

India-Middle East-Europe Economic Corridor: Traversing the knotty terrain

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Abstract:

Evolved as an alternative to China's Belt and Road Initiative, and launched during the G-20 Summit in New Delhi in 2023, the India-Middle East Europe Economic Corridor (IMEC) seeks to connect India with Europe (Greece) via the UAE, Saudi Arabia, Jordan and Israel through sea and railway lanes. This multi-modal IMEC, besides transportation, includes renewable energy and a digital network with potentialities to further spread across regions and sectors. This article explores the rationale for such a Western-backed initiative, the benefits to stakeholders and its implications with a focus on India. The article also examines the vulnerabilities of the project, the impact of geopolitical developments and other factors that have brought the project to a standstill today. Evaluating the programme implementation and identifying the grey areas, it speaks of urgent measures required for its revamp with India's involvement.

Keywords: Economic corridor, India-Middle East-Europe, New Silk Road, IMEC, Asia-Europe

The India-Middle East Europe Economic Corridor (IMEC) was launched during the G20 Summit in New Delhi on 9 September 2023 with a Memorandum of Understanding (MoU) signed by the leaders of India, the United States, Saudi Arabia, the United Arab Emirates, France, Germany, Italy and the European Union. The project seeks to build an innovative connectivity project to link India, the Arabian Peninsula and Europe through sea, rail, energy and digital networks, and sets the trend in building a comprehensive and quality infrastructure for enhanced connectivity, trade and energy cooperation between the continents. The extent and components of IMEC make it an alternative to the debt-triggering Belt and Road Initiative (BRI) of China. However, the translation of the IMEC intent into reality has become tedious, calling into question the viability of the project in the backdrop of geopolitical challenges, financial implications and logistic feasibility involving alternatively water and land. This necessitates closer scrutiny of the IMEC to evaluate its framework and limitations.

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IMEC- Context, vision and impact: The economic corridors interconnecting the economies and regions with land, air, underwater and sea linkages are often seen as a means to create sustainable and reliable global supply and value chains that are threatened by geopolitical conflicts or global economic conditioning especially since COVID19 pandemic.ⁱ Besides linking production centres and enabling free movement of people and goods cost-effectively, the economic corridors, through a common investment plan, could help job creation and economic prosperity through better resource utilisation. In tune with neo-liberal theoretical suppositions, the economic integration could lead to relative gains, promote interdependency and peace.ⁱⁱ

The connectivity projects, therefore, are envisaged and put into action in many parts of the world. The significant and closer to India is the Chinese BRI project. However, the growing concerns over the increasing influence of BRI, its eventual debt-trap concerns and global chain disruptions made many countries, including India, in the early 2020s to ponder over the alternative. The sentiment was given a shape by the then US President Joe Biden, along with Indian Prime Minister Narendra Modi, in the presence of European leaders in a special event on Partnership for Global Infrastructure and Investment (PGII) on 9 September 2023, on the sidelines of the G20 Summit in New Delhi, by launching IMEC.ⁱⁱⁱ The goals of IMEC were stressed again at the G7 summit in Italy in June 2024, with suggestions for a credible roadmap for the next three years. Consequently, a high-level expert group meeting was convened in Bellagio in August 2024 with think-tanks from India, South-East Asia and Japan, the Gulf countries, Europe and the World Bank in Washington DC.^{iv}

IMEC aim to tap the existing complementarities, explore growth stimulants and invest in productive sectors, and find alternative routes to monopolistic and congested supply chain points like the Suez Canal. The IMEC comprises two separate corridors, the east corridor connecting India to the Arabian Gulf and the northern corridor connecting the Arabian Gulf to Europe. The proposed route is north-western India (Mumbai/Mundra) to Piraeus (Greece) via the UAE, Saudi Arabia, Jordan and Israel, involving a reliable and cost-effective cross-border ship-to-rail transit network to supplement existing maritime and road transport routes. Along the railway route, the laying of cable for electricity and digital connectivity, and a pipe for clean hydrogen export is proposed.^v

The IMEC is unique as it offers- a) Enhanced Physical and Digital Connectivity involving multi-modal transport systems (roads, railways, maritime routes, and digital infrastructure) and high-speed data cables for reliable service and supply chains. b) Energy sector cooperation involving submarine cables, energy grid linkages and hydrogen pipelines. c) financial connectivity resulting from digital connectivity and interoperability with the existing financial system and the possibility of using national payments across the



participating countries, such as India's UPI for cross-border settlement. d) Trade connectivity leading to enhanced intra-regional trade and a higher level of trade facilitation.^{vi}

Once materialised, the IMEC is expected to bring down logistics costs by 30% and reduce transportation time by 40%, enabling seamless trade linkages across continents. This "New Silk Road" is also significant as it results in "linking civilizations and cultures – from Southeast Asia to the Gulf, from the Middle East to Central Europe."^{vii} Therefore, the impact of the IMEC goes beyond mere trade aspects and involves all aspects of human interaction between the continents, along with the creation of new economic opportunities and conditions for regional stability. Hence, the participants are supportive of the project as they see distinct geopolitical, geo-economic, financial and environmental advantages, unlike the Chinese BRI.

For Saudi Arabia and the UAE, apart from connectivity, the IMEC complements their efforts for economic diversification beyond oil. For instance, the conceived hydrogen pipelines help stimulate a vital new sector for Gulf economies (as hydrogen-based "transition" fuels are produced from fossil fuel-based processes) and simultaneously serve the purpose of decarbonisation.^{viii} It also helps them to diversify food sources away from the Ukraine tangle. Both Israel and Saudi Arabia wish to become global transportation hubs. In 2017, Israel launched a plan to link Haifa's seaport with Jordan and, eventually, the Persian Gulf states. Similarly, since 2016, Saudi Arabia has pursued its Vision 2030 plan to establish itself as a logistics powerhouse.^{ix} Furthermore, it is hoped that the IMEC will further strengthen Israel with its neighbouring Arab countries within the framework of the Abraham Accords, mediated by the US and signed on 15 September 2020, normalising diplomatic relations between Israel and Arab States, starting with the UAE and Bahrain.^x

For Europeans, the IMEC and the EU-India Green Shipping Corridors will strengthen sustainable maritime connectivity and reduce dependency on carbon-intensive routes, besides finding a replacement for Russian gas. In addition to Piraeus (Greece), the extension of IMEC's maritime entry points from the Mediterranean segment to such ports as Marseille (France) and Trieste (Italy), IMEC could create multiple strategic gateways to European connectivity networks towards hinterland. To Greece, in particular, it presented an opportunity to emerge as the main gateway of the Corridor to Europe and its ports becoming key centres in the transfer of goods farther to Europe, besides becoming an energy hub and for diversification of energy sources and supply routes.^{xi} For India, the project served its economic, political and strategic interests in addition to reliable connectivity with the Middle East and Europe.

The IMEC is thus a game-changer and infrastructure initiative as it proposed to connect developed and rapidly developing economies and regions, as well as foes (Saudi-Israel) for development, peace and



regional stability. The IMEC has both traditional and non-traditional human security implications involving physical and digital networks and renewable energy initiatives.^{xii} This multi-modal and multi-component project, therefore, is not a single linear commercial pathway between continents but a network of strategic corridors designed to create a web of resilient and diversified supply chains across different geographies.^{xiii} The IMEC, hence, is important as it aims to secure regional supply chains, increase trade accessibility, improve trade facilitation and digital connectivity, and promote regional stability and corridors with an emphasis on environment, renewable energy and integration of green technologies.

IMEC and India: Along with the historical and contemporary linkages with Europe, India's relation with the Middle East is witnessing an upward swing in the last couple of years. The I2U2 Group evolved in 2021-22, consisting of India, Israel, the UAE and the US, has built a foundation for cooperation for infrastructural development and green technologies involving different regions.^{xiv} The IMEC continues its thrust, binding the regions closer and anchored in the principles of respect for sovereignty and territorial integrity, environmental sustainability, and promoting financial viability. This was clearly an attractive substitute to the Chinese BRI.

Hence, justifiably, India has taken much interest in moulding the project and implementing it. In pursuance, India has signed the first agreement under the IMEC initiative, Intergovernmental Framework Agreement (IGFA), with the UAE on 13 February 2024, which provides a framework for cooperation, including future investment and collaboration. It seeks to enhance bilateral ties in the ports, maritime and logistics sector, including the digital ecosystem.^{xv} The novel proposal for India-UAE undersea grid connectivity under 'One World, One Sun, One Grid' (OSOWOG) could eventually connect different regional grids through a common grid to transfer renewable energy power, and this could result in a transcontinental renewable power grid.

India, therefore, stands to gain from the IMEC. As a countermeasure to the Chinese BRI, IMEC would help in its maritime security and help in the speedier movement of goods to and from Europe and enhance its shipping capabilities and port infrastructure, apart from streamlining logistics, ensuring continuous and dependable flow of products and renewable energy. It will also reduce transaction costs, increase access to the European market, promote green and clean energy, foster cultural exchanges bridging ideological and religious divides and promote tourism.^{xvi} India's strength in renewable energy, digital sector, human resources, etc., will provide it a lead role in the operation of IMEC. The proposed secure, high-speed data cables will be of immense value for cybersecurity and possibly to extend its IT services to Europe and the Middle East. Along with connectivity and energy projects, the IMEC will require banking and financial



support systems enabling India's UPI for cross-border payment settlements. India's strength in higher education and technical education will be of value in building a skill corridor and in cross-border flows of goods and services, including skilled manpower, besides bridging cultures and connecting people across continents.^{xvii} By enhancing connectivity to Europe and the Middle East, IMEC could attract foreign investment in Indian manufacturing, infrastructure and service sectors.

Diplomatically, India's key role in IMEC will deepen India's relations with the US and the European camp, and bolster its Indo-Pacific standing vis-à-vis Beijing. India will remain a key player in the IMEC supply chain, ensuring its energy security along with its increased presence in the Middle East. IMEC would provide India a stable access to European markets and could strengthen its position in its Free Trade Agreement (FTA) with the UAE and negotiations for an FTA with the EU. As IMEC perfectly aligns with global efforts to build an alternative to the Chinese BRI, such as US-led PGII, it could help India to spearhead its assertive leadership on the global stage.^{xviii} By leveraging the India-ASEAN strategic partnership, India could also enhance its transit hub role by being a link between ASEAN and the European region. Therefore, IMEC will provide both tangible and intangible benefits to India.

IMEC Progress and Challenges: The IMEC will be supported by the PGII to bridge the infrastructure gap in developing countries. The support of PGII with its aim of mobilisation of US\$600 billion for infrastructure projects across Africa, Europe and the Middle East, will be critical for IMEC projects. The private sector involvement and bilateral agreements among IMEC member countries are expected to give a boost to IMEC projects. The construction of key infrastructure components, such as new rail lines, ports, and highways, officially began in April 2025.^{xix}

Nonetheless, IMEC's progress is not satisfactory. The physical links across the Arabian Peninsula are still incomplete, and key rail segments between Saudi Arabia, Jordan, and Israel exist largely on paper.^{xx} Today, because of regional tensions in the Middle East, especially post-Israeli action in Gaza, the momentum of IMEC is greatly affected, and the future of IMEC has come under the scanner. Criticism and challenges vary from conceptual to practical. For instance, Turkey and Egypt are critical of the IMEC framework as it bypasses them, and for relying much on "Northern Corridor" (Jordan-Israel), which is the hotspot of instability because of ongoing Gaza conflict, threats from Iranian proxies and the repeated Houthi attacks on trade routes in the Red sea, besides Egypt's linkage of IMEC success to resolution of Palestinian issue.^{xxi} Given the Turkey and Egypt's influence in the Arab world, the trust deficit among major players hampering the progress of IMEC is difficult to rule out.



Further, there is a genuine concern about the challenges emanating from geopolitical realities, especially in the Middle East, the world's most unstable region. Being the core region of the project, its continuing geopolitical and religious tussles impact regional stability and have a bearing on the success of IMEC. Notably, the recent Israel-Gaza conflict has frozen Saudi-Israel normalisation efforts under the aegis of the US, and it is a major factor that has brought the IMEC vision implementation to a near standstill. Adding to the problem is the April 2024 Israel-Iran flare-up that has contributed to the regional instability and prevented the regional economic convergence, hurting the IMEC. Whether and how the IMEC will be able to address these issues is the question.

Moreover, participants' divergent goals and priorities in IMEC appear to have come in the way of concerted efforts towards IMEC. For instance, for India, the project aligns with its "Act West" policy and its long-time desire to consolidate middle-power status through connectivity leadership. For the Gulf monarchies, IMEC represents a channel to diversify beyond hydrocarbons and attract investments in technology and management. Europe views IMEC as a hedge against over-dependence on Chinese infrastructure.^{xxii} The IMEC's major supporter, the US, views it as a leverage to avoid a China-Russia foothold in the Middle East. Reconciling these varied interests through continuous negotiations and coordinated realistic planning for IMEC implementation on the ground is a real challenge.

Likewise, at the logistical level, there are key gaps in the rail network on the Saudi peninsula—estimated at more than a thousand kilometres of missing rail links between the UAE, Saudi Arabia, and Israel that need to be addressed. Besides the challenge of consensus, this line passes through rugged terrain, complicating construction and rendering it expensive. Complicating the issues, the IMEC countries have different technical standards and varied customs regimes, and there is no unified authority to harmonise these. Similarly, the hydrogen pipelines and undersea cables are still at the feasibility study stage, and it is unclear how complicated their construction will be.^{xxiii} Furthermore, the IMEC has an anti-BRI orientation, but in Greece, a Chinese Shipping Company, Cosco, is a majority shareholder in its largest port, Piraeus port, a crucial port in IMEC. Beijing could take advantage of the situation as a spoilsport. Therefore, the IMEC impresses with not having adequately deliberated on micro-issues before implementation in the sensitive region.

Significantly, the crucial component of finance and investment in IMEC is not yet finalised. So far, Saudi Arabia alone has committed \$20 billion to the project, which is a fraction of the \$600 billion that partner countries have committed to mobilise by 2027.^{xxiv} The IMEC MoU does not impose any financial obligations on stakeholder countries. Consequently, to date, there is no dedicated corpus nor any



multilateral mechanism finalised, which leaves the corridor vulnerable to delays and competing priorities.^{xxv} In the context of ongoing trade and tariff controversies, prompted by the US President Trump's decisions and the pursuit of nationalistic policies by most countries, uncertain external funding would make the project vulnerable. Accusations are also levelled against the funding model as not being sufficiently transparent, and how and when stakeholders contribute and how to synchronise investments is not yet clear. Unless IMEC addresses all these complex issues, the progress of IMEC will be complicated and may even result in IMEC joining the list of failed projects.

Concluding remarks: The IMEC initiative seeks to build connectivity across the continents, involving three major regions – South Asia, the Middle East and Europe. This novel multi-modal connectivity project involves diverse areas of transportation, energy and digital network and has geopolitical, economic and environmental implications for the participants and regions. The project serving as an alternative to China's BRI caters well to the divergent priorities of the stakeholders, but the same divergence has constrained concerted action, especially during a crisis. Geopolitical developments, in particular, the Israeli actions in Gaza, have affected the pace of realisation of the IMEC vision. Varied conflicts and instability in the Middle Eastern region, issues related to funding, synchronisation of investment measures and early moves before the final picture of the project have only complicated the IMEC implementation.

India has taken a lead role in IMEC conceptualisation and implementation as it serves its economic and strategic interests and, even given a start by concluding an agreement with the UAE to this effect. But the IMEC that seeks to build inclusive and cooperative connectivity has become a hostage to the very splits and dissensions it aspired to bridge. Therefore, only a sustained diplomacy and determination by the stakeholders could translate the IMEC vision into a reality. Invigorated Indian efforts towards regional stability in the Middle East, investment and harmonisation of physical, financial and technical aspects, and facilitation of bilateral agreements among the participants could give a push to the IMEC in the realisation of its goals. India is well-positioned to evolve an inclusive and practical roadmap and give momentum to the sluggish project.

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