

GEO-Political And Economic Implications Of India-Middle-East-Europe Economic Corridor

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Abstract:

The India-Middle-East-Europe Economic Corridor (IMEC) project was signed at the recently concluded G-20 summit in New Delhi, which holds significant geo-political and economic implications for India. The project forms part of Partnership for Global Infrastructure and Investment (PGII) to meet the enormous infrastructure needs of low and middle income countries. IMEC involves rail connectivity, shipping lines, high-speed data cables, and energy pipelines to enhance trade and services between India, the Middle East, and Europe. It aims to stimulate economic development through enhanced connectivity and economic integration between Asia, the Arabian Gulf, and Europe. IMEC also focuses on reliable and secure regional supply chains, trade accessibility, and trade facilitation. This paper studies the economic and geo-political impacts of IMEC and its significance for India. The IMEC is considered as, a viable counter to China's Belt Road Initiative and India's strategic engagement with Arabian Peninsula and overland connectivity to the West. It is expected that IMEC will be providing transformative opportunity for India to boost economic growth by enhancing trade connectivity, industrial growth, energy security and resource supplies. However, it poses some challenges in the form of complex logistics planning and coordination with diplomatic hurdles, which are to be overcome by balancing the interests of participating nations and addressing the sustainability concerns.

KEYWORDS: India-Middle-East-Europe Economic Corridor (IMEC), middle income nations. Stimulate economic development, geo-political, trade connectivity.

INTRODUCTION

The Indian Middle East Europe Economic Corridor (IMEC) is a strategic endeavor that seeks to augment economic collaboration and connectivity between India and the nations comprising the Middle East. The objective is to leverage current trade partnerships and construct a comprehensive structure for cooperation across several sectors, encompassing trade, investment, energy, and infrastructure advancement.

The primary objective of the IMEC is to enhance bilateral trade through the establishment of a robust and interconnected infrastructure network that effectively facilitates the transportation of products and services

between India and the Middle East. This would entail the establishment and enhancement of ports, roads, trains, and other transportation infrastructure to facilitate uninterrupted connectivity and the smooth movement of goods and services.

In addition to facilitating commerce, the IMEC also aims to foster investment and business prospects between India and the Middle East. This would entail promoting cross-border investments, facilitating financial accessibility, and establishing a favorable corporate environment to foster growth and success. The primary objective of the IMEC is to promote investment in order to stimulate economic growth, generate job opportunities, and facilitate comprehensive regional development.

Energy collaboration is an additional noteworthy facet of the International Multilateral Energy collaboration (IMEC). The corridor aims to foster stronger energy sector connections between the Middle East, which possesses significant energy resources, and India, which is seeing a rising need for energy. This might potentially entail collaboration in various domains, including but not limited to the exploration, production, and transportation of oil and gas, alongside the advancement and endorsement of renewable energy sources and technologies.

In addition, the IMEC places significant emphasis on the establishment and enhancement of resilient infrastructure, which includes the construction and improvement of transportation networks, logistical centers, and industrial corridors. The establishment of this infrastructure will not only serve to encourage trade and investment, but also to enhance regional connection, so enabling the efficient flow of commodities and individuals.

In the broader context, the IMEC holds significant geopolitical and economic implications. It aims to strengthen ties and promote regional integration between India and the Middle East, fostering greater political stability and economic cooperation. Moreover, the IMEC has the potential to diversify India's trade and investment partners, reduce dependence on traditional routes, and open up new markets and opportunities for businesses in both regions.

Overall, the IMEC presents a holistic approach to deepen economic collaboration between India and the Middle East, with the potential to bring significant benefits in terms of trade, investment, energy security, and infrastructure development.

OBJECTIVES

1. To study the geo-political implications of IMEC.
2. To study the economic implications of IMEC for India.

MATERIALS/ METHODS

The study relies heavily on secondary data. Data will be gathered mostly from different published and unpublished documents, books, journals, and the internet. Furthermore, the researchers employed both historical and analytical techniques to develop this study.

REVIEW OF LITERATURE

An important geopolitical and economic project, the India-Middle East-Europe Economic Corridor (IMEC) was unveiled in 2023 with the goal of boosting connectivity and trade between Asia, the Middle East, and Europe (Gauba & Singh, 2024). This initiative improves India's relations with Gulf countries and provides an alternative to China's Belt and Road Initiative (Gauba & Singh, 2024; Tkabladze, 2024). Regional tensions and security concerns are among the difficulties the IMEC faces, especially in view of the most recent Middle East wars (Tkabladze, 2024). Additionally, it calls into question India's capacity to integrate this corridor with larger frameworks for Eurasian connectivity and use it to counter China's dominance (Das, 2024). Cross-border collaboration, trade facilitation, and efficient administration are essential to the development of such corridors (Vasa & Barkanyi, 2023). Although the IMEC has the potential to change regional dynamics, much work is needed to expand its capacity and guarantee effective use (Vasa & Barkanyi, 2023).

OBJECTIVES OF THE IMEC PROJECT IN GEOPOLITICS

With the participation of significant international entities, the India-Middle East-Europe Economic Corridor

(IMEC) seeks to accomplish a number of important geopolitical goals. The primary objectives determined by document analysis are listed below.

The project aims to strengthen economic ties between Europe and Gulf countries, which are becoming significant infrastructure investors. The project aims to demonstrate European countries' ability to deliver on infrastructure projects, fostering cooperation with emerging economies. It also aims to counter China's Belt and Road Initiative (BRI) by balancing its influence in the Middle East and Asia. The initiative reflects the United States' interests in stabilizing the region and countering Chinese diplomatic advances.

The project also aims to strengthen alliances between the U.S. and India, establishing a closer political, economic, and security relationship. It also allows India to project its geoeconomic power in the region, balancing its relations with both Gulf states and its traditional support for Palestinian statehood.

The project also promotes trade and economic security by fostering infrastructure and trade connections among Europe, Gulf states, and India. It also aims to diversify economic partnerships for Gulf states, reducing their dependency on any single global power.

The project is designed to adapt to global instability and maintain strong links among participating nations, even amid regional tensions. It also supports climate goals by including plans for undersea cables and hydrogen pipelines to support climate and decarbonization objectives. Overall, the IMEC project is strategically positioned to enhance geopolitical relationships, counterbalance rival powers, and promote economic cooperation among diverse nations.

IMPACT OF THE GAZA CONFLICT ON THE IMEC INITIATIVE

The ongoing conflict in Gaza is significantly influencing the India-Middle East-Europe Economic Corridor (IMEC) in several key aspects:

Geopolitical Challenges:

1. **Stabilization Efforts:** The IMEC initiative aligns with U.S. efforts to stabilize the Middle East and advance the Abraham Accords. However, the Gaza war complicates these long-term objectives, creating uncertainty in diplomatic relations across the region.
2. **Saudi-Israel Relations:** Israel's military actions in Gaza hinder the potential normalization of relations with Saudi Arabia. Saudi leaders have made it clear that recognition of Israel depends on its acceptance of a Palestinian state, which is essential to the political framework of IMEC.
3. **Jordan's Position:** Jordan's focus on trade routes leading to the Red Sea, rather than towards Israel, presents logistical challenges for the IMEC corridor.
4. **Palestinian Involvement:** The exclusion of Palestine from discussions around IMEC raises concerns about widening economic inequalities, further complicating regional cooperation and stability.
5. **GCC Rivalries:** Internal tensions within the Gulf Cooperation Council, particularly between Saudi Arabia and the UAE, could undermine unified support for the IMEC initiative, as both nations have competing interests regarding the corridor's development.

Economic Implications

1. **Investment Delays:** The conflict has delayed investment decisions related to IMEC projects, particularly in energy infrastructure, which could affect European energy security and slow economic integration.
2. **Increased Shipping and Trade Costs:** Heightened security concerns due to the Gaza conflict have led to rising insurance premiums and shipping costs, reducing the economic viability of the IMEC route.
3. **Competition with the Suez Canal:** Egypt, which heavily depends on Suez Canal revenues, faces economic challenges if trade is diverted through IMEC. This shift could worsen Egypt's economic crisis, potentially affecting regional stability.

4. **Uncertainty in Infrastructure Development:** IMEC's success hinges on building critical infrastructure, like a railway connecting the Gulf to the Mediterranean. Ongoing conflicts create uncertainty around funding and project timelines.

Strategic Considerations

1. **Long-Term Outlook:** Despite the immediate challenges posed by the conflict, IMEC remains a long-term initiative. The involved nations are encouraged to continue supporting its development despite geopolitical instability.
2. **Possibility of Future Expansion:** There is potential to extend IMEC to include Palestinian territories, though this is unlikely in the near term. Engaging Europe in discussions about infrastructure improvements could help address regional disparities.
3. **Realistic Expectations:** The European Union and its partners should adjust their expectations for IMEC in light of the conflict, focusing on achievable goals in logistics and energy cooperation.

INDIA'S GOALS AND IMEC INITIATIVE

India's stance on IMEC aligns with that of Gulf and European participants, like the UAE and Saudi Arabia. However, India views China as a systemic rival, particularly due to their disputed border. This has led to a strong interest in containing Beijing's influence in the Indo-Pacific region and developing countries more broadly. India's multiple alignments may be challenging for it and Europeans to balance, and its protectionism may hinder its push to expand India's role in the world's supply chains.

India's strategy is now to develop the largest set of partnerships possible, participating in flexible schemes that support its interests without formally joining any alliance that would restrict its ability to act in a conflict scenario. This explains why India, a founding member of BRICS, has enthusiastically embraced an economic corridor that unites new BRICS members and several G7 countries. IMEC could become the basis for even closer economic cooperation between India and the G7, allowing the country to extend its trade ties with the EU and support its industrial development.

India's leaders aim to intercept a greater share of global value chains from China and increase their country's manufacturing potential. The "Make in India" initiative in 2014 aimed to shift the country's main exports from services to merchandise. Participation in major initiatives such as IMEC enhances India's geoeconomic prestige, as it improves its links with advanced economies and provides for a wide range of partners.

India's quest for global south leadership aims to provide a model for other countries and demonstrate how an emerging economy with a colonized past can blossom on the international stage. This strategy was evident in Modi's "voice of the global south" summits and the 2023 G20 Summit on his home turf. At the G20, India celebrated the entry of the African Union as a major achievement for developing countries and announced the IMEC initiative. High quality and sustainable infrastructure is a key driver of growth and a major demand from developing countries. India's ability to promote connectivity projects through IMEC is an important asset, as it includes mainly rich countries.

India's rivalry with China is another major reason for its participation in IMEC. New Delhi has never participated in the Belt and Road Initiative (BRI), despite being the second-largest shareholder of the Chinese-led Asian Infrastructure Investment Bank. Instead, India experiences the BRI's growing reach in south Asia as encirclement and has gradually begun to push back against Beijing. IMEC would contribute to this and challenge China's primacy in Asia-to-Europe connectivity, providing a basis by which India can gain leverage vis-a-vis its rival.

The Asia-to-Europe connectivity issue is crucial in India's fraught relations with its other great rival, Pakistan, and the presence of the Chinese-sponsored CPEC. Bypassing Pakistan's roadblock has become a priority for Indian leaders, such as investing in the development of Iranian Chabahar port to connect India with the North-South Corridor (NSC) between Iran and Russia. IMEC could help overcome this problem and equip India with a

connectivity option that does not involve either China or Pakistan.

Domestic infrastructure investment is another key element of India's ambition to compete with China. Modi's government has presided over a massive overhaul of India's national connectivity, improving the country's road and rail systems and upgrading port infrastructure. The government has chosen three ports on India's northwestern coast to be the corridor's main endpoints, aiming to increase capacity and the production of green hydrogen.

Lastly, IMEC gels with India's efforts since the mid-2000s to intensify its relations with Middle Eastern powers, especially the GCC states.

India's interest in projecting its geoeconomic power in the Middle East is a significant strategic opportunity, but its multi-aligned stance limits the depth of the links that IMEC can create. India must balance its strong support for Israel with its traditional backing of Palestinian statehood, as well as its domestic policies and poor treatment of India's Muslim minority by the ruling Hindu nationalist government. Western IMEC participants should not mistake India's cooperation for alignment, as New Delhi remains wary of taking a side other than its own in global affairs. Europeans will need to live with India's involvement in projects like the NSC and an increasingly geopolitical BRICS while maintaining good relations with the country's government.

India's challenge will be to juggle all these partners as they develop their industry and infrastructure so that IMEC can begin to contribute to New Delhi's goals. However, New Delhi's ambitions also have a protectionist component, as policy measures such as India's extensive import quotas and tariffs are at odds with it becoming a truly attractive business destination. The hard infrastructure envisioned in the IMEC memorandum would need to be paired with the soft infrastructure of progressively aligning regulatory standards, especially in logistics.

Negotiations on trade liberalisation between Brussels and New Delhi have been notoriously difficult, with the two sides having undertaken on and off free-trade negotiations since the early 2010s. In June 2022, the EU and India relaunched their talks, but remain distant on many issues including visa regimes and market access for sensitive goods.

IMEC does not necessitate a free trade agreement between the EU and India to be a worthy initiative, but some form of trade liberalization would boost the corridor's potential. India's leaning towards Israel does not seem to have damaged its economic relations with Abu Dhabi, but it is hardly winning over new friends in Riyadh.

Impact of India-Middle East-Europe Economic Corridor (IMEC) on Regional Supply Chains

The India-Middle East-Europe Economic Corridor (IMEC) is expected to significantly impact regional supply chains by enhancing connectivity, reducing costs, and improving trade efficiency among participating countries. Key areas of impact include new shipping routes connecting the UAE to Indian ports, strengthening rail and road networks, deploying energy infrastructure for Gulf nations, and introducing high-capacity optical fiber cables for efficient communication.

The IMEC also aims to reduce transportation costs by providing a reliable and cost-effective ship-to-rail transit network. This will increase trade accessibility, job creation, and regional economic cooperation. The corridor aims to foster greater economic cooperation among India, the Middle East, and Europe, creating a cohesive trade ecosystem. Trade security is expected to be enhanced by reducing dependencies on longer maritime routes, enhancing resilience against disruptions.

The IMEC also promotes sustainability and environmental benefits, aiming to reduce carbon emissions through green energy infrastructure development and promote clean energy trade. It is positioned as a counterbalance to China's Belt and Road Initiative, potentially reshaping geopolitical alliances and economic dependencies. The project emphasizes collaboration across borders, potentially easing political tensions in the region and fostering stability.

In conclusion, the IMEC is expected to transform regional supply chains through enhanced connectivity, cost efficiencies, and stronger economic cooperation while promoting sustainability and reshaping geopolitical dynamics. The success of this initiative will depend on addressing various challenges, including financial, regulatory, and political factors.

Benefits of the India-Middle East-Europe Economic Corridor (IMEC) on Greenhouse Gas Emissions

- **Lower Greenhouse Gas Emissions:** The IMEC aims to reduce greenhouse gas emissions through improved infrastructural efficiency and connectivity.
- **Promotion of Green Energy:** The initiative includes a hydrogen pipeline, promoting the trade of green hydrogen and other clean energy products.
- **Economic Efficiency:** The design focuses on increasing trade accessibility and reducing costs and transit times, leading to reduced energy consumption.
- **Infrastructure Development:** The project involves significant infrastructure investment, enhancing operational efficiencies and potentially reducing energy use.
- **Job Creation with Sustainable Practices:** The IMEC anticipates job creation in sectors like manufacturing and energy, promoting greener jobs.
- **Regional Cooperation for Environmental Goals:** The IMEC fosters international collaboration and promotes intra-regional connectivity, aligning efforts for sustainable practices among nations.

CHALLENGES TO THE SUCCESS OF THE IMEC

The India-Middle East-Europe Economic Corridor (IMEC) encounters several substantial challenges that need to be tackled for it to thrive. These include geopolitical tensions, regulatory hurdles, and the necessity for collaboration among the involved nations.

Geopolitical Tensions

- **Conflict in Gaza:** Ongoing violence in Gaza has hindered the development of IMEC, creating an insecure environment that deters infrastructure investment.
- **Regional Rivalries:** Successfully navigating the complexities of Saudi-Iranian relations and preventing the escalation of UAE-Saudi tensions into economic disputes is vital.
- **Iran's Influence:** Mitigating risks posed by Iran, especially regarding maritime security in the Hormuz Strait, is essential to ensuring safe trade routes.
- **Houthi Threats:** Attacks on vessels in the Red Sea further endanger the trade routes crucial to IMEC's operations.
- **Political Coordination:** A ministerial forum involving all participants is necessary to enhance collaboration and address political differences effectively.

Regulatory and Trade Issues

- **Strong Regulatory Framework:** Establishing a solid regulatory framework is crucial for trade liberalization, particularly in strengthening ties with India.
- **EU Trade Policies:** The European Commission must renew its commitment to liberalizing trade agreements with India, which are vital for enhancing economic cooperation.
- **Internal Challenges:** Participants need to harmonize differing national interests and economic objectives to create a unified implementation strategy for the corridor.

Economic Realities

- **Limited Short-Term Gains:** While the corridor has significant geopolitical implications, its economic benefits may be limited in the short to medium term.
- **Need for Infrastructure Development:** Successful trade expansion hinges on effective infrastructure development, which must address potential economic barriers.
- **Diverse Economic Aspirations:** The differing goals of participant countries necessitate careful negotiation to ensure all stakeholders' interests are addressed.

Strategic Development Needs

- **Network Development:** IMEC should transition from a singular corridor to a network of routes to enhance resilience and adaptability to crises.

- **Investment in Local Infrastructure:** Significant investments in domestic infrastructure in India and other participant countries are critical for improving connectivity and trade.
- **Emphasis on Renewable Energy:** The corridor should facilitate the transition to renewable energy, aligning with the broader objectives of the participating nations and promoting economic sustainability.

Addressing these challenges is crucial for the IMEC to fulfill its goals and strengthen connectivity between Europe, the Gulf states, and India.

CONCLUSION

IMEC is a long-term project with major internal and external challenges that calls for a large expenditure. However, the corridor's capacity to strengthen ties between various nations may prove priceless in this unstable and fragmented globe. The road (and rail, port, cable, and pipeline) ahead is not an easy one, but Europeans should find that IMEC offers them significant geopolitical and geoeconomic benefits if they use the current pause in IMEC's development to plan how to reconcile the structural dynamics of diversification, de-risking, and containment of Chinese influence while building on the objectives of all participants.

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