The India-Middle East-Europe Economic Corridor – paving a new path for global trade

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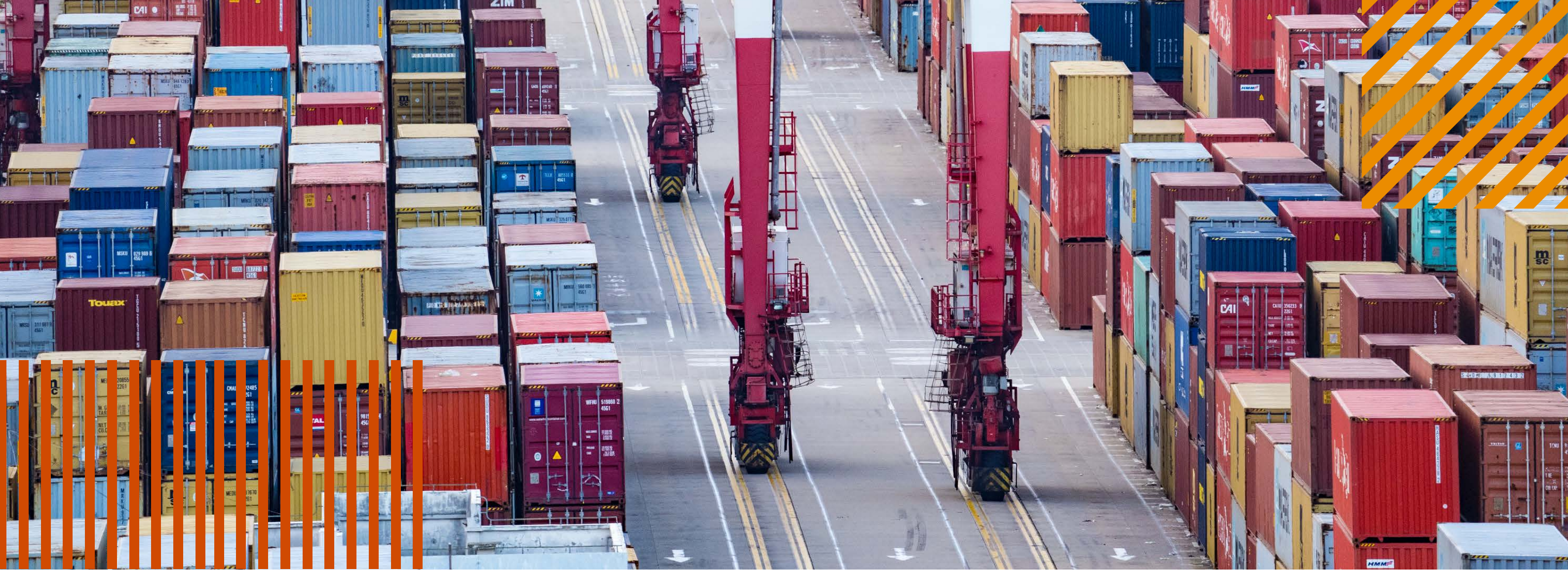


1. Introduction

A corridor-based development strategy focuses on leveraging linear trade routes to improve economic activity and subsequent growth and connectivity outcomes across regions. The strategy, which has seen global adoption and substantial success, hinges on synergising infrastructure development, targeted investment and innovation to support the transformation of regional economies. When such a strategy is adopted by a group of nations, it leads to the development of **transnational economic corridors** (TNECs).

These transnational corridors stimulate regional integration by promoting inter-country collaboration. They also generate opportunities for shared benefits, support trade-enabling policies and promote the development of critical infrastructure projects. Successfully developing and operationalising TNECs, therefore, is contingent on a number of factors including alignment of economic visions and aspirations and concerted efforts to consolidate diplomatic ties towards the achievement of strategic objectives.

TNECs also help the growth of various other sectors due to the activities they stimulate along specific economic routes. These corridors enhance the expansion of ancillary industries and sectors such as logistics and warehousing, retail and hospitality also benefit from the development of TNECs.

IMEC

An important upcoming TNEC is the India-Middle East-Europe Economic Corridor (IMEC). Announced first at the G20 Summit held in New Delhi in September 2023, the corridor comprises India along with several countries in the Middle East and the European Union (EU). [1] At the summit, a Memorandum of Understanding (MoU) was signed by the governments of India, the United States, the United Arab Emirates (UAE), Saudi Arabia, France, Germany, Italy and the EU.[2]

> IMEC, a transnational economic corridor, is being developed by India, the Middle East and Europe with the aim of developing an inter-regional, corridor-based commerce route. Through comprehensive planning and harnessing the economic resources of the corridor nations, IMEC could support the common developmental goals of the participating nations.

1 India Today (2025). 'What is India-Middle East-Europe Corridor and how will it benefit India?' (https://www.indiatoday.in/india/story/what-is-india-middle-east-europe-corridor-and-how-will-it-benefit-india-2679305-2025-02-13).

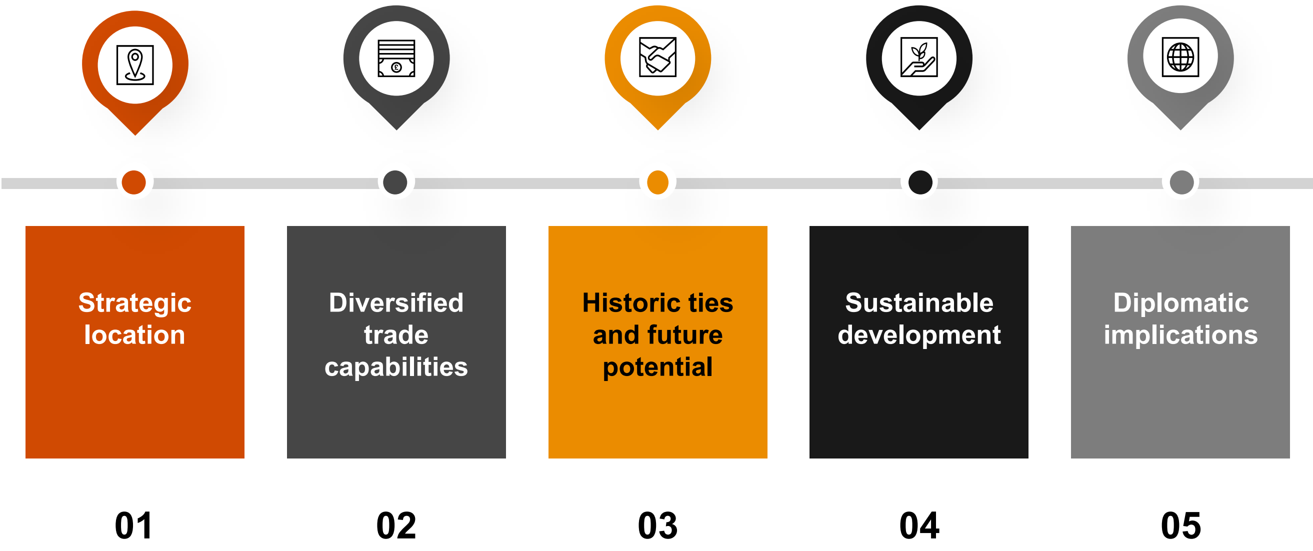
2 Ibid.

The suitability of IMEC is derived from the varied strengths of the countries/regions that constitute the corridor. Some of the factors which contribute to the suitability of IMEC are:

Strategic location

The corridor connects India, the Middle East and Europe. Exports from India to the six nations comprising the Gulf Cooperation Council (GCC) grew by 44% to nearly USD 43.9 billion in FY 2021–22 compared to previous fiscal's USD 27.8 billion with the UAE leading the trade with a remarkable 68% growth,[3] indicating substantial trade potential. The EU and India also has strong trade ties with Indian exports into the EU reaching nearly EUR 33 billion in 2020, and Indian imports from the EU nations reaching EUR 32 billion that same year.[4] IMEC aims to seamlessly connect the West with the East by leveraging its market access and enabling strategic locations. It is important to develop a robust economic infrastructure and a network of transportation for the smooth operations of IMEC.

Figure 1: Factors contributing to the suitability of IMEC



Source: PwC analysis

Diversified trade capabilities

India is renowned for its vast IT services and growing pharmaceuticals industry while also contributing to the global supply of automotive parts and textiles. The country is also making strides in exporting renewable energy technologies especially solar panels and related equipment. The Middle East, traditionally known as the energy supplier for the world, is diversifying into technology driven sectors with significant investments in FinTech and e-commerce. Europe continues to exhibit a stronghold in machinery, automotive, aerospace and defence industries, and has also been increasing its focus on green technologies, and electric vehicles. IMEC, therefore, has tremendous potential in facilitating trade not just of traditional goods but also in areas where sustainability and innovative technological advancements are key drivers.

[3] https://timesofindia.indiatimes.com/indias-exports-to-gcc-countries-grew-by-44-per-cent-in-2021-22-fieo/articleshow/94349906.cms
[4] https://indianembassybrussels.gov.in/statistics.php

Historic ties and future potential

Historical trade routes, like the Silk Road, once connected these regions, fostering mutual growth. IMEC aims to rekindle these ties for modern economic interdependence.

Sustainable development

The United Nations' Sustainable Development Goals highlight the importance of infrastructural development for sustainable economies. IMEC's focus on green technologies could help the countries in planning their development projects while considering the SDGs.

Diplomatic and political implications

Since the success of any economic corridor hinges on inter-country collaboration and policy harmonisation, such projects could help in streamlining diplomatic and political ties between participating nations. In the case of IMEC, shared economic goals can enhance collaboration and strengthe the existing trade ties.

Constituent countries and their economic vision

The following section discusses the economic priorities of India, the Middle East and Europe which is important to understand the focus areas of each of these countries and regions for the development of IMEC.

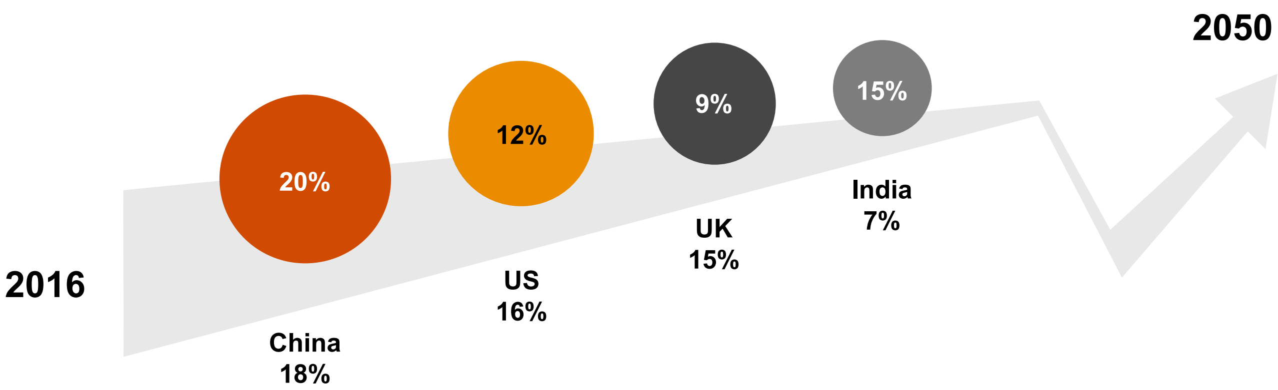
India: Moving towards a self-reliant and sustainable future

India's economic vision is grounded in the government's mission towards becoming 'Atmanirbhar Bharat' or a 'Self-reliant India'. [5] With initiatives like 'Make in India, India aims to become a global manufacturing hub, focusing on sectors like electronics, defence and textiles. There is also a concerted push towards renewable energy, with aims to achieve 500 GW of renewable energy capacity by 2030.[6]

There is a huge demand for technology products and services in the country. India is expected to continue on its growth journey and is well-positioned to make itself a powerhouse not just in manufacturing but across other sectors as well.

Figure 2: India's share in global GDP (in terms of purchasing power parity)

India could contribute to 15% of global GDP by 2050



Source: https://www.pwc.com/gx/en/world-2050/assets/pwc-the-world-in-2050-full-report-feb-2017.pdf

[5] Press Information Bureau (Govt. of India) (2022). 'Aatmanirbhar Bharat Scheme' (https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1845882).

[6] https://energy.economictimes.indiatimes.com/news/renewable/india-to-achieve-500-gw-renewables-target-before-2030-deadline-r-k-singh/103927527

The country is also witnessing rising incomes and the population is more connected with the world than ever before. With its population's increasing spending power, it is expected that such spending increase will contribute significantly to driving national GDP growth. India's per capita GDP has crossed the USD 2000 (~USD 2,300 at the end of 2022)[7] threshold at which discretionary spending in the population accelerates,[8] indicating that the country is poised to contribute 15% of the global GDP by 2050.[9]

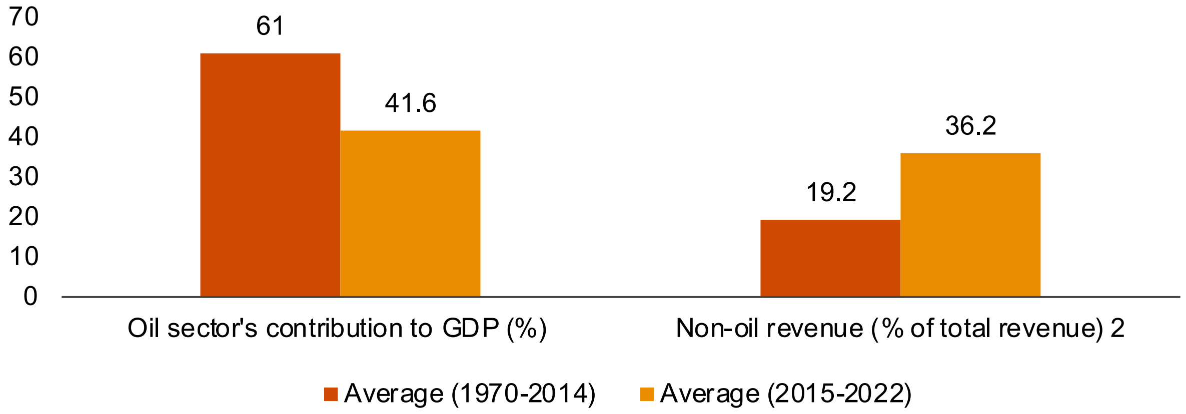
Middle East: Diversifying beyond oil

Traditionally known for its oil endowments, the Middle East is undergoing an unprecedented economic transformation. Countries like Saudi Arabia have rolled out ambitious plans like 'Vision 2030', aiming to diversify the economy by reducing its current reliance on oil and promoting other sectors such as entertainment, tourism and finance. The UAE has already turned its focus towards becoming a knowledge-based economy, prioritising sectors like FinTech, e-commerce, biotech, entertainment and culture, tourism and aerospace.

Countries which are a part of IMEC have already started making strides towards achieving their diversification targets. For instance, there has been a steady and observable growth in the share of non-oil GDP in Saudi Arabia. Non-oil economic activity has, in fact, been among the factors pushing it towards an economic transformation. Even though the oil sector is the main source of state revenue and the main engine of the economy, its share as percentage of GDP and total revenues is reducing.

IMEC could help the Middle Eastern countries in their economic diversification targets through the development of high-quality transportation and logistics infrastructure. This could position the IMEC region as a bridge between the West and the East both geographically and economically.

Figure 3: Oil vs. non-oil activity in Saudi Arabia highlighting the country's steady shift towards becoming a diversified economy



Source: https://mep.gov.sa/files/en/KnowledgeBase/EconomicReports/Documents/State%20of%20the%20Economy%202022%20EN.pdf#:~:text=This%20initiative%20resulted%20in%20an%20increase%20in,during%20the%20period%20from%201970%20to%202014.&text=The%20oil%20sector%20still%20accounts%20for%20nearly,and%20about%2070%%20of%20its%20export%20earnings.

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7 The Economic Times (2023). 'India's per capita income seen growing nearly 70% to USD 4,000 by FY30' (https://economictimes.indiatimes.com/news/economy/indicators/per-capita-income-seen-growing-nearly-70-to-usd-4000-by-fy30/articleshow/102249069.cms?from=mdr).

8 Fortune India (2019). '$2k per capita GDP to drive growth in consumption' (https://www.fortuneindia.com/macro/2k-per-capita-gdp-to-drive-growth-in-consumption/102851#:~:text=According%20to%20industry%20experts%2C%20$2%2C000%20per%20capita,which%20saw%20an%20exponential%20growth%20since%202006).&text=%E2%80%9CAt%20a%20$2%2C000%20per%20capita%20income%20level%2C,spends%20or%20disposable%20income%20rises%2C%E2%80%9D%20said%20Dalal.).

9 PwC (2017). 'The Long View - How will the global economic order change by 2050?' (https://www.pwc.com/gx/en/research-insights/economy/the-world-in-2050.html).

Europe: Embracing green and digital transitions

Europe's economic vision is characterised by the strategic focus on greening and digitisation. The European Green Deal aims to make the continent climate-neutral by 2050.[10] Significant investments are being made in green technologies, sustainable transport and clean energy along with adopting digital transformation to bolster digital infrastructure, cybersecurity and the Digital Single Market (DSM).

Focal cities and their role in IMEC

The following focal cities along IMEC's route could play a vital role in fostering regional and global trade connectivity.

IMEC will connect major cities of the participating nations. Since these cities are also the economic hubs of the respective countries, the corridor could play a vital role in enhancing the collaboration between these countries as well as improving overall global trade. Some of the cities which will be connected by IMEC are:

Mumbai: India's financial capital is well-positioned to be the country's maritime gateway for IMEC with the Mumbai Port and Jawaharlal Nehru Port. Mumbai's connectivity with global business hubs makes it suitable for facilitating world trade. The city's financial and commercial sectors could further enhance its role within IMEC by providing the necessary economic support and business environment for developing strong trade relations.

Dubai: Dubai serves as a critical nexus in IMEC with Jebel Ali Port being among the largest and busiest ports in the world. [11] The city's diverse economy and strategic location facilitates a seamless flow of goods, services and investments as it connects Asia with Europe and Africa.

Riyadh: As the capital city of Saudi Arabia, Riyadh is at the forefront of the country's economic diversification efforts and aims to reduce the dependence on oil and foster a dynamic business environment. Its strategic position enhances trade flows within the Middle East, further contributing to the overall connectivity of IMEC.

Piraeus: Though several European cities will contribute towards the trade which will be facilitated by IMEC, Piraeus, Greece, will be a major landing destination for IMEC in Europe. Its location provides direct access to the Mediterranean Sea and many European markets which helps the port in facilitating trade between Europe, Asia and the Middle East.

10 https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal_en
11 Atlas Magazine (2023). 'Ranking of major ports in 2022' (https://www.atlas-mag.net/en/category/tags/focus/ranking-of-major-ports-in-2022).

2. Investments and trade policies

Enhancing cross-border trade between India, the Middle East and Europe, through integrated and swifter global supply chain solutions, is among the primary objectives of IMEC.[12] Estimates indicated that IMEC can potentially make India-Europe cargo flows significantly faster – a 40% improvement in transit according to anecdotal estimates.[13] Therefore, expanding access to European markets via the Greek ports (also to be part of IMEC) is among the key objectives of the corridor. [14]

Broadened access to EU markets via Greek ports is a key objective of IMEC.

To fully realise the benefits of the development of **a consolidated trade route** which could **reduce trade costs**, **promote market access** and **encourage investment opportunities** between participating countries, it is important to understand the current and future trade engagements of the participating nations.

Current trade landscape of IMEC countries

IMEC's participating countries, other than India, can be grouped into two broad groups – the Gulf Cooperation Council (GCC) countries[15] and the EU. The trade profiles of these entities have been examined in this section.

GCC countries

With its abundant energy resources and strategic location, the GCC region has seen increasing levels of trade since the late 1990s. Further, the GCC's trade in goods and services grew at an average real rate of 7.5%, almost twice that of the real GDP growth, compared with the global averages of 4.8% and 3.8%, respectively. [16]

Between 2003 and 2008, there was a marked growth in oil export receipts due to the global rise in oil prices, which, in turn, catalysed substantial growth of goods and services imports. While in the aftermath of the global financial crisis of 2008 the growth of oil trade has been impacted, it has now recovered.

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[12] Mathias, A. (2023). 'G20 unveils plan for IMEC trade corridor to rival China's BRI', The Loadstar (October 9, 2023). (https://theloadstar.com/g20-unveils-plan-for-imec-trade-corridor-to-rival-chinas-bri/)

[13] Ibid.

[14] Gilani, I. (2023). 'India-Middle East-Europe Economic Corridor: A passage of possibilities', Frontline (October 5, 2023). (https://frontline.thehindu.com/world-affairs/how-the-india-middle-east-europe-economic-corridor-opens-up-a-passage-of-possibilities/article67344064.ece)

[15] The **Gulf Cooperation Council (GCC)** has six member nations, namely Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

[16] International Monetary Fund (2018). 'Trade and Foreign Investment—Keys to Diversification and Growth in the GCC'.

Many GCC nations witnessed weakened hydrocarbon activity and stronger non-hydrocarbon activity in 2023.

The share of non-oil sectors in the GCC countries' GDP was 71.2% in 2023.[17] The region's increasing economic diversification can also be observed by the increase of non-hydrocarbon exports in recent years, where limited transition from raw materials to intermediate goods has been observed as well. Non-oil exports (including re-exports) increased from 16% of non-oil GDP in 2000 to 32% in 2017.[18] More recently, non-oil exports for the GCC countries grew by 47.2% in 2023 as compared to 2020 levels.[19]

Growth in non-oil trade has remained mostly limited to capital-intensive downstream industries like refined hydrocarbons, petrochemicals, and aluminium which are leveraging regional competitive advantages stemming from ample hydrocarbon access and subsidised energy.

Services play an increasingly important role in the GCC countries' trade.

Per-capita service exports in the GCC nations nearly doubled between 2005 and 2019 increasing from nearly USD 2,100 to about USD 4,000. [20] Between 2000 and 2017, the increase in **share of service imports**, has seen a more gradual 3% increase, from **20 to 23% of non-oil GDP**. [21]

Imports consistently exceed non-oil exports in GCC countries.

When assessing trade, it can be observed that the GCC nations continue to rely on imports for both investment and consumption needs. Key imports typically include machinery and transport equipment (34%), manufactured goods and articles (24%) and food (9%).[22]

17 Statistical Centre for the Cooperation Council for the Arab Countries of the Gulf (GCCSTAT) (2024). 'Annual Report, Features and prospects of economic performance in the GCC for the Arab States of the Gulf 2023' (https://gccstat.org/images/gccstat/docman/publications/GCC%20English%2014oct.pdf).

18 International Monetary Fund (2018). 'Trade and Foreign Investment—Keys to Diversification and Growth in the GCC'.

19 https://gccstat.org/en/statistic/economic

20 https://www.elibrary.imf.org/view/journals/007/2024/066/article-A001-en.xml

21 International Monetary Fund (2018). 'Trade and Foreign Investment—Keys to Diversification and Growth in the GCC'.

22 Ibid.

The EU

The EU has a GDP of approximately EUR 17 trillion[23] and boasts an open market which places it at an advantageous position in the global trading system. In 2022, for instance, the EU ranked second among the largest exporters and importers of goods globally, with extra-EU trade making up 13.2% and 14.8% of global exports and imports, respectively.[24]

In terms of balance of trade, the value of goods exported from the EU has increased at a quicker pace than goods imported into the EU since the 2000s. In 2020, however, both import and export levels recorded a decline primarily due to the COVID-19 pandemic. However, it recovered in 2022, with export values reaching EUR 2,570 billion and import values reaching EUR 3,006 billion.[25]

The bulk of the EU's trade takes the form of intra-EU trade flows.

The growth in the value of external trade has not been able to translate into substantial growth in the share of the EU's total trade flows. This can be observed as the value of extra-EU trade in goods was a meagre one-sixth of the value of intra-EU trade in goods in 2023.[26] In recent years, there has been a notable realignment of the EU's trading relationships with a shift in bilateral trading ties towards emerging economies.

The EU's bilateral trading relationships are shifting towards emerging economies.

In 2020, EU-China trade relations grew substantially with China emerging as the EU's main trading partner in goods, with an overall share of 16.2% in 2021, compared with the US's 14.7%.[27] In 2023, too, China was an important trade partner for the EU for imported goods, with Chinese imports more than doubling since 2002 at 20.5% of total imports.[28] Other key import partners include the US, the United Kingdom (UK), Norway, Turkey and the Republic of Korea.[29]

Since the UK ceased to be an EU member state, it has become a key trade partner for goods for the EU. In 2023, the UK was the second-most important destination for EU goods with a 13% share in total exports.[30] In 2023, principal destinations for the EU's goods exports included the US, the UK, China and Switzerland. Overall, growth in the value of goods imported from China saw the most rapid growth while the value of imports from the UAE, India, Egypt, Nigeria, Mexico, Turkey, Ukraine, Norway, Saudi Arabia, Morocco, the Republic of Korea, Russia and Brazil also grew strongly. [31]

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23 https://european-union.europa.eu/principles-countries-history/facts-and-figures-european-union_en

24 Eurostat (2024). 'International trade in goods for the EU - an overview' (https://ec.europa.eu/eurostat/statistics-explained/index.php?title=International_trade_in_goods_for_the_EU_-_an_overview#:~:text=Extra%2DEU%20imports%20decreased%20in%202023%2C%20after%20strong%20increases%20in%202021%20and%202022%20.&text=The%20EU%20is%20one%20of%20the%20world's,global%20exports%20and%2014.8%%20of%20global%20imports.).

25 Ibid.

26 Ibid.

27 European Parliament (2023). 'The European Union and its trade partners', Fact Sheets on The European Union. (https://www.europarl.europa.eu/factsheets/en/sheet/160/the-european-union-and-its-trade-partners)

28 https://ec.europa.eu/eurostat/statistics-explained/index.php?title=International_trade_in_goods_by_partner#:~:text=On%20the%20import%20side%2C%20the,%25%20(see%20Figure%202).

29 Eurostat (2024). 'International trade in goods by partner'. (https://ec.europa.eu/eurostat/statistics-explained/index.php?title=International_trade_in_goods_by_partner#:~:text=In%202023%2C%20the%204%20principal,goods%20exported%20by%20the%20EU.)

30 European Parliament (2023). 'The European Union and its trade partners', Fact Sheets on The European Union. (https://www.europarl.europa.eu/factsheets/en/sheet/160/the-european-union-and-its-trade-partners)

31 European Parliament (2023). 'The European Union and its trade partners', Fact Sheets on The European Union. (https://www.europarl.europa.eu/factsheets/en/sheet/160/the-european-union-and-its-trade-partners)

While the COVID-19 pandemic reduced international trade in goods, recent geopolitical conflicts have also impacted the EU, with repercussions on energy and food markets. With regard to trade in services, in 2023, EU countries exported EUR 1,427 billion worth of services to countries outside of the EU (+2% compared with 2022). Leading trade partners for international exports of services were the US (22% of extra-EU exports) and the UK (20%).[32]

India

India's exports, valued at USD 17,865 million in 1990-91, rose significantly by 2000 reaching USD 44,076 million.[33] From the 2000s to the early 2010s, the Indian economy gained momentum, having achieved and sustained an annual GDP growth rate of over 7%. International trade continued to play a key role in increasing the nation's GDP through increased exports and imports. Between 2015–16 and 2020–21, India's export levels, have grown from USD 416.60 billion to USD 497.90 billion.[34] With its large labour supply and a strong agricultural sector, India has immense export potential. Some of the largest Indian exports include basmati and non-basmati rice while wheat with cereals constitute almost 3% of overall exports.[35]

In 2023-24, India achieved its highest export figures at USD 778.21 billion.

Today, India exports a total of 4,437 products to 220 countries including the participating nations. The country's import basket, meanwhile, consists of 4,342 products, imported from 208 countries.[36] In 2023–24, India's exports saw a historic rise, reaching USD 778.21 billion.[37] Key trade partners during this period were the US, the UAE, Germany and China.

Within India's exports, the services sector has contributed significantly. Between 2005 to 2023, India's share in the export of global services exports more than doubled from 1.9% to 4.3%.[38] While the COVID-19 pandemic had a significant impact on the sector, it has now recovered with merchandise exports accounting for USD 437.10 billion and services exports accounting for USD 341.11 billion in 2023-24.[39]

In terms of imports, while in 2010–11, imports were valued at USD 450.32 billion, by 2020–21, they were at USD 511.96 billion. More recently, merchandise imports fell between 2023–24 and 2022–23, USD 715.97 billion to USD 677.24 billion.[40] Table 1 provides an overview of the import trade between the three main blocs forming IMEC.

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32 Eurostat (2025). 'EU services exports reach €1 427 billion in 2023' (https://ec.europa.eu/eurostat/web/products-eurostat-news/w/ddn-20250130-1#:~:text=Leading%20trade%20partners%20in%202023,%E2%82%AC154%20billion;%2011%25).&text=The%20United%20States%20was%20the,%E2%82%AC91%20billion%2C%207%25).).

33 Press Information Bureau (Govt. of India). 'Indian Trade Statistics – 1991-92 TO 2002-03' (https://archive.pib.gov.in/release02/lyr2003/rapr2003/28042003/r2804200335.html).

34 Press Information Bureau (Govt. of India). 'Data Of Imports And Exports' https://pib.gov.in/Pressreleaseshare.aspx?PRID=1806618).

35 Press Information Bureau (Government of India) (2023). 'Aatmanirbhar Bharat: Making India An Economic Superpower - India Achieves its Highest Ever Overall Exports of USD 776 Billion' (https://static.pib.gov.in/WriteReadData/specificdocs/documents/2023/jun/doc202362208201.pdf).

36 World Integrated Trade Solution (WITS). 'India Trade' (https://wits.worldbank.org/CountrySnapshot/en/IND/textview).

37 Press Information Bureau (Government of India) (2023). 'India's Exports Reach Historic Heights' (https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2098447#:~:text=The%20growth%20reflects%20India's%20expanding,demonstrating%20a%20well%2Dbalanced%20expansion.)

38 Press Information Bureau (Govt. of India). 'India's Exports Grow By 6 Percent As Both Merchandise And Services Exports Overcome Global Headwinds, Global Competition And Rising Protectionism: Economic Survey 2024-25' (https://pib.gov.in/PressReleasePage.aspx?PRID=2097911#:~:text=Services%20exports%20from%20India%20have,software%20development%2C%20and%20digital%20services.).

39 Press Information Bureau (Govt. of India) 'India's Exports Reach Historic Heights' (https://pib.gov.in/PressReleasePage.aspx?PRID=2098447#:~:text=India's%20exports%20have%20seen%20a,both%20merchandise%20and%20services%20exports.).

40 Press Information Bureau (Govt. of India) 'Despite persistent global challenges, overall exports (merchandise + services) estimated to surpass last year's highest record. It is estimated to reach USD 776.68 Billion in FY 2023-24 as compared to USD 776.40 Billion in FY 2022-23.' (https://pib.gov.in/PressReleseDetailm.aspx?PRID=2017942&reg=3&lang=1)

Table 1: Trade flows in 2023 (in USD billion)

Exporting region	Importing region		
	India	EU	GCC
India	—	73.94	56.3
EU	55.09	—	102.9
GCC	105.3	83.7	—

Sources:
India-GCC Trade: https://www.eoiriyadh.gov.in/page/india-gcc-relations/
India-EU Trade: https://indianembassybrussels.gov.in/pdf/Bilateral%20Trade-statistics-2024.pdf
GCC-EU Trade: https://www.fm.gov.om/gulf-european-summit-present-and-future/

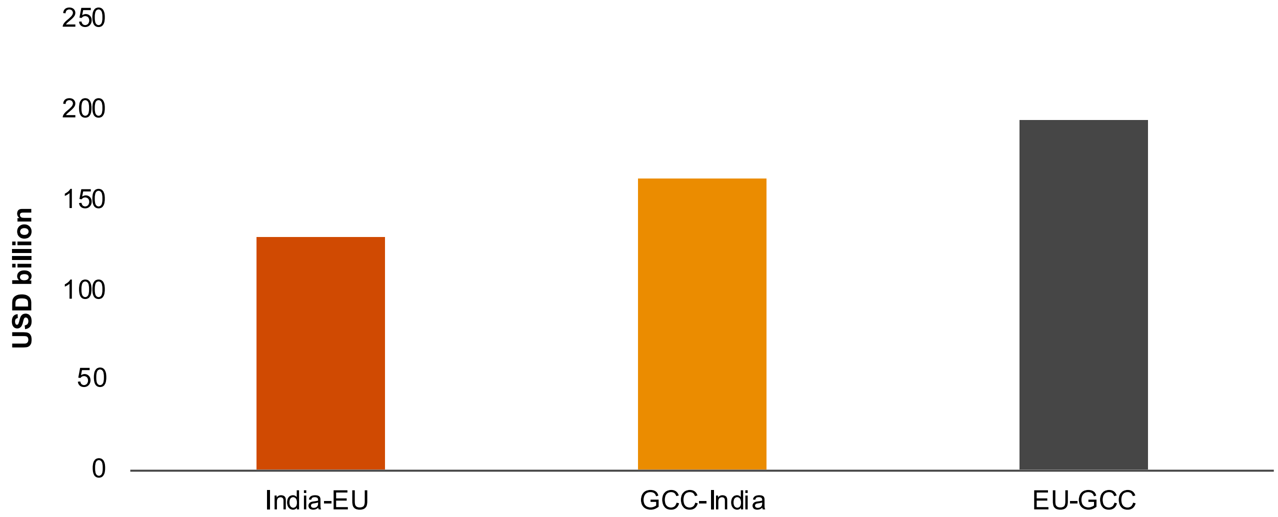
Within the GCC countries, trade flows are strongest with the UAE and Saudi Arabia for IMEC nations. For instance, the UAE ranks as India's third-largest trading partner and second largest export destination, with exports over USD 35.62 billion in FY 2023-24.[41] The EU's imports, on the other hand, accounted for 19.1% of all total imports to Saudi Arabia in 2023.[42]

India's export to the GCC nations comprises commodities such as mineral products, metals, machinery, precious metals, footwear and headwear. It is also an important market for food and animal and plant by-products exported from India. GCC nations' exports to India includes crude petroleum, petroleum gas, diamonds and gold.[43]

The EU's imports from the GCC countries such as Saudi Arabia include chemical products, plastics, rubber, and pearls and precious metals.[44] These countries are also important markets for EU's agricultural exports.[45] Figure 4 depicts the bilateral trade between IMEC member countries.

41 Embassy of India – Abu Dhabi, United Arab Emirates. 'Bilateral Economic & Commercial Relations' (https://www.indembassyuae.gov.in/bilateral-eco-com-relation.php).
42 European Commission (2024). 'European Union, Trade in goods with Saudi Arabia' (https://webgate.ec.europa.eu/isdb_results/factsheets/country/details_saudi-arabia_en.pdf).
43 India Briefing (2023). 'India's Trade and Investment Ties with the Gulf Cooperation Council (GCC)' (https://www.india-briefing.com/news/india-gcc-trade-and-investment-trends-25746.html/).
44 European Commission (2024). 'European Union, Trade in goods with Saudi Arabia' (https://webgate.ec.europa.eu/isdb_results/factsheets/country/details_saudi-arabia_en.pdf).
45 European Commission. 'Middle East – Gulf countries' in Agriculture and Rural Development (https://agriculture.ec.europa.eu/international/agricultural-trade/bilateral-agreements/middle-east-gulf-countries_en#:~:text=The%20import%20side%20is%20dominated%20by:%20*,human%20consumption)%20*%20fresh%20or%20dried%20fruits.).

Figure 4: Trade between IMEC countries in 2023 (in USD billion)



Source:
EU- India Trade: https://indianembassybrussels.gov.in/pdf/Bilateral%20Trade-statistics-2024.pdf
GCC-India Trade: https://www.eoiriyadh.gov.in/page/india-gcc-relations/#:~:text=India's%20economic%20linkages%20with%20the%20GCC%20have,105.3%20billion%20in%20FY%202023%2D24%20(Source:%20DGFT).
EU-GCC Trade: https://www.consilium.europa.eu/en/infographics/eu-gcc-trade/#:~:text=EU%20%E2%80%93%20Gulf%20Cooperation%20Council%20trade,total%20trade%20outside%20the%20region

The GCC countries are among the key trading partners for both the EU and India and contribute to about one-sixth of India's total trade.[46] In the case of the EU and India, the EU is among the top ten of India's trade partners.[47]

[46] PRS India. 'Standing Committee Report Summary - India and Gulf Cooperation Council' (https://prsindia.org/policy/report-summaries/india-and-gulf-cooperation-council).

[47] Press Information Bureau (Govt. of India) (2024). 'Interaction of Commerce and Industry Minister Shri Piyush Goyal with Ambassadors of the European Commission Delegation and member States of the European Union(EU)' (https://pib.gov.in/PressReleasePage.aspx?PRID=2083565#:~:text=India's%20bilateral%20trade%20in%20goods,estimated%20at%20US$%2051.45%20billion.).

Intra-IMEC trade pacts: Enhancing market access

Since significant trade relations already exist between India, the GCC nations, and the EU member states, IMEC could further enhance trade and present various opportunities for integrated industrial development.

Total GCC-India trade grew to USD 161.59 billion in 2023.

Total bilateral trade between India and the GCC nations grew from USD 145.72 billion in 2011–12[48] to USD 161.59 billion in 2023.[49] This growth over a relatively short period of time is partly due to the increased efforts to enhance trade relationships which were undertaken during this period by both sides.

Similarly, among the three participating nations from the EU, France imported a total of 4,547 products from 231 countries and exported 4.503 products to 227 countries[50] with Germany and Italy being key trading partners. Of the remaining two EU member states, Italy imported 4,528 products from 217 trading partners[51] and Germany's import basket comprised 4,501 products from 226 nations.[52] Some of the major agreements/policies which could impact the trade relations between the participating nations are:

India and the GCC countries

Considering the importance of existing trade ties, the UAE and India signed a **Comprehensive Economic Partnership Agreement** (CEPA) in 2022 to strengthen trade outcomes. As part of the CEPA, the UAE is expected to abolish duties on 80% of its tariff lines that currently make up 90% of India's exports to the UAE by value. It is expected that the removal of these tariffs will result in bilateral goods trade worth USD 100 billion between the two by 2030. [53] Some domestic sectors which will benefit from the move are **textiles, leather, footwear, gems and jewellery, engineering goods, sports goods, automobiles and pharmaceuticals**.

India and the UAE are also a part of the **I2U2 (India-Israel-US-UAE) economic framework.** As a part of this framework, the UAE has already announced that it will be investing USD 2 billion to promote the development of integrated food parks in India. [54] While India has had historic trade ties with Saudi Arabia, the Delhi Declaration of 2006 marked a key milestone in reinvigorating trade and diplomatic ties between the two nations. In 2010, the Riyadh Declaration (2010) was signed during India's then-Prime Minister's visit to Saudi Arabia. In the declaration, both sides agreed to foster cultural cooperation as well as to carry out joint research.[55] In 2016, a joint statement was issued by both countries where the two sides agreed to deepen their energy sector partnership as well as in agreeing to joint investment in a petrochemical complex. [56]

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48 Ministry of External Affairs (Govt. of India). 'Gulf Cooperation Council (GCC)' (https://www.mea.gov.in/Portal/ForeignRelation/Gulf_Cooperation_Council_MEA_Website.pdf).

49 Embassy of India, Riyadh – Saudi Arabia. 'India-GCC relations' (https://www.eoiriyadh.gov.in/page/india-gcc-relations/#:~:text=India's%20economic%20linkages%20with%20the%20GCC%20have,105.3%20billion%20in%20FY%202023%2D24%20(Source:%20DGFT)).

50 World Integrated Trade Solution (WITS). 'France Trade Summary 2021 Data' (https://wits.worldbank.org/CountryProfile/en/Country/FRA/Year/LTST/Summary).

51 Embassy of India, Riyadh – Saudi Arabia. 'India-GCC relations' (https://www.eoiriyadh.gov.in/page/india-gcc-relations/#:~:text=India's%20economic%20linkages%20with%20the%20GCC%20have,105.3%20billion%20in%20FY%202023%2D24%20(Source:%20DGFT)).

52 World Integrated Trade Solution (WITS). 'Germany Trade Summary 2021 Data' (https://wits.worldbank.org/CountryProfile/en/Country/DEU/Year/2021/Summary).

53 Press Information Bureau (Govt. of India) (2025). 'India-UAE Comprehensive Economic Partnership Agreement completes 3 years of signing' (https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2104450#:~:text=CEPA%20has%20been%20successful%20in, 100%20 billion%20level%20by%202030.).

54 Economic Times (2024). 'UAE to set up food processing facilities with USD 2 billion in India: Piyush Goyal' (https://government.economictimes.indiatimes.com/news/economy/uae-to-set-up-food-processing-facilities-with-usd-2-billion-in-india-piyush-goyal/114035753).

55 Indian Express (2010). 'Finally, in Riyadh' (https://indianexpress.com/article/news-archive/web/finally-in-riyadh/?ref=archive_pg).

56 NDTV (2010). 'India, Saudi Arabia Vow To Boost Trade Ties, Invest In Oil Drilling' (https://www.ndtv.com/india-news/india-saudi-arabia-vow-to-boost-trade-ties-invest-in-oil-drilling-1326246).

While forging trade ties, the Indian Government has also simultaneously implemented various flagship initiatives including Make in India, Digital India, Smart City project, Start Up India, and Skill India. In doing so, it has cemented its position as a lucrative investment destination. Policies such as the liberalisation of foreign direct investment (FDI) norms in critical sectors and the implementation of the Good and Service Tax (GST) have also been implemented.

Saudi Arabia launched its 'Vision 2030', a framework which includes enhanced investment in non-oil sectors including manufacturing, infrastructure, renewable energy, tourism and logistics. This could open up several avenues for Indian companies to invest in.[57]

Another key milestone in the bilateral ties between the two nations has come in the form of the **Bilateral Promotion and Protection of Investment** (BIPA) and **Agreements on Avoidance of Double Taxation and Prevention of Tax Evasion** (DTAA) which have paved the way for mutually beneficial reciprocal investment.[58]

The two nations will also collaborate on a 'start-up bridge', which entails enhanced investment promotion initiatives by both nations. As a part of this, 53 memorandums of understanding (MoUs) worth USD 3.5 billion were signed between the two in late 2023. Focus sectors for both nations would be renewables, manufacturing, technology, manufacturing, telecom, food and defence.[59]

Thus, currently, Indian policies focus on providing a stable policy climate which promotes the growth of various industries. There is a conscious dovetailing of central and state government measures to this end. India also remains a **competitive manufacturing destination** due to its competitive manufacturing wage rates. Coupled with this is an emphatic move to bridge infrastructure gaps across the country for which programmes such as Bharatmala, Sagarmala, and PM GatiShakti have been rolled out. These will catalyse improvements in capital productivity which can enhance the country's services for export markets such as the GCC countries.

India and the EU

The EU is one of India's primary trade partnerssince 2004. With the EU and India negotiating a **free trade agreement** (FTA), an **investment protection agreement,** and an **agreement on geographical indications** (GIs), the trade between the two is set to grow further. In order to further deepen the trade relations between the two countries, removal of market access barriers in India and overall policy harmonisation will be needed.

If an FTA is signed between India and the EU, the ensuing liberalisation of goods and services trade could lead an improvement in bilateral trade. Projections indicate that EU exports into India could increase by about 52-56% and Indian imports to the EU would rise by 33-35%.[60]

Increased collaboration in the field of technology and trade of goods including automotive, wine and spirits and dairy products, as well as the liberalisation of services, including legal and accounting services, and access to Indian public procurement can help realise the untapped potential of EU-India trade flows.[61]

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57 The Hindu (2024). ''Saudi Arabia's Vision 2030 to create vast opportunities for Indian companies'' (https://www.thehindu.com/business/saudi-arabias-vision-2030-to-create-vast-opportunities-for-indian-companies/article69001456.ece).

58 CNBC TV 18 (2023). 'Startup Bridge: India and Saudi Arabia seal $3.5 billion deal with 53 MoUs' (https://www.cnbctv18.com/business/startup-bridge-india-saudi-arabia-usd-35-billion-deal-with-53-mous-17779001.htm).

59 Trade Promotion Council of India (2023). 'India & Saudi Arabia to amp up bilateral relations' (https://www.tpci.in/indiabusinesstrade/blogs/india-saudi-arabia-to-amp-up-bilateral-relations/).

60 European Parliamentary Research Service (2024). 'EU-India free trade agreement' (https://www.europarl.europa.eu/RegData/etudes/BRIE/2024/757588/EPRS_BRI(2024)757588_EN.pdf).

61 European Parliamentary Research Service (2021). 'EU-India: Trade prospects', EU Parliament. (https://www.europarl.europa.eu/RegData/etudes/ATAG/2020/659270/EPRS_ATA(2020)659270_EN.pdf)

The EU and the GCC countries

The GCC nations represent an important region from the EU’s trade and investment point of view with trade exchange worth EUR 170 million as of 2023.[62] It is also an important **source for**, **and destination of, investments** for the EU member states.

While the EU has trade ties with many nations, it features among the top three trading partners for the GCC.

EU-GCC trade ties are important since the EU is second among all of the GCC's trade partners and accounted for 11.1% of the GCC's total global trade in goods in 2023.[63]

The trade ties of the two sides are hinged around a **Cooperation Agreement** (1988) which facilitates dialogues around trade and investment, macro-economic conditions, energy and climate change, environment and research. Moreover, it also facilitates regular meetings between the EU and individual GCC nations where the discussions are focused on trade and investment-related issues. To bolster this, the two sides launched the **EU-GCC Dialogue on Trade and Investment** in 2017.

Further, to aid economic diversification, which is one of the current priorities of GCC nations, the **EU-GCC Dialogue on Economic Diversification** has been working since 2019 towards the promotion of collaborative partnerships that leverage the experience and expertise of the EU to guide GCC countries in formulating robust strategies of economic diversification.[64] The platform has been successful not only in recognising several **new business opportunities but also areas of EU-GCC economic cooperation**.

62 Italian Institute for International Political Studies (2024). ‘Bridging Regions? EU-GCC Relations on Trade and Infrastructure’ (https://www.ispionline.it/en/publication/bridging-regions-eu-gcc-relations-on-trade-and-infrastructure-187390).

63 European Commission. ‘Gulf region’ (https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/gulf-region_en#:~:text=The%20EU%20is%20the%20GCC's,GCC's%20number%20two%20import%20partner.),

64 https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/gulf-region_en

Infrastructure

The effective and efficient development of infrastructure, especially while dealing with the multi-country and multi-regional trade and economic corridors, is necessary for trade and economic cooperation. Steps should be taken to carry out multi-faceted measures which include integration of physical transport infrastructure and custom procedures, regulation, finance and payment systems and energy grids including gas pipelines. This would not only ensure smooth flow of goods and services but could also enable smooth flow of information which will aid ease of doing business.

However, before carrying out any kind of integration, the assessment and evaluation of existing infrastructure within IMEC is essential to know the existing capacities, future plans including expansion plans and any new developments. This can also help the countries in identifying current gaps and bottlenecks which could increase due to higher volumes trade. This can help Governments to identify future expansion needs and work on it in advance which is crucial for success of any economic corridor.

IMEC is designed to link different countries located in three major regions including India, the GCC countries and the EU for smooth flow of cargo and trade. IMEC starts from India at one end and passes through a number of Gulf and West Asian countries such as the UAE, Saudi Arabia Jordan and culminates in the EU in Greece.

Though these countries already have well developed trade gateways, economic corridors such as IMEC may yield higher trade volumes which would require modern infrastructure such as ports with good hinterland connectivity with high-capacity rail and road, and inter-connected energy grid including digital and financial infrastructure. Integration of multi modes of transportation is also necessary for smooth flow of goods and trade.

Figure 5: The India–Middle East–Europe Economic Corridor (IMEC)

Source: PwC analysis

For such economic corridors to operate seamlessly, it is important to review the infrastructure in regions which will be on IMEC's route. Additionally, upcoming infrastructure services and facilities which have been planned by the governments of IMEC's participating countries should also be assessed. This can provide a complete understanding on the present and future gaps in infrastructure and supply chain which may require the attention of the participating nations.

India and IMEC

India is the fifth-largest economy in the world.[65] The location of the country is also suitable since it is not only connected to emerging markets in West Africa but also to Southeast Asian countries. India has also entered various economic partnerships and, in the last year, the Government has also focused on improving the physical infrastructure of the country including rail and road. Government's focus on multi-modality is expected to further improve the flow of goods from manufacturing to consumption centres. This could not only increase the reliability and effectiveness in overall supply chain but could also reduce the overall logistics cost making the Indian goods cost competitive. Table 2 presents an overview of key trade gateways which could further aid the success of IMEC.

Table 2: Key trade gateways for IMEC in India

Status	Ports	Rail	Land connectivity	Energy connectivity
Existing	Multiple ports on the west coast including Jawaharlal Nehru, Mumbai, and Mundra port, Gujarat.	Dedicated freight corridor (DFC) by Indian Railways already connects major industrial centers/corridors and major ports on western coast of Indian including JNPA.	All major industrial centres and Indian ports are well connected with a good quality national highways.	The country has an extensive network of gas pipeline to transport gas directly to the hinterlands, both on ports located on the Western coast as well as the Eastern coast.
Upcoming/ under implementation	Vadhavan is a proposed deep water container port on western coast.[66]	The Ministry of Ports, Shipping and Waterways (MoPSW) has initiated a series of port-rail connectivity projects in collaboration with the Indian Railways, major ports and maritime boards.	A six-lane access-controlled greenfield high-speed national highway is approved by Indian Government to connect JNPA.[67]	1. The government is already working on a number of major gas pipelines projects such as the Kandla-Gorakhpur LPG pipelines.[68] 2. The government has launched Green Hydrogen Mission to make the Country a global hydrogen hub.[69]

65 https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2004770
66 https://www.jnport.gov.in/page/vadhvan-port/Yk83c1pmQUZsRHB3Y2VnNFRGelRkUT09
67 https://pib.gov.in/PressReleasePage.aspx?PRID=2112781#:~:text=The%20Cabinet%20Committee%20on%20Economic,(29.219%20km)%20in%20Maharashtra.
68 https://www.ihbl.in/kandla-gorakhpur-pipeline
69 https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2039091

Middle Eastern countries and Israel: Strategic location and infrastructure

The Middle East is strategically located on important trade and business routes. The region itself has some of the largest oil producing countries making it a one of the most important players in global trade and economic activities. In recent years, countries like Saudi Arabia and UAE are investing heavily to diversify their economies. Further, these countries are taking steps to upgrade their physical infrastructure like rail, road and gas pipelines which is likely to aid smooth flow of goods and services. Port like Jebel Ali, which is also on IMEC's route, is an important part of the global trade route and connects eastern countries to the West. Al Ghuwaifat and Al Haditha land ports in Saudi Arabia-UAE and Saudi Arabia-Jordan borders play an important role in cargo flow. Table 3 presents important existing trade gateways in the Middle East and West Asia including upcoming important infrastructure gateways:

Table 3: Important trade gateways for IMEC in the Middle East

Status	Ports	Rail	Land connectivity	Energy connectivity
Existing	Key ports of the eastern coast including Jebel Ali, Dubai, and Khalifa port, Abu Dhabi.	Jebel Ali port is connected through Etihad rail	1. Al Ghuwaifat border crossing (UAE and Saudi Arabia) 2. Al Hadithah border (Saudi Arabia and Jordan) 3. Jordan River Crossing (Sheikh Hussein Bridge) – Jordan and Israel 4. UAE-Israel land corridor	The region has a number of gas pipelines to transport gas to various destinations in the regional as well international locations.
Upcoming/ under implementation	Capacity expansion in Jebel Ali Port	Landbridge project is under implementation to connect the Red Sea and the Arabian Gulf.[70]		1. A number of gas pipeline projects is proposed in the region to facilitate gas trade. These includes EastMed Pipeline to transport gas to Greece and other European Countries. 2. In the Middle East, several green hydrogen production projects are proposed

70 https://www.railwaygazette.com/infrastructure/saudi-landbridge-to-go-ahead-as-state-project/36339.article

EU's strategic significance in IMEC

EU is an important player in international trade and commerce. It not only exports huge quantity of manufactured goods but is also a major import market for many countries including India and the Middle East. With the customs barrier removed among EU's countries, goods and services can be freely moved among the member countries. Port of Piraeus which is on IMEC and is connected to Haifa Port through shipping lines can play an important role in its success. Table 4 presents an overview of important gateways in EU, current and planned, which are linked to IMEC.

Table 4: An overview of important gateways for IMEC in EU

Status	Ports	Rail	Land connectivity	Energy connectivity
Existing	Piraeus port (Greece)	The port of Piraeus is provided with rail connectivity to rest of inland locations in EU.	Port of Piraeus is also well connected with road transportation.	Number of gas pipeline projects are operational such as Trans-Adriatic Pipeline (TAP),[71] Gas Interconnector Greece-Bulgaria.[72]
Upcoming/ under implementation	-	Greece is part of Trans-European Transport Network (TEN-T)[73] which is a planned network of rail, road, air and water infrastructure in European Union.		1. As a member of the EU, Greece is a part of TEN-E initiative[74] which seeks to develop and link energy networks throughout the EU. 2. Gas pipeline projects such as EastMed Pipeline (connects Israel offshore gas fields) have been proposed.

[71] https://www.tap-ag.com/
[72] https://www.icgb.eu/about/
[73] https://transport.ec.europa.eu/transport-themes/infrastructure-and-investment/trans-european-transport-network-ten-t_en
[74] https://energy.ec.europa.eu/infrastructure/trans-european-networks-energy_en

Infrastructure strategies for enhancing connectivity along IMEC's route

Integrating the infrastructure is essential for the smooth operations of a corridor like IMEC as it can facilitate smooth trade flow and enhance inter-regional economic integration. Various aspects of physical infrastructure like rail, road, pipelines and energy grids along with integration of digital systems and payments should be considered along with concentrated and coordinated efforts across sectors such as infrastructure, financial and regulatory services.

Transport infrastructure:

IMEC is a multimodal trade corridor which would require efficient rail and road infrastructure along with effective maritime transportation infrastructure with modern equipment. It is important to focus on ports and land-based infrastructure especially in the Middle East. Further, these diverse infrastructure facilities and services could be integrated to reduce the delays associated with transition from one mode to another. Multimodal logistics parks can be established near major ports on IMEC corridor to reduce time delays and reduce logistics cost. Additionally, ports and multi-modal logistics parks should implement digital initiatives to ensure real-time tracking and management of containers which could increase the overall efficiency of supply chain.

Regulatory and customs connectivity:

Regulatory delays due to the diverse rules and regulations related to trade and customs in different countries could become an impediment in the smooth operations of international trade. To mitigate this problem, IMEC countries must streamline and integrate rules, regulations and customs processes. Efforts should be made to conduct regulatory collaboration among the member countries. India is already working in this direction by initiating a regulatory collaboration with UAE[74] to enhance trade transactions and movement.

[75] https://pib.gov.in/PressReleseDetail.aspx?PRID=2122299&reg=3&lang=1

Digital connectivity:

Incorporating a digital ecosystem is an important step in developing an efficient supply chain. The countries which are a part of IMEC should work towards implementing common digital payment systems which can promote smooth and secure financial transactions. For instance, India's Unified Payments Interface (UPI) is one such digital payments platform which could help in facilitating seamless transactions for trade across various IMEC countries.

Energy transition and connectivity:

Countries like India are diversifying their energy sources and pushing towards gas-based economy. Middle Eastern countries have abundant gas reserves and huge potential of transporting gas to countries like India. Corridors such as IMEC could also increase cross-border clean energy trade through pipelines. Further, many IMEC countries are focusing on increasing the production of green hydrogen. This may present lucrative export options for these countries and require the development of an extensive network of pipelines and other related infrastructure. Other initiatives like establishing electric vehicle charging points on IMEC corridor could promote sustainable trade and business practices among member countries.

3. Building a successful economic corridor

Developing a robust infrastructure which can facilitate seamless trade flow and foster cooperation among participating countries is important for the successful operation of an economic corridor. The four key pillars which participating nations should focus on to enable seamless trade are:

01 **Multimodal transport**

02 **Institutional alignment**

03 **Ease of doing business**

04 **Capital mobilisation**

Multimodal transport

To ensure seamless movement of goods across participating nations, developing an integrated transport network across the different modes of transportation – road, rail and sea – is essential. By investing in transportation infrastructure and supporting technology, Countries could improve connectivity, reduce transit times and enhance the overall efficiency of the transportation network. Some key elements under this pillar include are:

Infrastructure planning: To facilitate seamless cargo movement, it is essential to formulate an integrated regional master plan for transport infrastructure comprising roads, railways and ports. The strategic infrastructure planning should consider existing and projected demands, geographical limitation and economic advantages to establish an efficient and cohesive transport network. The South Asia Subregional Economic Cooperation (SASEC) master plan is an example of this approach. The objective of the plan is to enhance connectivity, deepen economic integration and address common challenges across partnering nations. The plan focuses on developing economic corridors, multimodal transport systems, energy infrastructure and trade channels.[76]

Technological advancements: To enhance the efficiency and reliability of the transportation network, it is important to adopt latest cutting-edge technologies such as intelligent transportation systems, real-time tracking and automated logistics solutions. For instance, Tuas Port in Singapore has deployed automated guided vehicles (AGVs) to efficiently manage containers, thereby improving operational efficiency, reducing turnaround times and enabling precise monitoring of containers and goods.[77]

Integrating logistics: To minimise delays, enhance reliability and optimise utilisation of the available resources, countries should manage and synchronise the various components of the supply chain. Coordination among the multiple logistics modes, storage and warehousing infrastructure and distribution networks would be important to ensure streamlined flow of goods from place of origin to destination in the shortest possible time.

76 Asian Development Bank, Action Plan for SASEC initiatives (2024-26)
77 https://www.mpa.gov.sg/maritime-singapore/port-of-the-future

The following case study describes how a regional SASEC operational plan has been developed to provide a strategic roadmap for the programme, outlining its long-term goals and priorities.

South Asia Subregional Economic Cooperation (SASEC) Master Plan[78]

The South Asia Subregional Economic Cooperation (SASEC) programme is a partnership of seven member countries: Bangladesh, Bhutan, India, Maldives, Myanmar, Nepal, and Sri Lanka. SASEC programme, established in 2001, aims to promote regional prosperity by enhancing economic cooperation and connectivity among its members. The programme focuses on several multimodal areas, including transport, trade facilitation, energy and economic corridor development.

- **Multimodal transport systems:** SASEC programme helps in the integration of road, rail and maritime transport modes for creating efficient logistics chains. This is achieved through developing strategic transport corridors and multimodal hubs to facilitate trade and cargo movement.
- **Cross-border transport and trade facilitation:** The plan emphasises the importance of reliable and efficient cross-border transport infrastructure. It aims to simplify customs procedures, reduce trade barriers between the nations and promote the seamless movement of cargo across borders.
- **Economic corridor development:** It promotes the development of the economic corridors linking the major urban and industrial centres across the member nations. These corridors help to foster regional economic growth by facilitating investment and trade along with efficient transportation of goods.
- **Energy cooperation:** It also focuses on cross-border energy trade for enhancing regional energy stability and sustainability. This involves developing energy infrastructure like transmission lines and pipelines. Through joint projects and shared technological advancements, it promotes investments in renewable energy sources such as solar, wind and hydropower.

78 Source: Asian Development Bank, South Asia Subregional Economic Cooperation Operational Plan, 2016-2025 Update

Institutional alignment

Alignment of governmental and non-governmental institutions is essential to ensure a corridor's success. Governments of the participating countries should develop an environment which helps foster collaboration among the institutions, streamlines regulations and enhances engagement among relevant stakeholders. Some key elements under this pillar include:

Collaborative governance: Due to the complex nature of multi-national corridor projects, managing the development and operations of such corridors is a challenging task. This necessitates the formation of intergovernmental committees or working groups to ensure collaboration among participating nations. This collaborative approach enables all stakeholders to participate in decision-making, express concerns at the earliest and share valuable insights that contribute to the corridor's success. For example, European Integrated Border Management (EIMB) in the Schengen area (Europe) is a centrally positioned border control organisation designed to maintain the security and ensure the smooth functioning of the region without internal border checks. This involves cooperation between Member States and EU agencies for its effective implementation.[79]	**Regulatory frameworks:** To effectively manage cross-border challenges, it is essential to establish a uniform legal and regulatory framework for the participating nations. In order to facilitate the smooth movement of the goods and people across the border, processes need to be streamlined. This can be achieved by harmonising customs, immigration and transportation regulations. For instance, the ASEAN Single Window initiative harmonises customs procedures among its member states, allowing smoother electronic exchange of trade-related documents and improving cross-border trade efficiency.[80]
Capacity building: It is vital to strengthen the institutions involved in corridor management through targeted training and development programmes to enhance economic policy management, improve public administration and boost operational efficiency.	**Stakeholder engagement:** In order to ensure that an economic corridor's development reflects the local needs and priorities, it is essential to involve local communities, private sector entities and international organisations in the planning and decision-making processes. Engaging these stakeholders helps in fostering transparency, building trust and garnering support for the corridor though collaboration.

79 https://home-affairs.ec.europa.eu/policies/schengen/effective-management-external-borders_en
80 https://asean.org/our-communities/economic-community/asean-single-window/

The following case study illustrates how institutional alignment has streamlined the operations of trade in the Greater Mekong Subregion (GMS).

Case study: Strengthening Greater Mekong Subregion (GMS)'s institutional framework[81]

The Greater Mekong Subregion (GMS) is a collaborative initiative that involves six Southeast Asian countries: Cambodia, China (specifically Yunnan Province and the Guangxi Zhuang Autonomous Region), Laos, Myanmar, Thailand and Vietnam.

To promote collaboration and coordination among its member countries, GMS has designed a overarching institutional structure. This structure aims to facilitate regional cooperation and address diverse issues of infrastructure development, trade facilitation, human resource development and environment sustainability. Following are the key components of the structure:

- **GMS Leaders' Summit**: The highest decision-making body, the summit consists of the heads of state/government of the member countries. The objective of the summit is to set strategic directions and policies for regional cooperation.
- **Senior officials' meetings (SOM)**: Meetings among the senior government officials are arranged regularly to discuss and coordinate the implementation of projects under the initiatives. Their key responsibilities include preparing for the ministerial conferences, formulating proposals and managing operational and technical issues.
- **GMS working groups and forums**: These are the sector-specific groups for sectors such as transport, energy, environment, agriculture, tourism and trade. They develop the sectoral strategies, action plans, and ensure their implantation. These groups and forums often involve experts and stakeholders from the region.
- **GMS central secretariat:** The ADB acts as the Secretariat, providing support for the coordination and implementation of GMS activities. It assists in organising meetings, preparing documents and mobilising financial and technical resources.
- **GMS Ministerial Conference**: This conference is attended by ministers from the member countries. The conference reviews progress, endorses new initiatives and provides policy guidance.
- **Regional and national coordinating committees**: These committees help in the implementation of GMS initiatives by ensuring cross-border and national-level coordination. They are composed of relevant national agencies and stakeholders.

[81] Source: Asian Development Bank, Study on strengthening the Greater Mekong Subregion program's institutional framework, 2016

Ease of doing business

A robust, well-defined regulatory environment is prerequisite for trade development to minimise bureaucratic delays, foster faster movement of goods and reduce logistics cost. Some key elements under this pillar include:

Simplifying the regulatory norms: Integration of custom procedures across the participating countries could result in reduction of bureaucratic obstacles and promote smooth and efficient flow of goods and services. For example, Eurotunnel has implemented efficient customs procedures, the Eurotunnel Border Pass, which gives a quick clearance of goods between the UK and mainland Europe. This has resulted in considerable reduction in delays and wastage of time for goods transportation at borders.[82]	**Policy harmonisation:** Synchronisation of regulations and policies across the region is critical to ensure the efficient and timely movement of goods. For example, at the US-Mexico border, Unified Cargo Processing (UCP) system has been implemented which eliminates the need for separate inspections by authority of both countries. This has resulted in reduced wait time and streamlining of process.[83]	**Digital solutions:** Digital platforms for documentation can allow real-time information sharing to enhance transparency and efficiency in supply chains. The port of Rotterdam has introduced blockchain technology to help streamline customs clearance between Netherlands and the UK by reducing manual work, processing time and cost. It also ensures reduction in errors in customs clearances. Another example is the Free and Secure Trade (FAST) programme implemented in US which expedites the clearance of low-risk shipments entering from Canada and Mexico through pre-approval and compliance facilitated by Electronic Data Interchange (EDI) and Pre-Arrival Processing System (PAPS).[84]
Investment climate: Private sector requires a favourable and stable investment climate to invest in infrastructure projects due to the high risk involved in such investments. Intellectual property including trademarks, inventions and original designs should be protected legally. The government of the participating countries should establish swift dispute resolution mechanism to ensure fair trade practices and safeguard investor’s interests.	**Market access:** Market access to new and emerging economies is essential for business to expand. Establishing free trade agreements among countries/regions is an important way to expand business in new territories, foster economic cooperation and enhance competitiveness among partnering countries.	

82 https://www.eurotunnelfreight.com/uk/about/border-requirements/eurotunnel-border-pass/
83 https://www.freightwaves.com/news/us-and-mexico-vow-to-expand-unified-customs-processing-at-border
84 https://www.cbp.gov/travel/trusted-traveler-programs/fast

Capital mobilisation

The success of an economic corridor depends greatly on developing a seamless infrastructure which requires heavy investments and regulatory oversight. Both, public and private sector financing is essential for fulfilling the investment needs in such infrastructure projects. Mechanisms needs to be established to efficiently attract funding from different sources and allocate it efficiently for maximum benefits and returns. There are several funding mechanisms available currently which can be used to attract funding for infrastructure development. Some key elements which can facilitate capital mobilisation are:

Public-private partnerships (PPP): The PPP mechanism is currently used in transport sectors where private financing is secured for the development of public infrastructure. Such collaboration can enable them to leverage the expertise of both the public and private sector.

International funding: International financing institutions can also be an important source for funding related solutions which can not only assist in financing needs but can also bring-in technical expertise. For example, N4 Toll Road project which connects South Africa and Mozambique which was developed through PPP route under Build-Operate-Transfer (BOT) model. The project was developed with USD 660 million funding, with debt financing provided by the Development Bank of South Africa and four other commercial banks.[85]

Financial instruments: Another method of arranging funding for infrastructure development projects can be financial tools such as bonds, guarantees and equity funds. These innovative financial tools can help in attracting financing for large-scale infrastructure projects and also help in managing the risks associated with it. These instruments can provide investors with confidence and flexibility, encouraging more capital inflow into corridor initiatives. For instance, to facilitate greater participation of the private sector in the Trans-European Transport Network (TEN-T) in the European Union, the European Investment Bank (EIB) and European Commission developed the Loan Guarantee Instrument for Trans-European Transport Network Projects (LGTT).[86]

Resource allocation: Efficient allocation of resources involves prioritising projects that offer the highest economic impact and strategic value for the corridor's success. This ensures that investments are directed toward initiatives which maximise benefits, improve connectivity and stimulate economic growth.

[85] https://www.gihub.org/connectivity-across-borders/case-studies/n4-toll-route/
[86] https://ec.europa.eu/ten/transport/financing/doc/2008_01_17_factsheet_lgtt_en.pdf

4. Recommendations and way forward for IMEC

To ensure the smooth operation of the IMEC corridor, the participating countries could implement a strategy which encompasses the four pillars listed in the previous section. Table 2 provides key recommendations for the successful operations of IMEC.

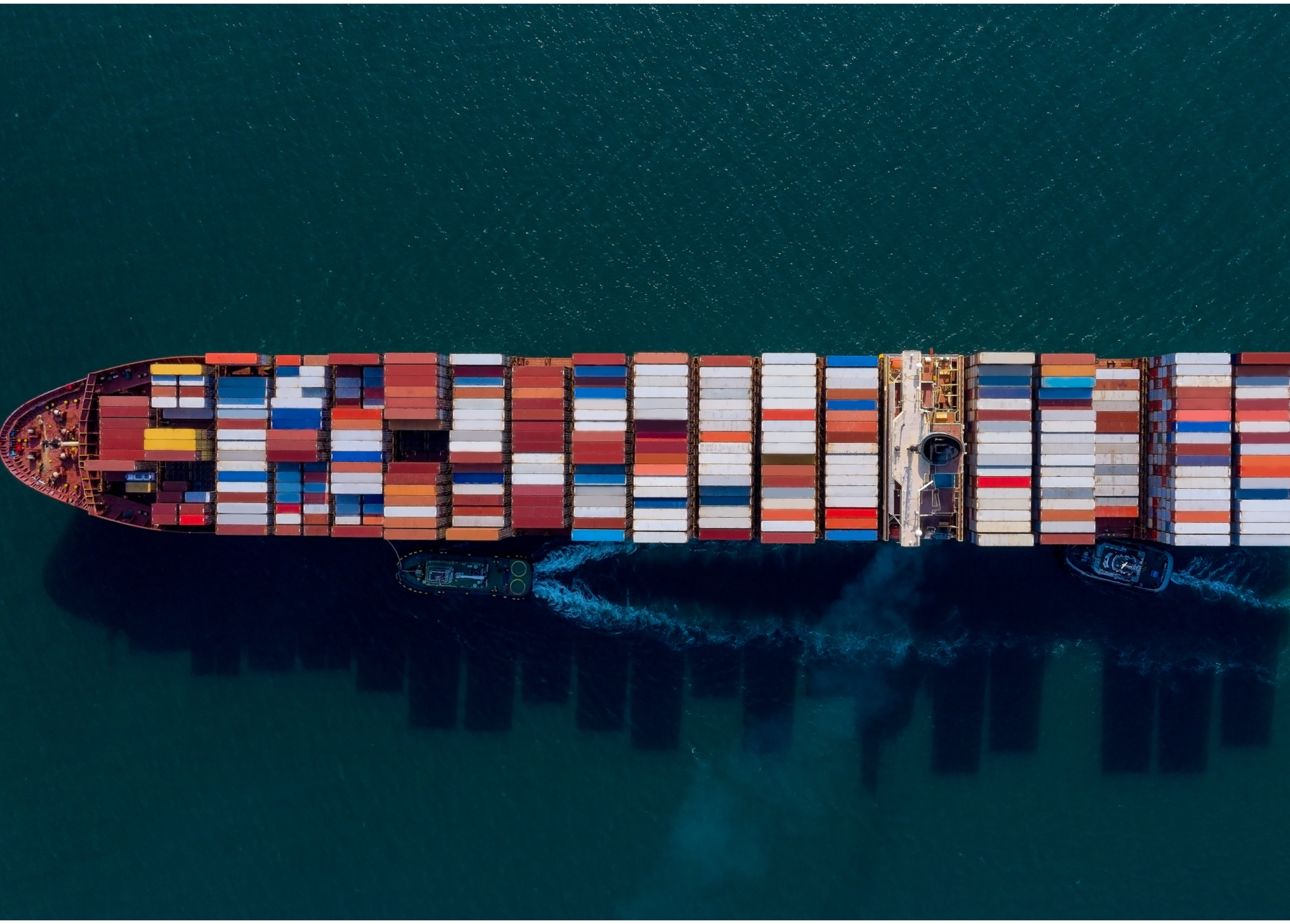
Table 5: Recommendations for the successful operations of IMEC

Pillars	Suggested measures
Multimodal transport development	• **Develop a masterplan:** To ensure the successful implementation of transnational corridors, it is essential to establish a **regional-level master plan.** By creating comprehensive regional master plans, countries can better coordinate their efforts, leading to more integrated and efficient infrastructure networks that benefit the entire region. • **Strategising national project and cross border/regional projects:** Identify projects with regional implications including: 1. projects for which **physical constructions spans** multiple countries which could lead to interdependence. 2. projects in which economic viability relies primarily on trade within IMEC countries. • Increased focus on prioritisation and **development of cross-border intermodal terminals** through inter-country coordination of these projects.

Pillars	Suggested measures
Institutional alignment	Participating countries should adopt standardised processes for coordination and decision-making and develop **a regional charter which** clearly outlines the roles and responsibilities of different countries. The countries should also focus on: • establishing a **national interministerial committee** for the coordination of activities within each country. • organising periodic **meetings including heads of government** for reviewing the progress and providing strategic guidance. • developing **sector-specific working groups** consisting of officials from relevant agencies. • strengthing **institutional structures at the project level** to improve project implementation. • involving **academia/think tanks** for their innovative inputs on the projects.
Ease of doing business	Streamline customs procedures to: • **enhance process for clearance documents** to reduce redundancy and improve efficiency across the border nations. • standardise and simplify customs processes by implementing **electronic documentation and harmonised tariffs.** • **set up a trade information portal** for IMEC countries to improve access to the necessary information for quicker compliance. • **implement a single-window system** to facilitate quicker clearances by allowing traders to submit all required documents on a single portal. • **establish a risk management system** for customs, which channels shipments based on perceived risk, thereby reducing the need to examine all shipments.
Capital mobilisation	**Need for focused cross-border infrastructure financing mechanisms:** Ringfencing project finances can play a crucial role for the successful financing of cross-border infrastructure projects which are inherently considered more challenging and complex by commercial financers. Potential options to raise the financing include: **Regional development fund such as:** • **Government grants:** A dedicated regional development fund can be developed through contributions from the grant from the member countries. These grants may prove to be vital to support the initial phases of infrastructure projects, reducing the perceived risks and thus making them more attractive to private investors. • **Multilateral funding:** Institutions such as the Asian Development Bank (ADB), the World Bank, or other regional development banks can support the project financially through funding and provide guidance from their experience of managing cross-border projects.

Pillars	Suggested measures
	Infrastructure bonds: Issue infrastructure bonds to provide long-term financing for cross-border projects. Since these bonds offer stable returns over time, these can be structured to appeal to institutional investors. Enable private participation by recognising the unique risks associated with the cross-border projects and: • acknowledge and address the unique risks associated with cross-border projects. • develop mechanisms to **mitigate the risks,** such as risk-sharing agreements or insurance schemes, to make cross-border projects more appealing to private investors.

For successful development of an economic corridor, a comprehensive strategy must be implemented which focuses on improving the overall ecosystem for each region and sector. Coordination between participating nations along with centralised regulatory oversight and streamlining of processes by leveraging digital solutions could help in the successful development and operations of such economic corridors.



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