

Gaza War Stalls IMEC: Challenges and Future Prospects

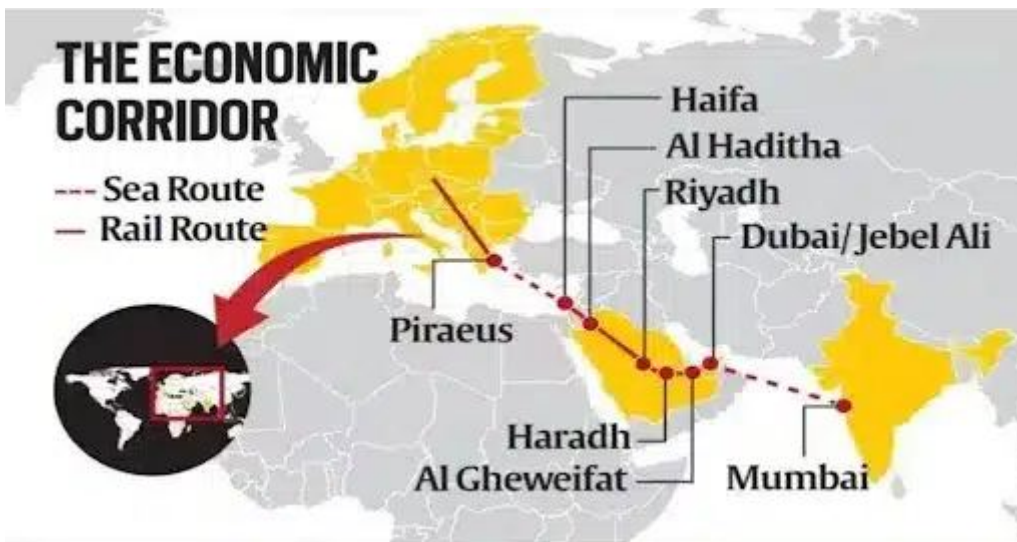
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India-Middle East-Europe Economic Corridor Latest News

- India's National Security Council Secretariat recently hosted officials from the U.S., UAE, Saudi Arabia, France, Italy, Germany, Israel, Jordan, and the EU to review progress on the India-Middle East-Europe Economic Corridor (IMEC).
- This article deals with the corridor's ambitions, challenges, and future prospects.

About India-Middle East-Europe Economic Corridor (IMEC)



- Announced at the 2023 G20 Summit in New Delhi, the IMEC aims to boost economic development through enhanced connectivity between Asia, the Arabian Gulf, and Europe.
- It consists of two segments:
 - the **India-Gulf corridor**, linking India's western ports to the UAE and then via high-speed freight rail through Saudi Arabia and Jordan to Haifa, Israel; and
 - the **Gulf-Europe corridor**, connecting Haifa to Greece and Italy by sea, followed by onward transport through Europe's rail networks.
- Expected to reduce India-Europe shipping times by about 40% compared to the Red Sea route, the project has seen limited progress since its launch.

IMEC's Promise and the Geopolitical Opening That Enabled It

- The IMEC was conceived during India's G20 Presidency in September 2023, at a rare moment of Middle East stability following years of regional rivalries.
- **Arab normalisation with Israel**, which Saudi Arabia was poised to join, created conditions for India, Middle Eastern states, the U.S., and Europe to envision a corridor connecting India to Europe.
- The **economic case** was strong — the EU is India's largest trading partner, with FY 2023-24 bilateral trade at \$137.41 billion, and non-oil trade with the UAE and Saudi Arabia rising significantly.
- Planned as more than a trade route, IMEC aimed to integrate electricity and digital connectivity cables, clean hydrogen pipelines, and measures to boost efficiency, reduce costs, create jobs, and cut emissions.
- It sought to address persistent trade challenges, including lack of tariff standardisation, low financial integration, limited corridor-wide insurance, and varying port capacities, while building a cross-Saudi/UAE railway to link its sea legs.
- Although these were considered manageable through investment and cooperation, the project stalled when, less than a month later, the region was plunged into ongoing conflict, preventing the first stakeholder meeting from taking place.

Gaza War Turns IMEC's Challenges into Fundamental Obstacles

- While the IMEC's economic rationale remains strong, its hurdles have shifted from manageable to fundamental due to Israel's ongoing war on Gaza, which has strained regional ties.
- The corridor's key Middle East-Europe link depends on Jordan-Israel cooperation, now at a low point amid tensions over Palestinian displacement.
- Prospects for Saudi-Israel normalisation have also diminished, with Riyadh demanding Palestinian concessions that Israel is unwilling to make.
- The war's expansion into Lebanon, Yemen, Syria, Iraq, and tensions with Iran heightens insurance costs for regional trade, further complicating implementation.
- Ironically, despite hindering progress, Israel sees the IMEC as crucial to deepening its economic integration with the Arab world, excluding Palestine.
 - Prime Minister Netanyahu has termed framed of the project as a geopolitical blessing for participating states.

IMEC's Future Hinges on Middle East Stability and Conflict Resolution

- While the IMEC's western leg faces uncertainty, India's strong strategic and economic ties with the UAE and Saudi Arabia keep prospects for its eastern leg alive.
- Initiatives like UPI integration enhance digital connectivity potential, but **intra-Gulf economic rivalries**, such as Saudi measures to counter Emirati dominance, hinder unified corridor planning.
- For the IMEC to match its 2023 vision, the regional stability that enabled its conception must be restored — a goal tied to resolving the Palestinian statehood issue.
- Growing global recognition of the need to end Israel's Gaza war, reflected in actions like Germany halting certain arms shipments to Israel, underscores this reality.
- Until lasting peace is achieved, IMEC remains a "day-after" project, with current efforts limited to planning and trade facilitation.

Source: IE

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