

Asia's Fast North-South Access To Europe Is Almost Ready

by Ramtanu Maitra

For purposes of trade, Asia's access to Europe, and Europe's access to Asia, for almost 150 years, has primarily been by sea through the Suez Canal, once that Canal was opened in 1869. Over these years, Asia's economy has grown many times over and so has Europe's. This trade route has long been overburdened and can be expected to remain so, even with its newly increased capacity. Moreover, most Asian, and all South Asian countries situated east of Pakistan, could trade with Central Asia only through Europe or China. These countries have had to depend on a land route through China and the long sea route through Europe via Rotterdam and St. Petersburg. Both routes are long and hence expensive and time consuming.

This difficulty gave birth to the concept of the International North-South Transport Corridor (INSTC), just as the other, East-West features of the World Land-Bridge were also in gestation. The INSTC is a multi-modal transportation route officially agreed upon in 2000 by Iran, Russia, and India at a meeting in St. Petersburg. Eleven nations have joined since then, from Belarus to Syria to Kyrgyzstan. This corridor is designed to link South Asia and the west coast ports of some Southeast Asian nations to Europe and Central Asia, via the Indian Ocean and Persian Gulf to the Caspian Sea, running through Iran and Azerbaijan and then through the Russian Federation to northern Europe.

The Delay

The route is not yet complete. However, on the recommendation of the fifth INSTC Coordination Council meeting held in Baku, Azerbaijan in 2013, a dry run of INSTC was successfully conducted by the Federation of Freight Forwarders of India in 2014 on the routes, (1) Nhava Sheva (Mumbai, India)-Bandar Abbas (Iran)-Tehran-Bandar Anzali (Iran)-Astrakhan (Russia), and (2) Nhava Sheva-Bandar Abbas-Baku (Azerbaijan).

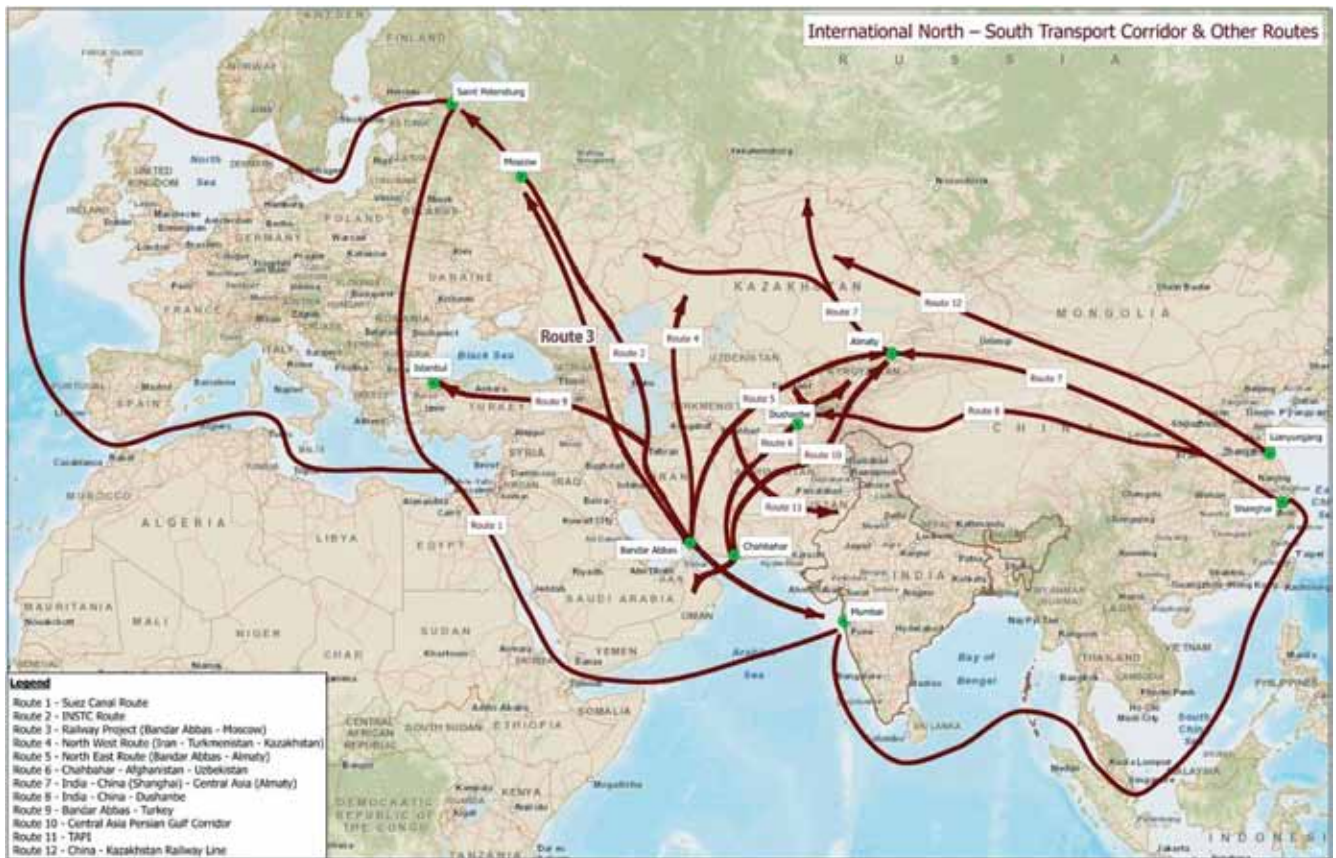
As of now, Asian freight traveling via the INSTC unloads at Bandar Abbas on the Persian Gulf and then travels by rail to Qazvin (Iran); then by road to Bandar

Anzali, to be loaded onto a ship crossing the Caspian Sea (south to north), and is then unloaded at Astrakhan in the Russian Federation (**Route 2** on the map). From Astrakhan, the cargo will become rail freight traveling to northern Europe. That is where it stands now. Within three years, however, this will all change.

The reasons behind the delay in developing this trade route have been many. Iran was under severe sanctions crippling its economy, Russia was in political disarray, and India was still very inward looking, making little effort to enhance its trade linkages. The situation now is dramatically different, and the demands and capabilities of all those countries through which this multi-modal trade route winds its way to Europe, have increased immensely. Moreover, the Suez Canal route, despite its increased capacity, is still going to be busy and is still the longer and more time-consuming route and, as a result, more expensive.

Because of the difficulties stated above, the INSTC has yet to be fully developed. However, now that Iran has been unshackled from sanctions, the INSTC is scheduled to be ready in 2019. The difficult part in the INSTC land route is the combined unloading and reloading, which now occurs a number of times between Qazvin, Bandar Anzali, and Astrakhan. This wastes time and money. This bottleneck will be removed when Iran builds the railroad from Qazvin to Rasht, through a mountain pass, to bring the trade route to the southwestern corner of the Caspian Sea, and then extends it along the western shore of the Caspian Sea to Astara, bordering Azerbaijan (**Route 3** on the map). Once the line reaches Astara, it will be linked to the existing Azerbaijan-Russian Federation railroad through Baku in Azerbaijan.

The good news is that the railroad has been given the proverbial green light by the head of Iranian Railways, Mohsen Pour Seyed Aghaie. On Jan. 12, 2016, *Trend News Agency* reported Aghaie as saying that "the construction of the Rasht-Astara railway will begin in 2016 and finish in 2019." The Qazvin-Rasht part of the line will be completed in 2017.



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The International North-South Transport Corridor (INSTC), to be completed in 2019, will greatly increase efficiency and speed in moving container freight between points along a Mumbai-St. Petersburg axis, shown as Route 3. The INSTC is seen here in the context of other routes.

Iran Prioritizes

In the same *Trend News Agency* report, Aghaie is also quoted as saying, “The implementation of the railway project Qazvin-Rasht-Astara requires an investment of \$1.5 billion. But this project is a priority for the Iranian government, and we will ensure the necessary funds.” He added, “development of cargo transportation could give momentum to global economic recovery.” In 2015, railway companies of Iran, Azerbaijan, and Russia signed a document to expedite construction of the 75 km Qazvin-Rasht-Astara segment.

The INSTC Coordination Council also plans to develop some important spurs. One such already in place is the 930 km rail link running from Uzen in oil- and gas-rich western Kazakhstan through Turkmenistan to the existing railroad in Gorgan, northwestern Iran, running close to the southeastern coast of the Caspian Sea (**Route 4** on the map). This link, flagged off in December 2014, links Iran and Turkmenistan

with China and the Pacific Ocean through Kazakhstan.

How beneficial will the INSTC be when fully completed in 2019? According to estimates provided by some Indian experts, compared to the current route through the Suez Canal and the Mediterranean Sea, the INSTC is much shorter and cheaper. The INSTC can reduce both the time and cost of container delivery by 30 to 40%. From Nhava-Sheva port (Mumbai, India) the route by sea through the Suez Canal takes 45 to 60 days. The INSTC will take 25 to 30 days. In fact, the INSTC is 40% shorter in time and 30% cheaper.

But that is not the end of the story. Even now, before the INSTC has become fully operational, two shortcomings have already been noted. First, the Bandar Abbas port in Iran will rapidly become overburdened. Second, there are no linkages with Afghanistan. India and Iran are already planning an eastern leg of the INSTC to resolve both shortcomings. It may be discussed next week.