

India-Middle East-Europe Economic Corridor (IMEC): Opportunities and Challenges

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Source: The Diplomatic Insight

Introduction

On the sidelines of the most recent G20 Summit held in New Delhi on September 9, The leaders announced a plan to create an economic corridor connecting India, the Middle East, and Europe to maximize the region's economic potential. The mega-project “the India-Middle East-Europe Economic Corridor (IMEC)” will be developed under the G7 nations’ Partnership for Global Infrastructure Investment (PGII) initiative. IMEC will ensure global connectivity and sustainable development on the two continents. Global leaders, such as leaders from India. Italy, France,

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Germany, the United States, the European Union, and Saudi Arabia have already supported this mega deal by signing a memorandum of understanding. ²



Source : Iasgyan

Estimates indicate the cost to the countries to establish the corridor at close to \$20 billion, but funding for the IMEC project is still up in the air. Though it is still in the planning stages and could take decades to implement, there is little doubt that this initiative will pave the way for thousands of new prospects for these two continents. This initiative is considered a counter-response to China’s Belt and Road Initiative, taken by President Xi Jinping in 2013.

This paper will explore the Geostrategic and Geoeconomic implications Of the India-Middle East-Europe Economic Corridor (IMEC). It will give an overview of the opportunities for the two continents and the challenges of implementing this project.

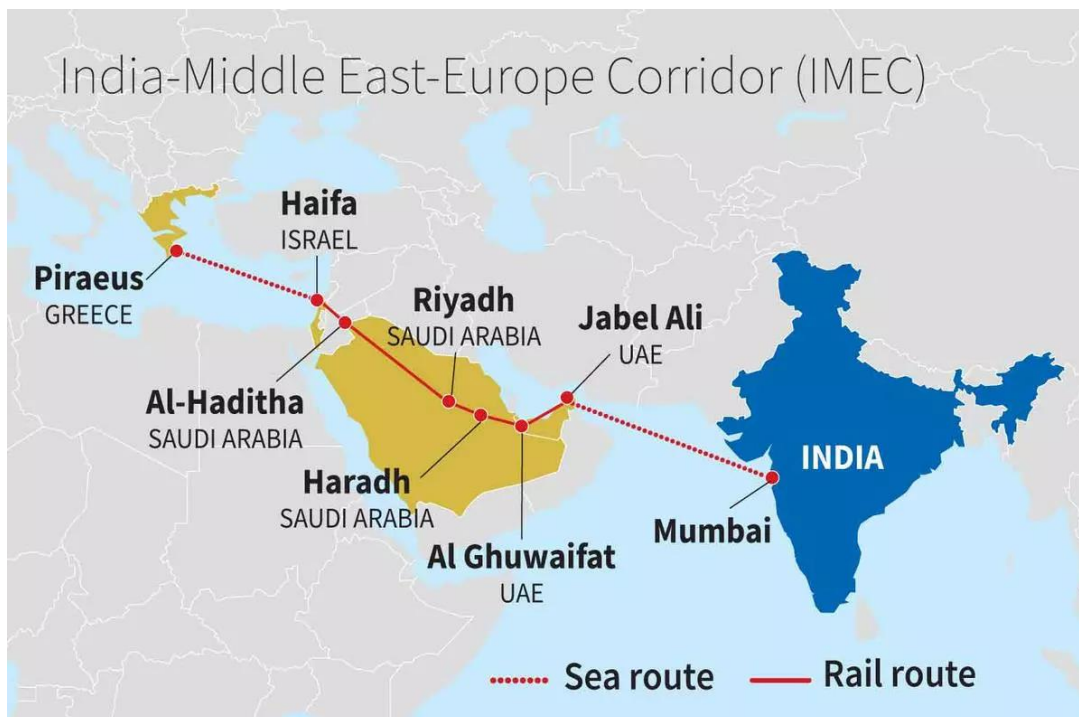
How IMEC Will Operate

This mega-project will have two corridors connecting the Middle East to India and Europe. According to the official information, the east corridor will connect India with Gulf states, and the North corridor will connect Gulf states with European states. ³ This is a cost-effective multimodal

² Ayaan Kartik. “G20 Summit: Will India Successfully Counter China’s BRI Project with Middle East-Europe Economic Corridor?” *Outlook Business*, September 10, 2023.

³ White House, “Memorandum of Understanding on the Principles of an India – Middle East – Europe Economic Corridor,” *The White House*, September 9, 2023,

corridor as it will be a cross-border ship-to-rail transit network road route. According to the memorandum of understanding,” it will enable goods and services to transit to, from, and between India, the UAE, Saudi Arabia, Jordan, Israel, and Europe.”⁴The countries aim to develop an electrical cable network, digital networking infrastructure, and pipelines for clean hydrogen export.



Source- Lotusarise

In detail, The goods will first travel by ship from India to Saudi Arabia; then, it will be transferred to the UAE by rail, then, the shipment will reach Turkey from Jordan by the sea route and further by rail.⁵

<https://www.whitehouse.gov/briefing-room/statements-releases/2023/09/09/memorandum-of-understanding-on-the-principles-of-an-india-middle-east-europe-economic-corridor/>.

⁴ Ayaan Kartik. “G20 Summit: Will India Successfully Counter China’s BRI Project with Middle East-Europe Economic Corridor?” *Outlook Business*, September 10, 2023.

⁵ Prashant Shekhar, “India Middle East Europe Corridor-Explained Pointwise,” *ForumIAS Blog*, September 12, 2023, <https://blog.forumias.com/india-middle-east-europe-corridor-explained-pointwise/>.

According to the US's readout, "This landmark corridor is expected to stimulate economic development through enhanced connectivity and economic integration across two continents, thus unlocking sustainable and inclusive economic growth."⁶

Geo-Political Significance:

IMEC can be considered a strategic plan to counter China's expansionist policy. China aims to create its influence in the Middle East. China has acted as a mediator between Saudi Arabia and Iran to reach an agreement. China has acted as a mediator between Saudi Arabia and Iran to reach an agreement. Though the UAE and Saudi Arabia have always been allies of the United States, they have recently tightened their ties with China.⁷

This initiative can pave the way to countering Chinese influence in the Middle East. It can also bring geopolitical stability to the Middle East and increase connectivity and cooperation between the states. This economic cooperation can improve diplomatic relations between the states that always have engaged in conflict. Diplomatic relations between Saudi Arabia and Israel might improve as both of them are the signatory states of IMEC's memorandum of understanding. Moreover, this project can turn the Middle East into a region of economic growth and cooperation instead of an unstable region filled with conflict and political turmoil.

Geo-Economic Significance

This mega-project can create a trusted trade route. From India's perspective, its biggest market is Europe, and this economic corridor will create a better route for its trade to the Middle East and Europe. As this route will go through the port of Hifa,

⁶ Seema Guha, "India-Middle East-Europe Economic Corridor Poses Direct Challenge To China's BRI, Can Transform Intercontinental Trade," <https://www.outlookindia.com/>, September 10, 2023, <https://www.outlookindia.com/international/india-middle-east-europe-economic-corridor-poses-direct-challenge-to-china-bri-can-transform-intercontinental-trade-news-317058>.

⁷ Prashant Shekhar, "India Middle East Europe Corridor-Explained Pointwise," *ForumIAS Blog*, September 12, 2023, <https://blog.forumias.com/india-middle-east-europe-corridor-explained-pointwise/>.

IMEC can potentially increase trade and employment opportunities. Besides the key features of this project, like the Dual corridor, this project will safeguard the regional supply chain, enhance trade accessibility, and make trade operations more efficient. It will increase the flow of manufactured goods and develop clean energy. lower greenhouse gas emissions; as a result, Asia, Europe, and the Middle East will be remarkably interconnected.

As mentioned before, IMEC was developed under the G7 nations' Partnership for Global Infrastructure Investment (PGII) initiative, which aims to mitigate the infrastructure gap in developing countries. So, this corridor will address the infrastructure development of lower and middle-income countries. By incorporating a train link, energy cable, hydrogen pipeline, and high-speed data cable into the corridor, IMEC will serve as a green and digital link between continents and civilizations.⁸

The project will be developed under the G7 nations' Partnership for Global Infrastructure Investment (PGII) initiative. PGII aims to bridge the infrastructure gap in developing countries. It will increase opportunities for the MNCs. Specially developed countries like the USA, and France might invest in this region more.

The states involved in Bilateral relations might cooperate multilaterally, and This initiative might turn into Economic collaboration like NAFTA or APEC. However, this initiative will definitely expand the market and improve trade relations.

IMEC: An initiative to offset the BRI project? :

The Belt and Road Initiative (BRI) and the India-Middle East-Europe Economic Corridor (IMEC) are two competing visions that aim to change this century's political and economic dynamics. IMEC can be considered an ambitious counterplan to the BRI project of China. The involvement of India and the USA further ensures that this aims to stop China's expansionist process. The infrastructures of the BRI project are of a 'dual nature' , which means the West suspects that China

⁸ Prashant Shekhar, "India Middle East Europe Corridor-Explained Pointwise," *ForumIAS Blog*, September 12, 2023.

might use these infrastructures for military purposes in the future. This is a very critical threat for India and The United States.

BRI is an initiative of China to revive the Ancient Trade route connecting Asia-Africa and Europe. Through a series of infrastructure initiatives, economic partnerships, and cultural exchanges, BRI seeks to establish a strategic footing for China on a global scale. China has given loans and helped build infrastructure to Member countries of the BRI project, which helped them create influence in those areas, but the West has heavily criticized this initiative in some cases because of the debt trap. China has given unsustainable loans to some countries, and when the countries were unable to pay the loans, China acquired the infrastructure. For example, Sri Lanka took a loan from China after the USA and India rejected it; due to its economic constraints, I could not pay it back to China. China took control over the port of Hambantota on a lease for 99 years.⁹



Source: National Maritime Foundation

“Two things strike me about this initiative: first, the suggested scale of investment is an indication of how seriously the Saudis and UAE take India and India’s economic potential,” says Prof. Ian Hall, an international relations expert at Brisbane’s Griffith University. “But second, the purpose

⁹ Rahul Ajnoti, “The Complete Story of Debt-Trap Diplomacy,” *The Geopolitics*, October 11, 2022, <https://thegeopolitics.com/the-complete-story-of-debt-trap-diplomacy/>.

of the infrastructure, apart from offering an alternative to BRI projects, still isn't clear. It is expensive to ship oil and gas over land, so energy probably isn't the main game. Is it about Indian exports into the Middle East, then? And of what? Perhaps food or manufactured goods like cars. We don't have enough details yet to evaluate it." ¹⁰

According to the opinion of Ian Han, it can be said that there is no other logical basis for this project than to counter China's BRI project. But the question is whether it can Offset the BRI project. The answer depends on some factors.

Firstly, BRI is the master plan of a single country that aims to rise as a hegemon; the Urge to make this project successful cannot be compared elsewhere. On the other hand, IMEC is an initiative to create an economic corridor by several countries with different goals and interests. There is no surety that every MOU signatory country will stick to this plan in the long run, and their urge to make this initiative successful will not be as strong as China's urge.

Secondly, IMEC is not an economic bloc, so funding from the member states will be limited. But in the case of BRI, China has already invested USD 1.016 trillion, including USD 596 billion in construction contracts and USD 418 billion in non-financial investments.¹¹ According to the country's foreign ministry, more than 150 States and 30 international organizations have signed cooperation papers with China for the initiative. ¹²So, offsetting the BRI project would be very difficult.

Thirdly, Italy's defense minister addressed the BRI project as "an atrocious decision." It announced that it might withdraw from China's BRI project. However, the Italian PM, Giorgia Meloni expressed that the decision is not finalized yet and ensured that the bilateral relation will be intact. However, Italy has already agreed to join IMEC. Because of this, China might lose an

¹⁰ Seema Guha, "India-Middle East-Europe Economic Corridor Poses Direct Challenge To China's BRI, Can Transform Intercontinental Trade," <https://www.outlookindia.com/>, September 10, 2023, <https://www.outlookindia.com/international/india-middle-east-europe-economic-corridor-poses-direct-challenge-to-china-bri-can-transform-intercontinental-trade-news-317058>.

¹¹ Christoph Nedopil Wang, "China Belt and Road Initiative (BRI) Investment Report 2023 H1 – Green Finance & Development Center," August 1, 2023, <https://greenfdc.org/china-belt-and-road-initiative-bri-investment-report-2023-h1/>.

¹² Ayaan Kartik, "G20 Summit: Will India Successfully Counter China's BRI Project with Middle East-Europe Economic Corridor?," September 10, 2023.

important European and only G7 member from the BRI project which may hamper China's interest.

Who will pay and How?

IMEC can be an excellent plan to Connect two continents, ensure development, and boost economic growth. However, this initiative is still on paper, and proper funding and planning are needed to implement it. The budget of the project has not been confirmed officially, but it is indicated by the report that signatory states might spend around \$20 billion on the project.¹³ whereas China has already spent around 1 trillion, and according to popular opinion, China aims to spend 1 to 8 trillion USD on the BRI project. ¹⁴

It is difficult to assume who will spend and how to establish this corridor as the outline of the budget has not yet been published. Still, it can be assumed that member states will contribute on an equal footing. There is a chance that an amount will be fixed for the member states to contribute. It is also highly possible that equity will be maintained regarding contributions, and states will contribute according to their capabilities. There is a possibility that equity would be maintained in terms of contributions. Middle Eastern states might contribute with money, as they won't be able to contribute with technology. Other technologically capable states might contribute according to their capabilities.

The United States is a prime actor in this initiative. This project is important for the USA as it has started to focus on the Indo-Pacific to counter the rise of China. As this project is seen as a counter-response to BRI, the USA might have to make a bigger contribution to ensure its success. It is uncertain how much the USA will be able to contribute to this project as The gross national debt of the United States exceeded \$32 trillion. ¹⁵ However, the details about the finances will be known when the outline is published, which the states plan to do within 60 days

¹³ Ayaan Kartik, "G20 Summit: Will India Successfully Counter China's BRI Project with Middle East-Europe Economic Corridor?," September 10, 2023.

¹⁴ Jonathan E. Hillman, "How Big Is China's Belt and Road?," *Center for Strategic and International Studies*, February 1, 2022, <https://www.csis.org/analysis/how-big-chinas-belt-and-road>.

¹⁵ Alan Rappeport, "U.S. National Debt Tops \$32 Trillion for First Time," *The New York Times*, June 16, 2023, <https://www.nytimes.com/2023/06/16/business/economy/federal-debt-32-trillion.html>.

Challenges

According to US President Joe Biden, this project is “a Big Deal.”¹⁶ Many other leaders and analysts have already expressed positive vibes and called this project a game-changer for this region. However, this project is still in the planning stages and has a long way to go.

The Understanding of the memorandum is an initial plan for the Mega project. States have signed the MOU to show their interest, but there is no obligation under international law. So, the success of this initiative depends on many factors, such as changes in government, bilateral relations between states, Interests of hegemons, etc. However, the states intend to meet within 60 days to discuss the action plan.

According to former Indian ambassador KP Fabian, “If funded and implemented, this will be good for India, the Gulf, and Europe. Biden had discussed this with the Saudis in July 2022 when he visited them. The Saudis refused to normalize relations with Israel but agreed to join this project. If it works out, Indians, especially the technically qualified ones, might find more job opportunities in the GCC, where some countries like Kuwait hope to reduce the number of foreigners,”¹⁷ So, there are many ifs and buts until the sun of success rises for this project, but the main obstacle of this project is the financial factor.

On the other hand, From the discussion of Ian Han, It can be said that Saudi Arabia and the UAE might have doubts about India and its economic potential. If this happens in the initial stage of this project, then its implementation of the project might suffer economically in the long run. There is still no detailed financial plan and no indication of who will contribute and how which creates doubt about this mega project.

IMEC and Bangladesh

It is difficult to determine whether Bangladesh will benefit from this initiative as the political situation of Bangladesh and its current position in this multipolar world is blurry. However, it is observed that to remain in power, the current government has tilted towards China a bit. If

¹⁶ Ayaan Kartik. “G20 Summit: Will India Successfully Counter China’s BRI Project with Middle East-Europe Economic Corridor?” *Outlook Business*, September 10, 2023.

¹⁷ Seema Guha, “India-Middle East-Europe Economic Corridor Poses Direct Challenge To China’s BRI, Can Transform Intercontinental Trade.

Bangladesh moves toward China after the national election, Bangladesh won't be benefitted from the IMEC corridor. Furthermore, if this corridor is substantiated, Bangladesh might face sanctions from this economic bloc.



Source: GS score

As India is the starting point, there was a possibility that the deep ports of Bangladesh might be included for transit issues. If we observe the political map of the corridor, there is not much possibility for that as the corridor starts from Mumbai, which is situated on the west coast of India. So, the reality is that if this corridor can be run without any dependency on Bangladesh, then Bangladesh will remain on the back foot and its geopolitical importance will decrease. However, Bangladesh-India relations remain positive, as it will be tough for the current regime to survive without India's support. Furthermore, India has invited Bangladesh to the G20 summit, where India proposed an MOU, and Foreign Minister Abdul Momen has thanked Prime Minister Narendra Modi for this.¹⁸ So, there is a possibility that Bangladesh might tilt towards this bloc, and if it does, there is a possibility that Bangladesh might benefit from this economic corridor.

¹⁸ Ani, "India Has Honoured Us': Foreign Minister Momen on Bangladesh Invited as Guest Country at G20," *The Times of India*, September 10, 2023, http://timesofindia.indiatimes.com/articleshow/103544027.cms?from=mdr&utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst.

Conclusion

IMEC has tremendous potential, however, the success of this project depends on many factors, such as a realistic financial plan, the interest of the states, and the continued support of the states through the change of governments and proper implementation. India will benefit from this project as it will finally be able to join a corridor that runs through the Pakistani vortex and will be able to connect to the Middle East and Europe more efficiently. Though this corridor will not benefit the United States economically, it will allow the country to focus on both the Middle East and the Indo-Pacific. Moreover, The threat of China's rise and taking control over trade routes through BRI will decrease for both India and the USA through this project.