



The Geopolitical Implications of the INSTC: A Comparative Analysis of Central Asia, South Asia, Europe and Pakistan



Authors

Mr. Syed Kamran Hashmi

Ms. Iram Zahid

Mr. Baber Bilal Haider

Dr. Ihsan Qadir

National Institute of Maritime Affairs, Pakistan

ACRONYMS

CPEC	China-Pakistan Economic Corridor
CARs	Central Asian Republics
EAEU	Eurasian Economic Union
EU	European Union
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GDP	Gross Domestic Product
INSTC	International North-South Transport Corridor
SAARC	South Asian Association for Regional Cooperation
SMEs	Small and Medium Enterprises
TRACECA	Transport Corridor Europe-Caucasus-Asia
TAPI	Turkmenistan - Afghanistan - Pakistan - India Pipeline
TIR	Transport International Routiers
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific

ABSTRACT

The International North-South Transport Corridor (INSTC) is planned to be a strategic trade initiative that redefines regional connectivity between South Asia, Europe, and Central Asia. The INSTC project was started in Petersburg on 2 September 2000, by Russia, India, and Iran. Later, more countries of CARs joined, Pakistan joined in 2024 upon Russian request. INSTC combines sea, road, and train transport, creating significant delays and logistical challenges. The need to transfer goods between these different platforms at each stage of the journey makes the entire shipping process inefficient and more prone to complications. This fragmentation of the transport system not only slows down trade but also increases the overall complexity and cost of moving goods along the route. While the route benefits India by enhancing its access to Central Asian and European markets, Pakistan can also strategically position itself within this framework by leveraging its geographic advantage. Integrating Pakistan into the INSTC would further strengthen its trade ties with Russia, Iran, and Central Asian states, complementing the CPEC and fostering economic interdependence. INSTC is not an alternative to CPEC, but it encourages private entrepreneurs to compete, and benefits will pass on to consumers.

Additionally, Pakistan's existing infrastructure, including Gwadar and Karachi ports, can be strategically aligned with INSTC trade flows, maximizing logistical efficiencies. The paper examines how Pakistan's participation in the INSTC could enhance its geopolitical influence, attract foreign investment, and boost its trade economy. While challenges such as geopolitical tensions with India and regional security concerns remain, diplomatic engagement and economic pragmatism can help Pakistan to maximize its strategic gains. By actively pursuing partnerships within the INSTC framework, Pakistan has the potential to rise as a vital player in regional trade, reinforcing its role as a bridge between South Asia, Europe, and Central Asia.

LIMITATION OF THE STUDY

A major limitation of this study is the absence of practical implementation of the INSTC, as much of the existing discourse remains theoretical and driven by political hype, particularly from Russia and India. While both countries promote the INSTC as a strategic game-changer, concrete evidence of its operational effectiveness is limited. The study primarily relies on secondary sources and official narratives, which may overstate the corridor's current relevance and underrepresent logistical, economic, and infrastructural challenges. This lack of empirical data and real-world application restricts the ability to critically assess the INSTC's true impact and viability.

CHAPTER 1

ECONOMIC CORRIDORS AND INSTC

In today's interconnected world, it functions much like a global village innovation and economic benefits rapidly spread across borders. Like-minded countries establish trade agreements, whether bilateral or multilateral, to strengthen economic ties, uplift infrastructure and streamline commerce to gain prosperity. A key instrument in this process is the trading corridor, an efficient strategically developed network of roads, railways, ports, and logistics hubs that enhances trade efficiency by slashing transportation costs, boosting connectivity, and deepening economic integration. These corridors not only bring peace in the region, accelerate the flow of goods but also reinforce geopolitical alliances, proving that seamless trade infrastructure is vital for shared prosperity in an interdependent world. Due to trade corridors, countries' exports, connectivity along with infrastructure improves a lot, e.g. the European Union (EU) is 27 members¹ states primarily located in Europe, with a single market, common currency (Euro), and similar policies on trade, agriculture, and more. Association of Southeast Asian Nations (ASEAN) is a 10 Southeast Asian countries forum focused on economic growth, regional stability, and cooperation, and the United States-Mexico-Canada Agreement (USMCA), known as NAFTA consists of three countries².

1.1 Key Stakeholders

The INSTC was conceptualized in the early 2000s³ as a response to the growing need for efficient and cost-effective transportation routes between South Asia and Northern Europe. The corridor was formally established in September 2000 through a trilateral agreement between India, Iran, and Russia. The agreement was to establish a multimodal transport network, linking the Indian Ocean and the Persian Gulf with the Caspian Sea and all Northern Europe.

Since its inception, the INSTC has been expanded to include other countries, including Azerbaijan, Armenia, Kazakhstan, Belarus, and Oman. Pakistan also joined INSTC on the invitation of Russia in 2024. The corridor has also attracted some interest from other regional and global players, including China, Turkey, and the European Union. INSTC is being projected as one of the most significant transportation corridors in the world, with the potential to transform regional trade and economic integration.⁴ The claim is tall, but INSTC could not take off despite two decades having passed, the reasons are discussed in Chapter II.

¹ European Union, "EU Member Countries," *European Union*, accessed May 10, 2025, https://europa.eu/european-union/about-eu/countries_en.

² Association of Southeast Asian Nations (ASEAN), "Member States," ASEAN, accessed May 10, 2025, <https://asean.org/about-us/member-states/>.

³ United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), *Development of the International North-South Transport Corridor (INSTC)* (Bangkok: UNESCAP, 2020), <https://www.unescap.org/>.

⁴ Grace Cheema, "The International North-South Transport Corridor: Shifting Gears in Eurasian Connectivity," *Modern Diplomacy*, September 24, 2020, <https://moderndiplomacy.eu/2020/09/24/the-international-north-south-transport-corridor-shifting-gears-in-eurasian-connectivity/>.

The INSTC involves several key stakeholders, including:

India is one of the major members of the INSTC and a stakeholder in the corridor. India sees the INSTC as a strategic initiative that will enhance its connectivity with Central Asia, the Caucasus, and Europe, and reduce its reliance on traditional maritime routes. In a shorter period and a lower cost, this route to Europe and Russia also offers India an opportunity to increase its export potential.⁵ Economic activities of India with gulf states, Iran will be enhanced through the corridor. Moreover, India will be able to attract investments in creating commercial and economic hubs along INSTC ports, such as Nhava Sheva port and Kandla port in Gujarat.

Iran is also a key player in the INSTC, as it provides the mainland and sea routes for the corridor. Iran sees the INSTC as an opportunity to enhance its regional influence and economic integration. Iran is inclined towards the operationalization of INSTC to be able to employ its national railway and road networks to serve transit freight traffic from India, the Persian Gulf, Afghanistan, and the Central Asian countries. Iran further intends to increase the hard currency earnings through transit activities.⁶ Iran is also interested in extending the economic cooperation and trade with the other Caspian States along the INSTC route through its Free Economic Zones (FEZs), especially the FEZ Anzali and Chabahar's in the proximity of the port of Bandar-e Anzali) which is the oldest and largest Caspian Sea port of Iran.

Russia is another founding member of the INSTC and a major stakeholder in the corridor. Russia sees the INSTC as a strategic initiative that will boost its connectivity with South Asia and the Middle East and strengthen its position as a global transportation hub. Russia can easily diversify its export routes, other than Europe, via the INSTC.⁷ Russia has a chance to increase its trade with Iran. Once operationalized, INSTC will transform Caspian Sea into a commercial hub which will serve the economic interests of all stakeholders in the Caspian region.

Azerbaijan provides the main transit route for goods between Russia and Iran. Azerbaijan sees the INSTC as an opportunity to enhance its regional influence and economic integration.

Kazakhstan, Turkmenistan, and Uzbekistan are key stakeholders in the INSTC, as they provide the main transit routes for goods between Iran and Russia. These countries see the INSTC as an advantage to enhance their regional connectivity and economic integration.

5

⁶ Special Eurasia, "Iran and the IRISL Group's Crucial Role in the International North-South Transport Corridor (INSTC)," *Special Eurasia*, November 30, 2023, <https://www.specialeurasia.com/2023/11/30/iran-irisl-group-instc/>.

⁷ IAS Exam, "International North South Transport Corridor (INSTC)," IAS Exam, November 30, 2023, <https://www.iasexam.com/international-north-south-transport-corridor-instc/>.

Pakistan's inclusion in the INSTC in 2024 presents a transformative opportunity to bolster its trade, strengthen regional ties, and enhance infrastructure development.⁸ By actively participating in this strategic corridor, Pakistan can deepen economic cooperation with neighboring countries including India facilitating cross-border trade, reducing logistical costs, and fostering regional stability.⁹ Beyond economic gains, INSTC integration will enable Pakistan to upgrade its transport networks, ports, and logistics hubs, positioning itself as a critical node in Eurasian connectivity. This alignment not only complements the China-Pakistan Economic Corridor (CPEC) but also promotes broader regional integration, unlocking new avenues for growth and geopolitical collaboration in South Asia and beyond.

⁸Tahniyat Mobeen, "Pakistan's Inclusion in the INSTC – Prospects & Implications," *Paradigm Shift*, accessed May 10, 2025, <https://www.paradigmshift.com.pk/instc/>.

⁹ Syed Danish, "INSTC: A Source for Pakistan's Economic Revitalization and Regional Influence," *The Financial Daily*, September 12, 2024, <https://thefinancialdaily.com/instc-a-source-for-pakistans-economic-revitalization-and-regional-influence/>.

CHAPTER 2

THE GENESIS OF INSTC: A STRATEGIC IMPERATIVE

INSTC is a multi-modal transportation corridor signed on 12 September 2000 in St. Petersburg, by Russia, India and Iran with an obligation of developing transportation relations among the Member States. This corridor connects the Indian Ocean and Persian Gulf to the Caspian Sea through Iran and from there extend through Russia to St. Petersburg and onward to North European. INSTC was extended to eleven new members, namely, Azerbaijan (2005), Armenia (2005), Kazakhstan (2005), Tajikistan (2005), Kyrgyzstan (2005), Oman (2011), Syria (2011), Türkiye (2012), Ukraine (2012), Bulgaria (2014), Pakistan (2024) and Belarus (Observer).¹⁰

INSTC spans 7,200 km and was conceived as a quicker, cost-effective substitute to the Suez Canal route. By integrating rail, road, and maritime networks across the Persian Gulf and Caspian Sea, this route aims to streamline trade between South Asia and Northern Eurasia, reshaping regional connectivity in an era of economic realignments. The INSTC route is 40 percent shorter and 30 percent cheaper than the existing means of shipping.¹¹

A considerable decrease in cargo delivery time is one of the primary advantages of the INSTC over alternative transport routes, involving the deep-sea route via the Suez Canal. For instance, delivery via conventional shipping from Mumbai to St. Petersburg or Novorossiysk typically requires 30 to 45 days, whereas the INSTC can reduce this to 10 to 20 days. In addition, the delivery time can be reduced to 15 to 18 days when following the Eastern Corridor route via Kazakhstan and Turkmenistan. It will become even shorter following operationalization of the Astara-Rasht railway section in Iran. There is a strong need to minimize the time of delivery of such products as food, textiles, household appliances, and electronics. The INSTC is becoming efficient with the passage of time, and today it takes nearly 16 days for a train to reach Bander Abbas, Moscow region and 11 days from the Chelyabinsk region of Russia, which is three times faster than two-three years back. This is because the net cost of the service on the eastern route of INSTC decreased more than by 56% last year, and the volume of transportation across the route increased by 1.7 times.

The INSTC, after years of limited progress, failed to gain global attention and recent Iran Israel war has pushed Iran away from India due Indian pro-Israel policies. Though it is early to predict the future of INSTC as Iran is tilting towards China and Pakistan more as compared to India. Moreover, China also put back Iran and Saudi Arabia relations and now is a main player in Gulf States.

¹⁰ Asian Development Bank, "International North-South Transport Corridor (INSTC)," Asia Regional Integration Center, accessed May 10, 2025, <https://aric.adb.org/initiative/international-north-south-transport-corridor>.

¹¹ R. Karimpour, "Persian Gulf and Iran's Strategic Role in the International North-South Transport Corridor (INSTC)," *Maritime Education*, accessed May 10, 2025, <https://maritimemedication.com/irans-strategic-role-in-the-international-north-south-transport-corridor-instc/>.

The INSTC faces challenges in meeting India's trade ambitions, as it is portrayed through a Bollywood-style lens glamorous but impractical overlooks real-world limitations. While the INSTC offers faster transit times for goods from India to Russia, its capacity to handle large shipment volumes is limited, creating bottlenecks. Businessmen prioritize consistent, high-volume supply chains over sporadic, smaller deliveries, which are hindered by logistical complexities and inefficiencies.

The U.S decision to withdraw the sanctions waiver for Iran's Chabahar Port, effective 29 September 2025, has created momentous ambiguity for India's strategic and economic interests, specifically its role in the INSTC. The waiver, in place since 2018, had allowed India to develop and operate the Shahid Beheshti terminal free from sanctions risk, enabling it to invest over \$120 million in equipment and extend \$250 million in credit for related infrastructure under a 10-year agreement signed in 2024. Chabahar is dynamic for India as it grants a direct trade route to Afghanistan, Central Asia, Russia, and Europe while bypassing Pakistan, but with the waiver withdrawn, Indian operations now face sanctions risks that thwart financing, shipping, and insurance. This looms to slow infrastructure development, reduce trade volumes through the INSTC, and weaken India's regional leverage, especially against China's rival Gwadar Port. Although New Delhi may pursue alternative mechanisms with Iran, Russia, and other partners including non-dollar trade options the INSTC's growth will likely be inhibited, costlier, and less attractive to global businesses.¹²

To improve, the INSTC requires significant infrastructure upgrades, streamlined customs processes, and enhanced coordination among member countries to increase capacity and reliability, ensuring it meets the demands of modern trade while maintaining cost-effectiveness and continuity.

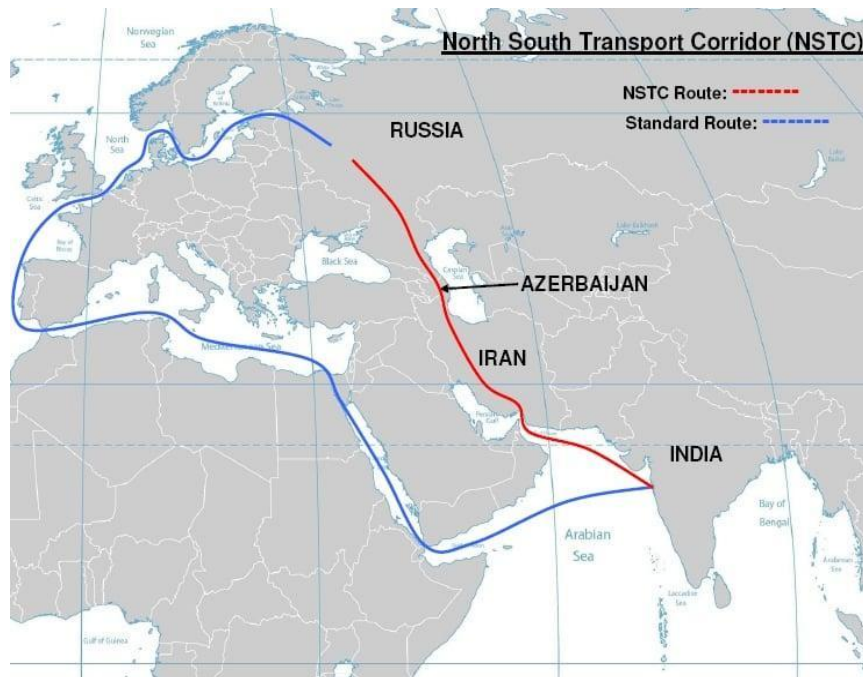
In practice, the dependence of INSTC on sea, rail, and road transport leads to delays prompted by frequent trans-shipments. Cargo must be installed between ships at ports such as Bandar Abbas and Astrakhan, lifted across rail networks with differing gauges, or loaded onto truck. Each transfer typically requiring 1–2 days, and in case of bottleneck (such as at Astara), extending to 7–10 days. These inefficiencies are aggravated by sanctions, which restrict entry to modern equipment and financing desirable for infrastructure improvements.¹³

Due to sanction on Iran and Russia, non-sanctioned goods (e.g., agricultural products, consumer goods) is generally allowed, provided it complies with international regulation. Therefore, the trade is limited to non-sanctioned goods and fails to attract other regional states.

¹² "How India Will Be Affected by Trump's Withdrawal of Sanctions Waiver on Iran's Chabahar Port," *Firstpost*, September 19, 2025, accessed September 29, 2025, <https://www.firstpost.com/explainers/india-trump-withdrawal-of-sanctions-waiver-iran-chabahar-port-implications-13935018.html>

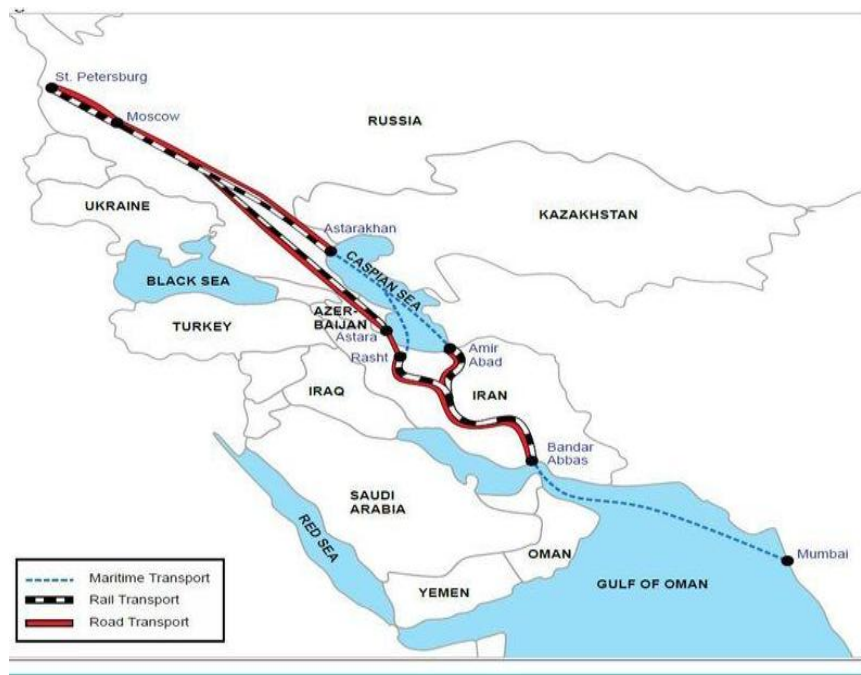
¹³ *Russia's Pivot to Asia*, "Russia Expands East–West Cross-Border Transportation as Sanctions Create Alternative Trade Routes," *Russia's Pivot to Asia*, November 26, 2024, accessed August 17, 2025, <https://russiaspivottoasia.com/russia-expands-east-west-cross-border-transportation-as-sanctions-create-alternative-trade-routes/>.

The corridor's effectiveness remains limited by capacity shortfalls, logistical challenges, and inadequate coordination, constraining its role in advancing India's trade objectives. While it promises faster movement of goods between India and Russia, operational bottlenecks curb bulk transport, and inconsistent customs procedures weaken supply chain dependability. To realize its potential, the route will need strategic investments in infrastructure, harmonized border processes, and closer government-to-government collaboration to foster cost-efficient, reliable, and scalable trade.



Map 1 INSTC Route¹⁴

¹⁴ Insights on India, *International North-South Transport Corridor (INSTC)*, accessed May 10, 2025, <https://www.insightsonindia.com/wp-content/uploads/2017/12/INSTC-1.jpg>.



Map 2 INSTC Multimodal Transportation Network

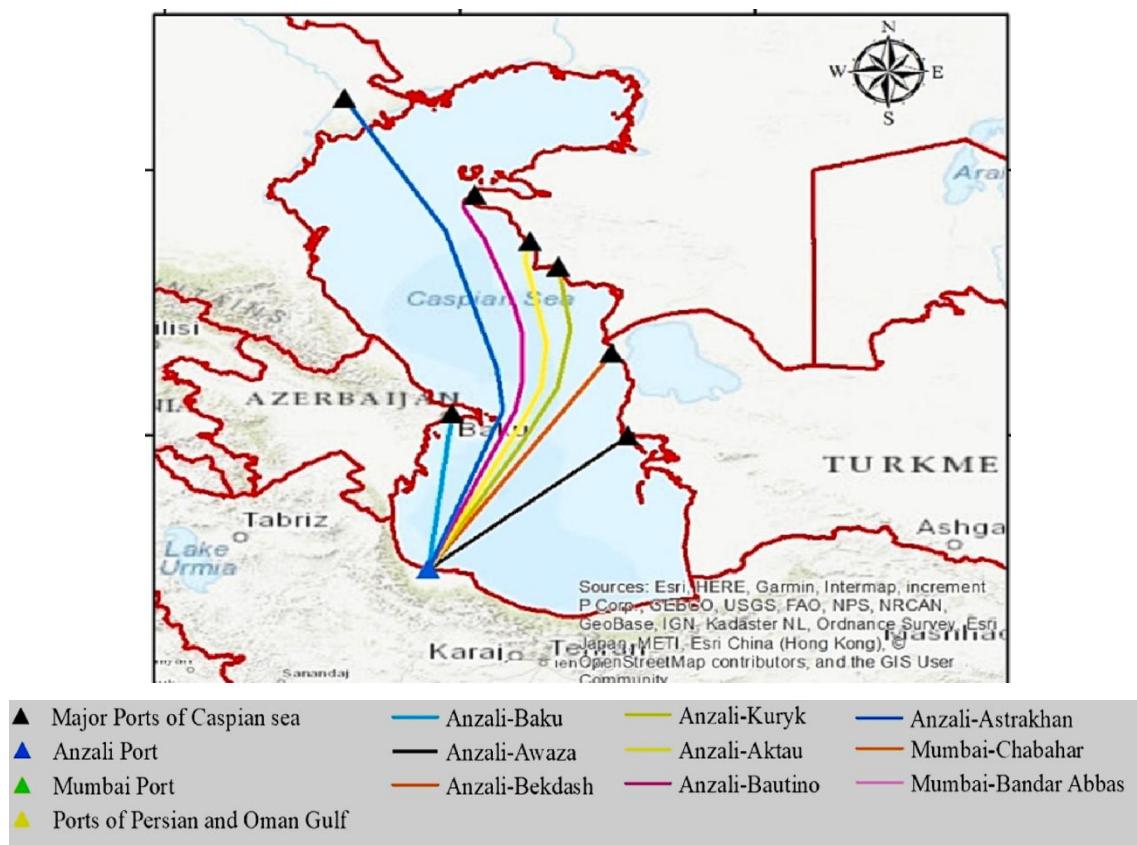
The INSTC is a multimodal transportation network that includes the combination of sea, rail, and road routes. The corridor has several key routes which include:

- a. **Trans-Caspian Route:** The shipment takes place from Mumbai to Bandar Abbas Iran by sea, after that it is shifted to rail/road and transported to Bandar – e Anzali, seaport of Iran at Caspian Sea. It is again shifted to ships to Russian port Astrakhan; the city is situated on the two banks of Volga River. Thereafter, it is transported to other cities of Russia and Europe by train/road.
- b. **Western Route:** The most efficient part of the network is a 5,100-kilometer route linking Mumbai Port in India to Iran's Bandar Abbas via the Arabian Sea. From Bandar Abbas, the western branch continues by rail through Tehran and Qazvin into Azerbaijan, with consequent connections either northward to Makhachkala and Astrakhan or westward to Georgia and Turkey. This corridor accounts for approximately 70% of the INSTC's total freight turnover. Nevertheless, its leftover part of the 162-kilometer (Rasht–Astara railway) is still in progress and is planned for completion in 2028. Upon its inauguration, the line is predictable to upsurge capacity by permitting the movement of up to 50 million tons of cargo per annum.¹⁵
- c. **Eastern Route:** The eastern branch of the INSTC is associated with India and Russia via Central Asia. Goods from India enter Iran along the same initial route but diverge east of Tehran, enduring through Turkmenistan and Kazakhstan before reaching

¹⁵Russia's Pivot to Asia, "Russia Expands East–West Cross-Border Transportation."

Russia. At present, rail transport along this corridor faces significant limitations, as single-track, detached in Russia, Kazakhstan, and Turkmenistan restrict capacity to approx. 10 million tons per annum. Road transport encounters challenges similar to those on the western branch. While Azerbaijan and Iran can accommodate up to 40,000 vehicles per day, parts of the route in Russia and Kazakhstan lack entirely developed highways, with typical two-lane roads handling no more than 15,000 vehicles daily. Moreover, regional highways often form bottlenecks, where congestion can extend cargo handling times from 1–2 days to as long as 7–10 days¹⁶

The INSTC also includes several feeder routes that connect the main corridor to other regional and global transportation networks. For example, the Chabahar-Zahedan railway in Iran connects the INSTC to Afghanistan and Central Asia, while the Baku-Tbilisi-Kars railway connects the INSTC to Türkiye and Europe.



¹⁶Russia's Pivot to Asia, "Russia Expands East–West Cross-Border Transportation."

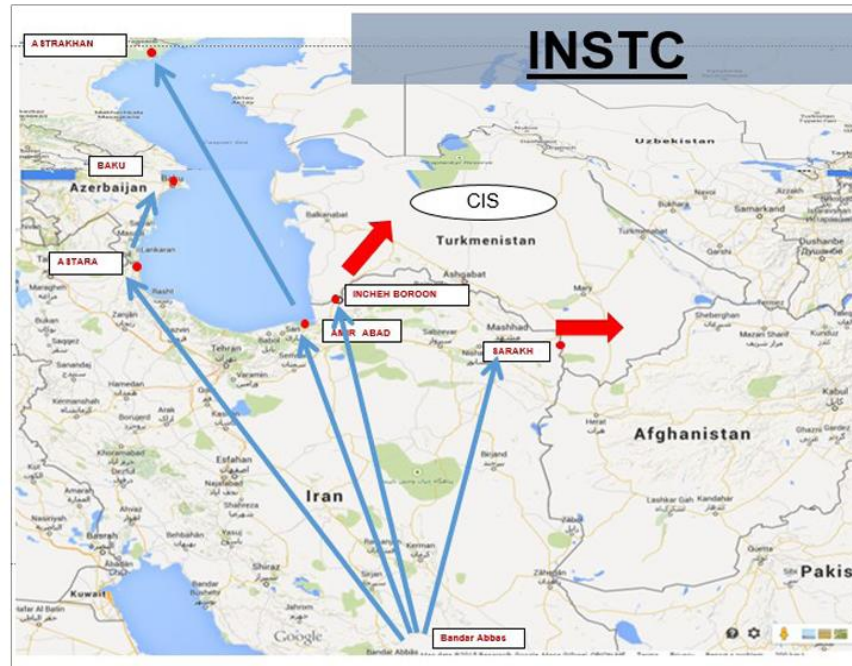


Figure 1: Revitalization of INSTC and Prospects of Greater Eurasian Connectivity¹⁷

2.1 Additional Routes

- a. **Azerbaijan Route:** The Azerbaijan route of the INSTC provides India-Iran-Azerbaijan-Russia-Kazakhstan transport connectivity. Iran began the construction activity to bridge the gap of the Qazvin-Rasht-Astara railway.¹⁸

¹⁷ Pravesh Kumar Gupta, *Revitalization of INSTC and Prospects of the Greater Eurasian Connectivity* (New Delhi: Vivekananda International Foundation, 2022), <https://www.vifindia.org/sites/default/files/Revitalization-of-INSTC-and-Prospects-of-the-Greater-Eurasian-Connectivity.pdf>.

¹⁸ Jishnu J. Raju, "International North-South Transport Corridor (INSTC)," *Clear IAS*, November 21, 2024, <https://www.clearias.com/international-north-south-transport-corridor-instc/>.



Figure 2: The route of the Rasht - Astara Railway in Gilan Province of Iran¹⁹

- b. **Chabahar INSTC Integration:** India and Iran's 2002 agreement to develop Chabahar Port underscores its strategic importance as a deep-sea alternative to the congested Bandar Abbas, which handles 85% of maritime trade in Iran. Chabahar, with its 2.5-million-ton capacity and planned expansion to 12.5 million tons, offers significant advantages, including the ability to accommodate vessels exceeding 100,000 tons. Industry analysts also emphasize Chabahar's potential role within the long-term framework of INSTC.²⁰
- c. **The Kazakhstan – Turkmenistan – Iran Railway Link:** It is also referred to as the North–South Transnational Corridor, is a 677 km railway line linking Kazakhstan and Turkmenistan to Iran and the Persian Gulf.
- d. **Southern Armenia-Iran Railway Corridor:** As the integral missing link in the INSTC, the Southern Armenia Railway would make the shortest transportation route from the ports of the Black Sea to the ports of the Persian Gulf.
- e. The eastern states, such as Myanmar, Thailand, Cambodia, Laos, and Vietnam, are to be linked with India through the India-Myanmar-Thailand Highway Project and the East-West Economic Corridor. This unfolds the opportunity of the future expansion of INSTC to South-East Asia.

¹⁹ Vali Kaleji, "Will Russia Complete Iran's Rasht–Astara Railway?," *Eurasia Daily Monitor*, May 16, 2022, Jamestown, <https://jamestown.org/program/will-russia-complete-irans-rasht-astara-railway/>

²⁰ "India to Sign 10-Year Pact with Iran for Chabahar Port Management," *Reuters*, May 13, 2024, <https://www.reuters.com/world/india/india-sign-10-year-pact-with-iran-chabahar-port-management-et-reports-2024-05-13/>.

f. Trans-Iranian canal, the idea of linking the Persian Gulf and the Caspian Sea by canal was developed in the late 19th century. In 2016, Russia Today reported that the Russian and Iranian governments were examining the project.²¹

2.2 Infrastructure Bottlenecks

2.2.1 Key Challenges in the INSTC Corridor

Two decades have gone by since the official launch of the INSTC, yet the project remains incomplete due to over 40 infrastructural and non-physical barriers. These include missing transport links, bottlenecks, restrictive tariffs, complex administrative procedures, and limited market access, all of which have hindered the corridor's full realization. The INSTC is a multimodal network integrating rail, road, and waterways across multiple countries. Below, we examine some of the key challenges impeding its progress.

a. The INSTC's operational stability is heavily impacted by geopolitical tensions, particularly due to stricter UN sanctions on Iran and Russia. However, China-Iran relations have strengthened significantly in recent years, with China seeking to integrate Iran into its China-Pakistan Economic Corridor (CPEC). In 2020, the two countries concluded a 25-year strategic partnership worth \$400 billion, encompassing investments in infrastructure such as ports and railways, which align with the INSTC's needs as well as energy, banking, and technology. In return, China secured a long-term, discounted oil supply to fuel its growing economy. The deal could deepen China's impact in the Middle East and undercut American efforts to keep Iran isolated.²² The Iran and India's relations are the lowest ebb due India supporting Israel attacks on Iran in June 25 and Pakistan supporting Iran has brought these two countries further closer.

b. The ongoing railway section, or missing link, is one of the primary infrastructural problems that prevents the promised seamless linkage. There are two of these missing links in the corridor: the one in the southern Armenia-Iran Railway Corridor and the one in the Iran's Rasht-Astara. This section's freight must be carried by road to finish the trip by train later, which adds to the delays and raises transportation costs highlighting the importance of Rast-Astara railway track.

c. The railway gauge schemes of many countries impede efficient cargo transportation. For instance, the Iran's gauge system (with a 1435 mm rail system) and Pakistan's gauge system (1676mm railway system) differs from the railway gauge of the Caspian Republics such as Russia, Kazakhstan, Turkmenistan, Azerbaijan, and Iran, which have a 1,520

²¹ RT, "Iran, Russia to Launch Project for Canal Linking Caspian Sea with Persian Gulf," *RT*, April 15, 2016, <https://www.rt.com/business/339781-iran-russia-caspian-canal>

²² Nima Khorrami, "INSTC: Pipeline Dream or a Counterweight to Western Sanctions and China's BRI?" *The Diplomat*, June 21, 2023, <https://thediplomat.com/2023/06/instc-pipeline-dream-or-a-counterweight-to-western-sanctions-and-chinas-bri/>.

mm rail system. It is not financially viable for freight operations to use this kind of break-of-gauge technology. The shipment must be transferred to each state due to a gauge system which facilitates smooth cargo transportation.

d. Additionally, the different track gauges across INSTC member states pose a major logistical hurdle particularly for liquid and bulk cargo (e.g., LNG, oil, coal), where bogie exchange or transshipment is often unsafe or impractical. These commodities face infrastructure limitations and tariff inefficiencies, further complicating their transport via the corridor. Without standardized rail systems or specialized intermodal solutions, such freight will struggle to compete with conventional routes, undermining the INSTC's viability for energy and bulk goods trade.

e. The current layout of the INSTC disregards the necessity of constructing neighboring townships, ports, harbors, and hotels to support and sustain trade activity. The development of the project has so far been mostly neglected by private enterprises and global corporations. The low degree of containerization, the high tariff rate of rail and road transport from Bandar Abbas, the difficulty of conducting business freely within any national territory because of government excesses, local bureaucratic complications, and other factors deter them from investing in and taking part in the project.

f. Countries involved in the corridor are hesitant to invest collectively, preferring to fund only their own segments through self-financing and loans. Meanwhile, digital transformation is revolutionizing transportation and logistics. Technologies like smart energy, cloud computing, IoT, AI, and big data analytics improve efficiency, reduce costs, and improve real-time decision-making. These innovations optimize infrastructure planning, operations, and maintenance, enabling faster, smarter, and more connected supply chains.

g. Transportation of cargo along the INSTC is also attached with additional insurance costs. All these elements currently restrain the INSTC routes from gaining the competitive edge needed to expand container transit between India, other countries of South Asia and the Persian Gulf, and Europe.

h. Development of the INSTC is constrained by certain administrative issues: the lack of a transport corridor's managing company such as Trans-Caspian International Transport Route Association, the lack of coordination of rate policies for railway freight services, uncoordinated customs rules, along with the lack of marketing policy and end-to-end ferry and schedules apart from the Aktau/Kuryk–Baku/Alat line in the (Transport Corridor Europe-Caucasus-Asia)TRACECA corridor.

i. Since 2018, the Chabahar port development project, which aims to connect India to Russia, Afghanistan, and Central Asia by sea and

rail, has remained suspended.²³ The designated operator of Chabahar port, 'India Global Ports', has been unable to deliver the project due to US sanctions against Iran.²⁴ The Russian government now believes it is necessary to address the logistical problems caused by the sanctions imposed by the West following the Russia-Ukraine war in 2022.²⁵ Resultantly, it is eager to strengthen transportation cooperation with China, Southeast Asia and the Persian Gulf. Therefore, the operationalization of the INSTC holds significant strategic importance for Russia.

j. The INSTC faces major political hurdles due to ongoing conflicts among member states, including: The Armenia-Azerbaijan dispute over Nagorno-Karabakh (Artsakh), Georgia's tensions with Abkhazia and Russia, The Russo-Ukrainian war such disputes disrupt infrastructure development and deter investment. For example, Armenia despite being an INSTC signatory avoided using the corridor in 2020 due to the Nagorno-Karabakh conflict. Such instability risks delaying critical projects and undermining the corridor's progress.

k. The INSTC's efficiency is hampered by major logistical hurdles, including differing customs policies, laws, and clearance procedures across member states cause delays and administrative burdens. Port and terminal congestion, especially during peak periods, reduces operational efficacy. Poor coordination between rail, road, and sea transport complicates cargo transfers.

l. From late November, the beginning of cold weather roots the Caspian Sea to begin freezing, starting a winter navigation period that lasts an average of 95 days. Of this, around 45 days are noticeable by solid ice, during which vessels necessitate icebreaker assistance, significantly restricting maritime traffic. Moreover, the partial depth of the Volga-Caspian and Volga-Don canals avert the route of larger ships, making additional constraints on navigation.²⁶

m. INSTC, while promising enhanced regional trade, raises significant environmental concerns, primarily due to the infrastructure development required. Construction of new roads, railways, and bridges threatens biodiversity through deforestation, habitat disruption, and

²³ Central Asia," Observer Research Foundation, July 27, 2023, <https://www.orfonline.org/research/the-chabahar-gambit-india-s-play-for-influence-in-central-asia;>

²⁴ Shafiq ur Rehman Solangi, "Development of Chabahar Port: Challenges and Implications for Pakistan and CPEC," *Electronic Research Journal of Social Sciences and Humanities* 1, no. 1 (January-March 2019): 48-57, <https://www.eresearchjournal.com/wp-content/uploads/2020/06/Chabahar-Port.pdf>.

²⁵ Andrei Ilyashenko, "Russia's Economy Is Now Completely Driven by the War in Ukraine; It Cannot Afford to Lose, but Nor Can It Afford to Win," *The Conversation*, June 5, 2023, <https://theconversation.com/russias-economy-is-now-completely-driven-by-the-war-in-ukraine-it-cannot-afford-to-lose-but-nor-can-it-afford-to-win-221333>.

²⁶ Russia's Pivot to Asia, "Russia Expands East-West Cross-Border Transportation."

species displacement. Increased vehicular traffic along the corridor is expected to exacerbate air and noise pollution, contributing to greenhouse gas emissions and climate change. Furthermore, maritime transport poses risks of oil spills and hazardous material incidents, endangering marine ecosystems. The corridor's passage through earthquake-prone areas further amplifies long-term ecological and community impacts. The other change in it followed by brief summary of hurdles are appended below:

- (1) The private sector is not actively involved in this project.
- (2) Banking issues have made a substantial contribution to the project's slow progress.
- (3) Visa restrictions for bid free movement unlike EU.
- (4) Major economies involved in this project, such as Russia and India appear to have shown a lack of political will.
- (5) Delay in signing Foreign Trade Agreements (FTAs).
- (6) Problems about this project have risen because of western sanctions against Iran. The development of this route has been hampered by serious concerns and unawareness among Indian businesses, even though the sanctions do not directly apply to the transit through Iran. A potential rapprochement between Iran and the United States is a complex issue with obstacles and currently any progress towards rapprochement is not being discussed.²⁷

²⁷ Pravesh Kumar Gupta, "Revitalization of INSTC and Prospects of the Greater Eurasian Connectivity," *Vivekananda International Foundation*, December 30, 2022, <https://www.vifindia.org/sites/default/files/Revitalization-of-INSTC-and-Prospects-of-the-Greater-Eurasian-Connectivity.pdf>.

CHAPTER 3

INSTC MARITIME INFRASTRUCTURE CASPIAN SEA

The Caspian Sea is a landlocked sea bordering between Europe and Asia, surrounded by five countries i.e. Turkmenistan to the east, Iran to the south, Kazakhstan to the northeast, Azerbaijan to the west and Russia to the northwest. Its total length is 745 miles, width is only 200 miles, maximum depth, toward the south, is 3,360 feet (1,025 meters). The major rivers, the Volga, Ural, and Terek, empty into the northern Caspian, with their combined annual inflow accounting for about 88 percent of all river water entering the sea. In wintertime the movement of ships is limited due to their freezing.

The Caspian Sea has an imperative role in the region's transportation: petroleum, wood, grain, cotton, rice, and sulfate are the basic goods carried, while Astrakhan and Makhachkala in Russia, Baku in Azerbaijan, Bandar-e Anzali in Iran, Türkmenbashi in Turkmenistan, and Aqtau in Kazakhstan are the most significant ports. They are also joined by regular passenger runs, while railway stock is directly ferried, without unloading, between Baku and Türkmenbashi this minimizes the travel time and increases the efficiency. Various vessels, including tankers, cargo ships, ferries, and fishing boats, operate here, supported by regional shipyards. During the late 1990s several Caspian Countries concluded agreements with petroleum companies to build new pipelines to bring the region's oil and natural gas to market. One of those, an oil pipeline from Baku to Ceyhan, Turkey, on the Mediterranean coast, opened in 2005. Another project, a trans-Caspian pipeline, would transport Turkmenia natural gas beneath the Caspian Sea to Azerbaijan.²⁸



Figure 3: The Strategic Importance of Caspian Sea²⁹

²⁸ "Caspian Sea Is the World's Largest Inland Lake; Water Body Borders Azerbaijan, Iran, Kazakhstan, Turkmenistan, Russian Oil & Gas Pipelines, Volga River," *Blue-Growth.org*, accessed May 10, 2025, https://www.bluegrowth.org/Oceans_Rivers_Seas/Caspian_Sea_Is_The_World%27s_Largest_Inland_Lake_Water_Body_Borders_Azerbaijan_Iran_Kazakhstan_Turkmenistan_Russian_Oil_Gas_Pipelines_Volga_River.html.

²⁹ Eugene Chausovsky, "The Strategic Importance of the Caspian Sea," *Stratfor*, May 19, 2014, <https://worldview.stratfor.com/article/strategic-importance-caspian-sea>.

As discussed above, several ports play an important role in INSTC, their capabilities in brief are discussed in the ensuing paragraphs:

3.1 Iranian Ports

The following Iranian ports will be used in INSTC.

3.1.1 Bandar Abbas Port

Bandar Abbas port, also known as Shahid Rajaei Port, is a major Iranian port located in the Strait of Hormuz, serving as a key gateway for international maritime trade, handling a significant portion of Iran's imports and exports, necessarily for goods to and from the Persian Gulf region. The port has a direct railway link, facilitating the transportation of goods to and from the interior of Iran and Central Asia. The port has a water depth of 13 to 17 meters and has 35 berths.³⁰

3.1.2 Chahbahar Port

The port of Chabahar (previously Bandar Beheshti) in Iran is a significant strategic transit location for the INSTC which can be a great alternative to bypass the busy port of Bandar Abbas. The port will link both Jawaharlal Nehru (Mumbai) and Kandla ports on India's western coast. The port has a tremendous potential to connect the business centers of Middle East, South Asia, Central Asia and Afghanistan. It is 700 km away from the capital of the province of Zahedan and 1400 to 1500 km away from Tehran. The port consists of two separate ports named Shahid Kalantari and Shahid Beheshti, each of which has five berths. The vessel of 16 meters draft can enter the port. The advancement of this port will increase its cargo handling capacity from 2.1 million tons (2015) to 86 million tons in the coming years. Up until August 2022, the terminal handled over 8.4 million metric tons of bulk cargo.

3.1.3 Port Anzali

Iran's largest and busiest Caspian Sea port ranks third nationally in cargo handling. Spanning 142 hectares, it features 10 jetties (5,000-ton capacity each), 10 berths, and a 7-meter draft, handling over 4 million tons of cargo and 1,300+ vessels annually. The port specializes in exports (dried fruits, construction materials, machinery, minerals) and imports (non-ferrous metals, grains, containerized goods, plastics). As the Caspian's premier hub, it processes shipments from Azerbaijan, Russia, and Turkmenistan, supporting regional trade with facilities for general, liquid, breakbulk, Ro-Ro, and container cargo. Its strategic

³⁰ "The Tale of Bandar Abbas Port: IRBND," *Orbitshub*, November 2024, <https://orbitshub.com/the-tale-of-bandar-abbas-port-irbnd/>.

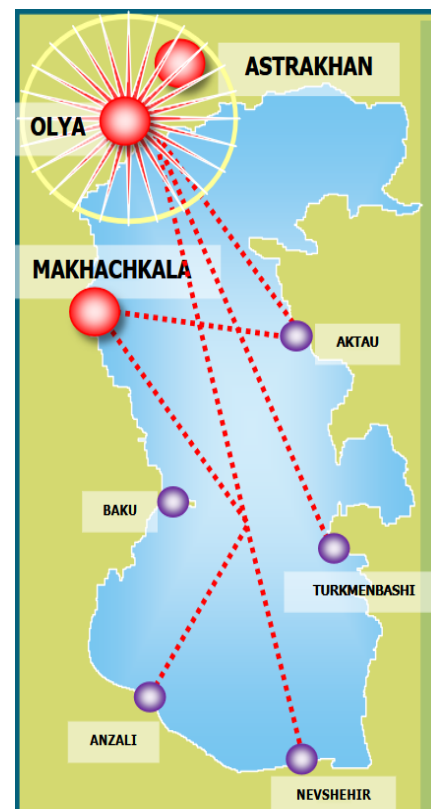
location and multimodal capabilities make it vital for INSTC-linked commerce.³¹

3.1.4 Port of Nowshahr

Bandar Nowshahr, strategically located just 194 km north of Tehran on the Caspian coast, is a multipurpose port spanning 44 hectares with 15 hectares of storage space and modern jetties. Following recent expansion, it now features three new wharves and a 7.5-meter-deep quay, enabling larger vessel access. The port handles 1.5 million tons of cargo annually, serving over 500 ships, and is integral to the Khazar Special Economic Zone. Key exports include fresh produce, nuts, minerals, and dairy, while imports consist of chemicals, steel, timber, and construction equipment. This facility strengthens Iran's regional trade connectivity while supporting agro-industrial and logistical growth.³²



Map 4: Ports of Caspian Sea³³



Map 5: Maritime and trade connectivity across the Caspian Sea

³¹ Silvia Boltuc, "Geopolitics of the Anzali Trade-Industrial Zone in Iran," *Special Eurasia*, November 6, 2023, <https://www.specialeurasia.com/2023/11/06/anzali-trade-zone-iran/>.

³² Ahmed Shams el-Din Leila and Dr. Mutasim Saddiq Abdullah, "The Economic and Strategic Significance of Iranian Ports: Jask Port as a Case Study," *Journal for Iranian Studies*, Year 5, Issue 13 (April 2021): 49–66, <https://Rasanah-liis.Org/English/Wp-Content/Uploads/Sites/2/2021/09/THE-ECONOMIC-AND-STRATEGIC-SIGNIFICANCE-OF-IRANIAN-PORTS-JASK-PORT-AS-A-CASE-STUDY.Pdf>.

³³ Rebecca, "Caspian Sea on World Map," *Altonalyce*, December 3, 2019, <https://altonalyce.blogspot.com/2019/12/caspian-sea-on-world-map.html>.

3.1.5 Port of Amirabad

It is situated 34 km northeast of Sari on Iran's Caspian coast, serves as a vital multipurpose maritime hub within the Amirabad Special Economic Zone. As Iran's fourth largest port and the Caspian region's most significant Iranian facility, it handles approximately 5 million tons of diverse cargo annually, including containers, Ro-Ro, dry bulk, and oil through its 15 berths (2,600m total length, 6m draft). With 1,060 hectares of total area - including 6.5 hectares of warehouse space and 200 hectares of storage - the port boasts 7.5 million tones annual capacity.³⁴ Currently operating at Phase 1 capacity (of three planned development stages as of 2023), it plays a strategic role in Iran's North-South International Transit Corridor, benefiting from direct rail connections to the national network. The port's comprehensive infrastructure and special economic zone status make it a competitive gateway for Caspian-region trade.

3.2 Azerbaijan

Baku is the capital and the largest city of Azerbaijan. It is also a prominent city on the south Caspian Sea and the Caucasus region. It is around 28 m or 92 ft below sea level, making it the lowest-lying capital city in the world.

3.2.1 Baku Port

It is strategically located on the southern coast of the Absheron Peninsula along Baku Bay, operates as a vital transshipment hub for petroleum products, oil, and gas-related industries, while also handling general cargo and timber exports to Western Europe. The port features a natural harbor, 13 berths, and extensive infrastructure, including 56,000 m² of open storage and 10,000 m² of warehouse space. With an annual handling capacity of 15 million tons and the ability to process 100,000 TEUs, it accommodates both commercial freight and passenger ferry services across the Caspian Sea, linking eastern and western shores. Its prime location and multifunctional operations make it a key node in regional trade and energy logistics.

3.3 Kazakhstan

Best connected to Iran and India via Caspian ferries.

3.3.1 Aktau Port

Aktau Port, Kazakhstan's strategically vital and only ice-free Caspian Sea port, facilitates multi-directional trade with Iran, Turkey, Russia, Turkmenistan, and Azerbaijan, handling diverse cargo including oil, metals, and timber. With 11 berths, four dedicated to oil, and a substantial warehouse capacity of over 80,000 square meters, it

³⁴ "Amirabad Port Overview," *Marine Link*, accessed May 10, 2025, <https://ports.marinelink.com/ports/port/amirabad>.

efficiently manages 17.7 million tons of cargo annually, serving as a pivotal hub within international transport corridors.

3.3.2 Port of Kuryk

It is situated on Kazakhstan's Caspian Sea coast, serves as a crucial multimodal hub, initially established for Kashagan oil exports to Baku and subsequently expanding to facilitate diverse cargo shipments, including diesel, fertilizers, and minerals. Strategically located at key maritime intersections, it enhances trade with Caspian nations and offers efficient transit routes, featuring a finger pier, a RORO ferry wharf, and a general cargo terminal. Operational since 2016, it demonstrates significant throughput, handling 1.5 million tons of various commodities in 2017.³⁵

3.4 Russia

Russia's involvement is vital for the northern maritime portion of the INSTC, connecting its port of Astrakhan to Iran's port of Anzali via the Caspian Sea. This is a critical artery for the corridor, providing a direct link between Europe and Asia. However, the route faces significant limitations due to the shallow Depth of the Volga-Don Canal and some sections of the Caspian Sea. This constraint restricts the size of vessels that can be used, often necessitating the use of smaller ships or barges, which can limit the volume of cargo and increase transportation time and costs. Addressing this issue would require substantial investment in dredging and port infrastructure upgrades.

3.4.1 Astrakhan Port

It is strategically positioned at the Volga River's mouth along the Volga-Caspian Canal, serves as a critical multimodal hub connecting Caspian Sea shipping with Russia's inland waterways. The port operates through two primary cargo zones (Central and Perevalochnyi), supplemented by specialized terminals like Ilinka's oil terminal and Olya Port. Though navigation is seasonally limited (April–November) due to winter freezing, it handles diverse cargo, including metals, fertilizers, timber, petroleum products (3M+ tones/year), and containers, alongside 1.2M passengers annually. With 26 docks and a 3,604-meter waterfront, its annual throughput exceeds 2M tones of general cargo, reinforcing its role as a linchpin for Eurasian trade.³⁶

³⁵ "Caspian Sea Ports: 10 Major Ports," *Orbitshub*, January 2024, <https://orbitshub.com/caspian-sea-ports-10-major-ports/>.

³⁶ Tinoush Jamali Jaghdani and Mehdi Ketabchy, "The Strategic Significance of the Russian Volga River System," *ResearchGate*, November 2023, https://www.researchgate.net/publication/376447817_The_Strategic_Significance_of_the_Russian_Volga_River_System.

3.4.2 Makhachkala Port

Makhachkala Port, Russia's sole ice-free Caspian Sea facility, features two harbors: one for dry cargo and fishing, and the other for oil. Protected by breakwaters, it efficiently manages transit cargo from diverse regions, accommodating oil tankers and cargo ships. It has 15 berths and annually, it processes substantial volumes, including 7 million tons of oil products, 1.5 million tons of construction resources, and 400,000 tons of general cargo, alongside 80,000 tons of fish products, making it a crucial multi-functional hub for the region.³⁷

3.5 Turkmenistan

It has significant geopolitical importance in Eurasia as it lies on the Europe-Caucasus-Asia trade route.

3.5.1 Turkmen Bashi Port

It is the largest and most strategic harbor, serves as the nation's primary cargo and passenger hub on the Caspian Sea's eastern coast. Functioning as a year-round "sea gate" between Central Asia and Europe, it connects via ferry to Baku (Azerbaijan), Aktau (Kazakhstan), and Astrakhan (Russia), integrating maritime, rail, and road routes for transit trade. Established in 1896 and modernized in 2018, the port now features five specialized terminals (general, bulk, container, petroleum, and passenger) along an 1,800-meter quay, capable of servicing 17 ships simultaneously. With plans for a future shipyard, Turkmen Bashi reinforces its role as a critical node in Eurasian logistics.

³⁷ "Makhachkala Port – Russia's Caspian Sea Champion," *Ports Europe*, February 6, 2023, <https://www.portseurope.com/makhachkala-port-russias-caspian-sea-champion/>.

CHAPTER 4

TRADE IN INSTC

4.1 The INSTC Corridor: A Rising Axis

INSTC connects Russia, India, Iran, and Central Asia, experienced a significant 15% increase in trade volumes in 2023. Trade between India and Russia doubled to an impressive \$65 billion, largely driven by discounted oil, with shipments reaching 1.7 million barrels per day which is by sea. Meanwhile, Iran has confirmed four treaties worth a total investment of \$4 billion with Russian companies to build seven oil fields.³⁸ The Chabahar Port handled an impressive 3 million tons of cargo, supported by India's generous pledge of \$500 million. India has projected INSTC, a big success, the volume of trade is around 1.7 million barrels per day which is transported through sea from Russia to India has also been included in the INSTC, though it doesn't import through the corridor.³⁹

INSTC is being used between India and Russia for coal import. A target of exporting 73.2 million tons of coal to India by 2025.⁴⁰ A significant amount of this coal will be transported through the INSTC, especially through Iranian ports, cutting shipping times from 45 days to 15 days only. The coal is mainly sourced from the Kuzbass region of Russia, which is the world's largest coal mining basins and serves as a significant contributor to Russia's coal exports. Due to the location of Kuzbass region it will help INSTC to be utilized as both countries are targeting a trade volume of \$100 billion by 2030.⁴¹

The comprehensive trade volume data for each country is incomplete using the International North-South Transport Corridor (INSTC) reason being the limited reporting and different levels and methods of implementation across member states. The INSTC connects India, Iran, Russia, Azerbaijan, and other member countries (Armenia, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan, Turkey, Ukraine, Oman, and Syria, with Bulgaria as an observer) and is a 7200 km network of rail, road and sea routes.

³⁸ "Iran Signs \$4bn Deal with Russian Firms to Develop Oil Fields, Minister Says," *Iran International*, April 25, 2025, <https://www.iranintl.com/en/202504259624>.

³⁹ Shujaat Naeem Azmi, Kashif Hasan Khan, and Halil Koch, "Assessing the Effect of INSTC on India's Trade with Eurasia: An Application of Gravity Model," article 2313899, received June 26, 2023, accepted January 30, 2024, and published online February 15, 2024.

⁴⁰ "Met coal imports from Russia up nearly three-fold in last 3 financial years," *Business Standard*, May 5, 2024, https://www.business-standard.com/economy/news/met-coal-imports-from-russia-up-nearly-three-fold-in-last-three-financial-years-124050500334_1.html.

⁴¹ Michael Jones, "Bilateral Trade between Russia and India: An Overview," *Russia-India Economic Review*, March 2024.

4.2 Trade Insight and Key Countries For 2024

4.2.1 India

a. **Trade Volume:** The bilateral trade between India and Russia marked a record \$66 billion in 2024 crediting to the INSTC's significant role. This increase was fivefold over five years. The specific cargo volumes for India along the INSTC are not separately reported but the corridor is used to facilitate shipments like kuzbass coal from Siberia to India.⁴² The projected figure of \$66 billion appears to be inflated, as a significant portion of the oil trade is assumed to occur via sea routes, making it difficult to import huge quantities of oil through the INSTC route from Russia to India, largely projected by India. However, the actual volume transported by sea is considerably lower.

b. **Key Goods:** The Indian exports mainly consist of pharmaceuticals, perishable goods (fruits, vegetables), and high-value items (ATMs, industrial printers). On the other hand, the imports include Russian oil, coal, and gas and the INSTC has reduced the transit cost by 30% and time by 40% in comparison to the route of Suez Canal.⁴³

4.2.2 Russia

a. **Trade Volume:** India and Russia bilateral trade amounted to \$66 billion via INSTC. The total cargo shipments across all routes reached 2.3 million tons in Q1 of 2024, with 2.2 million tons via the Western branch (through Azerbaijan) and 74,200 tons via the Trans-Caspian route. The Eastern branch (via Kazakhstan and Turkmenistan) handled 1.8–2 million tons for the year.⁴⁴

b. **Key Goods:** Exports mainly include oil, gas, coal and diesel to India and Iran. The imports include pharmaceutical and agricultural products via INSTC.

⁴²*Insights on India*. "International North-South Transport Corridor." Accessed July 2024. <https://www.insightsonindia.com/2024/07/01/international-north-south-transport-corridor-2/>.

Russia's Pivot to Asia. "Eastern Section of the North-South Transport Corridor Volumes Increased Threefold in 2024." Accessed July 2024. <https://russiaspivottoasia.com/eastern-section-of-the-north-south-transport-corridor-volumes-increased-threefold-in-2024/>.

⁴³BYJU'S. "International North-South Transport Corridor (INSTC)." Accessed July 2024. <https://byjus.com/free-ias-prep/international-north-south-transport-corridor/>.

⁴⁴Avdaliani, Emil. "The Expansion of the International North-South Transport Corridor: Geopolitical Updates." *Silk Road Briefing*. Last modified April 4, 2023. <https://www.silkroadbriefing.com/news/2023/04/04/the-expansion-of-the-international-north-south-transport-corridor-geopolitical-updates/>.

Russia's Pivot to Asia. "Eastern Section of the North-South Transport Corridor Volumes Increased Threefold in 2024." Accessed July 2024. <https://russiaspivottoasia.com/eastern-section-of-the-north-south-transport-corridor-volumes-increased-threefold-in-2024/>.

4.2.3 Iran

a. **Trade Volume:** Iran does not have direct trade volumes via the INTSC but serves as a key transit hub for other countries' goods. The specific tonnage figures, 1.8-2 million tones on the eastern branch and 2.2 million tones on western branch. Trade has significantly increased between Iran, Russia and India with increased cargo flow and traffic handling at Bandar Abbas and Chabahar ports.⁴⁵

b. **Key Goods:** Iran exports minerals through the eastern route to China along with assisting Indian trade to Russia and central Asia. Key imports comprise of Russian diesel and gasoline.⁴⁶

4.2.4 Azerbaijan

a. **Trade Volume:** Precise trade volumes with specific countries are not available but the importance of Azerbaijan as a transit hub has increased. In 2024 Azerbaijan handled 2.2 million tons through the Western branch during the 1st quarter of the year. Once the infrastructure is complete, it has the potential for 15–30 million tons annually.⁴⁷

b. **Key Goods:** It facilitates the trade of Russian oil and Indian goods with potential of improvement in container traffic (127,000–246,000 TEU annually).⁴⁸

4.2.5 Central Asian Republics (Kazakhstan, Turkmenistan, Uzbekistan)

a. **Trade Volume:** In 2024 the eastern branch (via Kazakhstan and Turkmenistan) saw a threefold increase (1.8-2 million tons in 2024) from 2023. Specific trade volumes for central Asian countries are not disclosed but the route assists in trade between India, Russia and China.

b. **Key Goods:** Kazakhstan and Turkmenistan export hydrocarbons to India and China while their imports include Indian manufactured finished products and pharmaceuticals.

⁴⁵Vision IAS. "Also in News: International North-South Transport Corridor." Last modified February 3, 2025. <https://visionias.in/current-affairs/news-today/2025-02-03/also-in-news>.

⁴⁶Baku Research Institute. "The International North–South Transport Corridor: Russia's Geoeconomic and Geopolitical Interests." Accessed July 2024. <https://bakuresearchinstitute.org/en/the-international-northsouth-transport-corridor-russias-geoeconomic-and-geopolitical-interests/>.

⁴⁷Gulf International Forum. "North-South Transport Corridor: Iran-Russia New Railway to Circumvent Western Pressure." Accessed July 2024. <https://gulif.org/north-south-transport-corridor-iran-russia-new-railway-to-circumvent-western-pressure/>.

⁴⁸Brian Gicheru Kinyua, "Sanctions Drive Boom in Container Trade Between Russia and India," *Maritime Executive*, June 18, 2023, <https://www.maritime-executive.com/index.php/article/sanctions-drive-boom-in-container-trade-between-russia-and-india>.

4.2.6 Other Member Countries (Armenia, Belarus, Kyrgyzstan, Tajikistan, Turkey, Ukraine, Oman, Syria)

- a. **Trade Volume:** The trade volumes for these countries are not available for 2024 via INSTC due to various limitations such as infrastructure gaps, geopolitical issues (e.g., Ukraine's conflict with Russia), or secondary roles in transit. Armenia and Belarus are active in the western route while Turkey and Oman even though expressed interest but have limited cargo data.⁴⁹
- b. **Key Goods:** There is very limited data available on goods, but main goods include agricultural, industrial and energy resources.

⁴⁹Avdaliani, Emil. "The Expansion of the International North-South Transport Corridor: Geopolitical Updates." *Silk Road Briefing*. Last modified April 4, 2023. <https://www.silkroadbriefing.com/news/2023/04/04/the-expansion-of-the-international-north-south-transport-corridor-geopolitical-updates/>.

Country	Trade Volume (2024)	Cargo Volume (2024)	Key Investment	Key Goods
India	\$66 billion with Russia (5x increase over 5 years) ⁵⁰	1.8–2 million tons (Eastern branch); Mumbai & Chabahar traffic increased ⁵¹	—	Exports: pharma, perishables, machinery; Imports: oil, coal, gas
Russia	\$66 billion with India ⁵²	2.3 million tons (Q1 total); 2.2 million (Western), 74,200 tons (Trans-Caspian), 1.8–2 million (Eastern) ⁵³	\$1.73 billion (Rasht-Astara railway) ⁵⁴	Exports: oil, gas, coal, diesel; Imports: pharma, agriculture
Iran	No exact figure; key transit hub	1.8–2 million tons (Eastern), 2.2 million tons (Western) ⁵⁵	\$5 billion (Rasht-Astara railway, by 2028) ⁵⁶	Exports: minerals, transit to Central Asia; Imports: diesel, gasoline
Azerbaijan	No precise figure; growing role	2.2 million tons ⁵⁷ (Q1, Western branch); potential: 15–30 million tons annually ⁵⁸	Rasht-Astara incomplete	Transit: oil, Indian goods; Container potential: 127,000–246,000 TEU
Kazakhstan & Turkmenistan	No specific figures	1.8–2 million tons (Eastern branch, 3x increase from 2023)	Rail link to Iran completed (2014)	Exports: hydrocarbons; Imports: Indian products, pharma
Other Members (Armenia, Belarus, Turkey, etc.)	No available data	No significant cargo reported	No major investments reported	Agriculture, industry, and energy products

⁵⁰ EquityPandit, “India-Russia Trade Reaches USD 66 bn in 2024, USD 100 bn Target on Track: Russian Envoy,” *EquityPandit*, November 27, 2024, <https://www.equitypandit.com/india-russia-trade-reaches-usd-66bn-in-2024-usd-100bn-target-on-track-russian-envoy/>

⁵¹ Index1520. *Overcoming Infrastructure Barriers to the Development of the International North–South Transport Corridor*. Moscow: Index1520, April 2025. https://index1520.com/upload/medialibrary/dfe/yi0ikrx2vy47e1bnf19wclcmp8i1w2pu/INSTC_EN.pdf

⁵² EquityPandit. “India-Russia Trade Reaches USD 66 bn in 2024, USD 100 bn Target on Track: Russian Envoy.” *EquityPandit*, November 27, 2024. <https://www.equitypandit.com/india-russia-trade-reaches-usd-66bn-in-2024-usd-100bn-target-on-track-russian-envoy/>

⁵³ Index1520. *Overcoming Infrastructure Barriers to the Development of the International North–South Transport Corridor*. Moscow: Index1520, April 2025. https://index1520.com/upload/medialibrary/dfe/yi0ikrx2vy47e1bnf19wclcmp8i1w2pu/INSTC_EN.pdf

⁵⁴ *Tehran Times*. “Iran, Russia Agree \$1.73 Billion Deal on Rasht–Astara Railway.” May 18, 2023. <https://www.tehrantimes.com/news/485108/Iran-Russia-agree-1-73b-deal-on-Rasht-Astara-railway>

⁵⁵ Index1520. *Overcoming Infrastructure Barriers to the Development of the International North–South Transport Corridor*. Moscow: Index1520, April 2025, 12–14. https://index1520.com/upload/medialibrary/dfe/yi0ikrx2vy47e1bnf19wclcmp8i1w2pu/INSTC_EN.pdf

⁵⁶ *Financial Tribune*. “Iran, Russia Sign \$5 Billion Railway Investment Agreement.” June 2024. <https://financialtribune.com/articles/economy-business/143212/iran-russia-sign-5b-railway-agreement>

⁵⁷ *AzerNews*. “Azerbaijan Handles 2.2 Million Tons of Cargo via INSTC in Q1 2024.” April 2024. <https://www.azernews.az/business/246780.html>

4.3 Geopolitical Shifts and Future Pathways

The geo-political and geo strategic dimension is drastically changing after 10 May 2025. Limited war between India & Pakistan, Iran and Israel:

- a. Afghanistan has joined CPEC, a meeting was conducted between foreign ministers of Pakistan, Afghanistan and China. Due to the presence of China, the relation between Pakistan and Afghanistan will improve and more trade is expected to follow through Gwadar Port.⁵⁹
- b. The China-Iran rail corridor has been launched and put into operation. The first freight train from Yiwu, China reached Incheh Borun Iran in 15 days, compared to 40 days by sea. Iran can now export oil to China through this corridor, and Chinese goods can also reach European markets.

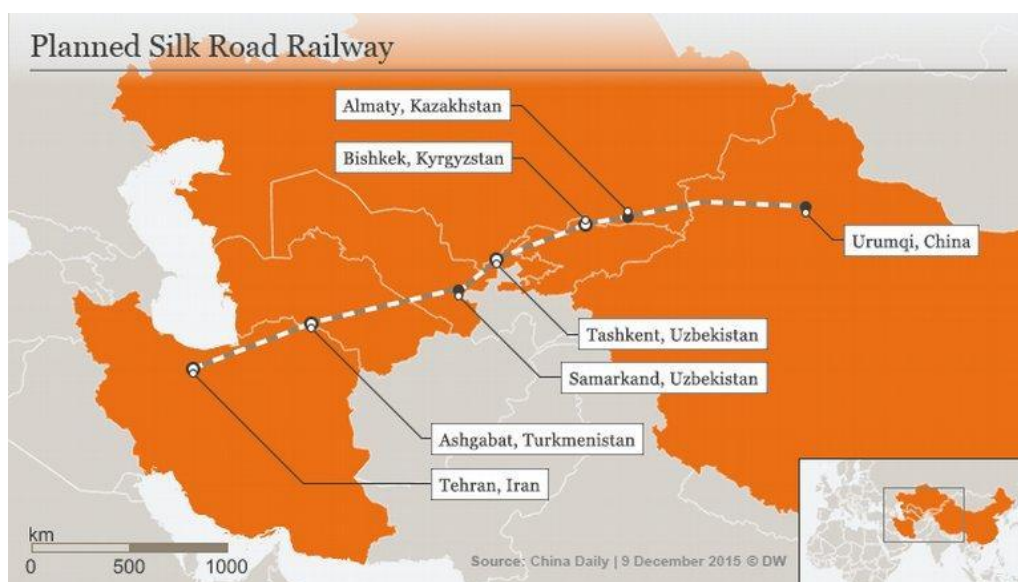


Figure 4: Planned Silk Route Railway⁶⁰

4.4 Infrastructure Developments

Infrastructure development is a key driver of the success of the INSTC. The Rasht-Astara railway link is one of the most critical ongoing projects that will link Iran to Azerbaijan, enhancing rail connectivity between Iran and Russia. Once completed, this rail link will reduce transit times significantly, improving the overall efficiency of the trade route. Moreover, the Iranian port(s), especially Bandar Abbas, is undergoing major upgrades to handle the increasing volume of cargo, including growing container traffic and better port facilities for larger

⁵⁹ TN Web Desk, "Pakistan, China Agree to Extend CPEC to Afghanistan in Trilateral Meeting," *The News International*, May 21, 2025, <https://www.thenews.com.pk/latest/1313747-pakistan-china-agree-to-extend-cpec-to-afghanistan-in-trilateral-meeting>.

⁶⁰ "Planned Silk Road Railway," *China Daily*, December 9, 2015, reproduced in DW (DeutscheWelle), accessed August 17, 2025. <https://www.facebook.com/groups/5352576471507962/posts/9705757786189787/>

vessels.⁶¹ Such infrastructure improvements are vital for maintaining the flow of goods through the INSTC and ensuring the continued trade growth between India and Russia.

4.5 Maritime Connectivity

INSTC is a vital component for maritime connectivity, especially for Russia-India trade. It provides an efficient but complicated multimodal transport network that includes sea, rail, and road routes with maritime transport playing a key role in moving bulk commodities such as oil, coal, and metal ores between Russia and India. Iran's ports, especially Bandar Abbas and Chabahar, are crucial transshipment hubs for Russian goods heading to India. Bandar Abbas, located on the Persian Gulf, serves as the largest and busiest port in Iran, with direct maritime routes for key Russian exports, such as crude oil and coal. In addition, the Caspian Sea is also becoming a vital route for Russian goods passing through Iran to reduce the overall transportation time and costs.

Russia and Iran are also collaborating with each other in the maritime domain to operate the Caspian Sea to shorten the transit route. The Islamic Republic of Iran Shipping Lines (IRISL) has assigned 300 containers for transporting goods between these two nations, with strategies to maximize these integers based on demand.⁶² This initiative has minimized the transportation of Russian products from 45 to 15 days, making shipments faster and cheaper. This reduction helps Russian goods to become more competitive for exports like coal, oil, and pharmaceuticals in the Indian market. With the growth in trade volumes, IRISL is set to grow its fleet and container capacity to keep the maritime routes under the INSTC as a reliable and competitive trade route for the two nations. Chabahar Port's strategic location, with its growing infrastructure, is also expected to become more relevant as it gives India greater access to Central Asia and enhances the Russia-India trade via the INSTC network.

⁶¹ Ministry of Ports, Shipping and Waterways (India), "Upgrading Bandar Abbas Port: Enhancing Connectivity," *India's Maritime Infrastructure Report*, 2024.

⁶² Dewi, "Russia-India Trade to Boom via Iran Using INSTC Route," *Apollo Global Experts*, June 13, 2024, <https://apollo-global-experts.com/russia-india-trade-to-boom-via-iran-using-instc-route/>.

CHAPTER 5

STRATEGIC TRADE ALIGNMENTS — A STUDY OF EU, ASEAN, AND NAFTA

The European Union (EU) was officially established on 07 November 1993, through the Maastricht Treaty, building upon earlier integration efforts like the European Coal and Steel Community in 1951 and the European Economic Community in 1957 under Treaty of Rome. It was formed to promote economic cooperation and prevent further conflicts in Europe following World War II.⁶³

The EU functions as a single market and customs union, enabling the free flow of goods, services, capital, and labor, with its 27 member states. Trade of the EU constitutes over 60% of member countries' total trade, demonstrating the success of integration. The complete reduction of internal tariffs, customs duties, and the harmonization of product standards means that goods produced in one member state can be sold in another without additional checks or duties. For example, a product made in Germany and exported through France is not subject to extra customs procedures. The EU Customs Code introduced harmonized electronic declarations to streamline and standardize cross-border transactions across the bloc.⁶⁴

5.1 EU Transport Infrastructure and Trade Evolution

The European Union has long prioritized infrastructure investment to support efficient trade and transport. A central component of this strategy is the Trans-European Transport Network (TEN-T), which aims to ensure smooth, seamless movement of goods across the continent. While most EU member states adhere to the 1,435 mm standard rail gauge, countries such as Spain and Finland have different rail gauges, which create logistical challenges. To mitigate these, high-speed rail services like Eurostar and Thalys help bridge the gap, although variations in signaling systems and track gauges persist.

The EU trade model is ideal for the following:

- a. The EU eliminated the tariffs as well as most non-tariffs hurdles between states.
- b. The EU has a highly integrated transport network with extensive road, railway, river & sea links.
- c. Schengen areas permitted passport free travel between member states.
- d. They have standardized rail gauge to facilitate the travel of trains.
- e. Furthermore, EU states have their own common currency.

⁶³ "History of the European Union – 1990-99," *European Union*, accessed May 10, 2025, https://european-union.europa.eu/principles-countries-history/history-eu/1990-99_en.

⁶⁴ European Union, "Trade Within the EU," *European Union*, accessed May 10, 2025, https://european-union.europa.eu/principles-countries-history/history-eu/1990-99_en.

- f. They have strong institutional as well as political co-operations to deepen economic ties.

5.2 Major Investment in Transport Projects – 2023

In 2023, the European Commission announced a significant investment, allocating over €7 billion in EU grants from the Connecting Europe Facility (CEF) to 134 transport projects, marking the highest funding call under the current CEF Transport program. This funding will primarily assist projects that align with the EU's climate goals, modernizing and enhancing the rail, inland waterway, and maritime networks along the Trans-European Transport Network (TEN-T) core network. Approximately 83% of the funding is directed at sustainable transport projects, out of which 80% is allocated to rail initiatives.⁶⁵

One of the key beneficiaries of this funding is cross-border rail infrastructure, including major projects like the Rail Baltica project in the Baltic States, the Lyon-Turin rail connection between France and Italy, and the Fehmarn belt tunnel between Denmark and Germany. There are 20 ports in various countries including Ireland, Spain, Finland, and others will undergo infrastructure upgrades, some of which will facilitate shore-side electricity for ships handling. Key inland waterway projects will enhance connections between France and Belgium (Seine-Scheldt basin) and Romania and Bulgaria (Danube corridor), with additional investments for Austria, Germany, and the Netherlands to bolster sustainable transport on rivers and canals.⁶⁶

5.3 Association of Southeast Asian Nations (ASEAN)

In 1967, ASEAN was made with the aim of promoting economic growth, regional cooperation, and political stability among its 10 member states. Prior to its formation, Southeast Asia experienced limited trade collaboration due to political and historical rivalries. The launch of the AFTA in 1992 marked a major step toward regional integration, aiming to reduce tariffs and facilitate the free movement of goods. As a result, intra-ASEAN trade grew from \$40 billion in 1993 to over \$600 billion in 2020.⁶⁷

To enhance trade efficiency, ASEAN introduced several initiatives, including ATIGA and the ASEAN Customs Transit System (ACTS). These mechanisms simplified rules of origin, harmonized customs procedures, and reduced non-tariff barriers. Despite tariff reductions to 0–5% under AFTA, differences in

⁶⁵ European Commission, “EU Invests Record €7 Billion in Sustainable, Safe and Smart Transport Infrastructure,” *CINEA News*, July 17, 2024, https://cinea.ec.europa.eu/news-events/news/eu-invests-record-eu7-billion-sustainable-safe-and-smart-transport-infrastructure-2024-07-17_en.

⁶⁶ European Commission, *EU Invests Record €7 Billion in Sustainable, Safe and Smart Transport Infrastructure*, July 17, 2024, https://transport.ec.europa.eu/news-events/news/eu-invests-record-eu7-billion-sustainable-safe-and-smart-transport-infrastructure-2024-07-17_en.

⁶⁷ ASEAN Secretariat, *Services Trade Dynamics in ASEAN: Unveiling Key Trends*, ASEAN Statistical Brief ASB20240801 (Jakarta: ASEAN Secretariat, August 2024), <https://www.aseanstats.org/wp-content/uploads/2024/08/ASB20240801.pdf>.

technical, sanitary, and regulatory standards still pose obstacles to seamless trade.⁶⁸

In 2021, intra-ASEAN trade accounted for 21.3% of total ASEAN trade, while trade with external partners, such as the European Union, reached €215.9 billion in goods and €82.4 billion in services. Although initiatives like the ASEAN Single Window (ASW) promotes electronic customs data exchange and faster clearance, implementation varies across member states, limiting full integration.

ASEAN's infrastructure remains a significant challenge to deeper integration. The region's rail network is fragmented, with a mix of meter gauge (1,000 mm) in most countries and standard gauge in others, such as Laos and Singapore. This variation hinders seamless cross-border rail transport. Nonetheless, projects like the Kunming–Singapore Rail Link and (MPAC 2025) aim to improve regional logistics, harmonize transport systems, and develop port infrastructure.

ASEAN's economy, valued at over \$3.5 trillion, registered exports surpassing \$500 billion in 2024, driven by key sectors including electronics, automotive parts, textiles, agricultural products, and related manufacturing industries.⁶⁹ Political diversity, regulatory differences, and infrastructure gaps still pose serious challenges to unified trade within the region.⁷⁰

ASEAN has made major strides in reducing trade barriers and improving port and customs efficiency, full economic integration is hindered by infrastructure mismatches and regulatory fragmentation. However, the growing trade facilitated by the corridors represents a significant opportunity for ASEAN to increase its connectivity with India, Central Asia, and Russia, contributing to greater regional and global integration.

The key features as well as challenges of ASEAN model are as follows:

- a. There is significant trade under ASEAN free trade area with a passage of time but still there are barriers.
- b. About connectivity, they are going to develop but at the same time the infrastructure is uneven across the countries.
- c. There is no unified visa policy.

⁶⁸ ASEAN Secretariat, *ASEAN Trade in Goods Agreement (ATIGA)*, ASEAN Free Trade Area Agreements, <https://investasean.asean.org/asean-free-trade-area-agreements/view/757/newsid/872/asean-trade-in-goods-agreement.html>.

⁶⁹ *ASEAN Investment Report 2024: Foreign Direct Investment & ASEAN's Export Industries*, ASEAN Secretariat and UNCTAD, October 9, 2024, <https://asean.org/wp-content/uploads/2024/10/AIR2024-3.pdf>

⁷⁰ Shay Wester and Kaewkamol Pitakdumrongkit, "On US-ASEAN Relations & Trade," *Asia Society Policy Institute*, last modified October 2024, <https://asiasociety.org/policy-institute/us-asean-relations-trade>.

- d. There are multiple rail gauges limiting the cross-border rail services.
- e. Each country uses its own currency.
- f. The political will exists but due to the diversification progress is gradual.

5.4 North American Free Trade Agreement (NAFTA)

In 1994, NAFTA was signed by the US, Canada, and Mexico. By removing most tariffs and trade restrictions between the three nations, it created an extensive free trade zone and accelerated economic integration. Trade in the region was restricted by high tariffs, quotas, and inconsistent regulations prior to NAFTA. To guarantee that most of the materials traded inside the block were manufactured in member nations, NAFTA established consistent rules of origin. As a result, regional commerce surged dramatically. For example, trade between the United States and Canada climbed from \$197 billion in 1993 to over \$664 billion in 2021, while trade between the US and Mexico increased from \$81 billion to over \$661 billion during the same time.⁷¹

The United States-Mexico-Canada Agreement (USMCA), which is then role of NAFTA in 2020, maintained fundamental ideas of the original agreement while adding contemporary clauses pertaining to digital trade, labor standards, and environmental preservation. The USMCA maintains a high level of economic cooperation while not being a customs union like the EU. With US-Canada trade of around \$793 billion and US-Mexico trade of about \$840 billion in 2024, intraregional trade reached over \$1.8 trillion in 2022 if particularly in sectors like automotive and textiles, where goods can only be eligible for tariff-free treatment if they fulfil certain regional value content standards, rules of origin are still crucial.⁷²

Comparison of Trade

Region	Trade Volume (2024)	Growth Drivers	Key Sectors	Projected Growth (2025–2030)
EU	\$5.4 trillion ⁷³	Digital transformation , sustainability goals	Machinery, electronics, pharmaceuticals	10–15%

⁷¹ US Census Bureau, "Trade in Goods with Canada," accessed May 10, 2025, <https://www.census.gov/foreign-trade/balance/c1220.html>.

⁷² Office of the United States Trade Representative, "United States-Mexico-Canada Agreement," accessed May 10, 2025, <https://ustr.gov/trade-agreements/free-trade-agreements/united-states-mexico-canada-agreement>.

⁷³ Eurostat, "EU International Trade in Goods — Latest Developments," *Statistics Explained*, update November2025, https://ec.europa.eu/eurostat/statisticsexplained/index.php?title=EU_international_trade_in_goods_-_latest_developments

Region	Trade Volume (2024)	Growth Drivers	Key Sectors	Projected Growth (2025–2030)
ASEAN	\$3.5 trillion	Regional FTAs, infrastructure integration	Electronics, automotive parts, textiles	20%
NAFTA (USMCA)	\$1.93 trillion ⁷⁴	Route diversification, energy and IT exports	Energy, machinery, agricultural products	15–20%

The USMCA bloc benefits from a robust and harmonized logistics infrastructure. All three countries operate on a standard rail gauge (1,435 mm), enabling uninterrupted rail connectivity—crucial for efficient goods movement. Rail transport accounts for over 40% of US–Mexico trade, supported by key corridors such as Chicago–Monterrey and Laredo–Mexico City. Major seaports—including Los Angeles, Vancouver, and Veracruz—play vital roles in facilitating maritime trade. While national customs controls remain in place, advanced technologies such as electronic declarations and pre-clearance systems streamline cross-border procedures and reduce delays.⁷⁵

The key features as well as challenges of USMCA model are as follows:

- a. Approximately all tariffs removed, Cañada and Mexico.
- b. There are strong rail links especially between Canada and U.S whereas Mexico is enhancing its connectivity.
- c. The visa policies vary and there is no visa free travel across these three countries.
- d. U.S and Canada have a compatible rail system whereas Mexico uses various standards.
- e. There is no currency union.
- f. Though occasional conflict arises but still there is strong commitment to free trade.

Even though the USMCA, the EU, and ASEAN are all source full models as compared to INSTC, ASEAN has the greatest potential for development. By 2030, ASEAN's trade is expected to increase by 20% due to factors including increased demand in India and Central Asia, greater regional connectivity, and

⁷⁴ CSIS, "USMCA Review 2026: Pathways, Risks, and Strategic Considerations for North America's Economic Future," *Center for Strategic and International Studies*, August 18, 2025, <https://www.csis.org/analysis/usmca-review-2026>

⁷⁵ US Census Bureau, "Trade in Goods with Mexico," accessed May 10, 2025, <https://www.census.gov/foreign-trade/balance/c2010.html>.



growing use of ports like Chabahar and Bandar Abbas. On the other hand, despite developments in digital trade and sustainability, the EU's expansion is limited in part by sanctions imposed on Russia. Although the USMCA region also benefits, especially in the export of energy, equipment, and agricultural products, its anticipated 15–20% growth is contingent upon improved trade logistics and a more diverse network of routes connecting the United States and India. All things considered; ASEAN is the most active area in terms of trade development led by INSTC until 2030.

CHAPTER 6

PAKISTAN PERSPECTIVE

The INSTC is not just a transportation route; it is a strategic initiative with long-term implications for regional trade, economic integration, and geopolitical influence. For Pakistan, the INSTC offers both opportunities and challenges. On the one hand, Pakistan could benefit from improved regional connectivity, increased trade, and economic growth. On other hand, Pakistan's participation in the INSTC could have implications for its relations with India, China, and other regional powers.

6.1 Geopolitical Influence

Amid shifting global dynamics, Russia and Pakistan are increasingly aligning their economic and strategic interests. Russia is prioritizing transnational corridors to strengthen ties with Asia, leveraging Pakistan's strategic position. Pakistan's participation in key connectivity projects—such as INSTC, the Eurasian ITC, and the Kabul Corridor—facilitates integration between EAEU and China's BRI. These developments enhance Russia's influence across South and Southeast Asia while expanding bilateral trade and regional connectivity, diversify traditional trade routes. This project will open new chances for strategic link with China. It is also expected that the INSTC will then also relate to CPEC and Pakistan will be connected to Central Asian and Eurasian Customs Unions. At the same time, it may also contribute to the gradual inclusion of the Russian Federation into CPEC with the access to the new alternative routes, relying on the potential of transport cooperation in the Russia-Central Asia-China format.⁷⁶

In the event of Persian Gulf blockade, rendering Iranian ports unusable, the Pakistani port of Gwadar presents a crucial alternative outlet with significant trade potential. To capitalize on this, establishing robust railway and road connections linking Gwadar to Iranian seaports is strategically advisable, effectively merging the INSTC and CPEC initiatives. Furthermore, Russian involvement in constructing a unified transport and energy system across South, Central, and greater Eurasia, offering Russia an alternative gas export route given European supply reductions and aligning with Islamabad's supportive stance as evidenced by scholarly discussions and expert opinions. The INSTC itself serves as a vital platform for bolstering regional geopolitical influence through enhanced cooperation and strategic partnerships.

INSTC is a strategic initiative that will enhance Indian regional influence and strengthen it as a global power. India sees INSTC as an opportunity to foster connectivity with Central Asia, Russia, the Caucasus, and Europe, and reduce its dependence on traditional maritime routes.

INSTC is a strategic initiative that will enhance Iranian regional influence and strengthen it as a regional power. Iran sees INSTC as an opportunity to

⁷⁶ Dr. Hassan Daud Butt, "Trade Wars and Tariffs," *The News International*, March 18, 2025, <https://www.thenews.com.pk/print/1292819-trade-wars-and-tariffs>.

enhance its connectivity with South Asia, Central Asia, and Europe, and reduce its dependence on traditional maritime routes.

6.2 Potential Benefits of the INSTC for Pakistan

When the container ship "Ever Given" became grounded in the Suez Canal on March 23, 2021, and blocked the waterway for six days. This incident severely disrupted global trade, with estimates suggesting that around \$9.6 billion worth of goods were held up each day. While it's challenging to pinpoint a precise total loss, some analysts estimated the impact on global trade growth to be a reduction of 0.2% to 0.4%. The blockage caused significant delays, increased shipping costs, and highlighted the fragility of global supply chains.⁷⁷

INSTC can be an alternative to the Suez Canal, since it takes less time and costs. Pakistan is a member of the Shanghai Cooperation Organization (SCO), that includes nine states. All SCO members, except China, are also participants in the International North–South Transport Corridor (INSTC). While China is not currently part of the INSTC, its future participation could significantly enhance the corridor's development, particularly through integration with the Belt and Road Initiative (BRI).

6.2.1 Increased Trade

One of the potential benefits of the INSTC for Pakistan is increased trade with Central Asia, the Caucasus, and Europe. The INSTC provides a direct land route to these regions, bypassing the long and costly maritime routes via the Suez Canal and the Strait of Malacca. This could significantly reduce the time and cost of cargo transportation, making Pakistani goods more competitive in these markets.

a. Pakistan has a strong trade relationship with Central Asia, particularly in the areas of textiles, agriculture, and minerals. The INSTC could enhance this trade relationship by providing a faster and more cost-effective transportation route. For example, Pakistani textiles could be transported by road and rail to Central Asia. Although the route reduces transit time, the limited cargo capacity and higher transportation costs make it less competitive.

b. Similarly, Pakistan has a growing trade relationship with the Caucasus, particularly in the areas of energy, minerals, and construction materials. The INSTC could enhance this trade relationship by providing a faster and more cost-effective transportation route. For example, Pakistani construction materials could be moved via road and rail to the Caucasus, reducing transit time and costs while enhancing the competitiveness of Pakistani products in these markets.

⁷⁷Allianz," Reuters, March 26, 2021, accessed August 14, 2025, <https://www.reuters.com/article/business/suez-canal-blockage-could-cost-6-billion-to-10-billion-in-lost-trade-allianz-idUSKBN2BI25Y>.

c. Finally, Pakistan has a growing trade relationship with Europe, particularly in the areas of textiles, agriculture, and manufactured goods. In this regard, INSTC offers Pakistan an opportunity to reinforce its trade links by offering a faster and more economical transportation route. For instance, textiles from Pakistan could reach European markets via integrated road as well as rail networks, pointedly cutting both transit time and shipping expenses. This enhanced connectivity would increase the affordability of Pakistani exports in international markets.

d. In March 2024, a 16-truck convoy operated by Pakistan's National Logistics Corporation (NLC) successfully transported citrus fruits to Russia, delivering 14 trucks to Derbent and 2 to Grozny. The 6,000 km journey, routed through Iran and Azerbaijan, concluded with an official welcome in Derbent attended by local authorities. This milestone is expected to boost Pakistan-Russia trade, potentially increasing bilateral trade volume to \$2.5 billion soon by strengthening direct cargo links.

e. Similarly, first ever freight train was planned from Lahore to Russia on 22 June 2025 but could not be materialized due Iran-Israel war. But it may take place in future and will be a good initiative by Pakistan to boost its export.

f. It is pertinent to note that Pakistan is not utilizing Chah Bahar/ Bandar Abbas port rather rail/road network to Iran, thereafter, using INSTC route, but in future it can also use Iranian port in Persian Gulf depends upon volume of cargo.

6.2.2 Economic Growth

Another potential benefit of the INSTC for Pakistan is economic growth. INSTC could stimulate economic growth by enhancing regional connectivity, increasing trade, and attracting foreign investment.

a. Enhanced regional connectivity could stimulate economic growth by minimizing the time and cost of transportation, making Pakistani goods more competitive in regional and global markets. This could lead to increased exports, higher revenues, and greater economic growth.

b. Increased trade could boost economic growth by adopting new opportunities for businesses and entrepreneurs. The INSTC could open new markets for Pakistani goods, providing opportunities for businesses to expand their operations and increase their revenues. This could lead to increased investment, job creation, and economic growth.

c. Attracting foreign investment could stimulate economic growth by providing the capital needed to develop infrastructure, industries, and services. The INSTC could attract foreign investment by providing a platform for regional trade and investment, the mobility of goods, services, and capital among South Asia, Central Asia, the Caucasus, and Europe. This could lead to increased investment in infrastructure, industries, and services, creating new opportunities for businesses and entrepreneurs and stimulating economic growth.

6.2.3 Regional Influence

Another potential benefit of the INSTC for Pakistan is enhanced regional influence. The INSTC could enhance Pakistan's regional influence by providing a platform for regional cooperation and collaboration, facilitating the development of strategic partnerships and alliances.

a. The INSTC offers Pakistan a faster, more cost-effective trade route to Europe, tumbling transit time and expenses while boosting the competitiveness of its exports. For example, Pakistan could work with Central Asian countries to develop joint infrastructure projects, such as roads, railways, and ports, enhancing regional connectivity and economic integration. Pakistan will offer alternative routes and strategic access through Gwadar. Its connectivity under CPEC provides strategically valuable alternative for regional trade.

b. Finally, Pakistan has a growing strategic relationship with Europe, particularly in the trade, investment, and security sectors. The INSTC could enhance this strategic relationship by providing a platform for regional cooperation and collaboration, facilitating the development of strategic partnerships and alliances. For example, Pakistan could work with European countries to develop joint infrastructure projects, such as roads, railways, and ports, enhancing regional connectivity and economic integration.

6.3 Challenges and Way Forward for Pakistan

6.3.1 Geopolitical Challenges

One of the main challenges for Pakistan in participating in the INSTC is the geopolitical dynamics of the region. Pakistan's participation in the INSTC could have implications for its relations with India, China, and other regional powers.

a. India is considered as one of the founding members of the INSTC and a major stakeholder in the corridor. Pakistan's participation in the INSTC could enhance its trade and economic relationship with India, but it could also create tensions and conflicts, particularly in the context of the long-standing Kashmir

dispute. Pakistan will need to navigate these geopolitical dynamics carefully to make sure its role in the INSTC supports its strategic interests.

b. China is another vital player in the region, with its own strategic initiatives, such as BRI and CPEC, to maintain good ties with Pakistan. Pakistan needs to balance its relations with China in terms of CPEC and INSTC.

c. Other countries, such as Iran, Russia, and US, also have strategic interests in the region. Pakistan's participation in the INSTC could create tensions with these powers, particularly if it is seen as aligning with one power against another. Pakistan should engage in the INSTC with prudence to safeguard its strategic priorities.

6.3.2 Infrastructure Challenges

Another challenge for Pakistan in participating in the INSTC is the poor state of its infrastructure. The INSTC requires a high level of infrastructure development, including roads, railways, ports, and logistics facilities. Pakistan's infrastructure is currently underdeveloped, especially in terms of transportation and logistics.

a. To participate in the INSTC, Pakistan would need to invest largely in infrastructure development, particularly in the areas of transportation and logistics. This would require significant financial resources, technical expertise, and political will. Pakistan would need to work closely with regional and global partners to develop the necessary infrastructure to participate in the INSTC.

b. Pakistan must enforce conducive law and order, particularly in Balochistan, to safeguard its strategic interests and counter external destabilization efforts. Given India and the US's persistent attempts to undermine CPEC, a resolute political commitment is essential to secure the corridor's success a vital link that will not only boost Pakistan's economy but also reinforce the INSTC, enhancing regional connectivity and trade.

6.3.3 Economic Challenges

Another challenge for Pakistan in participating in the INSTC is the fragile state of its economy. Pakistan's economy is currently facing several challenges, including high levels of debt, inflation, and unemployment. These economic challenges could limit Pakistan's ability to invest in the infrastructure and logistics needed to participate in the INSTC.

a. To participate in the INSTC, Pakistan would need to address these economic challenges and create a more favorable economic environment. This would require efficient economic

reforms, including fiscal consolidation, monetary policy adjustments, and structural reforms.

b. Pakistan would need to work closely with regional and global partners to address these economic challenges and create a more favorable economic environment for participation in the INSTC.

c. Pakistan must create a business friendly atmosphere, one window operations and other incentives to local businessmen which ultimately attract foreign investment.

CONCLUSION

INSTC offers both significant opportunities and considerable challenges. On the one hand, it offers faster transit between India, Russia, and Europe, reduces reliance on the Suez Canal, and enhances regional connectivity by linking South Asia, Central Asia, and Eurasia. It also ensures to provide landlocked Central Asian states with greater access to global markets while encouraging investment in transport and logistics infrastructure. On the other hand, the corridor continues to face major obstacles, including costly delays from multimodal transfers, incompatibility of railway gauges, seasonal disruptions such as the freezing of the Caspian Sea, and persistent customs and visa barriers. Moreover, sanctions on key states like Iran and Russia have constrained financing and modernization efforts. The future success of INSTC will therefore depend on overcoming these structural and political hurdles to realize its potential as a truly effective Eurasian trade corridor.

BIBLIOGRAPHY

- ASEAN Secretariat. *ASEAN Trade in Goods Agreement (ATIGA)*. ASEAN Free Trade Area Agreements. <https://asean.org/wp-content/uploads/2020/12/ASEAN-Trade-in-Goods-Agreement.pdf>
- ASEAN Secretariat. *Services Trade Dynamics in ASEAN: Unveiling Key Trends*. ASEAN Statistical Brief ASB20240801. Jakarta: ASEAN Secretariat, August 2024. <https://www.aseanstats.org/wp-content/uploads/2024/08/ASB20240801.pdf>.
- ASEAN Secretariat and UNCTAD. *ASEAN Investment Report 2024: Foreign Direct Investment & ASEAN's Export Industries*. October 9, 2024. <https://asean.org/wp-content/uploads/2024/10/AIR2024-3.pdf>
- Association of Southeast Asian Nations (ASEAN). "Member States." Accessed May 10, 2025. <https://asean.org/about-us/member-states/>.
- Azmi, Shujaat Naeem, Kashif Hasan Khan, and Halil Koch. 2024. "Assessing the Effect of INSTC on India's Trade with Eurasia: An Application of Gravity Model." *Cogent Economics & Finance* 12 (1): 2313899. <https://doi.org/10.1080/23322039.2024.2313899>.
- Boltuc, Silvia. "Geopolitics of the Anzali Trade-Industrial Zone in Iran." *Special Eurasia*, November 6, 2023. <https://www.specialeurasia.com/2023/11/06/anzali-trade-zone-iran/>.
- "Caspian Sea Is the World's Largest Inland Lake; Water Body Borders Azerbaijan, Iran, Kazakhstan, Turkmenistan, Russian Oil & Gas Pipelines, Volga River." *Blue-Growth.org*. Accessed May 10, 2025. https://www.blue-growth.org/Oceans_Rivers_Seas/Caspian_Sea_Is_The_World%27s_Largest_Inland_Lake_Water_Body_Borders_Azerbaijan_Iran_Kazakhstan_Turkmenistan_Russian_Oil_Gas_Pipelines_Volga_River.html.
- "Caspian Sea Ports: 10 Major Ports." *Orbitshub*, January 2024. <https://orbitshub.com/caspian-sea-ports-10-major-ports/>.
- Chausovsky, Eugene. "The Strategic Importance of the Caspian Sea." *Stratfor*, May 19, 2014. <https://worldview.stratfor.com/article/strategic-importance-caspian-sea>.
- Cheema, Grace. "The International North-South Transport Corridor: Shifting Gears in Eurasian Connectivity." *Modern Diplomacy*, September 24, 2020.

<https://moderndiplomacy.eu/2020/09/24/the-international-north-south-transport-corridor-shifting-gears-in-eurasian-connectivity/>.

China Daily. “Planned Silk Road Railway.” December 9, 2015. Reproduced in *DW (Deutsche Welle)*. Accessed August 17, 2025. <https://www.facebook.com/groups/5352576471507962/posts/9705757786189787/>

“How India Will Be Affected by Trump’s Withdrawal of Sanctions Waiver on Iran’s Chabahar Port.” *Firstpost*, September 19, 2025. Accessed September 29, 2025. <https://www.firstpost.com/explainers/india-trump-withdrawal-of-sanctions-waiver-iran-chabahar-port-implications-13935018.html>

ClearIAS Team. “International North–South Transport Corridor (INSTC).” *ClearIAS*. Last updated November 21, 2024. Accessed August 14, 2025. ClearIAS

CSIS. “USMCA Review 2026: Pathways, Risks, and Strategic Considerations for North America’s Economic Future.” *Center for Strategic and International Studies*, August 18, 2025. <https://www.csis.org/analysis/usmca-review-2026>

Dewi. “Russia-India Trade to Boom via Iran Using INSTC Route.” *Apollo Global Experts*, June 13, 2024. <https://apollo-global-experts.com/russia-india-trade-to-boom-via-iran-using-instc-route/>.

El-Din Leila, Ahmed Shams, and Mutasim Saddiq Abdullah. “The Economic and Strategic Significance of Iranian Ports: Jask Port as a Case Study.” *Journal for Iranian Studies*, Year 5, Issue 13 (April 2021): 49–66. <https://rasanah-iiis.org/english/wp-content/uploads/sites/2/2021/09/THE-ECONOMIC-AND-STRATEGIC-SIGNIFICANCE-OF-IRANIAN-PORTS-JASK-PORT-AS-A-CASE-STUDY.pdf>.

European Commission. “EU Invests Record €7 Billion in Sustainable, Safe and Smart Transport Infrastructure.” *CINEA News*, July 17, 2024. https://cinea.ec.europa.eu/news-events/news/eu-invests-record-eu7-billion-sustainable-safe-and-smart-transport-infrastructure-2024-07-17_en.

European Commission. *EU Invests Record €7 Billion in Sustainable, Safe and Smart Transport Infrastructure*. July 17, 2024. https://transport.ec.europa.eu/news-events/news/eu-invests-record-eu7-billion-sustainable-safe-and-smart-transport-infrastructure-2024-07-17_en.

European Union. “EU Member Countries.” Accessed May 10, 2025. https://europa.eu/european-union/about-eu/countries_en.

European Union. "History of the European Union – 1990-99." Accessed May 10, 2025. https://european-union.europa.eu/principles-countries-history/history-eu/1990-99_en.

European Union. "Trade Within the EU." Accessed May 10, 2025. https://european-union.europa.eu/principles-countries-history/history-eu/1990-99_en.

Eurostat. "EU International Trade in Goods — Latest Developments." *Statistics Explained*. Updated November 2025. https://ec.europa.eu/eurostat/statistics-explained/index.php?title=EU_international_trade_in_goods_-_latest_developments

Gupta, Pravesh Kumar. "Revitalization of INSTC and Prospects of the Greater Eurasian Connectivity." *Vivekananda International Foundation*, December 30, 2022. <https://www.vifindia.org/sites/default/files/Revitalization-of-INSTC-and-Prospects-of-the-Greater-Eurasian-Connectivity.pdf>.

Gupta, Pravesh Kumar. *Revitalization of INSTC and Prospects of the Greater Eurasian Connectivity*. New Delhi: Vivekananda International Foundation, 2022. <https://www.vifindia.org/sites/default/files/Revitalization-of-INSTC-and-Prospects-of-the-Greater-Eurasian-Connectivity.pdf>.

IAS Exam. "International North South Transport Corridor (INSTC)." IAS Exam, November 30, 2023. <https://www.iasexam.com/international-north-south-transport-corridor-instc/>.

Ilyashenko, Andrei. "Russia's Economy Is Now Completely Driven by the War in Ukraine; It Cannot Afford to Lose, but Nor Can It Afford to Win." *The Conversation*, June 5, 2023. <https://theconversation.com/russias-economy-is-now-completely-driven-by-the-war-in-ukraine-it-cannot-afford-to-lose-but-nor-can-it-afford-to-win-221333>.

Insights on India. *International North-South Transport Corridor (INSTC)*. Accessed May 10, 2025. <https://www.insightsonindia.com/wp-content/uploads/2017/12/INSTC-1.jpg>.

Index1520. *Overcoming Infrastructure Barriers to the Development of the International North–South Transport Corridor*. Moscow: Index1520, April 2025. https://index1520.com/upload/medialibrary/dfe/yi0ikrx2vy47e1bnf19wclcmp8i1w2pu/INSTC_EN.pdf.

Jaghdani, Tinoush Jamali, and Mehdi Ketabchy. "The Strategic Significance of the Russian Volga River System." *ResearchGate*, November 2023.

https://www.researchgate.net/publication/376447817_The_Strategic_Significance_of_the_Russian_Volga_River_System.

Jones, Michael. "Bilateral Trade between Russia and India: An Overview." *Russia-India Economic Review*, March 2024.

Kaleji, Vali. "The Rasht-Caspian Railway and the Cycle of 'Combined Transport' in the International North-South Transport Corridor." *Valdai Discussion Club*, August 8, 2024. <https://valdaiclub.com/a/highlights/the-rasht-caspian-railway/>.

Karimpour, R. "Persian Gulf and Iran's Strategic Role in the International North-South Transport Corridor (INSTC)." *Maritime Education*. Accessed May 10, 2025. <https://maritimeducation.com/irans-strategic-role-in-the-international-north-south-transport-corridor-instc/>.

Khodr, Lila. "The Rasht-Astara Railway Link: A Game Changer for INSTC." *Middle Eastern Transport Journal*, February 2024.

Khorrami, Nima. "INSTC: Pipeline Dream or a Counterweight to Western Sanctions and China's BRI?" *The Diplomat*, June 21, 2023. <https://thediplomat.com/2023/06/instc-pipeline-dream-or-a-counterweight-to-western-sanctions-and-chinas-bri/>.

Kinyua, Brian Gicheru. "Sanctions Drive Boom in Container Trade Between Russia and India." *Maritime Executive*, June 18, 2023. <https://www.maritime-executive.com/index.php/article/sanctions-drive-boom-in-container-trade-between-russia-and-india>

"Makhachkala Port – Russia's Caspian Sea Champion." *Ports Europe*, February 6, 2023. <https://www.portseurope.com/makhachkala-port-russias-caspian-sea-champion/>.

Marine Link. "Amirabad Port Overview." Accessed May 10, 2025. <https://ports.marinelink.com/ports/port/amirabad>.

Ministry of Ports, Shipping and Waterways (India). "Upgrading Bandar Abbas Port: Enhancing Connectivity." *India's Maritime Infrastructure Report*, 2024.

Mobeen, Tahniyat. "Pakistan's Inclusion in the INSTC – Prospects & Implications." *Paradigm Shift*. Accessed May 10, 2025. <https://www.paradigmshift.com.pk/instc/>.



Observer Bangladesh. "What Will Be the 21st Century Alternative to Suez Canal?" February 12, 2024. Accessed August 14, 2025. <https://www.observerbd.com/news/459640>.

Office of the United States Trade Representative. "United States-Mexico-Canada Agreement." Accessed May 10, 2025. <https://ustr.gov/trade-agreements/free-trade-agreements/united-states-mexico-canada-agreement>.

"Pakistan, China Agree to Extend CPEC to Afghanistan in Trilateral Meeting." *The News International*, May 21, 2025. <https://www.thenews.com.pk/latest/1313747-pakistan-china-agree-to-extend-cpec-to-afghanistan-in-trilateral-meeting>

Kaleji, Vali. "Will Russia Complete Iran's Rasht–Astara Railway?" *Eurasia Daily Monitor*, May 16, 2022. Jamestown. <https://jamestown.org/program/will-russia-complete-irans-rasht-astara-railway/>

Raju, Jishnu J. "International North–South Transport Corridor (INSTC)." *ClearIAS*, November 21, 2024. <https://www.clearias.com/international-north-south-transport-corridor-instc/>.

Rebecca. "Caspian Sea on World Map." *Altonalyce*, December 3, 2019. <https://altonalyce.blogspot.com/2019/12/caspian-sea-on-world-map.html>.

Reuters. "Suez Canal Blockage Could Cost \$6 Billion to \$10 Billion in Lost Trade – Allianz." March 26, 2021. Accessed August 14, 2025. <https://www.reuters.com/article/business/suez-canal-blockage-could-cost-6-billion-to-10-billion-in-lost-trade-allianz-idUSKBN2BI25Y>.

Reuters. "India to Sign 10-Year Pact with Iran for Chabahar Port Management." May 13, 2024. <https://www.reuters.com/world/india/india-sign-10-year-pact-with-iran-chabahar-port-management-et-reports-2024-05-13/>.

RT. "Iran, Russia to Launch Project for Canal Linking Caspian Sea with Persian Gulf." RT, April 15, 2016. <https://www.rt.com/business/339781-iran-russia-caspian-canal/>

Russia's Pivot to Asia. "Russia Expands East-West Cross-Border Transportation as Sanctions Create Alternative Trade Routes." Accessed August 17, 2025. <https://russiaspivottoasia.com/russia-expands-east-west-cross-border-transportation-as-sanctions-create-alternative-trade-routes/>

Solangi, Shafiq ur Rehman. "Development of Chabahar Port: Challenges and Implications for Pakistan and CPEC." *Electronic Research Journal of Social*

Sciences and Humanities 1, no. 1 (January–March 2019): 48–57.
<https://www.eresearchjournal.com/wp-content/uploads/2020/06/Chabahar-Port.pdf>.

Special Eurasia. “Iran and the IRISL Group’s Crucial Role in the International North-South Transport Corridor (INSTC).” *Special Eurasia*, November 30, 2023.
<https://www.specialeurasia.com/2023/11/30/iran-irisl-group-instc/>.

Special Eurasia. “Iran and the IRISL Group’s Crucial Role in the International North-South Transport Corridor (INSTC).” *Special Eurasia*, November 30, 2023.
<https://www.specialeurasia.com/2023/11/30/iran-irisl-group-instc/>.

The Daily CPEC. “Freight Train from China Reaches Iran’s Aprin Dry Port.” *The Daily CPEC*, May 26, 2025. Accessed August 14, 2025.
<https://thedailycpec.com/freight-train-from-china-reaches-irans-aprin-dry-port/>.

TN Web Desk. “Pakistan, China Agree to Extend CPEC to Afghanistan in Trilateral Meeting.” *The News International*, May 21, 2025.
<https://www.thenews.com.pk/latest/1313747-pakistan-china-agree-to-extend-cpec-to-afghanistan-in-trilateral-meeting>.

US Census Bureau. “Trade in Goods with Canada.” Accessed May 10, 2025.
<https://www.census.gov/foreign-trade/balance/c1220.html>.

US Census Bureau. “Trade in Goods with Mexico.” Accessed May 10, 2025.
<https://www.census.gov/foreign-trade/balance/c2010.html>.

United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP). Development of the International North-South Transport Corridor (INSTC). Bangkok: UNESCAP, 2020. <https://www.unescap.org/>.

United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP). Development of the International North-South Transport Corridor (INSTC). Bangkok: UNESCAP, 2020. <https://www.unescap.org/>.

United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP). Development of the International North-South Transport Corridor (INSTC). Bangkok: UNESCAP, 2020. <https://www.unescap.org/>.

Wester, Shay, and Kaewkamol Pitakdumrongkit. “On US-ASEAN Relations & Trade.” *Asia Society Policy Institute*. Last modified October 2024.
<https://asiasociety.org/policy-institute/us-asean-relations-trade>.