

## **The Crucial Role of the International North-South Transport Corridor in the Indo-Pacific**

Ashkhen Gevorgyan<sup>1</sup>, Dr. Monojit Das<sup>2</sup>

<sup>1</sup>Senior Laboratory and Researcher, Institute of Oriental Studies of the National Academy of Sciences of the Republic of Armenia, Email: ashkhengevorgyan16@gmail.com

<sup>2</sup>Hon Advisor to IADN, Indian Aerospace and Defence New

### **Abstract**

*The International North-South Transport Corridor (INSTC) holds the potential to emerge as a significant route for fostering new economic opportunities within the Indo-Pacific region. This extensive transportation network, connecting the northern and southern hemispheres, holds paramount importance in fostering regional integration, economic development, and geopolitical stability. Economically, the corridor acts as a catalyst for increased trade and commerce, facilitating the efficient movement of goods between participating nations where it links diverse economic zones, reducing transportation costs and time, providing a significant boost to regional economies. The corridor's comprehensive infrastructure supports multimodal transportation, seamlessly integrating maritime, rail, and road networks.*

*Geopolitically, the INSTC enables the participating countries a far greater strategic flexibility with enhanced mobility thereby making it less dependent on traditional trade routes. This diversification reduces exposure to geopolitical conflicts and strengthens the resilience of the region's trade infrastructure. By developing a network of alternative pathways, the corridor can offer more secure and sustainable routes across the Indo-Pacific, thereby promoting increased collaboration among regional economic hubs acting as a vital conduit for economic prosperity and strategic stability in the Indo-Pacific.*

**Keywords:** *International North-South Corridor, Indo-Pacific, India-Iran relations, North-South transport network, Bab el-Mandeb strait, sanctions.*

### **Introduction**

*Present day geopolitics make it of utmost importance for a country to identify the most beneficial transport route and mode which links the country with its target international markets. In the context of the Islamic Republic of Iran, the country's strategic location between the Far East and Europe, coupled with its substantial potential as a transport and transit hub, positions it to serve most effectively by facilitating the swiftest possible connection between these regions. In particular, the consideration is for goods transit between the Indian subcontinent and the CIS (The Commonwealth of Independent States) countries. In this respect and taking into account the aforementioned factors, the Islamic Republic of Iran has identified the International North-South Transport Corridor (INSTC) as the most beneficial possible means of linking these regions. This identification is based on the likelihood that the INSTC would be the most cost-effective mode linking the aforementioned regions, bringing about gains for Iran and the other countries involved. In view of this, and knowing the current unfavorable environment for the shipping and air carriers of the CIS countries and the Indian subcontinent, the INSTC has the potential to bring about trade diversion to more favorable and stable long-term options for regional countries.*

*The key to this lies in identifying and establishing efficient transport routes and corridors which have the potential to reduce time and costs for transit trade leading to improved competitiveness issues the rest of the world. This is usually attainable through easier access to efficient modes of transport, improved trade and transit policies and facilitation which lead to skimp in transport and*

logistics costs. All of these factors combined then imply improved connectivity and access to international markets which ultimately serves to promote the development of the specific region involved.

During the past years, there has been a significant growth in extensively globalized trade which has expanded the disparities between the developed and the developing countries. Moreover, in the intensely globalized world today, access to the global markets and a sustained integration into the world economy have become vital for developing countries to provide survival and growth. Hence, most developing countries have more and more identified participation in global markets as a prerequisite for development that leads to higher income and employment. To achieve this, these countries need to re-orient their production structures toward goods and services for which there are relatively high long-term and stable demand in the world market and which possess comparative advantage.

Eurasian continent has always been the centre of economic developments and increasing trade activities, due to its geography that connects two continents and strategic importance in connecting east and west. Main volumes of the trade activities from Asia to Europe usually takes the sea route. Undeniably, the sea route is the best choice in terms of cost, but sometimes it is not the safest and fastest. The risky trade through the Suez Canal and the areas around the Arabian Sea which are occupied by pirates always gives obstacles to the shipping companies. So the effort of finding an alternative trade route between the two continents has always been considered. And based on this and other facts, Iran, Russia, and India have come forward with an initiative to promote transportation cooperation among the countries lying between the Indian Ocean and the Persian Gulf using their common cultural, political, diplomatic influence in the region. And in the result of all of this circumstances, North-South Transport Corridor (NSTC) initiative was launched. This increased the interdependence between nations in terms of trade and the need to stay competitive in the World Trading System. For developing countries, especially in Asia and the Indo-Pacific, it is necessary for them to find a new way to gain more trade benefits to place them at a competitive level with developed countries which the INSTC can be the efficient way to connect Indo-Pacific trade markets to the European and vice versa.

### **Purpose of the Study**

It should be noted that the main aim of the present study is to compare advantages of the INSTC in relation to traditional transport routes. Emphasis is made on the economic benefits of INSTC where it has compared the time and cost parameters of the International North-South Transport Corridor (INSTC) with those of other existing traditional transport routes. Additionally, the study seeks to examine the various opportunities and challenges associated with enhancing trade and economic activity in the Indo-Pacific region. It also explores the potential of this enhanced cooperation to expand trade activities within the Indo-Pacific through the INSTC. Also we tried to introduce assume advantages and disadvantages regarding INSTC which can hinder the program's effectiveness. However this aspect of engagement Indo-Pacific region in the INSTC we are summarised in separate stages for the better understanding of the reader.

### **Methodology**

To conduct our study, we employed the following methodology:

#### **Qualitative Analysis**

The qualitative analysis involved conducting interviews with experts to address and clarify some of the observations in the work. These interviews provided valuable insights into the strategic and operational aspects of the International North-South Transport Corridor.

## Quantitative Analysis

*In evaluating the effectiveness of the INSTC for the Indo-Pacific region, a comparative analysis was conducted between the INSTC and traditional transport routes, including the Suez Canal and the Straits of Malacca and Bab el-Mandeb. The analysis focuses on:*

**Cost Differences:** Evaluating the cost disparities between the INSTC and other traditional routes.

**Transit Time:** Comparing the average transit times to assess the efficiency benefits of the INSTC.

**Safety and Reliability:** Assessing the security risks and reliability of the route compared to other major transport corridors.

## Primary Sources

Primary sources for this research were gathered through the analysis of existing research, scholarly works, articles, monographs, and statistical data in the field. These sources provided a foundational understanding of the INSTC's operational and strategic dimensions.

## Secondary Sources

Secondary sources included interviews with government and diplomatic officials, news reports, and data on transportation costs, transit times, and trade volumes. These were obtained from reputable databases such as the World Bank, International Monetary Fund (IMF), and national trade statistics. These sources supplemented the primary data and provided additional context and depth to the study.

## Literature review

The INSTC is rapidly emerging not just as the most efficient and cost-effective trade route which can connect the Indo-Pacific region with Central Asia and Europe but it is also becoming a counter to traditional route and also other initiatives like the Chinese Belt and Road (BRI). INSTC bypasses traditional and often high congested routes such as the Suez Canal, Bab el-Mandeb, and the Malacca Straits making its strategic importance rise significantly in the context of regional trade facilitation.

Since this work emphasizes the importance of the INSTC for the Indo-Pacific region, it is essential to first outline the historical and intellectual background that brought the significance of the Indo-Pacific to light. This requires an examination of the key contributions by scholars and policymakers who have emphasized the region's strategic and economic relevance. Additionally, it is important to explore when and under what circumstances the North-South project was initiated.

As defined by Haussoffer (2022), the Indo-Pacific region encompasses a geographically vast area and plays a significant economic and strategic role both within the region and in the broader global context. The importance of the INSTC is thus underscored by its potential to facilitate trade and economic integration across this critical region. Examining the creation and objectives of the International North-South Transport Corridor suggests

that this initiative may present an effective alternative for the region. Chatterjee's (2018) analysis of the establishment of the INSTC, along with the political and diplomatic context that enabled its development, offers valuable insights into the challenges and potential opportunities that this corridor may encounter in the future. As Wu (2022) highlights, the Indo-Pacific region constitutes crucial geopolitical arena where major powers, including the United States, China, and India, vie for comprehensive influence. Consequently, this competitive dynamic has led to the development of substantial commercial and economic initiatives and routes aimed at connecting various regions.

According to Vinokurov, Ahunbaev, and Zaboev (2022), the International North-South Transport Corridor has the potential to reduce transit time by approximately 40% compared to the existing Suez Canal route. This reduction in transit time significantly lowers trade costs and enhances the efficiency of the route, making it a more advantageous option for countries in the Indo-Pacific region.

One of the key advantages of the International North-South Transport Corridor is its multimodal nature, which reduces reliance on geopolitically sensitive chokepoints such as the Suez Canal, the Malacca Strait, and the Bab el-Mandeb Strait. This diversification of transit routes mitigates the risks associated with geopolitical tensions and congestion at these critical hubs. Anderson (2022) provides a comprehensive analysis of this topic, examining the vulnerabilities of traditional maritime routes. The study explores the impact of political instability on the operation of these routes and addresses the threats posed by piracy, highlighting the associated risks and challenges that affect their efficiency and security.

The findings presented in Anderson's research aligns with the perspective presented in this work, complementing that the potential of International North-South Transport Corridor remains highly efficient and can become a more adaptable route for regional trade and economic cooperation. This potential stems from the corridor's ability to reduce the vulnerabilities and risks inherent in traditional maritime routes. To fully appreciate the flexibility and efficiency of the INSTC, it is thus essential to thoroughly examine these conventional routes, particularly their critical weaknesses which are found in key chokepoints like the Suez Canal, the Malacca Strait, and the Bab el-Mandeb Strait often plagued by geopolitical tensions, political instability, and piracy, posing significant threats to global trade. By juxtaposing these risks with the strategic advantages offered by the INSTC—such as shorter transit times, reduced costs, and improved security—a more comprehensive understanding of its capacity to bolster regional trade and economic cooperation emerges. Additionally, the INSTC's potential to serve as a crucial alternative during times of crisis or disruption in traditional routes further enhances its strategic value.

Passi (2017) offers a detailed comparative analysis of the International North-South Transport Corridor and traditional routes. This study facilitates a deeper understanding of the advantages and significance of the INSTC by highlighting how it contrasts with and potentially overcomes the limitations and vulnerabilities of conventional maritime routes. Official publications and secondary sources utilized in the execution of the work further substantiate several views and assumptions presented. These sources provide additional evidence and context, reinforcing the validity and depth

of the analysis regarding the International North-South Transport Corridor and its comparative advantages. In addition to the academic literature, interviews with expert circles are crucial, offering valuable insights into the challenges and opportunities associated with the International North-South Transport Corridor. These expert interviews further underscore the significance and relevance of the work by providing practical perspectives and firsthand knowledge that complement the academic analysis.

### Overview of the International North-South Transport Corridor

The "North-South" international transport project was launched on September 12, 2000 in St. Petersburg, where an agreement was first signed between Russia, Iran and India. After this Azerbaijan, Belarus, Armenia, Kazakhstan, Oman and Syria also joined the project. The transport project starts from the northwest of the Russian Federation, from St. Petersburg, which is bordered by land with northeastern Europe, it is by water, road and railway routes connected to the Caspian Sea and the South Caucasus. The "North-South" route extends to the southern ports of Iran, from where it reaches the ports of India via the Persian Gulf and the Arabian Sea (Chatterjee S., 2018).

Trade transportation between India and Russia is mainly carried out through the Suez Canal. The duration of transfers are up to 20-45 days, which complicates the cargo transportation process. The operation of the "North-South" project will make it possible to lessen this time to 15-21 days, maintaining and in some cases even donating more favorable tariffs and conditions than in the case of cargo transportation through the Suez Canal (Vinokurov, Ahunbaev, & Zaboev, 2022, p. 161).



Fig. 1 The route of the "North-South" international transport corridor.

Source: *Tehran Times news website*.

This route connects the Indian Ocean with Russia and Europe via Iran. The route foresees transportation of goods from Mumbai (India) to Bandar Abbas (Iran) by sea, from Bandar Abbas to Bandar-e Anzali (an Iranian port on the Caspian Sea) by road, then from Bandar-e-Anzali to Astrakhan (a Russian port on the Caspian Sea), and from Astrakhan

to other regions of the Russian Federation and then to Europe on Russian railways (Malysheva, 2021).

This route is expected to offer both faster and cheaper trade transfers than other alternative routes (Suez Canal, Malacca Strait, Bab el-Mandeb Strait). The corridor to connect Central Asia and Russia makes less India's dependence on Pakistan. If the project is successfully launched, the Iranian ports of Chabahar and Bandar Abbas will become a gateway for India, connecting the latter with the markets of Central Asia and Europe. One of the main objectives of the corridor is the expansion of trade and transport by rail, road and sea by member countries.

### **Overview of the Indo-Pacific region**

The term "Indo-Pacific region" was adopted as a geographical unit that delimited the areas from the Indian Ocean to the Pacific Ocean, but as a concept of world politics it was first used only at the beginning of the 20th century, when the German political scientist Karl Haussoffer first published his. In the book "Pacific Geopolitics" he used the term, emphasizing the geopolitical importance of that region (Wu, Y., 2022).

The Indo-Pacific region gained prominence as a key geopolitical concept starting around 2010, when world leaders increasingly began to refer to it in their speeches as a significant geopolitical entity. Among the first was former US Secretary of State Hillary Clinton, who, in her October 2010 speech in Hawaii, highlighted the Indo-Pacific region's critical role in global trade and its influence on geopolitical dynamics (U.S. Department of State, 2010, October). It was significant that in July 2011, Hillary Clinton even publicly announced that the 21st century will be the era of development of the Indo-Pacific region. And which will unite the countries of the entire region against global issues (U.S. Department of State, 2011, July).

In December 2012, the previous Prime Minister of India Manmohan Singh (2004-2014) in his speech at the India-ASEAN Summit held in Delhi, announced that the security and prosperity of the Indo-Pacific region is very important for India. This meant that India considers the development of this region as one of India's important issues and will try to spread Indian influence there (Ministry of External Affairs, 2012, December).

And already during of Barack Obama's administration, the role of the Indo-Pacific region had increased considerably and it was not considered just a geographical unit, but, as Obama repeatedly stated in his speeches, "it is an important strategic center through which the world's main trade routes pass." Donald Trump also continued to maintain the policy adopted by Obama regarding the Indo-Pacific region. In general, the Indo-Pacific region is a convenient political arena for Washington, where by generating opportunities for the countries of the region (primarily India and Australia), it is used to restrain China (Wu, Y., 2022).



Fig. 2 Indo-Pacific region.

Source: Google photo

For India, a pivotal player in the Indo-Pacific region, which is reflected not just from the name of the region but its rising power display features as an acknowledgment of its status as a dominant power within the area. This recognition inevitably fuels competition with another regional powerhouse, China. Consequently, India has intensified its involvement in the North-South Corridor initiative, which some experts view as a potential rival to China's "One Belt, One Road" project. This rivalry has further solidified the strategic importance of the corridor in India's foreign policy. Additionally, the Indo-Pacific concept, which gained traction in geopolitical discourse during the 2000s, has emerged as a crucial element shaping international relations. The increasing focus on this region underscores its significance as a key arena for influence between major global powers. Currently, this concept is seen in two senses: first, as an anti-China discourse where India's growing role and progress is opposed to China's ambitions, and then, as a new geopolitical point that can unite the countries of the region around new partnerships or ideas.

### **Advantages of INSTC as a trade route**

By facilitating land transportation and reducing transit time, the "North-South" route increases trade flows and economic connectivity between the Indo-Pacific, Central Asia and Europe regions. Improved connectivity along the corridor reduces trade costs, increases market access, and promotes economic growth by tapping into the region's diverse markets and resources. The "North-South" route is one of the important links of regional cooperation and integration, bringing together countries with different interests and priorities. Besides, this route provides a platform for joint initiatives in areas such as trade facilitation, customs and border infrastructure development, which lays the foundation for deeper integration and economic cooperation in the Indo-Pacific region. While "North-South" route offers immense opportunities for enhancing connectivity and economic integration in the Indo-Pacific region, it also faces various challenges such as geopolitical tensions, infrastructure funding constraints, logistical complications, terrorism, etc.

In the context of transport and economic cooperation and communication in Eurasia, the “North-South” route is a rather flexible and active direction, which has the following logistical advantages (Vinokurov, Ahunbaev, Usmanov, & Zaboev, 2022):

- Shortest distance to destinations in South Asia, East Africa and the Middle East
- The multi-modal immanency of the corridor, which enables the simultaneous transportation of goods by three routes: road, rail and sea.
- High storage capacity
- Cargo transportation through the South Caucasus and Central Asia to Europe without the possibility of reloading.

A 2021 report by the Eurasian Development Bank stated that, depending on different scenarios, the total potential for containerized cargo on the “North-South” route could reach 325,000–662,000 TEU (5.9–11.9 million tons) by 2030, including all three main routes and all modes of transportation (road, rail, sea). If the North-South joins the Eurasian east-west transversal transport corridors, the impact could be equivalent to 127,000–246,000 TEU (2.3–4.4 million tons) or about 40% of total cargo traffic. North-South freight traffic is anticipated to increase, driven by the existing geographic and commodity patterns of foreign trade flows among the countries linked by the corridor. This growth is expected to enhance the efficiency and competitiveness of the corridor in global trade networks. Projections suggest that by 2030, total rail freight traffic could expand to between 9 and 18 container train pairs per day, reflecting the corridor's increasing role in facilitating regional and intercontinental trade (Vinokurov, Ahunbaev, Shashkenov, & Zaboev, 2021).

Indian Foreign Minister S. Jaishankar announced at a press conference on May 13, 2024, that an agreement would be reached with the Iranian government on the management of the Iranian port of Chabahar (NDTV, 2023). According to the initial agreement, the port will be given to the Government of India for a period of 10 years. Through this deal, Kazakhstan, Turkmenistan, Uzbekistan, and Afghanistan will become part of an alternative route through which the trade routes of the Indo-Pacific region will connect to the markets of Europe (Economic Times, 2024).

By 2030, the “North-South” route is expected to handle between 14.6 and 24.7 million tons of freight annually, accounting for more than 70 percent of all container traffic between Eurasia, the Persian Gulf region, and South Asia. This route will also open up opportunities for the Indo-Pacific region to access larger markets for energy resources. As a result, the trade of energy resources will become a key platform for regional cooperation facilitated by this route (Chatterjee S., 2018).



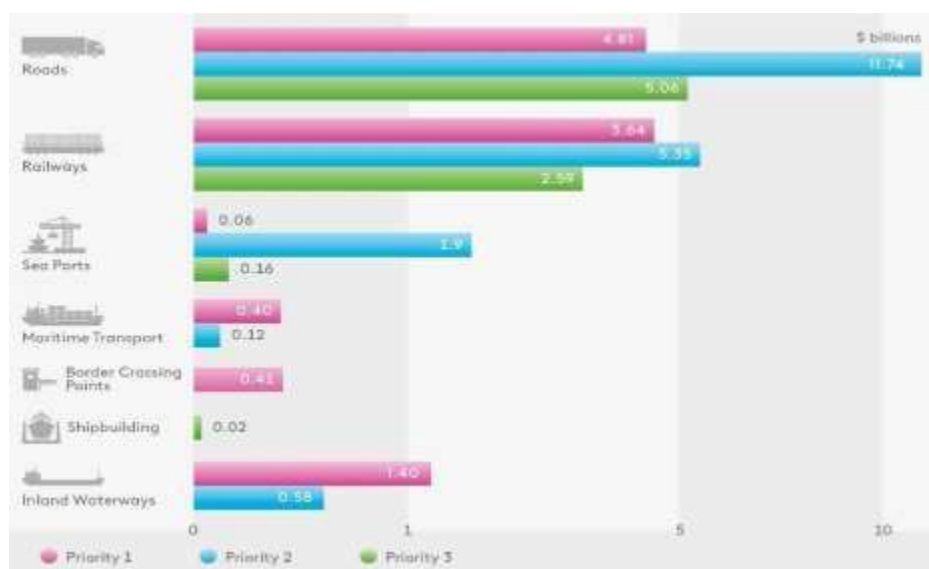


Fig. 3 Investments made for transportation vehicles of the "North-South" project according to the Eurasian Development Bank (billion dollars).

Source: EDB.

As previously mentioned, one of the primary advantages of the "North-South" route is its efficiency in terms of both time and cost. Trains can complete the journey in an average of just 14 days, which is one-third the time required for sea transport and one-fifth the cost of air transport. A dry run calculation conducted by the Government of India in 2014 demonstrated that this new route is 40 percent shorter and 30 percent cheaper than the traditional route via the Suez Canal. Furthermore, the analysis indicates that transporting goods from India to Iran, and subsequently to Russia and Europe, via the "North-South" route is more cost-effective, potentially saving up to \$2,500 for every 15 tons of cargo (Passi, 2017).

Another notable advantage of the "North-South" route is its role as a transit corridor connecting Southeast Asia and Europe. Given that ASEAN and the EU are each other's third and second-largest trading partners, respectively, there is a pressing need for a more efficient, secure, and cost-effective route to enhance commercial exchanges between these regions. The "North-South" route addresses this need by providing a viable alternative, thereby facilitating the conclusion of bilateral Free Trade Agreements and enabling the expansion of project routes (Passi, 2017).

It should also be noted that the Indo-Pacific region is a crucial market for the EU. For example, nearly 30% of the EU's total exports of organic-chemical materials and wood are destined for countries in this region, particularly China, Japan, and India. Currently, trade between the Indo-Pacific and Europe relies on several maritime routes, such as the Suez Canal, the Strait of Hormuz, the Strait of Bab el-Mandeb, the Strait of Malacca, the Strait of Lombok, the Strait of Ombay, and the South China and East China Seas. Transporting goods along these routes entails substantial costs and time, highlighting the need for a new, more efficient route. In 2019, the value of global trade passing through Indo-Pacific chokepoints (permanently congested sea points) between non-neighboring EU countries amounted to \$16,719.9 billion. This figure indicates that trade between the

EU and non-neighboring countries via these chokepoints accounts for approximately 60.4% of total world trade (Girardi, van Hooft, & Cisco, 2023).

The three main chokepoints that are crucial for organizing and implementing the trade process between the Indo-Pacific countries and the EU are the Suez Canal, the Strait of Bab el-Mandeb, and the Strait of Malacca. The Suez Canal, which connects the Mediterranean Sea to the Red Sea, plays a key role in the transportation of various goods. For instance, in the post-COVID period of 2020, when the global economy faced significant losses, 18,829 ships carrying a total of 1.17 billion tons of cargo passed through this route alone. It is estimated that about 12% of global trade transited through the canal in 2020. (Anderson, 2022). The Bab el-Mandeb Strait, located between Africa and the Middle East, is vital for trade around the Red Sea. These chokepoints are especially critical for oil and gas exports from Middle Eastern countries. Approximately 1.74 million barrels of oil per day are transported through the Suez Canal, 3 million barrels per day through Bab el-Mandeb, and 17 million barrels per day through the Strait of Hormuz (Girardi, van Hooft, & Cisco, 2023).



Fig. 4 Suez Canal, Strait of Hormuz, and Bab el-Mandeb.

*Source: Google Photos.*

### **Suez Canal**

One of the main challenges facing the Suez Canal is Egypt's internal instability. Political unrest in Egypt can potentially disrupt cargo transportation through the canal, as its passage is controlled by Egyptian authorities. While the authorities are aware that completely closing the canal would result in significant economic and diplomatic repercussions, the government might restrict the passage of ships from certain countries due to political issues. The historical precedent of the 1956 Suez Crisis, during which the canal was entirely paralyzed by political tensions, underscores the validity of these concerns (Girardi, van Hooft, & Cisco, 2023).

Recently, the issue of piracy has become a major concern. Reports indicate that pirate attacks on cargo ships near Somalia and in the Gulf of Aden have increased. Somali pirates are capable of stopping ships, stealing cargo, or taking crew members captive up to 800 nautical kilometers from the coast. Security issues related to piracy have led to higher vessel insurance premiums in the region and increased other costs, such as

additional crew expenses, the cost of licensed security guards, and preventive equipment. This naturally causes dissatisfaction among countries navigating this route and prompts them to seek alternative routes (Notteboom & Rodrigue, n.d.). It should also be taken into account that the Suez Canal has a limited transit capacity. The one-way nature of the canal limits the daily number of transit vessels due to overlapping arrivals and resulting congestion. An example of this occurred on March 23, 2021, when one of the world's largest cargo ships, the *Ever Given*, became stuck in the canal while carrying cargo from Malaysia to the Netherlands. This incident caused a nearly six-day traffic jam, affecting the departure and arrival of more than 370 ships and creating significant difficulties in cargo delivery. The blockage led to more than \$9 billion per day in supply disruptions, equivalent to \$400 million in trade per hour. The total damage to the global economy from this six-day incident was estimated at around \$54 billion. This event underscored the fragility of the Suez Canal as a critical route connecting Europe and Asia, highlighting the need for alternative sea routes (Lee & Wong, 2021).

It is assumed that the "North-South" transport route can be one of the best alternative pathways. This route will expedite trade between Europe and Asia, reducing travel time by 20 days and saving at least 30 percent in shipping costs compared to the Suez Canal.

### **Bab el-Mandeb Strait**

The Bab el-Mandeb Strait is another crucial point in global trade. As previously mentioned, this route sees a significant volume of traffic, with approximately 100,000 ships passing through annually. Moreover, it facilitates 40% of global trade (Anderson, 2022).

The Bab el-Mandeb Strait connects Asia, Africa, and Europe, serving as a crucial conduit for global trade. According to the World Bank, approximately 30% of the world's oil and 40% of dry goods are transported through the Red Sea and the Suez Canal, highlighting the Bab el-Mandeb Strait's importance for these shipments (Qiao, Li, & Huang, 2024).

The civil war in Yemen, piracy in the Gulf of Aden, and the foreign military presence in Djibouti contribute to the vulnerability of the Bab el-Mandeb Strait, causing a decline in its commercial activity. Terrorist attacks near the strait are also relatively common. Additionally, the ongoing tension between Saudi Arabia and Yemen is a major obstacle to the smooth operation of this route. The deployment of military bases in Djibouti by several countries, including the United States, France, Great Britain, Japan, Saudi Arabia, and China, further increases the strait's volatility due to frequent conflicts of interest and geopolitical ambitions. Moreover, frequent droughts and coastal flooding due to rising sea levels also hinder the pace of cargo transportation along the route (Girardi, van Hooft, & Cisco, 2023). As with the Suez Canal, piracy is a significant issue in the Bab el-Mandeb Strait. The problem of the Yemeni Houthis in the Middle East endangers the trade flow of countries in Europe, North America, and the Indo-Pacific region through this strait. In December 2023, the Maltese-flagged MV *Ruen* was hijacked by pirates, marking the first such incident in recent years where a large civilian vessel was directly attacked. Notably, the hijacking of the Israeli oil tanker "*Central Park*" and the attempted launch of anti-ship

ballistic missiles against the US and Japanese fleets underscore the severity of the threat. These incidents indicate that the Houthis have substantial control over the Bab el-Mandeb Strait, posing serious security challenges for countries trading via this route (Qiao, Li, & Huang, 2024).

### **Strait of Malacca**

The next significant maritime route is the Strait of Malacca where annually, up to 100,000 ships pass through this strait, accounting for 40% of global trade (Anderson, 2022). As the main and fastest shipping route between the Indian Ocean and the Pacific Ocean, the Strait of Malacca is one of the most crucial shipping lanes. More than 400 shipping lines connecting over 700 ports worldwide regularly use this strait for transit (Dryad Global, n.d.).

As in the previous two cases, piracy is a major concern in the Strait of Malacca. The seas surrounding this strait were the epicenter of 41% of global piracy between 1995 and 2013. Additionally, climatic conditions pose serious challenges. Tsunamis, floods, landslides, sea level rise, and coastal erosion caused by volcanic eruptions have become frequent, significantly damaging ports and marine infrastructure (Girardi, van Hooft, & Cisco, 2023).

As previously noted, the "North-South" route presents reduced vulnerability to terrorist attacks. Iran's role is pivotal in this context, with its Chabahar port serving as a strategic hub along this route, contributing to its security to a significant extent. In an interview with Professor Vardan Voskanyan, Ph.D., Professor, Head of the Department of Iranian Studies at Yerevan State University, the importance of this route was underscored: "Now, particularly amidst challenges in East-West shipping due to the Ukraine conflict and ongoing Houthi activities impacting transit via the Bab el-Mandeb Strait and Suez Canal to the Mediterranean Sea, Iran's role has become increasingly critical. The implementation of this project promises not only economic benefits but also reinforces Iran's geopolitical standing across the Middle East and potentially in the Indian Ocean region, including its relations with India. This initiative holds substantial implications for Western Asia, broadening Iran's geopolitical influence. Hence, Iran's strategic interest in this project is exceptionally high.

Furthermore, considering Iran's policy aimed at establishing connections to the Mediterranean Sea via the Middle East, this route assumes paramount significance. Iran pursues a dual-vector strategy—North-South and East-West—primarily aimed at fortifying its geopolitical foothold, alongside accruing economic advantages, particularly crucial amidst prevailing sanctions.

While acknowledging that no state can guarantee absolute immunity from terrorist threats in today's global milieu, Iran stands out for its relative stability amidst regional uncertainties. Unlike its neighboring states—excluding Armenia—facing persistent security challenges, Iran effectively manages security risks through dual mechanisms: internally by neutralizing terrorist activities and externally through strategic actions to

safeguard its interests, as evidenced by operations in Pakistan. Therefore, within this framework, Iranians possess the capability to ensure the security of the project."

Thus, the North-South route not only reduces security risks but also allows countries in the Indo-Pacific region to diversify and secure their trade routes, decreasing their reliance on more unstable pathways. By leveraging this secure corridor, nations can potentially mitigate the disruptions often associated with traditional maritime routes plagued by geopolitical tensions and piracy. Furthermore, the enhanced security offered by the North-South route can foster greater economic integration and regional cooperation. This secure and reliable passage facilitates the development of robust trade networks and infrastructure projects, promoting economic growth and stability. In turn, these initiatives can lead to strengthened economic ties and collaboration among Indo-Pacific nations, amplifying their collective influence in the global trade landscape.

### **US Sanctions and the Afghanistan Factor**

The imposition of United States sanctions on Iran has significantly impeded the country's economic stability and hindered the advancement of its infrastructure development, leading to severe financial and logistical constraints. These sanctions have particularly adversely affected Iran's port infrastructure. Restrictions imposed on Iranian banks have curtailed foreign investment and led to the suspension of numerous investment projects, resulting in significant funding disruptions and project delays (World Bank, 2020). These restrictions have created substantial challenges for Iran, obstructing the importation of advanced technological equipment necessary for port modernization and hindering the recruitment of leading experts in the field. As a consequence of these restrictions, the upgrading and expansion of critical port facilities under the North-South project have also been impeded (U.S. Department of the Treasury, 2021).

Sanctions targeting Iranian shipping companies and restrictions on insurance services, as stipulated by the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 (CISADA), have heightened the risks and costs associated with port development and the attraction of foreign investment. Shipping companies encounter challenges in insuring their vessels, leading to various issues related to maritime transportation (U.S. Government Accountability Office, 2019). Consequently, political and diplomatic tensions have emerged, causing countries in the Indo-Pacific region interested in the project to hesitate in joining the route. In particular, India and Japan, which maintain close economic and political ties with the United States, frequently encounter diplomatic pressures that constrain their willingness to actively invest in the North-South project (Pant & Joshi, 2020).

Despite these limitations, the North-South project continues its activity. Notably, in 2018, the U.S. State Department issued a statement indicating that Iran's Chabahar port was exempted from sanctions. It is noteworthy that in 2018, the U.S. State Department issued a statement affirming that Iran's Chabahar port was exempted from sanctions. According to the statement, the United States recognizes the port's significance for Afghanistan, which lacks direct access to the sea and is dependent on the import of essential goods.

The State Department's statement emphasized that the exemption of sanctions on the port is humanitarian in nature and aimed at supporting the development of Afghanistan (U.S. exempts Iran's Chabahar port from sanctions in nod to Afghanistan, 2018).

The US decision to lift sanctions against Iran's Chabahar port is also influenced by considerations related to Pakistan and China. Given the close cooperation between Pakistan and China, Afghanistan is increasingly becoming a part of China's sphere of influence, which causes concern for the United States. Another significant factor is Afghanistan's landlocked status and heavy reliance on Pakistan's port of Karachi, which places it under Pakistan's influence—a situation not favorable to India. Consequently, India aims to develop infrastructure, including roads and railways, in Afghanistan. With Iran's assistance, India seeks to reduce Afghanistan's dependence on Pakistan entirely. The Chabahar port offers Afghanistan crucial access to international trade markets, enhancing its strategic significance for the country. Since the port's opening in 2017, Iran has surpassed Pakistan to become Afghanistan's largest trading partner. Additionally, Iran has extended special privileges to Afghan investors who have chosen to invest in Chabahar (Pant & Rej, 2018).

Despite the sanctions and the challenges they have imposed, an agreement was signed between Iran and India on May 13, 2024, for the development of the Chabahar port, extending over a period of 10 years. Following the signing of this agreement, Indian Foreign Minister S. Jaishankar stated at press conference with Indian media that discussions are ongoing with Iranian and American counterparts regarding the impact of U.S. sanctions on the agreement. He emphasized that it is important not to adopt a “narrow view” of these issues (Jaishankar, 2024). On the same day, U.S. State Department spokesperson Vedant Patel, in response to a question about the Chabahar port, stated during a press conference that the development of the port is a matter of bilateral relations between Iran and India, and that the United States does not interfere in their internal affairs. Patel continued by stating that U.S. sanctions against Iran remain in effect as before and that countries engaging in deals with Iran should also consider these factors (U.S. Department of State, 2024).

Aside from the sanctions, another crucial factor is the internal political stability of Afghanistan. The Taliban's takeover of power on August 15, 2021, has significantly impacted regional stability. Mohammad Ashraf Ghani's regime maintained close cooperation with India, and its collapse raised concerns within Indian political circles. India had made several investments in Afghanistan, the most significant being a \$150 million investment in the construction of the Zaranj-Delaram highway. This highway is considered a crucial segment of the North-South route (Khobragade & Nim, 2022). Afghanistan's participation in the North-South project was deemed uncertain due to Pakistan's initiation of the “Troika Plus” diplomatic group following the Taliban's rise to power. This group includes the United States, Russia, and China. The purpose of this initiative was to address Afghanistan's internal political issues and their impact on the region (Greenfield, 2021).

These events suggested that Afghanistan might decline to join the North-South project. However, the interim government led by the Taliban in Kabul, recognizing the project's significance, proposed an investment of \$35 million. This move aimed to reduce Afghanistan's dependence on Pakistani ports, such as Karachi, and the Chinese-backed Gwadar. In November 2023, Taliban First Deputy Prime Minister for Economic Affairs Mullah Baradar (Abdul Ghani Baradar) visited Chabahar port, indicating Afghanistan's full commitment to the project (Taneja, 2024). Additionally, during the RF-Islamic World Forum in Kazan, Russia, held from May 14-19, 2024, Acting Minister of Industry and Trade of Afghanistan, Nuruddin Azizi, announced that Afghanistan is prepared to become a transit hub for facilitating trade circulation in Central Asia (KazanForum, 2024). Azizi also emphasized that Afghanistan values regional transport routes and will actively participate in the construction and operation of the North-South project (XV Forum "Russia - Islamic World: KazanForum", 2024).

In the context of this topic, we interviewed Israelyan Armen, a PhD, researcher and expert at the Institute of Oriental Studies of the National Academy of Sciences of Armenia. Referring to the Afghan thesis of the route's delay, Mr. Israelyan stated: " While the Taliban's rise to power in Afghanistan certainly had a negative impact on the implementation of the eastern direction of the North-South project, I do not believe that the Taliban themselves pose a threat to the project. I don't consider it likely, as even today, Afghanistan is seeking alternatives under the interim Taliban government and is actively engaging in discussions with neighboring countries. Currently, Afghanistan needs to import goods and is highly dependent on Iran, and Iran drives efforts to establish transit routes through its own territory. The active presence of the Taliban, ISIS, and other terrorist groups in Afghanistan poses a significant threat. Until the situation in Afghanistan stabilizes and the Taliban government gains international recognition, it is indeed risky to consider Afghanistan as a transit destination. However, I believe that the Taliban are highly flexible and are making efforts to make Afghanistan as attractive as possible in order to integrate it into the region's transit routes. It should also be noted that in the past one or two years, the Taliban have actively cooperated with China, Russia, Iran, and neighboring countries. By understanding the approaches of each, they are striving to be useful and contribute to turning Afghanistan into a significant transit route.

Thus, despite encountering numerous challenges and obstacles in its implementation, the "North-South" project continues to progress actively. Both Afghanistan and other member countries of the project recognize the substantial economic benefits it promises, as well as its potential to significantly contribute to the successful implementation of regional integration programs. Sanctions have not impeded the implementation of the project, as evidenced by the lifting of sanctions on the port of Chabahar, which serves as a clear indicator of the project's resilience and continued progress. This indicates that the United States is cognizant of the fact that Chabahar's operations substantially undermine the activities of its regional competitor, Pakistan's Gwadar port, which is entirely under China's influence. This naturally means that in this way the USA is able to reduce and counterbalance the growing influence of China in the region and in this case the negative impact of sanctions on the project is less.

## CONCLUSION

Considering the challenges faced by competing routes, the North-South route emerges as a safer and more preferable option in terms of security, logistics, transportation costs, time efficiency, and other critical factors. For instance, the Strait of Malacca, crucial for Indo-Pacific trade involving China, Japan, and South Korea, confronts serious issues affecting its viability. These include high traffic density leading to vulnerability to piracy and shipping disruptions, which significantly hamper shipping operations. Given that a substantial portion of goods, including oil, transit between Europe and the Indo-Pacific through this route, congestion often delays deliveries and escalates costs.

Similarly, the Suez Canal presents comparable challenges. Controlled by Egypt, the canal's potential closure for political reasons or transit restrictions could inflict substantial damage on the global economy, as demonstrated during the incident involving the *Ever Given*. The narrow and limited space of the canal adds to its vulnerabilities, highlighted by the significant economic losses incurred during the six-day blockade. Such incidents underscore the inevitability of seeking alternative routes that promise reduced costs and transit times.

In contrast, the Bab el-Mandeb Strait faces security fragility exacerbated by ongoing conflicts in Yemen and adjacent regions, heightening risks of maritime disruptions and piracy. These uncertainties also contribute to oil price fluctuations, posing additional challenges for shipping routes reliant on this corridor.

Therefore, it is posited that compared to these three routes, the North-South route offers the most advantageous option for the Indo-Pacific region, promising reductions in freight costs by up to 30% and transit time by 40%. One of its key advantages lies in its multimodal nature, accommodating cargo transport via land, water, and rail simultaneously. This characteristic minimizes traffic congestion and associated delays. Moreover, the involvement of multiple countries in the project and the diversified transportation modes contribute to reducing the vulnerability to terrorist attacks along the route.

Therefore, the utilization of the North-South route for the Indo-Pacific region will have multifaceted significance. This route provides a strategic alternative to the region's traditional shipping pathways, which frequently traverse unstable and geopolitically volatile areas. By adopting this alternative, the region could mitigate disruptions to global trade flows, thereby contributing to economic stability and growth. Additionally, the enhanced security and reliability of the North-South route could facilitate the development of joint infrastructure initiatives, such as ports and logistical hubs, further expanding regional trade and communication networks. This strategic realignment not only promotes economic resilience but also fosters greater economic integration and cooperation among Indo-Pacific and INSTC member nations, amplifying their collective influence in the global economic landscape.



As discussed in the work, while concerns have been raised about potential issues arising from the Taliban government in Afghanistan affecting the implementation of the International North-South Transport Corridor, these concerns may be overstated. Statements from Afghan officials indicate the country's willingness to participate in and actively cooperate with neighboring states on the project. Despite existing challenges with road infrastructure in Afghanistan, India's substantial investments in improving these roads are crucial. Additionally, the project is strategically important for India, aiming to diminish Pakistan's influence in Afghanistan. Through the INSTC, Afghanistan stands to benefit significantly by accessing Iranian ports, particularly Chabahar, which will help reduce its dependence on Pakistani ports. Consequently, joining the project will enhance Afghanistan's geopolitical stature and influence.

Another critical factor impacting the implementation of the International North-South Transport Corridor is the issue of U.S. sanctions. These sanctions have introduced challenges such as increased difficulties in the transportation of goods, higher insurance costs, and other related areas. However, as previously mentioned, the successful implementation of this project could provide the United States with an opportunity to counterbalance China's influence in the region. While the negative effects of sanctions on the project are significant, they are not insurmountable. Negotiations are ongoing to find ways to circumvent the sanctions or mitigate the additional costs they impose.

## REFERENCES

1. Anderson, J. (2022, July 25). *Chokepoints and vulnerabilities in global markets*. Roland Berger. <https://www.rolandberger.com/en/Insights/Publications/Chokepoints-and-vulnerabilities-in-global-markets.html>.
2. Chatterjee, S. (2018). *International North-South Transport Corridor (INSTC) connecting India Central-Asia*.
3. Dryad Global. (n.d.). *South East Asia, Malacca Straits, significant regional challenges to securing the maritime domain*. <https://dg.dryadglobal.com/south-east-asia-straits-of-malacca>.
4. Economic Times. (2024, June 26). *The train from Russia: How a new route can change things for India*. The Economic Times. <https://economictimes.indiatimes.com/news/economy/foreign-trade/the-train-from-russia-how-a-new-route-can-change-things-for-india/articleshow/111290149.cms?from=mdr>.
5. Girardi, B., van Hooft, P., & Cisco, G. (2023). *What the Indo-Pacific means to Europe: Trade value, chokepoints, and security risks*. The Hague Centre for Strategic Studies.
6. Israyelyan A., (2024, April 3). [Personal communication].
7. Lee, J. M.-Y., & Wong, E. Y.-C. (2021). Suez Canal blockage: An analysis of legal impact, risks, and liabilities to the global supply chain. *MATEC Web of Conferences*, 339, 010. <https://doi.org/10.1051/matecconf/2021339010>.
8. Malysheva, D. (2021). *International transport corridor "North-South" in Russia's strategy*.

9. Ministry of External Affairs, India. (2012, December 20). *Prime Minister Manmohan Singh's speech in ASEAN-India Commemorative Summit 2012* [Video]. YouTube. <https://www.youtube.com/watch?v=YYobegQoTAU>.
10. NDTV. (2023, May 15). *EAM Jaishankar | S Jaishankar Responds To US Sanction Warning Over Chabahar Port Deal* [Video]. YouTube. [https://i.ytimg.com/an\\_webp/vGhDeIWayF8/mqdefault\\_6s.webp?du=3000&sqp=CO7CibQG&rs=AO4CLCF9rT3C1E-i6Jr4-TKBWtxW0mkNg](https://i.ytimg.com/an_webp/vGhDeIWayF8/mqdefault_6s.webp?du=3000&sqp=CO7CibQG&rs=AO4CLCF9rT3C1E-i6Jr4-TKBWtxW0mkNg).
11. Notteboom, T., & Rodrigue, J.-P. (n.d.). *Challenges to and challengers of the Suez Canal*. Port Technology International. Retrieved from file:///C:/Users/Professional/Downloads/247744.pdf
12. Passi, R. (2017, April). Money matters: Discussing the economics of the INSTC. *Observer Research Foundation*, 112.
13. Qiao, J., Li, Y., & Huang, M. (2024). The geopolitical importance of Bab el-Mandeb Strait: A strategic gateway to global trade. *Middle East Politics & Insights*. <https://mepei.com/the-geopolitical-importance-of-bab-el-mandeb-strait-a-strategic-gateway-to-global-trade/>.
14. U.S. Department of State. (2010, October 28). *Secretary Clinton delivers remarks on American leadership in the East Asia-Pacific region* [Video]. YouTube. <https://www.youtube.com/watch?v=wrgjRQ648zq>.
15. U.S. Department of State. (2011, March 9). *Secretary Clinton delivers remarks at 2011 Asia Pacific Economic Cooperation (APEC)* [Video]. YouTube. <https://www.youtube.com/watch?v=Qe7zToil3Tw>.
16. Vinokurov, E. (Ed.), Ahunbaev, A., Usmanov, N., & Zaboev, A. (2022). *International North–South Transport Corridor: Investments and soft infrastructure*. Reports and Working Papers 22/2. Almaty, Moscow: Eurasian Development Bank.
17. Vinokurov, E. Y., Ahunbaev, A., & Zaboev, A. I. (2022). International North–South Transport Corridor: Boosting Russia's "pivot to the South" and trans-Eurasian connectivity. *Russian Journal of Economics*, 8, 159–173. <https://doi.org/10.32609/j.ruje.8.70694>.
18. Vinokurov, E., Ahunbaev, A., Shashkenov, M., & Zaboev, A. (2021). *The International North–South Transport Corridor: Promoting Eurasia's intra- and transcontinental connectivity*. Report 21/5. Almaty, Moscow: Eurasian Development Bank.
19. Voskanyan, V. (2024, April 8). [Personal communication].
20. Wu, Y. (2022). The concept of the "Indo-Pacific region" and the "Indo-Pacific strategy" of the United States: Formation, development, and Chinese views. *World Politics*, (1).
21. Greenfield, C. (2021, November 11). 'Troika plus' group seeks to ease access to banking services in Afghanistan. *Reuters*. <https://www.reuters.com/world/china/troika-plus-group-holds-conference-afghanistan-pakistani-capital-2021-11-11/>.
22. Jaishankar, S. (2024, May 15). *EAM Jaishankar responds to US sanction warning over Chabahar Port deal*. NewsBytes. <https://www.newsbytesapp.com/news/india/jaishankar-reacts-to-us-sanction-warning-on-chabahar-port-deal/story>.

23. KazanForum. (2024). *Russia Afghanistan Russian Business Center in Afghanistan* [Video]. YouTube. <https://www.youtube.com/watch?v=RUtpLnWXCPA&t=3391s>.
24. Khobragade, V., & Nim, A. K. (2022). *World Affairs: The Journal of International Issues*, 26(3), 40-53.
25. Pant, H. V., & Joshi, Y. (2020). Iran-India Relations: The Growing Rift and Its Implications. *Asian Survey*, 60(2), 321-341.
26. Pant, H. V., & Rej, A. (2018). *Beyond JCPOA: Examining the consequences of U.S. withdrawal*. Observer Research Foundation.
27. Taneja, K. (2024). *Chabahar's opportunities and challenges*. Observer Research Foundation. <https://www.orfonline.org/research/chabahar-s-opportunities-and-challenges>.
28. U.S. Department of State. (2018). *U.S. Exempts Chabahar Port from Sanctions*. <https://www.state.gov>.
29. U.S. Department of State. (2024, May 13). *Department of State daily press briefing - May 13, 2024* [Video]. YouTube. <https://www.youtube.com/watch?v=TwzbevP2FOs>.
30. U.S. Department of the Treasury. (2021). *National Defense Authorization Act*. Retrieved from [www.treasury.gov](http://www.treasury.gov).
31. U.S. exempts Iran's Chabahar port from sanctions in nod to Afghanistan. (2018, November 7). *Radio Free Europe/Radio Liberty*. <https://www.rferl.org/a/us-exempts-iran-chabahar-port-project-from-sanction-in-nod-to-afghanistan-india/29586874.html>.
32. U.S. Government Accountability Office. (2019). *Comprehensive Iran Sanctions, Accountability, and Divestment Act*. Retrieved from [www.gao.gov](http://www.gao.gov).
33. World Bank. (2020). *Iran Economic Monitor: Weathering Economic Challenges*. Retrieved from [www.worldbank.org](http://www.worldbank.org).