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FROM HYPE TO HORIZON

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What the EU needs to know to bring IMEC to life

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The India-Middle East-Europe Economic Corridor (IMEC) emerged in September 2023 as a potential alternative to China's Belt and Road Initiative (BRI). This ambitious project aims to boost connectivity and trade between Asia, the Gulf and Europe.

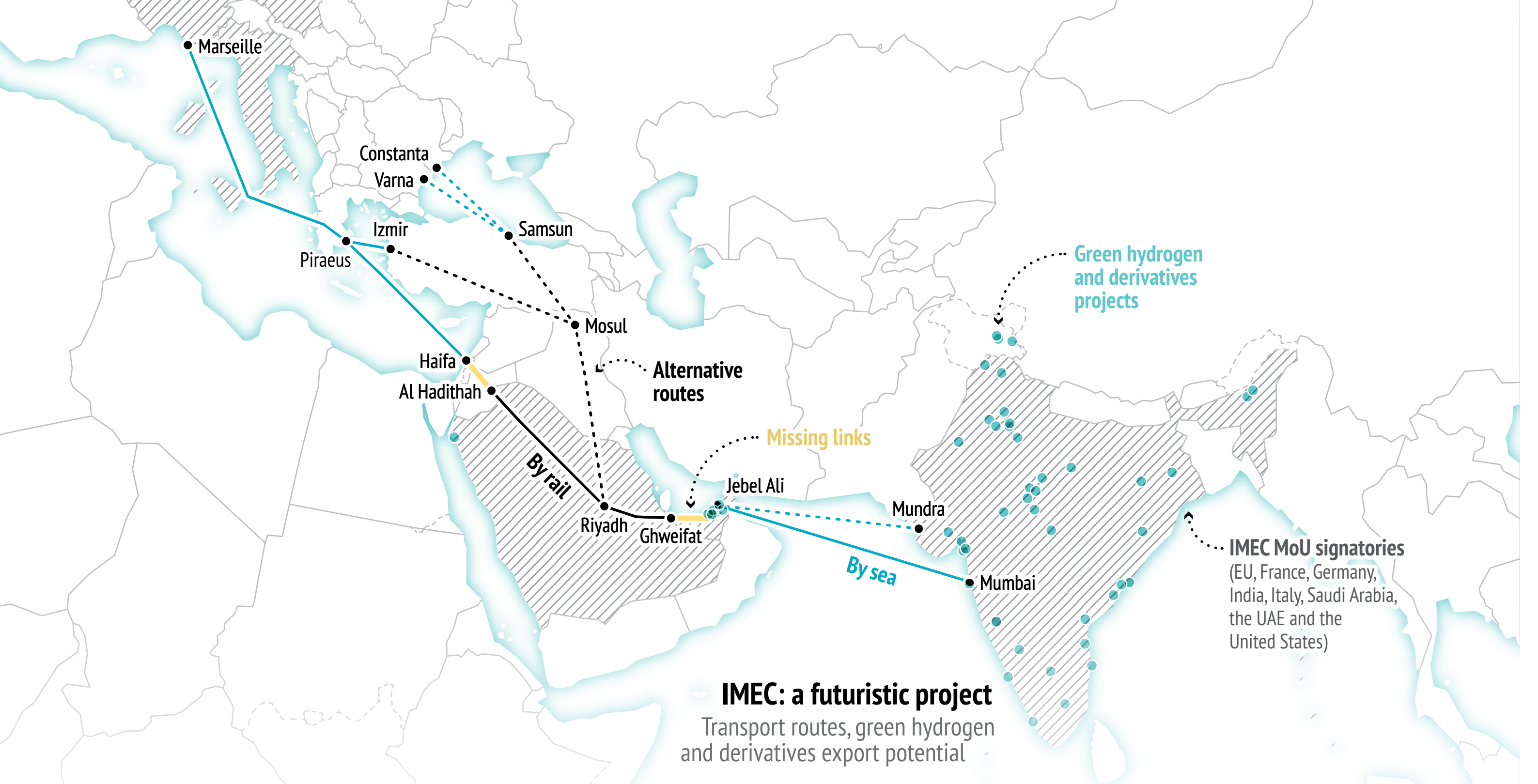
IMEC constitutes a strategic opportunity to diversify and develop new economic corridors between Europe and Asia. This involves transport, digital and telecommunications connectivity via a high-speed data pipeline, as well as a common renewable electricity grid and a green hydrogen pipeline.

The project envisions a two-part shipping and rail route. Goods from India would travel by ship to the United Arab Emirates (UAE), then continue by rail through the Kingdom of Saudi Arabia (KSA) and Jordan to Israel's Haifa port for onward shipment to destinations across the EU. Bypassing the Suez Canal could substantially reduce transport times by 40 % [1].

However, significant challenges exist. Building such a vast network requires overcoming technical, financial and political hurdles. Regional conflicts, the exclusion of key players, and differing priorities create a complex geopolitical landscape. Additionally,

Summary

- The India-Middle East-Europe Economic Corridor (IMEC) is an ambitious proposal for a set of infrastructure projects that aims to connect Asia, the Middle East and Europe.
- Realising IMEC's full potential will take time, as significant challenges lie ahead. Regional instability and competing interests could hamper progress, while the initiative will face financial and bureaucratic hurdles in its early stages due to a lack of concrete financial commitments as well as logistical challenges along the way.
- The EU's primary interest in IMEC hinges on tapping into the economic and green hydrogen export potential of India and the GCC countries. However, fulfilling these ambitions will require substantial investment in green hydrogen infrastructure development and securing additional off-takers for the produced hydrogen.



Data: Carnegie Endowment of International Peace, 2024; International Union of Railways, 2017/2018, 2023; The Hindu, 2023; European Commission, GISCO, 2024

competition with China's BRI adds to the uncertainty. IMEC's future hinges on navigating these complexities and securing long-term commitment from stakeholders. Realising IMEC's full potential will be a long-distance marathon, not a quick sprint.

KEY PARTNERSHIPS

Improved relations between India and the Gulf countries, particularly the UAE and, to a lesser degree, KSA, since the early 2000s, have bolstered the feasibility of the IMEC project. The growing *rapprochement* has culminated in the consolidation of a strategic partnership.

Energy security and the remittances sent home by an estimated 9 million Indian expat workers in Gulf Cooperation Council (GCC) countries have traditionally been the cornerstones of the India-Gulf geo-economic relationship [2]. Shared interests have gradually expanded beyond oil exports from Gulf countries to include food security, fertilisers, renewable energy and the health sector [3]. The signing of the Comprehensive Economic Partnership Agreement (CEPA) between India and the UAE in 2022 highlights its Gulf partners' eagerness to tap into India's exponential economic growth [4].

In contrast, the India-Israel relationship has a strong security component: cooperation in the defence sector, including technology transfer, has become key, and India is now a top defence market for Israel. Over time, water, agriculture and space have emerged as additional areas of common interest to the India-Israel partnership [5]. The Haifa Port project through which IMEC is expected to transit was initially awarded to China. Under pressure from the Pentagon, the contract was subsequently granted to a joint Indian-Israeli bid that will operate the port until 2054 [6].

COMPETING PROJECTS

The existing International North-South Transport Corridor (INSTC) links the Indian Ocean and the Persian Gulf to the Caspian Sea via the Iranian ports of Bandar Abbas and Chabahar. This further constitutes a counterweight to the China Pakistan Economic Corridor (CPEC), which provides China with access to the Gulf of Oman via Pakistani territory, from where the route continues through the Red Sea onwards to the Suez Canal. The imposition of Western sanctions on Moscow following Russia's invasion of Ukraine combined with the existing US sanctions on Iran have hindered the operability of the INSTC.

The Trans-Caspian International Transport Route (TITR), or the so-called 'Middle Corridor', further links East Asia with Europe via Central Asian countries and Türkiye; the EU Global Gateway has already allocated €10 billion in related infrastructure for the 'Middle Corridor' [7]. It constitutes a viable alternative to the Northern Corridor and the INSTC, both of which require transiting through Russia. That is, unless Moscow seeks to link the INSTC with the 'Middle Corridor'. There is also a risk of the latter facilitating Chinese trade and influence westwards. An additional alternative route through the Red Sea is currently also problematic due the ongoing Houthi attacks on commercial shipping since November 2023. These have forced ships to detour around the Cape of Good Hope, resulting in additional delays and higher fuel costs [8].

There is a precursor to IMEC in Gulf-MENA-South Asia connectivity: the India, Israel, UAE and United States (I2U2) arrangement. The initiative combines extra-regional partners through private-public partnerships (PPPs) in health, green energy infrastructure and food security. However, the I2U2 is not binding; it features a business forum with specific funding allocated for designated projects [9].

AN UNCERTAIN OUTLOOK

A seasoned EU diplomat aptly described the project's present status as a 'long-term vision' rather than a concrete plan, suggesting a timeframe exceeding a decade for substantial progress [10], while retired Indian Ambassador Navdeep Suri has referred to it as a 'futuristic project' [11]. A number of critical hurdles cast a shadow over IMEC's short- to medium-term prospects.

1. Financial and regulatory hurdles

IMEC's initial financial outlook is clouded by uncertainties regarding funding. This issue is further compounded by the dependence on PPPs. While Saudi Arabia's Crown Prince, bin Salman, has pledged a contribution of $20 billion, the viability of this commitment remains uncertain [12]. Furthermore, the region's volatile business environment, particularly beyond the creditworthy Gulf states, casts doubt on the project's ability to generate sufficient returns.

Another hurdle lies in the complex web of regulations across different countries. Streamlining customs procedures – tariffs, taxes and border regulations – legal frameworks and insurance issues necessitates a major effort to cut through red tape. This requires navigating the labyrinthine bureaucracies of individual states and achieving consensus among them – a challenge exacerbated by the need for financial interoperability. Cross-border cargo constitutes an additional challenge.

2. Geopolitical tinderbox

IMEC faces a challenging geopolitical landscape. The corridor cuts through a region marked by diverse political dynamics, where deep-seated tensions, exemplified by the Saudi-Iranian rivalry, threaten to derail cooperation despite recent attempts at reconciliation. Active conflicts further complicate matters. The ongoing wars in Gaza, Syria and Yemen, coupled with Israel's strained relations with Iran and its Lebanese proxy, as well as Islamabad's close ties to China, present significant obstacles to regional unity.

The recent suspension of talks between Israel and the KSA with a view to finalising the Abraham Accords, along with public opposition in Jordan following the outbreak of the Gaza war, adds another layer of complexity. Local perceptions of the US and the EU as supporters of Israel will potentially impede trust-building efforts among all actors.

3. Missing pieces in the puzzle

The realisation of IMEC faces a significant hurdle due to the exclusion of crucial regional players such as Qatar, the Sultanate of Oman, Iran, Egypt and Türkiye. The planned route, stretching from Mumbai-Mundra to the UAE, KSA, Israel and Greece, bypasses Turkish territory. This has drawn criticism from President Erdogan, who declared 'there is no corridor without Türkiye' [13]. Türkiye actively participates in alternative projects like the TITR, Qatar-Türkiye Pipeline, Southern Gas Corridor, and Iraq Development Road Project, further complicating potential coordination efforts with IMEC. Excluding Türkiye risks exacerbating existing tensions with Greece concerning the two countries' unresolved maritime disputes in the Eastern Mediterranean.

4. Chessboard of competing interests

While the KSA, the UAE, India and Israel acknowledge IMEC's potential for national development, regional integration and stability, they are wary of being drawn into ongoing great power struggles. Diversifying their economic and strategic partnerships remains their key priority. Conversely, the US and EU seek to bolster their connectivity with South Asia and the Gulf, aiming to align with their strategic objectives and counter China's growing influence in the region [14]. However, China's deep economic ties with the Gulf region [15], along with its majority ownership of Piraeus port in Greece, poses a significant challenge to the corridor's effectiveness.

5. Challenges to the EU's interests in green hydrogen

The EU is unlikely to move forward on IMEC without the US doing the heavy lifting financially-speaking. Yet Brussels has shown a commercial interest in IMEC linked to green hydrogen investments in India aligning with the Global Gateway initiative [16]. The European Investment Bank (EIB) confirmed in July 2023 its indicative pledge of €1 billion as part of the India Hydrogen Alliance to support clean energy financing and to back the development of green hydrogen in India [17]. GCC countries' role in transporting and producing green and blue hydrogen – and its derivatives – is key to the EU's access to the global hydrogen market [18]. Both the UAE and KSA have high potential to produce hydrogen-based products and are in closer proximity to Europe.

IMEC would facilitate a hydrogen pipeline that could allow for lower energy losses in transportation than shipping, which is highly expensive and inefficient relative to commodities like LNG [19]. However, building such a long-range pipeline to export that level of green hydrogen and finding off-takers constitutes a mammoth challenge. India has initiated bilateral talks for possible green hydrogen exports with France, Italy and Germany [20]. Similarly, the UAE signed a joint declaration of intent with Germany in 2021 expressing a shared interest in clean hydrogen and its derivatives. [21]

SPACE FOR THE EU?

While achieving full operationalisation of IMEC could take 8 to 10 years, the EU should focus on establishing short- and medium-term milestones for its development. Given current regional instability, a re-evaluation of the project's immediate viability is essential, potentially requiring an interim strategy to ensure progress despite additional financial and bureaucratic challenges.

IMEC is much more than a mere transport corridor: it also includes digital and energy connectivity, offering benefits to all participating countries. This, combined with the potential to leverage India's and the Gulf's economic growth, makes IMEC an attractive proposition to all stakeholders. Likely scenarios for IMEC are: (i) an initial phased approach, constructing the Eastern leg of the corridor first, with potential for expansion at a later stage; (ii) a potential route adaptation for the Western leg, bypassing Jordan and Israel in favour of an alternative route through KSA, Iraq and Türkiye, with onward connections either to the Black Sea or the Mediterranean.

The EU has serious internal institutional limitations *vis-à-vis* its participation in IMEC, a multi-sectoral and inter-regional project encompassing transport, data and energy. This, combined with the challenge of reconciling overarching strategic interests with the potentially divergent bilateral priorities of Member States, presents a significant hurdle. Appointing a high-level EU coordinator for IMEC would be a first welcome step towards ensuring a common EU vision and a concerted approach going forward.

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