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POLICY BRIEF

THE INFINITE CONNECTION: HOW TO MAKE THE INDIA-MIDDLE EAST-EUROPE ECONOMIC CORRIDOR HAPPEN

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SUMMARY

- The war in Gaza and its fallout have stalled plans for the India-Middle East-Europe economic corridor, or IMEC. But this grand US-led connectivity project to link the EU and India via the Gulf can still happen – and it can serve the geopolitical goals of all its participants.

- With IMEC, the US and the EU aim to draw India closer and counter Chinese influence. The corridor would provide a boost to India's strategy to escape encirclement by Beijing and become a leader among developing countries. The UAE and Saudi Arabia, meanwhile, embrace IMEC as part of their push to become an economic bridge between East and West.

- For the corridor to fulfil its potential, the participants will need to coalesce around implementation plans that can reconcile these different goals. They will also need to overcome internal and external obstacles along each leg of the corridor.

- Europeans should view IMEC as providing a long-term addition to current trade routes. They should also press for the corridor to expand into a network, promote trade liberalisation with India, and support all the participants as they transition to renewable energy.

- If they are successful, IMEC could enhance Europe's economic resilience and increase its options for trade diversification. The links IMEC could help forge among this range of powers may in fact constitute IMEC's greatest prize, with the corridor helping to prevent fragmentation reaching extreme levels.

The complex birth of IMEC

At the September 2023 G20 summit in New Delhi, Chinese leader Xi Jinping's no-show was upstaged by plans for a rival to his Belt and Road (BRI) infrastructure initiative: the India-Middle East-Europe Economic Corridor (IMEC) – a grand US-led connectivity project that would link India to Europe via the Gulf.

The initial memorandum of understanding for IMEC – signed by the United States, the European Union, France, Germany, Italy, India, the United Arab Emirates, and Saudi Arabia – envisioned two sections: an eastern maritime link between India and the Gulf, and a northern section that would connect the Arabian Peninsula to Europe. These would be connected by a new railway network to link the Gulf with the Mediterranean via Jordan and Israel. Beyond the transport infrastructure, undersea cables would facilitate the exchange of data, while long-distance hydrogen pipelines would boost the participants' climate and decarbonisation goals.

The memorandum was light on detail, but the corridor seemed to have the remarkable ability to fit well in each participant's strategic agenda. It would serve the US in its rivalry with China and its goal to normalise relations between Saudi Arabia and Israel. In the context of Russia's war against Ukraine, it would enhance Europe's economic and energy security and help it strengthen ties with the global south. IMEC would also contribute to the diversification of Gulf states' energy markets and their mission to act as a bridge between East and West. Finally, it would help India play a greater role in global value chains and escape Beijing's encirclement.

European Commission president Ursula von der Leyen hailed the pact as "nothing less than historic". India's prime minister Narendra Modi said IMEC would be "the basis of world trade for years to come", while US president Joe Biden called it "a really big deal." Saudi Arabia's Crown Prince Mohammed bin Salman echoed Biden almost verbatim, stating "it is a big deal for us, and for Europe [and] for India". The parties set themselves a deadline of 60 days to put forward more detailed plans for IMEC's implementation.

But 60 days is a long time in today's geopolitics. Less than a month after the G20 summit, Hamas's attack on Israel sparked a war whose impact has reverberated around the world. IMEC planning seemed to be on ice. This prompted scepticism that the corridor could ever fulfil its grand ambitions, with one analyst even claiming the project had collapsed – in "a stark reminder that grand strategic plans often stumble in the face of harsh geopolitical realities."

But it is precisely the difficult and dynamic geopolitical landscape that underscores the value of initiatives such as IMEC. Global order is moving towards multipolarity, characterised by US-

China rivalry and looser international alignments. In this environment, 'middle powers' such as India and the Gulf states are often unwilling to pick a side. That fragmentation means Western actors need to keep open as many economic cooperation options as possible to avoid a dangerous retrenchment.

The IMEC project could help bridge the divides of this fragmenting world, bringing together actors that are not fully aligned – even regarding the aims of the project in question. In a global economic scenario characterised by disruptions, IMEC could also help bring about a shift from the pre-pandemic "just in time" logic of supply chains to a more cautious "just in case" approach. The construction of an additional trade route would help boost the resilience of the global trade system to withstand unpredictable shocks, such as the recent Houthi attacks on Red Sea shipping lanes.

Despite the huge challenges the instability in the Middle East presents, the war in Gaza and its fallout have not changed the long-term strategic and economic goals of the IMEC participants. February 2024 saw India and the UAE sign the first formal agreement on the corridor's development and France's president Emmanuel Macron appoint a special envoy on IMEC. At the Raisina Dialogue in New Delhi later that month, the Greek prime minister Kyriakos Mitsotakis stressed the importance of the corridor and the need to better connect the EU with India. As Modi said at Raisina, "this is an inter-generational project, and it would be a mistake to see it through the prism of any one event or conflict." These small signs of activity bode well for a return to formal planning involving all the main parties.

Europeans should use the remaining hiatus in IMEC's development to converge on implementation plans that can reconcile the goals of the corridor's participants – which are not always aligned or necessarily feasible. This policy brief maps those variations across Europe, the Gulf states, and India, as well as some of the obstacles the participants will encounter in each region. It then presents a set of guidelines for Europeans to help them work with their diverse partners to keep IMEC on track to becoming a successful connectivity project.

Infrastructure competition in a fragmenting world

Infrastructure competition is both a product and agent of two decades of momentous change in international relations. China's BRI, for instance, symbolises the country's rise to superpower status, driven by its extraordinary economic growth and ability to profit from globalisation. That status has since come to threaten the US hegemony that grew out of the collapse of the Soviet Union, locking Beijing and Washington in competition for international primacy in a world more interconnected than ever before.

In this interdependent, contested, and turbulent system, middle powers – countries that do not hold great power status but that have significant and increasing sway over global affairs – need no longer align themselves with one superpower over another, as in the cold-war era. Instead, they choose their partners depending on the time and the issue at hand. The previously European-dominated club of middle powers is expanding to include developing economies, ranging from Latin American powerhouses and Asian economic hubs to Gulf oil and gas exporters. This is leading to a fragmentation of the international system and nudging it towards multipolarity, wherein emerging economies stand poised to play a significant role.

The competition inherent in such a complex and unstable system encompasses all political and economic domains, with connectivity and economic links becoming a crucial battlefield. Major powers grapple to provide connections with other countries and to acquire influence through investment and development projects. Ports, energy plants, railways, and pipelines top developing country's wish lists; those players able to deliver them stand to gain great political clout. Infrastructure activism also fosters links between diverse powers to help prevent fragmentation reaching extreme levels.

The BRI

It is against this backdrop that, since the launch of the BRI, China has spent more than one trillion dollars on infrastructure, construction, and other connectivity investments around the world. As the defining foreign policy of the Xi era, the BRI envisioned the development of economic and political ties through massive transport, energy, and digital projects in developing countries. Although the BRI's geographical focus remains the global south, it has since expanded to include almost 150 countries, 60 per cent of the world's population, and 40 per cent of global GDP, including advanced economies such as Greece and Singapore.

The BRI's most significant artery to date is perhaps the China-Pakistan Economic Corridor (CPEC). This road and rail corridor runs from the Gwadar and Karachi ports in the Gulf of Oman to Islamabad and then on to the Chinese border town of Kashgar. Parallel to the transport route, Beijing has invested in extensive energy infrastructure including coal power plants, gas pipelines, and wind farms. Through CPEC, Beijing aims to create a strategic avenue for Chinese trade on the Pakistani coast, avoiding the sea trade chokepoint of the Malacca Strait that connects the Indian and Pacific oceans. While its benefits for Pakistan's economic growth are questionable, China has acquired significant political influence in the country.

In this way, China has established political and economic leverage in countries across the world and constrained its rivals. But, notwithstanding the importance of these political gains, the ten-year scorecard of the BRI is mixed at best: after peaking in the mid-2010s, Beijing's investment abroad is declining as the country faces mounting domestic economic pressures. And, while the initiative has provided much-needed connectivity in the recipient countries, it has also done so without boosting local, value-added production and has left developing countries indebted to Beijing, meaning many of these countries are now looking elsewhere.

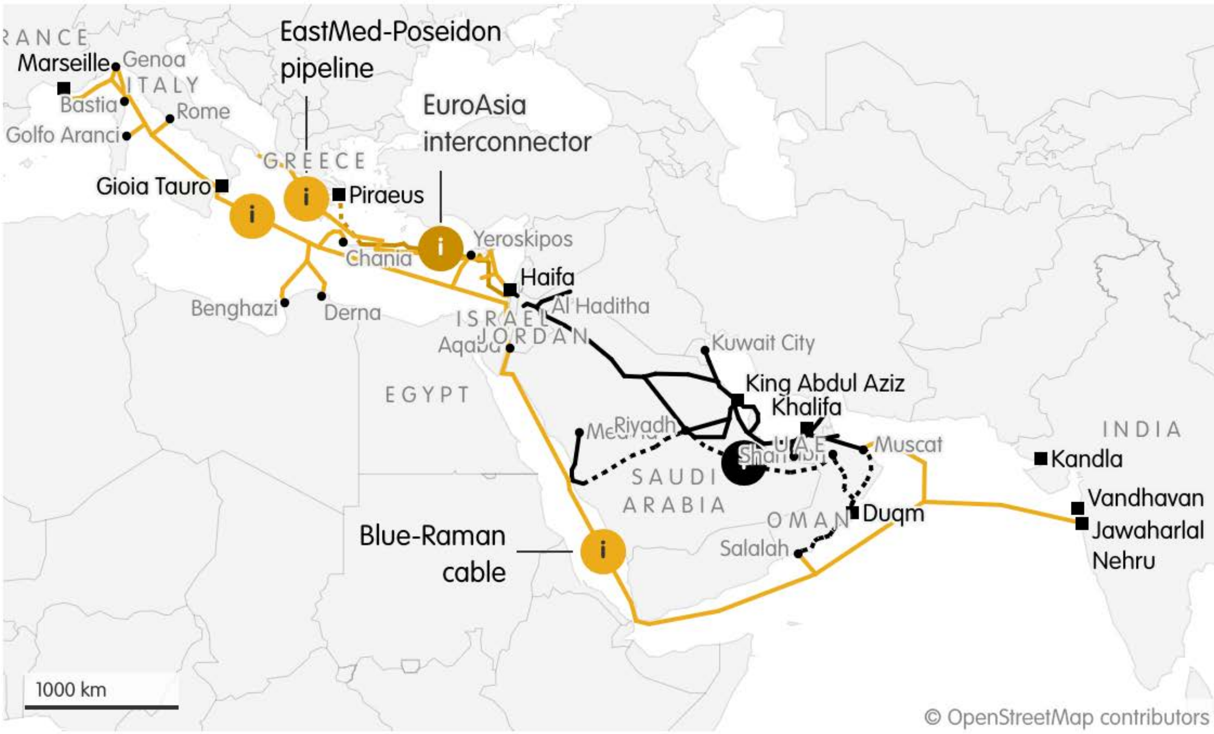
Perhaps where the BRI has made, albeit unintentionally, the most difference is in awakening the US and Europe to the importance of infrastructure projects in developing countries – an area where the West has lagged since the end of the cold war. Western powers were alert to the changes under way in China's engagement with the world – yet at first were slow to respond. The Obama administration's "Pivot to Asia" was blown off course under his successor Donald Trump; while the EU and its member states have found it hard to match their substantial international development aid with a strategic vision. Western efforts picked up steam in the aftermath of the covid-19 pandemic, coalescing around joint G7 projects to promote connectivity and reach in developing countries. But those plans are largely based around previously scheduled projects and have struggled to keep up the pace or to present truly new frameworks for infrastructure financing.

IMEC

IMEC represents a complementary effort by (mainly) Western countries to push back against Chinese influence and to translate their own infrastructure initiatives into more concrete plans. The project aims to foster connectivity along the old Spice Route from India through the Gulf and on to Europe – a network that operated from antiquity until it was disrupted by the British partition of India in 1947. The initial memorandum envisions the construction of railway lines spanning Gulf and Arabian Sea ports to the Mediterranean port of Haifa, in Israel. Parallel to those land links, IMEC will comprise sea lanes between India and the Gulf and across the Mediterranean. But this 21st century trade route will also feature undersea internet cables and pipelines to transport electricity and hydrogen to Europe and India, produced using renewable sources in the Arabian peninsula.

IMEC and its connections

■ Ports — Existing railways - - - Planned railways — Undersea cables and pipelines



Hover over the icon to read more details.

Source: TeleGeography, Edison, RailFreight.

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The agreement to establish IMEC was reached largely thanks to the Biden administration's diplomatic efforts, and the project builds on various US interests. Firstly, IMEC reflects the United States' goal to stabilise the Middle East and sustain the momentum of the Abraham Accords between Israel and Arab countries. It also aims to contain the diplomatic influence of China in the region, which Beijing acquired after brokering a deal between rivals Iran and Saudi Arabia in 2023. The war in Gaza clearly complicates the road ahead – but these are and should remain long-term US goals.

At the same time, IMEC ties in strongly to US attempts to establish a closer political, economic, and security relationship with India, building on the Quadrilateral Security Dialogue with Japan and Australia. It also extends Washington's 2021 efforts to form the public-private I2U2 group, which sees the US and India cooperating with Israel and the UAE on economic issues. And it is not by chance that IMEC was announced during a special event on the margins of the G20 about the US-led Partnership for Global Infrastructure and Investment (PGII), a joint G7 effort launched in 2022 to unite existing infrastructure strategies under a single political umbrella.

Yet, despite the fanfare about IMEC's status as a rival to the BRI, it was always a different type of endeavour. IMEC is much more limited in scope, with current plans envisioning one route more in the vein of a larger CPEC than a global connectivity strategy. Moreover, two IMEC participants – the UAE and Saudi Arabia – have signed up to the BRI and do not approach that and IMEC as mutually exclusive. Here, however, an issue of great relevance lies in IMEC's ability to bring G7 countries together with BRICS partners. India is a founding member of the BRICS bloc of emerging economies, while Saudi Arabia and the UAE have now joined the group after years of burgeoning economic ties.

The main benefit of IMEC for the US is therefore its geopolitical value and ability to showcase Western capabilities to pursue concrete infrastructure plans; while the countries connected by the corridor's infrastructure should also see geoeconomic gains. Indeed, IMEC is an important addition to the BRI: one that could promote trade; cement the relationships among all the participants; and bring India, Europe, and the US closer together, in a partnership that has a clear (albeit undeclared) intent of countering China – even if the project could never have rivalled the sheer scale of the Chinese strategy.

Europe

Four of the eight signatories of the IMEC memorandum are European: the EU and its three largest economies – France, Germany, and Italy. This is not surprising: the EU has embraced infrastructure activism in recent years to relaunch its economy after the covid-19 pandemic and to improve its relations with the global south. The EU and its member states are also keen to 'de-risk' from China in support of their economic security, as well as continue their diversification from Russian fossil fuels as they pursue a green transition. IMEC could play a vital role in driving these aims forward – but the corridor's European participants need to be realistic about the challenges ahead.

Building bridges and strengthening ties

Europeans' initial responses to the covid-19 pandemic and Russia's all-out invasion of Ukraine won them few friends in the global south. Many developing countries – including India – have refused to take a side on Ukraine and accuse Western governments of hypocrisy towards the wars in Ukraine and Gaza and measures such as the Carbon Border Adjustment Mechanism (CBAM) – the EU's environmental tariff on imports – which they argue neglects of the needs of non-Western actors.

Part of the European response has been an infrastructure 'offensive', largely directed towards the global south. In December 2021, the EU launched Global Gateway, a strategy to leverage public and private investments of up to €300 billion for sustainable infrastructure in developing countries. The initiative has a unifying vision to support the green transition around the world. But so far, Global Gateway has focused on projects decided well before its launch. And, despite the substantial resources the EU has announced for Global Gateway projects (more than €40 billion in guarantees, €18 billion in grants, and roughly €145 billion in previously planned investments from member states' development finance institutions), the initiative does not involve plans for any new connectivity routes. IMEC could begin to address this lack of innovation and enhance Global Gateway with concrete new investments.

Moreover, IMEC participant India is campaigning to become a leader among developing countries – as was evident, for instance, in Modi's second "Voice of the Global South" summit in November 2023. Through this initiative, India seeks to establish and lead a platform for the concerns and sensitivities of developing countries that often find inadequate answers in mainstream international fora. A connectivity initiative such as IMEC that brings India closer to Europe could provide another layer to Europeans' efforts in the global south after the difficult years of the pandemic, Russia's war in Ukraine, and climate legislation.

A similar reasoning holds for EU engagement with the Gulf states, especially the two IMEC signatories, the UAE and Saudi Arabia. They are also players in the new world (dis)order that are unwilling to take a side and are keen to preserve ties with the West and Russia and China. They are expanding their trade relations with China and have remained open to Russian business: Riyadh has been forming an oil alliance with Moscow to cut production and push up crude prices; Dubai has become a sanctions-busting hub for Russian trade. At the same time, they are key energy providers to Europe and – especially the UAE – important partners for the technology necessary to propel the green transition, for instance in the production of green hydrogen.

IMEC would help reinforce European economic ties with Gulf countries – which have also become major infrastructure investors from the Mediterranean to the Indo-Pacific – and maintain working relationships that can provide an avenue for European influence in the region, strengthening connectivity with a central energy hub. While this cannot fend off Chinese clout in the Middle East, it could help maintain or even increase Europe's standing.

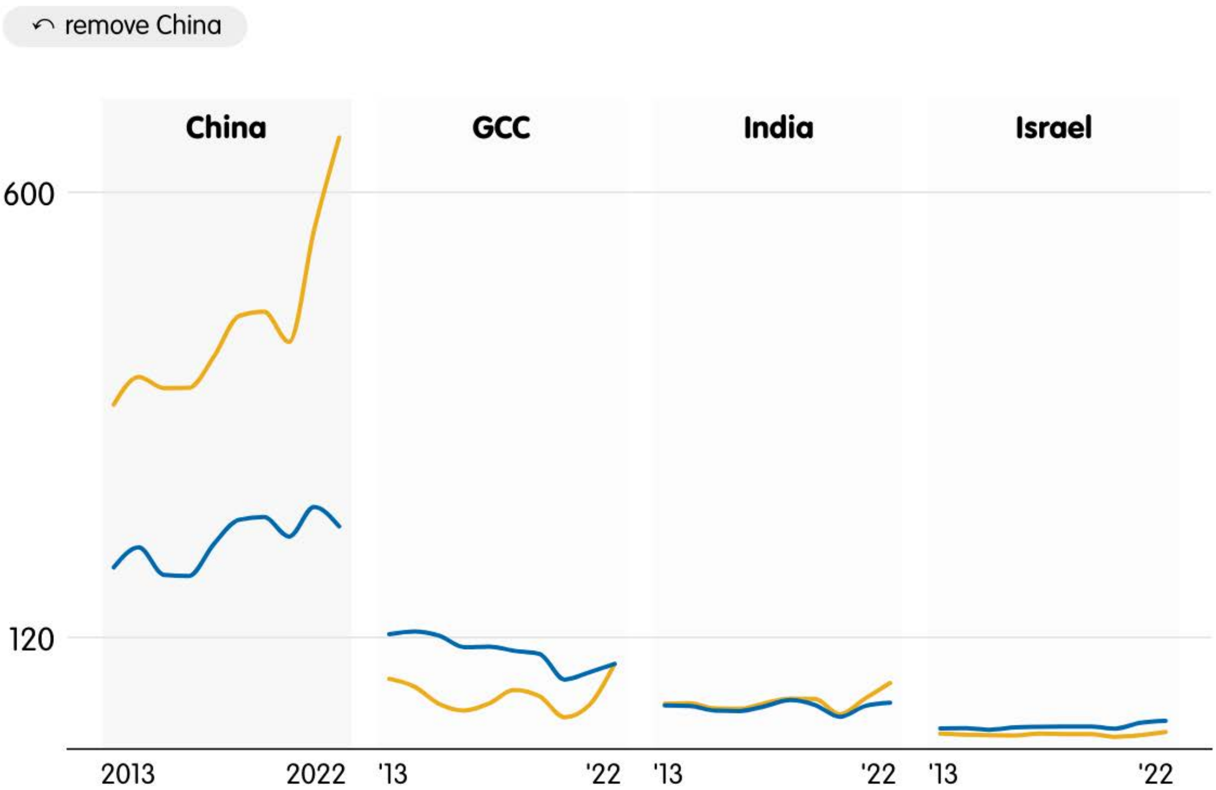
Global Gateway and IMEC therefore serve two intertwined EU objectives within global economic competition. On the one hand, they are tools to maintain cooperation with countries that are not closely aligned with Europe on all issues. In this regard, IMEC could demonstrate that Europeans are willing and able to deliver on infrastructure and that they can build connectivity projects together with emerging economies. Moves such as these are essential to keep open opportunities for cooperation and to signal that a European drive for economic security does not translate into an abandonment of developing countries. On the other hand, investments in connectivity projects contribute to pushing back the influence China has gained through the BRI and to reinforce ties with increasingly important economic actors such as Gulf states and India. India's participation in IMEC would also act as a bulwark against Chinese influence in Asia, aiding European efforts to counterbalance Beijing in the region.

De-risking and diversification

Besides being a powerful geopolitical tool, Global Gateway is a key component of European strategies of economic security: alongside PGII, it strengthens economic links between the EU and countries where investment takes place, helping them integrate into the global economy while providing Europe with new options for its supply chains. IMEC could complement these efforts, as improvements in infrastructure linking Europe with India and the Gulf would support de-risking from China.

From the European perspective, de-risking is about reducing exposure to China in value chains and limiting vulnerabilities in case of weaponisation of trade. China is by far the biggest source of imports into the EU, representing 20.5 per cent of the bloc's imports in 2023. This share increases to more than 90 per cent for components vital for the green transition, from solar panels to rare earths. Forthcoming EU legislation such as the Net-Zero Industry Act agreed in February 2024 aims to boost the bloc's domestic production of key green technologies and reduce its reliance on a single external supplier; while the bloc's 2023 Economic Security Strategy sets out plans to address supply chain and dependency risks. This also applies to excessive reliance on China as an export market – since the country is a key destination for EU manufactured goods, especially in the automotive and pharmaceutical

EU import and export with GCC countries, India, and Israel.
2013-2022, in billion USD



Source: UN Comtrade database
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The governments of the three EU member state IMEC participants are on board with de-risking and are distancing themselves from Beijing. Germany's 2023 Strategy on China lays bare the government's concerns about Beijing's role in its supply chains; German naval deployments in the Indo-Pacific also support the de-risking agenda, establishing the basis for greater economic and security cooperation with India. The French Indo-Pacific Strategy, meanwhile, calls for a diversification of suppliers and a reduction in dependencies via greater cooperation with actors in the region. Indeed, it is from this perspective of economic security and resilience that French policymakers largely view their own participation in IMEC. [1] The third member state, Italy, has opted out of its participation in the BRI and views IMEC both as a tool to increase exports to India and to underpin the role of Italian construction firms in Indian infrastructure.

In the private sector, European and US firms are diversifying away from China in their investment decisions, with India rising as a primary destination of investments in new facilities. Between 2021 and 2022, European and US foreign direct investments announced for greenfield developments in India almost quadrupled, increasing by $65 billion. India is attracting a growing share of investments in the semiconductor, electric vehicle, and battery industries – which favour its location, large workforce, and expanding economy.

Diversification of economic partners is therefore a crucial component of European de-risking strategies. And India, a market of 1.4 billion people and an industrial hub with annual GDP growth rates projected to reach 7 per cent by 2027, is already contributing to this mission. IMEC could pave the way for more Indian involvement in European de-risking plans by providing the infrastructure to support increased trade and to source a greater share of goods and components from the country. Research from the Jacques Delors Institute in 2023 showed that New Delhi holds a comparative advantage vis-à-vis Beijing in textiles, motorcycles, men's clothing, and organic chemicals. India is also competitive (albeit slightly less so than China) in the manufacturing of base metals, which represent crucial raw materials for major European industries – including automotive, machinery, and aerospace.

Boosting energy security and green transitions

IMEC also stands to play a strategic role in European energy security. Parallel to the logistics corridor, the memorandum proposes a set of energy connections along the route, comprising pipelines to transport green hydrogen and electricity cables. This component of IMEC is crucial for its European participants given the decoupling from Russian fossil fuels that followed Russia's invasion of Ukraine, as well as the EU's ambitious plans for a green transition.

The Mediterranean stretch of IMEC largely overlaps with that of the planned EastMed-Poseidon pipeline – a joint initiative from Italian energy firm Edison and the Greek company DEPA International Projects that would transport Israeli and Cypriot natural gas to Greece and then Italy. If the EU could incorporate this 2,000km pipeline into the IMEC plans and complement it with the corridor's transport connections, it would have a mutually reinforcing effect: EastMed would no longer be a standalone project but part of a strategic corridor, while the pipeline would ground IMEC's energy component in reality.

The EU has included the EastMed pipeline in its list of "projects of common interest" (a set of infrastructure projects the bloc deems crucial to its energy and climate goals). But the war in Gaza has delayed the final investment decision from the partners. If approved, the pipeline would take just three years to complete since the preliminary infrastructure has already been deployed.[2] As liquefied natural gas (LNG) shipped from the US and the Gulf has largely replaced Russian natural gas in the EU, a new pipeline gas supply from the eastern Mediterranean such as this would help reduce European exposure to global LNG dynamics. Transporting LNG by ship renders LNG supplies vulnerable to disruption of maritime trade: southern Europe, for instance, is facing delays in deliveries from Qatar due to the crisis in the Red Sea.

A gas pipeline is hardly an investment in the green transition. But EastMed could support European net-zero ambitions if it was constructed as a "transition pipeline". These pipelines are built to transport progressively high shares of hydrogen in a process known as 'blending' (mixing natural gas with hydrogen to create a less polluting fuel). If it is constructed as such, the EastMed pipeline could be used within IMEC to import green hydrogen produced by Gulf countries, which have invested massively in this sector and would be incentivised to do so further. To recover the cost of around €6 billion for the project, suppliers would usually require decades-long gas contracts, which are at odds with European emission targets and current trends in gas demand. Europeans would have to deploy the pipeline for hydrogen as soon as possible to reduce the risks of gas lock-in that could result from the investment. This would enable the EU to limit gas purchases to current European needs; green hydrogen could play a major role in decarbonising EU heavy industry in the future.

Imports of green hydrogen from the Gulf are of particular interest to two signatories of IMEC: Italy and Germany. The Italian government is working towards establishing the country as a major entry point in southern Europe for the continent's energy supplies. This currently leans towards natural gas, but hydrogen offers a more sustainable long-term perspective. Italy has formed a partnership with Austria and Germany to develop a hydrogen corridor within the framework of the European Hydrogen Backbone – an EU initiative to build a massive network of hydrogen pipelines across the continent – to transport green hydrogen imported into Italy to German industrial regions. IMEC could help provide the imported volumes Berlin needs to fulfil its estimated demand for hydrogen by 2030 – which would account for around half its total hydrogen consumption. Germany already imports low-carbon hydrogen from the UAE, shipped as liquid ammonia.

IMEC also overlaps with the EU's Euro-Asia Interconnector – an electricity cable that began construction in 2022 and that mostly follows the same route as the EastMed pipeline, linking the electricity grids of Greece, Cyprus, and Israel. While the cable represents a key component of the EU's energy resilience in itself, it becomes even more relevant in the context of IMEC's planned interconnector. This could eventually link up with the EuroAsia cable, enabling Europeans to benefit from the significant potential of the Gulf states in renewable energy production. IMEC would therefore help expand the range of potential suppliers of green energy to Europe, going beyond countries on the southern Mediterranean such as Morocco.

Grounding ambitions in reality

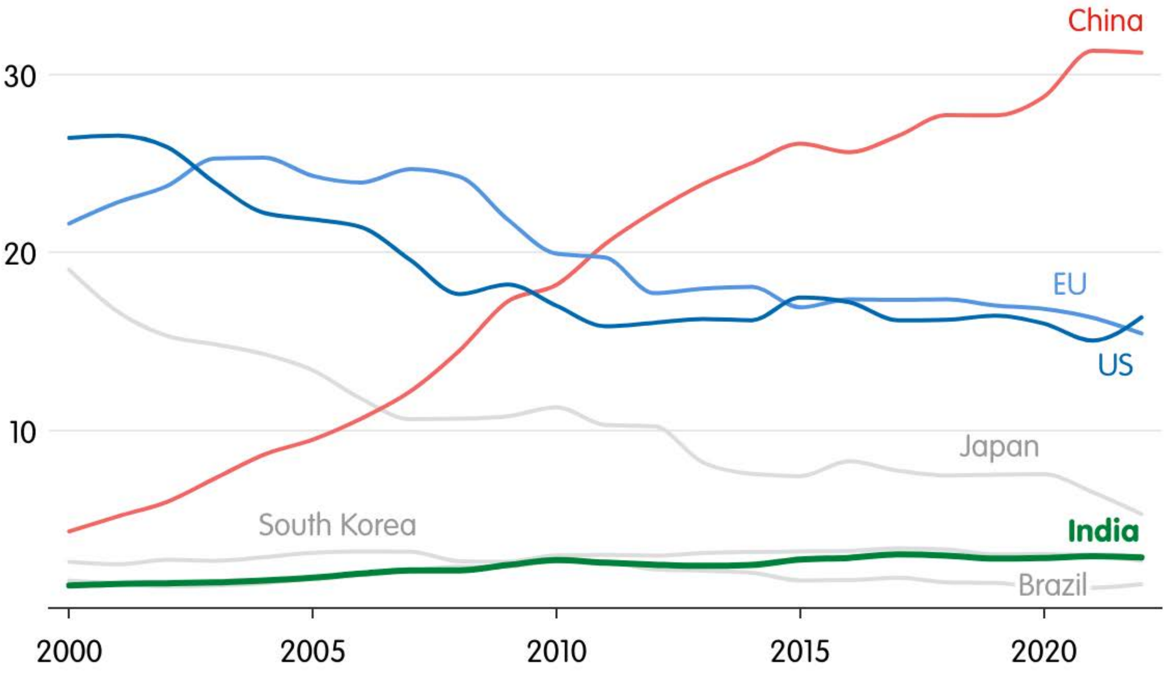
IMEC's European participants face various challenges to turn the initial IMEC plans into a viable infrastructure project that serves their strategic and economic goals.

Firstly, there is financing. Even though the EU and its member states would not be required to finance the entirety of the corridor, initial suggestions of $3-8 billion for each section appear to underestimate the true costs by a vast amount. Saudi Arabia has pledged $20 billion, but even that is unlikely to cover a major share. The combined cost of just the Euro-Asia Interconnector and the EastMed pipeline would already amount to half that sum (around $6.5 billion for the pipeline and $3.9 billion for the interconnector). Any new gas or hydrogen pipelines and electricity interconnectors would likely equal or surpass those amounts. Heavy railway lines are notoriously expensive to build, costing a global average of $14.6m per km of track.

IMEC's grand ambition will therefore be matched by its monumental expense. And, even in the current absence of specific commitments, Europeans may be called upon to earmark significant resources for the corridor. But they are facing multiple and conflicting financial pressures, from assistance for Ukraine to subsidies for industrial policies and the green transition. Especially in the short term, the EU and member states may struggle to allocate vast amounts of money to the IMEC project. This makes buy-in from the private sector and the participation of investment and development banks fundamental for the IMEC plans to come to fruition.

Secondly, Europeans need to be realistic about New Delhi's potential to contribute to de-risking from Beijing. In 2021, China's manufacturing accounted for 31 per cent of global value added; India managed just 2.9 per cent (behind Germany's 5.1 per cent). This is despite a decade of efforts from the Indian government to increase the country's domestic manufacturing capabilities through its "Make in India" strategy.

India's share of global manufacturing value added. Selection of 7 powers, 2020-2022, in per cent



Source: UNIDO
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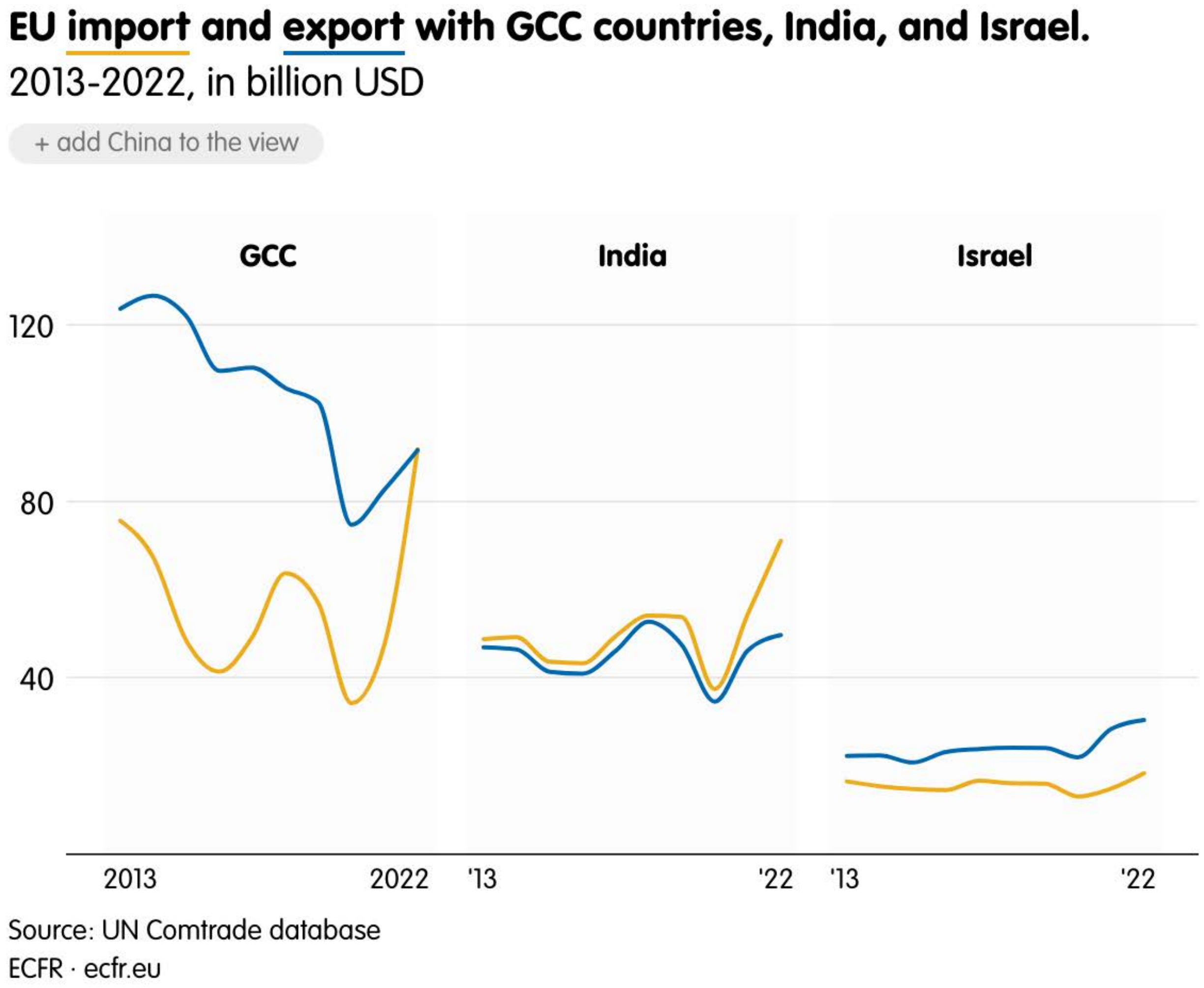
India still relies heavily on raw materials and components imported from its Asian rival. This is especially true for the electronics and automotive sectors, in which cheap imports from China remain more competitive than local production – even with government incentives. Subsidies such as India's "production-linked incentives" and export targets for sectors, ranging from steel to aircraft and textiles, are often not enough to compensate for the Chinese competitive advantage. An "Assemble in India" scenario would hardly improve resilience for European industries aiming to de-risk from China; it would merely move vulnerabilities upstream in supply chains.

The EU's trade with India also lags far behind its dealings with China: in 2021, India accounted for just 2.1 per cent of the EU's external trade; China took the largest share at 16.2 per cent, closely followed by the US (14.7 per cent). Similarly, India accounted for just 2.3 per cent per cent of EU imports in 2022. Although it is far behind China, this is India's highest share since 2013 and is trending towards that of the Gulf Cooperation Council (GCC) states.



These are gaps that IMEC alone cannot fill. But diversification of trade and investment partners has become a goal of European economic security in and of itself, and the improved resilience of greater Indian presence – and that of countries in the Middle East – in Europeans' economic options holds great geoeconomic value.

Thirdly, the IMEC route presents challenges regarding transport infrastructure. Indeed, the Piraeus port in Greece constitutes a security risk: this sole proposed European landing point for IMEC has been majority-owned by the China Ocean Shipping Company Group (51 per cent) since 2016; the Chinese company acquired another 16 per cent in 2021. While IMEC fits very well with the Greek government's goals to serve as a bridge between Europe and the East, placing the endpoint of the corridor – an initiative that seeks to counter Chinese influence – in the hands of a Chinese-owned port authority would constitute a significant vulnerability. It would give China powerful leverage over IMEC: beyond information gathering, Beijing could use its control of the port to undermine the handling of the corridor's goods and favour its own.

Moreover, with Piraeus as the landing point, goods would then embark on a route from Greece, through the Western Balkans, and on to northern and western Europe that currently has limited railway links, forcing some travel by truck. This makes transport less efficient, more polluting, and for long distances hardly any cheaper than current routes. A single European endpoint would also constitute a chokepoint for the corridor, limiting its ability to withstand local shocks or disruptions. European economic resilience would therefore be better served by multiple EU ports receiving IMEC's flows.

A similar reasoning applies to other sections of the corridor: upgrades of the Israeli port of Haifa have been disrupted by the current war – a powerful reminder of the security threats that loom over that leg of the corridor.

The Gulf states

Riyadh and Abu Dhabi do not share the Western goal of countering Chinese influence. Nor do they see the world as opposing Chinese and US-led blocs and have no intention of picking a side. Instead they are open to exploring all opportunities for cooperation and aim to become a bridge between East and West. This transactional approach merges with the rising importance of Saudi Arabia and the UAE as global actors, thanks to their vast fossil fuel endowment, strategic geographical position, and financial firepower.

However, IMEC faces a host of serious threats in the Middle East. Regional insecurity, evident in the war in Gaza, Houthi attacks in the Red Sea, and the escalations of April 2024, constitute the main physical threat to the corridor's development. But the growing rivalry between Riyadh and Abu Dhabi also imperils cross-border integration, and the exclusion of neighbouring countries could harm the corridor's prospects of becoming a vehicle for regional cooperation.

Geoeconomic ambitions and diversification

IMEC would position the UAE and Saudi Arabia at the critical junction of Western and

Chinese infrastructure initiatives and cement the Gulf states' centrality in global trade. Riyadh and Abu Dhabi are longstanding participants in the BRI. That, alongside their more recent BRICS membership, underscores their position as strategic trade and investment partners for Beijing. IMEC would reinforce their importance in US and European geoeconomic designs. Taken together, this would strengthen their international standing by placing them at the crossroads of EU-Asia connectivity, increasing their interdependencies and their power. IMEC and the BRI therefore represent complementary initiatives for their Gulf state participants. And, despite the US-China rivalry, involvement in both corridors extends the range of economic opportunities open to the GCC states.

Leaders in Saudi Arabia and the UEA envision an economic future where they would be primary trade hubs for goods travelling between Europe and Asia. They are also working towards diversifying their economies away from their previous dependence on hydrocarbons exports. Abu Dhabi is ahead of Riyadh on this long road – the non-oil sector now accounts for 70 per cent of the Emirati GDP compared to 60 per cent in Saudi Arabia – but the latter is picking up pace through its Vision 2030 strategy. The IMEC plans for green hydrogen pipelines to supply Europe would respond to Gulf states' ambitions to play a major role in the energy transition and maintain their centrality in future energy markets.

Indeed, the feasibility of IMEC's energy links largely depends on the ability of Gulf countries to produce high volumes of green hydrogen and to scale up their deployment of renewables. Due to its small size and limited water supply, Israel would be unable to play a role in European energy security beyond the provision of gas in the short term. Jordan, meanwhile, relies on EU financing to reduce its dependency on energy imports. The burden of supplying Europe and India with green hydrogen therefore rests squarely on the Gulf states' shoulders, requiring GCC countries to meet their 2030 targets and to scale up the infrastructure necessary to transport green hydrogen at competitive prices.

Transport links and regional connectivity

IMEC builds on existing railway initiatives in the Gulf. Specifically, the GCC Railway launched in 2009 that will connect all six GCC states through a network of national and transnational lines. Estimates for the cost of this project were initially around $15.4 billion for roughly 2,117km of railways, due for completion by 2018. Since the very beginning, however, the railway has been beset by delays and cost increases. The Qatar blockade – the 2017-2021 diplomatic crisis when Riyadh and Abu Dhabi blocked most cross border services with Doha – and the covid-19 pandemic then caused the railway to miss an updated 2021 deadline.

But detente among the GCC states and the prospect of IMEC have since provided a boost, and today estimates point to 2030 for the completion of all lines. Unloading goods in the Gulf and moving them on trains through Saudi Arabia, Jordan, and Israel could save between 10-12 days in travel times to Europe compared to shipping alone. IMEC should therefore also motivate the expansion of existing plans into new lines, despite their construction costs and the expense involved in loading and unloading.

Railway connectivity would also facilitate the transport of local raw materials and goods, helping the GCC states develop a regional industrial base. This is crucial in light of Saudi ambitions in the mining sector: albeit dwarfed by its oil reserves, the country is home to vast untapped quantities of critical raw materials – a market that China currently dominates. Saudi leaders are keen to exploit this endowment and position the kingdom in the value chain of sought-after minerals, handing out licenses for exploration and expanding their own mining operations. Railways are better suited than roads to transporting this kind of bulk cargo from mines to ports. IMEC would therefore help the GCC mining sector develop, which in turn could support European de-risking from China – especially if accompanied by Gulf state or private investments in processing and refining to help respond to demand.

Finally, IMEC will benefit from the Gulf states' existing port infrastructure. After years of investment, the GCC region is home to some of the best functioning container ports in the world: the World Bank's 2022 container port performance index placed China's Yangshan as in 1st place, but that was closely followed by Oman's Salalah port in 2nd place and the Emirati Khalifa port in 3rd. Saudi Arabia's King Abdullah Port on the Red Sea took 17th place, and Jeddah took up a still respectable 29th position. The IMEC memorandum envisions Khalifa Port handling most of IMEC's flows of goods from India, transferring them on trains towards the Israeli port of Haifa and on to the Mediterranean and Europe.

Existential tensions

As the role of Haifa in connecting the Middle East to Europe suggests, Gulf states' IMEC ambitions are matched – if not surpassed – in scale by the tensions facing the corridor. These include but also run deeper than and extend beyond the war in Gaza.

Iran's longstanding geostrategic rivalry with the GCC states lingers despite the current detente between Tehran and Riyadh following a Chinese-brokered deal in March 2023. This rivalry weighs heavily on IMEC's reliance on the port of Khalifa: to reach it ships need to cross the Strait of Hormuz, a vital chokepoint over which Iran maintains a strategic threat. Even though the possibility of attacks does not deter trade (roughly 30 per cent of the world's oil travelled through that very route in 2023), it still poses the danger of exposing the new route to a rival. This results in high insurance premiums on vessels, with higher costs passed on to the recipients of their goods. The Red Sea crisis that has resulted in skyrocketing insurance premiums and freight costs serves as a powerful reminder that security concerns weigh heavily in the minds of shipping companies.

Moreover, Israel’s bombing campaign and invasion of Gaza following Hamas’s attacks hinder its own potential recognition by Saudi Arabia: Saudi leaders have stated this could still happen, but it would be conditional on Israel’s leaders accepting a Palestinian state. Normalisation is not a technical precondition for IMEC – as trade would pass through Jordan and not directly between the two states. Following Houthi attacks in the Bab al-Mandeb Strait, for example, Israeli digital firm Trucknet is assisting the movement of goods from the UAE to the Mediterranean along a route that largely coincides with IMEC without the need for a formal recognition. But were Saudi Arabia to recognise Israel, it would provide a political and diplomatic boost to the project – and, without it, the foundations of IMEC would be weaker.

Beyond that, a lack of alignment between Israel and Jordan brings its own issues for the movement of goods along the IMEC route. The Hashemite kingdom is embarking on an ambitious upgrade of its railways, focusing on freight transport capabilities to strengthen connectivity with GCC countries. But Jordan’s plan envisions connectivity mainly from Red Sea ports and Saudi Arabia to the Jordanian capital Amman rather than westwards to Israel. Amman would therefore need to upgrade its plans and, as it is not currently an IMEC signatory, would need to be enticed into investing in a link with Israel through trade agreements and provisions to expand freedom of movement – which would be a source of political tension. Political tensions become even more acute when looking at any future involvement in IMEC of Palestine, whose external trade is essentially controlled by Israel and whose exclusion from the corridor would further widen the economic gap between it and other states in the region.

Across this leg of IMEC, perhaps the most dangerous tension of all is entirely internal to the GCC. Far from being united in purpose, over the past decade Saudi Arabia and the UAE have become ensnared in a bitter rivalry that touches all domains related to the project. Riyadh’s and Abu Dhabi’s competition for GCC economic leadership increasingly resembles a zero-sum game, in which each strives to maximise its own gains from the corridor while minimising those of its opponent. Saudi leaders promote their own ports, or those of Oman, as alternatives to Khalifah. Riyadh also seems in no hurry to complete the GCC Railway connection with its rival. And Saudi Arabia’s increasing protectionism when it comes to Emirati goods casts a shadow over such essential features of IMEC as regulatory harmonisation and trade facilitation. This all clashes with Emirati leaders' own moves to become the region's primary trade hub and imperils cross-border connectivity.

If that weren't enough, the tensions extend to states not currently involved in IMEC at all. Excluded powers around the mid-section of the corridor are distinctly unimpressed. Egypt, for instance, stands to lose a lot from the corridor: tolls from ships transiting through the Suez Canal represent a key source of precious foreign currency, revenues that are essential in the midst of the country's current economic crisis. Houthi attacks on ships passing through the Bab al-Mandeb strait between the Gulf of Aden and the Red sea have already proven disastrous for Cairo.

Nevertheless, IMEC is unlikely to divert a large share of Suez traffic. Despite the current security issues, the 1850s waterway still provides the most convenient connection between the Mediterranean and the Arabian Sea. Companies might not see the value in transporting hydrocarbons in tankers or cheaper raw materials aboard bulk carriers, unloading them in the UAE, and then transferring them by rail to Haifa – particularly considering the handling costs. Even with containers, the freight transport system best suited to intermodality, IMEC's railways would be unable to compete with the capacity of the Suez Canal. In the first 11 months of 2023, the China-Europe Railway Express – a network of railways between Europe and China that crosses Russia and central Asia – transported containers for almost 1.75m TEUs (twenty-foot-equivalent units, the volume of the standard intermodal container); the Suez Canal handles approximately 35.5 million TEUs a year. This may prove small comfort, however, to an Egyptian government facing such immense economic pressures that any diverted trade would be a blow.

Another country that did not welcome the IMEC announcement was Turkey: thanks to its geography, the country has traditionally acted as the bridge for Asia-Europe connectivity, and IMEC could threaten this role. Turkish president Recep Tayyip Erdogan condemned the plans, announcing his own move to improve connectivity with Iraq and potentially Qatar to intercept trade flows and maintain Turkey's position as a connectivity hub.

Regional and international rivalries also play out in IMEC's digital component. Bypassing Egypt, the corridor largely mirrors the Blue-Raman cable system, an undersea internet connection between southern Europe and India that is currently under construction. This cable would firmly establish the Gulf as the digital anchor linking Europe and India, and IMEC would enhance its strategic value. Blue-Raman's main investor is Google, which has a notorious rivalry with China's telecom giant Huawei. But Huawei is a major player in the GCC countries' 5G networks, digital cables, and data centres. Here, the IMEC participants would have to navigate the tech rivalry between the two superpowers: the corridor's Western signatories will want to avoid Chinese interference or information gathering; Beijing's digital foothold in the Gulf will make that a challenge.

India

India's stance resembles a middle ground between that of IMEC's Gulf and European participants. Like the UAE and Saudi Arabia, India aims to explore all prospects of cooperation in a changing global order without being 'locked' into a single set of alliances. But unlike the Gulf states, New Delhi views China as a systemic rival – even more so than Europeans, as the two share a long and highly disputed border. New Delhi therefore has a strong interest in containing Beijing's influence in the Indo-Pacific region and in developing countries more broadly.

But India's multiple alignments may prove challenging for it (and Europeans) to balance. The government's protectionism may also hinder its push to expand India's role in the world's supply chains – as could its uphill battle to rival China in its manufacturing capabilities and ambition to counter Beijing's influence.

Strategic designs and global south leadership

Instead of the non-alignment of the cold-war era, India's strategy is now to develop the largest set of partnerships possible, participating in flexible schemes that support its interests. In short, India wants to participate in organisations that improve its position, without formally joining any alliance that would restrict its ability to act in a conflict scenario. This explains why India, a founding member of BRICS, has enthusiastically embraced an economic corridor that unites new BRICS members and several G7 countries: membership of the former does not preclude cooperation with the latter, and the country can act as a bridge between them – having been invited to all G7 meetings since 2019. IMEC could become the basis for even closer economic cooperation between India and the G7, allowing the country to extend its trade ties with the EU and support its industrial development.

At the helm of a rising middle power, India's leaders aim to intercept a greater share of global value chains from China and increase their country's manufacturing potential. These goals have been central to Modi's policy since the launch of the "Make in India" initiative in 2014, which was designed to shift the country's main exports from services to merchandise. As discussed, the initiative has enjoyed limited success, and many companies still depend heavily on Beijing for components and raw materials. But IMEC could help accelerate the trade shift by enabling the transport of goods between India and Europe and improving the integration of value chains.

Participation in major initiatives such as IMEC also serves to enhance India's geoeconomic prestige. The corridor slots neatly into this framework, as it improves the country's links with the most advanced economies and provides for a wide range of partners. In 2023, India withdrew from the Regional Comprehensive Economic Partnership – a free trade agreement in the Asia-Pacific region that includes China – due to a deterioration in relations with Beijing, which has also left New Delhi on the lookout for other trade opportunities.

This all ties in with India's quest for global south leadership, through which it aims to provide a model for other countries, and – most importantly – show how an emerging economy with a colonised past can blossom on the international stage. This strategy was evident not only in Modi's "voice of the global south" summits, but also throughout the 2023 G20 Summit on his home turf. At the G20, India celebrated the entry of the African Union to the group as a major achievement for developing countries. It was also at this summit that the participants announced the IMEC initiative. High quality and sustainable infrastructure is a key driver of growth and a major demand from developing countries. This renders India's ability to promote connectivity projects through IMEC an important asset. The fact that IMEC includes mainly rich countries serves as testament to India's rise and could provide another powerful boost to its leadership quest.

The same logic applies to IMEC's ability to bring together countries with different international alignments: as Europeans have found regarding Ukraine, most developing economies are unwilling – or unable – to take a side in the West-Russia or US-China divide. India's ability to build economic corridors with the G7 while also being a BRICS member and maintaining a non-committal stance on Ukraine would promote the image of India as a non-divisive power, something that its rival for global south leadership, China, notably cannot claim.

Chinese encirclement and competition with Beijing

India's rivalry with China is another major reason for India's participation in IMEC. New Delhi has never participated in the BRI, despite India being the second-largest shareholder of the Chinese-led Asian Infrastructure Investment Bank. Instead, India experiences the BRI's growing reach in south Asia as encirclement and has gradually begun to push back against Beijing. IMEC would contribute to this. It would also challenge China's primacy in Asia-to-Europe connectivity, providing a basis by which India can gain leverage vis-a-vis its rival.

The Asia-to-Europe connectivity issue is crucial in India's fraught relations with its other great rival, Pakistan, and the presence of the Chinese-sponsored CPEC. The Gwadar port in the Gulf of Oman is part of the BRI and Pakistan (geographically and politically) blocks the development of land routes towards Europe. This constitutes a major strategic weakness for India. Bypassing Pakistan's roadblock has therefore become a priority for Indian leaders: New Delhi's investment in the development of Iranian Chabahar port to connect India with the North-South Corridor (NSC) between Iran and Russia is part of this strategy. But since the NSC is being developed by sanctioned Iran and even more sanctioned Russia, it is highly unlikely that it would provide India with a solid entry point to Europe. IMEC could help to overcome this problem. The corridor would also equip India with a connectivity option that does not involve either China or Pakistan.

Domestic infrastructure investment is another key element of India's ambition to compete with China. Modi's government has presided over a massive overhaul of India's national connectivity, improving the country's road and rail systems and upgrading port infrastructure. Despite many delays and incomplete projects, within IMEC this spending spree should help take India's ambitions further. The government has chosen three ports on India's northwestern coast to be the corridor's main endpoints: Vadhavan, Kandla, and Jawaharlal Nehru. These should benefit from targeted investments aimed at increasing capacity and the production of green hydrogen.

Finally, IMEC gels with India's efforts since the mid-2000s to intensify its relations with Middle Eastern powers, especially the GCC states. Underlying this are India's efforts to diversify trade away from China and in so doing bolster energy security and industrial development. The UAE and Saudi Arabia have become India's third and fourth biggest trade partners, respectively (after the US and China). Beyond trade – mostly imports of energy and exports of food – New Delhi has upgraded security ties and business engagements with GCC countries. This is motivated by their geographical proximity and shared concerns about terrorist organisations such as the Islamic State group and threats like piracy in the maritime domain. These strengthened links provide fertile ground for IMEC and are part of a growing Indian interest in projecting its geoeconomic power in the Middle East.

Multi-alignment meets protectionism

Although IMEC represents a remarkable strategic opportunity for India, the country's multi-aligned stance limits the depth of the links that IMEC can create. In its relations with the Gulf states, for instance, India will need to balance its strong support for Israel with its traditional backing of Palestinian statehood – all with the added complexity of its domestic policies and poor treatment of India's Muslim minority by the ruling Hindu nationalist government.

Moreover, Western IMEC participants should not mistake India's cooperation for alignment, as New Delhi remains wary of taking a side other than its own in global affairs. Europeans will need to live with India's involvement in such projects as the NSC and an increasingly geopolitical BRICS while maintaining good relations with the country's government (as they already do with the far richer Gulf states). IMEC can serve the Western goal of bringing India closer to the US and Europe – but this will not necessarily constrain New Delhi from maintaining ties with, for example, Moscow and Tehran.

The challenge for Indian leaders will be to juggle all these partners as they develop their industry and infrastructure so that IMEC can begin to contribute to New Delhi's goals. As discussed, India does not yet have sufficient manufacturing capacity to either de-risk its own or European economies from China. This aim nevertheless remains legitimate and aligns with European expectations for IMEC, chiefly the diversification of economic partners. And, as with all connectivity projects, IMEC could become a trade booster to help achieve these goals.

But New Delhi's ambitions also have a protectionist component. Policy measures such as India's extensive import quotas and tariffs are at odds with it becoming a truly attractive business destination. The country's patchy enforcement of contract regulations together with reams of red tape also limit the benefits India could reap from IMEC. The hard infrastructure envisioned in the IMEC memorandum would therefore need to be paired with the soft infrastructure of progressively aligning regulatory standards, especially in logistics.

Negotiations on trade liberalisation between Brussels and New Delhi have been notoriously difficult: the two sides have undertaken on and off free-trade negotiations since the early 2010s, veering between bouts of interest and disengagement. In June 2022 the EU and India relaunched their talks, thanks to a shared desire to counter China's Indo-Pacific expansion. But they remain distant on many issues including visa regimes and market access for sensitive goods, such as cars and agricultural products.

IMEC does not necessitate a free trade agreement between the EU and India to be a worthy initiative, but some form of trade liberalisation would boost the corridor's potential. This also applies to India's economic relations with Gulf countries: a 2022 trade deal with the UAE might soon be followed by a similar one with Oman, but negotiations with Saudi Arabia remain difficult, not to mention a wider agreement at the GCC level. India's leaning towards Israel does not seem to have damaged its economic relations with Abu Dhabi, but it is hardly winning over new friends in Riyadh.

Reconciling IMEC: How Europeans should proceed

IMEC participants in Europe, Gulf states, and India stand to gain in different ways from the initiative based on their different – yet never irreconcilable – ambitions. Some of these goals, such as the diversification of economic partners, are deeply rooted in the changing global order and the emergence of multipolarity. Trends such as this render IMEC a long-term endeavour whose structural dynamics should not be derailed by instability in the Middle East. Indeed, India inked a formal agreement with the UAE in February, signalling that participating countries are willing to proceed despite the tensions.

Europeans should use the current pause in the IMEC's development to reflect upon what is realistic for the future of the corridor. They should focus on ways to transform the initial memorandum of understanding into a working logistics and energy corridor that can reconcile the parties' goals. But, as the war in Gaza dramatically shows, the IMEC project faces significant challenges: from overambition and the risk of not living up to expectations to economic stumbling blocks.

Note IMEC's geopolitical potential, but also its economic limitations

The signatories of the memorandum account for more than half of global GDP and roughly 40 per cent of the world's population. But the impact of the corridor on their economies may prove modest – at least in the short and medium term. As IMEC would not affect the United States' trade routes with the other signatories, American involvement in the corridor is unlikely to deliver major economic gains. At the same time, India barely scrapes into the EU's top ten trading partners. Infrastructure and trade are key growth enablers, and the project would improve the former in to boost the latter, but IMEC's major value lies more in its geopolitical than its strictly economic dimension.

By fostering connectivity between Europe, the Gulf states, and India, IMEC would provide strong links in an increasingly volatile world. This is especially important in light of India's burgeoning economy and the rise of Gulf powers as global players in their own right: much as mooring lines keep boats tied to the pier, IMEC infrastructure would keep the participating countries tied to each other, preventing them from drifting apart in the rough seas of international politics.

A successful IMEC project would permit the EU to match its economic footprint with a powerful political message. This is especially important in light of the heavy Chinese discourse surrounding the BRI: only with Global Gateway did the EU start – albeit weakly – to push back in this narrative domain. IMEC would build on this to demonstrate how Western actors can participate in initiatives that respond to key interests of partner countries, casting aside old habits of top-down projects tailored to European or US goals, often without consulting the recipients during the planning.

European policymakers should approach plans for the implementation of the corridor with these geopolitical goals in mind, focusing on maximising cooperation without forcing alignments. To this end, they should establish a regular ministerial forum among all the participants to help improve coordination and provide a deliberative body to address grievances or political differences.

Navigate conflict and liberalise trade

Infrastructure cannot fulfil its potential in a climate of insecurity. All the participants will need to contribute to addressing the war in Gaza, Houthi attacks against ships in the Red Sea, and the danger Iran poses to the Hormuz strait.

European policymakers will need to carefully work around these tensions and deploy the future economic benefits of the corridor to smooth the edges of regional rivalries. Their priorities should be to help safeguard the Saudi-Iranian detente, prevent the UAE-Saudi Arabia rivalry from exploding in a fully-fledged economic war, and work towards a durable suspension of hostilities between Israel, Hamas, and their neighbours.

To thrive, IMEC will also require a strong regulatory framework. The European Commission should therefore renew its efforts to liberalise trade with India. But they should manage any expectations of a quick deal: European demands on environmental and labour protection and Indian leaders' belief that the EU uses trade policy as tool to shape the political economy of its partners will make a deal hard to reach.[3]

Europeans should pursue incremental liberalisation that allows IMEC to proceed – as this would also contribute to a comprehensive future deal. The geopolitical impetus for the EU and India to reach some form of agreement is only increasing: both sides need to demonstrate their ability to reach compromise, and the failure of IMEC would be a blow to their credibility in the global south that neither can afford.

View IMEC as providing additional not alternative routes

IMEC has significant potential to transport goods and energy between India, the Gulf, and Europe. But, as discussed, it is unlikely to substitute the Suez Canal. Still, the Houthi attacks in the Red Sea show how maritime infrastructure is fragile and exposed, which necessitates the development of additional routes between Europe and Asia – precisely what IMEC does.

Europeans should focus on IMEC's importance as an additional route that can contribute to a "just in case" logic in supply chains. Here, IMEC would be to Suez what India is to China for the EU in its de-risking prospects: a critical addition but not a solution in and of itself. The European IMEC participants therefore need to ensure that draft plans for the corridor maximise the continent's economic resilience. These plans should enable the movement of products that are more convenient to source from India than China – especially those goods whose competitiveness would not be affected by higher transport costs. This kind of extra connectivity in an era characterised by disruptions is the best geoeconomic insurance available.

Develop IMEC as a network

Most maps circulating in the media imagine IMEC as a single line. But IMEC would be most successful if it developed as a network of connections with multiple entry and departure points to link various actors.

This would serve two goals: resilience and inclusion. With a choice of landing points in the Arabian peninsula and the Mediterranean, the corridor would be better able to absorb crises and mitigate security issues. It makes clear economic sense to build a single major axis crossing Saudi Arabia, but this should branch out to different ports on both the Arabian Sea and Mediterranean coasts.

One project that could reduce the impact of a future crisis in the Strait of Hormuz is the development of the Duqm-Riyadh railway – already under study – that would link the Western Omani port with the Saudi capital, adding a new entry point less exposed to instability. Europeans should press for these plans to move forward. Bringing Oman on board would also reinforce IMEC's role as a stabilisation tool since the country has a long tradition of mediating between regional rivals. And the railway could help contain the risks posed by the rivalry between Abu Dhabi and Riyadh.

IMEC's landing points in Europe would benefit from diversification too. For instance, Europeans should consider adding Marseille in France and Gioia Tauro in southern Italy (where there is no Chinese involvement) as landing points, and consider including the Adriatic coast. These ports would best complement Greece's majority Chinese-owned Piraeus due to their integration with the continent's railway network and their capacity to handle large container volumes.

In addition, to improve the corridor's viability the European IMEC participants should focus on promoting inclusion. This could help avoid additional tensions in an area already afflicted by serious crises. Egypt, which stands to be damaged by any IMEC trade diversions, could be softened with plans for a railway connection to the core corridor in Israel, allowing it to intercept some of the flows. Cairo is already planning a new rail line from Ismailia and Port Said to El Arish in the Sinai. IMEC could enhance this project with cross-border connectivity. Palestinian inclusion in IMEC is extremely unlikely in the short term – but Europeans could also begin to mull a potential future extension beyond Israel.

Notably, the EU could contribute an IMEC network with the experience of its own infrastructure upgrades: much as with the Trans-European transport network model, Europeans could help ensure IMEC complements core lines with secondary routes that include other actors.

Plan for sustainable finance and energy

Europeans should begin to consider long-term financing for this massive undertaking. The EU and its member states are facing significant pressure to devote limited resources to the competitiveness of their domestic industries, the green transition, and support for Ukraine. A grand infrastructure project such as IMEC may find limited space among these imperatives and uncertainties.

But the EU, France, Germany, and Italy will not be called upon to provide all the funding for IMEC infrastructure along the entire route. In the construction of railway links, for example, Europeans' expertise and ability to plan cross-border connectivity might prove more valuable than funding. This could permit Europeans to leverage the financial clout of the Gulf participants to help all the parties achieve their common goals.

Europeans should also pursue dedicated financing through the emission of joint bond instruments between the European Bank of Reconstruction and Development and the European Investment Bank, as well as the national financial institutions of participating member states. The high quality of the two international banks' credit ratings could help contain interest rates, while the economic value of the corridor would attract creditors.

The financing of the corridor is strictly interconnected with its energy dimension, as the viability of IMEC depends significantly on its potential to contribute to decarbonisation. The IMEC memorandum included plans for green energy links exclusively. But the construction of hydrogen-ready pipelines in the eastern Mediterranean creates a risk of gas lock-in for EU countries, a risk that increases due to the costs of hydrogen production and the massive scale up of renewables required in the Gulf states (and India).

Europeans should resist the temptation to delay the switch from gas to hydrogen. To accelerate this process, they will need to undertake continuous diplomatic engagement with the other IMEC participants about their progress towards decarbonisation and present clear deadlines for phasing out of fossil fuels in their economies. Europeans should accompany this with adequate export quotas for green energy to Europe that would not come at the detriment of domestic decarbonisation in the Gulf. Europeans should also use IMEC to nudge India towards more sustainable energy ambitions, thereby providing the carrot to the CBAM stick.

The road ahead

IMEC is a long-term project that requires considerable investment and presents significant internal and external obstacles. But the corridor's potential to reinforce links between diverse powers could prove invaluable in this fragmenting and turbulent world. The road (and rail, port, cable, and pipeline) ahead is not an easy one, but if Europeans use the current interruption in IMEC's development to plan how to reconcile the structural dynamics of diversification, de-risking, and containment of Chinese influence while building on the goals of all the participants, they should find that IMEC brings them great geopolitical and geoeconomic benefits.

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[1] ECFR discussion with officials from the French Ministry for Europe and Foreign Affairs, held under Chatham House Rule, online, February 2024.

[2] Author's conversation with European energy firm management, online, January 2024.

[3] ECFR discussion with Indian government ministers, held under Chatham House Rule, Rome, November 2023.

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