



**Vivekananda  
International  
Foundation**

VIF BRIEF  
DECEMBER 2022



# REVITALIZATION OF INSTC AND PROSPECTS OF THE GREATER EURASIAN CONNECTIVITY

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Published in 2022 by

Vivekananda International Foundation

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# Revitalization of INSTC and Prospects of the Greater Eurasian Connectivity

## Background

The geostrategic significance of Central Asia is very much important from India's foreign policy and domestic policy points of view. Central Asia shares a border with China in the East, Caspian in the West, Russia in the North, and Iran and Afghanistan in the south. Its geostrategic location makes it vulnerable to the geopolitical power play. In order to balance major powers, Central Asian republics adopted a multi-vector foreign policy in the post-Soviet period. They welcomed China to balance the Russian and Western influence. Now that China has penetrated the region, India could be a balancing force vis-à-vis China for Central Asia. However, connectivity has been a serious impediment in India-Central Asia Relations. In order to bridge the gap of connectivity, India invested in Chabahar port in Iran and has launched International North-South Transport Corridor (INSTC) along with Russia and Iran.

## INSTC

The INSTC is a 7,200-kilometer-long multimodal transportation network that includes maritime, road, and railway lines to provide the shortest connectivity route. It connects the Persian Gulf, the Indian Ocean, and the

Caspian Sea. It aims to cut transportation costs between India and Russia by roughly 30percent while reducing transit time by more than half. It was established in 2000 with India, Russia, and Iran as founding members. INSTC membership also included ten more countries: Azerbaijan, Armenia, Belarus, Kazakhstan, Kyrgyzstan, Syria, Tajikistan, Turkey, Ukraine, and Oman. Bulgaria has been admitted as an observer. Opportunities to build energy projects, mining projects, and high-tech special economic zones (SEZs) will emerge along each artery, providing each participating nation with the economic leverage to lift their socio-economic status.<sup>1</sup>

The INSTC traverses through three major branches. The Jawaharlal Nehru Port in Mumbai (in the Indian Ocean Region) serves as the starting point of the Central branch, which connects to the Bandar Abbas port in Iran on the Strait of Hormuz. It then runs through Iranian territory, passing through Nowshahr, Amirabad, and Bandar-e-Anzali, before continuing along the Caspian Sea to the Russian ports of Olya and Astrakhan. The Central Asian nations of Kazakhstan, Uzbekistan, and Turkmenistan serve as the Eastern branch's conduit between Russia and India. In addition, the Western branch links Azerbaijan's and Iran's railway networks via the cross-border nodal points of Astara in Azerbaijan to Astara in Iran. Then it connects to India's Jawaharlal Nehru port.



Source: <https://dics.co/wp-content/uploads/2021/07/INSTC.bmp>

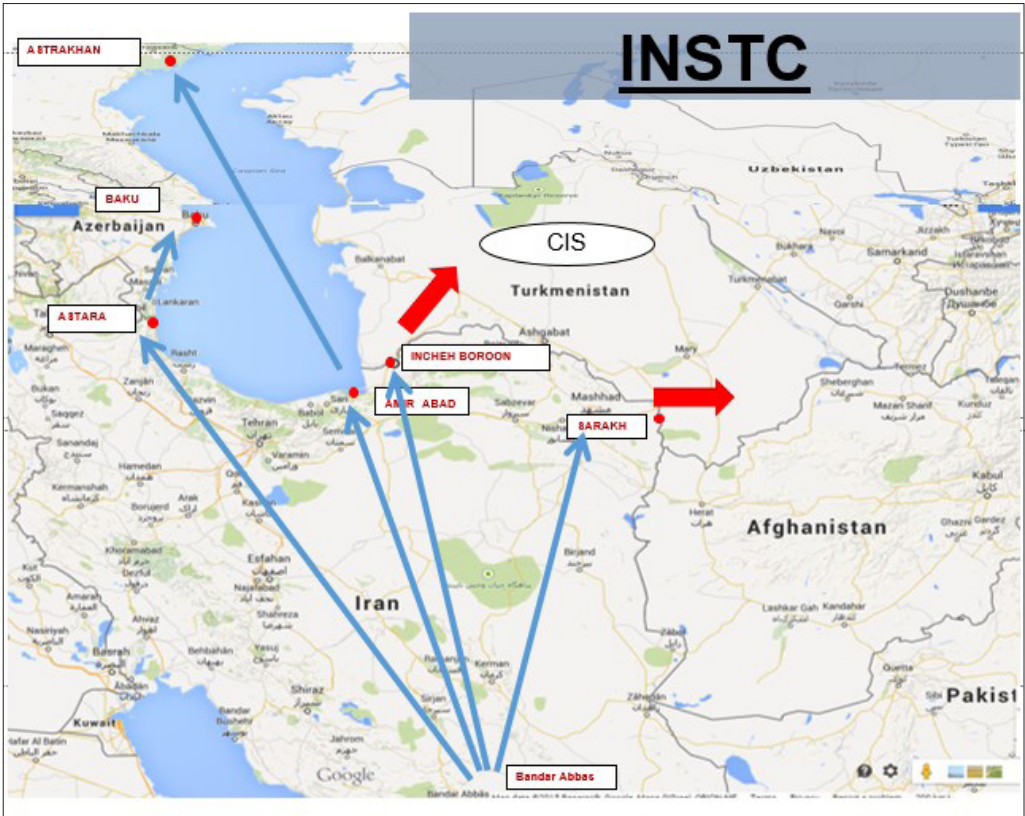
## **Why is INSTC significant?**

The need for an alternate logistics route became apparent during the COVID-19 pandemic and subsequent supply chain disruptions. In March 2021, a container ship got stuck in the Suez Canal, blocking all cargo between the Red and Mediterranean Seas. The blockage cost global trade around USD 10 billion per day. And as the conflict in Ukraine has escalated, the Black Sea blockade has hampered trade between India and Russia and vice versa. This, again, has provided opportunities to revive this trade route.<sup>2</sup>

## **Already Existing Infrastructure along the INSTC**

The International North-South Transit Corridor traverses along several axes as it heads north from Bandar Abbas port. Railroad lines connect Bandar Abbas with the Caspian Sea ports of Amirabad and Inchebarun, Iran's land border with Turkmenistan. There is rail connectivity between Bandar Abbas, Mashad, and Sarakhs, in the northeast of Iran's border with Turkmenistan. Iran's Caspian Sea ports of Astara, Bandar Anzali, and Amirabad are also connected with the Russian port of Astrakhan. There is also a railway line from Astrakhan to Moscow.<sup>3</sup>

Thus considerable infrastructure already exists which could be used efficiently to enhance the trade and transit between the member countries. In 2014, a trial run was conducted by the Federation of Freight Forwarders Association of India (FFFAI) under the aegis of the Department of Commerce, the government of India. Two containers were sent north to Astara port and Amirabad port from Bandar Abbas by road. The results of this trial run suggested that this route will save an estimated 40 percent in time and 30 percent in cost over the traditional route from India, which goes around Europe to St. Petersburg and Moscow.<sup>4</sup>



### Economically Viable

In order to prioritise economic cooperation with the member countries, India has signed Double Taxation Avoidance Agreements (DTAA) with a number of INSTC member countries. India has DTAA with the following countries: Turkmenistan, Ukraine, Tajikistan, Uzbekistan, Russian Federation, Belarus, Kazakhstan, and Kyrgyzstan. The agreement is currently being negotiated with Azerbaijan. India also had bilateral investment protection agreements (BIPAs) with most of these nations, but those agreements were later terminated.<sup>5</sup> The abovementioned agreements encourage capital investment and the exchange of goods and services between nations.

## Potential Transport and Logistics Gains from INSTC

<p><b>Costs are reduced as a result of shorter distances and faster deliveries.</b></p>	<p>The INSTC presents the shortest trade route between India and Russia.</p>
<p><b>Expanded market access and the emergence of new markets</b></p>	<p>A reduced cost of transportation also makes Indian exports more competitive and provides access to untapped markets.</p>
<p><b>Development of regional hubs for transportation and logistics</b></p>	<p>Azerbaijan and Iran are expected to develop into transit hubs under the terms of the INSTC agreement. A similar potential logistics hub in India has been identified in Maharashtra's Bhiwandi.</p>
<p><b>Development of regional supply chains across Eurasia</b></p>	<p>The development of diverse supply chains across Eurasia can change the stereotype of the East as a producer and the West as a consumer.</p>
<p><b>Increased trade volume between member nations</b></p>	<p>Lack of connectivity has been the main factor in India's low trade with land-locked Central Asian nations. However, India invested in Iran's Chabahar Port to resolve this issue. This port is also integrated with INSTC, which increases the trade potential of this route.</p>



<p><b>Creation of backward and forward linkages</b></p>	<p>The INSTC will enhance physical connectivity and improve knowledge and information-sharing mechanisms. Through infrastructure development, the member countries along the INSTC will be capable of transforming themselves into specialised transit and manufacturing hubs. Additionally, this will promote regional manufacturing, trade, and other economic activities, converting this transportation corridor into a development corridor. It will also help create further employment and growth opportunities, improving the overall economy of the member nations.</p>
<p><b>Development of regional free trade agreements (FTAs)</b></p>	<p>There have been discussions about signing an FTA between Eurasian Economic Union (EAEU) and India. This would give regional trade a much-needed boost. Access to the EAEU will provide India with access to a market of 173 million people.</p>

## Interests of Major Stakeholders

### Russia

INSTC is a convenient and economically viable option for Russia to diversify its exports other than Europe. Countries situated along the INSTC route present a lucrative market for Russian Exports. Post-2014, Crimean crisis, Moscow has been facing economic sanctions by Western countries. With the Ukrainian crisis, the sanctions have intensified. With the facilitation of southward connectivity, Russia can minimize the impact

of the western sanctions. Iran provides crucial opportunities for Russia to diversify its trade with the country. Iran can also enable Russian items to be re-exported to other countries. With the operationalisation of INSTC, the Caspian Sea can be developed into a commercial hub, which will economically benefit all stakeholders in the Caspian region.

## **Iran**

The Islamic Republic of Iran wants to see INSTC operationalised so that it can use its national railway and road networks to support transit freight traffic from India, the Persian Gulf, Afghanistan, and Central Asian states. Tehran also plans to boost hard currency revenues from transit operations. Iran seeks to expand economic cooperation and trade ties with the other Caspian countries along the INSTC route by using its free economic zones, in particular the FEZ Anzali, in the vicinity of Bandar-e Anzali) port, Iran's oldest and largest Caspian Sea port.

According to the Iran Customs Administration (IRICA), the Iranian transit of goods increased by 52 percent in 2022 compared to the last year. From February 20 to March 20 of this year, more than 1.17 million tonnes of goods passed through Iran. This is in response to sanctions imposed on northern Russian ports.<sup>6</sup>Iran Customs Administration also reported that the country's transit capacity has increased to 20 million tonnes. Planning and implementing appropriate measures makes it possible to transit 300 million tonnes of commodities annually.<sup>7</sup>

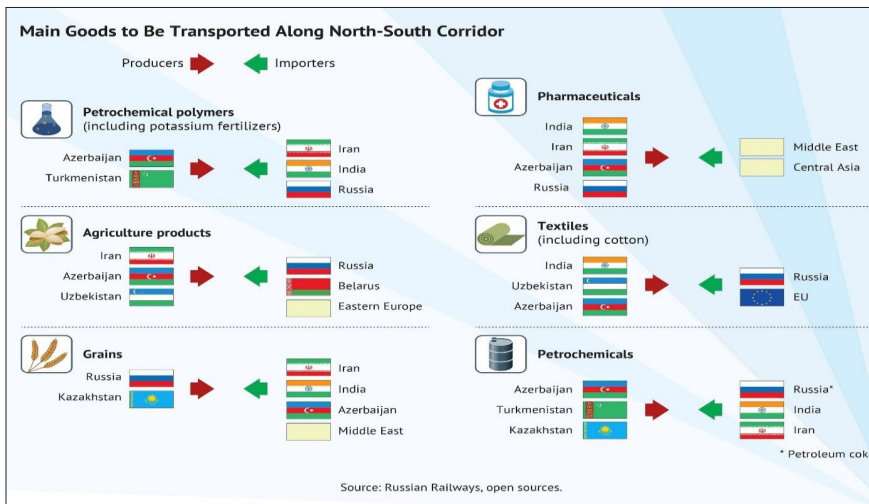
## **India**

India can get access to the Central Asian markets and can also easily provide humanitarian assistance to Afghanistan, bypassing Pakistan. India can also expand its export capabilities through this route to Europe and Russia in a shorter time and cheaper cost. The corridor will improve India's economic engagement with gulf countries like Iran and Iraq. India can also attract investments by developing commercial and economic centres along the INSTC ports, such as Nhava Sheva port and Kandla port in Gujrat.

## Export-Import Potential of INSTC

India aspires to be a leading producer and exporter of pharmaceuticals, electronics, aircraft, and accessories, and these products can find lucrative markets along the INSTC corridor. Cross-border e-commerce is another industry that could benefit greatly from this corridor. Domestic e-commerce is expanding at an exponential rate, and as the region's internet connectivity improves, the scope for global e-commerce expands.

High freight and shipping costs have always been a barrier, but with the INSTC logistics network, particularly rail connectivity, these costs will be significantly reduced. In India, Aurangabad in Maharashtra has been identified as having the potential to become an e-commerce hub. Agriculture and allied products such as tea, coffee, spices, fish, edible fruits and articles of apparel (not knitwear), engineering - aircraft and parts thereof, rubber and articles, organic chemicals, medical instruments, petroleum, heavy engineering, and hydrocarbon sectors are other important sectors that can expect a surge in exports. The figure below depicts the export and import potential of INSTC member countries.



## India's Exports to Russia, Central Asia

India primarily exports tea, coffee, farm products, food, drugs, and engineering equipment to Russia. The table below shows a 22.5 percent increase in Indian exports to Russia. Similarly, pharmaceutical products are India's most important export to Central Asia, accounting for 51.3 percent of total exports to the region in 2020. Other major export commodities include machinery and mechanical appliances (11.6 percent of total Indian exports), electrical machinery and equipment (9.8 percent), coffee, tea, and spices (5.4 percent), iron and steel (2.5 percent), and apparel and clothing accessories that are not knitted or crocheted (2.1 percent). Uzbekistan became India's leading export destination in 2020, accounting for approximately 42.6 percent of India's total Central Asian exports in 2020. Kazakhstan was the second largest export destination in 2020, accounting for 36 percent of Indian exports to CARs. Tajikistan (7.3 percent), Turkmenistan (7.2 percent), and Kyrgyzstan (percent) were the other export destinations in 2020. The low figures are still due to a lack of connectivity. This section covers the goods conveniently transported in a container via the INSTC route. This may also help diversify India's export basket to the region.

### Indian Exports to Russia and Central Asia (in USD million)

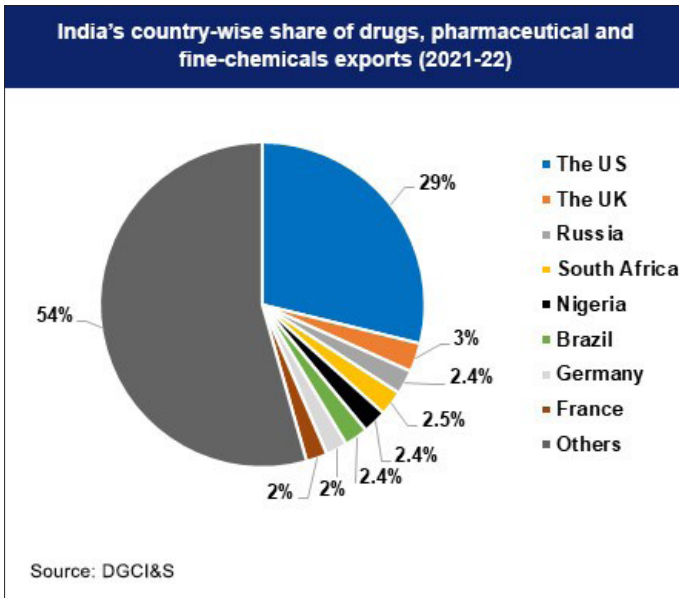
Country / Region	2020-2021	2021-2022	%Growth
<b>RUSSIA</b>	<b>2,655.52</b>	<b>3,254.68</b>	<b>22.56</b>
<b>KAZAKHSTAN</b>	<b>225.96</b>	<b>235.12</b>	<b>4.05</b>
<b>KYRGHYZSTAN</b>	<b>38.71</b>	<b>32.89</b>	<b>-15.03</b>

<b>TAJKISTAN</b>	<b>53.45</b>	<b>35.35</b>	<b>-33.86</b>
<b>TURKMENISTAN</b>	<b>60.34</b>	<b>104.29</b>	<b>72.84</b>
<b>UZBEKISTAN</b>	<b>280.07</b>	<b>271.18</b>	<b>-3.17</b>

Source: <https://tradestat.commerce.gov.in/eidb/ergncnt.asp>

**Pharmaceuticals**

In the global pharmaceutical and vaccine industry, India plays a significant role. It is the world’s biggest supplier of generic medicines. The country accounts for 20 percent of global supply volume and contributes roughly 60 percent of global vaccines. India is the third-largest exporter of pharmaceuticals in terms of volume and the fourteenth-largest in terms of value. India holds a 5.92 percent market share for pharmaceuticals and drugs worldwide. The nation exported pharmaceutical products worth USD 24.62 billion in 2021–2022.<sup>8</sup>



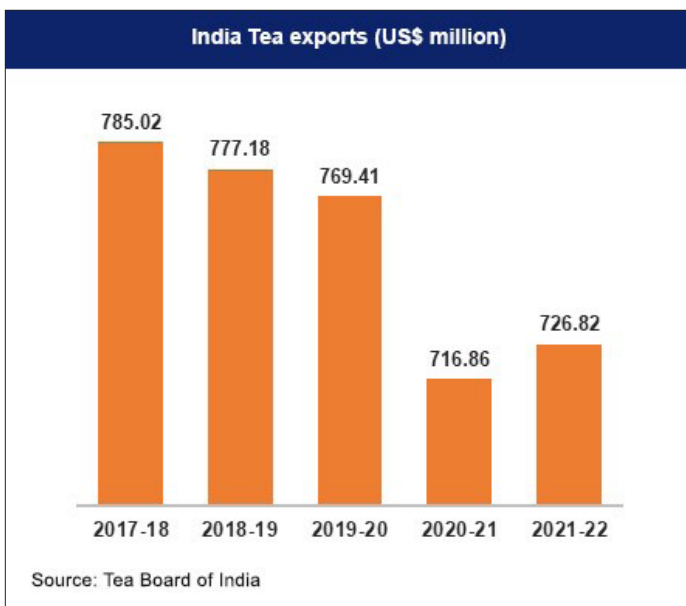
Source: <https://www.ibef.org/assets/images/exports/Tea-Exports-3.jpg>

This stellar performance was made possible despite lockdowns, global supply chain disruptions, and understated manufacturing. Africa, Europe, and North America receive almost two-thirds of India's exports. The USA, the UK, South Africa, Russia, and Nigeria were the top five export destinations for the Indian pharmaceutical industry in 2021–22. In 2021–2022, the top three importers of pharma products from India were the US, the UK, and Russia, with shares of 29, 3, and 2.4 percent, respectively.<sup>9</sup> India's exports of pharma products to these countries in FY21-22 were: USA with USD 7,101.6 million, the UK with USD 704.5 million, South Africa with USD 612.3 million, Russia with USD 597.8 million, and Nigeria with USD 588.6 million.

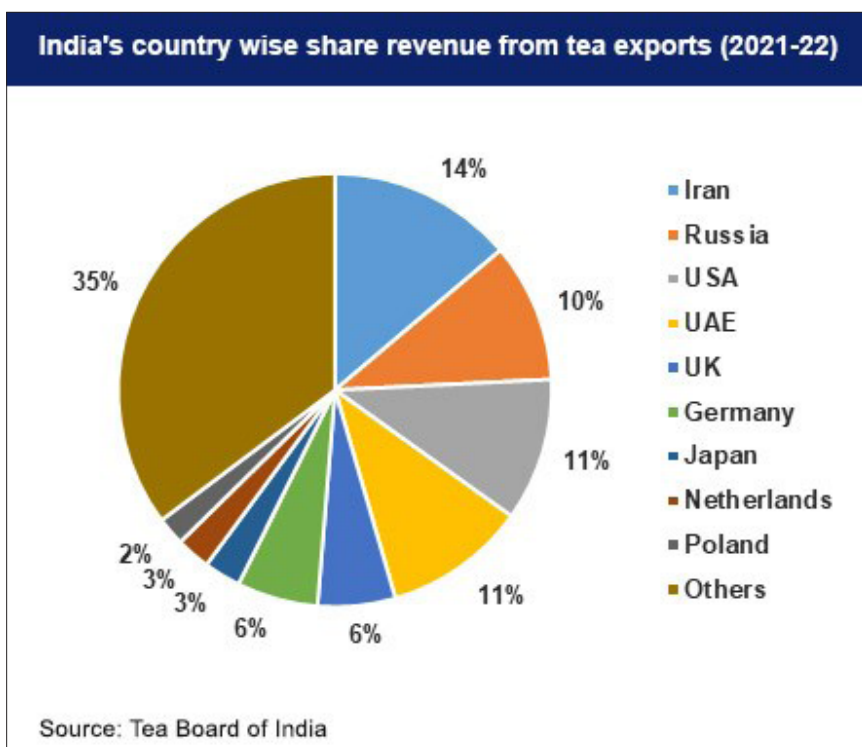
Central Asian countries are also significant importers of India's Pharmaceutical products. In 2020-21, these countries imported 337.04 USD million worth of Pharmaceutical products from India. The total Indian exports to these countries for the same year was 658.52 USD million. Therefore, pharmaceuticals constituted almost 50 percent of India's total exports to the Central Asian region. This can be increased by utilising the INSTC route to its full potential.

### *Tea*

India is the world's second-largest tea producer after China (2021).<sup>10</sup> The quality of Indian tea is among the best in the world due to its strong geographical origins, significant financial investment in tea processing facilities, ongoing innovation, expanded product line and calculated market expansion. Northern India is the largest producer, accounting for approximately 83 percent of the country's annual tea production in 2021-22, with Assam producing the most, followed by West Bengal.<sup>11</sup>



Source: <https://www.ibef.org/assets/images/exports/Tea-Exports-1.jpg>



Source: <https://www.ibef.org/exports/indian-tea-industry>

India is among the world's top 5 tea exporters, making about 10 percent of the total exports. There was approximately USD 687.9 million worth of tea exports from India in 2021. Between 2021 and 2022, India exported 201 million kg of tea. For the same year, Indian tea was imported by Russia, Ukraine, and Kazakhstan in amounts of 32.5 million kg, 1.68 million kg, and 6.48 million kg, respectively. Indian exports to the CIS countries made up 21% (42.5 million kg) of all exports during that time.<sup>12</sup>

Along with Tea, India is also a popular exporter of coffee. Russia imports 5 percent of India's total coffee exports. These products have great potential to increase India's bilateral trade with Eurasian nations.

### Indian Imports from Russia

As evidenced by the revised targets of increasing bilateral trade to USD 30 billion and bilateral investment to USD 50 billion by 2025, improving economic and trade relations between India and Russia is a top priority for the political leadership of both nations.

#### Indian Imports from Russia (in USD million)

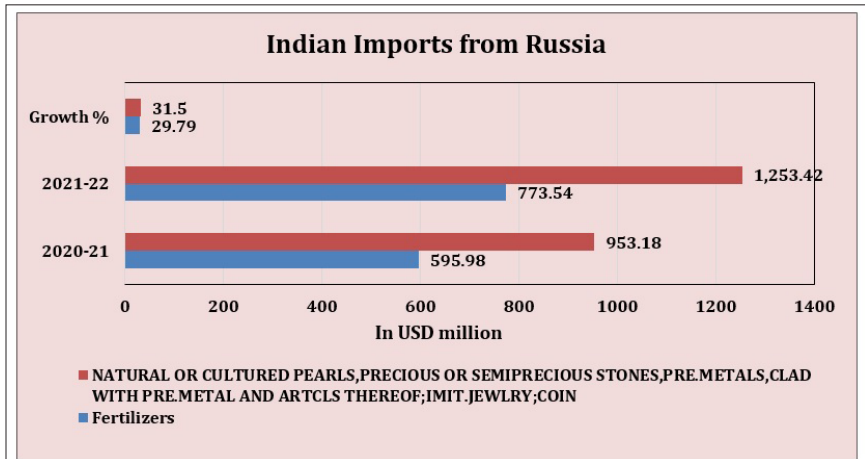
Country / Region	2020-2021	%Share	2021-2022	%Share	%Growth
RUSSIA	5,485.75	1.3908	9,869.99	1.6100	79.92
<b>India's Total Import</b>	<b>394,435.88</b>	-----	<b>613,052.05</b>	-----	<b>55.43</b>

Source: <https://tradestat.commerce.gov.in/eidb/icnt.asp>

More than 80 percent of India's total imports from Russia were petroleum oil and other fuel products (mineral oils, mineral fuels and products of their distillation, bituminous substances, and mineral waxes). The second largest category was fertilisers, which, together with fuel, accounted for



more than 91 percent of all Russian imports this year. India also imports precious and semiprecious stones from Russia. These things can be easily exported through containers using the INSTC route.



Source: data compiled from Department of Commerce, Government of India and presented

### Recent Developments

Although the corridor’s progress has been slow over the last two decades, it has recently accelerated due to a number of geopolitical and geo-economic developments.<sup>13</sup>The Container Corporation of India (CONCOR) and Russian company RZD Logistics signed a contract on February 25, 2020, to supply a container park and other equipment. CONCOR will also contribute to the expansion of transportation along the North-South International Transport Corridor. CONCOR will manage regional logistics in India and deliver maritime freight services in addition to providing containers. Following the contract, RZD Logistics will coordinate transshipments at multimodal hubs and junctions and container transportation by rail.<sup>14</sup>The present agreement is for Bandar Abbas to Moscow. The possibility of covering the Central Asian Republics can also be explored.<sup>15</sup>

The first container block train from Finland to India carrying 32 containers

loaded with paper-based products of a Swedish company reached India in July 2021.<sup>16</sup> It was operated by Nurminen logistics of Finland, which signed an MOU with Russian railways. The block train (a full train service dedicated to one customer) with thirty-two 40-foot equivalent units (FEUs) departed from Vuosaari (Finland) on June 21 on the International North-South Transport Corridor (INSTC). The train crossed territories of the Russian Federation and the Republic of Azerbaijan. The estimated travel time by rail from the Vuosaari to the Astara destination station is eight days. From Astara station, the containers were transported by road to the port of Bandar Abbas in Iran and further hauled by ship to Jawaharlal Nehru Port near Mumbai.<sup>17</sup> Nurminen Logistics is the first logistics company to send a block train from Europe to India via the International North-South Transport Corridor's Western wing.<sup>18</sup>

In June 2022, Russia sent consignments to India using this corridor. The consignments were two 40-foot containers of wood laminates weighing a total of 41 tonnes. The containers were loaded at St Petersburg and moved toward Astrakhan, where they were loaded again at Solyanka Port. Then it traverses the Caspian Sea to reach Iran's Anzali Port, where it was transported to Bandar Abbas port city in southern Iran. The total journey took around 25 days, compared to the nearly 40 days to transport goods from Russia to India and vice-versa.

Marking the official launch of the eastern section of the North-South railway corridor, the first rail transit cargo carrying 39 containers from Russia to India entered Iran through the Sarakhs border crossing.<sup>19</sup> The Russian transit train left Chekhov station on July 6 and travelled 3,800 kilometers through Kazakhstan and Turkmenistan to enter Iran. The cargo was then transported to Bandar Abbas port in southern Iran through a 1600 km rail route to be sent to India's Nhava Sheva Port via sea.<sup>20</sup>

So, with the changing International order, priorities are also Changing. Russia and India had not previously placed much emphasis on the INSTC. Moscow's economic priorities were centered on Europe, with the European

Union accounting for more than a third of all Russian trade. Russia's supply chains are primarily designed to serve Europe.<sup>21</sup> Similarly, over the past two decades, India has mainly concentrated on boosting trade with China, West and Southeast Asia. The prospect of investing in the INSTC was made more difficult by Western sanctions against Iran.<sup>22</sup> However, the situation has changed, and creating new supply chains is extremely important for Russia.

For years, the levels of India-Russia bilateral trade remained between USD 8 bn and USD 10bn annually. In April and May 2022, India's imports from Russia increased by nearly 272 percent compared to the same period in 2021, reaching USD 5 billion in just two months. Most of that is attributable to an increase in Indian purchases of Russian crude since the start of the conflict in Ukraine. During those two months, India nearly doubled its imports of Russian fertilisers. This significant increase in trade serves as proof of concept for the INSTC.<sup>23</sup>

### **Chabahar and INSTC**

India's participation in the development of Chabahar Port has provided India with an alternative and reliable access route into Afghanistan utilizing India's earlier investment in Zaranj-Delaram road built in Afghanistan, and also a reliable and more direct sea-road access route into the Central Asian Region. Chabahar Port's location in the Arabian Sea means that it could skirt any challenges posed by developments in the Persian Gulf and Strait of Hormuz. In March 2021, "Chabahar day" was organized during the Maritime India Summit, where India proposed the inclusion of the India-invested Chabahar Port in Iran within the scope of the INSTC. India also suggested the extension of membership to Afghanistan and Uzbekistan and envisaged an "eastern corridor" comprising a land route between Kabul (Afghanistan) and Tashkent (Uzbekistan).<sup>24</sup>

As per the INSTC agreement, the Southern ports of Iran are part of it, and Chabahar, like Bandar Abbas, is also a southern Iranian port. Therefore,

it is a part of INSTC. And INSTC's extension to Afghanistan and Central Asia makes the eastern branch of this transport corridor economically more viable.

On July 31, 2022, Mumbai hosted the second Chabahar day. Several facts learned from the speeches of the project's stakeholders' representatives are enlightening. The current loading and unloading facility at Chabahar is 8.5 million tons, which will be enhanced to 15 million tons upon the completion of this port's first phase of development. There is a 60percent reduction in shipping costs and a 50percent reduction in shipment time between India and Central Asia. JP Singh, the Joint Secretary (Pakistan, Afghanistan, and Iran desk) MEA, also participated in this event. In his speech, he emphasised strengthening the INSTC secretariat and holding regular meetings of the INSTC coordination council. He also mentioned that India provided equipment for 25 million USD for developing the first phase of the Shahid Beheshti terminal at Chabahar port. India pledged a grant of 85 million and a credit facility of 150 million for this port's development. 2.5 million tons of food grains and 2000 million tons of pulses have been delivered to Afghanistan through Chabahar. A Joint Working Group (JWG) on Chabahar has also been initiated.

These recent developments have highlighted the importance of alternative transportation routes, and INSTC fits in perfectly. During his speech at the recent SCO summit in Samarkand, Uzbekistan, PM Modi also emphasised the importance of developing dependable, resilient, and diverse supply chains in the region.<sup>25</sup>

### **India-EAEU FTA**

As mentioned, India-EAEU FTA (under negotiations) will also be advantageous for developing the INSTC project. India and EAEU partner nations such as Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Russia would benefit greatly from FTA between India and the Eurasian Economic Union. EEU's total population is 167 million, and its GDP is roughly USD

5 trillion. The trade value between EAEU members and India in 2020–21 was USD 11 billion, which increased to over USD 17 billion in 2021–22 (please refer to the table below).

**India’s Trade with EAEU countries (in USD million)**

<b>Year</b>	<b>2020-21</b>	<b>2021-22</b>
Indian Imports from EAEU countries	8,326.68	13,601.07
Indian Exports to EAEU countries	3,400.34	4,029.54

Source: Data were taken from the Department of Commerce, Government of India, and compiled by the author

The Russian Federation is India’s most important trade partner in the EAEU. As India withdrew from the Regional Comprehensive Economic Partnership (RCEP) FTA with China, Australia, New Zealand, Japan, South Korea, and the ASEAN nations, an India-EAEU FTA is becoming more likely. India opted out of RCEP FTA primarily because of domestic market protectionist concerns among Indian corporations concerning Chinese competition in the Indian market.<sup>26</sup>

**Benefits of the India-EAEU FTA**

- Diversification of the basket of goods & services between the two Regions.
- Provide the necessary framework to help alleviate trade barriers.
- Improved logistics & connectivity between the two Regions.
- Better Consular regime.
- FTA could make India a hub for knowledge-based services, improving the ‘Brand India’ image.<sup>27</sup>

## **What is the Central Asian response to India's connectivity Initiatives?**

Central Asian countries are landlocked and have been working to improve their connectivity by participating in a number of transportation projects, including INSTC, the Ashgabat Agreement, etc. The president of Turkmenistan expressed his willingness to join the International North-South Transport Corridor (INSTC) during a meeting with Indian President Shri Ramnath Kovind in Ashgabat in April 2022. In that context, the Turkmen President suggested the Kazakhstan-Turkmenistan-Iran railway line could be a linked corridor of the INSTC to streamline the movement of goods between Turkmenistan and India and beyond. Indian president mentioned India's proposal to include the Chabahar port developed by India in the INSTC framework. The Turkmen side highlighted the Turkmenbashi International Seaport's potential for transportation between the two countries.

In the first India-Central Asia Summit held in January 2022, the Indian side welcomed Central Asian countries' interest in using the services of the Shahid Beheshti Terminal at Chabahar Port to facilitate trade with India and other external markets. The parties agreed to expand their cooperation in developing their countries' transit and transportation potential, improving the region's logistics network, and promoting joint initiatives to create regional and international transport corridors. The joint working group on Chabahar was announced during the India-Central Asia Summit in January 2022. The Indian side was hoping for an early nomination from the Turkmen for that group. The President of Turkmenistan emphasised his initiative to establish a Special Programme for the Development of Inter-regional Transport Communication under the auspices of the UN.<sup>28</sup> The Central Asian countries welcomed India's proposal to form a Joint Working Group on Chabahar Port to address issues of free trade between India and Central Asian countries.

## Challenges

- Even twenty years after its inception, the INSTC's progress has been slow.
- The private sector is not actively involved in this project.
- Banking issues have contributed significantly to the project's slow progress.
- Visa restrictions.
- Custom regulations etc.
- Major economies involved in this project, such as Russia and India appear to have shown a lack of political will.
- Delay in signing FTAs.
- The track gauge difference (Iranian railways: 1,435 mm; railways in the other Caspian countries: 1,520 mm) remains a significant infrastructural barrier to further end-to-end railway freight transport development.
- Problems about this project have grown as a result of western sanctions against Iran. The development of this route has been hampered by serious concerns and a lack of awareness among Indian businesses, even though the sanctions do not directly apply to the transit through Iran.

## Way Forward

- This multimodal initiative has been discussed for nearly two decades, and a test run has been completed; now, founding members such as India, Russia, and Iran should begin offering services through INSTC.

- The government should consider providing financial support to the traders in the initial period to encourage this route. This could include defraying insurance costs, etc.
- Each member country should also have a common facilitation cell comprised of logistic, shipping, legislative, legal, and trade councils.
- Trade and participation promotion through trade fairs, expos and exhibitions.
- Expanding and strengthening international railroad collaboration.
- Harmonization of customs operations/processes across borders.
- A common IT platform must be created.
- The government should provide incentives for businesses to use the INSTC.
- The government should also make banking channels, insurance services, and shipping assistance more accessible.
- The PSU sector should be encouraged to utilize the INSTC route.
- Single-window functionality for the smoother use of this trade route.
- Above all, a proactive approach, particularly by Russia and India, may result in successful trade and commerce operations via this route.

## **Conclusion**

Reviewing the relationship between India and Central Asia reveals that the two countries have a long history dating back to the Silk Road and even earlier. Despite this, very few efforts have been made to strengthen these ties to advance strategic goals. It is also possible to conclude that India



lacks what it aspires to achieve in Central Asia and that the gap can be filled by taking a proactive role in the region. Regional connectivity is crucial for both regions because Central Asia is not India's immediate neighbour. The fastest way from India to CARs is via Pakistan and Afghanistan. Overland connectivity is still problematic because of Pakistan's hostility toward India over numerous issues, including safety and security.

In this context, INSTC becomes critical when frequent supply chain disruptions have occurred due to a pandemic or the recent Ukraine crisis. Although INSTC has been delayed for a long time, but there are encouraging signs that it will soon be fully operational. However, the full realisation of this project will necessitate the proactive participation of the member nations, particularly India, Russia, and Iran. It will strengthen India's ties with Central Asia and Afghanistan. It is less expensive and travels a shorter distance. Iran and Azerbaijan could become transit hubs. Central Asian nations will gain access to seaports.

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