



INDIA-MIDDLE EAST-EUROPE CORRIDOR – ECONOMY

NEWS: Progress in the development of the IMEC have stalled due to recent tensions between Iran and Isreal.

WHAT'S IN THE NEWS?

- **Announcement:** The India-Middle East-Europe Corridor (IMEC) was announced during the G20 Summit in New Delhi, September 2023.
- **Objective:** To reduce transit time and costs between the eastern and western nodes by 40% and 30% respectively, compared to the Suez Canal route.
- **Significance:** Expected to revolutionize international maritime trade upon completion.

Challenges Impacting Progress

- **West Asian Conflicts:** The escalation of the Israel-Palestine conflict in October 2023 has hindered progress, especially in the northern segment of the corridor involving West Asia.
- **Arab-Israel Relations:** The normalization process was disrupted, affecting cooperation between key stakeholders like Saudi Arabia and Jordan, delaying their involvement in the project.
- **Political Sensitivities:** Arab countries remain cautious about collaboration with Israel, affecting the project's northern progress until regional tensions ease.

Progress on the Eastern Leg

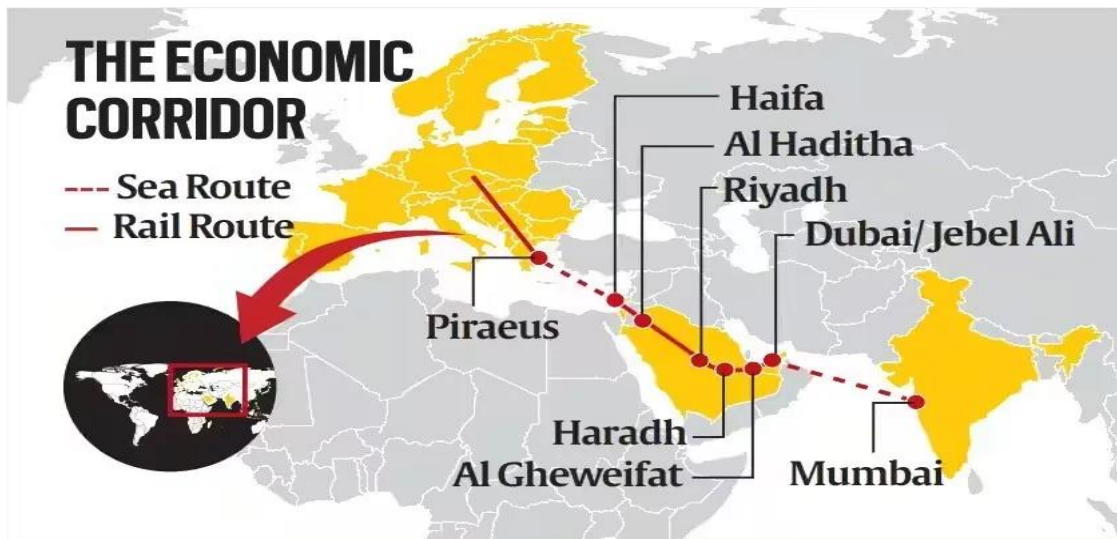
- **India-UAE Collaboration:** The eastern segment, connecting Indian ports with the UAE, is advancing steadily.
- **Economic Relations:** Bilateral trade between India and the UAE has seen a substantial increase following the 2022 Comprehensive Economic Partnership Agreement (CEPA).
 - **Trade Growth:** From \$43.30 billion in 2020-21 to \$83.64 billion in 2023-24, a 93% rise.
 - **Non-Oil Trade:** Shift from oil-based trade to diversified goods, with non-oil trade rising from \$28.67 billion in 2020-21 to \$57.81 billion in 2023-24.

Virtual Trade Corridor: A Key Development

- **Launch:** India and the UAE have initiated the Virtual Trade Corridor.
- **Purpose:** Simplification of trade processes to reduce administrative burdens, logistics costs, and improve efficiency.



- **Strategic Role:** Serves as a pilot framework for other countries in the IMEC, potentially standardizing cross-border trade facilitation.



Current Status of IMEC Development

- **East-West Disparity:**
 - **Eastern Segment:** Progressing with economic linkages and trade facilitation.
 - **Western Segment:** Slowed by regional conflicts and geopolitical complexities.
- **Focus on Connectivity:** Only connectivity aspects, such as infrastructure and port developments, are currently advancing.
- **Delayed Projects:** Elements like clean energy exports, undersea cables, and energy grids are postponed until West Asian tensions subside.

Strategic Opportunities for India

- **Port Upgrades:** Enhance port infrastructure to support IMEC integration.
- **Economic Zones:** Develop Special Economic Zones (SEZs) along corridor nodes to attract trade and investment.
- **Domestic Logistics:** Improve logistics networks and increase digitalization to streamline the supply chain.
- **Manufacturing Competitiveness:** Strengthen manufacturing capacity to better integrate into global value chains and position India as an alternative supply chain hub.

IMEC Secretariat: A Proposed Solution

- **Establishment Need:** Setting up an IMEC secretariat could bring organizational structure and facilitate project coordination.
- **Primary Roles:**



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- **Framework Development:** Create guidelines for cross-border trade processes.
- **Research:** Conduct empirical studies on the corridor's benefits for participant countries.
- **Engagement:** A clearer project structure may attract neighboring countries to join IMEC.

Conclusion

- **Current Trajectory:** The eastern section shows promise, while the western side is hindered by geopolitical issues.
- **India's Role:** A pivotal moment for India to enhance its infrastructure, logistics, and manufacturing to maximize IMEC benefits.
- **Future Prospects:** The corridor's full potential relies on regional stability and India's ability to position itself within global supply chains.

Source: <https://www.thehindu.com/opinion/op-ed/a-mixed-report-card-for-the-india-middle-east-europe-corridor/article68859565.ece#:~:text=With%20IMEC%2C%20India%20aims%20to,of%20the%20IMEC%20more%20organised.>

