

INTERNATIONAL NORTH-SOUTH TRANSIT CORRIDOR (INSTC) - 06.07.2023

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On May 14, 2023, Iranian President Ebrahim Raisi and his Russian Counterpart Vladimir Putin agreed on the construction of a railway line between Irans northern cities of Rasht and Astara in order to facilitate trade[1]. This railway line is significant as it is the only missing link in the International North-South Transit Corridor (INSTC), in which Iranian Transport Minister Mehrdad Bazrpash and his Russian Counterpart Vitaly Savelyev made an agreement worth of 1.6 billion dollars[2].

The INSTC, a 7,200 km long sea and rail line, aims to connect Mumbai to St. Petersburg. The INSTC passes from northern Russia across the Caspian Sea to Southern Iran through the Strait of Hormuz and into the Arabian Sea[3]. Thus, there exist three main routes in the INSTC. The first one is the Western Route, which passes through Russias Dagestan Republic, and the second route passes through the Caspian Sea, Volga, Turkmen and Iranian Ports[4]. Finally, the last route passes through Kazakhstan and Turkmenistan by rail and road[5].

Russia and Iran view the INSTC as a game-changer for global trade flows. The reason for this is the fact that this transit corridor is considered an alternative to the Suez Canal, which is among the busiest routes and accounts for 12 per cent of global trade[6]. In other words, constructing this transit corridor can diversify the current trade routes. According to Russian President Putin, ¨The unique North-South transport artery, of which the Rasht-

Astara Railway will become a part, will help to diversify global traffic flows significantly. Transportation along the new Corridor will have a strategic competitive advantage[7]¨. In addition, Moscow and Tehran hope constructing the INSTC will improve their positions in global trade. Moreover, the INSTC shortens the cargo road between St. Petersburg to Mumbai from 45 days to 15-24 days[8]. Accordingly, Putin stated that "there is a significant saving in terms of time and costs[9]". Thus, it is noteworthy that the construction of the INSTC highlights the cooperation between Russia and Iran and other countries in which the INSTC passes.

The construction of this transit corridor is beneficial for both Russia and Iran. For Russia, the INSTC is beneficial as it connects Russia with Indian Ports and the Persian Gulf[10]. Also, Russia plans to bypass Western sanctions through the INSTC as it changes and diversifies the current global trade flows. Thus, Moscow expects that this transit corridor will increase its current 17 million tons of cargo to 32 million[11]. Therefore, Moscow has the intention to increase its cargo turnover by 155 per cent by 2030 through the INSTC, as stated by Russian Deputy Prime Minister Marat Khusnullin in a round table meeting on the sidelines of the 14th International Economic Forum 2023[12].

For Iran, the realization of the INSTC means the opening of ten Russian cities with 1 million consumers[13]. Within the realization of this Corridor, Iran will reach Russian markets. More specifically, Tehran expects that it can handle 20-25 million tons of cargo annually through this transit corridor[14]. Therefore, Iran is expected to gain approximately 20 billion dollars if the INSTC will be fully operational[15]. Moreover, Iran wishes this Corridor to be fully operational as it will decrease the countrys dependence on its oil revenues[16].

The INSTC is not a new project. It has a relatively long history. As a matter of fact, Russia and Iran have been discussing the construction of the INSTC for more than 20 years[17]. However, the railway construction did not progress for years due to a lack of financing as well as logistical and political complications[18]. It is argued that the current war in Ukraine and the Western Sanctions imposed on Russia have pushed Moscow to construct the INSTC. Even it was claimed by some Iranian analysts that Russia was not eager to build this Corridor before the war in Ukraine[19]. Yet, Russia had no choice but to build the INSTC as its shipping operations in the Black Sea were threatened due to the war in Ukraine[20].

Nevertheless, there exist challenges to the realization of the INSTC. First of all, political tensions exist in the geography which the rail links are planned to pass according to the INSTC. For instance, the Iran-Azerbaijan conflict can create delay in the realization of this Corridor as part of the INSTC passes from Azerbaijan. It is commented that Iran indirectly supports Armenia against Azerbaijan on the territorial disputes, and it will challenge the realization of the INSTC. Nevertheless, Azerbaijan has some gains from this project such as increasing its trade revenues and reducing cargo costs. In addition to the political tensions, Iran lacks proper rail lines and a well functioning network to contribute to the INSTC.

In conclusion it can be stated that the Western sanctions have forced Russia to look for

alternatives to bypass those sanctions and protect its trade revenues. For this reason, Russia has insisted on the construction of the Rasht-Astara rail line in Iran in order to realize the INSTC. For Iran, this project means integrating more with Russian markets and increasing its trade. INSTC is beneficial for Tehran as it is also exposed to Western sanctions. However, there exist challenges upon the realization of this project. The current political tensions, which is the Azerbaijan-Iran conflict, and lack of proper rail lines may challenge the realization of this transit corridor. Despite the challenges, the INSTC has a potential to increase trade ties between Russia, Iran and India as well as contributing to the Eurasian connectivity by diversifying trade routes.

**Picture: https://www.istockphoto.com/tr/vektör/instc-international-northsouth-transport-corridor-political-map-gm1411043729-461021847*

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