IMEC – Challenges and future

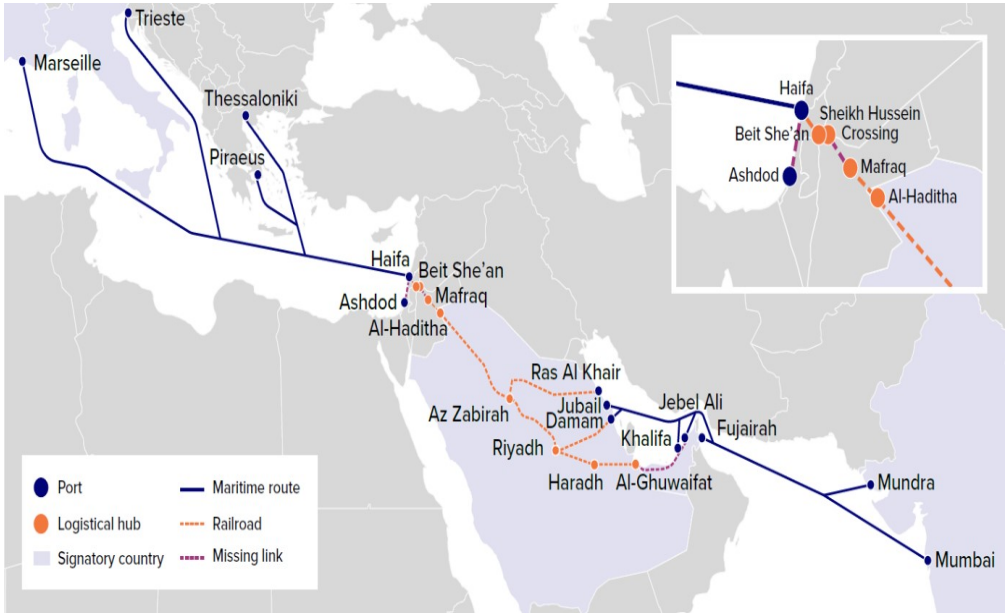
Mains: *GS II – Bilateral, Regional and Global Groupings and Agreements involving India and/or affecting India's interests.*

Why in News?

Recently, India's National Security Council Secretariat hosted envoys and officials to discuss progress on the India-Middle East-Europe Economic Corridor (IMEC).

What is IMEC?

- **IMEC** – The India-Middle East-Europe Economic Corridor (IMEC) is a proposed infrastructure project.
- **Announced during** – *The G20 Summit* held in New Delhi in 2023.
- **Members** – United States, UAE, Saudi Arabia, France, Italy, Germany, Israel, Jordan and the European Union.
- **Aim** – To stimulate economic development through enhanced connectivity and economic integration between Asia, the Arabian Gulf, and Europe.



- **Two corridors** — India-Gulf and Gulf-Europe
- **India-Gulf** – It will carry container traffic from India's western ports to the UAE.
  - From where high speed freight railway will carry goods across the Arabian Peninsula (UAE, Saudi Arabia, Jordan) until the *port of Haifa in Israel*.

- **Gulf-Europe** – It will see cargo being shipped *from Haifa to ports in Greece and Italy.*
    - From where Europe's well-established train networks will take goods to their final destinations across the continent.

What are the ambitions of IMEC?

- **Reduce travel time** – IMEC is expected to cut shipping time from India to Europe *by about 40%* when compared to the Red Sea route.
- **Establishment of agreements** – IMEC gave way to normalisation agreements and rapprochements that prioritised regional economic growth.
- **Conflict resolution** – It may solve years of conflict along ideological and geopolitical lines between
    - Qatar-GCC
    - Iran-Saudi Arabia
    - Arab states-Israel
- **Potential for minilateral agreements** – The Arab normalisation with Israel, which Saudi Arabia was set to join, was yielding enough geo-economic gains for Arab states.
- It can overlook the Palestine question and explore minilateral arrangements with Israel *like the I2U2 with India*.
- **Envisage new route** – IMEC allowed India and its Middle Eastern, American, and European partners to envision a new corridor between India and Europe.
- **Increase in trade** – The EU is India's largest trading partner with bilateral trade in FY 2023-24 at $137.41 billion.
- The *non-oil trade between India, the UAE and Saudi Arabia* has increased significantly in recent years.
- **Trade facilitation and accessibility** – The IMEC will address several issues that continue to persist till date, including
    - No corridor-wide tariff standardisation
    - Low financial integration among corridor partners
    - Lack of corridor-wide insurance
    - Widely differing port capacities.
- **Future prospects** – Its implementing partners would *lay cables for electricity and digital connectivity, pipes for clean hydrogen export.*
- It would increase efficiencies, reduce costs, enhance economic unity, generate jobs, and lower greenhouse gas emissions.

What are some key challenges faced by IMEC?

- **Israel – Palestine conflict** – The single most important issue is Israel's increasingly unpopular war on Gaza, which has *killed at least 61,000 people.*
- The IMEC's cornerstone is the Middle East-Europe connection, between Jordan and Israel.
- **Jordan-Israel issues** – The relations are presently at a significant low, and are worsening due to the *Israeli-American push for Jordan to absorb more of the Palestinian population*
- **Saudi-Israel tussle** – The potential for Saudi-Israel normalisation is much lower today than in 2023.

    - ***For Instance**, Riyadh has doubled down on the need for Israeli concessions towards Palestine while Israel's desire to accept a Palestinian state is at a historic low.*
- **Israel's domination** – Israel is presently focused on formally re-occupying and potentially re-settling the Gaza Strip, despite intensifying global opposition.
- The direct impact of Israel's endless war is the worsening of even those challenges which could be mitigated through reconciled trade practices between stakeholders.
    - ***For instance**, while the Houthi attacks on Red Sea shipping justified the need for the IMEC as a more secure alternative, the expansion of Israel's war demands high insurance premiums for any trade transiting the region.*

What could be done to make IMEC stronger?

- **Trade development** – India is Saudi Arabia's second largest trading partner and both states have had a strategic partnership since 2010.
- These partnerships have *should be developed to yield several instruments to bolster connectivity.*
- **Improving India's presence** – Progress on the IMEC corridor is very much possible for India.
    - ***For instance**, Riyadh and Abu Dhabi both allow the use of UPI for fund transfers and remittance payments, improving the potential for digital connectivity along the IMEC route.*
- **Reducing the Saudi domination** – The Saudi need to *undercut the Emirati economic dominance of the region continues.*
    - ***For example**, in 2021, Riyadh imposed new tariffs specifically on those GCC states that have "free zones" offering preferential tax and customs treatments.*
- **Improving regional stability** – In the long term, for the IMEC to be realised in its originally envisioned form, a secure and stable Middle East is an imperative.
    - ***For instance**, as long as principal issues such as that of Palestinian statehood are not addressed, any regional connectivity plan will inevitably be susceptible to renewed conflict.*
- **Addressing sustainability challenges** – It could be mitigated through commitment and investment from all stakeholders.
    - ***For instance,** in September 2023, participants explicitly agreed to meet within sixty days to develop and commit to an action plan with relevant timetables.*

Reference

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