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NORTH-SOUTH CORRIDOR: THE LIMITS OF IRANIAN POWER

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The Cold War period was marked by regional integration projects based on specific and limited geographic regions. They were driven by clear and shared strategic threats and a shared commitment to liberalize previously discriminatory trade policies to deal with non-member states on a shared regional vision. By contrast, the post-Cold War era was marked by projects intended to facilitate and liberalize trade beyond a specific geographic region, via a policy known as open regionalism. This policy was characterized by bodies such as the Asia-Pacific Economic Cooperation (APEC) forum, to encourage inter-regional projects, based on cooperative ventures between a state and several other regions.⁽¹⁾

This policy trend adopted new dimensions over the past decade because of endeavors to expand and consolidate more integration projects in different regions by removing trade barriers through interregional and maritime transportation. Although some of these projects included other components, such as energy transfer and free trade zones, land and marine projects, they remained primarily concerned with serving the shared interests of those involved. Among the most prominent projects; China's One Belt One Road Initiative (OBOR), which was wished-for by China's President Xi Jinping in 2013; the Russo-Iranian-Indian International North-South Transport Corridor (INSTC) project in 2000; and the New Silk Road plan by the United States in 2011.

This study focuses primarily on the INSTC project. Although Russia, India and the Central Asian states have strong interests in this project, the study will focus mainly on Iran's role and interests. This is for two main reasons; the first reason is because of Iran's pivotal role in this project because of its geographical location, and its regional ambitions. Also, other parties' depend on Iran's role, with it being at the crossroads of the different regions involved in the project. The second reason is because of the concern regarding the impact of the INSTC project on Arab-Iranian equilibrium and Arab interests.

First: The general features of the project and the legal framework

The INSTC acts as a multimodal network of international trade, maritime, land and rail routes, linking South Asia, Western Asia (Iran and the Arabian Gulf region), Central Asia, the Caucasus, and Russia, all the way to Northern Europe

While the idea of a commercial corridor between these regions dates back to previous centuries, the INSTC project was conceived through an agreement between Russia, Iran and India signed in September 2000. These three powers were subsequently joined by several Central Asian, Caucasian, Gulf and Middle Eastern countries; such as Kazakhstan, Belarus, Tajikistan, Armenia, Ukraine, Kyrgyzstan, Azerbaijan, Oman, Syria, Turkey and Bulgaria (which has the standing of an Observer Member).

Table (1) shows the member states that developed the corridor and the date of accession⁽²⁾

| | State | Request date | Membership date |
|---|------------|--------------------|------------------------------|
| 1 | Iran | founder state 2000 | September 2000 |
| 2 | Russia | founder state 2000 | September 2000 |
| 3 | India | founder state 2000 | September 2000 |
| 4 | Kazakhstan | 24-10-2000 | 6-9-2003 |
| 5 | Belarus | 19 - 3- 2002 | 10-1-2004 |
| 6 | Oman | 8-10-2002 | 8-12-2004 |
| 7 | Tajikistan | 20-6-2002 | 8-12-2005 |
| 8 | Bulgaria | 24-4-2001 | Observer Member 11-4-2006 |

| | State | Request date | Membership date |
|----|--------------|---------------------|------------------------|
| 9 | Azerbaijan | 31-12-2001 | 12-1-2006 |
| 10 | Armenia | 5-6-2001 | 13-4-2006 |
| 11 | Syria | 14-1-2004 | 22-2-2006 |
| 12 | Ukraine | 23-1-2003 | Not yet decided |
| 13 | Turkey | 14-3-2004 | Not yet decided |
| 14 | Kyrgyzstan | 27-9-2004 | Not yet decided |

The corridor aimed to expand the volume of trade between the countries and regions along its various routes by lowering trade costs and transport time. Initial studies have concluded that these routes in the corridor would lower the cost of trade between the member states by around 30 percent, as well as lowering the transport time by around 40 percent compared to the traditional routes.⁽³⁾

The decline in Iran's relations with the West, as well as the international sanctions imposed on Iran until the end of 2015 because of its nuclear program prevented any acceleration in the implementation of the corridor's projects. However, several factors have contributed to progress in the corridor. Some factors include the relative improvement in Iranian-Western relations, particularly post signing the landmark 2015 Joint Comprehensive Plan of Action (JCPOA) nuclear deal. Other factors include the development of polarization in Iran-Saudi relations and competition, which negatively affected the creation of new international trade routes. In this context, Iran, in coordination with its main partners in the project (Russia, India and Azerbaijan), attempted to make some headway by talks at a Trilateral Summit on August 9, 2016 in the Azeri capital, Baku.

The direct legal framework for this corridor, the 2000 Agreement, left open an opportunity for the accession of other states (such as Pakistan, Turkmenistan and possibly other Gulf and Middle Eastern countries). Also, there is another legal framework which complements this agreement; this is the Ashgabat agreement, an international treaty which aims to develop a network of inter-regional routes to facilitate trade between Central Asian and the Arabian Gulf, particularly through ports in Iran and Oman. The treaty was signed in April 2011 between Uzbekistan, Turkmenistan, Iran, Oman and Qatar, but Qatar withdrew from the treaty in 2013. The agreement entered into force in April 2016; subsequently, Kazakhstan and Pakistan joined in 2016 and India in February 2018. The accession of Kazakhstan, India and Pakistan gave the treaty important new dimensions since this made the agreement far more significant, not only in regarding extending its influence in Central Asia, but also by extending the treaty's borders to Russia and China. Meanwhile, India and Pakistan's accession had a significant impact as now Central Asia, the Arabian Gulf and South Asia were linked.

Amongst the prominent features of the treaty was an agreement to develop a railway between Kazakhstan, Uzbekistan, Turkmenistan and Iran. The partners in the treaty gave attention to this railway project, which was launched by December 2014. There is also a railway project underway linking Turkmenistan, Afghanistan and Tajikistan,

passing through Atamurat, Ymamnazar, Akina, Andkhoy and Pyandzh.

The main idea behind the INSTC was to link Southern and Western regions of Asia with Northern and Western Europe and Central Asia via Iran and the Caspian Sea or Black Sea. According to several studies on the subject, the member states will make massive savings in time and money with the new INSTC system compared to conventional routes. The project includes several land and marine routes, as well as many underground networks.

The first route, known as the traditional Western route, is one of the most widely endorsed by all the nations involved in the INSTC by a corridor starting from the Indian port of Mumbai on the country's West coast, running to the Iranian port of Bandar Abbas on the Strait of Hormuz located between the Gulf of Oman and the Arabian Gulf. Along with further road and railway networks in Iran connecting them to the port of Astara, from where one road will run adjacent to the Caspian Sea leading to the Astrakhan region and ultimately to Moscow and Northern Europe. While another will run from Astara to Azerbaijan, then onto the Black Sea and Georgia to Western Europe.⁽⁴⁾

The second route again begins in Mumbai, connecting with Bandar Abbas, but this one will see the connecting road and railway links channeled to Amirabad on the Caspian Sea rather than to Astara, developing a maritime corridor via the Caspian Sea to Astrakhan, then road and rail links to Moscow and Northern Europe.

The third route, known as the Eastern route, again links Mumbai with Bandar Abbas before building land links to Amirabad, then a maritime corridor through the Eastern Caspian Sea to Turkmenistan, then to Russia, and ending in Northern Europe.

Map 1: The INSTC corridor and the three routes



Source: Iasbaba, <http://bit.ly/2SoldHk>.

Two conclusions can be drawn from an analysis of this map:

The first point -these routes remain incomplete because they are scalable. They can be

linked to existing economic corridors, road networks and railways offered by several international powers (China, Russia, the United States, and Central Asian countries). For example, China is interested in the portion of the railway project between Armenia and Iran, where work has been hampered by financial constraints and it wants to integrate it with its OBOR initiative.⁽⁵⁾

In addition, many existing Iranian domestic projects will be affected if the final component of the corridor is completed. For example, Iran's government announced at the end of December 2017 that it would be constructing a new railway line from the city of Zahedan on the Iran-Pakistan border, following a border route along Iran's borders between Pakistan and Afghanistan to the Northern city of Mashhad, near the country's border with Turkmenistan. This would provide significant opportunities to extend the route in the three aforementioned neighboring countries.⁽⁶⁾ There is also an internal route leading from the Iranian port of Chabahar to Zahedan, which is linked to the land route between the port Bandar Abbas and Tehran. This is illustrated in map 2.

Map 2: North-South axis (second track) compared to the traditional route



Source: CSIS via the Indian Wire, <http://bit.ly/2CEzjee>.

Iran is also in the early stages of designing a project to create a canal linking the Caspian Sea to the Indian Ocean or the Arabian Gulf, which would be known as the Iran Rud or Iran River. There are two possible routes for this project:

The first route, known as the Western or alternative route, would link the Southern Caspian Sea and Northern Arabian Gulf. This is the shortest route in terms of distance at about 950 kilometers. This route passes through the Khuzestan [Arab Ahwaz region] and Gilan provinces. The problem with this route is in the logistics involved in passing through the Zagros and Alborz mountain ranges, especially in the Kurdistan and

Hamadan provinces.

The second, longer, Eastern route, extends from the South-eastern coast of the Caspian Sea to the Gulf of Oman, measuring a total distance of between 1,465 and 1,600 kilometers.

This project is still at the design stage, with the implementation process facing probable significant natural and environmental challenges.

The project proposal is welcomed by Russia, where the city of Astrakhan on the Caspian Sea coastline could become a warm water gateway to the Arabian Gulf and the Indian Ocean. For this reason, Russia maintains good relations with Iran, favoring this route over the Istanbul and Dardanelle Straits operated by Turkey, a member of NATO which Russia views as an adversary.⁽⁷⁾

Map 3: The two proposed routes linking the Caspian Sea with the Arabian Gulf and the Indian Ocean



Source: Orient View, bit.ly/2CZO512.

The Russian interests raise an important question about the expected strategic implications of the project if it is implemented. Strategically, the Eastern alternative route (the Caspian Sea-Arabian Gulf route), which is expected to end at the Southern Iranian port of Khomeini on the Arabian Gulf, is the best alternative route for Iran from the viewpoint of the role that this route would play in promoting Russian interests in the Caspian states involved, as well as in India. It would also help to ensure freedom of navigation in the Strait of Hormuz, and to strengthen Iran's strategic position in the Gulf, especially in the event of any clash between Iran and the Gulf States.

Generally, this route would strengthen Iran's geopolitical position, given its strategic and economic interests, in competition with the Gulf States. The Western route, however,

may be considered preferable by India, Russia and the Caspian states because of its proposed terminal at the port of Chabahar where India has considerable influence, and because it would avoid going through the Strait of Hormuz. Nevertheless, this route would improve the economic and strategic interests between Iran and other countries.

Another important consideration for Iran is the great opportunities, which the INSTC project would present for Iranian land and naval forces to conduct military training with their counterparts from the Caspian states, especially between Russia and Iran, both in the Caspian Sea and the Arabian Gulf. Iran must carefully weigh the benefits of the different routes. If it were to give India the advantage of passage through the proposed canals to the Caspian Sea because of the two nations' strategic relations, for example, would undoubtedly irritate Russia and China which in turn would destabilize the strategic balance in the region.

The second point - these three routes include a network of international land, roads and railways to connect many of the countries integrated in this corridor. Some of these passages are already operational, whilst others are under construction. For example, one of the projects already in operation is the Uzen-Bereket-Gorgan railway linking Kazakhstan, Turkmenistan and Iran, which opened in December 2014.⁽⁸⁾ Another is the Armenia-Iran railway, known as the Southern Armenia Railway project, which has great strategic importance in representing the previous crucial missing link spanning around 300 kilometers in the North-South corridor between the Black Sea and the Arabian Gulf,⁽⁹⁾ although there are still some obstacles facing this initiative.

As result of all these factors, any accurate assessment of the full impact of the North-South Corridor on international trade movement between the main regions located on the corridor route - South Asia, West Asia, Central Asia, Caucasus, Northern Europe - and of shifting trade to this corridor, requires additional time until the final network of the corridor projects is completed. Also, additional time is needed to evaluate the geopolitical map of the global conflict between major powers in the region until the repercussions of this becomes clearer. This study will deal with these issues in the following sections.

Second: Iran's interests and motives in reviving the INSTC project

Iran's motives behind its active diplomatic effort to revive the North-South corridor project cannot be properly understood without considering the global and regional contexts in the timing of this diplomatic initiative. At the global level, Iran's renewed dedication to the project is a sign of the apparently temporary shift in relations between Iran, the USA and Europe following the landmark 2015 nuclear deal, and the subsequent lifting of economic sanctions on the Iranian economy. This provided Iran with a great opportunity to revive major projects of this nature, which in turn provided an unmissable opportunity to integrate Iran's economy with the wider global economy. Also to improve the integration and interdependence between the different sectors of Iran's domestic economy, particularly in the fields of trade, energy, and services, as well as boosting its economic ties to the vital economic regions of Russia, Central Asia, and Europe.

The integration of Iran's economy with the world will keep its economy open especially if integration and interdependence is a result of trade and energy transfer. As mentioned earlier, Iran achieved its goals after the lifting of international sanctions imposed on it, as well as involving the United States with other files in the region, especially the Syrian crisis, the war against terrorism, and fighting ISIS.

Iran's approach was not limited to the North-South corridor project, with the regime

planning the construction of a railway to bolster the connections between the Iranian economy and the economies of partner states in Central Asia and China. This project saw negotiations between Iranian and Afghani officials in January 2016 on the construction of a railway line stretching around 2,100 kilometers in total, which would link Iran, Afghanistan, Tajikistan, Kyrgyzstan and China, with most of the railroad, around 1,148 kilometers, inside Afghanistan.

As part of the same initiative, Iran proposed the construction of a railway from Tajikistan to Iran via Afghanistan (Kulkhozabad-Kunduz-Mazar Sharif-Herat-Mashhad) to transport fuel.

Both these projects were suspended because of a lack of financial resources, along with a proposed Uzbekistan-Turkmenistan-Iran-Oman corridor, part of the Ashgabat Treaty.⁽¹⁰⁾

All the above shows that the Iranian regime clearly intends to turn Iran into a hub of international transport and trade routes between Central Asia, Southwestern Asia in the Arabian Gulf, Northern Europe and the Caucasus. Iran seeks to take advantage of India's international interests to access Central Asian markets and energy sources, avoiding any passage through Pakistani territory as much as possible. This explains the interest of Pakistan's adversary India in joining the INSTC project, as well as India's strategic interests in developing the Iranian port of Chabahar, and in joining the Ashgabat treaty. A few Central Asian countries have expressed interest in expanding their access to energy markets, especially in South Asia, to minimize their reliance on Russian ports. Meanwhile, Russia has a strong interest in expanding its access to warm water regions, while all the parties share a common interest in lowering physical barriers to international trade as much as possible.

At the regional level, meanwhile, Arab-Iranian views are increasingly polarized because of the Iranian regime's disruptive sectarian policies in the Middle East and its political and military relations with militias and sectarian forces with no regard to their catastrophically disruptive outcomes, including Hezbollah in Lebanon, the Houthis in Yemen and some Shiite militias in Iraq. This has led to further multiple regional crises and generated intense hostility towards Iran. The Iranian regime's adversarial stance towards regional states, particularly towards Saudi Arabia, was one of the primary reasons behind Tehran's renewed interest in the INSTC project, particularly considering the 2016 announcement of the construction of a major land-bridge linking Saudi Arabia and Egypt, the 'King Salman Bridge'. The KSA-Egypt bridge project, which includes road and railway links for passengers and goods, was announced in April 2016 four months before the Tripartite Summit between Russia, Iran and Azerbaijan. According to many reports, the Saudi-Egypt bridge project will not be limited to developing the trade size between the Kingdom and Egypt, but other strategic dimensions related to expanding trade between the Gulf region and the African continent will be explored.

The INSTC project is important to strengthen Iran's influence in Central Asian at the expense of Saudi and Turkish influence, considering the material benefits that the project offers to the region because of Iran's role.

Third: The future of the project

Despite the implementation of many components of the INSTC project, some important components of the program have not yet been implemented, including the project linking the Caspian Sea with the Arabian Gulf or the Indian Ocean. In this context, it is possible

to mention a group of variants that will have an important impact on the project's future.

1. The superpowers' struggle for dominance in Central Asia

As already mentioned, the Central Asian region is a strategic hub of the North-South axis, which makes the global superpower struggle to dominate this vital region, especially between the United States, Russia and China, a crucial factor in determining the future of this corridor. The conflict between the superpowers has taken many shapes in recent years, including several land transport, railway, trans-border and regional oil and gas projects facilitating access to world markets, as well as removing trade barriers. For example lowering transport prices which represent a crucial portion of overall trade costs. The Central Asian countries are at the heart of these projects because of their geographical location in the vital transit area linking Russia and Europe. Also because of their importance as export destinations for many countries in East and South Asia, and their significant reserves of energy resources, especially gas.

The "North-South Corridor" project is not the only project that targets Central Asia. There is also the USA's New Silk Road Initiative (NSRI), proposed by then-US Secretary of State Hillary Clinton during her visit to India in July 2011, as well as China's Silk Road Economic Belt (SREB) initiative launched by Chinese President Xi Jinping in September 2013. This represents one of the major Chinese projects in this field, which is a principal component of what later became known as the OBOR Initiative, which aims, amongst other things, to strengthen the integration between the Chinese economy and other important regions, and to facilitate the access of Chinese exports to these territories. This Chinese project is intended to facilitate the flow of primary and power resources for the Chinese economy, as well as simplifying and expediting the export and transfer process for surplus produce from China's manufacturing base. Particularly, for its iron, steel, cement, and construction sector abroad. This is part of an integrated strategy to diversify the sources of growth of the Chinese economy and to address the development gap between Chinese regions such as the gap between the Eastern coastal provinces and their central and Western counterparts, as well as the gap between rural and urban areas. Given the crucial importance, which Beijing has accorded Central Asia in the context of the land route component of the OBOR, it was unsurprising that the latest stage in the development of this land route was announced in Kazakhstan, in a speech by the Chinese President delivered at the capital's University of Nazarbayev in September 2013.

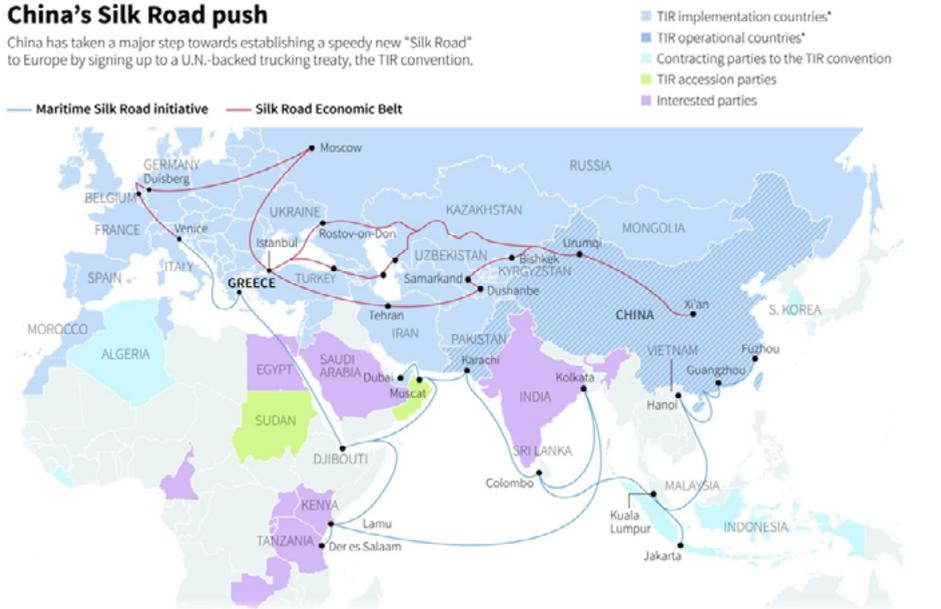
The SREB includes several economic corridors. The first of these links China to the European continent via Central Asia, via a route leading from China through Mongolia via the Russia economic corridor. The second route aims to link China to the Gulf region and the Mediterranean Sea via Central - Western Asia through China, Central Asia and the Western Asia Economic Corridor. In addition to the development of this massive network, China is also working to establish three major routes linking the South of China and Southeast Asia through economic corridors between China and the Indochinese Peninsula comprising China, India and Bangladesh, as well as another between China, Myanmar and Pakistan, which Afghanistan is also expected to join.⁽¹¹⁾ The structure of the SREB's land components shows the crucial importance of Central Asia to the OBOR's first and second economic corridors (see map 4). These corridors include establishing networks of high-speed road links, cross border railways, and interregional sea and land ports and free trade zones. Some of these projects or components have already been established; for example, a transcontinental railway running all the way from the

Eastern Chinese industrial city of Yiwu to the Spanish capital of Madrid, which opened in November 2014, passes through six other countries - Kazakhstan, Russia, Belarus, Poland, Germany and France.⁽¹²⁾

Other important rail links between European nations which will facilitate transport between Asia and Europe have also been completed, including a railway running from the Polish city of Malaszewicze to Milan in Italy, from where passengers or goods can then continue all the way through to Warsaw, Hamburg, Prague, Duisburg and Paris. This is

China's Silk Road push

China has taken a major step towards establishing a speedy new "Silk Road" to Europe by signing up to a U.N.-backed trucking treaty, the TIR convention.



only one of a few important components in the Asia-Europe railway network which will link the two continents via Russia, with others including a rail link between Zhengzhou City in Eastern central China and Moscow, which will also run to St. Petersburg via Brest and the Belarusian capital, Minsk. In December 2015, a third major rail network was opened linking the Chinese city of Lianyungang with Turkey's Istanbul, running through Kazakhstan, Azerbaijan and Georgia.

Map 4: China's One Belt One Road Initiative

Source: [Brookings Institute](#).

Although the US supports and encourages some trans-Asian energy transfer projects, such as the Turkmenistan-Afghanistan-Pakistan-India project (TAPI), and an oil pipeline between Baku, Tbilisi and Ceyhan, as well as the Trans-Caspian Pipeline, since this meets the US objective of helping to guarantee the stability of Central Asia and lowering its dependence on Russia, especially in the area of energy exports,⁽¹³⁾ major questions surround the possible results of any successful future implementation by Iran of the other parts of the INSTC, with the US leadership failing to either publicly endorse or

oppose the initiative. The implementation of the INSTC depends on several factors such as the ability of Central Asian governments to achieve consensus with Washington on this project if the America rejects it.

The 'Peace Pipeline' project connecting Iran to India via Pakistan is an important example of the impact of conflict between global powers on the chances for successful implementation of projects of this nature. Negotiations over this project first began between Iran and Pakistan in the early 1990s, culminating in the signing of a framework agreement between the two countries in 1995. India subsequently joined the agreement to construct the pipeline, but soon withdrew from the project in 1999 under American pressure (see Map no. 5).

In contrast, the United States proposed the TAPI pipeline project linking Turkmenistan, Afghanistan, Pakistan and India as a means of marginalizing Iran's influence by transporting gas from Turkmenistan to India via Afghanistan and Pakistan, despite the



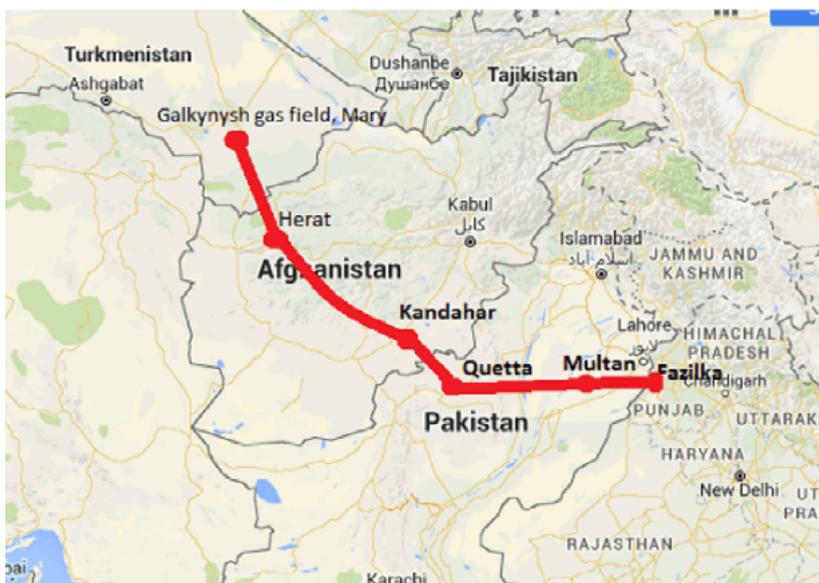
relative advantages of the "Peace Pipeline" compared to TAPI. This is because of the direction of the TAPI route in Afghanistan and Pakistan before reaching India, which is likely to adversely affect its progress. Firstly given the adversarial relationship between India and Pakistan, and secondly in the light of the fragile security environment inside Afghanistan and large parts of many Pakistani regions (See map 6).⁽¹⁴⁾

Map 5: Peace pipeline project for transporting gas from Iran to Pakistan

Source: Wall Street Journal via Tribue, <http://bit.ly/2CErVQU>.

India's withdrawal from the project is an important example of the American role in using its influence and strong relations with states in Central and South Asia,

Map 6: TAPI project to transport gas from Turkmenistan to India through Afghanistan



Source: Current Affairs, <http://cutt.us/5nZHR>.

particularly India, to thwart some Iranian projects, with India apparently placing its strategic relations with America above its strong interest in being part of the initiative.

Pakistan, meanwhile, took advantage of a visit by China's President Xingping in February 2015 to persuade the Chinese leadership to finance 85 percent of the part of the Peace Pipeline in Pakistani territory by a private loan.⁽¹⁵⁾ This Chinese support is insufficient for the completion of the project, however, especially in light of the renewed crisis over Iran's nuclear program after the United States' withdrawal from the nuclear agreement and the imposition of a new round of US economic sanctions on Iran. This will certainly adversely affect the country's energy and foreign investment sector. A successful implementation of the 'Peace Pipeline' is based on the Iranian government's ability to provide the necessary domestic financing to construct it in Iranian territory without relying on foreign investments or companies and on avoiding harmful sanctions that will affect Iranian exports of energy.

2. The Possible implications of China-India conflict on the corridor

There are significant opportunities for the integration of the components of the North-South corridor and the land components of the OBOR Initiative, especially the economic corridor between China, Mongolia, and Russia, and the economic corridor between China and Western-Central Asia. There has been no negative reaction to date from Beijing over the INSTC, however there are undeniable possibilities of a conflict of China's interests with other partners in the agreement because of two fundamental issues:

The first point- India's integration into this network will give it the chance to increase its role in this type of inter-regional project and its potential to access Central Asian

markets more easily, which will increase the chances of transferring the existing Indian–Chinese competition to the region. The chances of tensions over this increased competition between the two giants of Asia will further increase if Turkmenistan's gas transportation projects are completed through the TAPI project.

It should be noted here that one of the main objectives of the OBOR Initiative in Central Asia is to access the important markets and energy sources in the region. This is part of China's strategy to lower its dependence on Middle East as a major source of energy and a traditional transport hub. As it suffers from politicization and insecurity, specifically around the Strait of Hormuz, Malacca and Taiwan, China's primary transit channels for trade and oil imports.

India's interest in Central Asia is part of the country's systematic policy to open up to the region's markets and resources. This strategy was clarified with the announcement of the 'Connect Central Asia' policy by the Indian Foreign Minister in June 2012 during his participation in the First India-Central Asia Dialogue Summit in Bishkek, Kyrgyzstan.⁽¹⁶⁾ This was bolstered by India's accession in June 2017 to full membership of the Shanghai Cooperation Organization (SCO), which also includes Russia, China, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan and Pakistan as full members. Afghanistan, Belarus, Iran and Mongolia have observer state status in the SCO, whilst Azerbaijan, Armenia, Cambodia, Nepal, Turkey and Sri Lanka are cooperative partners. India's new policy also got a boost from the country's official accession to the Treaty of Ashgabat in 2018. These ties improve India's presence in Central Asia, which may concern China in the future.

The second point- given their pivotal geographic location, Iranian ports, especially Chabahar and Bandar Abbas, have massive strategic importance as transit points for international trade between Western and Central Asia, South Asia and East Africa, competing with the Pakistani port of Gwadar. China is betting on this port as a vital transit point for international trade between Western China and Central Asia and the aforementioned regions themselves. In other words, Chinese-Indian competition to gain more favorable access to vital ports such as Gwadar and Chabahar may be a significant deciding factor in the future of the INSTC project.

3. International sanctions against Iran

Iran successfully leveraged the nuclear agreement in 2015, and the implications of this agreement, especially the lifting of United Nations sanctions imposed against it, to accelerate the implementation of the various components of the INSTC project. These developments had a positive impact on the flow of foreign investments, attracting several international companies to Iran, especially European companies, which contributed to the implementation of several projects.

The nuclear deal and Iran's plans witnessed a massive setback after the Trump administration's withdrawal from the agreement earlier this year. President Trump announced another round of sanctions against Iran – the "worst sanctions ever", according to the US Secretary of State Mike Pompeo, who announced on May 21, 2018 that the US would be introducing 12 new conditions for any continuation of the Joint Comprehensive Plan of Action (JCPOA). This setback will have a significant impact on the future of the INSTC project in more than one area:⁽¹⁷⁾

1-This huge shift in US-Iranian relations will involve diplomatic, commercial and financial sanctions, some of which have already been declared, against Iran's political, military, economic and financial entities. These sanctions will devastate economic sectors of great

importance to Iran, mainly oil exports, as well as American deals with Iranian automakers. The sanctions package includes penalties against Iranian ports, vessels and factory ships.⁽¹⁸⁾

2- These sanctions have forced many foreign companies to end their investments in Iran, beginning with the announcement by many European companies that they would be withdrawing from the Iranian market. This includes AB Muller-Maersk, France's Total, Siemens, and Allentis Insurance.⁽¹⁹⁾ Although a few European countries are trying to defend the JCPOA nuclear deal, this will not be enough to protect the European companies operating in Iran from US sanctions. The United States is not expected to exclude these companies from sanctions, which serve as a vital tool for the US to pressure European partners to change their position on the nuclear deal.

If the sanctions continue for any significant period they will have strong negative repercussions on Iran's economic capabilities, the size of the country's Gross Domestic Product (GDP), the availability of liquidity and the ability of the Iranian economy to attract foreign investment. This in turn will hamper the provision of funding for implementing INSTC-related projects.

In summary, the INSTC project is one of the crucial initiatives that Iran has relied on to provide an opportunity to reposition itself as a hub and crossroad of global trade routes linking several regions such as South-Central Asia, Northern Europe, the Caucasus and Western Asia, a trend which is a part of a global phenomenon. Iran has successfully leveraged its shared interests with India, Russia and the Central Asian countries to launch the INSTC project. Although it is difficult to deny that this corridor will play an active role in transforming world trade routes, an objective assessment of its aims requires analysis of several variables related to the nature of the project and its future in the light of the current transformations mentioned in this report. It may also have the effect of motivating Arab nations to adapt in two main directions. Firstly, Arab states, especially those involved in establishing the project, may be driven to realize the vital importance of coordination and competition considering such a transformative initiative. Secondly, Arab countries might perceive the need to increase their competitive edge and develop advanced transport links and trade routes to create a new geopolitical and geo-economic reality, which would allow them to compete with its rivals in a rapidly changing hyper-competitive world.

Endnotes

(1) For more details about these concepts, see:

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- Idrees M, "From Globalization to Regionalism and Inter-Regionalism: A Study of SAARC", *Journal of Political Sciences & Public Affairs* 5, no. 3, (July 2017).

- Dr. Heiner Hänggi, "Interregionalism: empirical and theoretical perspectives", paper presented at the workshop "Dollars, Democracy and Trade: External Influence on Economic Integration in the Americas", The Pacific Council on International Policy, Los Angeles, CA, May 18, 2000.

(2) Turkmenistan is not yet a member despite its importance within the corridor. India is trying to convince it to join. Pakistan also has not yet acceded to the agreement despite its association with a number of energy transfer projects. But there are attempts by Azerbaijan to invite Pakistan to join the agreement. For further information read:

"Pakistan Considering Joining North-South Transport Corridor Project - Ambassador", *Spuntik*, 1 March 2018, accessed 24 October 2018, <http://bit.ly/2yu3jaQ>.

(3) For more details, see Shankar Shinde, Vice President of the Association of Shipping Agents Association of India, before the North-South Corridor Conference, held in Mumbai on 28 February 2017.

Shankar Shinde, "International North South Transport Corridor," paper presented at Global Transport Development Challenges, Latvia, 14 September 2014, accessed 24 October 2018 <http://bit.ly/2JcQplx>.

(4) "Specialists warn: Iran seeks to threaten Arab interests by North-South corridor project," *Majallah*, 13 November 2016, <http://cutt.us/StVeK>.

(5) "China is interested in Armenia-Iran railway link project," *ARK News Agency*, 5 March 2018, accessed 24 October 2018, <http://cutt.us/tnfQO>.

(6) "Iran builds railway linking Central Asia with Indian Ocean," *Al-Manar*, 29 December 2017, accessed 24 October 2018, <http://cutt.us/CcNZL>.

(7) For more detail see: "Russia & Iran negotiate canal from Caspian Sea to the Gulf," *RT*, 8 April 2016, accessed 24 October 2018, <http://cutt.us/vHXHB>. Andrew KORYBK, "A Caspian Canal? Not So Fast", *Oriental Review*, 11 April 2016, accessed 24 October 2018, <http://cutt.us/rAVQ4/>.

(8) The private agreement for the establishment of this line between the three countries was signed in 2000 and the actual implementation began in 2009, as a part of the North-South corridor. The length of the line is 928 km (120 km inside Kazakhstan, 700 km inside Turkmenistan, and 108 km inside Iran)

"Railway line linking Kazakhstan and Turkmenistan to Iran opened," *TASS*, 3 December 2014, accessed 24 October 2018 <http://cutt.us/tUBzi>.

(9) In July 2012, an agreement was reached between the Armenian Government and Rasia FZE to carry out the feasibility study, design, implementation and operation for 30 years, which may be extended to another 20 years. Before the completion of the feasibility study, it was expected that the length of the line would be 316 km starting from Gavar, 50 km east of Yerevan near Lake Sevan till the Iranian border near Megri.

On January 24, 2013, a previous agreement was signed at Yerevan announced in a press conference, and another tripartite memorandum of understanding was signed between Rasia FZE and Russian Railways (RZD) of the South Caucasus Railway, as well as the Government of Armenia, to organize technical cooperation, investment and future operation of the pipeline. Rasia FZE has appointed China Communications Construction Company as a key member of the group, which is responsible for project development and feasibility study.

On September 3, 2013, after a meeting between the Armenian and Russian presidents, the Russian president announced that Russian Railways could invest about 15 billion rupees in the development of Armenian railways. During a meeting with the Armenian Prime Minister held in mid-September 2013, senior officials from Dubai-based Rasia FZE announced the completion of a feasibility study and the conclusion of the design phase. According to these studies, the 305-kilometer transport network running between Gagarin and Agarak will cost approximately US \$ 3.5 billion, with a core operational capacity of 25 million tons per year. Rasia FZE also announced that it would ensure regional cooperation and provide the necessary funding. In addition to the economic importance of this transport link for the Armenian economy and as an important point of contact between the Black Sea and the Arabian Gulf, it has further massive importance to the Armenian economy in reducing the economic pressures resulting from the blockade against Armenia by Turkey and Azerbaijan due to border and territorial disputes

between Armenia and Azerbaijan.

(10) "The Iranian Minister of Roads hinted at launching a passenger train network between Mashhad and Tashkent," *Mehr News Agency* 21 October 2017, accessed 24 October 2018, <http://cutt.us/RRmlO>.

(11) This is stated in the document entitled "Vision and plans for joint construction of the economic belt of the Silk Road and the Silk Maritime Road of the 21st Century", issued by the National Development and Reform Commission, which is one of the most important documents issued by the Chinese government about this issue, providing more detailed analysis of the Chinese government's vision for The Road and Belt Initiative.

National Development and Reform commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China, "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road", China, 28 March 2015. Accessed 22 November 2016, <http://cutt.us/smarts/>.

(12) "The opening of the longest railway between Beijing and Madrid," *Sky News Arabia*, 20 November 2014, accessed 20 October 2017, <http://cutt.us/WSC5u>.

According to published reports, the train included 82 vehicles, the journey takes 17 days, and the length of the line is 13 thousand kilometers.

(13) Asset Ordabayev, "Transport Corridors of South Asia and Caucasus", Working Paper, The Institute of World Economics and Politics (IWEP), September 2016, 13-14.

(14) The project aims to transport gas from the Turkmen Gylkynish gas field to Afghanistan, Pakistan, and India. According to the feasibility study, the length of the line is 1680 kilometers, starting from the Turkmen field Gylkynish receiving area within the Indian border, a diameter of 56 inches. The project is funded by the Asian Development Bank. The pipeline, with a daily capacity of 3.2 billion cubic feet of natural gas, would transport the fuel from Turkmenistan via Afghanistan and Pakistan to the Pakistan-India border, providing 500 million cubic feet per day for Afghanistan, 1.325 billion cubic feet per day for Pakistan, and 1.325 billion cubic feet per day for India. It would be constructed on the following route: starting from the Gilkinish field in Turkmenistan, running through Afghanistan's Herat and Kandahar cities (Afghanistan), then through Sharn, Zhub and Dera Ghazi Khan-Multan in Pakistan before concluding in Fazilika in India. The project construction agreement was signed by the four presidents on 11 December 2010, with the four nations' Ministers of Petroleum meeting on April 17, 2012 to reach an agreement on the pricing system and other related issues, such as the funding agreements with Asian Development Bank and the establishment of the administrative entity for project management and technical studies (TAPI Ltd.), which subsequently took place between 2014 and 2016. On December 13 2015, the project's foundation stone was laid in Mary, near Turkmenistan in the presence of Turkmen President Gurbanguly Mälikgulyýewiç Berdimuhamedow, Afghan President Ashraf Ghani Ahmedzai, Pakistani Prime Minister, Nawaz Sharif, and India's Vice President, Mohammad Hamid Ansari.

For more detail, see:

"The Turkmenistan-Afghanistan-Pakistan-India (TAPI)," *ISGS*, accessed 24 October 2018, <http://cutt.us/sX6v6>.

Ordabayev, "Transport Corridors of South Asia and Caucasus," 20-21.

(15) The length of the line is about 2,775 kilometers. Pakistan will be able to receive about 21 tons / m3 of gas per year, most of which will be used in electricity production, generating about 4500 megawatts annually.

(16) According to the speech delivered by the Indian foreign minister at the first India-Central Asia Dialogue Conference (Bishkek, June 2012), it included 12 points, focusing on continuing to build strong political relations between India and Central Asian countries through exchanging high-level visits; coordination and interaction at bilateral and multilateral levels; strengthening of security and strategic cooperation, especially joint military exercises and research; counter-terrorism and close consensus on the situation in Afghanistan; strengthening multilateral cooperation based on existing frameworks and building a long-term partnerships in energy and primary resources. The proposed policy also included the transfer of Indian expertise to the countries of the region, especially in the fields of agriculture, health, education, construction, tourism and the banking system. The Minister of Foreign Affairs proposed the establishment of joint agricultural strategies within Central Asian countries and building hospitals, universities and branches of Indian banks within the countries of the region. It also included accelerating the implementation of the North-South corridor, as well as expanding informal grassroots communication. For reviewing the speech by the Indian Foreign Minister at the Conference, see:

MOS Shri E. Ahamed, India's 'Connect Central Asia' Policy", Keynote address at First India-Central Asia Dialogue", Bishkek, June 12, 2012. Available at: Ministry of External Affairs website (India), <http://cutt.us/kxV3c>.

(17) For further details on this strategy, see:

"After the Deal: A New Iran Strategy," a speech by Secretary of State, Mike Pompeo, The Heritage Foundation, Washington, DC., 21 May 2018, accessed 24 October 2018, <http://cutt.us/mQP3K>.

(18) For more details of these sanctions, see:

U.S. Department of the Treasury, "Iran Sanctions," accessed 24 October 2018, <http://cutt.us/9XkaO>

(19) "Major companies continue to withdraw from Iran for fear of US sanctions," *News 9 Paper*, 18 May 2018, accessed 24 October 2018, <http://bit.ly/2SgCAHc>.