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## INSTC Operationalised

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“Diplomacy is all about managing contradictions artfully, or to put it less elegantly, sitting on both sides of the fence and looking comfortable”.<sup>1</sup> The art of diplomacy has been skilfully wielded by Indian foreign policy-makers in the context of the volatility of emerging global alliances in the wake of the Russia-Ukraine war. By focusing solely on its national interests and standing by its traditional partners, India is treading its diplomatic path in the best possible way; balancing its immediate and long-term interests. Therefore, India’s initiatives to unite the interests of regional stakeholders through connectivity, transit and road networks in order to protect and promote its interests, should be seen in this light. The pilot test of transporting the first Russian consignment to India via the International North-South Transport Corridor (INSTC) is one such important development that marks the operationalization of this long-awaited transport corridor.

On June 11, 2022, a test cargo departed from Russia’s Caspian Sea port zone of Solyanka in Astrakhan, and from there, it was shipped to the Iranian port of Anzali and then taken to Bandar Abbas Port by road, and from there it was shipped to Nhava Sheva in Navi Mumbai (also known as Jawaharlal Nehru Port), India’s largest container port.<sup>2</sup> Reportedly, the consignment included two 40-foot containers of wood laminates weighing approximately 41 tonnes. The whole journey took 24 days to reach India, which is much less than the traditional route via the Suez Canal.<sup>3</sup> The shipment was executed by the Regional Bureau of Islamic Republic of Iran Shipping Lines (IRISL) in coordination with its logistics companies in India and Russia.<sup>4</sup>

The activation of this multi-modal route, which links the Indian Ocean and the Persian Gulf to the Caspian Sea via Iran and onwards to northern Europe via St. Petersburg in Russia, was long overdue. The 22 -years old project was initiated by India, Iran, and Russia in September 2000, in order to establish a transport network among the member states and boost connectivity with the Central Asian Republics. Later, it was joined by another eleven countries- Armenia, Azerbaijan, Belarus, Bulgaria, Kazakhstan, Kyrgyz Republic, Oman, Syria, Tajikistan, Turkey and Ukraine.<sup>5</sup> It envisages the movement of goods from Mumbai (India) to Bandar Abbas (Iran) by sea, from Bandar Abbas to Bandar-e Anzali<sup>6</sup> by road, from Bandar-e Anzali to Astrakhan, which is a Caspian Port in the Russian Federation, by ship, and from Astrakhan to other parts of the Russian Federation and further into Europe by Russian railways.

Initially, the progress on the project was very slow. However, after 2014, it picked up a little pace when, for understanding the problem areas and realize the full potential of the corridor, a dry run was conducted by the Federation of Freight Forwarder’s Association in India (FFFAI), on the Nhava Sheva-Bandar Abbas (Iran)- Baku (Azerbaijan) and the Nhava Sheva - Bandar Abbas - Amirabad (Iran) - Astrakhan (Russia) route via the Caspian Sea was conducted in 2014. The dry

run report pointed out that, “the proposed INSTC route via Bandar Abbas in Iran to Russia and CIS<sup>7</sup> destinations could be the best route with optimal transit/ cost for the Indian exporters/ importers<sup>8</sup>. Further, in 2015, officials from India, Iran, Russia, and other eleven countries met in New Delhi and approved draft transit and customs agreements for INSTC. This provided the legal framework for addressing the logistical issues and moving freight on the ship-rail-road route linking India, Iran, Russia, the CARs and Europe.<sup>9</sup> In 2020, the state-owned Container Corporation of India (Concor) and Russian Railways Logistics Joint Stock Company (RZD) signed a Memorandum of Understanding to transport cargo between the two countries via INSTC.<sup>10</sup> In June 2021, the western corridor of INSTC was operationalized to connect India with Europe. A Finnish logistics company dispatched a consignment of 30 containers to Mumbai using this corridor.<sup>11</sup>

Against this background, the successful completion of the pilot test is a significant development, especially at a time when both, Russia and Iran are under US sanctions. The corridor will give India a direct reach to Russian, Central Asian, and European markets in a shorter time than the traditional route, on the one hand, and will help Russia and Iran to overcome their sanctions-related challenges in doing business with their traditional trade partners, on the other hand.<sup>12</sup> In fact, the decision to actively pursue the dedicated routes between India and Russia was taken during Russian President Vladimir Putin’s visit to India in December 2021. During the visit, the joint statement affirmed that (i) India would source more crude oil from Russia through preferential pricing (ii) both countries would explore the ‘northern sea-route’ (the Arctic Sea route) to ship crude oil and LNG supplies from Russia to India; and (iii) the effective usage of the INSTC route to increase the trade between the two countries. The Russian side also offered its support for India’s proposal to include Chabahar Port within INSTC’s framework.<sup>13</sup> Six months later, the news of the successful dispatch of the first (trial) shipment through this route was a promising news, which was announced by the director of the joint-owned Iranian-Russian Port in Astrakhan, Dariush Jamali. He affirmed that “It is a first time a cargo travels between Russia and India through Iran and the INSTC with a single through bill lading (TBL) document which allows the transportation of goods both within domestic borders and through international shipment”.<sup>14</sup> Similarly, the pilot test followed Iranian Foreign Minister Hossein Amir Abdollahian’s three- days visit to India from June 8-10, 2022. During his visit, a discussion over INSTC and Chabahar Port was one of the main agendas. Interestingly, on 8th June, 2022, the President of Russia, Vladimir Putin and of Islamic Republic of Iran, Sayyid Abraham Raisi had a telephonic conversation where they discussed their mutual commitment to actively work to develop and increase economic and trade cooperation.<sup>15</sup>

Boosting connectivity through INSTC has assumed significance for India, Iran, and Russia because it provides a sanction-free route which is not dominated by Western countries. Therefore,

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by giving this route the required boost, they can reap the benefits of the resultant trade. Acknowledging its importance, Russian President Putin expressed his intention to pay more attention to this corridor as it could help make the Caspian basin the hub of energy and logistics.<sup>16</sup> In this endeavour, Russia and Iran are cooperating in the maritime sector to use the Caspian Sea and shorten the transit route from Russia to India. IRISL has already assigned 300 containers to execute the first phase of a programme to transit Russian goods to India via INSTC using the Caspian Sea, and the number of containers would be increased if demand increases.<sup>17</sup> At the same time, the official launch of the eastern section of the corridor, which is essentially a railway link between Russia and Iran through Kazakhstan and Turkmenistan, has further added a new zeal to strengthen the trade relations between Russia, Iran, and India. The first rail transit cargo, carrying 39 containers, from Russia to India, entered Iran through the Sarakhs border crossing, on July 12, 2022. From here, it will be taken to Bandar Abbas port and then shipped to India by sea.

INSTC is critical for India on many accounts. It will not only help in strengthening the economic content of the relationship with Russia and Iran, but the corridor also provides India with feasible surface connectivity with the Central Asian region specifically and the wider Eurasian region in general. Hence, it would help boost India's trade with the Central Asian Republics, which are known for their natural resource richness, especially hydrocarbons and minerals. Without direct transport access, it is difficult for India to acquire this natural wealth, and this is also one of the main reasons why India's presence in the Central Asian energy sector has remained minimal and its trade with these republics nominal. It is just around US\$ 2 billion and has not grown much.<sup>18</sup> Moreover, India has proposed to include Chabahar Port in the INSTC to maximise its potential. India's Minister of External Affairs, Dr. S. Jaishankar suggested that the land route via Kabul (Afghanistan) and Tashkent (Uzbekistan) could form INSTC's "Eastern Corridor"<sup>19</sup> and "establishing an eastern corridor through Afghanistan would maximise its potential", and it would provide the land-locked Central Asian countries with unhindered access to the sea through Chabahar Port.<sup>20</sup> In fact, some Central Asian countries have shown interest in being a part of this project, specifically the Republic of Uzbekistan. The signing of an India-Iran and Uzbekistan trilateral agreement for the use of Chabahar Port gave a new impetus to India's connectivity with Central Asia. Uzbekistan has already developed its railway connectivity with Afghanistan as a means to link up with Iranian railway lines. This, clearly, reflects its seriousness about using the port facilities in the Indian Ocean and expanding its trade and transit options.

Thus, INSTC provides India with the opportunity to connect with the Chabahar Port, Anzali Port (of Iran) on the Caspian Sea's southern coast and Astrakhan and Solyanka Ports (of the Russian

Federation) on the northern part of the Caspian Sea, thus substantially cutting the time and cost of transportation of goods.

India has been pursuing the goal of these connectivity projects for a long time. Therefore, the operationalization of the INSTC route should be considered as a great deal so far as its national interests are concerned. Amidst the Russia-Ukraine war, India's decision not to cut down on its energy and trade relations with Russia, its refusal to snap ties with its time-tested friend, and going ahead with the operationalization of INSTC are purely guided by its national interest. One must remember that for decades, defence cooperation has remained one of the major pillars of the India-Russia partnership. To take this partnership to the next level, the economic content of the partnership needs due consideration. The rise of multimodal transportation through INSTC is a step in this direction.

#### NOTES:

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<sup>2</sup> Dipanjan Roy Chaudhary, "INSTC operationalized as Russia sends consignments for Indian port", *The Economic Times*, June 14, 2022, <https://economictimes.indiatimes.com/news/economy/foreign-trade/instc-operationalised-as-russia-sends-consignments-for-indian-port/articleshow/92189350.cms>. Accessed on June 15, 2022

<sup>3</sup> Ibid

<sup>4</sup> "INSTC Begins Operations", *Maritime Gateway*, June 13, 2022, <https://www.maritimegateway.com/instc-begins-operations/>. Accessed on June 15, 2022

<sup>5</sup> "International North-south transport Corridor" (INSTC), [www.instc.org.ir/pages/home\\_pages.aspx](http://www.instc.org.ir/pages/home_pages.aspx). Accessed on October 20, 2016.

<sup>6</sup> Bandar-e Anzali is an Iranian port on the Caspian Sea

<sup>7</sup> CIS stands for Commonwealth of Independent States.

<sup>8</sup> "International North-south transport Corridor (INSTC)-dry run report 2014", [commerce.nic.in/publications/iNstC-dry-run-report-Final.pdf](http://commerce.nic.in/publications/iNstC-dry-run-report-Final.pdf). Accessed on October 20, 2016.

<sup>9</sup> "International North-South Transport Corridor (INSTC) Conference-India 2015", [http://commerce.gov.in/writereaddata/uploadfile/MOC\\_635986655921421162\\_INSTC\\_Conference\\_Report\\_Final.pdf](http://commerce.gov.in/writereaddata/uploadfile/MOC_635986655921421162_INSTC_Conference_Report_Final.pdf). Accessed on November 26, 2018. Also see, Dipanjan Roy Choudhary, "INSTC Draft Approval: Big Step Forward on India-Iran-Russia Corridor", *The Economic Times*,



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<sup>10</sup> “India and Iran To Connect Supply Chains Via Iran’s INSTC”, *Silk Road Briefing*, March 24, 2020, <https://www.silkroadbriefing.com/news/2020/03/24/india-russia-connect-supply-chains-via-irans-instc/>. Accessed on June 15, 2022

<sup>11</sup> Dipanjan Roy Chaudhary, “INSTC connects Europe with India for the first time”, *The Economic Times*, June 24, 2021, <https://economictimes.indiatimes.com/news/economy/foreign-trade/instc-connects-europe-with-india-for-first-time/articleshow/83798511.cms?from=mdr>. Accessed on June 15, 2022

<sup>12</sup> Angelo Mathias, “Russia uses INSTC corridor to beat sanctions and drive trade with Iran and India”, *The Loadstar*, June 16, 2022, <https://theloadstar.com/Russia-uses-instc-corridor-to-beat-sanctions-and-drive-trade-with-iran-aand-india/>. Accessed on June 17, 2022

<sup>13</sup> “India-Russia Joint Statement following the visit of the President of the Russian federation”, *Ministry of External Affairs, Government of India*, 06 December, 2021, [http://mea.gov.in/bilateral-documents.htm?dtl,India Russia Joint Statement following the visit of the President of the Russian Federation](http://mea.gov.in/bilateral-documents.htm?dtl,India%20Russia%20Joint%20Statement%20following%20the%20visit%20of%20the%20President%20of%20the%20Russian%20Federation). Accessed on June 17, 2022

<sup>14</sup> “Iran starts pilot transit between Russia and India through INSTC”, *Press TV*, June 13, 2022, <http://www.presstv.ir/Detail/2022/06/13/683861/Iran-transit-INSTC-Russia-India>. Accessed on June 18, 2022

<sup>15</sup> “Presidents of Iran, Russia talk over phone”, June 08, 2022, <https://president.ir/en/136988>. Accessed on June 15, 2022

<sup>16</sup> Dipanjan Roy Chaudhry, “Russian firms launch chartered ships to India”, *The Economic Times*, July 10, 2022, <https://economictimes.indiatimes.com/news/india/russian-firms-launch-chartered-ships-to-india/articleshow/92775056.cms>. Accessed on July 14, 2022

<sup>17</sup> “IRISL assigns 300 containers to transport goods to Russia”, *Tehran Times*, July 11, 2022, <https://www.tehrantimes.com/news/474552/IRISL-assigns-300-containers-to-transport-goods-to-Russia>. Accessed on July 14, 2022

<sup>18</sup> P. Stobdan, “India’s Economic Opportunities in Central Asia”, *IDSA Policy Brief*, [http://idsa.in/system/files/policybrief/pb\\_india\\_economic\\_opportunities-in-central-asia-pstobdon.pdf](http://idsa.in/system/files/policybrief/pb_india_economic_opportunities-in-central-asia-pstobdon.pdf). Accessed on October 22, 2018

<sup>19</sup> The Eastern corridor of INSTC connects India to Russia through Kazakhstan, Uzbekistan and Turkmenistan.

<sup>20</sup> Suhasini Haidar, “India pushes for Chabahar in India-Iran-Russia INSTC corridor”, *The Hindu*, March 04, 2021, <https://www.thehindu.com/news/national/india-pushes-for-chabahar-in-india-iran-russia-instc-corridor/article33988009.ece>. Accessed on January 10, 2022