



**Israel-Hamas War: Ambiguous Future of  
India-Middle-East-Europe Economic Corridor**

**By**

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An ambitious effort to construct a new commerce route from India through the Middle East to Europe is confronted with several hurdles, as highlighted by the continuous bloodshed in Gaza. An alternative to China's Belt and Road Initiative, the India-Middle East-Europe Economic Corridor, or the IMEC, was announced during the G-20 summit in 2023. The corridor intends to build a transportation network that will connect Jordan, Saudi Arabia, the United Arab Emirates, and Israel's port of Haifa on the Mediterranean Sea. Bypassing the Suez Canal, goods could thereafter be carried to Europe.<sup>3</sup> However, the area has descended into protracted instability as Israel launches assaults on Gaza in retaliation for the October 7 attack by Hamas terrorists, turning the fight into the worst of five Gaza wars. There's now a grave possibility that this violence may impact other parts of the region both directly and indirectly which might serve as an impediment to the feasibility of IMEC.

**The dismal future of IMEC**

The proposed India-Middle East-Europe Economic Corridor (IMEC) has been shadowed by the conflict between Israel and Hamas (Israeli war in Gaza). Soon after it was initiated, US President

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<sup>3</sup> Afiq Fitri Alias, "Israel highlights fragility of new trade corridors," *REUTERS*, October 10, 2023. <https://www.reuters.com/breakingviews/israel-highlights-fragility-new-trade-corridors-2023-10-10/>

Joe Biden hailed the IMEC as a transcontinental connectivity project that will make the Middle East more stable and accessible to its neighbors, and which Israeli Prime Minister Benjamin Netanyahu also described as the largest cooperation project in Israeli history.<sup>4</sup> The representatives of the countries that signed the Memorandum of Understanding (MoU) on IMEC — India, Saudi Arabia, the United Arab Emirates, France, Germany, the European Union, and the United States— was required to convene a meeting within sixty days of September 9, 2023, to devise and commit to an action plan that includes pertinent timelines. The IMEC signatories had to convene to devise a strategy for the development of the economic corridor, which would ease the transit of data, energy, and commerce to, from, and between India, the UAE, Saudi Arabia, Jordan, Israel, and Europe. This timeline coincided with the October 7 attack by Hamas on Israel. Thus, given the shifting political environment in the Middle East, the future of IMEC remains dismal.

The resurgence of pro-Palestine feelings in the Middle East, for instance in Jordan, which supported a UN General Assembly resolution for a humanitarian truce in Gaza on October 27, might be a contributing factor to the impending postponement of the formalization of IMEC. At the same time, the region's continued state of conflict has demonstrated the necessity for economic stabilizers. Until 7 October 2023, there had been consistent indications of de-escalation from protracted tensions in the region for more than three years since the Abraham Accords were signed, a series of joint normalization agreements between Israel, the United Arab Emirates, and Bahrain; later, with Sudan and Morocco have been initiated too.<sup>5</sup>

### **Prospects for Normalization**

The anticipation of the restoration of relations between Saudi Arabia and Israel, along with the indications of stability in the MENA region, led to the announcement of the transcontinental connection project in Delhi last year. However, Riyadh and Amman have become further distant from Israel because of Israel's retaliatory assault against Hamas in the Gaza Strip, which is still

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<sup>4</sup> Mukul Sharma, “How Israel-Hamas war is impacting state of India-Middle East-Europe corridor,” *WION*, October 28, 2023.

<https://www.wionews.com/world/how-israel-hamas-war-is-impacting-state-of-india-middle-east-europe-corridor-652417>

<sup>5</sup>ibid

killing hundreds of innocent people in the Palestinian territory. The Saudi citizenry is furious at Israel's attack on Gaza, therefore any attempt by the US and Israel to restore relations between the two countries will have no possible prospect in view of the current situation. The Minister of Foreign Affairs of Saudi Arabia, Prince Faisal bin Farhan bin Abdullah, emphasized the significance of a truce in the Gaza Strip and stressed the utmost priority to put an end to the humanitarian crisis there at the Munich Security Conference in 2024. His Highness called for the Israeli occupation troops to leave Gaza and urged the international community to concentrate on the creation of a Palestinian state, reiterating that this is the only way to achieve security and peace in the area, including Israel.<sup>6</sup>

The likelihood of reconciliation between Saudi Arabia and Israel has decreased due to the ongoing war in the Middle East, and with it, prospects for the corridor — at least temporarily — have darkened. Furthermore, IMEC's future will be uncertain as long as Gaza's fate is unknown. IMEC would link the Indian coast to European markets as a transcontinental marine and railway network that transported not just commodities but also energy and data via pipelines and cables. The IMEC is a network made up of two separate routes: the Northern Corridor, which connects Europe to the Middle East, and the Eastern Corridor, which links India to the Middle East. This vast network combines high-density optical fiber cables, a hydrogen pipeline, and a railroad track.<sup>7</sup>

There is yet more geopolitical difficulty ahead. One is the Turkish disputes in the seas that are part of the maritime route that runs from Haifa in Israel to Greece and is not covered by the IMEC. Recep Tayyip Erdoğan, the President of Turkey, issued a warning by saying that there will be no corridor without Turkey. Experts have also highlighted a deeper problem with the idea that IMEC will deter Gulf countries from softening to China. The Gulf countries are presently making decisions based on national interest and isn't entirely aligned with either China or the United

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<sup>6</sup><https://www.mofa.gov.sa/en/ministry/statements/Pages/His-Highness-the-Foreign-Minister-Participates-in-Panel-Discussion-on-Regional-De-escalation-at-Munich-Security-Conference>.

<sup>7</sup> Elliot Smith, “Economists fear major disruption if the Israel-Hamas conflict is not contained,” *CNBC*, October 26, 2023.

<https://www.cnn.com/2023/10/25/israel-hamas-war-economists-fear-disruption-if-conflict-not-contained.html>

States.<sup>8</sup> On the other hand, Saudi Arabia has already pledged to invest \$20 billion in IMEC, most of which is likely to be used to establish the necessary domestic rail network.

### **Sparse Attempt to Resist China's Influence**

The Western-backed corridor has geopolitical goals in addition to being a trade route. It was viewed as a retaliation against China, whose power in the Middle East is growing. Some analysts claimed that it also sought to develop political capital and trust for the normalization of relations between Saudi Arabia and Israel. However, the proposal may still be revived in the future, it has been placed on "cold ice" for the time being. Regularizing relations between Saudi Arabia and Israel is strategically imperative, but for Riyadh, the political repercussions are too great while Israel continues its bloody campaign in Gaza.<sup>9</sup>

According to claims farmed by New Delhi, preparations for the trade corridor would not be hampered by the continuing fighting. India will be among the main gainers from the suggested route, given its expanding economy. IMEC has been referred to as the basis of global commerce for hundreds of years to come by Indian Prime Minister Narendra Modi. The proposed trade route would accelerate access to clients in Europe and the Middle East and save transportation expenses for New Delhi. New Delhi has made efforts to communicate with both Israel and the Palestinians as the present tension develops. Prime Minister Modi denounced the Hamas onslaught as terrorist acts as a gesture of support for Israel. India has also given humanitarian help to Gaza and reaffirmed its long-standing support for the creation of an independent state for Palestine. Nevertheless, the project's survival depends on how relations develop among the nations in the area, regardless of whether New Delhi is successful in striking a balance in its relations with Israel and the Arab world.<sup>10</sup> However, some commentators believe that Palestinians' overall opinion of

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<sup>8</sup> "Biden links India-Middle East-Europe Economic Corridor to Israel-Hamas war, says I'm convinced," *Mint*, October 26, 2023.

<https://www.livemint.com/news/world/biden-links-india-middle-east-europe-economic-corridor-to-israel-hamas-war-says-im-convinced-11698314350905.html>

<sup>9</sup> Burak Elmali, "Unrest in the Middle East Is Bad for Both CPEC and IMEC," *The Diplomat*, November 24, 2023.

<https://thediplomat.com/2023/11/unrest-in-the-middle-east-is-bad-for-both-cpec-and-imec/>

<sup>10</sup> Anjana Pasricha, "Israel-Hamas Conflict Reality Check For India-Middle East-Europe Economic Corridor," *South & Central Asia*, October 24, 2023.

India is adverse because to Mr. Modi's close friendship with Mr. Netanyahu and India's ambiguous political attitude toward Israel—especially in light of the tremendous bloodshed in Gaza since October 2023.

### **A potential substitute to China's Economic Belt**

The initiative would also provide a counterbalance to China's vast infrastructure corridor, the Belt and Road project, which currently stretches across Asia, Africa and Latin America and has given China sizeable influence over countries that have struggling economies. "We think that the project itself is bold and transformative, but the vision behind the project is equally bold and transformative, and we will see it replicated in other parts of the world as well," said Jake Sullivan, Biden's national security adviser. Sullivan said discussions for the project had begun in July last year during Biden's visit to Saudi Arabia, and that another meeting between Saudi Arabia, the UAE and India had taken place earlier this year to formalise an agreement. Israel, which does not have diplomatic relations with Saudi Arabia, was also brought on to the project along with Jordan.<sup>11</sup> It is no secret that the primary goal of the IMEC, as seen from the US perspective, is to compete with China, undermine China's interests and the Belt and Road Initiative, and create a system of strategic and economic defense against China's growing influence in the area. Though they perceive the US position as waning under the aging Biden, it is doubtful that the UAE and Saudi Arabia will take the chance of taking part in the initiative and jeopardizing their ties with nations like China, Iran, Turkey, and Egypt as well as their strategic ally.

One of the most significant commercial lines in the world has been severely disrupted by attacks on cargo ships in the waters of the Red Sea since October, 2023. The Houthis have escalated the number of assaults on Israeli ships as retribution for the conflict in Gaza intensified. The US and UK responded to this escalation in the Red Sea by taking retaliatory action. The intricate

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<https://www.voanews.com/a/israel-hamas-conflict-reality-check-for-india-middle-east-europe-economic-corridor-7323955.html>

<sup>11</sup> Hannah Ellis Petersen, "G20: EU and US back trade corridor linking Europe, Middle East and India," *The Guardian*, accessed September 9, 2023.

<https://www.theguardian.com/world/2023/sep/09/g20-eu-and-us-back-trade-corridor-linking-europe-middle-east-and-india>

interaction of geopolitical dynamics involving key parties in the region is at the core of the contention. A volatile environment has been triggered by competing interests, historical grudges, and regional power struggles. This has had a huge impact on marine trade routes and presented considerable hurdles to the smooth operation of the global economy.<sup>12</sup> But with the deepening of crisis in the Middle East with the reoccurrence of the protracted Gaza conflict, a paradigm shift in the great power politics is likely to take an interesting turn. In this context, China has a promising future to act as a progressive mediator in the perpetual conundrum of the Israel-Gaza war. Such a development can act as a countermeasure for any economic adventurism of the West. Such a development can easily weaken the feasibility of IMEC in the due course.

### **Viability amid Challenges**

The IMEC proposal has been facing significant obstacles to its sustainability, particularly in light of the dismal outcomes of other Western infrastructure initiatives. It is crucial to keep in mind that the Build Back Better World (B3W) initiative, led by the United States, declared its intention to capitalize on \$40 trillion in investment in infrastructure by 2035. However, a year later, the PGII's total investment goal—which some have referred to as a “transformed version” of B3W—was reduced to \$600 billion by 2027 by the G7 nations and the private sector. Certain initiatives that were marketed as “new” but had really been running for some times were renamed as PGII programs.

Second, there's the financial issue, which is probably going to be just as difficult for the IMEC to resolve as it has been for previous Western connection projects. Upon the announcement of the IMEC proposal, no legally binding funding pledges were made. Official cost estimates have not yet been made public since then. According to an early estimate, the cost of creating each of the IMEC lines might range from \$3 billion to \$8 billion. Another estimate significantly increased the sum to \$20 billion. Furthermore, it is still unclear how the United States and its allies would split

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<sup>12</sup> Jocelyn Fernandes, “The Red Sea’s importance and its economic impact,” Mint, December 20, 2023. <https://www.livemint.com/economy/mint-explainer-the-red-seas-importance-and-its-economic-impact-11703062868545.html>

the financial cost.<sup>13</sup> Still, a few points are evident already. First, there is now no specific money available and public monies in the United States and Europe are being stretched thin. Second, in contrast to the BRI, the IMEC will mostly depend on raising private funding, which may only come through if potential investors are given assurances. Thirdly, and somewhat related, Gulf money will be essential to the corridor's growth.<sup>14</sup>

Ultimately, the practical accomplishments of the IMEC will be used to determine its success rather than its theoretical foundation. It is crucial to remember that the project's completion will also likely encounter logistical challenges, such as the potential for multi-modal shipment transfers. Moreover, the likelihood that shipments will undergo numerous national customs inspections and clearance processes could ultimately cancel out the projected savings. International laws and trade policies must be harmonized in order to comply with the IMEC. This means standardizing policies both in theory and in reality, neither of which is guaranteed.<sup>15</sup>

Despite the trend of augmentation of insecurity in the Middle East, from the perspective of the proponents of IMEC, the fundamental logic of the IMEC project—namely, the linkage of markets and regional and cross-regional connectivity—remains valid. It seems that in spite of the unprecedented human tragedy in Gaza, the pattern toward the increased strengthening of India-Israel, as well as India-US, and India-Gulf relations has not been reversed. Additionally, it hasn't made the Gulf nations any less dependent on infrastructural connections to support their shift to a post-oil future. All things considered, the IMEC member countries' fundamental political and economic goals have not altered.

## Way Forward

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<sup>13</sup> “Why India is edgy about Israel’s war? The threats that loom over India,” *The Economic Times*, October 15, 2023. <https://economictimes.indiatimes.com/news/economy/foreign-trade/why-is-india-edgy-about-israels-war-the-threats-that-loom-over-india/articleshow/104436341.cms?from=mdr>

<sup>14</sup> John Calabrese, “War delays but likely will not fully derail IMEC plans,” *MEI*, December 5, 2023. <https://www.mei.edu/publications/war-delays-likely-will-not-fully-derail-imec-plans>

<sup>15</sup> “Why India is edgy about Israel’s war? The threats that loom over India,” *The Economic Times*, October 15, 2023. <https://economictimes.indiatimes.com/news/economy/foreign-trade/why-is-india-edgy-about-israels-war-the-threats-that-loom-over-india/articleshow/104436341.cms?from=mdr>

There are several obstacles to the projected India-Middle East-European Economic Corridor's sustainability, but none of them is insurmountable. The Gaza conflict will undoubtedly create delays in the project's completion and may lead to the northern route including Israel being delayed forever. It serves as a sobering reminder of the tenacity of geopolitics and the devastation it can bring with even the best-set plans. Still, the basic reasoning for connecting the Indian, Middle Eastern, and European economies remains valid. Additionally, there is still a great desire to see the project through to completion, particularly in India.

With new confrontations emerging between Israel and Hamas, the much-heralded India-Middle East-Europe Economic Corridor (IMEC) faces an ambiguous future. At the G20 Summit in New Delhi, the US, the EU, and India promoted the economic corridor as a counter to China's Belt and Road Initiative. However, it is anticipated that the economic corridor and the I2U2 grouping would encounter difficulties. India's attempts to facilitate commerce with Europe through the projected IMEC—which is anticipated to reduce shipping delays by forty percent—were bolstered by Adani Ports' takeover of the Haifa Port. But the tunnel necessitates uninterrupted communication between Saudi Arabia and Israel, whose dependability is currently in doubt given the intensifying hostilities between Gaza and Tel Aviv. Saudi Crown Prince Mohammed bin Salman has no intention to normalize the diplomatic relationship with Israel anytime soon, given the prevailing feeling in Saudi Arabia and other Arab nations, which leans toward Palestine. On October, 2023 the Saudi Press Agency revealed that the Saudi Crown Prince stood by the Palestinian President Mahmud Abbas in solidarity and stated that he was attempting to stop the crisis between Hamas and Israel from getting worse and he also assured Abbas that his country would support the Palestinian people in achieving their rights to a good living, their goals, and a just and enduring peace. This makes it intriguing to watch if Islamic empathy with the Palestinians wins out over the viciously dividing global politics of interest maximization, or if humanity has something better to contribute to break the persistent cycle of bloodshed against innocent civilians. The latest presence of over 50 countries, including Saudi Arabia at the ICJ hearing, on 20 January 2024, with strong position against Israeli occupation of Palestine and the carnage Gaza, is a clear indication of the uncertainty for any near future conducive environment which is an essential prerequisite for the implementation of the IMEC.



The only feasible way is mobilization of all proponents of the IMEC to call for an immediate permanent ceasefire in Gaza and taking concrete steps towards independent statehood of Palestine which would lead to sustainable peace and security in the Middle East.

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