

## International North-South Transport Corridor: A Geo-Economic Initiative in a Geopolitical World

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### Abstract

*Commercial liberalism advocates for equitable trade and diplomatic ties, highlighting the interconnectedness of individuals and nations. It emphasizes reducing tariffs and streamlining administrative processes to lower trading expenses. With 75% of the world's energy reserves, Eurasia aspires to economic prosperity through integration. In 2000, Russia, Iran, and India initiated the International North-South Transport Corridor (INSTC) to enhance connectivity and reduce transportation costs across Eurasia. This qualitative research, utilizing sources such as books, journals, government reports, and periodicals, delves into the geopolitical, strategic, economic, and infrastructural aspects of the INSTC. The corridor aims to boost regional integration and economic vitality by improving connectivity and cutting transportation expenses. It addresses conflicts, trade restrictions, and infrastructure development, with its expansion contingent on multiple factors. Strategic planning is vital for the corridor's development in tandem with neighbouring regions. Future research should focus on infrastructure growth, geopolitical analysis, economic impacts, international collaboration, and environmental and social effects, thereby enhancing the INSTC's efficiency and potential. For Pakistan, the INSTC presents significant economic opportunities. As a key transit country, Pakistan stands to benefit from increased trade flows, reduced transportation costs, and improved regional connectivity. This will spur industrial development, job creation, and economic growth, reinforcing Pakistan's role in the regional economy and fostering stronger ties with neighbouring countries.*

**Keywords:** Economic Integration, Commercial Liberalism, Regional Connectivity, Geo-politic

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## 1. INTRODUCTION

The rationality of commercial liberalism posits that integration enhances trade and interaction among states and global regions by streamlining trade laws, eliminating unnecessary barriers such as tariffs, and facilitating unimpeded transport across borders (Jaffrelot, 2023). For Eurasia, an area at the

intersection of two continents, breaking through restrictive barriers is crucial to unlocking its vast commercial potential. Hosting three-quarters of the world's energy resources, many Eurasian countries, including landlocked ones, have sought greater access to foreign markets (Bukhari *et al.*, 2024). This strategic significance has drawn the interest of global powers eager to influence the region's geo-economic and geo-strategic landscape. In response to this modern power struggle, the United States has focused its security efforts on the Indo-Pacific region, utilizing strategic alliances like QUAD and AUKUS to counter China and Russia (The White House, 2022). Concurrently, investments in regional economies have fostered new economic entities such as the Eurasian Economic Union (EAEU) and the Shanghai Cooperation Organization (SCO), both of which emphasize connectivity and integration (Wu & Frazier, 2021).

Eurasia has long been referred to as a 'Grand Chessboard' for great power politics, a concept predating Brzezinski's 1997 work and rooted in the ideas of Sir Halford John Mackinder and Nicholas Spykman. Despite its significant geo-economic potential, strategic differences have hindered the region from achieving its full economic capabilities (Bukhari *et al.*, 2024). Contemporary conflicts, such as the Russia-Ukraine war, the Nagorno-Karabakh war, and the Arab-Israel conflict, exacerbate geopolitical tensions and obstruct integration efforts (Robinson & Smith, 2023). Amidst this escalating rivalry and the resurgence of the families-of-nations approach, the International North-South Transport Corridor (INSTC) emerges as a vital geo-economic project essential for developing Trans-Eurasian links.

Conceived by Russia, Iran, and India 2000, the International North-South Transport Corridor (INSTC) aims to enhance Eurasian connectivity, reduce transportation costs, and develop production hubs leveraging the Caspian region's transit and trade potential. With agreements signed by 13 countries, the project promises to reduce transportation costs between India and Russia by 30% and significantly cut transit times compared to the Suez Canal route (Tashjian, 2021). The INSTC and the China-Pakistan Economic Corridor (CPEC) hold transformative potential for Pakistan, offering substantial economic and strategic benefits. The INSTC positions Pakistan as a critical transit nation, facilitating increased trade, reduced transportation costs, and stronger regional connectivity, driving industrial growth, job creation, and economic expansion. Meanwhile, CPEC focuses on infrastructure development, energy projects, and the strategic Gwadar Port, enhancing connectivity between China's western regions and international markets. This initiative is expected to attract foreign investment and significantly boost Pakistan's economy. These corridors position Pakistan as a critical player in regional and global trade networks, enhancing its economic and strategic significance (Bukhari *et al.*, 2024).

## International North-South Transport Corridor (INSTC)



Map – 1 (<https://www.isdp.eu/people/jagannath-p-panda/>).

### Objectives of the Study

- To analyse the geopolitical and geo-economic implications of the International North-South Transport Corridor (INSTC) for the Eurasian region and its participating countries.
- To evaluate the potential economic benefits and challenges associated with the INSTC, focusing on Pakistan.

### Research Questions

- How does the International North-South Transport Corridor (INSTC) influence the geopolitical dynamics of the Eurasian region?
- What are the potential economic impacts of the INSTC on participating countries, particularly Pakistan?

### Purpose of the Study

The research aims to outline and investigate the role of the International North-South Transport Corridor (INSTC) within current geopolitical and geo-economic processes. It seeks to examine the corridor's implications for future development, particularly in enhancing regional connectivity and integration, and to explore its strategic significance for Pakistan.

## **Significance of the Study**

This study is critical as it offers a firsthand understanding of an emerging geo-economic project with the potential to reshape the economic and strategic landscape of the Eurasian region. By analysing the International North-South Transport Corridor (INSTC), this research provides valuable insights into regional connectivity efforts and contributes to the broader discourse on international trade, economic relations, and geopolitical strategy. Considering the limited scholarship on the topic, the study holds added significance, which highlights its implications for Pakistan.

## **2. LITERATURE REVIEW**

### **2.1. International North-South Transport Corridor (INSTC)**

The International North-South Transport Corridor (INSTC) is a strategic initiative established by Russia, India, and Iran in 2000. It aims to enhance transport connections between Europe, Asia, and the Middle East, focusing on facilitating the movement of goods. The INSTC represents a significant effort to redefine transit routes across Eurasia by improving connections between these regions. The corridor's infrastructure includes seaports, railways, and road links, all working together to improve logistics and reduce transport costs (Panda, 2022). It is also important to highlight that no book is written on this multimodal project.

### **2.2. Geo-Economic Significance**

The International North-South Transport Corridor (INSTC) is a critical component of Russia's "U-turn towards the South," aimed at strengthening economic relations between the Commonwealth of Independent States (CIS) and other Eurasian countries. This initiative aligns with the goals of both the Eurasian Economic Union (EAEU) and the Shanghai Cooperation Organization (SCO), which focus on regional integration and cooperation (Wu & Frazier, 2021). By enhancing transport efficiency and affordability, the INSTC is expected to unlock the economic potential of landlocked nations in Eurasia and support regional development (Robinson & Smith, 2023).

### **2.3. Geopolitical Context**

The regional rivalries in Eurasia are fundamentally shaped by great power politics, a concept extensively explored by theorists like Brzezinski and Mackinder. Brzezinski (1997) famously referred to the Eurasian landmass as the 'Grand Chessboard,' illustrating that global powers' interests intersect. This is evident in ongoing applications of power politics in the region, exemplified by conflicts such as the Russo-Ukrainian War, the Nagorno-Karabakh War, and

the Arab Israeli conflicts (Robinson & Smith, 2023). These conflicts define the region's character and influence the feasibility of large-scale connectivity projects like the International North-South Transport Corridor (INSTC) today.

#### **2.4. Strategic and Economic Implications**

The strategic implications of the International North-South Transport Corridor (INSTC) are multifaceted. The corridor presents an opportunity for Russia to diversify its trade routes and decrease reliance on traditional pathways like the Suez Canal. The corridor is anticipated to reduce transportation times and costs, thereby enhancing the competitive advantage of Russian exports. Similarly, for India, the INSTC provides a strategic pathway to access Central Asian markets, circumventing Pakistan and alleviating geopolitical tensions (Jaffrelot, 2023). Iran's involvement in the INSTC is pivotal due to its geographical positioning as a link between the Indian Ocean and the Caspian Sea. Despite encountering economic sanctions and infrastructural obstacles, Iran stands to gain significantly from the increased transit traffic and trade facilitated by the corridor (Tashjian, 2021).

#### **2.5. Regional Integration and Economic Benefits**

The International North-South Transport Corridor (INSTC) is positioned to play a crucial role in the economic integration of the Eurasian region. Research indicates that improved connectivity and reduced transportation costs can substantially increase trade volumes among participating nations (Wu & Frazier, 2021). The corridor is anticipated to enhance the economic prospects of Central Asian Republics, the Caucasus, South Asia, and the Middle East by streamlining supply chains and promoting regional trade (Panda, 2022). For Pakistan, the INSTC presents both challenges and opportunities. On one hand, Pakistan benefits from enhanced regional connectivity and deeper economic integration. Conversely, the corridor's development may redirect trade routes away from traditional Pakistani ports, potentially impacting the country's trade revenues (Robinson & Smith, 2023).

#### **2.6. Infrastructure and Development Challenges**

The International North-South Transport Corridor (INSTC) faces infrastructural and developmental hurdles, with inadequate transport infrastructure and geopolitical tensions hindering its progress (Tashjian, 2021; Panda, 2022). Competition from projects like TRACECA and China's BRI further complicates its development (Wu & Frazier, 2021). The future of the INSTC depends on geopolitical and economic factors, including strategic cooperation between Russia and China (The White House, 2022) and increased regional collaboration through platforms like the SCO and EAEU. Despite

challenges, recent studies suggest the INSTC could reduce transportation costs and transit times, offering an alternative to traditional routes (Tashjian, 2021). Its success relies on resolving conflicts, improving infrastructure, and securing ongoing support. Overall, the INSTC holds the potential to transform Eurasian trade dynamics but must overcome obstacles to realize its strategic and economic benefits.

### **3. INSTC - A COMMERCIAL LIBERALISM PERSPECTIVE**

The International North-South Transport Corridor (INSTC) can be analysed within the framework of commercial liberalism, a variant of liberal internationalism. This economic theory promotes a free-market economy, advocating for minimal restrictions on trade to stimulate economic advancement. Proponents argue that unrestricted commerce across borders encourages economic interdependence, thereby reducing the risk of conflict by making the costs of war prohibitively high. According to this theory, liberal trade practices contribute to a peaceful international system by aligning the economic interests of states (Keohane & Nye, 1989).

#### **3.1. Theoretical Underpinnings of Commercial Liberalism**

In "Global Dimensions of Democracy and Human Rights: Problems and Perspectives," Irakli Kervalishvili asserts that a liberal economy fosters socio-economic development and international cooperation, thereby promoting peaceful coexistence (Chitadze, 2022). He contends that in a *laissez-faire* economy, prices of goods and services are determined through mutual agreement between buyers and sellers without government intervention. Such self-regulating markets are believed to naturally achieve equilibrium, thereby enhancing overall economic efficiency.

#### **3.2. Geopolitical Context of Eurasia**

Eurasia's intricate geopolitical terrain demands more than mere economic interdependence for stability. The political frameworks of INSTC member states, notably Russia and Iran, underscore the necessity for a deeper level of economic interdependence intertwined with strategic alignment to safeguard the project against political instability (Leonard, 2016). This "complex interdependence" requirement underscores the significance of shielding economic endeavours from geopolitical tensions.

#### **3.3. Complex Interdependence Theory**

Robert O. Keohane and Joseph Nye's theory of complex interdependence emphasizes the significance of heightened transnational interactions in fostering peaceful international relations. They posit that cooperation in one policy domain frequently triggers collaboration in others,

forming a network of interdependencies that reinforce stability (Keohane & Nye, 1989). This notion holds relevance for the INSTC, which aims to bolster regional connectivity and economic integration among its member states (Bukhari, 2024).

### **3.4. Connectivity Wars and Geo-Economics Competition**

In "Connectivity Wars," Mark Leonard suggests that future conflicts will likely emerge in geo-economics, institutions, and infrastructure domains. Leonard emphasizes the importance of comprehending connectivity and interdependence in navigating 21st-century international politics. He argues that significant powers utilize connectivity as a geo-economic tool to wield political influence, a viewpoint that resonates with the strategic goals of the INSTC (Leonard, 2016).

### **3.5. Russia's Geo-Economics Strategy**

Since 2008, scholars have interpreted Russia's embrace of the global economy as an effort to harmonize capitalist principles with its Marxist communist framework, thereby preserving its geo-economic significance. The International North-South Transport Corridor (INSTC) plays a pivotal role in Russia's political economy, particularly amid the Ukraine crisis. The corridor aligns with Russia's "Look East" policy and bolsters its trade and commerce opportunities by offering an alternative route to traditional Western pathways (Rashid, 2022).

## **4. Navigating the Geo-Economic Landscape: The Strategic Dynamics of INSTC**

The International North-South Transport Corridor (INSTC) aims to enhance regional trade and reduce costs by 30-40%, which is crucial for Pakistan's economic integration (Boltuc, 2023). However, it faces technological and geopolitical hurdles, including slow infrastructure development and competition from other projects (Tashjian, 2021). Member states like Russia, India, and Iran leverage the INSTC to extend their influence (Kaya, 2023). The 2021 assessment by the Eurasian Development Bank highlights the corridor's potential to foster new transport connections across Eurasia, benefiting landlocked nations (Vinokurov *et al.*, 2021).

### **4.1. Eurasian Connectivity Initiatives beyond INSTC**

As the US declines, China and India rise and Russia returns to world politics; the Eurasian supercontinent becomes increasingly significant. INSTC and BRI growth have complicated connectivity. Russia, Iran, and India are working on this complication. INSTC transcontinental transport corridor intends to promote Eurasian integration, reduce trade distances, and give landlocked Central Asian countries sea access. Chinese BRI's Silk Road

Economic Belt and Maritime Silk Road boost Eurasia's connectivity (Bukhari, 2024).

The Asian Infrastructure Investment Bank (AIIB) and Silk Road Fund have funded this comprehensive strategy, which comprises industrial parks, key cities, and economic corridors (Rakhmat, 2019). Trans-Caspian Rail Corridor and Eurasian Tunnel in Istanbul are initiatives to strengthen Asia-Europe infrastructure and multimodal connectivity (Daily Sabah Istanbul, 2015). Trans-Caspian Rail Corridor integration requires cooperation on railway pricing and customs laws. China-Europe freight train services must work hard to overcome rail gauge differences (Hutchinson, 2015). These projects are essential to Eurasia's advancement, sustainability, and economic growth as connections evolve globally (Tashjian, 2021).

#### **4.2. Geo-Economic Challenges to Development of INSTC**

The INSTC faces various financial, administrative, tariff, and technical challenges. These barriers hinder the increase in freight traffic and often stem from deeper institutional or macroeconomic issues. The project spans multiple nations with distinct and incompatible logistics systems, leading to rival logistical frameworks due to differences in infrastructure, operational methods, and regulatory environments. This variability can lead to inefficiencies, delays, and increased costs, undermining INSTC's goal of facilitating rapid and cost-effective transcontinental trade. Subsequent paragraphs will delve into some of these challenges.

#### **4.3. Competing Logistical Systems**

The INSTC, a vital southern logistics route, remained underutilized until 2022 despite its strategic location, versatile capabilities, and successful container deliveries. However, the evolving landscape presents growth opportunities, with operations expanding to previously connected nations, new trade routes opening, and freight flows attracting from Africa, Latin America, and the Asia Pacific region. The Eurasian Development Bank foresees significant growth in INSTC container freight traffic, accommodating diverse freight categories (Vinokurov *et al.*, 2021). To stimulate INSTC freight traffic, various routes and modes of transportation can be utilized:

- **Western Route by Road:** The Western Route benefits road transport by guaranteeing prompt delivery without needing extra paperwork or transshipment. The well-developed road network in Iran, Azerbaijan, and Russia makes transportation along the route even faster.
- **Western Route by Rail:** Thanks to railway transportation over the Western Route, container services between Belarus/Russia and Turkey can be organized quickly. Container traffic to the



Iranian port of Bandar Abbas will be possible after the Rasht–Astara section is finished.

- **Eastern Railway Route:** The Eastern Railway route proves its usefulness by providing a singular chance to transport goods from West Siberia and the Urals to the port of Bandar Abbas. Car components were transported from China to Iran, and containers from the Moscow Region to India via this route, which proved successful in its initial use in 2022.
- **Transportation via Waterway:** Certain products can be transported by combined river-sea navigation vessels from Central Russia to Iranian Caspian ports through waterway transportation along the Trans-Caspian Route.

#### **4.4. Transport Infrastructure Bottlenecks**

The INSTC encounters significant physical and infrastructural challenges, including congestion, limited infrastructure, and capacity constraints in harbours, compounded by soft infrastructure obstacles like taxes and market access restrictions. Proposed solutions by the UN Economic Commission for Europe aim to address these issues (Pearman & Secretariat, 2009). Specific barriers to the INSTC's efficiency include incomplete infrastructure, limited train capacity, road impediments, canal sedimentation, and inadequate logistics facilities. To overcome these challenges, measures such as transshipment enhancements, railway construction, electrification, road repairs, canal dredging, fleet expansion, and the establishment of multimodal logistics hubs are recommended to improve corridor effectiveness. Modernizing infrastructure is imperative, especially at border crossing points like Dariali/Verkhniy Lars, ill-prepared for increased trade volumes. More technology, infrastructure, and equipment are needed to improve efficiency. Traffic at Dariali/Verkhniy Lars has surged due to EU restrictions on Russia and Belarus and increased Turkish and European shipping to Russia. The lack of modern railcars, locomotives, containers, and auxiliary equipment poses additional challenges (Bukhari, 2024).

#### **4.5. Trade Barriers: Sanctions, Track Gauges, and Customs Disarray**

The INSTC, linking Caspian, Turkmenistan, and Russian ports, offers an alternative trade route to sea lanes (Gupta, 2022). While its freight volume along the Silk Road Economic Belt is significant, it trails that of the Suez Canal. The INSTC has the potential for cross-border e-commerce and energy transport, yet its economic value requires re-evaluation to address Asia-Pacific energy needs (Passi, 2023). Trade challenges include customs procedures and digitization issues. Efforts like the green corridor between Russia and India aim to streamline goods flow (Bank, 2016). Non-tariff barriers, like rail gauge changes, hinder trade, with initiatives like the China-Europe Silk Road Railway

proposed to overcome such challenges. Various stakeholders fund INSTC projects, with segments like the Rasht-Astara railway needing extra investment from Azerbaijan. Loans from institutions like the Islamic Development Bank and the Asian Development Bank highlight the need for financial support, especially compared to projects like China's Belt and Road Initiative (Panda, 2023).

#### **4.6. Transport Law Disparities, Global Commodity Dynamics, and Freight Rate Volatility**

Countries inconsistent laws challenge the INSTC, requiring government support and regulatory limits. Varying customs rules among transit countries complicate goods transport, while border and customs issues slow commodity movement. The absence of a Single Window system leads to repeated paperwork and inspections, increasing costs and border idle time. Limited International Road Transport operations, unclear vehicle escort laws, and sporadic INSTC Coordination Council meetings further hinder operations. Proposed changes aim to standardize regulations and improve information exchange to expedite cross-border travel (Vinokurov, 2022; Broers, 2024).

### **5. INSTC AND THE GEOPOLITICS OF EURASIA**

The transition from unipolar to multipolar dynamics in the 21st century has shifted focus towards geo-economics over geopolitics, evident in initiatives like the US Indo-Pacific Strategy and Russia's resurgence in Eurasia. This shift has prompted strategic realignments seeking more significant influence in the global south, with initiatives like the INSTC initiating these changes. However, historical tensions have hindered the project's development. Geopolitical flashpoints such as the US involvement in Afghanistan and Iraq, the annexation of Crimea in 2014 leading to the Russian invasion of Ukraine in 2022, the Nagorno Karabakh conflict, and recent Iranian involvement in the Middle East have impacted INSTC progress (Panda, 2023). A survey conducted by Pandita in 2022 revealed that member countries are primarily concerned about regional issues affecting the INSTC (Pandita, 2022) and found that member countries' top worries due to regional issues include:

- Sanctions of the US-led West against Russia for invasion of Ukraine.
- China's competing connectivity projects with countries of Central Asia and South Asia, including Pakistan and the Caucasus region.
- US sanctions against Iran amid the Middle East volatile situation.
- Geopolitical differences among INSTC member states, including Armenia and Azerbaijan; and,
- Looming threats of terrorism amid political instability, especially those emanating from Afghanistan.

It is important to highlight that the implications of these challenges are felt by all. At the same time, certain opportunities have also come to light. The dialectic of strategic convergences and divergences has certain pros and cons for the region and beyond.

### **5.1. Russia-Iran Nexus**

Amid concerns about American sanctions, potential investors, including member states, interested nations, and private enterprises, have been cautious about making substantial investments in Iran. However, following the West's imposition of sanctions on Russia after the Russian invasion of Ukraine, Moscow and Tehran found common ground, leading to a revival of interest in the INSTC (Johny, 2023). The sanctions imposed by the US-led West have restricted Russia and Iran's access to international markets and trade, necessitating the strengthening of commercial ties with regional partners to evade sanctions. For both countries, the INSTC represents a crucial avenue for economic growth (Shokri, 2023). Russia perceives this corridor as a strategic tool to circumvent economic pressures from the West.

### **5.2. The India's Way**

Indian External Minister Jaishankar underscores the importance of geopolitics and power balance globally, drawing insights from Indian traditions, particularly Kautilya's perspective (S. Jaishankar, 2022, p. 17). India's role as a net security provider in the Indian Ocean Region has led to diplomatic tensions with the US, notably in its stance on the Gaza ceasefire and the Ukraine-Russia conflict. These actions garnered support from Tehran, Moscow, and Middle Eastern Muslim nations. Despite the economic benefits of the INSTC for EU members, divergent geopolitical interests among them persist (Duffy, 2023). Duffy's analysis in 'The Diplomat' suggests that India's pursuit of INSTC ambitions risks involvement in conflicts led by the US-West-Israel alliance against Iran, potentially incurring high costs. India's focus on the Chabahar Port aims to bypass Pakistan and enhance connectivity with Central Asia through the INSTC-linked port. Indian investment in Chabahar diversifies export routes, counters China's Belt and Road Initiative (BRI), and bolsters energy security. However, geopolitical tensions, international agreements, and border disputes challenge Chabahar's potential within the INSTC framework (Aliasgary, Ekstrom, 2021).

### **5.3. The Caucasus and The Middle East**

The project's conducive environment for rapid development is evident in the Armenia-Azerbaijan ceasefire brokered by Russia. Additionally, China's diplomatic initiatives have fostered closer ties between Iran and Saudi Arabia,

contributing to regional stability in the Middle East. While the Gaza crisis persists, there are optimistic signs of an imminent resolution (Broers, 2024).

#### **5.4. The Chinese Factor**

Recent diplomatic developments have created a favourable environment for the rapid advancement of the project. Russia's mediation led to a ceasefire between Armenia and Azerbaijan, while China's diplomatic efforts facilitated improved relations between Iran and Saudi Arabia, fostering stability in the Middle East. Despite ongoing challenges like the Gaza crisis, signs point toward potential resolutions (Broers, 2024).

### **6. METHODOLOGY**

This qualitative study explores the International North-South Transport Corridor (INSTC) within Eurasia's intricate geopolitical and geo-economic landscape, explicitly focusing on Pakistan. Employing descriptive and interpretive research methods, it delves into secondary data from academic sources, government reports, and policy papers. The study applies theoretical frameworks like commercial liberalism and complex interdependence to comprehend the INSTC's economic motivations and stability. Data collection involves systematic literature review and document analysis to identify critical themes such as geo-economic significance and regional integration benefits. A case study approach further examines the INSTC's impact on Pakistan, elucidating challenges and opportunities. Through data triangulation and ethical research practices, the study ensures validity and reliability. While qualitative research has limitations, this study offers valuable insights into the strategic and economic implications of the INSTC in the context of evolving geopolitical dynamics.

#### **6.1. Thematic Analysis**

The thematic analysis of the study on the International North-South Transport Corridor (INSTC) aims to identify and examine the key themes and patterns that emerge from the qualitative data. This analysis helps understand the geopolitical and geo-economic dimensions of the INSTC and its implications for regional connectivity, economic integration, and strategic significance. The main themes identified are:

- The International North-South Transport Corridor (INSTC) aims to enhance connectivity between Europe, Asia, and the Middle East, reducing transportation costs and boosting trade.
- It unlocks the economic potential of landlocked Eurasian countries.

- The corridor supports Russia's "Pivot to the South" strategy, countering initiatives like China's Belt and Road Initiative (BRI) amidst great power competition in Eurasia.
- The INSTC offers Russia diversified trade routes, provides India with strategic access to Central Asian markets, and gives Iran a crucial geographical link despite sanctions.
- This enhances regional economic integration.
- The corridor boosts trade volumes and stimulates economic development in Central Asia, the Caucasus, South Asia, and the Middle East.
- For Pakistan, it offers enhanced trade opportunities but also presents challenges.
- The INSTC faces infrastructural and developmental hurdles, including underdeveloped transport infrastructure, geopolitical tensions, and economic sanctions on Iran and Russia.
- It also faces competition from other connectivity projects.
- The corridor promotes peaceful international relations through economic interdependence among member states.
- Success depends on overcoming infrastructural and geopolitical challenges, fostering regional cooperation, and leveraging strategic alignments to transform Eurasian trade dynamics.

The INSTC's success hinges on overcoming infrastructural and geopolitical challenges, fostering regional cooperation, and leveraging strategic alignments to transform Eurasian trade dynamics.



Map – 2 (theazb.com).

## 7. DISCUSSION

The International North-South Transport Corridor (INSTC) represents a transformative initiative to enhance Eurasian countries' connectivity and economic integration. As analysed, the INSTC is poised to significantly reduce transportation costs and transit times, fostering trade and economic growth across the region. This discussion delves into the corridor's strategic and economic implications, geopolitical challenges, and the role of complex interdependence in its success. The INSTC's strategic importance cannot be overstated. It provides a vital alternative to the Suez Canal for Russia, diversifying its trade routes and reducing dependency on Western-controlled maritime paths. India, similarly, stands to gain from direct access to Central Asian markets, bypassing geopolitical tensions with Pakistan. With its central geographical position, Iran is crucial for linking the Indian Ocean with the Caspian Sea despite sanctions and infrastructural limitations (Wu & Frazier, 2021).

The corridor's economic benefits are significant. Enhanced connectivity is expected to boost trade volumes among participating countries by creating more efficient supply chains and fostering regional economic growth. For instance, the INSTC could reduce transportation costs between India and Russia by up to 30%, making their exports more competitive (Tashjian, 2021). For Pakistan, while the corridor offers new regional integration opportunities, it poses challenges by potentially diverting trade routes away from traditional Pakistani ports. However, the INSTC faces substantial challenges. The geopolitical landscape of Eurasia is complex, characterized by ongoing conflicts such as the Russia-Ukraine war, the Nagorno-Karabakh dispute, and tensions in the Middle East (Robinson & Smith, 2023). These conflicts exacerbate geopolitical rivalries, posing significant risks to the corridor's stability. Moreover, economic sanctions against key players like Russia and Iran further complicate the corridor's development (Leonard, 2016).

Infrastructure development is another critical challenge. Many participating countries must develop transport infrastructure, which impedes the corridor's full operationalization. Moreover, competition from other regional connectivity projects, such as China's Belt and Road Initiative (BRI) and the Transport Corridor Europe-Caucasus-Asia (TRACECA), presents additional challenges. These projects, backed by significant investments and strategic partnerships, have gained considerable traction and could overshadow the INSTC.

The theory of complex interdependence offers a pathway for mitigating these challenges. By increasing economic and political interactions, the INSTC can foster more stable and cooperative relationships among member states (Keohane & Nye, 1989). This requires a strategic alignment that combines

economic interdependence with geopolitical stability. Enhancing regional cooperation through platforms like the Shanghai Cooperation Organization (SCO) and the Eurasian Economic Union (EAEU) could provide the necessary support for the corridor's successful implementation (The White House, 2022).

The International North-South Transport Corridor (INSTC) holds immense potential to profoundly impact the economies of participating nations, with particular significance for Pakistan.

### **7.1. Economic Impacts on Participating Nations:**

- **Enhanced Trade Connectivity:** The INSTC endeavours to optimize trade routes between Europe, Central Asia, and South Asia, thereby reducing transit costs and times. This streamlined trade flow is poised to augment trade volumes and streamline supply chains.
- **Economic Integration:** By bridging diverse markets, the INSTC facilitates economic integration, enabling countries to harness regional synergies in production and consumption. This integration has the potential to spur economic expansion along the corridor.
- **Infrastructure Development:** Anticipated investments in infrastructure, such as ports, railways, and roads, will enhance logistic capacities, stimulating related sectors like construction and services.
- **Market Diversification:** Landlocked Central Asian countries stand to benefit from enhanced access to global markets, stimulating exports and attracting foreign investment, thereby diversifying their economies.

### **7.2. Specific Impacts on Pakistan:**

- **Strategic Trade Hub:** Positioned as a pivotal transit nation within the INSTC, Pakistan stands to capitalize on its strategic location, emerging as a crucial trade hub facilitating the movement of goods between Eurasia and South Asia.
- **Economic Expansion:** The envisaged reduction in transportation costs and subsequent increase in trade volumes are expected to catalyse industrial growth and economic expansion within Pakistan. This trajectory could pave the way for the emergence of new industries and the fortification of existing ones.
- **Employment Opportunities:** The associated infrastructure enhancements and heightened economic activities are poised to create numerous job opportunities, contributing to employment generation and skill development.

- **Attraction of Foreign Investment:** Augmented connectivity and a robust infrastructure network have the potential to attract foreign investment, further propelling economic growth and development.
- **Facilitated Regional Integration:** Strengthened ties with neighbouring nations and integration into regional trade networks can bolster Pakistan's economic and diplomatic relationships, fostering greater regional cooperation and stability.

In essence, the INSTC promises to optimize trade connectivity, foster economic integration, and catalyse infrastructure development across participating nations. For Pakistan, this translates into consolidating its role as a strategic trade hub, stimulating economic growth, generating employment opportunities, attracting foreign investment, and facilitating regional integration.

## 8. CONCLUSION OF THE STUDY

The International North-South Transport Corridor (INSTC) is a pivotal geo-economic initiative poised to revolutionize transportation and trade in Eurasia. Offering a more efficient route aims to unlock economic potential and foster regional integration. Russia stands to gain strategic autonomy by reducing its dependence on Western maritime routes, while India benefits from direct access to Central Asian markets, bypassing tensions with Pakistan. Despite facing sanctions and infrastructural hurdles, Iran's central role links the Indian Ocean and the Caspian Sea. Economically, the INSTC is expected to boost trade volumes and stimulate growth by reducing transportation costs. However, geopolitical conflicts like the Russia-Ukraine war and Middle East tensions pose risks. Infrastructure gaps and competition from projects like China's BRI add complexity. Leveraging complex interdependence principles and enhancing regional cooperation through platforms like the SCO and EAEU are essential for success. Addressing infrastructural challenges and securing sustained support from participating countries are crucial steps forward.

### 8.1. Future Research Implications/Direction

Future research on the International North-South Transport Corridor (INSTC) should focus on several key areas to further understand its implications and optimize its development. One critical area is the detailed examination of the corridor's infrastructural needs and logistical challenges. Research should identify specific infrastructural gaps and propose solutions to enhance the efficiency and capacity of the transport network. This includes studying the feasibility of integrating modern technologies and best practices in transport logistics. Another important direction is the analysis of geopolitical dynamics and their impact on the INSTC. Given the corridor's strategic importance and the complex geopolitical landscape of Eurasia, future studies



should explore how ongoing and potential geopolitical conflicts influence the corridor's development. This includes assessing the impact of economic sanctions, regional rivalries, and strategic alliances on the INSTC's operational stability and growth. Economic impact assessments are also crucial. Future research should quantify the economic benefits of the INSTC for individual member states and the region. This involves analysing trade volume changes, cost reductions, and economic growth stimulated by the corridor. Studies should also evaluate the corridor's potential to attract foreign direct investment and its role in enhancing the economic resilience of participating countries.

Additionally, research should explore the role of regional and international cooperation in supporting the INSTC. This includes examining the contributions of regional organizations such as the Shanghai Cooperation Organization (SCO) and the Eurasian Economic Union (EAEU) in facilitating the corridor's development. Future studies should also consider the potential for integrating the INSTC with other major connectivity projects like China's Belt and Road Initiative (BRI) to create a comprehensive and interconnected transport network across Eurasia—lastly, the environmental and social implications of the INSTC warrant further investigation. Future research should assess the environmental impact of increased transport activity along the corridor and propose sustainable practices to mitigate adverse effects. Additionally, studies should explore the social implications, including the potential for job creation, skill development, and improved living standards in communities along the corridor. By addressing these research areas, future studies can provide valuable insights and recommendations to enhance the growth and impact of the INSTC. This will help policymakers, stakeholders, and international organizations make informed decisions to optimize the corridor's benefits and ensure its successful implementation.

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