacity booster for Indian industry, considering the high demand strain on India's electricity grid by consumers and producers.

Secondly, and very significant to India's sustainability efforts, is the hydrogen pipeline. The Indian government recently announced the National Green Hydrogen Mission, as per which it [envisions](#) the country's hydrogen production capacity to reach 5 million megatons (MMT) by 2030. The mission places a clear emphasis on generating demand through domestic consumption and exports of green hydrogen. To this end, the IMEC's proposed hydrogen pipeline will be invaluable in further aiding India's efforts to scale down fossil fuel usage and promote renewable and clean energy in the form of hydrogen. This is essential if India is to reach its climate change commitments and will

also benefit the economy by giving rise to a completely new sector, with countless opportunities for agriculture, manufacturing, and services.

The completion of the railway line under this deal will create a dependable and cost-effective cross-border transit network to supplement the current multi-modal transport routes, while also improving the transshipment of products and services between Southeast Asia and creating employment opportunities within the manufacturing sector in India.

Thus, in a nutshell, the IMEC takes a very different strategy compared to China's BRI. The significance of IMEC, if perfectly implemented, is nothing short of monumental. This effort is supported by some of the world's most powerful governments, and it has the potential to expand connectivity to other nations through effective partnership. The BRI is intended to serve China's interests, but the IMEC is intended to benefit everyone in the region. While the BRI aspires to create jobs primarily for Chinese enterprises, the IMEC focuses on creating jobs for the local community.

However, there are a host of questions that this project still raises, with respect to its feasibility, efficacy, impact, and development path. Firstly, and most significantly, looming over the project is the spectre of the freshly outbroken Hamas-Israel war. This full-fledged conflict has now taken precedence in Israeli priorities, and its participation in the IMEC will be contingent on the time and outcome of the war. Further, the Hamas attack has the overt [objective](#) of destabilising the ongoing normalisation process between Saudi Arabia and Israel, of which the IMEC is an important part. As Saudi

Arabia faces pressures from its domestic population for standing by the Palestinians, its commitment to normalisation with Israel, as well as to the IMEC will be tested.

Secondly, even controlling for the effect of the Israel war, the feasibility of the IMEC cannot be taken for granted. After all, even the much-touted BRI saw its own share of difficulties, as any large project would. To what extent is executing such a multi-regional, multi-partner project possible, especially with disparities in economies, politics, and regulatory regimes? Will the required investments—economic, social, and political—be forthcoming from all sides? Or was the declaration of the IMEC merely a short-term political ploy for election-bound US and India? Without discounting the merits of this ambitious project, it is unlikely to know what the future holds.

Finally, on a more optimistic note, it is encouraging to imagine the new and heretofore unprecedented possibilities arising from the successful implementation of such a project. For one, the economic opportunities arising for individuals and businesses of all scales in the participating countries look bright. Further, the potential success of such a project, and even the initial declaration of its intent, is a positive sign of multilateral and multiregional cooperation in an otherwise fraught and fragmented world. The IMEC is an expression of some much-needed pragmatism, where formerly bitter relationships (Israel and India, Israel and Saudi Arabia, and Saudi Arabia and India), have given way to peaceable and mutually-beneficial cooperation, promoting economic, technological, sustainable, and peaceful growth.

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