

Russian backed INSTC is being endorsed for saving time and money while doing cross border interactions. Is this true? Highlight Russian objectives and possible hurdles to this initiative?

1) Introduction

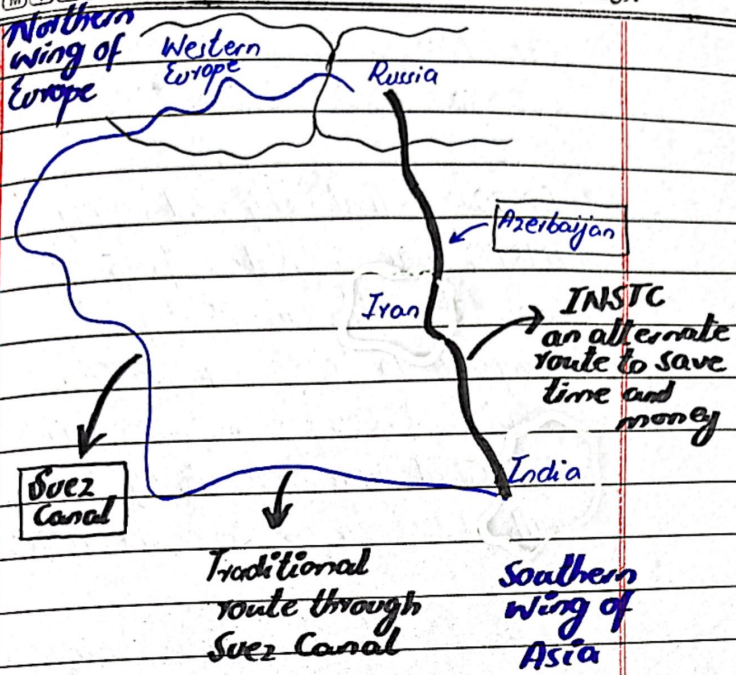
International North South Transport Corridor (INSTC) is a multi-modal transportation route, involving ship, rail, and road networks, connecting India, Iran, Russia and several Central Asian countries. The corridor aims to shorten distance between Europe and Asia and reduce cost of trade as compared to traditional routes like Suez Canal. It encompasses Russian's objectives of exploring access to warm waters ports of southern region and enabling itself with markets other than Western region. However, several hurdles limit potential of INSTC.

"We view INSTC as not only a transport route but a foundation for deeper integration between Eurasia, Middle East and South Asia, creating a new axis of prosperity and cooperation"

(Vladimir Putin)
- President of Russia

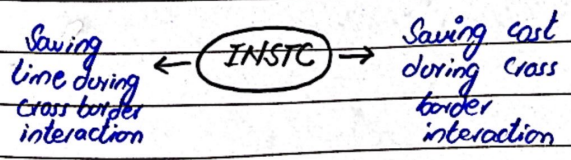
2/ INSTC: A bridge between North Wing of Europe and South Wing of Asia

INSTC was signed in 2002 between Russia, Iran and India. It is 7200km long network of rail, ship and road route between Iran, India, Azerbaijan, Russia and Europe.



- = Traditional Route
- = INSTC route

3/ Russian backed INSTC being endorsed for saving time and money while doing cross border interactions



(A) INSTC saves cost during Cross border interaction

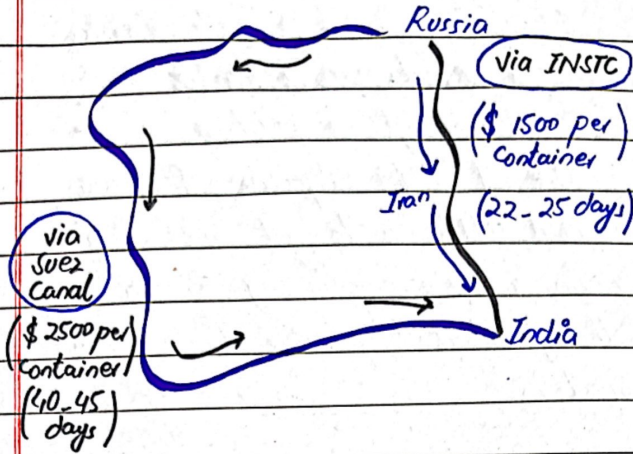
In 2022, first shipment using INSTC was completed from Russia to India in 25 days (Compared to 40-45 days via Suez Canal) \$2500 per container via Suez Canal was reduced by 30-40% with \$1500 per container via INSTC

(B) INSTC saves time during Cross border interactions

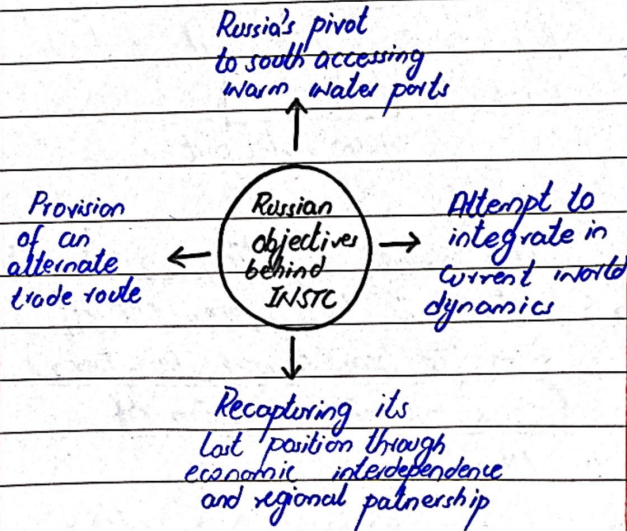
According to a survey,

"INSTC is 30% cheaper and 40% shorter than traditional route via Suez Canal."

(Federation of Freight Forwarders
Association (FFFAI)
of India)

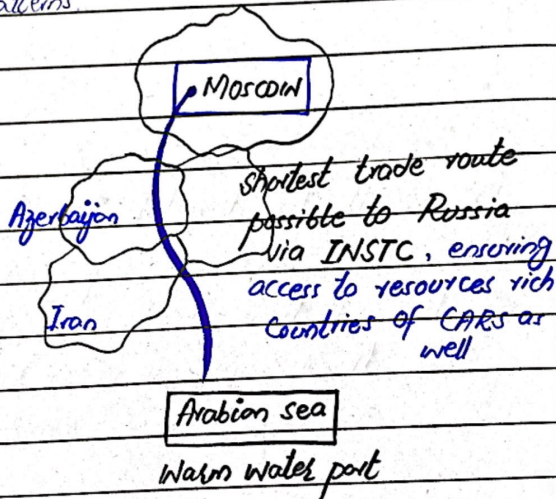


4/ Russian veiled objectives and concerns behind transcontinental trade platform



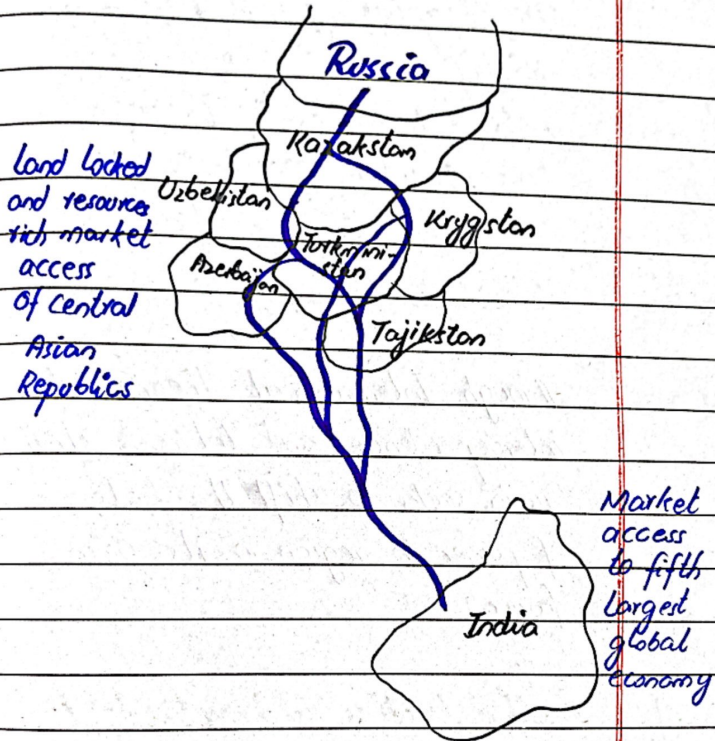
(A) INSTC can enable Russia
to access warm water ports

One of major objective of Russia behind INSTC is to get access to warm water, empowering Russia through shortest possible trade route patterns.



(B) Russia is getting an alternate
trade route having been cut off
from its traditional Western
one's following invasion of
Ukraine

Russia can get access to resources rich and landlocked countries of "Central Asian Republics" and India amid heavily imposed US Sanctions



(C) Highly Sanctioned Russia seek to integrate in current World dynamics

Through partnership with Iran, Russia wants to integrate in the current global politics.

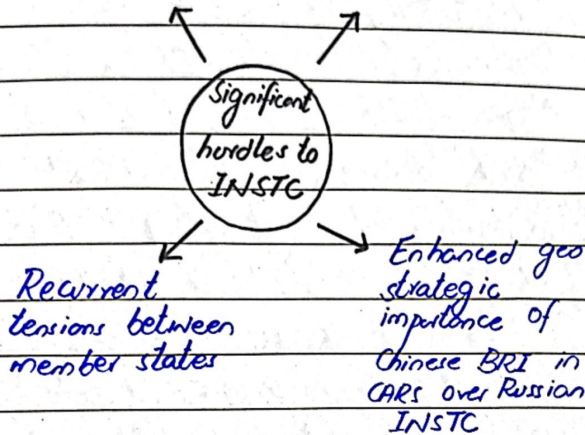
(d) Recapturing lost position and vigour in the eyes of global community through infrastructure projects of economic integration and interdependence

Through International theories of interdependence and Interconnectivity, Russia seeks to shift the balance of power in region in its own favour.

5/ Possible hurdles and retards to proposed outcomes of INSTC

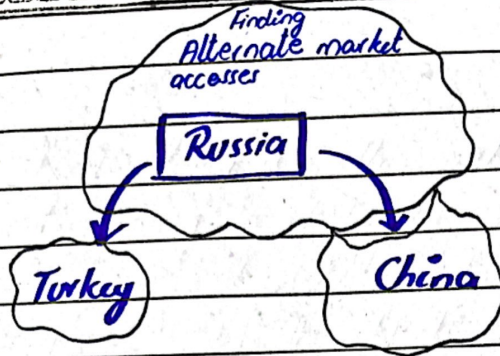
Heavy sanctions
of US against
Russia and Iran

Absence of a
driving financial
potential behind



(A) Heavy Sanctions of US
against Russia and Iran :
Major hurdle of INSTC

China and Turkey are major markets to Russia but both states are proven not willing to risk sanctions in past. These are not long term trade partners of Russia, forcing Russia to seek new opportunities.



Turkey - being a NATO member is closely integrated with USA

US remains China's largest economic partner

(B) Absence of driving potential behind INSTC

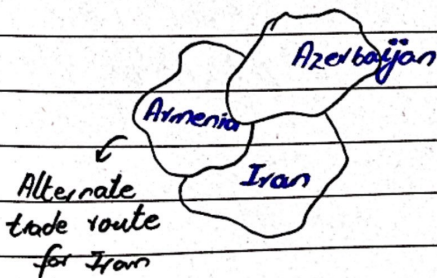
Unlike BRI project of China which is supported by dedicated financial institutions, INSTC is proceeding in an adhoc manner, financed by regional development banks or INSTC member states which poses a weaker financial potential of INSTC.

(c) Enhanced geo political and geo strategic influence of Chinese ambitious BRI projects in CARs setting back INSTC significance

China's BRI being more stable and compromising, aimed to be fulfilling to CARs, overcoming the importance of INSTC.

(d) Tension between member states : hurdle for INSTC

The continuous tension between Iran and Azerbaijan, propose a threat to INSTC, seeking Iran to alternate trade route of Armenia.



6/

Conclusion

INSTC being a multimodal trade route is aiming to shorten the distance and reduce cost of trade between Europe and Asia. The objectives of Russia to access warm water, regaining its lost glory, finding alternate trade route highlight importance of INSTC. However, heavy sanction of US on Russia, absence of driving financial potential and tension between member states are hurdles to INSTC.