

Unit 16. International North–South Transport Corridor (INSTC)

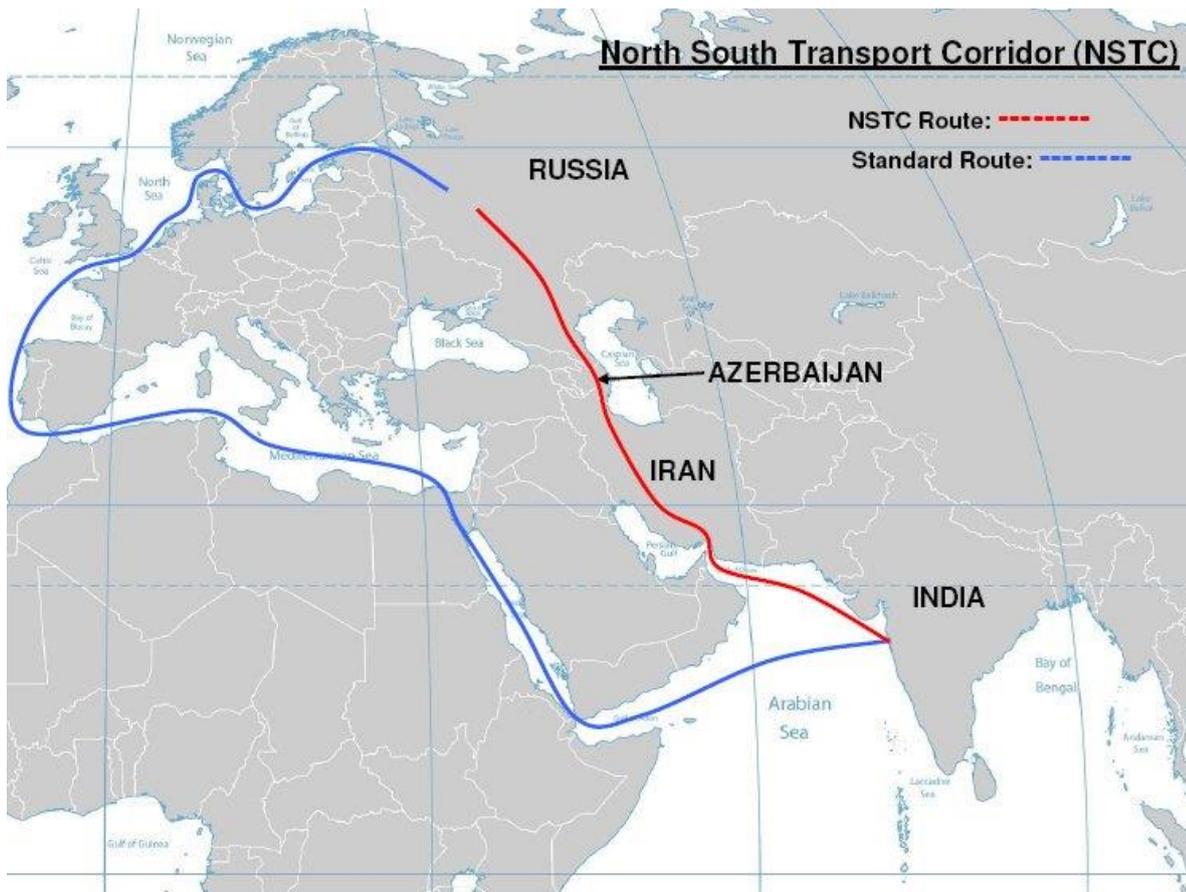


The International North–South Transport Corridor (INSTC) is the ship, rail, and road route for moving freight between India, Russia, Iran, Europe and Central Asia. It is not a new concept. But the current INSTC project was initiated by Russia, India and Iran in September 2000 in St. Petersburg. The agreement was signed on 16th May 2002.

India's 'extended neighborhood' and INSTC

- With the coming of the new millennium, we are seeing a protracted effort from the Central government to connect with our 'extended neighbourhood'.
- This is obvious from the Look-East-turned-Act-East policy, Link West policy etc.
- One of the significant corner in our extended neighbourhood is the Central Asia, with which we aim to re-connect, with our **Connect Central Asia policy**, pronounced in 2012.
- Central Asia as a podium has received renewed interests after the swearing-in of the new Government. India attaining full membership in the Shanghai Co-operation Organisation (SCO), PM Modi's historic visit to the five Central Asian countries etc. stand testimony to this.
- INSTC, or International North-South Transport Corridor, receives special mention in India-Central Asia relations.

What is INSTC?



- The International North–South Transport Corridor (INSTC) is a multi-modal connectivity project establish transport networks (ship, rail, and road route) for moving freight between India, Russia, Iran, Europe and Central Asia.
- INSTC would enhance accessibility to the land locked central Asian nations.
- It is a not a new concept. This ancient route was used by European, Indian and many other foreign traders to reach out to the Central Asian markets. During the time of the Safavid dynasty, it is estimated that around 10,000 Indian traders were spread across the empire. (*Safavids were one of the most significant ruling dynasties of Persia (modern Iran) from 1501 to 1736.*)
- The current INSTC project was initiated by Russia, India and Iran in September 2000 in St. Petersburg.
- The modern day INSTC is a multi-modal transportation route linking **Indian Ocean and Persian Gulf** to the **Caspian Sea** via Iran, and then onwards to **northern Europe** via St. Petersburg in Russia.
- The route primarily involves moving freight from India, Iran, Azerbaijan and Russia via ship, rail and road. The objective of the corridor is to increase trade connectivity between major cities such as Mumbai, Moscow, Tehran, Baku, Bandar Abbas, Astrakhan, Bandar Anzali and etc.

Members of the project:

As noted earlier, the founding members are Russia, India and Iran. But since the signing of the agreement in 2002, the progress on the route was slow. But on January 18, 2012, a meeting in New Delhi discussed the various modalities to take the project

forward. As a follow up, support from other Central Asian nations were sought, and now the group has been expanded.

The current members are **India, Iran, Russia, Azerbaijan, Kazakhstan, Armenia, Belarus, Tajikistan, Kyrgyzstan, Oman, Syria, Turkey, Ukraine, and Bulgaria (observer)**. *Turkmenistan* currently is not a formal member but is likely to have road connectivity to the corridor, after being formally invited by the PM Modi. Azerbaijan and Armenia are heavily involved in the project with both countries currently building new train lines and roads to complete the missing links in the NSTC.

The INSTC Route



- **Mumbai** is at the southern hub of the route.
- Route extends to **Bandar Abbas** in Iran via sea. Bandar Abbas is a sprawling port city on the southern coast of Iran, on the Persian Gulf. It occupies a strategic position on the narrow Strait of Hormuz.
- From Bandar Abbas to **Bandar-e-Anzali** by road on Iranian mainland. Bandar-e-Anzali is another Iranian port but on the Caspian Sea side.
- From Bandar-e-Anzali to **Astrakhan** by ship across the Caspian Sea. Astrakhan is a Caspian port in the Russian federation. The city lies on the two banks of the Volga River.
- From Astrakhan to **other regions** of the Russian federation, and further into Europe by Russian Railways.

Additional Routes



- **Azerbaijan route:** The NSTC route through Azerbaijan allows India-Iran-Azerbaijan-Russia-Kazakhstan transport connectivity. Iran started construction work to complete the missing link of the Qazvin-Rasht-Astara railway
- **Chabahar NSTC Integration:** India and Iran have a long-standing agreement, signed in 2002, to develop Chabahar into full deep sea port. Bandar Abbas port handles 85% of Iran's seaborne trade and is highly congested. Whereas, Chabahar has high capacity with plans to expand it from its current capacity of 2.5 million to 12.5 million tons annually. Unlike Bandar Abbas, Chabahar has the ability to handle cargo ships bigger than 100,000 tons. Industry Analysts have highlighted there are long term plans to integrate Chabahar with the NSTC.
- **The Kazakhstan – Turkmenistan – Iran railway link:** also known as North-South Transnational Corridor, is a 677 km long railway line connecting Kazakhstan and Turkmenistan with Iran and the Persian Gulf.
- **Southern Armenia-Iran Railway Corridor:** As the key missing link in the International North-South Transport Corridor, the Southern Armenia Railway would create the shortest transportation route from the ports of the Black Sea to the ports of the Persian Gulf.
- **Trans-Iranian canal:** The idea of linking the Persian Gulf and the Caspian Sea by a canal was developed already in the late 19th century. In 2016 Russia Today reported that the Russian and Iranian governments were discussing the project.

Objectives of North-South Transport Corridor

As per the agreement of 2002, the main objective of this route are:

- increasing effectiveness of transport ties in order to organise goods and passenger transport along the International 'North-South' transport corridor;

- the promotion of access to the international market through rail, road, sea, river and air transport of the state Parties to this agreement; and
- providing security of travel and safety of goods
- harmonization of transport policies as well as law and legislative basis in the field of transport for the purpose of implementing this Agreement.

Advantages of the route:



- Analysts predict by having improved transport connectivity between Russia, Central Asia, Iran and India, their respective **bilateral trade volumes** will increase. The Foreign Trade Policy of India, 2015-20, has highlighted the importance of the International North-South Transport Corridor (INSTC) in expanding India's trade and investment links with Central Asia.
- The successful activation of the corridor will help connect India to Russia within 16-21 days **at competitive freight rates** leading to development of trade on the INSTC. At present we have to either use Rotterdam port or land route via China to reach Russia and Central Asia. These are long, expensive and time-consuming.
- It is also expected to **eliminate usage of reefer containers** for agro commodities and further support the supplies to Russia.
- A study conducted by the Federation of Freight Forwarders' Associations in India found the route is, "**30% cheaper and 40% shorter than the current traditional route**".
- For India, we can have access to the lucrative markets of the Central Asia, **bypassing the transit through Pakistan**. Indian exports could potentially get a competitive advantage due to lower cost and less delivery time.
- The INSTC has particular economic and strategic relevance to India given the increasing regional ambitions of **China through its One Belt, One Road Initiative**. The proposed INSTC trade corridor could help India secure its interests in Central Asia and beyond.
- Potential of this route is manifold, if India can bring on board its South East Asian neighbours too. The Suez Canal route takes 45-60 days, whereas the INSTC

would take 25-30 days. Turkey has offered to provide necessary information for **linking Black Sea Economic Cooperation (BSEC)** with INSTC.

Constraints:

- INSTC still doesn't have a strong institutional mechanism to deal with the operational issues on the ground.
- Problems related to customs procedure and documentation remain.
- Issues relating to the funding of the infrastructure needed.
- Low level of existing containerisation on the route.
- Lack of a common border crossing rules among the participating nations.
- Higher tariff by rail vis-à-vis road transport relating to movement from Bandar Abbas.
- Wagon shortages.
- Security problem emanating from Islamic insurgents east, and west of the route, and associated hurdle of high insurance costs.

Current Status

To understand the problem areas and to realise the full potential of the corridor, the dry run was conducted on the Nhava Sheva–Bandar Abbas (Iran)–Baku (Azerbaijan) and the Nhava Sheva–Bandar Abbas–Amirabad (Iran)–Astrakhan (Russia) route via Caspian Sea in August 2014 by the Federation of Freight Forwarders' Associations in India (FFFAI). The dry run report clearly points out that “the proposed INSTC route via Bandar Abbas in Iran to Russia and CIS Destination in transit through Iran, could be the best route with optimal transit/cost for the Indian exporters/importers”.

Conclusion:

INSTC is an ideal start to project India as a big global player. Even though the investment is well worth with its economic, political and geo-strategic benefits, it is testing India's financial backbone. India can do well to rope in other interested parties for partnering in the project, like Japan who also see Central Asia as a lucrative market for its products.



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