



CURRENT SITUATION OF THE INTERNATIONAL NORTH SOUTH TRANSPORT CORRIDOR

The International North-South Transport Corridor (INSTC) project was established in 2000 by Russia, India and Iran with a purpose of creating a corridor shorter than the current maritime Suez Canal transportation route in order to reduce the time and transportation costs of trade in goods. Later on, Belarus, Kazakhstan, Tajikistan, Oman, Armenia, Azerbaijan, Ukraine, Kyrgyzstan and Turkey joined the INSTC project.

The route starts from the Nhava Sheva port in Mumbai, India, and goes through the Arabian Sea to the Bandar Abbas port in Iran (1200 nautical miles). The overland part of the INSTC passes through the Iranian territory to the Bandar-e Anzali port located in the northern part of the country (1300 km). The second maritime section of the route crosses the Caspian Sea (800 nautical mile) and reaches the Astrakhan port in Russia. Afterwards, cargos could reach Moscow (1700 km) and run to the European countries from the Russian-Finnish border.

There are a number of reasons that stalled the progress of the project and kept it from becoming operational in the last 15 years. One of the reasons is that India decided to freeze the project for a 10-year period after facing some logistics problems and due to the lack of the customs clearance support. Another reason is increased pressure on the Iranian economy by the USA and the EU countries on the subject of the nuclear program development in early 2000s. However, after the softening of the Iranian approach towards the negotiation process with the P5+1 Group and the reaching of the Joint Comprehensive Plan of Action, which caused lifting of the economic sanctions against Iran, the project was revived by the support of the founding members, especially by India in 2015. During the VI Coordination Council of the INSTC project members held in Delhi in August 2015, senior officials from India, Iran and Russia, as well as representatives from other member-countries

approved the Draft Agreement on the transit and customs issues. Then, the Draft Agreement became an important step for moving the project to the next level guiding the legal basis for freight by ship, railroad and road connecting India, Iran and Russia.

After foreseeing the lifting of the sanctions, India started to invest in infrastructural projects in order to improve the current conditions of roads, railroads and ports along the International North-South Transport Corridor. For instance, The Minister of Road Transport and Highways of India, Nitin Gadkari, and his Iranian counterpart, Abbas Ahmad Akhouni, signed a Memorandum of Understanding on the development of the Chabahar port worth \$85 million in May 2015. In addition, India is planning to spend \$100 million for building a 220 km road from Delaram in western Afghanistan to Zaranj at the Iran-Afghan border to link up with the Chabahar port. Besides, investments in the Chabahar port in the Gulf of Oman correspond with the Indian strategy to expand its economic influence over the Persian Gulf transport facilities in response to China's dominance in the Gwadar port of Pakistan. In addition, with the completion of the Chabahar port modernization, India will get an opportunity to have a direct transit connection with Afghanistan and Central Asia bypassing Pakistan and to increase the trade potential between the countries.

Moreover, due to its strategic importance, the INSTC project was highlighted in such Indian foreign policy concepts as the "Foreign Trade Policy of India for 2015-2020" accepted in April 2015 and the "Connect Central Asia" policy approved in June 2012. Therefore, in order to analyze the potential and bottlenecks of the transport corridor, the Federation of Freight Forwarders' Associations of India conducted dry run test on the route in August 2014. The test results indicated that the INSTC shorten the transit time by 40% and the cost by 30% compared with the current mari-

time Suez Canal route. According to the current transportation costs, shipment of a 20ft dry container from Mumbai to Moscow will cost around \$2100-2800 and transit time will be completed within 32-37 days by going through 8700 nautical miles along the Suez Canal route. On the contrary, the costs of cargo shipment through the INSTC route will be around \$1260 (adding approximate costs through 2 ports transshipment of \$260) and the transit time will be a little over 19 days by going through 2200 nautical miles plus 3000 km.

Technical report of the dry run test identified that an export worth \$60.6 billion (18.9% of total export) and an import worth \$107.4 billion (23.4 % of total import) could be transported via the INSTC. In this sense, the Indian goods delivered through this transport corridor will become more competitive since their transit time and transport costs will decrease significantly.

However, currently there are still a number of issues preventing the INSTC project to achieve its full potential. For instance, future development of the Chabahar port was hindered due to the dispute between India and Iran over the major construction projects in the seaport. Furthermore, in practice, there are still a number of issues related to the establishment of a strong controlling mechanism over the customs procedures and to the allocation of funds to the infrastructural projects. In addition, the INSTC project members are still in the process of solving the problem of the occupancy of containers on their way back from Russia to India, which causes the transportation costs to increase.

In conclusion, if participants of the INSTC could manage to overcome the existing difficulties, the launched economic corridor would significantly affect the regional trade and would bring new opportunities both to enter new markets and to strengthen the competitiveness of trade in goods.

Politics, Foreign Affairs and Security

- The Summit on Sustainable Development was held at the UN headquarters within the framework of the 70th session of the UN General Assembly. During the Summit, the UN member states adopted the agenda of global social and economic development until 2030, and discussed ways of its implementation. 154 heads of state and government, as well as 30 foreign ministers attended the Summit.
- During his official visit to Moscow, the Foreign Minister of Japan, Fumio Kishida, and his Russian counterpart, Sergey Lavrov, discussed issues related to the negotiation process on striking a Peace Treaty between the two countries. The territorial dispute between Russia and Japan was also discussed at the bilateral meeting between the President of Russia, Vladimir Putin, and the Prime Minister of Japan, Shinzo Abe, held on the sidelines of the 70th UN General Assembly.
- The Foreign Minister of Cambodia, Hor Namhong, and the Secretary General of the Shanghai Cooperation Organization (SCO), Dmitry Mezentsev, signed a Memorandum on an Acceptance of Cambodia as a dialogue partner of the SCO. The signing ceremony was held in the framework of the Eurasian Economic Forum in China's north-western city of Xian.
- The 14th Central Asia Regional Economic Cooperation (CAREC) Ministerial Conference was held in Ulaanbaatar, Mongolia. During the meeting, the CAREC Ministers exchanged views on the developments affecting the economic performance of the member states of the group.
- The US State Secretary, John Kerry, met with the Foreign Ministers of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. The high-ranked officials discussed establishment of the C5+1 format of dialogue, within which the United States and the Central Asian countries could address common security challenges.
- The NATO Secretary General, Jens Stoltenberg, and the Ukrainian government signed a number

of agreements on increasing the alliance's presence in Ukraine. An Agreement on the status of NATO's office in Ukraine, a declaration on extending cooperation with NATO and a road map for strategic communications were signed.

- The President of Russia, Vladimir Putin, and the Prime Minister of Israel, Benjamin Netanyahu, held a meeting in Moscow. During the meeting, the parties discussed the coordination of joint actions regarding Syria and agreed to exchange information on Syria to avoid any unintended clashes between Israeli and Russian forces.
- According to the Ministry of Defense of Kazakhstan, joint international exercises of the Armed Forces of Kazakhstan and Turkey were held on the site of the Ili training center and the Military Institute of the Army of Kazakhstan. The operation involved about 170 soldiers, 20 automobiles, 10 armored vehicles and 10 units of aviation army equipment.

Economy, Finance and Energy

- The President of the State Oil Company of Azerbaijan (SOCAR), Rovnag Abdullayev, and the CEO of the Italian company Snam, Carlo Malacarne, signed a Memorandum of cooperation to assess the initiatives put forward for the development of the Southern Gas Corridor in Baku. The parties discussed the possibility of experience exchange in the fields of construction and operation of the equipment necessary for the transportation of natural gas through the Italian infrastructure.
- The European Commission, Russia and Ukraine agreed on the terms of gas deliveries to Ukraine for the upcoming winter period. Under the Agreement, Kiev committed to buy 2 billion cubic meters of Russian natural gas to be stored next month. Moreover, Russian Prime Minister, Dmitry Medvedev, signed a government decision to charge Ukraine \$227.36 per 1,000 cubic meters of natural gas after a discount for the fourth quarter of the heating season.
- According to Kazakhstan's national operator for exploration, production, and transportation of

hydrocarbons, KazMunaiGas, after the reconstruction the Shymkent Oil Refinery started producing diesel fuel of environmental class Euro 4 and Euro 5.

- According to the Asian Development Outlook 2015 Update, Kyrgyzstan's GDP grew by 7.3% in the first half of 2015 (by 4.4% excluding gold). Moreover, industry expanded by 23.6% reflecting strong mining and goods processing.
- According to the International Monetary Fund, the gold reserves of Kazakhstan, Russia and Belarus increased. Kazakhstan's gold reserves increased to 210.2 tons last month, while Russia's reserves to 1,317.7 tons, and Belarus' reserves to 47.1 tons.
- The Russian state statistics service, Rosstat, reported that unemployment in Russia totaled 5.3% in August 2015 year-on-year to 4.1 million people.
- The Asian Development Bank approved a \$150 million loan to expand and modernize the high-voltage power grid in the north-western region of Uzbekistan, including the construction of 364 km of new transmission lines and three substations in Karakalpakstan and Khorezm.

Society and Culture

- According to the Saudi General Directorate of Civil Defense, the death toll from a stampede at the annual Haj pilgrimage in the Saudi Arabian valley of Mina has reached 769 people.
- The Ministry of Education of Uzbekistan issued an order to ban children under the age of 18 from attending prayer services in mosques. The Ministry warned parents that they could be fined around \$750 for permitting children to take part in prayer services.
- The Grand Mosque with room for 10,000 worshippers opened in the Russian capital of Moscow to coincide with Eid al-Adha celebrations. The opening ceremony was attended by Russian President, Vladimir Putin, Turkish President, Recep Tayyip Erdogan, Palestinian leader, Mahmoud Abbas, and Kazakh President, Nursultan Nazarbayev.