

Corridor Politics: IMEC vs. BRI: Another Geopolitical Face-off in U.S.-China Rivalry

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Abstract

In a rapidly changing global landscape shaped by the COVID-19 pandemic, the Ukrainian conflict, and the Palestinian crisis, heightened geopolitical tensions are pushing nations toward strategic alliances and economic collaborations. One such initiative, the "India – Middle East – Europe Corridor" (IMEC), has emerged as a potential alternative to China's Belt and Road Initiative (BRI), which plays a central role in China's global influence. The intensifying rivalry between the United States and China is a defining feature of contemporary geopolitics. IMEC's potential implementation could compel Middle Eastern nations to make strategic choices, particularly within specific industries, possibly hindering socioeconomic progress in the region. This research paper takes a neorealist perspective to analyse the U.S.-China rivalry and conducts a comparative analysis of BRI and IMEC and exploring whether the IMEC poses a challenge to the BRI within the global geopolitical and geo-economic context. Ultimately, the paper concludes that IMEC, especially against the backdrop of the 2023 Palestinian crisis, does not present a substantial threat to the BRI.

Keywords: IMEC, BRI, economy, investment, China, India, Gulf, Europe

Article history:

Received on: November 23, 2023

Revised on: December 21, 2023

Accepted on: December 26, 2023

Published on: December 31, 2023

INTRODUCTION

Over the last several years, the world's political structure has seen substantial changes due to major events including the COVID-19 epidemic, the Ukrainian war, and the Palestinian problem. The interconnected crises have exacerbated existing geopolitical tensions, leading to a complex and unstable global situation. As a reaction, countries throughout the globe have shifted their focus towards establishing coalitions and collaborative partnerships, with a specific emphasis on promoting economic cooperation. The "India–Middle East–Europe Corridor" operates as an illustration of such a venture. This concept was conceived during the G20 summit that took place in India on September 10, 2023. Crown Prince Mohammed bin Salman of Saudi Arabia, in

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collaboration with delegates from the European Union (EU), the United Arab Emirates (UAE), and the United States (USA), developed the proposal. The formalisation of IMEC's goal to create an extensive commercial and transport corridor will occur through the ratification of a Memorandum of Understanding, which will have the support of all parties involved.

IMEC has garnered significant international attention due to its potential status as a rival to China's BRI. The BRI, which began in 2013, seeks to create extensive linkages across Asia, Africa, Europe, and Latin America, with the primary goal of placing China as a prominent player in the global economy of the 21st century. The intensifying hostilities between the United States and China have attracted substantial worldwide attention in recent years. The economic disagreement has transformed into a geopolitical competition fuelled by conflicting ideologies. During discussions on the Washington-Beijing relationship, the Biden Administration has emphasized the importance of both rivalry and collaboration occurring at the same time. President Xi Jinping delineated China's strategic approach for 2021, highlighting a focus on merit-based competition rather than pursuing the demise of an opponent. However, the global impact of this competition has been significant, principally shown via the establishment of several alliances, such as the recent formations of AUKUS, QUAD, and the IMEC project.

The geopolitical aspects of the IMEC become particularly important when analysing the reactions of the six member nations of the Gulf Cooperation Council (GCC) to the changes in a world with many centres of power. All Gulf Cooperation Council (GCC) states, save Oman, have obtained Dialogue Partner accreditation within the Shanghai Cooperation Organization (SCO). Additionally, the UAE and Saudi Arabia were extended invites to become members of the BRICS club in August 2023. The UAE and Saudi Arabia's eagerness to sign the IMEC Agreement highlights their increasing influence in redefining the global geopolitical environment and economic structure. The Biden administration's endorsement of IMEC principally demonstrates its determination to reassuring Middle Eastern friends and partners about Washington's commitment to the area, while also offering an alternate to China's the Belt and Road Initiative (BRI). The Gulf Arab nations have significant importance within the BRI framework, primarily because they are aligned with Saudi Arabia's Vision 2030 and the socioeconomic diversification goals of other Gulf Cooperation Council (GCC) members. In response to Beijing's increasing connections with historically pro-Western Arab countries and Israel, the United States has implemented measures to offset China's growing geoeconomic influence, particularly in the Middle East. Considering the historical backdrop characterized by a series of fruitless efforts aimed at offering alternatives to BRI is equally crucial. Notable examples of these programmes include the Build Back Better World (B3W) programme, which was subsequently renamed as the Partnership for Global Infrastructure and Investment (PGII), and the Blue Dot Network.

Due to the recent establishment of the IMEC project, there is a significant lack of scientific material available on this issue. The lack of available literature has resulted in a dependence on speculation and assumptions based on historical circumstances, as well as research focused on evaluating the practicality and consequences of the Belt and Road Initiative (BRI). The Emirate Policy Centre's report, titled "IMEC and BRI: Beyond Complementary Competition,"² suggests that the IMEC project may not necessarily provide a direct competition to China's Belt and Road Initiative (BRI).

² Emirates Policy Centre I Asia Research Unit. *IMEC and BRI: Beyond Complementary Competition*. 20 October 2023 <https://epc.ae/en/details/scenario/imec-and-bri-beyond-complementary-competition>.

However, these two endeavours may exist simultaneously, since they meet at strategically important logistical places. Beijing can enhance its logistical and technical connections, as well as energy projects, by coexisting with states like Türkiye and Iran. This collaboration may benefit these nations, whose interests might otherwise be negatively impacted by the IMEC project. Dr. Giorgio Cafiero's paper on "The Geopolitics of the India-Middle East-Europe Economic Corridor" highlights the significant role played by Gulf Arab governments in the Belt and Road Initiative (BRI). This has particular importance since it aligns Saudi Arabia's Vision 2030 with the economic diversification plans of other Gulf Cooperation Council (GCC) countries, as well as the objectives of the Belt and Road Initiative (BRI). Washington is concerned about Beijing's efforts to enhance its ties with Arab governments that have historically been linked with the West, as well as with Israel. In response, the United States is taking measures to counteract China's growing geo-economic influence in the Middle East.³

The article titled "The IMEC vs BRI: Taking the Cue" elucidates a contradictory facet of the IMEC initiative. The IMEC's primary objective is to publicly confront BRI and limit Chinese influence. However, it has intrinsic difficulties in accomplishing this goal. The influence of China in both Europe and the Middle East is undeniably shown by the inclusion of important assets such as the Piraeus port and the Etihad rail project in the IMEC connectivity project. The Piraeus port, presently managed by China Ocean Shipping (Group) Company, a state-owned Chinese entity, and with the active involvement of Chinese corporations like Power China and China State Construction Engineering Corporation in the railway project, exemplify China's significant influence and presence. Within this backdrop, the partner nations of IMEC are aware of this scenario, undertaking a sophisticated and comprehensive effort to openly dispute the position of China.⁴ Dr. Mohamed Eldoh's study on the "India-Middle East-Europe Corridor - Challenges Ahead" argues that China's position as a strategic rival might redirect trade and investments into its own corridors, thus undermining the efficacy of the IMEC corridor. India, the Middle East, and Europe will have a formidable task in navigating this rivalry. Nevertheless, Europe encounters obstacles because of its substantial commercial alliance with China, becoming China a crucial trade collaborator. The presence of rivalry among the areas engaged presents geopolitical dangers for the countries of IMEC.⁵

In his article for the Diplomat, Burak Elmali suggests that the potential escalation of the Israeli-Palestinian conflict may pose risks to IMEC. However, he believes that this is unlikely to deter the parties involved, as they are determined to realign India's alliance position towards the Western hemisphere. This realignment aims to exert pressure on China in the surrounding region and redirect its focus towards local affairs. Furthermore, for the United States, IMEC serves to strengthen economic collaboration and speed up normalisation in the Gulf.⁶ On the contrary, during an interview with Voice of America, Michael Kugelman, the director of the South Asia Institute at the Wilson Centre in Washington, expressed that the recent conflict serves as a

³ Giorgio Cafiero, *The Geopolitics of the India-Middle East-Europe Economic Corridor*. 10 October 2023
<https://arabcenterdc.org/resource/the-geopolitics-of-the-india-middle-east-europe-economic-corridor/>.

⁴ Kashif Anwar, *The IMEC vs BRI: Taking the cue*. 29 September 2023
<https://moderndiplomacy.eu/2023/09/29/the-imec-vs-bri-taking-the-cue/>.

⁵ Dr. Mohamed Eldoh, *The India-Middle East-Europe Corridor: Challenges Ahead*. 26 September 2023
<https://www.geopoliticalmonitor.com/the-india-middle-east-europe-corridor-challenges-ahead/>.

⁶ Burak Elmali, *Unrest in the Middle East Is Bad for Both CPEC and IMEC*. 24 November. 2023
<https://thediplomat.com/2023/11/unrest-in-the-middle-east-is-bad-for-both-cpec-and-imec/>.

sorrowful reminder of the immense challenges that lie ahead in developing the new corridor. These challenges extend beyond financial obstacles and encompass issues of stability and diplomatic collaboration. The battle serves as a stark reminder that these prerequisites are still difficult to achieve.⁷

Naveed Hussain contends in his essay "Enter the Corridor Wars" that despite the opposing geoeconomic interests of key regional actors, the IMEC might face a similar outcome to past endeavours. The main reason for this is the strategic imperative to counter China by employing bloc politics, rather than a sincere desire to promote cooperation for the purpose of enhancing economic development through improved connectivity and economic integration, resulting in tangible benefits for the population. Therefore, the escalating competition between the United States and China is expected to have significant implications for the nations in the Middle East. This competition has the potential to worsen the current issues in an area that is already plagued by violence, if it is not controlled or stopped. Therefore, it is crucial for Middle Eastern countries to understand the ongoing discussion between IMEC and the BRI. These nations have carefully balanced between the security guarantees provided by the United States and the economic opportunities supplied by China. If IMEC's implementation is effective, Middle Eastern governments may feel obligated to align themselves with certain sectors. Hence, if governments are forced to choose between BRI or IMEC, this rivalry might hinder socioeconomic advancement and endanger the accomplishments made in the Middle East.⁸

This research study will use a neorealist framework to clarify the competition between China and the United States. The text will also include a summary of important components, such as the IMEC, Gulf Sovereign Wealth Funds (SWFs), and a comparative examination of BRI in relation to the IMEC. The study issue to be examined is: What factors contribute to the lack of major opposition from the IMEC towards BRI within the framework of global politics and geoeconomics? The study will finally determine that the IMEC does not provide a significant threat to the Belt and Road Initiative (BRI), particularly considering the Palestinian situation in 2023

Using Neorealism as a Framework for Analysis

The rivalry between the United States and China in the modern global system is a complex phenomenon that is garnering significant interest from academics, politicians, and the public. This rivalry is unparalleled in its magnitude and intricacy, since it encompasses two of the globe's most formidable and important countries. China has had a remarkable metamorphosis in the last several decades, transitioning from a mostly agricultural nation to become the second-largest economy in the world, as well as a leading force in global industry and technology. China's rise has not only increased its economic standing but also its political and military might, posing a challenge to the long-standing supremacy of the United States. China's expanding prominence leads to more complex relations with the United States, spanning economic, military, technical, and geopolitical

⁷ Voice of America. *Israel-Hamas Conflict Reality Check for India-Middle East-Europe Economic Corridor*. 24 October 2023 <https://www.voanews.com/a/israel-hamas-conflict-reality-check-for-india-middle-east-europe-economic-corridor-/7323955.html>

⁸ Naveed Hussain, *Enter the corridor wars*. 8 October 2023 <https://tribune.com.pk/story/2439926/enter-the-corridor-wars>.

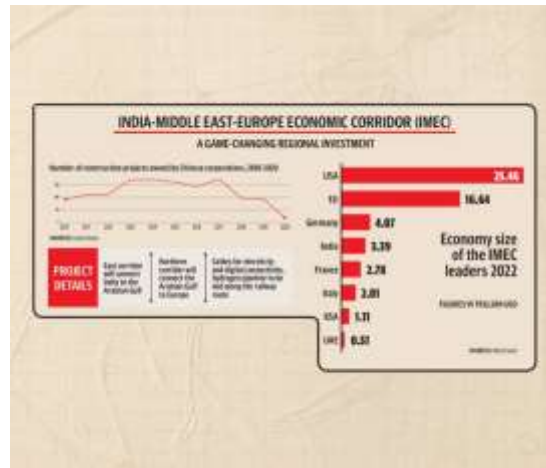
aspects. The consequences of this competition have a broader impact beyond the direct interaction between the two parties; they influence the dynamics of the whole global system.

Structural realism, also referred to as neorealism, is the prevailing paradigm within the field of political theory. This theoretical paradigm, which emphasises the impact of systemic factors on international relations, was developed by Kenneth Waltz. In contrast to traditional realism, neorealism places greater emphasis on the influence of the international system on state behaviour, as opposed to the intrinsic character of human nature. In his 1979 seminal work, "Theory of International Politics," Kenneth Waltz, the progenitor of neorealism, established this concept. Waltz's principal claim posits that the international framework operates in anarchy, devoid of a centralised governing authority that regulates the conduct of nations. As a result, nations are compelled to depend on their own initiatives, place security as a top priority, and aggressively pursue influence to ensure their continued existence in this intrinsically competitive environment.⁹ When the competition between Washington and Beijing is analysed from a neorealist standpoint, several crucial elements become relevant. The nature of the world system is multipolar. This signifies a significant shift away from the bipolar period of the Cold War, which was marked by rivalries between the United States and the Soviet Union. At the present time, a multitude of major global powers, including the United States and China, wield considerable influence. The power asymmetry that exists between the United States and China constitutes a pivotal element in their conflict. Throughout history, the United States has upheld a hegemonic position on the international stage, wielding substantial economic and military influence. The power transfer has been influenced by China's burgeoning military capabilities and swift economic ascent. The intensification of China's ambitions for a greater role in the international system has paralleled the expansion of its influence.

An essential component of the antagonism between the United States and China is economic competition. The economic sphere is profoundly intertwined with technological advancements, national security, and international influence. As the world's two largest economies, the United States and China contend vehemently for economic supremacy, trade control, and sway in pivotal industries such as telecommunications and technology. Power, encompassing both military strength and economic might, is the prevailing currency in world politics, according to the neorealist paradigm. States aim to optimize their strength in comparison to other entities to bolster their security and exert their influence. Hence, the rivalry between the United States and China involves several aspects such as military development, geopolitical posture, and economic initiatives, all aimed at bolstering their respective strength. Furthermore, neorealism emphasizes the fundamental existence of security challenges inside a society without a central authority. Measures used by a state to improve its security often create doubt and suspicion among other nations, resulting in a cycle of rivalry. This phenomenon is clearly apparent in the struggle between the United States and China, where both countries see one other's acts as menacing and react accordingly, thereby sustaining a cycle of competitiveness and animosity. Therefore, at a time characterized by significant changes in the worldwide distribution of power, the use of neorealism to analyse the U.S.-China rivalry allows for a thorough investigation of the fundamental structural foundations of their conflict.

⁹ S. Telbami, "Kenneth Waltz, Neorealism, and Foreign Policy." *Security Studies* (Taylor and Francis) 11 (3) {2002} 158-170.

Overview of the IMEC



(Source: *Express Tribune*)

The IMEC was introduced during the G20 summit in New Delhi in September 2023 by the heads of state of France, Germany, India, Italy, Saudi Arabia, the United Arab Emirates, the United States, and the European Commission. The economic and commercial effort is divided into two corridors. The eastern corridor connects India to the UAE, Saudi Arabia, Jordan, and Israel. The northern corridor links these Middle Eastern nations to Europe. The main goal of IMEC is to strengthen the current land and sea transport systems to promote greater connectivity and economic convergence between Asian and European countries. To accomplish this goal, the project will prioritize the advancement of crucial elements such as energy facilities trains, high-speed communication cables, and maritime routes. IMEC encompasses countries that combined represent almost 40 percentage of the global populace and contribute to roughly 50 percent of the world's GDP.¹⁰ The success of this corridor will depend on the seaports, road networks, and logistical centres situated in the UAE and Saudi Arabia. This highlights the crucial role played by these Gulf Arab states as key points in the global trade routes.

The corridor consists of two components. The eastern part serves as a maritime route between India with the UAE. The northern part encompasses a terrestrial route that links the United Arab Emirates with Israel by via Saudi Arabia and Jordan. This section furthermore includes a maritime pathway connecting the Israeli port of Haifa in the Mediterranean Sea with the Greek port of Piraeus in Europe. The corridor encompasses shipping and railway networks to interconnect major economic centres, streamline the export of clean energy, install submarine fibre-optic cables and pipelines for clean hydrogen, integrate energy grids, and establish telecommunication lines to enhance widespread electricity access and foster collaboration in clean energy technology.¹¹ The transportation infrastructure in the Gulf area facilitates the expeditious execution of the project.

¹⁰ Yagyavalk Bhatt and Jitendra Roychoudhury. *India-Middle East- Europe Economic Corridor (IMEC) Bridging Economic and Digital Aspirations*. King Abdullah Petroleum Studies and Research Centre.2023

¹¹ Rajeswari Pillai Rajagopalan, *The Geopolitics of the New India-Middle East-Europe Corridor*. 19 September 2023 https://www.apln.network/news/member_activities/the-geopolitics-of-the-new-india-middle-east-europe-corridor.

The project includes the following components on land: The UAE's National Railway Project includes the construction of a 605-kilometer railway, connecting Fujairah Port to Ghuwaifat at the UAE-Saudi borders. The concluding segment of the project's second phase, spanning a length of 145 km, is nearing its conclusion. The Saudi East Train Network provides a railway originating from Dammam. The railway links with the North Train Network that starts in Riyadh and passes via Haradh. From Haradh, it continues northwest towards Hadithah, which is located close the Jordanian border. The connectivity project necessitates the construction of a direct route between Ghuwaifat in the UAE and Haradh in Saudi Arabia, which presently lacks a connection between the two locations. A railway spanning 300 kilometres, connecting Hadithah to Israel's Haifa Port, has the potential to go through Jordan.¹² Presently, there exists a functioning railway spanning 60 km, connecting Beisan near the border of Jordan and Israel to Haifa. The desired trajectory of this line is to stretch from Beisan in an easterly direction until it reaches the border with Jordan. An important aspect to consider is that Jordan's railway network is antiquated and requires comprehensive upgrading. The participating nations want to optimize operational effectiveness, minimize expenses, strengthen economic cohesion, stimulate employment opportunities, and mitigate carbon emissions, so facilitating a profound amalgamation of Asia, Europe, and the Middle East.

The IMEC is of great importance to India, especially in terms of ensuring energy security and protecting the welfare of Indian expatriates. India relies significantly on energy supplies sourced from West Asia, with 53 percent of its oil and 41 percent of its natural gas being imported from this area. West Asia has a significant Indian diaspora, with over 8.5 million Indian migrant labourers. In 2018, India received a considerable proportion of its overall remittances, totalling \$78.6 billion, of which a major \$48.6 billion came from six Gulf Cooperation Council (GCC) nations. It is important to mention that the Emirates is India's third-largest commercial partner, while Saudi Arabia maintains the fourth place in terms of trade. India's strong economic development and reliable creditworthiness position it well to independently make significant commitments to the IMEC. Moreover, India has a diverse and robust cooperation with Israel, which includes both economic and strategic aspects. The linkages within the IMEC structure are firmly established in history, society, and culture, serving as a solid basis for joint efforts and collaboration.

IMEC is currently exploring several techniques to develop linkages between different ports, however precise specifics have not been revealed. The ports encompass Haifa in Israel, Piraeus in Greece, and three ports situated on the west coast of India: Mundra (Gujarat), Kandla (Gujarat), and Jawaharlal Nehru Port Trust (Navi Mumbai). There are five ports in the Middle East that will establish connections with Indian ports. These are Fujairah, Jebel Ali, and Abu Dhabi in the UAE, as well as Dammam and Ras Al Khair ports in Saudi Arabia. The available possibilities are being refined to determine the ultimate choice, which will be dependent on the paths that have the capacity to reduce the volume of cargo transported on a likely route. Authoritative sources cited in media reports are doing investigations to assess the state of infrastructure, including railway

¹² The Turkish Foreign Policy Institute (FPI). *Connecting Continents: The proposed IMEC – India, Middle East and European Economic Corridor*. 18 September 2023 <https://foreignpolicy.org.tr/connecting-continents-the-proposed-imec-india-middle-east-and-european-economic-corridor/>.

systems, across the Middle East. New connections are being forged for construction activities within the scope of IMEC. The precise cost of IMEC has not been revealed, however, it is anticipated that participating countries would pay around \$20 billion towards the advancement of the economic corridor, as reported by a media source.¹³ According to other media sources, the first cost estimate for establishing each of the IMEC routes ranges from \$3 billion to \$8 billion. However, authorities have emphasized that it is now too early to determine the exact prices.

The signatory nations will convene in November 2023 to begin the process of finalizing the specifics. Geopolitically, IMEC is presented as a response to China's Belt and Road Initiative (BRI), however the BRI surpasses IMEC in terms of size and extent. BRI has garnered the participation of more than 150 nations and around 30 international organizations since its inception ten years ago. India has consistently voiced its opposition to the China-Pakistan Economic Corridor, which is a significant part of the BRI, due to its passage through regions that India claims as its own. Ambassador Anil Trigunayat, a former diplomat to numerous West Asian nations, asserts that the IMEC has substantial potential in many crucial domains. He highlighted that IMEC had the capability to develop resilient infrastructure and trade networks, therefore facilitating the generation of employment opportunities and fostering the expansion of the industrial sector. Furthermore, the project might have a crucial impact in guaranteeing food and energy security, which are essential factors for the countries involved. Moreover, via the promotion of improved connectivity and efficiency in transport and commerce, IMEC has the capacity to reduce greenhouse gas emissions, so aligning with wider environmental objectives.¹⁴

Gulf Sovereign Wealth Funds (SWFs)

The number of sovereign wealth funds (SWFs) has significantly increased in recent years, growing from 62 organizations in 2000 to 176 by 2023. The substantial expansion may be ascribed to a confluence of causes, including an unyielding escalation in oil costs, the ongoing progression of financial globalization, and enduring worldwide economic imbalances. SWFs have become important tools for resource-rich states, particularly those in the Gulf area, since they may effectively serve a wide range of strategic goals. In 2022, the International Monetary Fund (IMF) said that Middle East oil and gas producers were projected to accumulate an exceptional \$1.3 trillion in excess profits during the following four years, amidst worries of a worldwide economic downturn.¹⁵ The increase in SWFs was mainly influenced by the instability caused by Russia's war in Ukraine, emphasizing the crucial role of SWFs in determining the economic strategy of these countries with abundant resources. The Gulf nations jointly manage over 20 Sovereign Wealth Funds (SWFs), each with unique characteristics including the amount of assets they supervise, their investment strategies, approaches to diversification, mandates, goals, and governance structures. Nevertheless, a shared characteristic binds them together: the excess income mostly derived from the exportation of commodities, namely petroleum and natural gas. These finances are subject to strict government or ruling family supervision. Currently, Sovereign

¹³ The Business Standard. *Is the India-Middle East-Europe economic corridor going to upstage China's BRI?* 16 September 2023 <https://www.tbsnews.net/features/panorama/india-middle-east-europe-economic-corridor-going-upstage-chinas-bri-701458>.

¹⁴ Usanas Foundation, *Can IMEC Emerge as An Alternative To BRI?* 16 October. 2023 <https://usanasfoundation.com/can-imec-emerge-as-an-alternative-to-bri>.

¹⁵ Andrew England, *Middle East states set for \$1.3tn oil windfall, says IMF*. 19 August 2022 <https://www.ft.com/content/94825404-e0a2-4a18-ab8d-2bc61fc7c1ab>.

Wealth Funds (SWFs) in the Gulf region together oversee over \$3.7 trillion in assets.¹⁶ The world's sovereign wealth funds are dominated by seven major funds, including as ADIA, ADQ, Mubadala, PIF, and QIA. These funds have significant power and together control around 40% of the total assets of all sovereign wealth funds worldwide.

Sovereign Wealth Funds (SWFs) have been subject to thorough scrutiny within the realm of political economics. Andrew Rozanov's study highlights the substantial influence of sovereign wealth funds (SWFs) on the worldwide financial environment, extending beyond their economic roles.¹⁷ This has far-reaching implications for economies globally. In addition, Kristian Coates Ulrichsen emphasises the vital significance of Sovereign Wealth Funds (SWFs) in facilitating diversification efforts. These funds enable governments to reduce their dependence on oil earnings and promote economic sustainability. The latest investments made by Gulf Sovereign Wealth Funds (SWFs) signify significant shifts in investment patterns and objectives. These trends include a movement towards unconventional assets, deliberate investments in developing industries, more investments in domestic markets, a growing fascination with global startups, and heightened collaboration with private and startups. Geographically, these funds are extending their reach by forming economic ties outside their own borders. There is a growing trend of strategic funds that aim to attract international investments and support local economic development. Gulf sovereign wealth funds (SWFs) are renowned for their adaptability, skilfully manoeuvring through both local and international investment environments. Substantial reservoirs of money from the Middle East have yet to be used. The Public Investment Fund of Saudi Arabia, which has a value of \$620 billion, is under significant pressure to invest its resources due to the increased efforts of Crown Prince Mohammed bin Salman to decrease the country's dependence on crude oil. The Qatar Investment Authority, with a total worth of \$450 billion, aggressively pursues international investment prospects, particularly after its hosting of the FIFA World Cup last year in Doha. Gulf sovereign wealth funds (SWFs) continue to hold significant amounts of North American and European assets in their portfolios. However, these investors are aggressively pursuing diversification by expanding their investments around the globe. This entails establishing economic alliances with neighbouring countries, especially in historically hostile connections, as shown by Egypt, Iraq, and Türkiye. Gulf sovereign investors are displaying a growing inclination towards Chinese assets, indicating a transition from a conventional trade cooperation to a more profound investment association. Furthermore, there is a discernible trend of reorienting their investment priorities towards South Asia.¹⁸

The present stage of Gulf Sovereign Wealth Fund (SWF) operations is marked by a determined ambition to enhance global influence and take on more responsibilities. These funds have evolved from mere financial organizations to assuming a pivotal role in job creation, fostering economic development, and supporting decarbonization objectives, among other contributions. Despite persistent obstacles such as a track record of subpar investment returns and the possible risk of rising protectionism that might restrict international investments, sovereign funds are astute and

¹⁶John Calabrese, *The new wave of dealmaking by Gulf sovereign wealth funds*. 20 July 2023
<https://www.mei.edu/publications/new-wave-dealmaking-gulf-sovereign-wealth-funds>.

¹⁷Stanislav Audy Martínek, "The impact of Sovereign Wealth Funds on their investees: Methodology limitations." *Research in Globalization* 3. 2021

¹⁸Kristian Coates Ulrichsen, *The United Arab Emirates: Power, Politics and Policy-Making*. Taylor & Francis. 2016.

fostering commerce as an additional primary goal. The project also prioritizes economic development, aiming to foster economic growth, provide job opportunities, and alleviate poverty in the area. Moreover, BRI incorporates cultural interchange and financial cooperation as crucial elements to foster mutual comprehension and collaboration across diverse nations, as well as to mobilize resources for project execution.

Wang Wenbin, the spokesman for China's Foreign Ministry, expressed his views on the IMEC, stressing the need of prioritizing collaboration over rivalry in global infrastructure projects. The Chinese foreign ministry expressed support for measures that promote global infrastructure development, while also voicing opposition to the use of such projects for geopolitical goals.¹⁹ The IMEC overlaps with the Belt and Road Initiative's (BRI) projects at strategically important logistical places. An important factor in this context is the ports in India, where the Chinese company COSCO manages a maritime route between India and Europe. Furthermore, the Chinese business also oversees a cargo facility at the Khalifa Port in the UAE. Haifa Bayport, operated by the Shanghai International Port Group, is the third focus of interest. It is in competition with the older Haifa Port, which is now administered by India's Adani Group in collaboration with local organizations. COSCO maintains a majority stake of 67 percent in the Greek port of Piraeus. Ocean Rail, a subsidiary of COSCO, purchased a 60 percent share in Piraeus Europe Asia Rail Logistics (PEARL), a Greek rail firm, in 2019.²⁰ This acquisition enables the efficient transportation of commodities from Piraeus Port to many European and Asian nations. In addition, Chinese corporation's own railway networks, such as the China-Europe Railway Express and the Hungarian-Serbian Express Railway, that facilitate the movement of merchandise across Europe.

The network of projects exemplifies the intersection and mutual reliance between BRI and the IMEC. The IMEC provides advantages to Chinese companies operating in these strategically important areas and opens possibilities for China to participate in logistical, technical, and energy initiatives with countries whose interests may be impacted by the implementation of IMEC, such as Egypt and Türkiye. Some Egyptian think tanks are concerned that the functioning of IMEC may have negative impacts on the Suez Canal, which is a crucial maritime route that handles 10-13 percent of global marine commerce. It is worth mentioning that the IMEC and BRI operate within a context that includes previous efforts to offer alternatives to the BRI, such as the Build Back Better World (B3W) initiative, which was later renamed as the Partnership for Global Infrastructure and Investment (PGII), and the Blue Dot Network. These efforts did not have a centralized hierarchical structure like the Chinese administration, which enables effective coordination and rapid project execution. Furthermore, they had difficulties in obtaining the requisite financial resources for effective execution. Significantly, a considerable number of these efforts did not make much headway within the initial year of their declaration.

Palestine Conflict 2023 and its impact on IMEC

If hostilities escalate to encompass additional regions, the Israel-Palestine conflict could potentially jeopardise the viability and long-term viability of the India-Middle East-Europe Economic Corridor (IMEC) initiative. The recent dispute has a strong connection to the United

¹⁹ Resham Bhamhani, *IMEC A Copy of Belt and Road Initiative, Says China Social Media*. 11 September 2023
<https://stratnewsglobal.com/china/imec-a-copy-of-belt-and-road-initiative-says-china-social-media/>.

²⁰ Kaki Bali, *In Greece's largest port of Piraeus, China is the boss*. 30 October 2022
<https://www.dw.com/en/greece-in-the-port-of-piraeus-china-is-the-boss/a-63581221>.

Arab Emirates (UAE) and Saudi Arabia, two pivotal actors in the undertaking that are actively working to maintain their positions. It is critical to recognise that the efficacy of their endeavours might be compromised if the conflict escalates to encompass neighbouring regions, including Iran, Lebanon, or Syria, where these countries could become directly or indirectly entangled. At the conceptual stage, IMEC does not have any legally binding financial commitments. IMEC is a route that surpasses the CPEC in terms of ambition, as it includes Gulf states and Israel. The action plan designated a period of two months for the implementation of the Memorandum of Understanding; however, this deadline has been missed. The current violence in Gaza and the territory under Israeli occupation constitutes a security danger that compromises the potential outcomes of IMEC. The potential for the conflict to diffuse across the entire region is a plausible apprehension. In contrast, a multi-frontal engagement commanded by Iran is currently improbable, as Supreme Leader Khamenei recently reaffirmed that Iran did not intervene in the October 7 escalation.²¹ Similarly, unless Iran is directly threatened, Hezbollah will likely employ a low-escalation approach in a small region and remain on the periphery of the conflict. Nonetheless, there is a high likelihood of a spillover in the regions, and it will inevitably escalate into a global issue via a domino effect if the conflict continues.

Furthermore, the smooth movement of commodities along the northern IMEC route will be contingent upon the restoration of diplomatic relations between Israel and Saudi Arabia. This is since the Haifa port in Israel is anticipated to serve as a pivotal entry point for the maritime pathway that links the main ports in southern and western Europe with the Middle East. This pathway is also traversed by a rail artery that connects the United Arab Emirates, Saudi Arabia, Jordan, and Israel. Reportedly, Israel was the one who proposed the notion of establishing railway connections throughout the region during I2U2 forum discussions. However, given the current civilian casualty count in Gaza, which has surpassed 20,000 as of December 26, 2023, and the widespread public indignation throughout the Arab world, it is highly improbable that Saudi Arabia and the UAE will work together with Israel on such a venture soon. The likelihood of tangible progress towards enhanced regional connectivity appears exceedingly low in the absence of a cessation of hostilities in Gaza. Likewise, progress towards the establishment of the northern IMEC route, which traverses Jordan, is impracticable in the absence of a definitive indication regarding the manner and authority that will govern Gaza after the conflict.

Challenges to IMEC

When considering the underwhelming outcomes of past Western infrastructure programmes, the IMEC plan has many significant difficulties to its feasibility, once the exaggerated claims are disregarded. It is crucial to remember that the primary objective of the U.S.-led Build Back Better World (B3W) initiative was to use \$40 trillion in investment in infrastructure by 2035. However, after a year, the collective investment objective of the G7 nations and the private sector of the PGII, which has been characterised as a modified iteration of B3W, was reduced to \$600 billion by 2027. Several initiatives, first presented as "new," were really pre-existing programmes that were renamed as a component of the PGII.

²¹ Iran International. *Iranian Officials Claim Tehran Had No Foreknowledge of Hamas Attack*. 15 November 2023 <https://www.iranintl.com/en/202311154861>.

Moreover, the IMEC will need a high level of collaboration between governments and enterprises. Currently, there is no comprehensive, international system for coordinating funding and creating high-quality infrastructure projects that includes all G7 nations. However, as seen by the execution of the PGII, it seems that each G7 nation coordinates the contributions of its own institutions. For instance, the United States has proposed the hiring of an extra presidential coordinator to lead its comprehensive strategy and has provided specific information on how it would be implemented. Currently, there is no group of high-ranking individuals specifically assigned to coordinate the activities of various government development and financing agencies and to engage with those around them in other G7 nations or the business community.

Although IMEC seems to have great potential, it is not without its own set of difficulties. An essential obstacle is in ascertaining the precise demand along the planned route. Furthermore, it is crucial to establish uniformity in rules, taxations, and customs processes to guarantee smooth and efficient operations. The multimodal character of IMEC, which includes both land and maritime components, poses logistical problems. Furthermore, well-established commercial pathways, such as the Suez Canal, will persist in vying with IMEC. IMEC may have challenges in establishing successful trade corridors due to the lack of readily accessible current infrastructure. In Greece, the proximity of IMEC to EU ports is hindered by the presence of undeveloped railroads, which are a result of topographical obstacles and budgetary limitations. Building a railway network in the Gulf area, spanning over extensive deserts in Saudi Arabia and the UAE, would significantly escalate the expenses of the project. Uncertainties remain over the funding of this major project, since both the United States and the EU have not yet given detailed answers. The IMEC statement is a continuation of the G7's pledge, announced in June 2023, to secure \$600 billion over a span of five years from a combination of corporate and governmental sources.²² These funds will be allocated towards supporting infrastructure initiatives in developing nations. During the next two months, the nations involved in IMEC will collaborate on formulating a strategic course of action. This strategy would include the establishment of precise time objectives and the formulation of benchmarks pertaining to funding and regulations, among other subjects.

Although the geopolitical situation is favourable, IMEC is not as viable as it may seem in theory. Upon deeper scrutiny of the project, other possible bottlenecks become apparent, which may impede its implementation and hinder its success. Significantly, IMEC comprises of prominent nations like as Saudi Arabia, the UAE, and Italy, which are all participants in the Belt and Road Initiative. Additionally, Israel maintains strong commercial connections with China. The potential for tension between Saudi Arabia and Israel might negatively impact its outlook. Jordan's security situation and economy are significantly volatile because of hosting over three million Syrian refugees. IMEC's proximity to the West Bank in Israel renders it susceptible to acts of terrorism. An undertaking such as IMEC requires the consensus of stakeholders on technical specifications, financial matters, logistics, and other facets of the planned infrastructure projects. The operationalization of economic corridors involving multiple decision-making stakeholders, such as INST (International North-South Transport Corridor), Iraq Development Corridor, North-South Corridor, Europe-Caucasus-Asia Corridor, Trans Caspian Corridor, and Northern Sea Route, has proven to be challenging. None of the pathways have reached full operating capacity currently.

²²Al Jazeera. *G7 launches \$600bn infrastructure plan to counter China*. 27 June 2022
<https://www.aljazeera.com/news/2022/6/27/g7-pledges-600bn-infrastructure-plan-to-counter-china>.

India has unique challenges. There are only a limited number of ports that meet international standards, such as Mundra and Nhava Sheva, both of which were constructed by the Emiratis. India has a substantial population, but it has deficiencies in terms of a proficient labour force, technology and industrial infrastructure, and a bureaucracy that is conducive to business. The transformation of the corridor into a prospective security and military platform for the nations involved may give rise to scepticism about the motives of the sponsoring states. This has the potential to erode the project's legitimacy and transform it into an instrument for intense power rivalry. The funding sources for IMEC are similarly ambiguous. Despite the announcement of \$20 billion by member nations for IMEC, the reaction from European stakeholders is not particularly promising. Countries such as Italy, Germany, and France have significant difficulties in disentangling themselves from China. Approximations indicate that the development of each IMEC component will need a budget ranging from \$3 to \$8 billion. Nevertheless, no definitive determinations have been reached about the allotment. Furthermore, one may argue that most of the route in IMEC traverses the water. Therefore, what is the need for building rail and road networks? India now maintains a thriving maritime commerce with West Asia. What is the need of having rail and road networks? The expenses and time required for the repeated processes of loading and unloading would be much higher compared to a direct maritime route from India to Europe.

In comparison to China, which accounts for 16.2 percent of the European Union's overall trade in products, India's commerce with Europe is far lower at 2 percent. Nevertheless, it is important to acknowledge that strategic connectedness plays a vital role in facilitating commerce and fostering economic development. Therefore, it is necessary to introduce diversification. Dependence only on maritime channels heightens susceptibility to sanctions, naval blockades, and piracy. Furthermore, the extensive distances in the Middle East are connected by only a limited number of railway links. As previously stated, the IMEC is anticipated to save travel time by 40 percent and expenses by 30 percent.²³ This phenomenon is most likely a result of the reduction in distances achieved by the construction of railway lines. Furthermore, the establishment of a rail connection between Saudi Arabia and Israel is contingent upon the presence of formal diplomatic relations between the two nations. Due to the persistent turmoil in Palestine, it is very unlikely that the mentioned event will occur soon. Furthermore, there are demands for the reversal of the Abraham Accords, a diplomatic agreement between Israel and the Arab governments, which may potentially jeopardies the whole undertaking. The actual execution of the corridor is expected to be halted owing to the ongoing war and instability in the Israeli section, as well as the tensions in the Saudi- and Emirati-Israel components. The Jordanian division of IMEC is particularly susceptible to public sentiment since a significant portion of the country's population is of Palestinian descent, including Queen Rania.

The ports encompass Haifa in Israel, Piraeus in Greece, and three ports situated on the west coast of India: Mundra (Gujarat), Kandla (Gujarat), and Jawaharlal Nehru Port Trust (Navi Mumbai). There are five ports in the Middle East that will establish connections with Indian ports. These are Fujairah, Jebel Ali, and Abu Dhabi in the UAE, as well as Dammam and Ras Al Khair ports in Saudi Arabia. The available possibilities are being refined to determine the ultimate choice, which will be dependent on the paths that have the capacity to reduce the volume of cargo transported on a likely route. Authoritative sources cited in media reports are doing investigations to assess the

²³ The Business Standard 2023

state of infrastructure, including railway systems, throughout the Middle East. New connections are being forged for construction activities within the scope of IMEC. The precise cost of IMEC has not been revealed, however, it is anticipated that participating countries would pay around \$20 billion towards the advancement of the economic corridor, as reported by a media source.

Conclusion

IMEC is still in its nascent phase of development. At now, the participating nations have just reached the stage of signing a memorandum of intent, without making any financial obligations. The signatories are anticipated to meet again in the upcoming month to delineate an action plan, however none of them are strictly obligated to undertake tangible measures for its execution. India's involvement in the corridor project may be linked to its ambitious geopolitical goals and geoeconomic interests. Nevertheless, it is important to acknowledge that Delhi could be deficient in both the essential resources and experience required to embark on a substantial infrastructure development project of such magnitude.

Disregarding the opposing geoeconomic interests of important regional actors, the IMEC's outcome may not differ considerably from prior projects with comparable aspirations. The main driving force behind this is primarily based on the strategic need to counter China through bloc politics, rather than a genuine desire to promote cooperation for the purpose of achieving economic development and integration, which would have a tangible impact on people's lives. Therefore, although the IMEC has the potential to provide numerous opportunities for improving economic, trade, energy, investment, and commercial relations between Western nations and the UAE and Saudi Arabia, it is not realistic to expect that this project will cause these two influential Gulf Arab countries to move away from their ties with China. Furthermore, there is a significant ambiguity about its practical execution, particularly considering the continuing geopolitical conflicts associated with Palestine.

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