

North-South Asia Transport Corridor Foreshadows New Bretton Woods

by Karel Vereycken

July 28—Here we go! On June 12, 2022, the departure of a modest shipment of two containers of Russian plywood from St. Petersburg, Russia, to Mumbai, India, marked the opening of a new transport corridor, the International North-South Transport Corridor (INSTC). This new corridor is actually a multimodal network (rail, sea, road), 7,200 km long, connecting Russian ports on the Baltic Sea in the North, Iranian ports on the Arabian Sea in the South, and India's port city of Mumbai.

The dynamics of this nearly straight North-South corridor, considerably shorter and faster for shipments than other routes to the same Central and South Asian destinations, are as follows (see **Figure 1**):

- From the North, Russian and Belarusian goods will be transported by rail through Moscow to the Russian city of Astrakhan, a historical crossroads of the ancient Silk Roads which today has a population of 530,000. It is located 1,276 km Southeast of Moscow, near the mouth of the Volga River on the Caspian Sea.
- From Solyanka, the port of Astrakhan, the goods will then cross the Caspian Sea by ship to be received at the Iranian port of Anzali, a port city of 145,000 inhabitants, also on the Caspian Sea and 360 km northwest of Tehran.
- The goods will then cross the whole of Iran from north to south, passing through the Iranian capital, a crossroads where the route crosses the rail networks of the Silk Road linking China to Turkey.
- The goods will arrive at the Iranian port of Bandar Abbas at the Strait of Hormuz, or to the much more re-

FIGURE 1
The International North-South Transportation Corridor



cently developed Chabahar port about 670 km east of Bandar Abbas, where the Gulf of Oman opens into the Arabian Sea. From Chabahar, the International North-South Corridor needs only a 180 km road and rail connection east to reach the port city of Gwadar, Pakistan, the southwestern terminus of the China-Pakistan Economic Corridor (CPEC). CPEC is the most advanced development corridor of the China-initiated Belt and Road Initiative.

- From Chabahar the goods will leave again heading by sea to Nhava Sheva, the large port opposite the city of Mumbai, India, a distance of 1,560 km. All this is organized by Iran Shipping Lines (IRISL), a company under U.S. sanctions.

With this new corridor, despite three modal shifts, the travel time for goods between Russia and India is reduced from 40 to only 25 days. The trip will be 30%

cheaper and 40% shorter than the current route. It also avoids the Suez Canal, the Bosphorus and the Dardanelles which are regularly blocked. Finally, for Russia, it will be a less risky route, since there is no longer any question of going along the European coast.

History of the INSTC

From the idea to its realization, the INSTC has come a long way:

Initially, on Sept. 12, 2000, Russia, India and Iran signed an intergovernmental agreement to implement the INSTC project.

In 2005, Azerbaijan, realizing the relevance of the project and the potential benefits at the regional level, joined the project. Over time, other countries followed: Belarus, Bulgaria, Armenia, Kazakhstan, Kyrgyzstan, Oman, Tajikistan, Turkey, and Ukraine.

But it was a development corridor design, with little action taken to realize it over nearly two decades. It took until March 2020 before a memorandum of understanding for the transport of goods was signed between the Indian state-owned company Container Corporation of India (CONCOR) and the rail company ultimately controlled by the Russian Federation, Russian Railways Logistics Joint Stock Company (RZD).

With the conflict in Ukraine and the Western sanctions aimed at “crushing” the Russian economy this year, the North-South Corridor project has at last been accelerated. Motivation is coming from Russia, which is reorienting its exports towards Asia, and from countries like India, highly dependent on hydrocarbon imports, which refuse to be held hostage by the “logic” of geopolitical blocs.

As Paco Martin of the *Economic Intelligence Portal* noted,

In addition to having refused to condemn Russia following the invasion of Ukraine, the government of Indian Prime Minister Narendra Modi seems to have accelerated its cooperation with Moscow, both military and energy. Russia has sold \$5.5 billion worth of S-400 missile systems, and has become India’s second largest arms supplier, accounting for 35% of Russian exports. Since March 2022, Russian oil and gas exports have increased dramatically to India; almost 30 million barrels of oil were sold in June 2022, and

Russia ranks as the second largest gas exporter to India behind Iraq, up from ninth place in 2021. These resource purchases are largely due to the drop in the price of fossil fuels extracted in Russia following Western sanctions. It should be noted that India is the world’s third-largest consumer of oil and 80% of it is imported.

Moreover, according to a study by the National Bureau of Asian Research, electricity demand in India is expected to increase by 5% every year. The country was also dependent on imports for 85% of oil consumption in 2020 and 54.3% of natural gas consumption. This is a demand that Central Asia, Russia and Iran could meet with their significant natural resources.

Finally, on the eve of a potential global food crisis, this corridor could provide a means for Russia to honor its contracts to supply wheat to the world, but through Iran. In a May 24 article in the *Silk Road Briefing*, Mohammad-Reza Mortazavi, the head of Iran’s food industry associations, announced that:

Iran can transit wheat from Russia to other countries and Iranian companies could dominate the trade.... Iran, Russia and Kazakhstan could barter wheat and grain with other products such as vegetables, fruits and dairy [products].

For Iran, the project also offers interesting advantages. In the context of Western sanctions against Iran and its economic situation, the country can regain its status as a major trade hub between Russia and India, including by taking advantage of taxes levied on transits.

Port Infrastructure

The launch of the project is bound to trigger investment in infrastructure. On June 10, a week after the announcement of the departure of the first shipment, Foreign Minister Hossein Amir-Abdollahian said that Iran and India have agreed to increase investment in the port of Chabahar—Iran’s first deep-water port, at the mouth of the Gulf of Oman—in order to complement the capacity of Bandar Abbas, which currently handles 85% of Iran’s shipping but cannot handle ships with a cargo volume over 100,000 tons. In addition, if the Strait of Hormuz is blocked, Iran, thanks to the port of Chaba-

har, will retain access to the Indian Ocean.

And as Paco Martin points out, the INSTC will contribute to the opening up of the countries of Central Asia. For example, it offers Afghanistan a second route to the sea in addition to that through Pakistan via Gwadar Sea Port. It is within this framework that numerous infrastructure projects, partly financed by Tehran, have flourished: for example, the section within Kyrgyzstan of the Iran-Afghanistan-Tajikistan-Kyrgyzstan-China road project, and the Anzob Tunnel, connecting Dushanbe and Khujand in Tajikistan.

Another example of Iranian infrastructure development is the port of Astara, in Azerbaijan, 150 km northwest of Bandar Anzali, on the southwestern shore of the Caspian Sea, inaugurated in March 2013 and integrated with the INSTC to improve Iran's maritime connectivity. This port was connected by a railroad to the port of Shahid Rajaei, part of the Bandar Abbas complex, in June 2021. Thus, via this railroad, landlocked Central Asia gets a shorter



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Iran's Chabahar Port on the Arabian Sea, seen here, relieves congestion in Bandar Abbas and will be integrated into the International North-South Transport Corridor. A new Iran-Pakistan border crossing near the coast will facilitate communications between Chabahar Port and Pakistan's Gwadar Port, the southern terminus of the 3,000 km China-Pakistan Economic Corridor.

rail link to the Persian Gulf, reinforcing the new position of the Astara port as a maritime hub in the Caspian region.

India is also benefiting. For India, this is an opportunity to increase its trade with Iran and Afghanistan via the port of Chabahar, but also ultimately with the rest of Central Asia. Until now, Pakistan has denied Indian goods land access to Afghanistan, severely impacting Indian trade capacity.

Moreover, given India's huge population, the North-South Corridor could facilitate the supply of wheat, giving India an additional option partially to meet its needs. Despite its status as the world's second-largest wheat producer, problems persist to the point that Narendra Modi finally suspended Indian wheat exports on May 14. With 1.4 billion Indians to feed, having access to Russian supplies adds security.



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Pakistan's Gwadar Port, also on the Arabian Sea, is a mere 180 km from Chabahar Port. Shown are Gwadar's eleven berths and cranes as of 2018.