



## North-South Corridor Brings Central Asia, Europe Closer to India

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India's continuous efforts to increase connectivity with countries in the neighbourhood of Central Asia, Caucasus and east Europe got a major boost with the impending possibility of commencement of the Iran-Azerbaijan-Russia cargo train service. Recently, Russian and Azerbaijani railways finalized the tariffs for cargo transportation between India and Russia through the India-Iran-Azerbaijan-Russia line of the International North South Transport Corridor (INSTC)<sup>1</sup> network.<sup>2</sup> The first trains through this link are expected to start by the end of March 2016. Currently, it takes about 40 days from India's Mumbai port to Moscow and European areas of Russia through the sea route; however, the new INSTC link will reduce the transportation time to about 20 days initially and subsequently to 14 days.<sup>3</sup> The INSTC route is estimated to be 30 per cent cheaper as well from the current sea route.<sup>4</sup> It will increase connectivity not only with Russia, but open a shorter, faster and more reliable route from India to Central Asia and Afghanistan as well.

India and Eurasian Economic Union (EEU) are currently studying the feasibility of a Free Trade Agreement. Russia, Kazakhstan, Belarus, Kyrgyzstan and Armenia are EEU members. The new link also connects India with the EEU.

Most of the trade and commercial linkages between Asia and Europe are along the east-west axis and through the sea. However, the INSTC links South Asia with east Europe

along the north-south axis using multimodal rail, road and water transportation networks to connect the landlocked areas along the route and reduce the distance. The fresh impetus by the Modi government in Delhi to increase connectivity with the economies of the world and his visit to all five Central Asian countries in July 2015 and meetings with Russian President Vladimir Putin and Iranian President Hassan Rouhani at Ufa provided the backdrop for increased activities of the INSTC. India becoming a full member of the Shanghai Cooperation Organization (SCO) and the recent removal of some financial sanctions on Iran following the nuclear deal with world powers further accelerated the connectivity Corridor process in the member countries.

The INSTC is a component of the 'Connect Central Asia' policy of India, announced in 2012 during the First India-Central Asia Dialogue in Bishkek, Kyrgyzstan, which also identified the lack of land connectivity as hindering trade and commercial engagement between India and Central Asia. The INSTC makes a significant development in this regard and opens scope for mutual economic growth by complementing each other.



Indicative map of the INSTC, source: The Hindu<sup>5</sup>

On the other hand, Central Asian countries also want to increase their connectivity with India and South Asia. Apart from being a big market and source of technology and investment, India has the potential to emerge as an export hub for the Central Asian

economies. Central Asia's largest country and biggest economy – Kazakhstan – has shown interest in building a terminal at the Mundra port on the western coast of India in the state of Gujarat. MoUs have been signed between the entities of two countries in this regard.<sup>6</sup>

The two Central Asian countries of Kazakhstan and Turkmenistan along with Iran have inaugurated the Uzen-Bereket-Gorgan railway line, which connects the three countries. Signifying the importance of the project, the Presidents of the three countries – Nursultan Nazarbayev of Kazakhstan, Hassan Rouhani of Iran and Gurbanguly Berdimuhamedov of Turkmenistan – were present on Iran-Turkmenistan borders on December 3, 2014 to inaugurate the railway line. The route links the Caspian Sea to the Indian Ocean, giving an opening to the landlocked countries of Central Asia to the open waters through the Bandar Abbas and Chabahar ports in Iran.

Apart from Bandar Abbas, the Iranian port of Chabahar is also emerging as an important link in this connectivity. India has investment plans in the Iranian project to develop the Chabahar port, which is also outside of the Persian Gulf and congested Strait of Hormuz.<sup>7</sup> Through this INSTC link, goods from Indian ports of Mumbai and Mundra, where Kazakhstan is associated, can be sent to Iran, Afghanistan, Central Asia, Caucasus and further to east Europe via Iranian ports of Chabahar and Bandar Abbas. India seeks to lease two berths at Chabahar for 10 years.<sup>8</sup> The Government of India has approved the credit of US\$ 150 million for the Chabahar port investment.

The neighbouring Central Asian countries have substantial natural resources, mineral wealth and vast tracts of land. The fast growing Indian economy needs energy, including coal, and mineral resources such as iron ore, which can be sourced from the region. So far, transportation of bulk items from Central Asia has been facing challenges due to the lack of direct surface connectivity. However, with the inauguration of the Kazakhstan-Turkmenistan-Iran railway, such resources can be imported from Central Asia and heavy industrial items can be exported to the region and other nearby countries. Central Asian countries are also gradually opening their economies and joining international trade and commerce regimes, including the WTO and EEU. The availability of new routes through Iran opens the possibilities of smooth, fast and easy transportation

network with Central Asia, Caucasus and east Europe. It is incumbent on the business and industry people from India to explore the possibilities in these regions, and for the businesses in these regions to access the vast markets in South Asia.

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The Views expressed are that of the Researcher and not of the Council.*

## End Notes

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<sup>1</sup> The INSTC secretariat is located in Tehran and according to its website, India, Iran and Russia are its founding members, and Belarus, Kazakhstan, Tajikistan, Oman, Armenia, Azerbaijan, Syria, Ukraine, Turkey and Kyrgyzstan are other members, while Bulgaria is an observer.

<sup>2</sup> News.az "First train from India to Russia via Azerbaijan to be Sent until End of March," 16 Feb 2016

<http://news.az/articles/economy/105179> (Accessed 22 Feb 2016).

<sup>3</sup> Ibid.

<sup>4</sup> Bipul Chatterjee and Surendar Singh, "An Opportunity for India in Central Asia," *The Diplomat*, 4 May 2015, <http://thediplomat.com/2015/05/an-opportunity-for-india-in-central-asia/> (Accessed 26 Feb 2016).

<sup>5</sup> Sandeep Dikshit, "Despite U.S. opposition, Iran to be transport hub for North-South Corridor," *The Hindu*, 31 May 2012, <http://www.thehindu.com/news/national/despite-us-opposition-iran-to-be-transport-hub-for-northsouth-corridor/article3473943.ece> (Accessed 7 March 2016).

<sup>6</sup> Kazakhstan Temir Zholy, "Memorandum signed between 'NC' KTZ' JSC and the Ministry of Railways of India," 9 July 2015, <http://www.railways.kz/en/node/9102> (Accessed 26 Feb 2016).

<sup>7</sup> Ramola Talwar Badam, "Congested Waters of Strait of Hormuz a Recipe for Tension and Tragedy," *The National*, 18 July 2012 <http://www.thenational.ae/uae/congested-waters-of-strait-of-hormuz-a-recipe-for-tension-and-tragedy> (Accessed 26 Feb 2016).

<sup>8</sup> "India, Iran Sign MoU on Developing Chabahar Port," *PTI*, 6 May 2015, *Live Mint*, <http://www.livemint.com/Politics/pZhLxBv6GqyDLRK5tK2mHI/India-Iran-sign-pact-on-developing-Chabahar-port.html>, (Accessed 3 Mar 2016).