OBSERVER RESEARCH FOUNDATION

ECES
المركز المصري للدراسات الاقتصادية
The Egyptian Center for Economic Studies

RETHINKING INDIA-EUROPE TRADE ROUTES

In A New Era of Connectivity

Nilanjan Ghosh • Amrita Narlikar • Debosmita Sarkar • Kabir Taneja
Abla Abdel-Latif • Sherine El-Naggar • Racha Seif El-Dine

ORF OBSERVER RESEARCH FOUNDATION

ECES المركز المصري للدراسات الاقتصادية The Egyptian Center for Economic Studies

RETHINKING INDIA-EUROPE TRADE ROUTES

In A New Era of Connectivity

Attribution: Nilanjan Ghosh et al., *Rethinking India-Europe Trade Routes In A New Era of Connectivity*, June 2025, Observer Research Foundation.

ISBN: 978-93-49061-14-9
ISBN Digital: 978-93-49061-70-5

On the cover: The Suez Canal (Getty Images/Camille Delbos). Back cover: The Suez Canal, 1882 (Drawing by A. de Caula, published in La Ilustración Española y Americana. Getty Images/PHAS/Universal Images Group).

Editorial and Production Team: Vinia Mukherjee, *Editor and Producer;* Aswathy Gopinath and Monika Ahlawat, *Assistant Editors;* Rahil Miya Shaikh, *Design and Layout;* Shambhavi Deolekar, *Layout*

Preface

IT WAS GEOPOLITICS that anchored international relations in the 20th century. Today, at the quarter-mark of the 21st century, it has become clear that this is the era of geoeconomics. To be sure, geopolitics and geoeconomics share a symbiotic relationship, as military and strategic strengths are reinforced by economic integration, and vice versa. And despite prevailing narratives of de-globalisation, a downgrade of multilateralism, and the palpable decline of post-Second World War alliances led and built by Western powers, the appetite to connect the world, people, industries, and economies has only been reinvigorated by newer actors forging new projects that seek to link different parts of the globe.

A fitting illustration is the vision of an India–Middle East–Europe Economic Corridor, more popularly known as IMEC, connecting India with Europe via the Middle East. Announced on the sidelines of the 2023 G20 Summit in New Delhi, this economic blueprint represents a new era of thinking. Not many in the past have envisioned the

Middle East as being central to building global financial highways. However, the meteoric rise of the United Arab Emirates, a rapidly opening and growing Saudi Arabia, Qatar hosting its first football World Cup in 2022 and another iteration of the same now slotted for Saudi Arabia in 2034—all highlight how the winds have changed for a region that not too long ago was known largely for two things: oil and conflict. While there is no doubt that geopolitical crevasses persist, as seen in the ongoing war between Israel and Hamas in Gaza, a story of change is emerging.

Both India and Europe, as the entry and exit nodes of this vision of connectivity, stand to benefit not only as states and regions serving as transit points for such a project, but as stakeholders. Europe has experience worth tapping into to move towards successful connectivity; India and the Middle East, meanwhile, are the new faces of globalisation, growth, and global governance. From New Delhi and Dubai to potentially Riyadh, Tel Aviv, Amman, Cairo, and others, the future of growth has new leaders looking to contribute for a blueprint of the world over the next century.

This publication, *Rethinking India-Europe Trade Routes in a New Era of Connectivity,* comprises two reports that seek to add to the current discourse. The first report examines the broader realities of connectivity between India and Europe via the Middle East as a scene-setter to explain why connectivity projects are worth investing in. The second report looks into how Egypt, home to the Suez Canal, one of the world's most critical trade routes, can be central to the success of such a project.

Connectivity projects as massive as one between India and Europe are decades-long endeavours. In an era of uncertainties, the efforts of like-minded countries putting their political and financial acumen together to re-build the crumbling idea of a world order are worth exploring.

ORF OBSERVER RESEARCH FOUNDATION

FOSTERING INDIA-EUROPE TRADE TIES

Exploring the Potential of Economic Corridors

Nilanjan Ghosh • Amrita Narlikar • Debosmita Sarkar • Kabir Taneja

Contents

I.	Introduction	10
II.	Geopolitics Meets Geoeconomics: Future-Proofing Connectivity Through the Middle East	18
III.	New Era, Old Trade Routes: Economic Corridors Between India and Europe	24
IV.	Trade Route Scenarios: A Matrix of Risks, Costs, and Markets	44
V.	The Challenge of Diversification	48
VI.	Conclusion	54

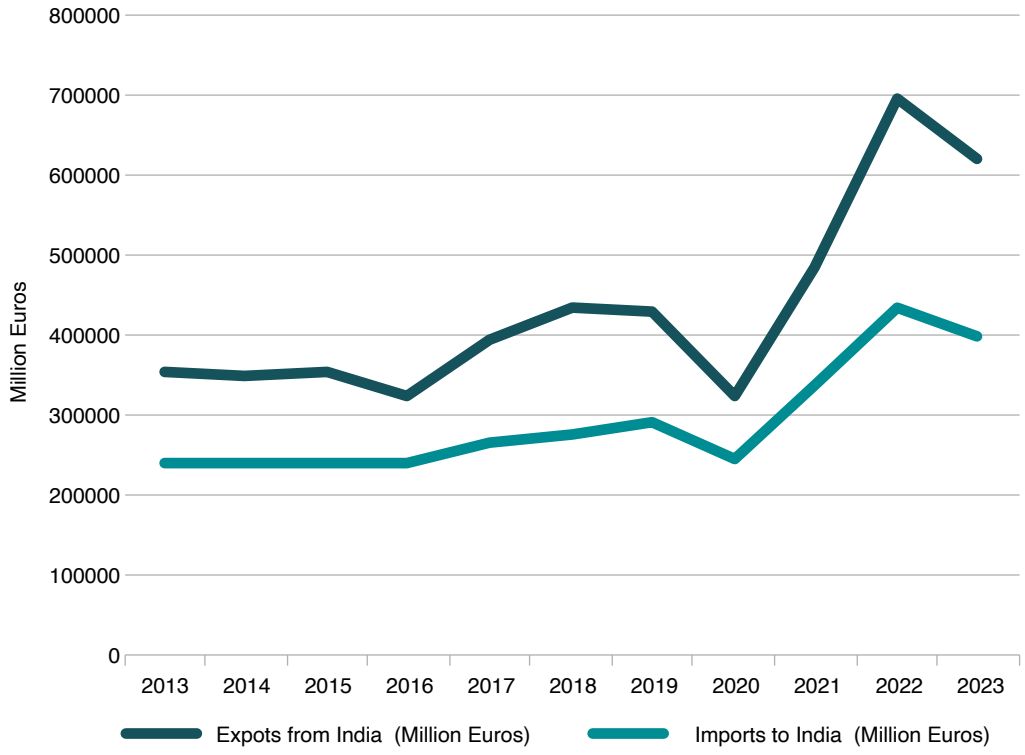
I.

Introduction

THE GROWING IMPORTANCE of India-Europe trade dynamics can be discerned from two facts. First, in 2023, the European Union (EU) was India's largest trading partner, accounting for approximately 12.2 percent of India's total merchandise trade, surpassing the United States (US) at 10.8 percent.[1] Second, the EU is the second largest destination for Indian exports (17.5 percent of the total as of 2023) after the US (17.6 percent), with China a distant fourth (3.7 percent).[2] India's bilateral trade in goods with the EU was 131.5 billion euros and trade in services was estimated at 49.35 billion euros in 2023-24—an over 65-percent increase from 2020 levels.[3] Over 6,000 European companies operate in India across a range of sectors, generating 6.7 million direct and indirect jobs in the country.[4] This partnership extends beyond mere trade exchanges and has evolved into a strategic economic relationship that is deeply embedded in shared interests across domains like energy and technology, security, and global governance.[5]

Figures 1 and 2 show the state of EU-India trade in the past decade. There was a slight deceleration in 2023, partly explained by the decline in Indian exports caused by the disruptions in the Red Sea-Suez Canal stretch due to Houthi attacks.[a] This prompted Indian exporters to hold back around 25 percent of their cargo ships transitioning through the Red Sea.[6]

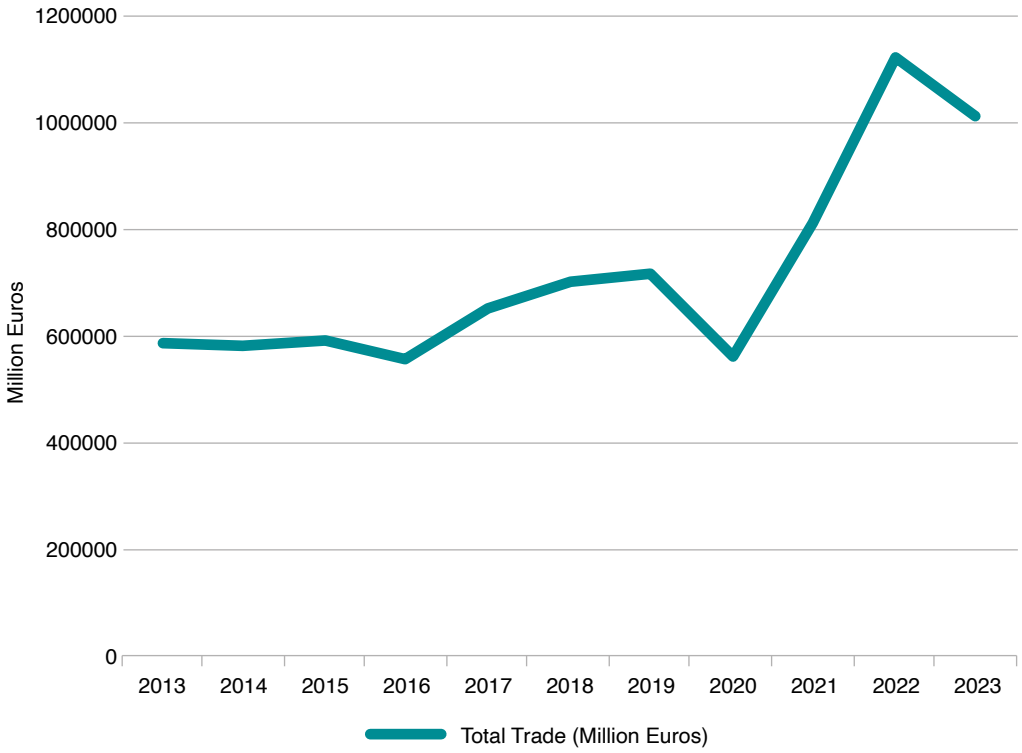
Figure 1: India's Exports to and Imports from the EU (in Million Euros)



Source: Authors' own, using data from European Commission Directorate General for Trade[7]

[a] The Houthis are an Iran-aligned, Zaydi Shia Islamist political and military organisation that emerged from Yemen in the 1990s and controls most parts of the country, including the capital, Sanaa, and some of the western and northern areas close to Saudi Arabia.

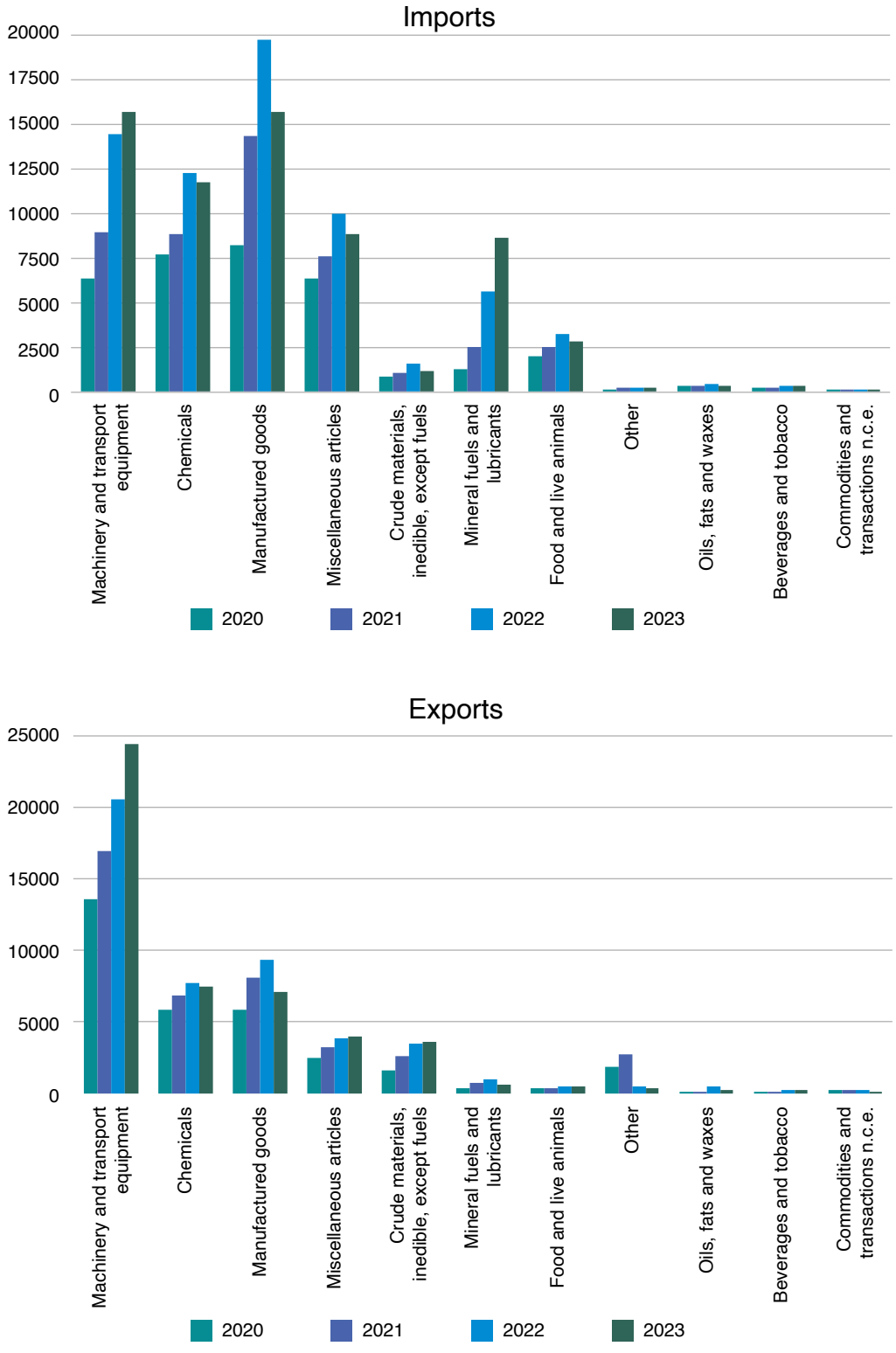
Figure 2: EU-India Total Trade (in Million Euros)



Source: Authors' own, using data from European Commission Directorate General for Trade.[8]

The evolution of India-Europe trade relations, particularly since the watershed era of the Indian economy in the 1990s, has followed a dynamic trajectory aided by economic liberalisation, globalisation, and strategic cooperation. In the early 1990s, India embarked on economic reforms that dismantled trade barriers, liberalised its markets, and encouraged foreign direct investment (FDI). These changes enabled India to integrate more deeply into global markets, including Europe. Since then, bilateral trade has expanded, with India exporting textiles, pharmaceuticals, information technology (IT) services, and engineering goods and importing machinery, automotive parts, and chemicals from Europe.[9]

Figure 3: Sectoral Composition of the EU's Goods Trade with India (2020-2023)



Source: Authors' own, using data from European Commission Directorate General for Trade.[10]

The relationship between the two countries is marked by several milestones. For instance, the India-EU Strategic Partnership in 2004 laid the groundwork for enhanced political and economic collaboration.[11] India has a number of partnerships across the continent, with trade partners that include Germany, the United Kingdom (UK), France, and the Netherlands. Germany, as Europe's largest economy, is a major destination for Indian exports of engineering goods, automotive components, and IT services.[12] The UK remains a substantial partner in financial services, pharmaceuticals, and technology services.[13] France and the Netherlands demonstrate strong engagements in aerospace, luxury goods, and agriculture.[14,15] Subsequent negotiations for an India-EU comprehensive Free Trade Agreement (FTA), although ongoing, have underscored the mutual commitment to deeper trade ties.[16]

The growing trade relationship between India and Europe has had profound implications for their domestic economies. In India, Europe's demand for goods and services has spurred industrial growth, particularly in sectors like IT, pharmaceuticals, and textiles. IT service exports to Europe have created high-value jobs and contributed to skill development in India, while the export of generic drugs has strengthened India's reputation as the "pharmacy of the world".[17] Europe's domestic economies have benefited from India's competitive manufacturing base and expanding consumer market. Indian companies participate in Europe's automotive and technology sectors, with acquisitions and investments in countries like the UK and Germany.[18] These engagements have fostered innovation, enhanced supply-chain resilience, and opened new markets for European firms.

These geopolitical and economic shifts have led to the increasing prominence of specific India-Europe trade routes. Historically, the Suez Canal route has been the primary passage for trade, offering a direct maritime connection between the Indian Ocean and Europe that

bypasses long transit times and high logistics costs of the route around the Cape of Good Hope. However, conflicts in the Middle East and rising canal tolls have prompted trading countries to seek alternative routes. The International North-South Transport Corridor (INSTC), connecting India to Europe via Iran and Russia, has gained prominence in recent years as a multimodal solution that reduces transit time and costs.[19]

The India-Middle East-Europe Economic Corridor (IMEC) has also emerged as a transformative initiative. Announced during India's G20 presidency in 2023, IMEC aims to combine maritime and overland routes through the Middle East, leveraging strategic partnerships with Gulf nations.[20] Its promise was brought to the fore, once again, during Prime Minister Narendra Modi's visit to France in February 2025. A joint statement said: "Both leaders stressed the importance of IMEC to foster connectivity, sustainable growth trajectories and access to clean energy across these regions. In this regard, they acknowledged the strategic location of Marseille in the Mediterranean Sea."[21] In keeping with this vision, an Indian consulate was inaugurated in Marseille.

Growing commitment and political goodwill notwithstanding, the current IMEC framework faces potential roadblocks that might impact the continuity of the IMEC route, including high upfront infrastructure investments, regulatory misalignments, and security concerns in politically sensitive regions like Israel and Gaza.

This report evaluates the economic feasibility, strategic viability, and sustainability of various trade routes connecting India and Europe. The report attempts to present a comparative assessment of four important trade routes: the Red Sea-Suez Canal (RS-SC) route, the INSTC, the Cape of Good Hope (COGH) route, and IMEC. The first three routes are already in use and have been tested, and the IMEC was recently proposed. This report

outlines policy recommendations to optimise trade routes, foster regulatory cooperation, and promote sustainable trade practices while exploring hybrid strategies to achieve cost efficiency, risk diversification, and enhanced market access. To achieve these objectives, the report adopts a multidisciplinary methodology that integrates economic and geopolitical theories for a cost-benefit analysis of each trade route, considering transit costs, infrastructure investments, geopolitical risks, and environmental impacts along these corridors.

There are various concerns that need to be considered when analysing the costs and benefits of the corridors: perceptible operational costs, transit time, geopolitical risks, infrastructure and logistics, market access, environmental costs, and a potential mismatch of broader norms amidst the diversity of players. There may be additional non-perceptible transaction costs in the form of regulatory arbitrage due to the lack of uniform regulation.[b] As geopolitics carries an impact on geoeconomics and supply chains, geopolitical risks can outweigh other, quantifiable cost components.

[b] This has been assumed for the purposes of this analysis.

II.

Geopolitics Meets Geoeconomics: Future-Proofing Connectivity Through the Middle East

CONNECTIVITY HAS BECOME central to global trade as well as geopolitics, as geoeconomics gains importance in an era of great-power competition, transitions, and disruptions. Connectivity has long been central to geopolitics, with economic growth being used as a means of building state-to-state relations, communities, and peaceful constituencies.

Despite the wars in Ukraine and the Middle East as well as tensions between the US, Russia, and China, international trade in 2024 was expected to rise by 7 percent from 2023, adding US$1 trillion into the international economy at a 3.3-percent growth rate.[22] However, Donald Trump's re-election to the White House has exacerbated tensions in international trade, and in the years to come, connectivity will need to be revised.

Multinational connectivity projects have not fallen out of favour despite the war in Ukraine threatening the stability of continental Europe and the October 2023 Hamas terror

attack challenging a critical waterway in the Red Sea, with fears of an expanded conflict across the Middle East. In September 2023, on the sidelines of the G20 summit in New Delhi, IMEC was announced.[23] The project was driven by the US with the aim of integrating the Middle East and India and strategically bringing Europe closer to both regions. IMEC has also been touted as a framework to combat and compete with China's "market imperialistic" design of the Belt and Road Initiative (BRI).[24] However, the IMEC agenda was set back by the 7 October Hamas attack, with the first meeting at the level of national security advisers being postponed indefinitely, which highlights the reality that large-scale economic projects are dependent on regional and international security.

Contentious deals have also been executed beyond the Middle East. For example, in December 2024, the EU and four Mercosur countries—Brazil, Argentina, Paraguay, and Uruguay—signed what the European Commission described as a "groundbreaking" partnership covering a wide range of issues, including agriculture, critical raw materials, energy, and sustainability.[25] Other Regional Trade Agreements (RTA) that are consistently signed between various states and groupings globally continue to build on the idea of spreading trade risk beyond a few powerful states.[26] Such projects are also multidimensional and involve various branches of governance and politics, are capital intensive, and have a timeframe of decades.

South Asia, despite its lack of political connectedness and its cultural commonalities, has also witnessed several regional-integration projects aimed at mending geopolitical distances. These include the Turkmenistan-Afghanistan-Pakistan-India gas pipeline in the west, conceptualised in the early 2000s, and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation in the east, launched in 1997 with the aim of building interconnected economic highways between southern

Asia in the east, South Asian Association for Regional Cooperation (SAARC) states, and member countries of the Association of Southeast Asian Nations (ASEAN).[27,28]

The Abraham Accords and its Expanded Impact on IMEC

The Abraham Accords, a deal aimed to normalise political relations between Israel and a group of Arab states led by the United Arab Emirates (UAE), was the catalyst for IMEC. The UAE has long positioned itself as the economic hub of the Middle East, with its cities such as Dubai and now increasingly Abu Dhabi being viewed as global financial centres.

Connectivity, whether IMEC or the China-led BRI, is central to the region's attempts to recast its legacy of war and conflict to highlight economic development and integration as well as political and ideological moderatism. To achieve long-term success in connectivity projects, Arab states such as the UAE and Saudi Arabia have begun approaching global politics and global trade from the perspective of multipolarity. Others across the region, such as Egypt, Oman, Bahrain, and Kuwait, stand to benefit.

However, a multipolar order does not mean that planning and implementing connectivity projects will become easier. Indeed, complexities for connectivity projects might only increase as the core commodities of trade change, such as hydrocarbons giving way to lithium in the automobiles sector. At Donald Trump's inauguration as 47th President of the US in January 2025, CEOs of technology companies, and not oil companies, staked a claim to the front row, highlighting an evident global shift towards developments such as semiconductors, artificial intelligence (AI), and quantum computing becoming the resources over which geopolitical rivalries will converge.

The immediate future of connectivity will be one of balance. Security cannot be decoupled from geoeconomics and connectivity. Political stability is a prerequisite for connectivity. By association, the safety of land, air, and sea passages must be determined before big-ticket projects can be commissioned. Ultimately, the attraction of such projects for the private sector does not depend on fundamental geopolitical output but will be determined by profits, bottom lines, and ease of conducting business.

Securing Maritime Highways for Seamless Connectivity

In the Middle East, maritime security supersedes other security theatres, be it for IMEC, BRI, or the Turkey-led Development Road Project. In December 2023, two months after the 7 October attacks, A.P. Moller – Maersk, a Denmark-based logistics company and one of the world's largest container-shipping companies, decided to stop using the Red Sea, Gulf of Aden, and the Suez Canal due to the escalating security situation in these maritime geographies.[29] As the Yemen-based Houthi militia, which is part of Iran's "Axis of Resistance" targeted commercial shipping,[c] companies re-routed their trade through Africa's COGH, which adds some 17 extra days of travel between the US, Europe, and Asia, and over US$1 million in additional fuel costs, compared to the Suez Canal route.[30,31]

[c] The Houthi attacks across the Red Sea—which employs rudimentary, cheap, yet effective weapons technologies such as drones—have heralded a new era of conflict that has also impacted global trade. Previously, piracy around the east African coast also demanded a global response as navies from various stakeholders were also involved. In 2022, the Egyptian Navy led the Bahrain-based Combined Maritime Force 153 to maintain "regional stability and counter threats" (See: https://www.aa.com.tr/en/middle-east/egyptian-navy-leads-red-sea-maritime-taskforce/2762827). Others, such as India and China, have also deployed task forces to counter piracy in international waters.

Current geopolitical dynamics have fractured the international maritime security architecture, specifically in regions around the Red Sea. Due to the Houthis' proximity to the Palestinian resistance, Cairo and Riyadh have resisted Western-led responses to avoid being viewed as working with pro-Israel forces. Egypt, which is absorbing losses from the Suez Canal, previously stated that it would only join a military response under the United Nations flag.[32]

In December 2023, the US announced Operation Prosperity Guardian, an international maritime security force to counter blockades and actions against commercial shipping by Houthi militants in the coast of Yemen.[33] This also posed a challenge as traditional navies using conventional warfare tools were spending billions of dollars to counter the cheaper weapons that were being used by the militia; in January 2024, the French military had to publicly defend its decision to use missiles costing over a million dollars to shoot down Houthi drones that cost only a few hundred dollars.[34]

As models of global security conceptualised after two flashpoints—the Second World War and 9/11—confront challenges and undergo shifts, broader questions are being raised about who will fill the gaps. This transition is marked by the US—the only dominant power for nearly a century—revising its global position from that of an overarching guarantor of security to demanding more equity from others. These developments are bound to have a deep impact on the future of global trade.

There is also a simultaneous, unrealistic push towards delinking trade from security, and vice-versa. Regional and international geoeconomics depend on security and trade. Old trade routes must be reconciled with the new era to ensure that they do not impede the implementation of geoeconomic projects.

III.

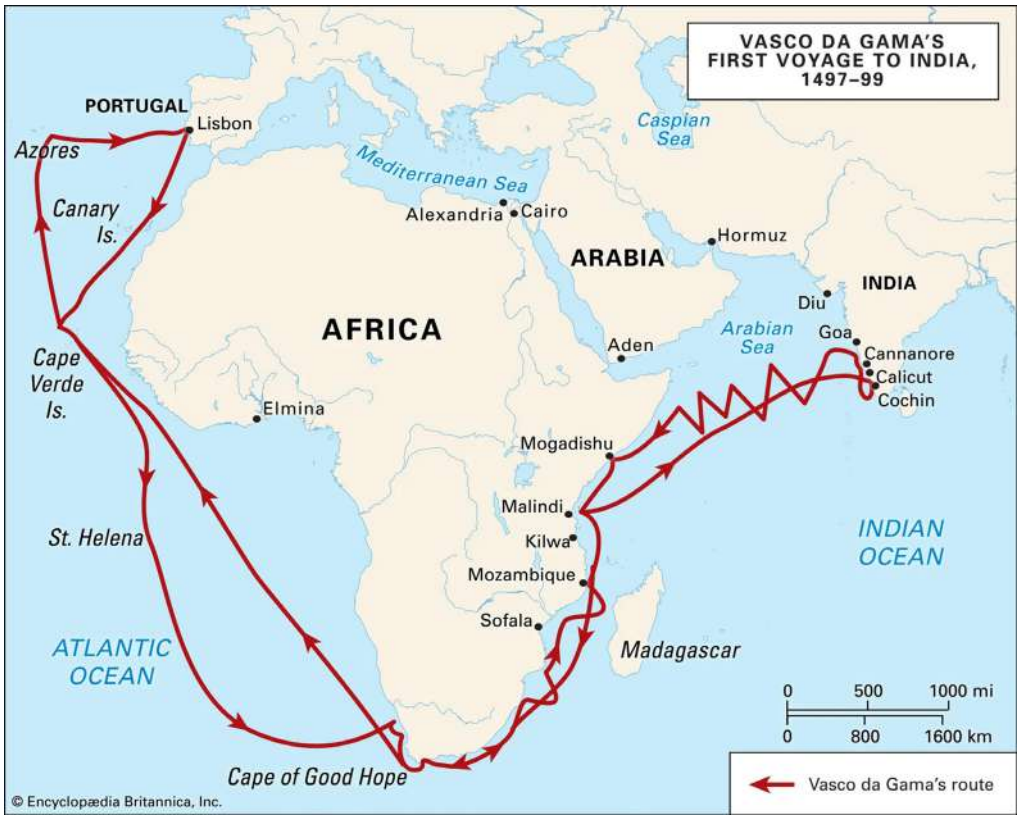
New Era, Old Trade Routes: Economic Corridors Between India and Europe

The Comparative Potential of Key Corridors

Route Around the Cape of Good Hope (COGH)

The route around COGH is one of the oldest maritime trade corridors connecting Asia and Europe.[35] While it is less frequently used than the Suez Canal route, it remains a viable alternative, particularly when geopolitical instability or blockages disrupt more frequently used routes. Its comparative potential lies in its reliability, flexibility, and ability to bypass high-risk regions, but it also presents distinct challenges related to costs, transit time, and environmental sustainability.

Figure 4: The Cape Route Between India and Europe



Source: Encyclopaedia Britannica[36]

Costs: The COGH is often perceived as a higher-cost alternative to the Suez Canal. The significantly longer transit distance of over 21,000 km increases upfront fuel consumption and shipping costs, making it less economical for most trade flows.[37] However, the absence of transit fees, such as those levied by the Suez Canal Authority, partially offsets these additional costs.[38] This cost advantage becomes particularly relevant during periods of high canal tolls or when geopolitical risks render the Suez Canal route unviable. Additionally, the route's reliance on open seas reduces the need for significant infrastructure investments as there are fewer dependencies on port facilities along the way.

Transit Time: Time inefficiency is a significant drawback of the COGH route. The longer distance adds an additional 10-15 days to shipping times compared to the Suez Canal.[39] This extended transit time makes the route less competitive for time-sensitive goods, such as perishable items or products reliant on just-in-time supply chains. However, the route offers greater predictability in transit schedules. Unlike the Suez Canal, which is prone to delays due to congestion or operational disruptions, the COGH route provides uninterrupted passage. This reliability makes it an attractive option for bulk cargo or goods that are less sensitive to delivery timelines.

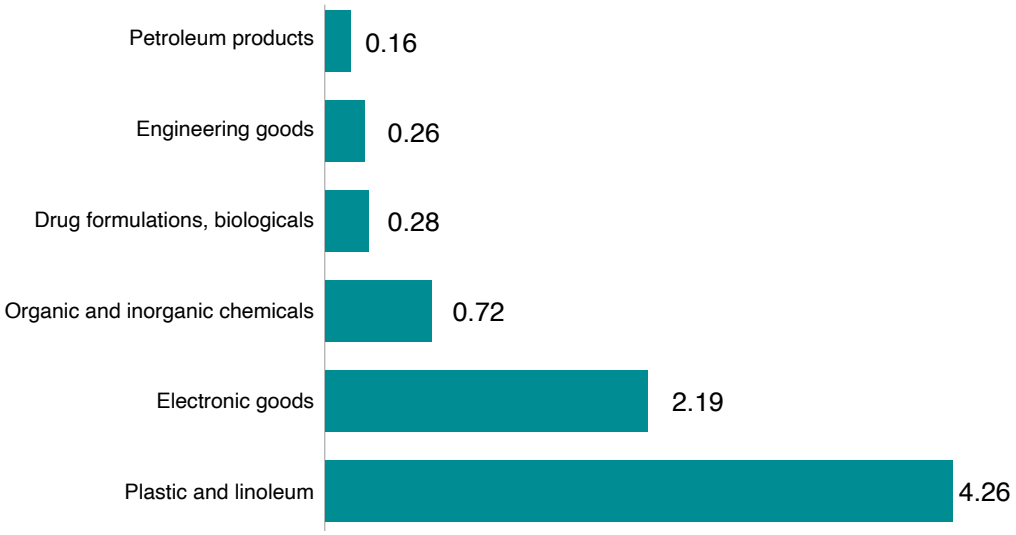
Geopolitical Risks: The COGH route has low geopolitical risk compared to other trade corridors. By avoiding chokepoints such as the Bab el-Mandeb Strait and the Suez Canal, the route eliminates exposure to regions with political instability, piracy, or military conflicts. This stability enhances its appeal as a fallback option during periods of heightened geopolitical tensions. Nevertheless, the route's reliance on open seas introduces vulnerabilities related to extreme weather conditions and maritime accidents. The Cape is known for strong winds, rough seas, and unpredictable weather, which can pose navigational challenges.[40] Investments in weather forecasting and navigational technologies are essential to mitigate these risks.

Infrastructure and Logistics: The COGH route relies on well-established maritime infrastructure. Major ports along the route, such as Cape Town in South Africa, serve as critical refuelling and transhipment hubs. These ports have seen substantial investments in recent years to enhance their capacity and operational efficiency, particularly in container handling and bulk cargo facilities.[41] The Port of Ngqura, for example, received investments worth US$1.5 billion from the Strategic Fuel Fund in 2022.[42] More recently, in 2024, Dubai-based port operator DP World began investing in Tanzania, with plans to invest

up to US$3 billion over the next three to five years in Africa's port infrastructure.[43] However, the route's logistical framework is less integrated compared to other corridors like the Suez Canal or the INSTC.

Market Access: The COGH route provides access to a diverse range of markets, including southern Africa, South America, and Europe. Its strategic location offers opportunities to integrate regional trade flows, particularly with the growing economies in Africa. For Indian exporters, the route opens up access to southern African markets, which are emerging as key destinations for goods such as engineering goods and electronics, pharmaceuticals, and organic and inorganic chemicals.[44] Figure 5 shows India's exports to one of its key trade partners in southern Africa and an emerging market economy, South Africa. However, the route's extended transit time limits its competitiveness for high-value goods destined for European markets. Therefore, its primary utility lies in supporting bulk cargo and commodities trade, where time sensitivity is less critical. Strengthening trade ties with southern African nations could further enhance the route's economic potential.

Figure 5: Major Indian Exports to South Africa (Value in US$ Billion)



Source: IBEF[45]

Environmental Impact: The environmental impact of the COGH route is a concern. The longer transit distance results in approximately 2,000 metric tonnes higher carbon emissions per container ship, making it less sustainable compared to shorter corridors like the Suez Canal.[46] The increased fuel consumption also raises operational costs for shipping companies, further diminishing their competitiveness. Efforts to mitigate these environmental challenges include the adoption of cleaner fuels, energy-efficient ship designs, and investments in renewable energy at port facilities. International cooperation through organisations such as the International Maritime Organization and the African union can promote sustainable practices along the route.[47]

COGH is a viable alternative for India-Europe trade, particularly in scenarios where geopolitical instability disrupts traditional corridors. Its low geopolitical risk, reliable transit schedules, and access to emerging markets in Africa make it an attractive option for specific trade flows. However, its extended transit time, higher environmental impact, and limited multimodal integration constrain its broader competitiveness. Addressing these challenges through targeted investments in infrastructure, enhanced regional cooperation, and sustainability initiatives will be crucial for maximising the potential of the route. As global trade dynamics evolve, this corridor offers a strategic fallback option for ensuring the resilience and continuity of India-Europe trade connectivity.

Red Sea-Suez Canal (RS-SC) Route

The RS-SC route is one of the most prominent historic trade corridors connecting Asia and Europe. Its strategic importance stems from its ability to provide a direct and efficient maritime link between the Indian Ocean and the Mediterranean Sea, significantly reducing shipping travel distances. However, this route is not without its challenges.

Figure 6: The Red Sea-Suez Canal Route Between India and Europe

Source: Silicon Expert[48]

Costs: The RS-SC route offers cost advantages over other, longer maritime routes, particularly COGH. The reduced travel distance minimises fuel consumption and shipping costs, making it a preferred choice for transporting goods between Asia and Europe. However, these cost advantages are offset by the high transit fees levied by the Suez Canal Authority. The Suez Canal's toll fees are among the highest globally, and periodic increases further burden shipping companies. For example, in January 2023, tolls were raised by approximately 10-15 percent, which impacted the profitability of shipping through the canal. Infrastructure investments along the Red Sea, including modernised ports in countries such as Egypt, Djibouti, and Saudi Arabia, have enhanced the route's efficiency.[49] With over 12 percent of international trade routed through the canal, the cumulative costs of such tolls, port charges, and associated fees continue to be significant for traders, necessitating a careful cost-benefit analysis when choosing the route.[50]

Transit Time: Time efficiency is a critical determinant of the RS-SC route's competitiveness. The canal provides the shortest existing integrated maritime connection between the Indian Ocean and Europe, reducing transit times by 10-15 days compared to the COGH route.[51] This advantage is particularly beneficial for industries that rely on just-in-time supply chains, such as electronics, automotive components, and perishable goods. However, delays caused by port congestion, canal traffic, or unforeseen incidents—such as the six-day blockage of the Suez Canal by the Ever Given in 2021, which led to delayed transits for more than 400 ships and impacted about US$10 billion of trade per day—highlight the vulnerability of this route.[52,53] While the Suez Canal Authority has taken steps to mitigate such risks by expanding the canal and improving traffic management, residual inefficiencies remain a concern.

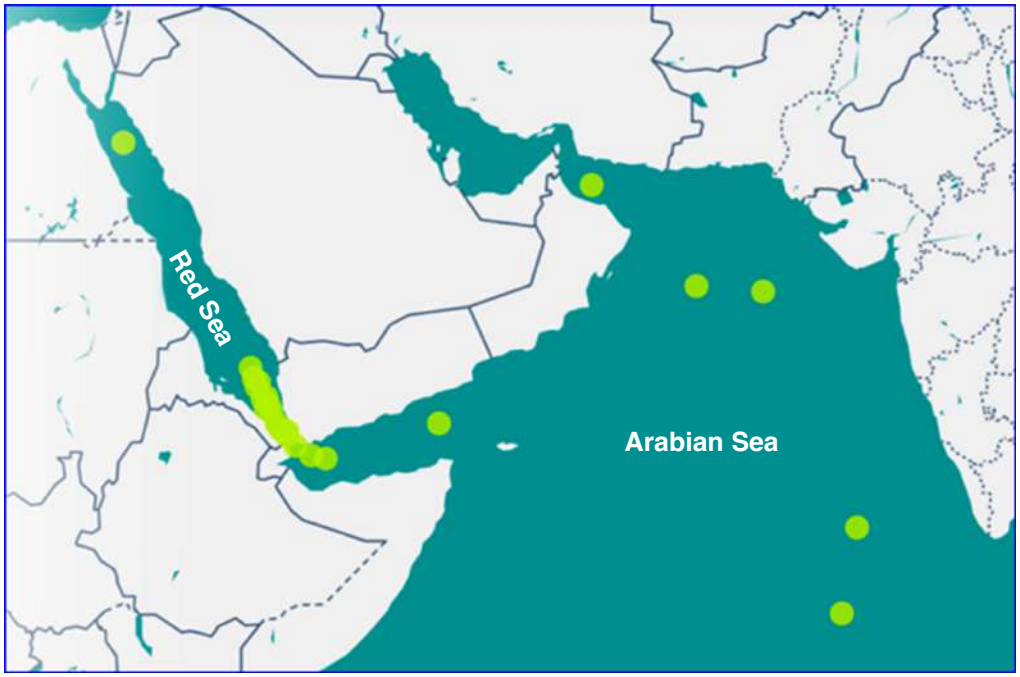
Figure 7: Transit Times: Red Sea-Suez Canal Route and Cape Route

Source: The Hindu Business Line[54]

Geopolitical Risks: Geopolitical risks are a challenge for the RS-SC route. The Bab el-Mandeb Strait, which serves as the gateway to the Red Sea, is prone to instability due to its proximity to conflict zones such as Yemen and the Horn of Africa.[55] Piracy, territorial disputes, and militant activities in the region have periodically disrupted shipping operations, raising security costs for vessels using this route.[56] Additionally, the canal's strategic location makes it a focal point in geopolitical rivalries. Tensions between states seeking to exert influence in the Middle East also

impact the stability of the Red Sea-Suez corridor. Despite these risks, Egypt has maintained a relatively stable political environment around the canal, investing heavily in its security and operational continuity.

Figure 8: Disruptions in the Red Sea and Arabian Sea (November 2023 and January 2024)



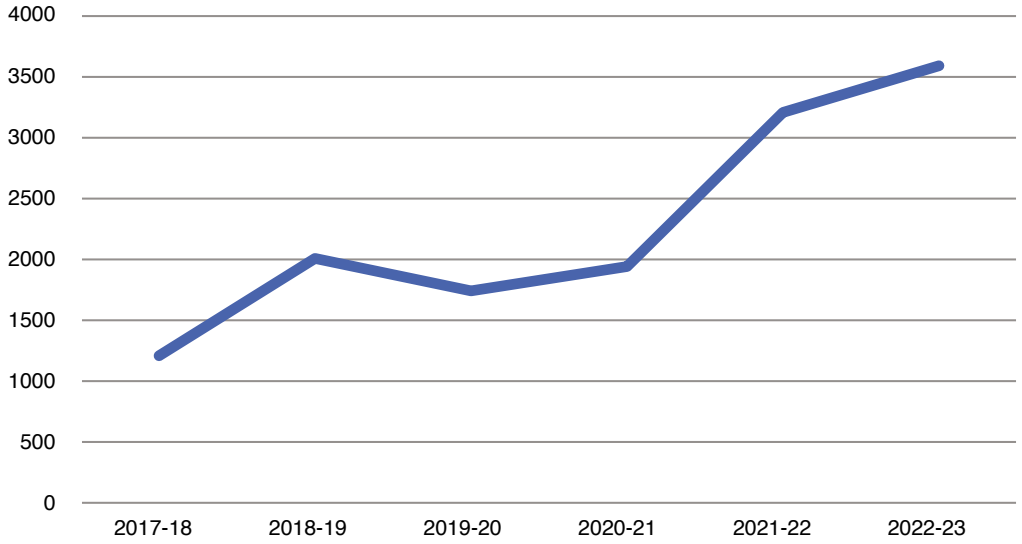
Source: Intueri Consulting[57]

Infrastructure and Logistics: The infrastructure along the RS-SC route is among the most developed globally. The canal itself has been modernised, including through the construction of a second lane to accommodate two-way traffic and the expansion of key sections to handle larger vessels.[58] These upgrades have increased the canal's capacity and reduced waiting times for ships. Port infrastructure along the route has also seen considerable investment.[59] Between August 2022 and January 2024, the Suez Canal Economic Zone attracted US$4.6 billion in foreign investments, channelled into industrial projects, port modernisation and expansion.[60] The Port of Suez and Port Said in Egypt serve as critical nodes, facilitating the

smooth transhipment of goods. Additionally, ports in Saudi Arabia, such as Jeddah, and in Djibouti, have improved their handling capabilities, by 97 percent and 56 percent between 2010 and 2022, respectively, further strengthening the logistical backbone of this corridor.[61,62,63] However, challenges remain in integrating regional logistics networks and improving the efficiency of hinterland connections.

Market Access: The RS-SC route provides unparalleled access to key markets in Europe, the Middle East, and North Africa. European countries, including Germany, France, and Italy, benefit from the corridor's time efficiency and cost advantages, making it a preferred route for high-value goods. Additionally, the route facilitates trade with Middle Eastern markets, leveraging the strategic location of Gulf Cooperation Council (GCC) states. For India, the route enhances connectivity to European markets while providing access to North African economies. Countries such as Egypt and Morocco have emerged as growing trade partners[64] (see Table 1 and Figure 9), offering opportunities for Indian exporters in sectors like electronics and engineering goods, and pharmaceuticals.

Figure 9: India-Morocco Total Trade Volume (in US$ Million)



Source: Authors' own, using data from Ministry of External Affairs, Government of India – India-Morocco Bilateral Relations[65]

Environmental Impact: On the one hand, the shorter transit distance of the RS-SC route compared to the COGH route reduces overall fuel consumption and carbon emissions, making the canal a favourable option for shipping companies aiming to lower their carbon footprint.[66] On the other hand, the high volume of traffic through the canal raises concerns about marine pollution and ecological degradation in the Red Sea.[67] Efforts to mitigate these impacts must include stricter satellite monitoring of oil pollution and water current dynamics, specifically in the Northern Red Sea.

The RS-SC route remains a cornerstone of India-Europe trade connectivity, offering advantages in terms of transit time, market access, and developed infrastructure. However, its potential is tempered by high freight costs, geopolitical risks, and environmental challenges. Addressing these issues through targeted investments, enhanced policy coordination, and sustainability initiatives will be crucial for ensuring the long-term competitiveness of this corridor. As global trade dynamics evolve, the RS-SC route will continue to play a pivotal role in shaping India's economic engagement with Europe and beyond.

The International North-South Transport Corridor (INSTC)

The INSTC is a multimodal trade route designed to connect India, Iran, Russia, and Europe through maritime, rail, and road networks. Established as an alternative to traditional maritime routes, the INSTC aims to reduce transit times and costs for goods moving between Asia and Europe. This corridor represents a transformative initiative in global trade, but its full potential depends on addressing critical challenges and optimising its operational framework.

Figure 10: The International North-South Transport Corridor Route Between India and Europe

Source: Geopolitical Monitor[68]

Costs: The INSTC offers a cost-competitive alternative to the Suez Canal route by reducing the distance between India and Europe. The 7,200-km corridor shortens transit distances by up to 40 percent compared to traditional maritime routes, thereby lowering fuel consumption and shipping expenses.[69] Preliminary estimates suggest that trade via the INSTC can result in cost savings of approximately 30 percent for shippers, particularly for high-value or time-sensitive goods.[70] However, nearly 25 years since its inception, the corridor requires substantial infrastructure investments to achieve seamless connectivity. Upgrades to ports, railways, and road networks in participating countries are critical for the route's operational efficiency. For example, modernising Iran's Bandar Abbas port, integrating the Chabahar Port within the INSTC, and enhancing the Chabahar-Zahedan and Anzali-Astara rail links in Central Asia remain priorities.[71,72] The long-term economic benefits of INSTC-routed trade are expected to outweigh these expenditures.

Transit Time: One of the primary advantages of the INSTC is the lower transit times for trade to Eastern Europe and Russia. The route's multimodal design ensures that goods can be transported from Mumbai to Moscow, for example, in approximately 24 days, compared to 40 days via the Suez Canal.[73] Such efficiency is especially advantageous for industries that rely on timely deliveries, such as pharmaceuticals, perishable goods, and high-tech manufacturing. However, operational inefficiencies at key nodes, such as border crossings and transhipment points, can cause delays. Streamlining operations at critical junctions, including the Caspian Sea ports and rail hubs in Azerbaijan, will be vital for the corridor's competitiveness.

Geopolitical Risks: The corridor traverses politically sensitive regions, including Iran and Russia, which are subject to international sanctions and are theatres of geopolitical tensions.[74] Sanctions in Iran complicate financial transactions and restrict access to critical technologies, thereby limiting the corridor's operational efficiency. Furthermore, the route's reliance on Russia introduces vulnerabilities in the context of Europe's geopolitical stance toward Moscow. Ongoing tensions between Russia and Western nations could discourage European companies from fully utilising the INSTC. Mitigating these risks requires robust diplomatic engagement and contingency plans to ensure uninterrupted trade flows.

Table 2: Key Geopolitical Factors Deterring the INSTC's Progress

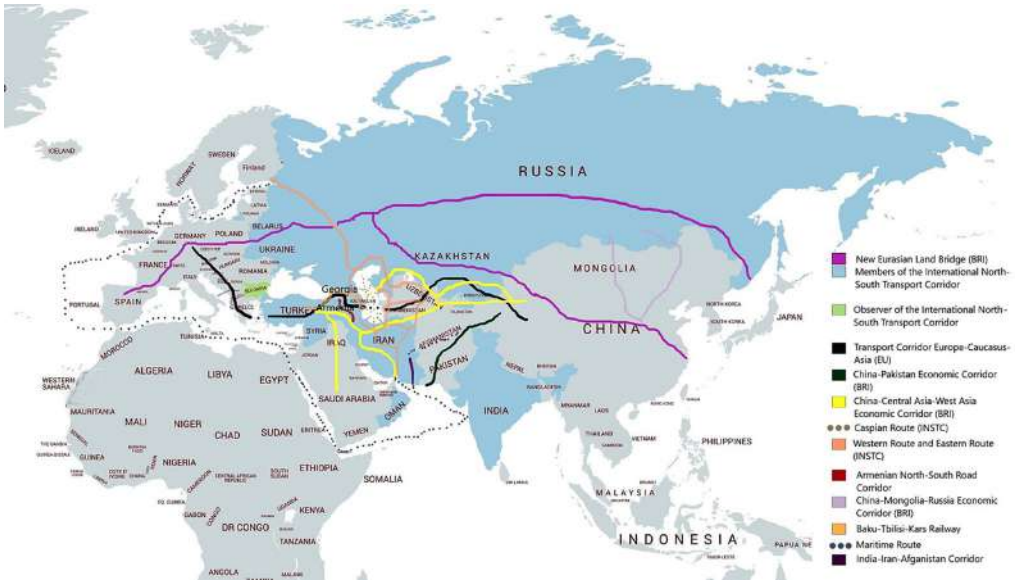
Roadblock	Affected Parts of the Corridor	Details
Geopolitical Instability	Afghanistan and Central Asia	Taliban takeover in Afghanistan tilts the political balance toward China; instability hampers the development of Chabahar port and Central Asia connectivity.
Western Sanctions on Iran and Russia	India-Iran-Russia route	US sanctions on Iran and Western sanctions on Russia create financial and political constraints for INSTC development.
Competing Connectivity Projects	Central Asia and surrounding regions	China's Belt and Road Initiative (BRI) (e.g., China-Pakistan Economic Corridor) and other projects (e.g., the Trans-Afghan rail link) divert regional investment and attention.
Terrorism and Drug Trafficking Risks	Chabahar route, Central Asia	Potential misuse of INSTC routes for illegal activities increases security risks and deters investment.
China's Strengthened Ties in Central Asia	Routes through Central Asian countries like Kazakhstan and Turkmenistan	China's increasing influence in Central Asia, including talks of BRI expansion into Afghanistan, threatens INSTC's foothold.

Source: Panda (2023) [75]

Infrastructure and Logistics: The INSTC's infrastructure spans four main routes, each presenting unique challenges and opportunities. The Caspian route connects Russian and Iranian ports on the Caspian Sea but accounts for only 12-16 percent of container traffic between the two countries, with minimal participation from Indian shipping companies.[76] Ports such as Bandar Abbas in Iran and Astrakhan in Russia are critical nodes. The western

route, linking Russian and Iranian railways via Azerbaijan, highlights Azerbaijan's role as a pivotal hub. While the Rasht-Kazvin railway section in Iran became operational in 2019, the Rasht-Astara rail link remains incomplete, despite a commitment of US$500 million each by Tehran and Baku.[77] In contrast, the eastern route, connecting the railway networks of Russia, Iran, Turkmenistan, Kazakhstan, and Uzbekistan, is fully operational and considered to be the most successful. Addressing bottlenecks across incomplete routes, particularly the lack of seamless multimodal integration and transhipment facilities, remains crucial for optimising the INSTC's logistical potential.

Figure 11: Infrastructure Corridors of the INSTC Route



Source: Asia Global Online[78]

Market Access: The INSTC provides access to a diverse range of markets, including Russia, Central Asia, and Europe. This corridor enables Indian exporters to tap into underserved markets in the Caspian region and offers European companies a direct route to South Asian economies.[79] Key sectors such as agricultural products, high-value electronics, and pharmaceuticals stand to benefit from the INSTC's improved connectivity.[80] Moreover, the integration and synergies of the corridor with complementary infrastructure projects can enhance its economic impact and create new trade opportunities.

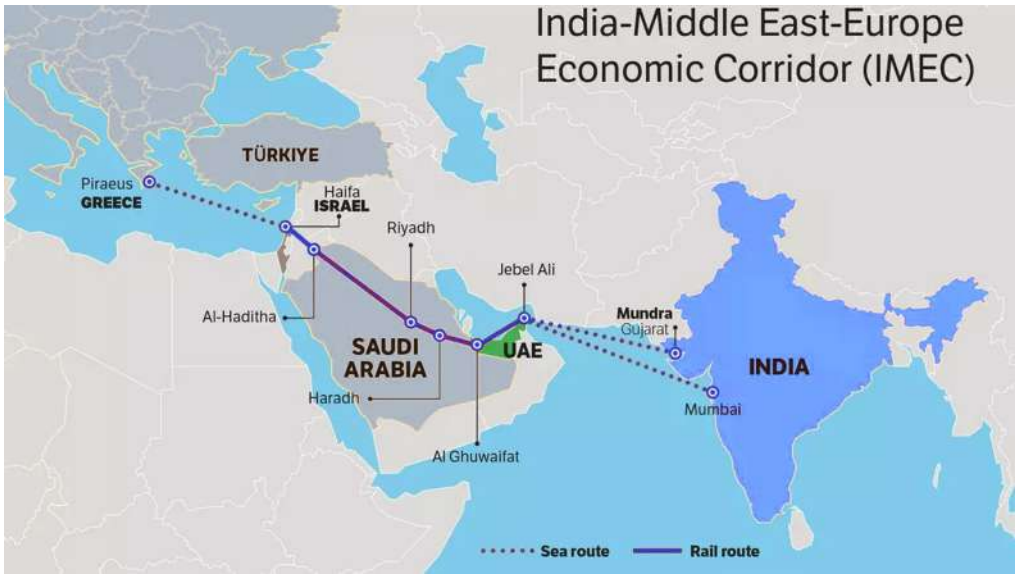
Environmental Impact: The shorter transit distance facilitated by the corridor compared to maritime routes reduces overall carbon emissions. The use of rail transport, which is more energy-efficient than road or sea freight, further enhances the corridor's sustainability profile.[81] However, leveraging the INSTC's environmental benefits is contingent on modernising its infrastructure. Ageing rail networks and inefficient port facilities can offset the corridor's potential sustainability advantages. Investments in green technologies, such as electrified railways and renewable energy-powered logistics hubs, will be critical to ensuring the INSTC's environmental viability.

The INSTC is promising as a cost-effective, time-efficient, and strategically important trade route between India and Europe. Its ability to reduce transit times and costs while opening up access to diverse markets makes it a valuable alternative to traditional maritime routes. However, the corridor's potential is constrained by geopolitical risks, infrastructure bottlenecks, and policy misalignments. Addressing these challenges through targeted investments, diplomatic engagement, and multilateral cooperation will be essential to realising the full potential of the corridor. As global trade dynamics evolve, the INSTC represents a critical component of India's efforts to enhance connectivity and foster economic partnerships with Europe and beyond.

The India-Middle East-Europe Economic Corridor (IMEC)

The IMEC initiative seeks to enhance connectivity between India and Europe through the Middle East and combines maritime and overland routes by leveraging the strategic location of Gulf nations to reduce transit times, diversify trade flows, and enhance economic integration, much like the INSTC. However, the corridor's viability depends on addressing challenges related to infrastructure development, geopolitical risks, and regulatory alignment.

Figure 12: The India-Middle East-Europe Economic Corridor Route Between India and Europe



Source: Frontline[82]

Costs: IMEC offers a cost-competitive alternative to traditional maritime routes by integrating maritime shipping with overland rail and road networks. Early estimates suggest that the corridor can reduce shipping costs by approximately 30 percent compared to the Suez Canal route, particularly for goods destined for western Europe.[83] However, IMEC requires upfront investments in infrastructure, including the development of ports, railways, and roadways across the Middle East.

Key projects, such as modernising ports in the UAE and Saudi Arabia and constructing rail links to connect the Gulf countries, present substantial capital outlays. Maintenance costs for the corridor's infrastructure, particularly in desert and arid regions, will also add to long-term expenses.

Transit Time: IMEC provides a shorter and more direct route compared to the Suez Canal, with estimates indicating that it can reduce transit times by up to 10 days.[84] This efficiency is especially advantageous for high-value, time-sensitive goods such as electronics,

automotive components, and pharmaceuticals. However, IMEC's efficiency depends on multimodal integration and the elimination of bottlenecks at key transhipment points. Delays in completing infrastructure projects or harmonising logistical operations could undermine the corridor's time-saving potential. Ensuring the smooth coordination of maritime and overland segments will be critical to maintaining its competitiveness.

Geopolitical Risks: IMEC passes through Middle Eastern countries—such as Saudi Arabia, the UAE, and potentially Israel—which are located in politically sensitive areas. Conflicts, sanctions, and territorial disputes at a vital node, such as the Haifa Port in Israel, could disrupt the completion of IMEC and increase security costs for traders. Mitigating these risks requires robust security frameworks, international cooperation, and contingency planning.

Infrastructure and Logistics: IMEC's success depends heavily on the development and integration of infrastructure across participating countries. Ports in the UAE have to be upgraded to handle increased traffic, while rail projects such as the Gulf Railway across Saudi Arabia have to be developed and integrated into the framework to enhance land-based connectivity within the region.[85] These investments are expected to create a seamless link between Indian ports, the Middle East, and European markets. Additionally, differences in logistical standards and operational protocols across countries can create inefficiencies. Harmonising these systems through regional agreements and adopting advanced logistics technologies will be essential to overcoming these barriers.

Market Access: IMEC enhances market access for India and its trade partners. For Indian exporters, the corridor provides a direct link to European markets while opening up opportunities in the Middle East. Sectors such as textiles, engineering goods, and pharmaceuticals are

expected to benefit from this improved connectivity. The Middle East's strategic location as a gateway between Asia, northern Africa, and Europe further amplifies the corridor's market potential. By integrating with regional initiatives such as Saudi Arabia's Vision 2030 and the UAE's logistics development programs, IMEC can facilitate trade diversification and promote cross-regional economic cooperation.

Environmental Impact: The corridor's shorter transit distance compared to traditional routes reduces carbon emissions, making it a more sustainable option for long-distance trade. Additionally, the integration of rail transport, which is more energy-efficient than road or sea freight, enhances its environmental profile. However, the construction and operation of infrastructure in environmentally sensitive regions, such as deserts and coastal areas, raise ecological concerns. Ensuring compliance with environmental standards and adopting green technologies, such as renewable energy-powered logistics hubs, will be critical to minimising the corridor's environmental footprint. Since IMEC also proposes to be a renewable energy and green hydrogen corridor, the environmental impact can be lowered with such initiatives.

IMEC has the potential to enhance India-Europe trade connectivity. Its cost and time advantages, coupled with its potential to diversify trade routes and strengthen regional integration, position it as a viable alternative to traditional corridors. However, the success of IMEC depends on overcoming challenges related to infrastructure development, geopolitical risks, and policy coordination. Addressing these issues through targeted investments, robust diplomatic engagement, and a focus on sustainability will be essential to realising IMEC's full potential. As global trade patterns continue to evolve, IMEC offers a strategic opportunity to redefine India's economic engagement with Europe and beyond while fostering deeper collaboration with Middle Eastern partners.

IV.

Trade Route Scenarios: A Matrix of Risks, Costs, and Markets

A COMPARATIVE ANALYSIS of the four key trade routes connecting India and Europe—the RS-SC route, the INSTC, and the route around COGH—provides valuable insights into their respective strengths and challenges. This section presents a matrix summarising the trade-offs between these routes. By assessing cost efficiency, trade resilience, flexibility, and environmental impact, the matrix highlights opportunities for hybrid strategies to enhance trade flows and market access.

Cost Efficiency

Combining cheaper land routes such as the INSTC with faster sea routes like the Suez Canal or IMEC can offer substantial cost advantages. The INSTC's reliance on rail networks reduces fuel consumption and transit costs, making it ideal for bulk and cost-sensitive shipments. In contrast, the Suez Canal's higher toll fees are offset by its shorter transit time, which would benefit high-value goods requiring swift delivery.

Similarly, IMEC's integration of maritime and overland segments enables efficient connectivity, although its upfront infrastructure investments pose a challenge. Hybrid strategies—such as utilising the INSTC for cost-sensitive shipments and IMEC for time-sensitive cargo—can optimise trade costs across diverse product categories.

Trade Resilience and Risk Management

Each route poses specific risks, and combining multiple corridors would enhance trade resilience by mitigating these vulnerabilities. The RS-SC route's reliance on chokepoints like the Bab el-Mandeb Strait exposes it to disruptions from geopolitical instability and piracy. The COGH route, while resilient to such risks, is subject to extreme weather conditions and longer transit times. The INSTC's passage through politically sensitive regions like Iran and Russia introduces risks tied to sanctions and regional conflicts.

Flexibility Based on Cargo Type

Different types of cargo demand tailored solutions, and hybrid strategies offer the flexibility to meet these diverse needs. High-value, time-sensitive goods—such as pharmaceuticals, electronics, and automotive components—are better suited to faster routes like the Suez Canal or IMEC. These corridors provide shorter transit times, ensuring timely deliveries for industries that rely on just-in-time supply chains. Conversely, bulk commodities such as minerals, agricultural products, and machinery can prioritise cost-efficient routes like the INSTC. Flexibility in route selection would enable stakeholders to optimise trade flows based on cargo priorities, balancing time and cost considerations effectively.

Environmental Impact

The environmental impact varies for each route and can influence sustainability considerations in developing a trade strategy. The Suez Canal route is relatively environmentally efficient due to its shorter transit distance, reducing fuel consumption and carbon emissions compared to longer

routes like the COGH. However, high traffic and the risk of marine pollution in the Red Sea pose ecological challenges. The INSTC, with its reliance on rail transport, is the most environmentally friendly option, as railways emit significantly less CO_2 per tonne-kilometre compared to road or sea freight. The COGH route, on the other hand, generates the highest emissions due to its extended distance and reliance on fuel-intensive maritime transport. IMEC and its revised framework also offer a balanced environmental profile by combining maritime efficiency with overland rail connectivity.

The matrix shown in Table 3 presents a comparative analysis of the five proposed corridors to help understand their trade-offs.

Table 3: The Five Economic Corridors: A Snapshot

Route	Cost Efficiency	Trade Resilience	Flexibility Based on Cargo Type	Environmental Impact
RS-SC	High toll fees but lower fuel costs; efficient for high-value goods	Geopolitical instability; reliance on Bab el-Mandeb; moderate resilience	Best for high-value, time-sensitive cargo	Moderate emissions due to efficiency
INSTC	Cost-effective due to rail reliance; ideal for bulk commodities	Risks tied to sanctions and regional conflicts; enhances diversification	Suitable for cost-sensitive, less time-critical shipments	Low emissions due to reliance on rail
COGH	High fuel costs, no toll fees; less economical for most goods	Low geopolitical risks; weather-related vulnerabilities	Suitable for bulk cargo with low time sensitivity	High emissions due to longer distance
IMEC	High CAPEX, moderate operations and management costs, with potential savings; efficient for mixed cargo	Haifa Port can be a chokepoint; requires robust security frameworks	Flexible for both time-sensitive and cost-sensitive goods	Moderate emissions with a multimodal balance

Source: Authors' own

The matrix underscores the importance of adopting hybrid strategies for India-Europe trade connectivity. By combining cost-efficient land routes like the INSTC with faster sea routes such as IMEC or the Suez Canal, stakeholders can optimise trade flows while managing risks, enhancing flexibility, and promoting sustainability. Diversifying trade routes not only ensures resilience against disruptions but also maximises market access across diverse geographies.

Policymakers and industry leaders must prioritise infrastructure investments, harmonise regulatory frameworks, and promote sustainability to unlock the full potential of these routes. By leveraging the strengths of each corridor, India can enhance its position as a global trade hub and build more resilient and efficient supply chains in an increasingly complex trade environment.

V.

The Challenge of Diversification

INVESTING IN ANY singular route poses geoeconomic and geopolitical risks. Therefore, this report proposes the use of hybrid strategies as the way forward. This is not to say that such an approach does not pose challenges. This section explores the potential challenges in a multipronged diversification strategy and proposes solutions. A part of the answer lies in transforming long-standing challenges into opportunities. A prioritisation of corridors will also be key to ensuring their environmental and political sustainability.

Problems of Diversification

While having multiple options has its benefits, each of the alternative routes also come with costs. Not all proposed measures to address these costs will be aligned with each other, since the countries involved are at varying levels of development and have differences in their political structures and cultural histories. There are four sets of costs.

First, policy harmonisation will prove to be a challenge across any one of the proposed trade and infrastructure corridors, much less across the five. Customs procedures, sanitary and phytosanitary standards, and technical barriers to trade will need to be addressed, as well as environmental and social standards—the latter of which the EU has historically found difficult to compromise. These issues will be intensified by emerging regulatory issues pertaining to AI and cybersecurity, which directly impact the trade in goods, services, and digital technologies. Furthermore, in sectors such as the automobile industry, production lines have not been amenable to easy re-alignment for different jurisdictions.[d] Achieving policy and regulation harmonisation across the four corridors will be challenging, and a strategy of hedging can be potentially costly for producers and governments.

Second, given the increasing "weaponisation of interdependence"[86] and the de-siloisation of trade and security, political differences among countries along the routes will have direct, adverse effects on plans of economic connectivity. For instance, it is unlikely that parts of the EU will be willing to embrace the North-South Corridor, despite some of its advantages over the Suez Canal, given the importance of Russia and Iran for the transit. Similarly, IMEC faces renewed difficulties since the October 2023 Hamas attacks. It is unlikely that foreign ministries and heads of governments will be able to dismiss these geopolitical challenges, even if commerce and cognate ministries are able to secure policy harmonisation. Against these geopolitical imperatives, diversification

[d] For example, see the investment and entrenchment of big German manufacturing firms in China: See: https://www.iwkoeln.de/en/studies/juergen-matthes-competitive-pressure-from-china-for-german-companies.html

options may turn out to be more theoretical than practical. Third, there is considerable diversity in fundamental values across and within the five routes. For countries that aim to achieve higher standards in certain areas, alignment on ethical standards, even in one route, will be difficult. For instance, New Zealand has implemented a ban on the export of live animals[87] in the interest of animal welfare and rights as well as public health concerns. Depending on the role played by civil societies, governments may not be able to overlook such differences.

Fourth, the China factor may prove to be divisive For instance, Chinese ownership and acquisition of vital infrastructure, such as majority stakes in the Greek Port of Piraeus, may dampen some countries' enthusiasm for IMEC.

Plausible Solutions

The EU and India already share a well-established strategic partnership. This partnership has gained unprecedented significance in the wake of Donald Trump's re-election, with a potential reordering of global trade dynamics and governance frameworks, challenging the stability of existing multilateral institutions and economic alliances. To navigate this evolving landscape, the EU and India must move beyond rhetorical affirmations of their strategic ties and focus on deepening tangible connectivity. Without meaningful and resilient connectivity initiatives across trade, infrastructure, digital networks, and regulatory frameworks, the partnership risks being reduced to mere political posturing, devoid of substantive impact. Strengthening connectivity will not only reinforce economic resilience but also serve as a counterbalance to shifting global power structures, ensuring that the collaboration creates actionable influence.

First, with the EU-India Compact set for renewal, both sides have an opportunity to further integrate connectivity into the partnership. This necessitates addressing issues related to norms and values. Among the several deliverables in the Roadmap to 2025, the slow progress of the EU-India FTA is notable. The FTA negotiations were re-launched in 2022, after a hiatus of nearly a decade, but the results have been limited, with major areas of difference including environmental and labour standards. Declining trade multilateralism has increased the need for an FTA, and the EU would need to work with India on equal terms. India, too, could take greater ownership of this agenda. When building connectivity corridors, the EU and India could underline "ethical connectivity" on issues of sustainability, biodiversity, and animal rights.[88] For example, despite its practices of factory farming, the EU has a vibrant constituency that supports animal welfare. Living traditions in India that teach "human rights are not human only"[89] can allow the country to pioneer animal rights and the rights of the planet. India has already been tapping into these traditions as part of its global leadership, such as via the notion of "*Vasudhaiva Kutumbakam*" (One Earth, One Family, One Future), which was the theme of its G20 presidency.[90]

Second, a clear awareness of the red lines that impact not only profit but also national security considerations and values will enable the EU and India as well as partner countries to establish their individual priorities and preferences in the four proposed corridors. This could result in a variable geometry model, with different members preferring different routes according to strategic and ethical priorities. Production lines, investment, infrastructure, and aid will follow according to these priorities. For instance, the EU might decide to avoid the INSTC for trade in critical and defence technology, whereas IMEC might be the preferred route for green hydrogen and renewable energy investments or low-energy-intensive production.

Third, gaps in global governance have created an opportunity for these corridors to establish new standards on rapidly emerging areas, such as data protection and privacy. If one or more of these corridors establishes and implements such standards, they could pave the way for setting global standards.

Diversification to Circumvent Hidden Costs

Economic corridors are no longer just facilitators of trade; they have become essential pillars of global supply chain resilience. In an era where supply chain disruptions have become increasingly frequent and unpredictable, transnational economic corridors have gained prominence in global policy discussions. These corridors serve as crucial arteries for trade, enabling nations to capitalise on their economic complementarities and enhance efficiency. However, their role in mitigating systemic supply chain shocks remains underappreciated.

A key determinant of resilience is minimising the "hidden costs" of trade, particularly transaction costs, which act as points of friction in global commerce. Research suggests that transport expenses and regulatory discrepancies across trading partners account for anywhere between 16 and 29 percent of total trade costs.[91] These figures underscore the need for a holistic approach to supply chain connectivity—one that goes beyond conventional trade agreements and tariff reductions. A more integrated and dynamic strategy must focus on streamlining border policies, harmonising regulatory frameworks, and investing in robust transport infrastructure to ensure the seamless movement of goods.

As global trade networks become more intricate and interdependent, the ability to reduce inefficiencies in cross-border logistics will define the resilience of supply chains. Strengthening economic corridors is not just about improving trade facilitation—it is a strategic necessity in an increasingly volatile global economy.

Therefore, the diversification of economic corridors can reduce the overall "transaction cost" of the movement of goods and services. This also depends on the type of goods and services—i.e., their economic value as well as the associated cultural and ethical values, which will vary across the economies in the corridor. The diversification will also need to cater to the needs of the factor and product markets and ensure that the constant meeting of demand through unhindered supply creates resilient supply chain within the corridor. This would insulate the system from shocks that may arise in other parts of the world.

From the Indian perspective, diversification will depend on how the participating nations in an economic corridor can help take advantage of India's affordable human capital and abundant natural capital to create a resilient supply side while helping cater to the needs of an already developed product market in the high-income economies of the US, EU, West Asia, and India's western and southern regions.

VI.

Conclusion

GEOPOLITICAL RISKS CAN translate to geoeconomic risks, creating supply-chain problems. Each of the corridors discussed in this report has its own benefits and costs. The INSTC is already facing several geopolitical risks. While IMEC has been touted as a game changer for India-EU trade, the current situation in Israel presents risks within the corridor that can create extensive supply-chain bottlenecks even if the "hidden costs" of trade are circumvented. While the concerns of piracy may be circumvented in this case, concerns about the movement bottleneck created at the Suez Canal persist. However, both the EU and India need to understand the advantages of developing this route to diversify risks, though it is contingent on the emerging geopolitical relations between the economies.

Irrespective of the proposed corridor, there needs to be trade and regulatory policy uniformity and coordination. It is becoming increasingly important to acknowledge

the relationship between transport connectivity, which includes physical infrastructure and international regulations, and trade facilitation, which involves customs procedures and infrastructure at the border. This relationship cannot be devoid of value considerations that include the cultural, normative, and ethical value systems of the participants within an economic corridor. A 2022 Asian Development Bank report[92] identified four conditions that need to be satisfied for trade facilitation:

- **Enhanced coordination for meeting common goals:** IMEC may face the challenge of maintaining continuity in cooperation and coordination between participant countries. The initial CAPEX would need to be provided for infrastructure. This will require investments from both governmental and private sources. Therefore, external and internal policy coordination is important for developing trade infrastructure for efficient trade and transport facilitation.
- **Unified policy approach:** Regional trade policies should integrate trade facilitation and transport cooperation. Transport connectivity and customs facilities are often disjointed, which can lead to inefficiencies.
- **Inclusion and sustainability:** It is essential to prioritise inclusivity and integrate climate considerations into infrastructure planning. To ensure a truly climate-conscious approach, the framework must incorporate sustainable procurement practices and environmentally responsible production mechanisms, making sustainability a fundamental pillar of infrastructure development
- **Digital advancements:** The pandemic highlighted the importance of digital trade facilitation. Adopting frameworks like the United Nations' agreement on cross-border paperless trade can address supply-

chain disruptions and promote resilient, sustainable, and inclusive trade. This aspect is covered by the IMEC's focus on digital connectivity as a critical component.

- **Respecting value systems:** Trade agreements and mobility pacts need to respect value systems. For instance, one reason for the failure of the Bangladesh-Bhutan-India-Nepal Motor Vehicles Agreement can be attributed to the agreement's failure to adhere to Bhutan's Gross National Happiness parameters. Respect, however, does not mean avoiding discussion of values, or rushing to lowest-common denominator solutions. Indeed, as this report suggests, if the EU, India and their partners play their cards well, some of these routes have the potential to inject a much-needed dose of ethics into current and future connectivity.

Diversity, even within an economic corridor, is important to combat supply-side shocks. IMEC and other connectivity projects have the potential to not only boost commerce between India and Europe but also transform the trade dynamics between Asia and Europe, which predominantly takes place through the Suez Canal at present. Yet, its future has become uncertain with the Israel-Hamas conflict.

About the Authors

Nilanjan Ghosh is Vice President, Development Studies and Senior Director, Kolkata Centre, Observer Research Foundation.

Amrita Narlikar is Distinguished Fellow, Observer Research Foundation and Honorary Fellow, Darwin College, University of Cambridge.

Debosmita Sarkar is Associate Fellow, Centre for New Economic Diplomacy, Observer Research Foundation.

Kabir Taneja is Deputy Director and Fellow, Middle East, Strategic Studies Programme, Observer Research Foundation.

Endnotes

[1] European Commission, "India," https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/india_en

[2] European Commission, "India"

[3] Ministry of Commerce and Industry, Government of India, https://pib.gov.in/PressReleasePage.aspx?PRID=2083565

[4] European Commission, "India"

[5] Council of the European Union, "EU–India Roadmap 2025," https://www.consilium.europa.eu/media/45026/eu-india-roadmap-2025.pdf.

[6] Navdeep Suri et al., "India-Middle East-Europe Economic Corridor: Towards a New Discourse in Global Connectivity," Observer Research Foundation, April 2024, https://www.orfonline.org/research/india-middle-east-europe-economic-corridor-towards-a-new-discourse-in-global-connectivity

[7] European Union, "Trade in Goods with India," Director General for Trade- European Commission, May 16, 2024, https://webgate.ec.europa.eu/isdb_results/factsheets/country/details_india_en.pdf

[8] European Union, "Trade in Goods with India"

[9] Niclas Poitiers et al., "EU - India Trade Relations: Assessment and Perspectives," European Parliament, 2021, https://www.europarl.europa.eu/RegData/etudes/IDAN/2021/653646/EXPO_IDA(2021)653646_EN.pdf

[10] European Union, "Trade in Goods with India"

[11] Ankit Dutta, "EU's Strategy on India: Time To Revitalize the Natural Partnership," Indian Council of World Affairs, 2019, https://www.icwa.in/show_content.php?lang=1&level=3&ls_id=4814&lid=2837#:~:text=The%20EU%2DIndia%20Strategic%20Partnership%20was%20signed%20in%202004.,%2C%20economic%2C%20and%20development%20cooperation.

[12] "India-Germany Trade," India Brand Equity Foundation(IBEF), January 2025, https://www.ibef.org/indian-exports/india-germany-trade.

[13] Department of International Trade, UK Government, *UK India Free Trade Agreement: The UK's Strategic Approach* (London: Department of International Trade, 2022), https://assets.publishing.service.gov.uk/media/61e1b75e8fa8f5058d5a76bf/uk-india-free-trade-agreement-the-uks-strategic-approach.pdf.

[14] "India - France Business Cooperation: Trade and Investment," Confederation of Indian Industry, September 2020, https://cii.in/International_ResearchPDF/IndiaFranceBusinessCooperation.pdf.

[15] Archana Rao, "India and the Netherlands Trade and Investment Profile," *India Briefing*, September 4, 2024, https://www.india-briefing.com/news/india-and-the-netherlands-trade-and-investment-profile-34251.html/.

[16] "Industry: India and EU Discuss Free Trade Agreement, Security and Strategic Cooperation," *Financial Express*, November 27, 2024, https://www.financialexpress.com/business/industry-india-and-eu-discuss-free-trade-agreement-security-and-strategic-cooperation-3678498/

[17] Poitiers et al., "EU - India Trade Relations: Assessment and Perspectives"

[18] Poitiers et al., "EU - India Trade Relations: Assessment and Perspectives"

[19] Shujaat Naeem Azmi et al., "Assessing the Effect of INSTC on India's Trade with Eurasia: An Application of Gravity Model," *Cogent Economics & Finance* 12, no. 1 (2024): 2313899, https://doi.org/10.1080/23322039.2024.2313899

[20] Ministry of External Affairs, Government of India, https://www.mea.gov.in/press-releases.htm?dtl/37091/Partnership_for_Global_Infrastructure_and_Investment_PGII__IndiaMiddle_EastEurope_Economic_Corridor_IMEC

[21] Prime Minister's Office, Government of India, https://pib.gov.in/PressReleasePage.aspx?PRID=2102247

[22] Alexandre Marchand, "5 global Trade Stories of 2024," World Economic Forum, January 1, 2025, https://www.weforum.org/stories/2024/12/must-read-stories-trade-2024/

[23] Hasan Alhasan and Viraj Solanki, "Obstacles to the India – Middle East – Europe Economic Corridor," The International Institute for Strategic Studies, November 16, 2023, https://www.iiss.org/online-analysis/online-analysis/2023/11/obstacles-to-the-india-middle-east-europe-economic-corridor/

[24] Suri et al., "India – Middle East – Europe Economic Corridor: Towards a New Discourse in Global Connectivity"

[25] European Commission, "EU – Mercosur Partnership Agreement – In Brief," https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/mercosur/eu-mercosur-agreement/brief_en

[26] "The World's Largest FTAs in 2024," MIC, September 2, 2024, https://www.mic-cust.com/insights/posts/detail/ad/the-worlds-largest-ftas-in-2024/

[27] Sohini Bose et al., "The BIMSTEC Master Plan for Transport Connectivity: A Stocktaking," Observer Research Foundation, June 2024, https://www.orfonline.org/research/the-bimstec-master-plan-for-transport-connectivity-a-stocktaking

[28] Javed Noorani, "TAPI: Impact on Security and Development of the Region," *Henrich Böll Stiftung*, August 2015, https://www.boell.de/sites/default/files/tapi_eng.pdf

[29] Vera Eckert and Louise Rasmussen, "Shipping Giants Maersk Hapag-Lloyd See No Immediate Return to Red Sea," *Reuters*, January 16, 2025, https://www.reuters.com/world/middle-east/shipping-giants-maersk-hapag-lloyd-see-no-immediate-return-red-sea-2025-01-16/

[30] Eckert and Rasmussen, "Shipping Giants Maersk Hapag-Lloyd See No Immediate Return to Red Sea"

[31] "Red Sea Attacks Increase Shipping Times and Freight Rates," US Energy Information Administration, February 1, 2024, https://www.eia.gov/todayinenergy/detail.php?id=61363#:~:text=A%20journey%20from%20the%20U.S.,costs%20and%20fewer%20available%20ships

[32] "Egypt Won't Join Alliances Against Maritime Piracy Except Under UN Flag," *Middle East Monitor,* February 20, 2024, https://www.middleeastmonitor.com/20140220-egypt-won-t-join-alliances-against-maritime-piracy-except-under-a-un-flag/

[33] Dan Sabbagh, "US Announces Naval Coalition to Defend Red Sea Shipping from Houthi Attacks," *The Guardian*, December 19, 2023, https://www.theguardian.com/us-news/2023/dec/19/us-announces-naval-coalition-to-defend-red-sea-shipping-from-houthi-attacks

[34] Rudy Ruitenberg, "French Navy Defends Use of Million-Euro Missiles to Down Houthi Drones," *Defense News*, January 11, 2024, https://www.defensenews.com/global/europe/2024/01/11/french-navy-defends-use-of-million-euro-missiles-to-down-houthi-drones/

[35] Kerry Ward, "Networks of Empire and the Imperial Frontier: Slavery and Bondage in the Indian Ocean," February 12–15, 2003, https://webdoc.sub.gwdg.de/ebook/p/2005/history_cooperative/www.historycooperative.org/proceedings/seascapes/ward.html

[36] Encyclopædia Britannica, "Vasco da Gama," https://www.britannica.com/biography/Vasco-da-Gama#/media/1/224711/234665

[37] Ward, "Networks of Empire and the Imperial Frontier: Slavery and Bondage in the Indian Ocean"

[38] "Suez Canal Authority to Increase Transit Fees by 5-15% from 2024," Inchcape Shipping Services, October 18, 2023, https://www.iss-shipping.com/suez-canal-authority-to-increase-transit-fees-by-5-15-from-2024/

[39] "Sailing the Long Way: Comparing CO_2 Emissions and Travel Time Around Cape Horn vs. Panama Canal and Cape of Good Hope vs. Suez Canal," *Sinay*, June 12, 2024, https://sinay.ai/en/sailing-the-long-way-comparing-co2-emissions-and-travel-time-around-cape-horn-vs-panama-canal-and-cape-of-good-hope-vs-suez-canal/#:~:text=Good%20Hope%20vs.,-Suez%20Canal&text=The%20ships'%20travel%20times%20and,or%20from%20Europe%20and%20China

[40] Lynet Igadwah, "South Africa: Surge in Cargo Losses Off South Africa Amid Harsh Weather," *Business Day Africa*, October 25, 2024, https://allafrica.com/stories/202410250239.html

[41] International Trade Administration, "South Africa - Ports and Marine," https://www.trade.gov/country-commercial-guides/south-africa-ports-and-marine

[42] "Port Investments to Contribute Towards SA Economy," *South African Government News Agency,* January 24, 2022, https://www.sanews.gov.za/south-africa/port-investments-contribute-towards-sa-economy

[43] "DP World Plans $3bn Investment in African Ports by 2029," *Bloomberg*, June 14, 2024, https://www.engineeringnews.co.za/article/dp-world-plans-3bn-investment-in-african-ports-by-2029-2024-06-14

[44] "India South Africa Trade," India Brand Equity Foundation, January 2025, https://www.ibef.org/indian-exports/india-south-africa-trade

[45] "India South Africa Trade"

[46] David Willima, "Africa's Oceans Could Pay Dearly for the Red Sea Crisis," *ISS Today*, February 1, 2024, https://issafrica.org/iss-today/africas-oceans-could-pay-dearly-for-the-red-sea-crisis

[47] Willima, "Africa's Oceans Could Pay Dearly for the Red Sea Crisis"

[48] Joe Corbisiero, "Cargo Ships Avoid the Suez Canal After Red Sea Attacks," *Silicon Expert*, December 20, 2023, https://www.siliconexpert.com/blog/cargo-ships-avoid-the-suez-canal-after-red-sea-attacks/

[49] Mark Townsend, "Suez Canal Imposes Transit Fee Increase," *Global Finance Magazine*, October 4, 2022, https://gfmag.com/news/suez-canal-transit-fee-increase/

[50] Corbisiero, "Cargo Ships Avoid the Suez Canal After Red Sea Attacks"

[51] "Sailing the Long Way: Comparing CO_2 Emissions and Travel Time Around Cape Horn vs. Panama Canal and Cape of Good Hope vs. Suez Canal"

[52] Townsend, "Suez Canal Imposes Transit Fee Increase"

[53] Corbisiero, "Cargo Ships Avoid the Suez Canal After Red Sea Attacks"

[54] T. E. Raja Simhan, "Global Containerised Cargo Trade in Troubled Waters Due to Red Sea Impact," *The Hindu Business Line*, December 26, 2023, https://www.thehindubusinessline.com/economy/logistics/global-containerised-cargo-trade-in-troubled-waters-due-to-red-sea-impact/article67666490.ece

[55] Dan Bolton, "Escalation Extends Red Sea Crisis," *STiR Coffee and Tea Magazine*, April 29, 2024, https://stir-tea-coffee.com/tea-coffee-news/escalation-extends-red-sea-crisis/

[56] Ishasree Mukherjee, "The Red Sea Crisis in Global Trade," Intueri Consulting, February 6, 2024, https://intueriglobal.com/the-red-sea-crisis-in-global-trade/

[57] Mukherjee, "The Red Sea Crisis in Global Trade"

[58] Stuart Chirls, "Suez Toll Revenue Drops 60%; Canal Tests Two-Way Traffic," *FreightWaves*, January 15, 2025, https://www.freightwaves.com/news/suez-canal-revenue-down-60-but-red-sea-outlook-may-be-changing

[59] Alex Bank, *New Suez Canal: A Macroeconomic Analysis*, 2018, https://www.alexbank.com/document/documents/ALEX/Retail/Research/Other/EN/New-Suez-Canal_2018.pdf

[60] "Egypt: Suez Canal Economic Zone Draws $4.6bn In Investments Over 18 Months," *Ecofin Agency,* February 29, 2024, https://www.ecofinagency.com/public-management/2902-45235-egypt-suez-canal-economic-zone-draws-4-6bn-in-investments-over-18-months

[61] "Jeddah Islamic Port: Anchoring Saudi Arabia's Vision 2030 and Global Trade," *India Shipping News*, September 30, 2024, https://indiashippingnews.com/jeddah-islamic-port-anchoring-saudi-arabias-vision-2030-and-global-trade/

[62] Samia Hanifi, "Saudi Arabia Establishes Logistics Zone in Djibouti to Expand Economic Presence in Africa," *Arab News*, June 4, 2024, https://www.arabnews.com/node/2523706/business-economy

[63] UNCTAD, "Container Port Throughput, Annual," https://unctadstat.unctad.org/datacentre/dataviewer/US.ContPortThroughput

64 Ministry of External Affairs, Government of India, *India - Egypt Relations* (New Delhi: Ministry of External Affairs, 2023), https://www.mea.gov.in/Portal/ForeignRelation/India_-_Egypt_2023.pdf

65 Ministry of External Affairs, Government of India, *India - Morocco Relations* (New Delhi: Ministry of External Affairs, 2023), https://www.mea.gov.in/Portal/ForeignRelation/Moracco-2023.pdf

66 Willima, "Africa's Oceans Could Pay Dearly for the Red Sea Crisis"

67 Evgeniia A. Kostianaia et al., "Oil Pollution in the Northern Red Sea: A Threat to the Marine Environment and Tourism Development," in *Environmental Remote Sensing in Egypt*, ed. Salwa F. Elbeih and Abdelazim M. Negm (Cham: Springer International Publishing, 2020), 329–362, https://doi.org/10.1007/978-3-030-39593-3_12

68 Zachary Fillingham, "Geopolitics of the International North-South Transport Corridor (INSTC)," *Geopolitical Monitor*, September 10, 2024, https://www.geopoliticalmonitor.com/geopolitics-of-the-international-north-south-transport-corridor-instc/

69 Fillingham, "Geopolitics of the International North-South Transport Corridor (INSTC)"

70 Fillingham, "Geopolitics of the International North-South Transport Corridor (INSTC)"

71 Punit Gaur, "Chabahar Port Agreement: India's Stride Towards Central Asian Connectivity," Indian Council of World Affairs, May 21, 2024, https://www.icwa.in/show_content.php?lang=1&level=3&ls_id=10919&lid=6938

72 Iman Bastanifar et al., "India's Trade Corridors: A Shopping Time Model Analysis for IMEEC and INSTC," *Asian Economic and Financial Review* 14, no. 12 (2024): 932–946, https://doi.org/10.55493/5002.v14i12.5241

73 Liz Mathew and Anil Sasi, "New Eastern Route Cuts Down Shipping Time & Costs, Promises to Boost India-Russia Trade," *The Indian Express*, December 16, 2024, https://indianexpress.com/article/business/india-russia-trade-boost-new-eastern-route-9726640/

74 Charu Sudan Kasturi, "Is the INSTC Russia's New Economic Escape Route?," *Al Jazeera*, July 27, 2022, https://www.aljazeera.com/economy/2022/7/27/russias-new-economic-escape-route

75 Jagannath Panda, "Revitalizing INSTC: Analyzing Geopolitical Realignments and the China Factor," Institute for Security and Development Policy, February 2023, https://www.isdp.eu/publication/revitalizing-instc-analyzing-geopolitical-realignments-and-the-china-factor/

76 Mher D. Sahakyan, "Rebuilding Interconnections: Russia, India and the International North-South Transport Corridor," *AsiaGlobal Online*, September 17, 2020, https://www.asiaglobalonline.hku.hk/rebuilding-interconnections-russia-india-and-international-north-south-transport-corridor

[77] Ayjaz Wani, "Exploring Prospects for India-Azerbaijan Ties Through Connectivity Projects," Observer Research Foundation, January 2024, https://www.orfonline.org/research/exploring-prospects-for-india-azerbaijan-ties-through-connectivity-projects

[78] Mher D. Sahakyan, "Rebuilding Interconnections: Russia, India and the International North-South Transport Corridor"

[79] Dipanjan Roy Chaudhury, "New Route for INSTC Gets Activated for Indo-Russian Trade," *The Economic Times*, December 2, 2024, https://economictimes.indiatimes.com/news/economy/foreign-trade/new-route-for-instc-gets-activated-for-indo-russian-trade/articleshow/115904168.cms

[80] Naina Bhardwaj, "India's Export Opportunities Along the International North-South Transport Corridor," *India Briefing*, February 21, 2022, https://www.india-briefing.com/news/indias-export-opportunities-along-the-international-north-south-transport-corridor-22412.html/

[81] "Making Rail Transport More Sustainable, Comfortable and Quieter," Europe's Rail Joint Undertaking, September 22, 2024, https://rail-research.europa.eu/latest-news/making-rail-transport-more-sustainable-comfortable-and-quieter

[82] Iftikhar Gilani, "How the India-Middle East-Europe Economic Corridor Opens Up a Passage of Possibilities," *Frontline*, September 15, 2023, https://frontline.thehindu.com/world-affairs/how-the-india-middle-east-europe-economic-corridor-opens-up-a-passage-of-possibilities/article67344064.ece

[83] Afaq Hussain and Akhtar Malik, "A Mixed Report Card for the India-Middle East-Europe Corridor," *The Hindu*, October 5, 2023, https://www.thehindu.com/opinion/op-ed/a-mixed-report-card-for-the-india-middle-east-europe-corridor/article68859565.ece

[84] Suri et al., "India-Middle East-Europe Economic Corridor: Towards a New Discourse in Global Connectivity"

[85] Suri et al., "India-Middle East-Europe Economic Corridor: Towards a New Discourse in Global Connectivity"

[86] Henry Farrell and Abraham Newman, "Weaponized Interdependence: How Global Economic Networks Shape State Coercion," *International Security* 44, no. 1 (2019): 42–79; Amrita Narlikar, "How Not To Negotiate: The Case of Trade Multilateralism," *International Affairs* 98, no. 5, September 2022: 1553-73, https://academic.oup.com/ia/article/98/5/1553/6686642

[87] Compassion in World Farming, "Ban Live Exports Internationally," February 6, 2025, https://www.ciwf.org.uk/our-campaigns/ban-live-exports-internationally/

[88] Amrita Narlikar and Gokul Sahni, "Renewing the EU-India Strategic Compact: Doing Better, Doing More, and Key How Not To's," Observer Research Foundation, January 2025, https://www.orfonline.org/research/renewing-the-eu-india-strategic-compact-doing-better-doing-more-and-key-how-not-to-s

89 Raimundo Panikkar, “Is the Notion of Human Rights a Western Concept?,” *Diogenes* 30, no. 120: 75- 102, https://philpapers.org/rec/RPAITN

90 Amrita Narlikar, “India and the World: Civilizational Narratives,” in *Foreign Policy: Theories, Actors, Cases (4th edn)*, ed. Steve Smith et al., (Oxford: Oxford University Press, 2024), https://www.oxfordpoliticstrove.com/abstract/10.1093/hepl/9780192863072.001.0001/hepl-9780192863072-chapter-18

91 Stela Rubinova and Mehdi Sebti, “The WTO Trade Cost Index and Its Determinants,” World Trade Organization, January 2021, https://www.wto.org/english/res_e/reser_e/ersd202106_e.htm

92 “Integrated Approaches to Trade and Transport Facilities: Measuring Readiness for Sustainable, Inclusive, and Resilient Trade,” Asian Development Bank, December 2022, https://www.adb.org/sites/default/files/publication/850146/integrated-approach-trade-transport-facilitation.pdf?utm_source=blog-hyperlink&utm_medium=referral&utm_campaign=blog-rci&utm_id=blog-trade-resilience

ECES
المركز المصري للدراسات الاقتصادية
The Egyptian Center for Economic Studies

INTRODUCING EGYPT TO THE **INDIA-MIDDLE EAST-EUROPE CORRIDOR**

A New Paradigm for Connectivity

Abla Abdel-Latif • Sherine El-Naggar • Racha Seif El-Dine

Contents

I. Introduction 70

II. The Suez Canal Corridor (SC) and COGH: A Comparison 74

III. The India-Middle East-Europe Economic Corridor (IMEC) 82

IV. Egypt's Inclusion in the IMEC Framework 84

V. Strategic Advantages of IMEC-E Over IMEC 92

VI. Recommendations and Conclusion 96

I.

Introduction

THE INDIA–EUROPE PARTNERSHIP extends beyond trade exchanges and has evolved into a strategic economic relationship rooted in shared interests across energy, technology, security, and global governance.[1] The prominence of specific India–Europe trade routes has evolved in tandem with geopolitical and economic shifts. Historically, the Suez Canal route (SC) has been the primary conduit for trade, offering a direct maritime connection between the Indian Ocean and Europe that bypasses the long transit time and high logistics costs of the route around the Cape of Good Hope (COGH). The current disruptions in the Middle East have prompted explorations of alternative routes.

The India–Middle East–Europe Economic Corridor (IMEC), announced during India's G20 presidency in 2023, aims to combine maritime and overland routes through the Middle East by leveraging strategic partnerships with Gulf nations.[2] However, the current IMEC framework faces serious roadblocks to its continued viability, including

high infrastructure investment requirements, regulatory misalignments, and security concerns in politically sensitive regions like Israel and Gaza. In this context, there is scope to revisit the framework by integrating Egypt, whose strategic location and established maritime, port, rail, and road infrastructure could make implementation more economically viable.

France recognised the importance of Egypt's involvement in the IMEC corridor during President Emmanuel Macron's visit to Egypt in April 2025. In the official statement following the visit, France acknowledged Egypt's historical contribution to strengthening East-West connectivity and the added value of the Suez Canal. As a signatory to the IMEC Memorandum of Understanding, France promised to support Egypt's inclusion in this initiative.[3] In this context, Egypt and France will continue close cooperation on IMEC's future development.[4] The signatories recognise that Egypt's inclusion will enhance cooperation in transport infrastructure, renewable energy, telecommunications, and diversified logistics, given the corridor's diverse routes. France encourages Egypt to identify potential entry and exit points within its territory for the corridor.

This analysis, conducted by the Egyptian Center for Economic Studies (ECES), aims to assess the economic efficiency of Egypt's inclusion in the IMEC corridor—not to replace the original IMEC but to explore the feasibility of an additional route. Ultimately, the choice of route depends on private businesses involved in trade. This report evaluates economic efficiency across capital investment, operating costs, transit time, infrastructure quality, and environmental impact, alongside geopolitical risks and project start timelines.

The report is organised as follows: Section 2 presents a qualitative cost/benefit analysis of the Suez Canal Corridor (SC), and compares SC and the Cape of Good Hope (COGH) as the oldest maritime routes, examining their

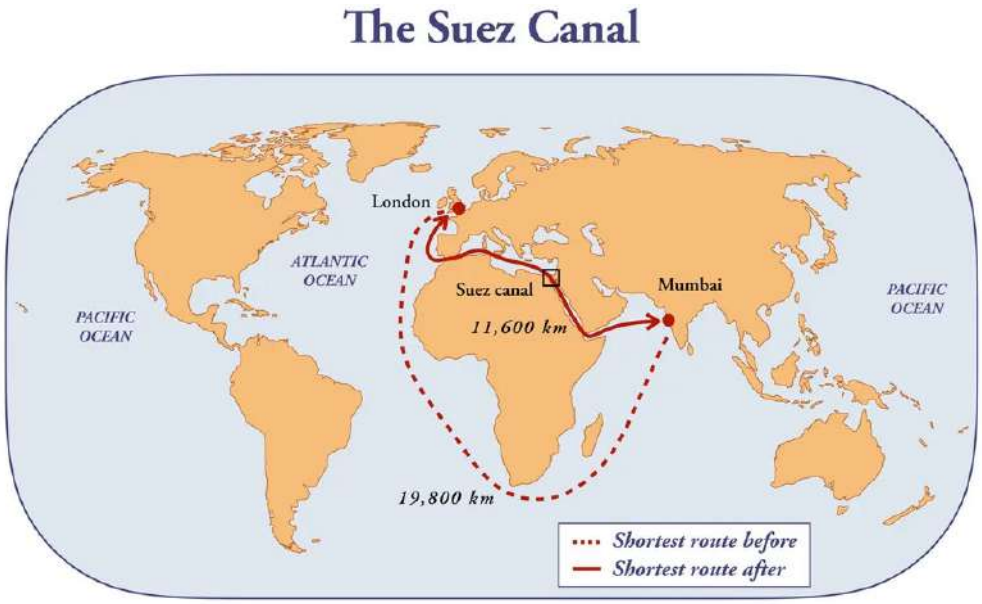
current status amid geopolitical circumstances. Section 3 describes the IMEC, analysed in depth in the first part of this report, authored by ORF. Section 4 details IMEC-Egypt (IMEC-E) and argues for revising the IMEC framework to include Egypt. Section 5 consolidates earlier results with a matrix comparing the IMEC and IMEC-E corridors, and section 6 explores the potential challenges ahead. The report concludes in section 7 with the main findings and conclusions. An annex presents recent Egyptian infrastructure projects supporting IMEC-E.

II.

The Suez Canal (SC) Corridor and COGH: A Comparison

THE SUEZ CANAL is the most prominent historical trade corridor connecting Asia and Europe (Figure 1), facilitating 30 percent of global container traffic annually.[5] It has strategic vitality for being a direct, efficient maritime link between the Indian Ocean and the Mediterranean Sea, which markedly reduces travel distances and shipping costs. Its unique capacity to accommodate exceptionally large cargo volumes further reinforces its role in global trade. Typically, 50 percent of Indian trade goes through the SC. However, geopolitical risks pose challenges, particularly around the Bab el-Mandeb Strait, a gateway to the Red Sea—which is experiencing instability due to its proximity to conflict zones such as Yemen and the Horn of Africa. Despite these issues, which are typically short-term, the Red Sea-Suez Canal route is poised to maintain its pivotal role in global trade dynamics.

Figure 1: The Red Sea-Suez Canal Route Between India and Europe



Source: Silicon Expert[6]

Note: The 'before' and 'after' refer to the Red Sea attacks.

Costs: The SC route provides cost advantages over longer maritime alternatives, particularly the COGH route. By shortening travel distances, it effectively lowers fuel consumption and shipping costs, making it the preferred option for Asia-Europe trade. While Suez Canal Authority tolls are often perceived as high and fluctuating, a comparison shows that, even including tolls, the SC route in 2024 yielded savings of up to US$721,980 per vessel for petroleum cargo, one of the world's most traded goods. Moreover, SC's tolls were fixed from 2013 to 2019, with an average increase of only 5 percent from 2019 to 2023. In 2023, the toll system was set categorically by cargo, vessel type, and weight (Tables 1 and 2).

Table 1: Suez Canal Transit Dues (as of 15 January 2024)

Increase in Fees	Relevance
a) Increasing the normal Suez Canal transit dues by 15%.	Crude Oil Tankers - Petroleum Product Tankers - Liquefied Petroleum Gas (LPG) Carriers - Liquefied Natural Gas (LNG) Carriers - Chemical tankers and other liquid bulk tankers - Containerships - Vehicles Carriers - Cruise Ships - Special Floating Units.
b) Increasing the normal Suez Canal transit dues by 5%.	Dry Bulk Vessels - General Cargo Vessels - Roll-On/Roll-Off (RO/RO) Vessels - Other Vessels
c) Exempted from the above increase stated in para (a) as per the conditions stipulated in circular (8/2023).	Containerships directly coming from ports at "North-West Europe" and directly heading to ports at the "Far East"

Source: Suez Canal Authority, Egypt[7]

Table 2: Detailed Example for Crude Oil Tankers

Suez Canal Net Tonnage (SCNT)						Special Drawing Rights (SDR)/SCNT							
First 5000 Tons		Next 5,000 Tons		Next 10,000 Tons		Next 20,000 Tons		Next 30,000 Tons		Next 50,000 Tons		The Rest	
Laden	Ballast	Laden	Ballast	Laden	Ballast	Laden	Ballast	Laden	Ballast	Laden	Ballast	Laden	Ballast
11.04	9.40	7.82	6.64	5.91	5.04	2.93	2.50	2.53	2.14	2.17	1.85	2.13	1.83

Source: Suez Canal Authority, Egypt[8]

Transit Time: Time efficiency is a critical determinant of the SC's competitiveness. It offers the shortest integrated maritime connection between the Indian Ocean and Europe, reducing transit times by approximately 10-15 days compared to the COGH route.[9] This advantage is beneficial for industries reliant on just-in-time supply chains, such as electronics, automotive components, and perishable goods.

Moreover, the Suez Canal Authority continues to enhance the route's efficiency through ongoing development projects, including the construction of a second lane and continuous widening and deepening efforts. The Canal's capacity has increased from 59 ships in 2000 to 112 ships in 2024.[10] Additionally, targeted expansion—such as the 10-kilometer widening after the Ever Given incident in 2021, when the container ship ran aground and blocked the canal for several days—underscores the Authority's commitment to ensuring seamless global trade flows.

Geopolitical Risks: Geopolitical risks present challenges for the SC route. The Bab el-Mandeb Strait, a gateway to the Red Sea, is experiencing instability due to its proximity to conflict zones such as Yemen and the Horn of Africa. While piracy, territorial disputes, and militant activities are disrupting shipping operations, these incidents are typically temporary in nature. Despite these risks, Egypt has maintained a stable political environment around the canal, with substantial investments in security and operational continuity to ensure the route's long-term reliability.

Infrastructure and Logistics: The infrastructure along the SC is among the most developed globally. The canal has undergone modernisation, including the construction of a second lane to accommodate two-way traffic and the expansion of key sections to handle larger vessels.[11] These upgrades have nearly doubled the canal's capacity since 2015, improving the route's efficiency. Port

infrastructure along the route has also seen considerable investment.[12] Egypt's Port of Suez and Port Said serve as critical nodes, facilitating the smooth transhipment of goods. Additionally, ports in Saudi Arabia, such as Jeddah, and in Djibouti have improved their handling capabilities, further reinforcing the corridor's logistical strength.[13]

Market Access: The SC route offers exceptional access to critical markets across Europe, the Middle East, North Africa, and emerging African economies. Key European nations, including Germany, France, and Italy, benefit from the route's superior time efficiency and cost-effectiveness, positioning it as the preferred corridor for high-value goods. It also strengthens trade relations with Middle Eastern markets, capitalising on the strategic positioning of the Gulf Cooperation Council (GCC) countries.

Environmental Impact: The SC route supports environmental sustainability by reducing fuel consumption and carbon emissions, owing to the shorter transit distance compared to the COGH route. This makes it a favoured option for shipping companies focused on minimising their carbon footprint. Although heavy maritime traffic has raised concerns regarding marine pollution and the Red Sea's ecological health, recent mitigation efforts include stricter environmental regulations and enhanced accountability measures aligned with International Maritime Organization (IMO) standards.

Table 3 presents a comparison between the two historical corridors, SC and COGH, in terms of cost efficiency, trade resilience, flexibility based on cargo type, and environmental impact.

Table 3: SC Vs. COGH

Corridor	Cost Efficiency	Trade Resilience	Flexibility Based on Cargo Type	Environmental Impact
Suez Canal	• Shortest route • Lower fuel costs than other maritime • Toll fees • Developed infrastructure • Market access	• Geopolitical instability at the present time • Reliance on Bab el-Mandab	Best for all types of cargos	Moderate emissions due to efficiency
Cape of Good Hope	• Much longer route • High fuel costs • No toll fees • Less economical for most goodsa	• Low geopolitical risks • Weather related vulnerabilities • Always available as an alternative maritime route	Suitable for bulk cargo with low time sensitivity	High emissions due to longer distance

Source: Authors' own

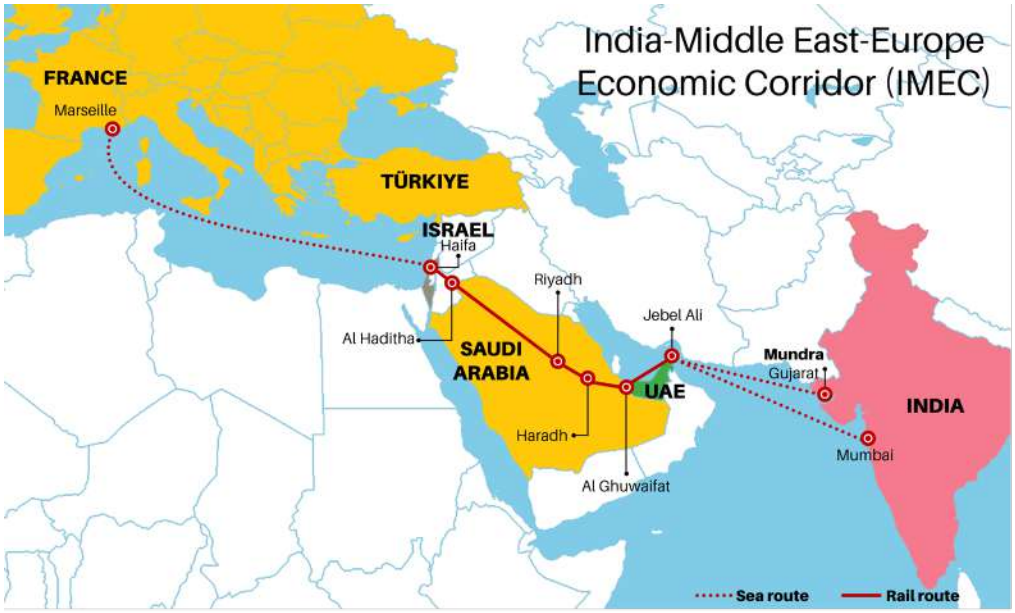
III.

The India-Middle East-Europe Economic Corridor (IMEC)

THE INDIA-MIDDLE EAST-EUROPE Economic Corridor (IMEC), announced at the G20 summit hosted by India in 2023 (Figures 2 and 3), is a conceptual initiative for enhancing India-Europe trade connectivity. Its cost and time advantages, coupled with its potential to diversify trade routes and strengthen regional integration, make it a viable concept.

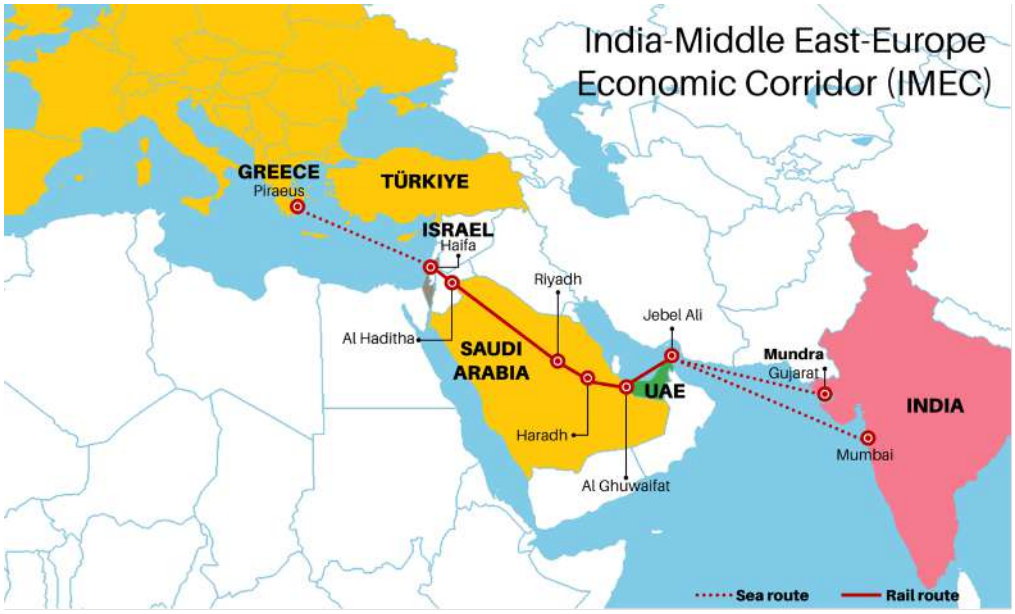
However, its implementation depends on addressing challenges related to infrastructure development, geopolitical risks, and policy coordination. Key concerns include the limited capacity and operational standards necessary to accommodate high traffic volumes and large-scale cargo shipments. IMEC requires substantial infrastructure investments, overcoming geopolitical challenges, and addressing gaps in connectivity and market access.

Figure 2: The IMEC Route via Marseille as per Original Agreement



Source: La Jaune et La Rouge[14]

Figure 3: IMEC, with Piraeus as Entry Point



Source: Frontline[15]

Costs: IMEC presents a cost-effective alternative to traditional maritime routes by integrating shipping with overland rail and road networks. However, its reliance on rail networks limits cargo capacity to 500 tons per shipment, making it suitable only for much smaller consignments. Cost comparisons need to account for similar cargo sizes. Moreover, unlocking IMEC's full potential requires investments in infrastructure, including port modernisation in the United Arab Emirates (UAE) and Saudi Arabia and new rail links across the Gulf. High maintenance costs—especially in arid regions—are also expected to drive up long-term operational expenses and cause potential delays.

Transit Time: A key advantage of IMEC is its potential to cut transit times compared to traditional maritime routes, benefiting high-value, time-sensitive goods like electronics, automotive components, and pharmaceuticals. However, its limited cargo capacity and lack of seamless multimodal integration pose challenges. Moreover, bottlenecks at transhipment points, multiple handling requirements, infrastructure setbacks, logistical inefficiencies, and exposure to geopolitical tensions may undermine its time-saving potential.

Geopolitical Risks: Geopolitical risks are an important concern for IMEC, given its reliance on regions with longstanding instability. The corridor passes through key Middle Eastern countries such as Saudi Arabia, the UAE, and potentially Israel, which are located in politically sensitive areas. Conflicts, sanctions, and territorial disputes—particularly at vital nodes such as the Haifa Port in Israel—could disrupt the corridor's completion and increase security costs for traders.

Infrastructure and Logistics: IMEC's success depends on the development and integration of infrastructure across participating countries. Ports in the UAE have to be upgraded to handle increased traffic, and missing

rail links—such as the Gulf Railway across Saudi Arabia—must be developed and integrated into the framework to enhance land-based connectivity within the region.[16] Additionally, differences in logistical standards and operational protocols across countries can create inefficiencies. While harmonising these systems through regional agreements and advanced logistics technologies is essential, it requires substantial capital investment and may delay the corridor's full operation.

Market Access: IMEC can enhance market access for India, the Middle East, and Europe. For Indian exporters, it provides a direct link to European markets while also opening up opportunities in the Middle East. Sectors such as textiles, engineering goods, and pharmaceuticals are expected to benefit from improved connectivity. The Middle East's strategic location as a gateway between Asia and Europe further amplifies the corridor's market potential. However, the current exclusion of North Africa and other emerging African economies limits its reach as a global trade network.

Environmental Impact: IMEC presents both environmental opportunities and challenges. Its shorter transit distance reduces carbon emissions, making it a more sustainable option for long-distance trade. Integrating rail—more energy-efficient than road or sea—further enhances its environmental profile. However, the heavy construction and operation of infrastructure in environmentally sensitive regions, such as deserts and coastal areas, raise ecological concerns.

IV.

Egypt's Inclusion in the IMEC Framework

THIS SECTION PRESENTS the case for IMEC-Egypt (IMEC-E) by describing the route from two European entry points and assessing its economic efficiency—covering capital investment, operating costs, transit time, quality of infrastructure and environmental impact—as well as geopolitical risks and project readiness. As such, it makes a case for IMEC-E.

The IMEC-E Route

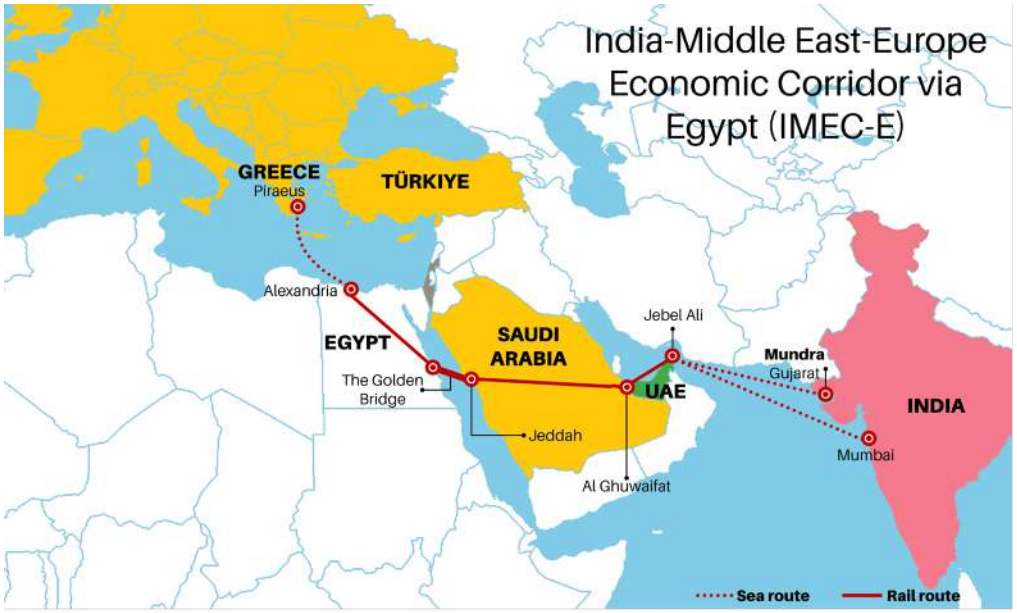
Under this model (Figures 4 and 5), cargo from European ports—Marseille, Piraeus, or Trieste—would arrive at Egypt's Alexandria port, which is distant from all of the world's current geopolitical conflicts.

Egypt's new railway infrastructure(Annex) allows railway transportation from Alexandria Port to Safaga Port and backwards. Train vessels carry cargo across the Red Sea

to Saudi Arabia via the "Golden Bridge" (train vessels crossing the red sea to Saudi Arabia via train ferries), then through the GCC railway network, before reaching India and Southeast Asia by sea.

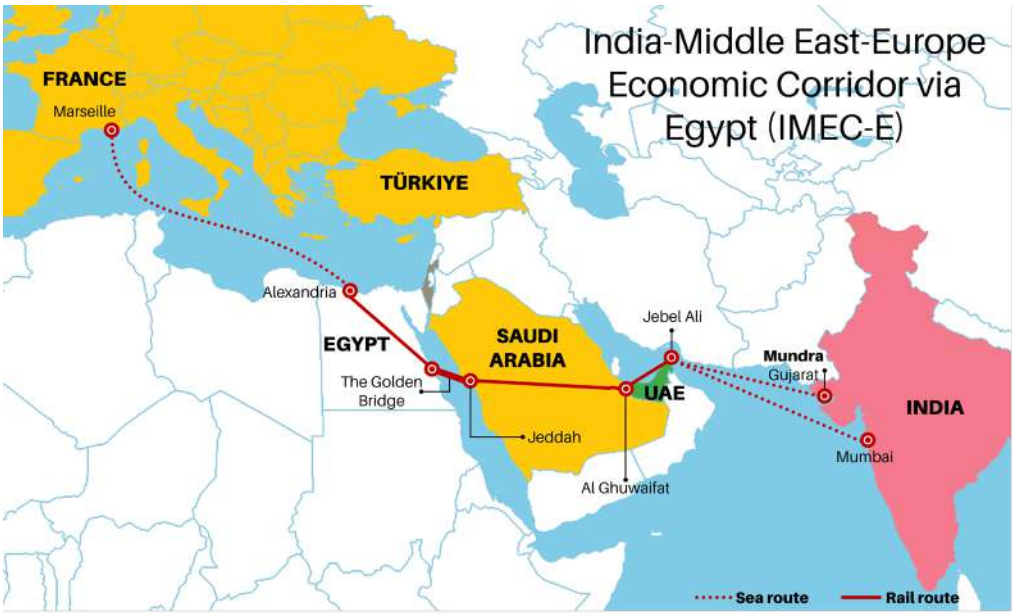
This route bypasses geopolitical disruptions affecting the Suez Canal and Haifa port while leveraging Egypt's robust transport and logistics infrastructure, making it a more resilient and efficient trade corridor.

Figure 4: The Proposed IMEC via Egypt (IMEC-E), with Piraeus as the European Entry Point



Source: Sherine El-Naggar, The Golden Bridge Between Continents, 2024[18]

Figure 5: The Proposed IMEC via Egypt (IMEC-E), with Marseille as the European Entry Point



Source: El-Naggar, "The Golden Bridge Between Continents"

Irrespective of the starting point in Europe, the main difference between IMEC and IMEC-E lies in the Middle East entry point after crossing the Mediterranean. Instead of Haifa in Israel, IMEC-E enters through Alexandria Port in Egypt. Figure 6 presents a detailed description of the route between Piraeus and Jeddah in kilometers and time, with details for all routes inside Egypt.

Figure 6: IMEC-E (Piraeus*- Jeddah Junction) Description: Distance & Time

Piraeus → Alexandria

Distance (km)	Time (hours)
965	34

Alexandria → 6th October

Distance (km)	Time (hours)
250	4

6th October → Qena

Distance (km)	Time (hours)
600	10

Qena → Safaga

Distance (km)	Time (hours)
220	75

Safaga → Jeddah

Distance (km)	Time (hours)
790	Steaming time: 26 Ports Manoeuvre: 4 Total: 30

Piraeus - Jeddah Total Distance & Time

Total Distance (km)	Total Time (hours)
2825	83

Source: Extensive discussions by ECES with shipping experts, Ministry of Transportation and Ministry of Foreign Affairs.[19]

**Calculations are based on Piraeus but can be done similarly for Marseille (the starting point or ending point in Europe is not relevant to the comparison between IMEC and IMEC-E).*

A Look at Cost Efficiency

The integration of Egypt into IMEC offers cost-saving opportunities in the following forms:

- **No Multiple Handling:** Unlike IMEC, which involves multiple handling through combined rail and sea transport, IMEC-E uses only train vessels. Handling cost for IMEC—estimated at US$100 per "lift on/lift off" at each of the three stops—amount to US$300 per TEU (twenty-foot equivalent unit). In the case of IMEC-E, those charges are zero, because it is "Roll-on/Roll-off" all the way, which substantially reduces costs.[20]
- **Utilisation of Existing Infrastructure:** While investments in Jeddah Port and the Gulf rail networks remain a requirement, Egypt's robust infrastructure—unlike Haifa's—reduces the need for large-scale development, making IMEC-E a more financially sustainable alternative compared to the original IMEC. Egypt's well-established Alexandria and Safaga ports reduce the need for extensive new investments.[a]
- **Saudi-Egypt Golden Bridge (Train Ferries):** The Saudi-Egypt Bridge serves as a pivotal node facilitating smoother transitions between maritime and overland transport, minimising multimodal inefficiencies. Instead of starting from scratch, Egypt owns three rail ferries—AL HURREYA 1, 2, and 3—that require minimal investment to include railheads and function as "train ferries".[21]
    - Each ferry has a capacity of approximately 2,000 lane meters, equivalent to 100 wagons, carrying 3 TEUs each, (twenty-foot equivalent unit), which totals 300 TEUs.

[a] The Annex includes all the new infrastructure investments in Egypt of relevance to the project. All projects are either completed or in their final stages. By the end of 2026, the whole route will be ready for use.

- Total capacity per ferry is 4,500 tons (300 TEU X 15 tons/TEU).

Total operating expenses (OPEX) is estimated at US$66,350 per day for each round voyage, with detailed components shown in Table 4. The bridge will also transport passengers, with already high traffic levels, enhancing the vessels' economic appeal.

Table 4: Cost Estimation of IMEC-E OPEX

Item	Cost*	Cost Estimation Details
Fuel	US$21,850 per train ferry (Safaga Jeddah)	38 (tons) * US$575 (price per ton)
Ports Expenses	US$40,000	(US$20,000 per core)
Other OPEX	US$4,500	
Total	**US$66,350**	

Source: Extensive discussion by ECES with shipping experts, Ministry of Transportation and Ministry of Foreign Affairs.

**Price of fuel consumption (April 2025).*

Mitigation of Geopolitical Risks

- **Avoiding Dependence on Haifa Port:** The original IMEC's reliance on Haifa presents geopolitical challenges. Rerouting trade through Egypt's modernised ports—Alexandria and Safaga—enhances regional stability, efficiency, and security.
- **Alternative Routing Options:** Egypt's developed infrastructure provides multiple trade route alternatives, ensuring business continuity during regional instability.
- **Avoiding the Suez Canal:** Given current tensions around the Suez Canal, the new route bypasses it, improving supply chain resilience and reducing geopolitical exposure.

Expanded Market Access

- **Inclusion of North Africa and Emerging African Economies:** Unlike the original IMEC, IMEC-E enables direct access to key North African economies, including Morocco, Algeria, and Tunisia.
- **Access to Growth Markets in Africa:** Egypt's membership in the African Continental Free Trade Area (AfCFTA) till 2019 extends India's reach beyond North Africa into high-growth markets across the continent.
- **Access to the Suez Canal Economic Zone:** Through Egypt's widespread railway infrastructure and logistics areas (see the Annex) using IMEC-E also gives access to the Suez Canal Economic Zone, where potential investment opportunities for India are substantial.
- **Access to the US Market:** With Egypt's QIZ agreement with the United States signed in 2004, India gains access to the US market.

Egypt's geographic centrality connects four continents, offering India advantages in trade.

V.

Strategic Advantages of IMEC-E Over IMEC

IMEC-E OFFERS THE SAME connectivity advantages as IMEC, following a similar route except for one juncture. It provides an alternative to the Suez Canal and the COGH while connecting India with Saudi Arabia and the Gulf—alignments of strategic interest to India. It offers other advantages, as it involves much less handling, lower capital investment, and reliance on existing infrastructure, enabling near-immediate operationalisation. This accelerates the core target of connecting India to Europe without being disturbed by the current geopolitical regional conflicts. IMEC-E is not meant to be a substitute for IMEC but a complementary, economically efficient route that does not disturb the original planned investments of IMEC.

Additional strategic advantages are the access to all of Africa through Egypt, a member of the AfCFTA. Access to the Suez Canal Economic Zone in Egypt, which offers investment potential for India—particularly in manufacturing, fertilisers, and green hydrogen. Another advantage is Egypt's strong economic relations with Saudi Arabia, with active trade exchange; there is also the existing Red Sea transport between the two countries that involves not only goods but also people. Such mobility and extra activities reduce the cost of transportation.

Table 5 presents a matrix summarising the trade offs between IMEC and IMEC-E focusing on cost efficiency, trade resilience, flexibility, and environmental impact. It highlights opportunities for hybrid strategies to enhance trade flows and market access.

Table 5: IMEC and IMEC-E: A Brief Comparative Analysis

Corridor	Cost Efficiency	Trade Resilience	Flexibility Based on Cargo Type	Environmental Impact
IMEC	• Multiple handling (rail and sea routes) • High capital expenditure (CAPEX) • Moderate operating and maintenance (O&M) costs • Still a concept at this stage	Haifa Port is a chokepoint	• Potentially Flexible for both time-sensitive and cost-sensitive goods. • Not good for bulk cargos because of reliance on trains (limited capacity 500 tons versus 20,000 tons for vessels)	Moderate emissions
IMEC-Egypt	• No multiple handling, because of use of train and maritime train (roll-on/ roll-off all the way) • Existing infrastructure reduces the need for new investments. • Low O&M costs due to existence of ferry vessels (Al Horeya 1,2,3) • Lower cost due to people and goods movement • Ready for use	• Minimum geopolitical risks (not going through Suez Canal). • Stable Egyptian Saudi Arabian Integration. • Access to all Africa via Egypt.		

Source: ECES's analysis[22]

The first takeaway from the matrix is that trade resilience depends on shifting geopolitics and trade relations, which are variable and quite dynamic. It is important to monitor and adapt to these changes while recognising their often temporary nature. Such recognition entails careful assessment in establishing new corridors and getting involved in huge investments that might become “a dead weight loss” (i.e., not useful for anyone) when problems are resolved and the traditionally economically efficient corridors regain their old positioning. This return to the old cannot be controlled politically, as shippers will simply follow the cheapest route.

VI.

Recommendations and Conclusion

THE WAY FORWARD is challenging because of its paradoxical nature. While all countries along the route see the economic benefits of increased connectivity between Europe and India, each has its own internal calculations. For example, each country has its own customs procedures, sanitary and phytosanitary parameters, and technical barriers to trade, as well as environmental and social standards. At a deeper level, each country holds values that it is unwilling to compromise. These differences create transaction costs—the 'hidden costs' of trade—that lead to friction in global commerce. Research suggests that transport expenses and regulatory discrepancies across trading partners account for anywhere between 16 and 29 percent of total trade costs.[23] These figures underscore the need for a holistic approach to supply chain connectivity that goes beyond conventional trade agreements and tariff reductions.

A more integrated and dynamic strategy must streamline border policies, harmonise regulatory frameworks, and invest in robust transport infrastructure to ensure seamless movement of goods. As global trade networks grow more intricate and interdependent, the ability to reduce inefficiencies in cross-border logistics will define the resilience of supply chains. Strengthening economic corridors is not just a matter of improving trade facilitation—it is a strategic necessity in an increasingly volatile global economy.

Differences exist not only in trade policies but also in political calculations, irrespective of actual geopolitical conflicts on the ground. For example, the starting point for IMEC in Europe—whether Greece, France, or Italy—is contested, with each country advocating for its own port. Chinese ownership and acquisition of vital infrastructure, such as majority stakes in the Greek port of Piraeus, may dampen the US's enthusiasm for IMEC or its proposed derivative, IMEC-E. Similarly, the US might oppose Egypt's inclusion in IMEC, as it excludes Israel, despite this being economically beneficial for connectivity and the main parties involved. While these challenges are serious, they are not insurmountable. Negotiations between partner countries to put economic interests first can soften political differences. Also, working together on the harmonisation of procedures for common interest will drive further harmonisation efforts.

Even politically, solutions exist. Egypt's joining IMEC through IMEC-E should not be seen as a substitute route for the existing IMEC framework but rather as a first step towards its implementation, given IMEC-E's readiness for action almost immediately while IMEC is still in the concept stage. At a macro geopolitical level, working on regaining peace and security in the Middle East by adopting the two-state solution addressing the core Palestinian land issue would restore the SC status as the best trade corridor linking India to Europe.

This report draws four main conclusions: First, the detailed economic argument demonstrates that incorporating Egypt into the IMEC framework through IMEC-E presents a strategic opportunity to enhance connectivity between India, the Middle East, and Europe at lower cost, with expanded access to markets and immediate, safe execution without disturbing the execution of the original IMEC concept. This means that planned investments in IMEC can still be implemented, and businesses may use IMEC once geopolitical problems are resolved and necessary investments completed, if economically viable. The proposed IMEC-E is an additional corridor where the centrality of Egypt adds numerous advantages.

Second, using hybrid strategies temporarily until the geopolitical situation is completely resolved is highly advised. This means combining the COGH, which serves as a maritime option for big cargo, with shorter routes such as the IMEC framework. IMEC–E is the more likely scenario, because even under the best geopolitical conditions, IMEC is still a concept and will require a long time to be implemented, as well as huge capital investments.

Third, irrespective of the type of corridor used, it is important for all countries to work together on the harmonisation of customs procedures, sanitary and phytosanitary standards, technical barriers to trade, and environmental and social standards. Regulations related to artificial intelligence and cybersecurity that directly impact trade also need to be unified. These are prerequisites for smooth trade and lower transaction costs across all corridors.

Finally, solving the core Palestinian issue fairly and permanently is crucial to restoring security and stability in the Middle East. This is the most efficient economic, political and social solution that could spare the world unnecessary investment.

Annexure: Recent Infrastructure Projects in Egypt Supporting IMEC-E

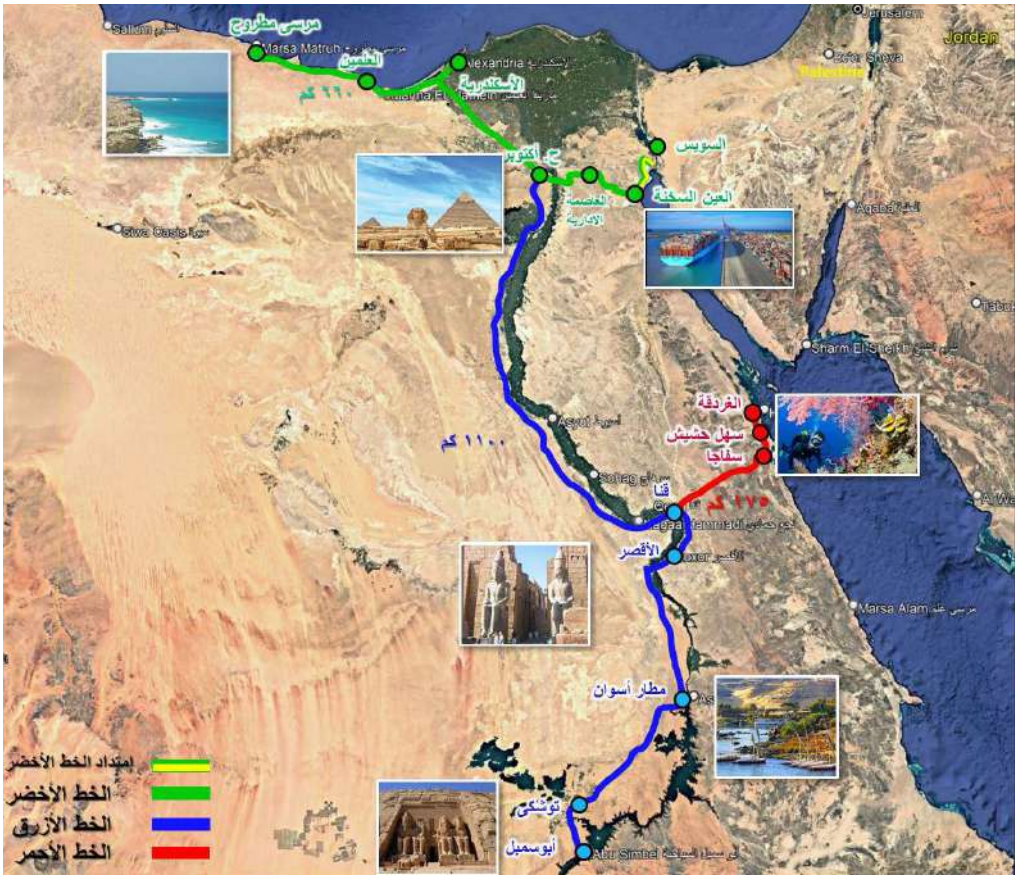
A) High-Speed Electric Train Network Fully Completed within the Next Two Years

Table 6: High-Speed Electric Train Network

Network Lines		
#	Line	Length (Km.)
1	El-Sokhna-Alexandria-Alamein- Matrouh	660
2	6th of October- Luxor- Aswan- Abu Simbel	1,100
3	Qena-Safaga-Hurgada	175
4	Workshops entries and maintenance points, linking routes to dry ports, storage	65
Total		**2,000**

Source: Official document provided by the Egyptian Ministry of Transportation, 2025.[24]

Figure 7: High-Speed Electric Train Network



Source: The Egyptian Ministry of Transportation, 2025.[25]

Table 7: High-Speed Electric Train Network

Network Description		
1	Length (km)	2,000
2	Stations	60
3	Main workshops	2
4	Maintenance points	6
5	High-speed trains (250 km/h)	(41)
6	Regional trains (160 km/h)	(94)
7	Cargo tractors (120 km/h)	(41)

Source: The Egyptian Ministry of Transportation, 2025.[26]

B) Integrated Logistic Corridors

The Ministry of Transportation has established seven integrated logistics corridors linking industrial, agricultural, and mining production zones to ports on the Red Sea and the Mediterranean. These corridors link seaports on the Red Sea to seaports on the Mediterranean and serve new urban communities via a network of diesel railways and a high-speed electric train, or a network of main roads passing through dry ports and logistics zones located on these corridors. The objective of establishing these corridors is to turn Egypt into a regional hub for transport, logistics, and transit trade. These seven corridors are:

1. Sukhna-Alexandria
2. Arish-Taba
3. Cairo-Alexandria
4. Tanta-Mansoura-Damietta
5. Gergoub-Salloum
6. Cairo-Aswan-Abu Simbel
7. Safaga-Qena-Abu Tartour

Figure 8: All Seven Logistics Corridors

Source: The Egyptian Ministry of Transportation, 2025.[27]

Figure 9: El-Sokhna-Alexandria Logistics Corridor

Source: The Egyptian Ministry of Transportation, 2025.[28]

- El Sokhna Port
- The first line of the high-speed electric train
- The dry port in the 10th of Ramadan City
- Industrial zones (the cities of the 10th of Ramadan, Badr, 6th of October, El-Sadat and Borg El-Arab)
- The railway line (Al-Roubiki-10th of Ramadan- Belbeis)
- Alexandria grand port

Figure 10: Al-Arish-Taba Logistics Corridor

Source: The Egyptian Ministry of Transportation, 2025.[29]

Figure 11: Cairo-Alexandria Logistics Corridor

Source: The Egyptian Ministry of Transportation, 2025.[30]

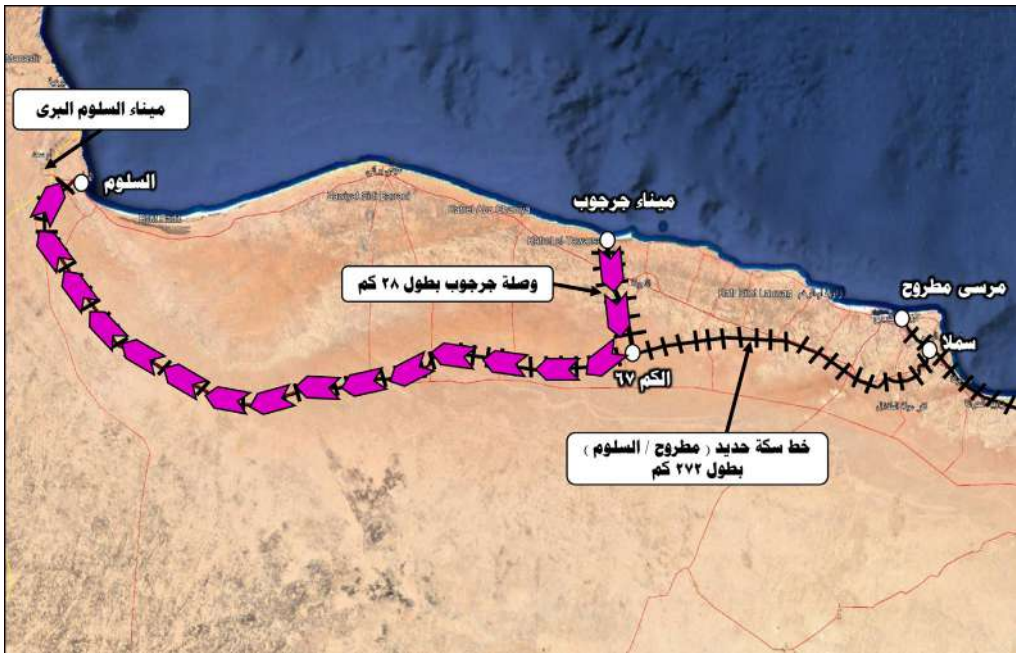
- Upper Egypt Railway Station in Bashtil
- Doubling and developing the Bashtil-Etihad-Itay El Baroud-El Qabary railway line
- El Manashy- 6th of October railway line
- Kafr Dawoud-Sadat city railway line
- Sadat city-6th of October city dry port
- The industrial zones in the cities of 6th of October, Sadat, and Borg El Arab
- Alexandria grand port

Figure 12: Tanta-Mansoura-Damietta Logistics Corridor

Source: The Egyptian Ministry of Transportation, 2025.[31]

- Tanta logistics zone
- Tanta-El Mansoura-Damietta railway line
- Industrial zones in Quesna, Hosh Eissa, Al Mahallah al Kubra complex, new Damietta, and Gamasa
- New Damietta dry port
- Damietta port

Figure 13: Gergoub-Salloum Logistics Corridor



Source: The Egyptian Ministry of Transportation, 2025.[32]

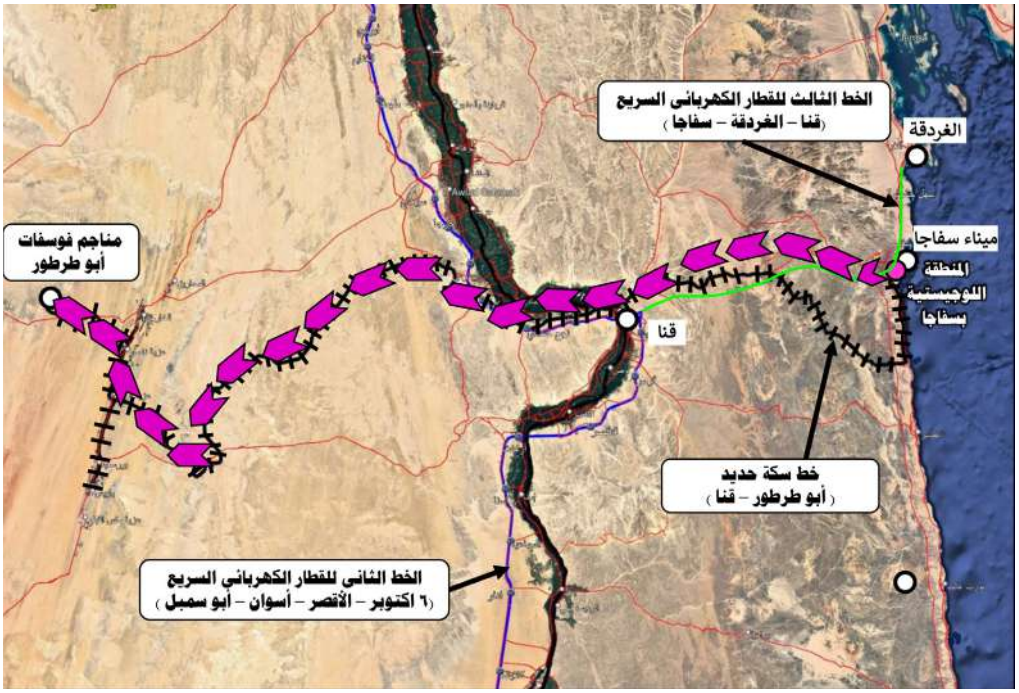
- Gergoub seaport
- Constructing Gergoub route and developing Matrouh-Salloum railway line (300 Km.)
- Salloum land port

Figure 14: GergCairo-Aswan-Abu Simbel Logistics Corridor

Source: The Egyptian Ministry of Transportation, 2025.[33]

- The second line of the high-speed train
- Upper Egypt west desert route
- Dry ports and logistics zones (Kom Abu Rady, new Fayoum, new Sohag, new Qena, Abu Simbel, Qastel, and Arqeen)
- Industrial zones (Kom Abu Rady, new Fayoum, Al-Matahra, new Sohag, new Qena, Al-Kawthar, West Gerga, Ho, Al-Kalaheen, Al-Baghdady, and Al-Ahaywah)
- Qastel and Arqeen exit routes

Figure 15: Safaga-Qena-Abu Tartour Logistics Corridor



Source: The Egyptian Ministry of Transportation, 2025.[34]

- Safaga port
- Safaga logistics zone
- The third line of the high-speed train
- Industrial zones (Kom Abu Rady, new Fayoum, Al-Matahra, new Sohag, new Qena, Al-Kawthar, West Gerga, Ho, Al-Kalaheen, Al-Baghdady, and Al-Ahaywah)
- Qastel and Arqeen exit routes

About the Authors

Abla Abdel-Latif is Executive Director and Director of Research, Egyptian Center for Economic Studies (ECES). She was the Chair of the Presidential Advisory Council for Economic Development for eight years until September 2024.

Sherine El-Naggar is Chairman, Naggar Shipping Company, and international expert for connectivity.

Racha Seif El-Dine is Senior Economist, Egyptian Center for Economic Studies (ECES). She has previously worked as Senior Economist in the Technical Office of the Minister of Trade and Industry.

Endnotes

1 Shairee Malhotra, "A New EU-India Strategic Agenda in 2025," Observer Research Foundation, February 20, 2025, https://www.orfonline.org/research/a-new-eu-india-strategic-agenda-in-2025.

2 Ministry of External Affairs, Government of India, https://www.mea.gov.in/press-releases.htm?dtl/37091/Partnership_for_Global_Infrastructure_and_Investment_PGII__IndiaMiddle_EastEurope_Economic_Corridor_IMEC

3 Sunniva Rose, "French Envoy Eager for Europe to Strengthen Trade with UAE and India," *The National,* April 12, 2025, https://www.thenationalnews.com/news/europe/2025/04/12/macrons-envoy-eager-for-europe-to-strengthen-trade-with-uae-and-india/

4 Richard Hiault, "Droits de Douane: La Guerre Commerciale Relance L'Intérêt du Corridor Inde-Europe," *Les Echos,* April 19, 2025, https://www.lesechos.fr/monde/afrique-moyen-orient/droits-de-douane-la-guerre-commerciale-relance-linteret-du-corridor-inde-europe-2160882

5 Racha Helwa and Perrihan Al-Riffai, "A Lifeline under Threat: Why the Suez Canal's Security Matters for the World," Atlantic Council, March 20, 2025, https://www.atlanticcouncil.org/in-depth-research-reports/issue-brief/a-lifeline-under-threat-why-the-suez-canals-security-matters-for-the-world/

6 Joe Corbisiero, "Cargo Ships Avoid the Suez Canal after Red Sea Attacks," Silicon Expert Blog, December 20, 2023, https://www.siliconexpert.com/blog/cargo-ships-avoid-the-suez-canal-after-red-sea-attacks/

7 Official document provided by Suez Canal Authority, Egypt

8 Suez Canal Authority, "Transit Dues Rates" Schedules applicable from the 15th of January, 2024," https://www.iss-shipping.com/wp-content/uploads/2023/10/Transit-Dues-Rates-Schedules.pdf

9 Sinay Maritime Data Solutions, "Sailing the Long Way: Comparing CO2 Emissions and Travel Time Around Cape Horn vs. Panama Canal and Cape of Good Hope vs. Suez Canal," https://sinay.ai/en/sailing-the-long-way-comparing-co2-emissions-and-travel-time-around-cape-horn-vs-panama-canal-and-cape-of-good-hope-vs-suez-canal/#:~:text=Good%20Hope%20vs.,-Suez%20Canal&text=The%20ships'%20travel%20times%20and,or%20from%20Europe%20and%20China.

10 Official document provided by Suez Canal Authority, Egypt

11 Stuart Chirls, "Suez Toll Revenue Drops 60%; Canal Tests Two-Way Traffic," *Freight Waves,* December 27, 2024, https://www.freightwaves.com/news/suez-canal-revenue-down-60-but-red-sea-outlook-may-be-changing

[12] Anna Arianna Buonfanti et al., *The Suez Canal after the Expansion: Analysis of the Traffic, Competitiveness Indicators, the Challenges of the BRI and the Role of the Free Zone,* Cairo, Alex Bank, 2018, https://www.alexbank.com/document/documents/ALEX/Retail/Research/Other/EN/New-Suez-Canal_2018.pdf

[13] "Jedda Islamic Port: Anchoring Saudi Arabia's Vision 2030 and Global Trad*e," India Shipping News,* September 30, 2024, https://indiashippingnews.com/jeddah-islamic-port-anchoring-saudi-arabias-vision-2030-and-global-trade/

[14] Par Gérard Mestrallet and Par Michel Georgin, "IMEC, Suez Canal of the XXIst Century," *La Jaune La Rouge,* February 2025, https://www.lajauneetlarouge.com/imec-suez-canal-of-the-xxist-century/

[15] Iftikhar Gilani, "India-Middle East-Europe Economic Corridor: A Passage of Possibilities," *The Frontline,* October 6, 2023, https://frontline.thehindu.com/world-affairs/how-the-india-middle-east-europe-economic-corridor-opens-up-a-passage-of-possibilities/article67344064.ece

[16] Navdeep Suri et al., "India-Middle East-Europe Economic Corridor: Towards a New Discourse in Global Connectivity," Observer Research Foundation, 2024, https://www.orfonline.org/research/india-middle-east-europe-economic-corridor-towards-a-new-discourse-in-global-connectivity

[17] Official document provided by The Egyptian Ministry of Transportation, 2025.

[18] Sherine El- Naggar, "The Golden Bridge Between Continents" (presentation submitted in Cairo Forum 1, October 16-17, 2024)

[19] ECES extensive discussions with shipping experts, Ministry of Transportation and Ministry of Foreign Affairs.

[20] ECES extensive discussion with shipping experts, Ministry of Transportation and Ministry of Foreign Affairs

[21] Official documents provided by The Egyptian Ministry of transportation and Suez Canal Authority, 2025

[22] ECES' Analysis

[23] Stela Rubínová and Mehdi Sebti, "The WTO Trade Cost Index and Its Determinants," World Trade Organization, January 18, 2021, https://www.wto.org/english/res_e/reser_e/ersd202106_e.htm#:~:text=We%20show%20that%20transport%20and,accounting%20for%20at%20least%2014%25

[24] Official document provided by the Egyptian Ministry of Transportation, 2025.

[25] The Egyptian Ministry of Transportation, 2025.

[26] The Egyptian Ministry of Transportation, 2025.

[27] The Egyptian Ministry of Transportation, 2025.

[28] The Egyptian Ministry of Transportation, 2025.

[29] The Egyptian Ministry of Transportation, 2025.

[30] The Egyptian Ministry of Transportation, 2025.

[31] The Egyptian Ministry of Transportation, 2025.

[32] The Egyptian Ministry of Transportation, 2025.

[33] The Egyptian Ministry of Transportation, 2025

[34] The Egyptian Ministry of Transportation, 2025

ECES
المركز المصري
للدراسات الاقتصادية
The Egyptian Center
for Economic Studies

Nile City Towers, North Tower 8th floor,
Ramlet Boulaq, Corniche El-Nil
https://eces.org.eg
eces@eces.org.eg

ORF OBSERVER RESEARCH FOUNDATION

20 Rouse Avenue,
New Delhi-110002.
Ph: +91-11-35332000. Fax: +91-11-35332005
www.orfonline.org I contactus@orfonline.org