

# A REVIVAL OF THE IMEC IDEA AMID CHOPPY GEOPOLITICS

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The Suez Canal | Photo Credit: Getty Images

The Yemen conflict has seen an alarming erosion in the shipping industry's confidence in the Suez Canal continuing to be the backbone of east-west trade. Shippers are not baulking at taking the long, circuitous voyage around Africa.

The Yemen conflict has beefed up the case for the India-Middle East-Europe Economic Corridor (IMEC) which the Gaza war has seemingly dealt a major, if not fatal, blow. Seshadri Vasani, Director-General of the Chennai Centre for China Studies, says that even if the Yemen conflict — ironically, an offshoot of the Gaza war — abates soon, it has made the case for viable alternatives to the Suez Canal stronger.

Critics of IMEC say the Arab Street would simply not allow any major trade link between Saudi Arabia and Israel many years after the Gaza war ends. A United States government press release of September 9 on the IMEC memorandum of understanding promised that stakeholders would meet within 60 days to flesh out the details, but the Gaza war has ensured that no such meeting could possibly happen.

Connecting Al Haditha in Saudi to Haifa in Israel is at the core of IMEC but it was always going to be challenging. Rail projects such as Etihad Rail and the GCC Railway (Gulf Railway), one of whose routes is proposed to terminate at Al Haditha, are already underway in the United Arab Emirates and Saudi Arabia independently, which would dovetail with IMEC that targets ports such as Fujairah and Jebel Ali.

Geopolitics is probably the biggest hurdle before IMEC. Harsh Pant, Vice-President for Studies at the Observer Research Foundation, says after the Gaza war, West Asia will look much different. Turkey, which has been explicitly left out of IMEC, has already been expressive about its irritation and proposed an alternative to Saudi Arabia and Israel through Iraq and itself to access the Mediterranean.

But Mr. Pant hopes Turkey will eventually be brought into the project. He is also optimistic that the long-term trend towards greater trade and strategic links between Israel and Arab nations that was championed by the Abraham Accords will hold.

The political resurrection of Donald Trump has two implications, Mr. Pant says. IMEC will be the sort of project that would sync with a business-focused Trump if he were to become President of the U.S. again. What is in doubt is his patience and interest in a major global project, bolstering China's doubts regarding U.S. commitment towards the IMEC.

Besides trade, electricity and digital cables, IMEC is proposed to carry hydrogen pipelines. As the world moves towards decarbonisation, hydrogen produced from fossil fuel-based processes such as methane reforming will continue to be the transition fuel until electrolysis or other "green" processes become practical. Hydrogen sourced from fossil fuels would keep Gulf nations in business in the hydrogen economy too with the corridor serving that purpose.

For India, however, the containerisation through rail and road in IMEC is a big draw. Containerisation radically quickens trade, reduces port costs. India's National Logistics Policy, unveiled in 2022, seeks to lower logistics costs to global levels by 2030. Beefing up containerisation would be a key pathway towards achieving that goal.

In India, some 70% of containers move by road but optimum splits should be 30% road, 30% rail and the rest, coastal and inland shipping, says Ennarasu Karunesan, a shipping industry professional whose long career includes heading Chennai Container Terminal Terminal and Adani Ports & Special Economic Zone, Gujarat. "Road is faster but rail movement of containers is cheaper," he says.

The dedicated rail freight corridors that link to two IMEC ports of Mundra and the Jawaharlal Nehru Port Trust (JNPT) will play into IMEC logic. But these rail projects skirt southern India, by and large. Containers in the south typically find their way to the Colombo transshipment container terminal via Chennai, Tuticorin/Thoothukudi and so on. The south can potentially leverage IMEC that promises to cut delivery schedules by 40% if it also sees dedicated freight corridors as part of an all-India network.

Meanwhile, IMEC will have to undergo a key debottlenecking. Haifa cannot be India's main gateway to the West since its current container traffic is barely one third of Mundra or JNPT and a tenth of India's current container exports. The Adani stake in Haifa port could help sync it with Adani-owned Mundra in terms of planning for capacity expansion.

Ammar Malik, who leads the Chinese development finance programme for the Belt & Road Initiative at AidData, a research lab at William & Mary University, U.S., says IMEC will likely draw U.S., European, and Saudi financing, coupled with Indian financing and implementation capacity, particularly in ports. He says the United States International Development Finance Corporation funding for Adani Ports-owned Colombo deepwater container terminal could be a template for Haifa.

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