

[Open Peer Review on Qeios](#)

The Strategy of Russia in the Trans-Eurasian Connectivity

Dr. Shoaib Khan¹

¹ University of Mumbai

Funding: No specific funding was received for this work.

Potential competing interests: No potential competing interests to declare.

Abstract

It was observed in the recent period that strategic initiatives enhancing connectivity in the Eurasian continent. Since 2014, the Belt and Road Initiative (BRI) has been promoted by China, and some CIS countries, including Russia, established the Eurasian Economic Union (EAEU) in 2015. Several East–West routes exist, in contrast to which the INSTC is the only one meridional transcontinental corridor in the EAEU. The rapidly growing economy of India, on the other hand, for which the INSTC could be the land-based corridor of choice for efficient trade with Russia and Central Asia. Ongoing challenges, bureaucratic delays, and inter-regional disputes are the challenges likely to be faced by the project as competition for influence across Eurasia continues to heat up. INSTC may become a major game-changer in global trade as well as in the broader region provided it tackles all the obstacles in its way.

The northwestern part of Europe and the Nordic countries, along with Central Asia and the Persian Gulf, are connected through this multimodal INSTC. Passing through the Suez Canal and Gibraltar, multimodal routes are to be facilitated for the shift of freight that flows from these sea routes. The INSTC has not gained as much traction as the existing Eurasian corridors and TRACECA, given sanctions imposed on Iran and bottlenecks in the transport infrastructure. The active interaction of the EAEU member states with India and Iran, over the last several years, as well as a better regulatory environment around the Caspian Sea, drove its development.

To form the framework for a strong connectivity network from the Indian Ocean to the Baltic States and Scandinavia, for which the INSTC has much potential. Besides its significance economically and its capacity to improve the bilateral relations of member states, INSTC also has the potential to act as a major counterbalance to Chinese influence in the region of Central Asia where the interests of Russia, Iran, and India, the leading INSTC states, also align. Ongoing challenges, bureaucratic delays, and inter-regional disputes are the challenges likely to be faced by the project as competition for influence across Eurasia continues to heat up. INSTC may become a major game-changer in global trade as well as in the broader region provided it tackles all the obstacles in its way.

Dr. Shoaib Khan

Visiting Faculty, Centre for Central Eurasian Studies, University of Mumbai,

Founder and President, ALFAAZ Education and Cultural Society, Mumbai

Keywords: Russia, China, INSTC, Iran, EAEU, BRI, Connectivity.

Introduction

It has been observed in recent years that strategic initiatives enhance connectivity in the Eurasian continent. In 2014, the Belt and Road Initiative (BRI) has been promoted by China, and some CIS countries, along with Russia, in 2015 established the Eurasian Economic Union (EAEU). The international transport structure in the continent should be affected by these initiatives, improving railway transport connectivity and its relative competitiveness against other transport modes, including maritime shipping. Two questions are being examined under this background. The first question is to what extent the recent BRI and EAEU, whose strategic policies are significant, could shift cargo containers from shipping and land transport. The other is how much the shift could affect Russia, in particular, its Far Eastern region. The focus is on the impact of reducing the barriers at national border crossing points because they are peculiar to land transport, different from maritime and air transport, and significantly affect the connectivity of land transport.

There were several trans-continental transport services before the EAEU and the BRI. The Siberian Land Bridge (SLB) was developed by Japanese transport companies in the 1970s, a multi-modal container transport service between Japan and Europe, jointly together with their partners in the USSR. Opening the freight transport short route from Japan to Europe was the key motivation for taking advantage of the existing infrastructure of the Trans-Siberian Railway (TSR). In the last decade of the 20th century, after a long gap, the number of international containers through the Trans-Siberian Railways has tended to grow, reaching 771 thousand TEU (twenty-foot equivalent units) in 2017 ^[1], whereas the number was merely 72 thousand TEU in 1999 ^[2].

The China Land Bridge (CLB) service was developed with a similar concept as the SLB in the 1990s. For the Russian Far Eastern ports, instead of the SLB, the CLB planned to use Chinese ports, such as Lianyungang. The CLB originally passed through Chinese territory, with containers transiting from Japan to Korea and then crossing the China-Kazakhstan border to the Eurasian continent's central and western parts. In practice, however, it had been a minor transport route to Central Asia. The number of containers crossing the China-Kazakhstan border started to grow when the first train heading to Duisburg was launched from Chongqing in March 2011. Developing an alternative land transport route to Europe is the new train service motivation besides the existing maritime shipping routes through Chinese seaports, the Indian Ocean, and the Suez Canal. Between China and Europe, the block train obtained China Railway CRE a brand new name, which gave a new impact on trans-Eurasian transport. The announcement of the Silk Road Economic Belt concept by President Xi Jinping in the fall of 2013 spurred the use of the CRE.



Figure 1. OBOR One Belt One Road

Source: Sarker, Md Nazrul Islam & Hossin, Md & Yin, Xiaohua & Sarkar, Md. (2018). One Belt One Road Initiative of China: Implication for the Future of Global Development. *Modern Economy*. 09. 623-638. 10.4236/me.2018.94040.

In addition, the Eurasian Customs Union, which was inaugurated on the 1st of January 2010 and became a part of the EAEU after its establishment on the 1st of January 2015, created a suitable atmosphere for the CRE, ensuring simplified cross-border customs formalities at BCPs between Russia, Belarus, and Kazakhstan. The CRE service, as a result of which the container transport numbers have grown 150 times from 1.4 thousand TEU in 2011 to 212 thousand TEU in 2017. The increase in the international container transport of the TSR, for which there has been a contribution from the CRE, sharp growth. Besides a small number of test trains, all regular rail connections between China and the EU have so far been carried out through the trans-Siberian routes [3].

Russia gains benefits in this context from the CRE and the BRI of China. The development of the trans-Siberian corridors, which analysts have suggested align with Beijing's strategies, positively impacts Russian interests [4]. The EAEU and BRI, recent strategic initiatives aimed at improving transport connectivity, have led to a shift from maritime to railway transport, affecting Russia positively. However, one problem is that this impact on Russia may be uneven across its vast territory. Far Eastern Russia, in particular, may lose a certain portion of the container traffic that currently goes through local ports due to this shift. A more fundamental issue that needs addressing is the quantitative assessment of the magnitude of this modal shift.

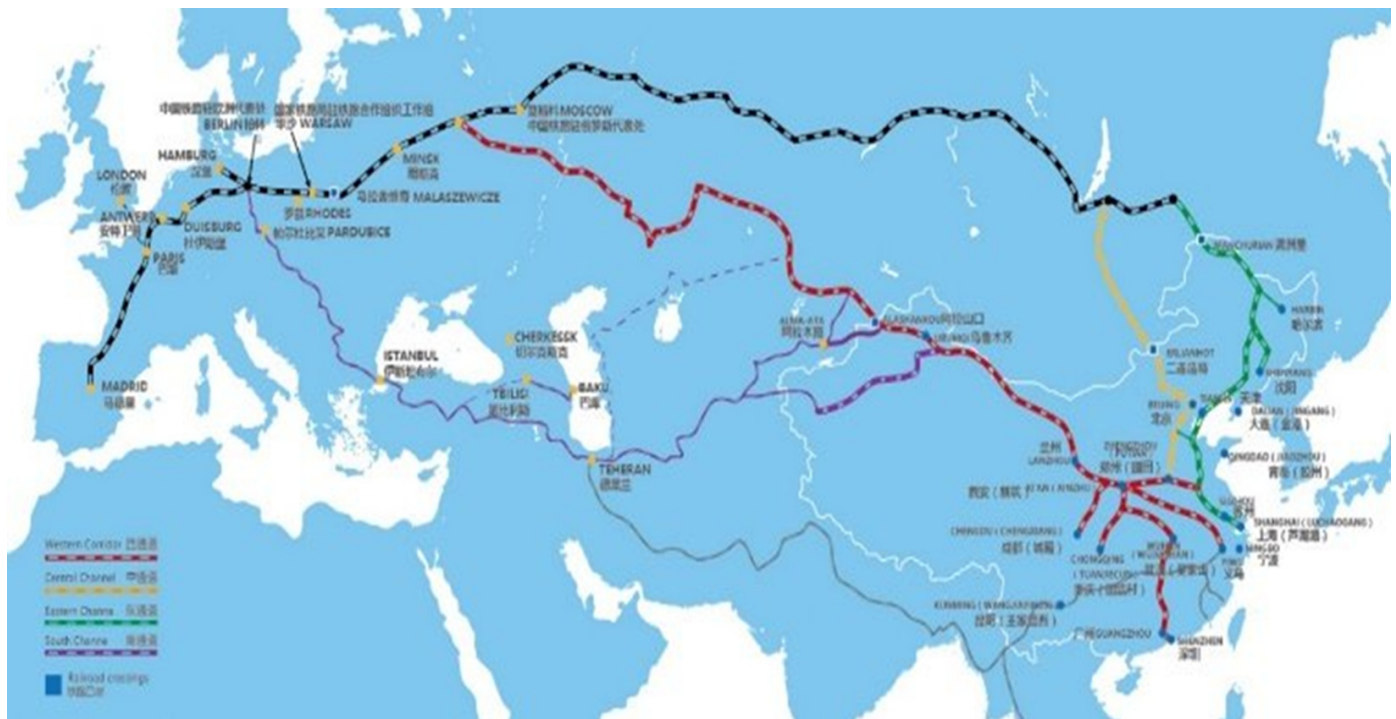


Figure 2. China Railway Express in the Context of the Belt and Road Initiative

Source: Hong, Chenyu & Zhu, Xiaoning. (2019). *Organizational Optimization Study on Western Outbound Transportation for China Railway Express*. *Journal of Physics: Conference Series*. 1176. 052007. 10.1088/1742-6596/1176/5/052007.

The cargo volumes on major transcontinental railway routes that transit Russia are expected to increase in these scenarios, with a shift from maritime shipping. However, this shift affects different regions of the vast country differently. The impact on the Primorye region, the gateway to Russia in the Far East, is considered rather complicated, as seaports in Primorye may lose a certain amount of container cargo that currently gets transported to and from the Chinese coastal area. First, the shift benefits Russia. At the Chinese-Russian BCPs Suifenhe, Hunchun, and Manzhouli, the increasing cargo from the baseline scenario varies from 255 to 1152 thousand TEU. In each scenario, the amount of land increased and BCPs significantly exceeds the decreased amount at the seaports in Primorye. Moreover, there is an additional amount of transit to Russia via the Chinese-Mongolia and Chinese-Kazakhstan BCP. In the Far East, the shift from maritime to land transport is apparent.

Following the share of land transport in the total cargo volume of a province, Chinese provinces are classified into it, which are transported to the Russian Far East. Where the majority of cargo is transported by land, that area spreads across the whole territory of China, whereas it covers merely a few northeastern provinces in the baseline scenario. Through the changes as revealed, some portion of transit cargo may be lost by Primorye. The increased amount of Primorye on land is only around 50 to 70 percent of the decreased amount at the Primorye seaports.

The increased amount of land transport and the decreased amount of maritime shipping, the gap between which can be explained by the possibility of a shift from maritime shipping to other land transport routes. For example, cargo from China to western Russia, which is originally transported by maritime shipping from China's seaport to a port in Primorye [5].

International transport corridors (ITC), the development of which is a key tool to expand economic cooperation between countries. The establishment of international transport corridors, as per several studies, enhances the possibility of freight traffic management, improves laws and regulations, implements border-crossing procedures, and attracts investments in infrastructure. The efficiency of state–business interactions is increased. In the context of Eurasian connectivity, the development of such transport corridors enables the utilization of national transit capacities rationally, promotes the localization of industrial production along their routes, expands exports, and strengthens the connectivity of intracontinental states and regions [6].

Transport corridors are particularly important for landlocked countries. The UN General Assembly on 5 December 2019, in its resolution 74/15, after the High-Level Midterm Review on the Implementation of the Vienna Programme of Action for Landlocked Developing Countries in the decade from 2014 to 2024, recommended that landlocked developing and transit countries consider a corridor approach to improve trade and transit transport. The Eurasian Economic Union (EAEU), for which the transport corridor is critically important, includes four of the five member states of the Union that are landlocked. The density of international transport routes in the heart of Eurasia is not particularly high like that of East Asia and Europe, although it is certainly a developed system in terms of international comparisons. Regarding meridional linkages, it is particularly true [7].

Moscow and its Pivot to the South

The only meridional transcontinental corridor in the EAEU, in contrast to several East-West routes, is the INSTC. The INSTC for India could be the land-based corridor of choice for trade with Russia and Central Asia. A multimodal network of sea, rail, and road routes, the INSTC connects northwestern Europe and the Nordic countries to the countries of Central Asia, the Persian Gulf, and the Indian Ocean. Accessing the Indian Ocean by expanding railway networks to India through Afghanistan and Persia was the interest of the Russian Empire at that time [8].

Creating the corridor and the legal basis of which was established after the Inter-Governmental Agreement on the INSTC agreement was signed by three countries: Iran, Russia, and India. On September 27, 2000, during the Second International Eurasian Conference on Transport, the event was held in St. Petersburg. The Agreement's ratification by all three parties came into force on May 16, 2002. Since then, Belarus, Kazakhstan, Oman, Tajikistan, Azerbaijan, Armenia, and Syria have become members, while Bulgaria has been an observer [9].

The sea routes passing through the Suez Canal and Gibraltar, from where the shift of freight flows to Eurasian land and multimodal routes should be facilitated by the INSTC connectivity. The INSTC has not gained as much traction as the existing Eurasian corridors Transsib and TRACECA, following the sanctions on Iran and the transport infrastructure bottlenecks. The active interaction of the EAEU member states with India and Iran over the last several years, along with a better regulatory environment around the Caspian Sea, drove its development [10].

An important strategic part of it is INSTC operationalization. In light of the required reconfiguration of supply chains in Eurasia, Russia's pivot to the other EAEU countries is of particular significance. Russian freight forwarding companies,

exporters, and importers' needs have increased dramatically due to alternative logistical opportunities. The development of INSTC would enhance Eurasian intra and transcontinental connectivity, reducing export costs, opening up new production niches, and realizing the transit potential of the Caspian region.

The INSTC freight traffic, with its aggregate potential via all the routes and modes of transport, including containerized and non-containerized cargoes, is estimated to reach 15-25 million tonnes by 2030. There will be a 20-fold increase in container traffic, achievable only through investments in hard and soft infrastructure improvement. The evolving outline of the trans-Eurasian transport backbone will make a significant contribution from the corridor, benefiting the economies of Russia, Central Asia, the Caucasus, the Middle East, and South Asia in a significant manner ^[11].

More sanctions on Russia continued to be imposed after the Ukraine war. The INSTC provides a critical outlet for Russia to reorient its export strategy towards trade in Central Asia. Russia is actively searching for more options to compensate for the sanctions imposed by Western nations and is eager to realign its trading partners. With no end in sight to the Ukraine war, which has lasted almost a year, it appears that Russia is paving the way for a new strategy for its trade exports.

Expanding its trade through the North-South Corridor is Moscow's aim in the Central Asian region. Connecting Asia with Europe through INSTC connectivity helps Asian nations and reduces transit times due to its geographical location. Russia is making increasing efforts to establish deeper trading relations with Central Asia and India.

Sanctions are affecting the Russian economy, but at a pace much slower than Western powers had hoped, as highlighted by Maxim Minorov, the Russian economist. The main reason for this is that these very nations depend on Russia for their energy needs. Russia's stronghold position as an energy producer has not been displaced despite a series of major sanctions. On the INSTC route, Russian focus lies on transporting freight between India, Azerbaijan, Russia, Iran, Europe, Central Asia, and India to propel its trade ^[12].

The INSTC, a multimodal route, would operate as envisioned by Moscow for transport between Russia and India through Iran and the Gulf states. Russia proposed INSTC to create an alternative to the Transport Corridor Europe-Caucasus-Asia (TRACECA) of the European Union (EU). TRACECA was launched immediately after the disintegration of the Soviet Union to connect Europe with the territories of South Caucasus and Asia by passing through Russian areas. Decision makers in Russia initially thought that China's growing export-driven economy could utilize a transportation corridor like INSTC. However, Beijing eventually embarked on building a huge trade infrastructure network that evolved into the Belt and Road Initiative (BRI), including the Silk Road Economic Belt (SREB), which consisted of six economic corridors through the Eurasian mainland, obviating the need for the INSTC.

Besides Russia, other members of the INSTC also had hopes that the corridor would be more utilized in the coming period. The development of the INSTC might be of interest to New Delhi as a counterweight to the BRI's China-Pakistan Economic Corridor (CPEC), especially in light of the worsening relations between China and India. From the Indian point of view, the corridor serves as an import-export route to Russia, Europe, and Central Asia that bypasses Pakistan and strengthens its cooperation with Russia and other project-involved members. Mumbai would be connecting to Iran's

railway and highway network through the port of Bandar Abbas, one of the main gateways to the Gulf region. India also agreed to invest up to \$US635 million to develop the Iranian deep-sea port of Chabahar on the Gulf of Oman, which is located only 300 kilometers from Gwadar port in Pakistan, the hub for the CPEC project.

Despite Washington's economic isolation of Iran, the US was convinced by New Delhi to avoid imposing sanctions on Indian investment in Chabahar port. This port would be used by India for its development initiatives in landlocked Afghanistan's development and would also strengthen India's positions against Pakistan and China. Securing the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline is in the interest of New Delhi. The arrival of the TAPI in Afghanistan in February 2018 was celebrated by then Afghan President Ashraf Ghani in the city of Herat. It is a unique case where Iran and US interests converge in representing the India-Iran-Afghanistan-India corridor and the development of Chabahar port, as both nations intend to improve the economic and political security of Afghanistan.

Creating an economic corridor and developing relations with Russia and Europe are not the only aims of India in utilizing the INSTC but also reaching out to other regions. India is very interested in the energy resources and vast market of Central Asia, with a total population of about 74 million. Additionally, the Gulf states provide employment opportunities for an estimated 8.5 million Indians. New Delhi's cooperation with these states is also important. India, as a signatory to the Agreement on the Establishment of an International Transport and Transit Corridor, also known as the Ashgabat Agreement, has a platform to discuss transportation issues with its rival Pakistan ^[13].

In the post-pandemic world, there is a revitalization of global trade, with prices for shipping containers from Asia to Europe at their highest. Global logistics are searching for alternative routes amid supply chain bottlenecks, such as the recent blockage of the Suez Canal, and connectivity projects have gained momentum. The INSTC is one such project, which connects India with Finland through Russia and Iran. On June 21, 2021, the first train from Helsinki departed and was estimated to reach its destination twice as fast as the traditional route through the Suez Canal, proving that the route is not only timely but also competitive. Besides commercial gains, the INSTC also has major geopolitical implications. Experts have analyzed the economic, strategic, and geopolitical implications of the INSTC, taking into account the interests of its key member states.

Connecting Russia with the Gulf region, for which the INSTC has proven to be an important tool both strategically and economically, as well as with the Indian Ocean and Europe, offers an alternative to other competing Eurasian connectivity initiatives. This route has the potential to strengthen the Russia-led Eurasian Economic Union by encouraging trade between member states, and it can also transform adjacent Russian regions, such as Astrakhan, into transportation hubs for Eurasia. While Russia plays a secondary role in China-led BRI, it places value on the INSTC. If the existing problems are overcome, the INSTC could emerge as a geopolitical rival to China's BRI ^[14].

Efforts Amidst Pressures and Hurdles

Russia, despite facing sanctions, is determined to forge closer links with the nations it still trades with. Putin has strongly advocated for the International North-South Transport Corridor (INSTC) to emphasize this intention and bring partners like

Iran and India closer by connecting them via a multimodal transport network that spans rail, road, and sea.

Putin made these remarks at the 6th Caspian Sea Summit, attended by leaders from Azerbaijan, Iran, Kazakhstan, and Turkmenistan. He mentioned that the Caspian Five, which includes Russia, has much work to do to improve transport infrastructure in the region. In this context, he described the INSTC as a transport artery that connects St. Petersburg to ports in Iran and India.

According to reports, the INSTC significantly reduces travel time from Russia to India, leading to a 30 percent reduction in carriage costs. Connecting the landlocked Caspian Sea to the Indian Ocean provides the shortest route, offering an alternative to the Mediterranean-Suez Canal route dominated by Western rivals and through which much of the world's trade passes.

Russia is seeking opportunities to start new businesses amid crippling Western sanctions that are taking a toll on its economy. To explore areas of growth, the governor of Ryazan, one of the most industrially advanced states in Russia, met with Indian entrepreneurs. In an interview with the Economic Times, Governor Nikolay Lyubimov mentioned that they have embarked on a world tour, starting with India, as they are keen to increase trade with selected countries.

India is already purchasing more crude oil from Russia than it did before the Ukraine war. India has declared its intention to purchase discounted Russian energy as it seeks the best deals for its people. Russia, India's second-biggest oil exporter, could displace traditional energy partners and become India's biggest crude supplier. The INSTC corridor, operationalized by Russia, has delivered consignments of wood laminates for the first time. The total cargo consisted of two 40-foot containers of wood laminates, with a total weight of 41 tonnes.

As reported by the director of a joint Iranian-Russian terminal in Astrakhan to the IRNA Iranian news agency at St Petersburg, the containers were loaded and heading toward Astrakhan. From there, they will be reloaded at Solyanka Port and transported through the Caspian Sea, reaching the Anzali port of Iran. From Anzali, they are scheduled to be transported to the Bandar Abbas port city in southern Iran via trucks. The two containers will then be dispatched to Mundra in Gujarat, the largest container port in India ^[15].

INDIA

International North-South Transport Corridor

The INSTC could offer Russia an economic escape route to Asia at a time when sanctions are limiting its transit access through most of Europe.

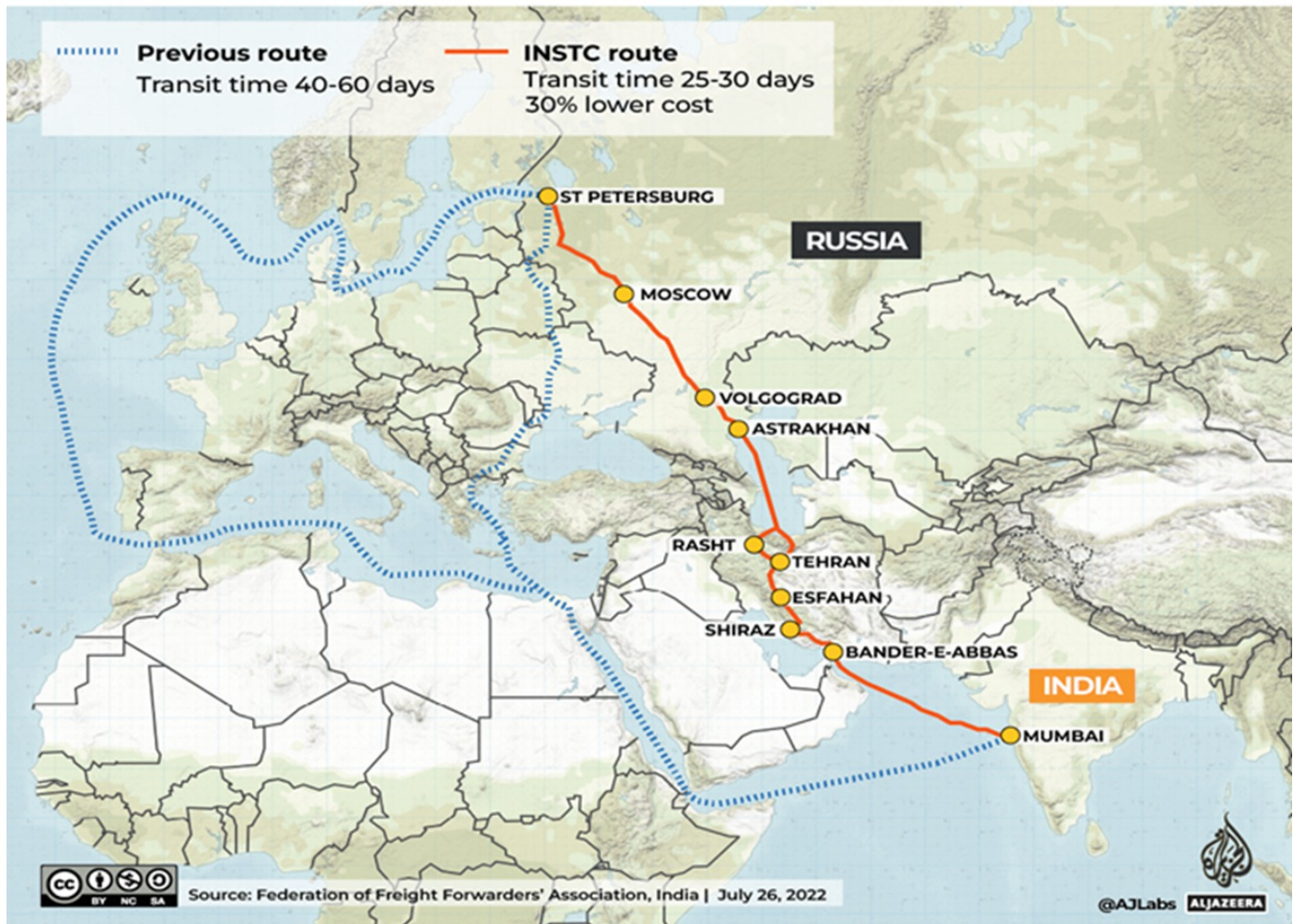


Figure 3. INSTC International North South Transport Corridor

Source: Federation of Freight Forwarders Association, India, 26 July 2022.

The freight from India to Russia historically had to cross the Arabian Sea, Red Sea, Mediterranean Sea, circumnavigate Western Europe, and finally pass through the Baltic Sea to reach Saint Petersburg. This route underscores the lack of a developed land route ^[16].

The importance of the INSTC was emphasized in a report by the EDB, highlighting the corridor's significant untapped potential. The corridor has been in the spotlight for over a year, making this observation all the more relevant. Existing routes have been overlooked, with Russia primarily benefiting from China-Europe rail traffic.

The study of the INSTC involves identifying the main obstacles and proposing corresponding investments. Despite its vast untapped potential, the proposed investments are, at least partially, coordinated with the investments undertaken by the countries involved.

The identification of the Rasht-Astara railway as a missing link in the development of the Western branch of INSTC via Azerbaijan is a key development. Representatives from Russia, Azerbaijan, and Iran are currently finalizing the project's overview, which is expected to be completed in 2023. Investment from Russia in the rail link is almost official, with only some final details, such as financing options, remaining to be worked out by a Russian-Iranian working group.

EDB has also identified other important investments that could be addressed in the near future. These include the construction of second main tracks and electrification of railway lines in Azerbaijan, Iran, Kazakhstan, and Turkmenistan. Additionally, there are plans for the construction of bypass roads around cities, upgrades to inland waterways and channels, and the development of container and general cargo terminals in Caspian ports. Modernizing border crossing points and constructing logistics centers and roadside service facilities are also part of the plan.

In the current context, with Russia as the main player, the entire Eurasian transport and logistics network could benefit in the long run. The corridor has the potential to facilitate meridional transport links between North-East Europe and South Asia, creating new transport and logistics chains along interconnected Eurasian international transport corridors. This includes routes from Russia to Turkey through Azerbaijan and from Iran to China through Kazakhstan and Turkmenistan.

The key element of the Eurasian transport system could transform the INSTC into a connecting point for North-South and East-West services, involving European, Central Asian, and Middle Eastern countries, as emphasized by the bank. However, there is still a long way to go before reaching this point. Geopolitical challenges, infrastructure development, and digitalization hurdles still need to be overcome ^[17].

Stretching from the eastern edge of Europe to the Indian Ocean, a new transcontinental trade route spanning 3,000 kilometers is being developed by Iran and Russia. The route is designed to be beyond the reach of foreign intervention, and both countries are investing billions of dollars to expedite cargo delivery along rivers and railways linked by the Caspian Sea. Bloomberg's ship tracking data reveals that dozens of Russian and Iranian vessels, including some subject to sanctions, are already operating along this route.

Trade networks in the world economy are rapidly being reshaped by the competition between great powers, which are poised to fragment into rival blocs. Both Moscow and Tehran, under tremendous pressure from sanctions, are turning toward each other and looking eastward. Their primary goal is to build new trade relationships with the giant and fast-growing economies of Asia while shielding these commercial links from the interference of Western powers ^[18].

The Bosphorus Strait and the Suez Canal, for which INSTC could serve as an alternative in the long run, pose an interesting challenge to China's ambitious Belt and Road Initiative (BRI). The International North-South Corridor (INSTC) has facilitated an increase in the trade volume between Russia and India. Between May and July 2022, Iran Shipping Lines transported over 3,000 tonnes of goods and 14 containers. This is particularly crucial for Russia, given the multitude of sanctions imposed on the country by the West following its conflict in Ukraine ^[19].

Despite various geopolitical hurdles, including global economic stagnation, U.S. sanctions on Iran, the conflict in Karabakh, and the pandemic, the attention towards the INSTC route has once again faded. However, the need for an

alternative logistics route between Eastern Europe and Asia has become more apparent due to international sanctions on Russia and the intensification of the Ukraine conflict ^[20].

All the countries involved, particularly Russia and Iran, which are both facing sanctions, should consider economic and geostrategic diplomacy. Given recent developments in the global economic scenario, it is of great importance for the members of the agreement to take all the necessary steps to keep this vital route operational and further develop it ^[20].

For years, policymakers and academics have lamented the delays in making the INSTC operational. The realization of the trade potential between East Europe, the Persian Gulf, and India began to be actively pursued after the formation of the Eurasian Economic Union (EAEU) in 2015, under the free trade agreement (FTA) led by Russia.

An important alternative economic development corridor for the EAEU and a response to the economic and political influence of the European Union, both of which hold special significance for the corridor. Starting in May 2018, along with the signing of the FTA with Iran, the North-South axis countries have been eager to interact with the EAEU. A similar FTA was negotiated between the EAEU and India.

In international trade logistics, the recent upheavals experienced and the pursuit of the INSTC assume special significance. India, in terms of exploring diversification of energy import destinations, and Iran, as the main transit hub on the North-South and East-West corridors, play crucial roles. It also presents an opportunity for Russia to take the lead in Eurasian trade and connectivity ^[21].

Conclusion

Recent policy changes have had an impact on Trans-Eurasian transport. The Belt and Road Initiative and the Eurasian Economic Union have strengthened transport across Eurasia by improving infrastructure, transport, and reducing barriers to border crossings. Increased connectivity enhances the competitiveness of land transport relative to sea transport, leading to a shift of goods from sea to land. The question is whether this change will alter the current balance of these transport modes. Another question is whether all countries will benefit from these changes.

For example, Russia, although gaining cargo from sea freight transfer, may face challenges in Primorsky Krai, Russia's gateway to the Far East, which could potentially lose some of its cargo transportation. Given the importance of the Far East in the country's balanced regional development, the federal government should consider implementing special protections for the regional transport industry. Many recent policy predictions affect the transport of Eurasia, and there is hope that these results will lead to further development of the rules governing the development of links within the framework of international cooperation.

The carrying capacity of the INSTC in the context of interaction between the Eurasian Economic Union countries on the one hand and Iran, India, and more South Asian countries and the Persian Gulf on the other, has led to a belief that the integration of international and regional transport, the expansion of digitalization, and the increase in air transport processes can be greatly expanded. Through a comprehensive analysis of current trade relations between countries that

could benefit from INSTC, both container and packaging shipments have been analyzed.

Based on available research, expert assessments, and recommendations, the current study determined shipping times and costs and compared them with customs via the Suez Canal. Finally, freight volume estimates are based on operating scenarios for all modes of transport and all INSTC routes: West, Intermodal beyond Caspian, and East. While INSTC has advantages over traditional transport systems due to lower costs and shorter distances, the development of appropriate infrastructure has been slow, especially when compared to BRI.

In terms of the way China pursues the Belt and Road Initiative, there is no political or economic power behind the INSTC. Beijing has created special financial institutions and instruments such as the Silk Road Fund and the Asian Infrastructure Investment Bank to accelerate funding for INSTC projects, mainly through loans or direct investments of INSTC members in their projects or neighboring countries. If China's initiative is planned and developed, INSTC is temporary without a long-term strategy.

There are some disagreements among INSTC member countries. Turkey-Armenia-Azerbaijan and Armenia-Nakhchivan (Azerbaijan) - Iranian railways are down due to the Artsakh (Nagorno-Karabakh) conflict between Armenia and Azerbaijan. The Abkhazia (Azerbaijan) Railway between Russia and Georgia via Iran does not work. The connection between Abkhazia and Russia and Georgia is also not working due to the conflict between Georgia on the one hand and Abkhazia and Russia on the other. The conflict between Russia and Ukraine has made transportation from eastern Ukraine very difficult. On the Turkish-Syrian border, the unstable situation due to conflict prevents INSTC from developing in this direction. In addition, Iran's economy is under heavy sanctions by the West, which has made things difficult.

These political and strategic situations have created many problems for INSTC as many states and companies sought other ways to move their cargo. However, they still create new opportunities. Iran and China have become closer thanks to US sanctions, and Tehran has approved Iran-China cooperation. Meanwhile, India turned to the United States as it shares a military border with China. This could herald a change in India's relations with Iran but create an awkward situation where Tehran has to choose between China's BRI and India's INSTC.

Russia also faces Western sanctions for its military and political involvement in Ukraine, making it difficult for Moscow to invest heavily in infrastructure in other INSTC members. Russia is also involved in China's "Belt and Road" initiative through the New Eurasian Land Bridge and the China-Mongolia-Russia Economic Corridor. Russia values INSTC and Russia-India cooperation as an important trade and energy tool. INSTC could become a significant connector, linking Russia to the Gulf region and the Indian Ocean.

INSTC has the potential to create a strong network of connections from the Indian Ocean to the Baltic States and Scandinavia. In addition to its economic importance and its ability to foster bilateral relations between members, INSTC has the potential to have a significant impact on China's influence in Central Asia and beyond, fostering reconciliation between INSTC's key countries: Russia, Iran, and India. However, this project will face continuing challenges, bureaucratic delays, and regional conflicts as the competition for influence continues in Eurasia. If INSTC manages to overcome all the obstacles that stand in its way, it could bring about significant changes for the global economy and the

wider region.

References

1. [^]Coordinating Council on Trans-Siberian Transportation International Association (CCTT). (2018). *Annual TSR Digest 2018*.
2. [^]Coordinating Council on Trans-Siberian Transportation International Association (CCTT). (2016). *Annual TSR Digest 2016*.
3. [^]Eurasian Development Bank (EDB) (Centre for Integration Studies). (2018). *Silk Road Transport Corridors: Assessment of Trans-EAEU Freight Traffic Growth Potential*, EDB.
4. [^]Jakóbski, J., Popławski, K., & Kaczmarski, M. (2018). *The Silk Railroad - The EU-China rail connections: background, actors, interests* (OSW Studies 72). Center for Eastern Studies.
5. [^]Shibasaki, R., Iijima, T., Kawakami, T., Kadono, T., & Shishido, T. (2017). Network assignment model of integrating maritime and hinterland container shipping: application to Central America. *Maritime Economics & Logistics*, 19(2), 234–273.
6. [^]Arvis, J.-F., Raballand, G., & Marteau, J.-F. (2010). *The cost of being landlocked: Logistics costs and supply chain reliability*. Washington, DC: World Bank. <https://doi.org/10.1596/978-0-8213-8408-4>.
7. [^]Contessi, N. P. (2020). *In the shadow of the Belt and Road. Eurasian corridors on the North–South axis. Reconnecting Asia*, March 3. <https://reconasia.csis.org/shadow-belt-and-road/>
8. [^]Dayal, R. (2019). *Rising expectations of INSTC to be a mainstay of regional connectivity*. Presentation at UNESCAP Expert Group Meeting on Enhancing Efficiency of Selected Intermodal Transport Corridors in Asia, Bangkok, Thailand, June 26–27. <https://www.unescap.org/sites/default/files/5%20AITD%20Rising%20expectation%20of%20INSTC.pdf>.
9. [^]Farhat, M. (2018). North–South Corridor: The limits of Iranian power. *Journal for Iranian Studies*, 2(7), 23–38.
10. [^]FFFAI. (2014). *International North South Transport Corridor: Dry run report 2014*. Federation of Freight Forwarders' Associations in India, Ministry of Commerce & Industry.
11. [^]Vinokurov, E. Y., Ahunbaev, A., & Zaboiev, A. I. (2022). International North–South Transport Corridor: Boosting Russia's "pivot to the South" and Trans-Eurasian connectivity. *Russian Journal of Economics*, 8(2), 159–173.
12. [^]North-South Trade Corridor provides Russia with option to shift 'trade strategy' in Central Asia. (2022, October 13). ANI.
13. [^]Sahakyan, M. D. (2020). *Rebuilding interconnections: Russia and India and the International North South Transport Corridor*. AsiaGlobal online.
14. [^]Chalikyan, N., Tashjian, Y. (2021, July 9). *Geopolitics of the North-South Transport Corridor*. South Asian Voices, Economy and Development.
15. [^]Why Russia wants INSTC, its ambitious project to connect to India via Iran? (2022, July 2). Times Now.
16. [^]Kasturi, C. S. (2022, July 27). *Is the INSTC Russia's new economic escape route?* Al Jazeera.
17. [^]Papatolios, N. (2022, November 22). EDB: 'INSTC potential not limited to Russian involvement.' Railfreight.com.
18. [^]Holland, B., Harvey, B., & Lindblad, C. (Eds.). (2022, December 21). *Russia and Iran Are Building a Trade Route That*

Defies Sanctions.

19. ^a *Amid sanctions from the West, INSTC raises Russian trade volume with India. (2022, August 17). Business Standard.*
20. ^{a, b} *Fallahi, E. (2022, July 15). INSTC: A sanction-proof route with great economic prospects. Tehran Times.*
21. ^a *Sharma, V. B. (2022, June 30). The Political Economics of the International North-South Transport Corridor.*