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IMEC Three Years On:

Time for a Rethink

and

Necessary Adjustments?

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TABLE OF CONTENTS

EXECUTIVE SUMMARY

- **Economic cooperation between India and the European Union holds considerable potential**, reflecting the strong demand for closer ties between the two partners, as demonstrated by the historic Free Trade Agreement signed in early 2026. Other countries located between South Asia and Europe also stand to benefit from improved connectivity, greater trade integration, and increased investment. In addition to trade, the IMEC project aspires to cover other strategically important areas, such as clean energy and digital connectivity.
- A comparison between the existing maritime route via the Suez Canal and the proposed IMEC route(s) is instructive. IMEC is not in a position to replace the principal Asia–Europe trade route through the Indian Ocean, the Red Sea, and the Suez Canal. Nevertheless, it has the **potential to become a meaningful complementary corridor**, strengthening economic security, enhancing supply-chain resilience, and contributing to the geopolitical stability of a vast region stretching from South Asia to Europe.
- **As originally conceived in September 2023, IMEC rested on three key assumptions**. First, that a continuous land bridge through Saudi Arabia, Jordan, and Israel would depend on progressive Saudi-Israeli normalisation. Second, that the corridor's maritime entry points on the Arabian Peninsula would remain secure within a stable Gulf region. Third, that financing risks would remain manageable, despite the absence of a centralised implementing body. However, geopolitical developments over the past three years have called all these assumptions into question.
- **Significant geopolitical developments have inevitably affected both the original rationale behind IMEC and its initial design**. Less than a month after the signing of the IMEC Memorandum of Understanding in New Delhi, the 7 October 2023 Hamas attack on Israel triggered a cascade of hostilities across large parts of the Middle East. The 12-day war in June 2025, followed by the outbreak of the Third Gulf War on 28 February 2026, led to a new wave of widespread destruction across the broader region, the closure of the Strait of Hormuz, and turmoil in global energy markets.
- Under these circumstances, **the Red Sea has become a hotspot with global repercussions**. The Suez Canal has seen vessel traffic fall roughly by half, thus jeopardising the steady trade flows between Asia and Europe, with rising transportation costs as yet another significant consequence. After a short-lived lull in 2025, the area is once again marked by a surge in hostilities, rendering the maritime route highly problematic. At the same time, the construction of terrestrial infrastructure in the Arabian Peninsula is also shrouded in uncertainty.

- As a result, the prospects for large-scale cross-border infrastructure projects in the Middle East have become considerably more uncertain. Paradoxically, however, **while the construction of IMEC has become more challenging, it is much-needed** precisely because of the instability and repeated disruptions affecting the broader region.
- Despite its indisputable relevance and considerable potential, IMEC faces a number of challenges, including the absence of an institutional structure, a lack of clarity regarding sources of finance, and signs of competition among stakeholders. **The single biggest set of challenges, however, relates to geopolitical factors**. Three years after IMEC was officially announced, it is now clear that a security dimension is missing from the project's original design.
- Security should not be interpreted exclusively as a military umbrella covering the corridor. It requires **a broader resilience architecture comprising a number of security-related arrangements**, such as maritime domain awareness and intelligence sharing, cybersecurity for infrastructure and logistics platforms, preparedness to protect and rapidly repair of undersea cables and energy pipelines, as well as exercises based on various scenarios in view of contingencies.
- Given that enhancing economic security and strengthening supply-chain resilience are among the principal objectives of IMEC, **greater consideration should be given to the development of complementary routes and contingency options** branching out from the main corridor. A higher degree of diversification would not only improve the corridor's resilience to geopolitical shocks but also broaden the potential economic benefits it can offer by integrating additional regional partners.
- While IMEC's strategic relevance cannot be overstated, its objectives and implementation arrangements require further reflection and substantial adjustments. **The project would benefit from greater clarity, while at the same time becoming more inclusive and flexible.** Rather than abandoning its original vision, IMEC should adapt to the substantially changed geopolitical environment in order to strengthen its resilience and enhance its long-term viability by broadening its scope. In fact, IMEC may well have to consider evolving into IMEN, i.e. an India-Middle East-Europe Network – either a trunk with branches extending from it or a lattice-like constellation of partnerships.
- Ultimately, despite the uncertainty regarding both the final configuration of IMEC and the timeline of its construction, the structural trends that inspired the initiative – the search for resilient supply chains, expanding EU–India economic relations, the green energy transition and the growing importance of secure digital connectivity – are unlikely to diminish. For these reasons, **the strategic logic underpinning IMEC is likely to remain relevant well into the future**, but it is also clear that the project is in need of a fundamental rethink and substantial adjustments.

ABBREVIATIONS

AI	Artificial Intelligence
BRI	Belt and Road Initiative
EMC	East to Med data Corridor
EU	European Union
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GCC	Gulf Cooperation Council
GT	Gross Tonnage
HS	Harmonized System
IMEC	India - Middle East – Europe (Economic) Corridor
MoU	Memorandum of Understanding
PPP	Public Private Partnership
TEU	Twenty-foot container Equivalent Unit
3SI	Three Seas Initiative
UAE	United Arab Emirates

1. INTRODUCTION

Three years ago, a historic event took place in New Delhi. On 9 September 2023, on the sidelines of the G20 Summit, heads of state and senior representatives of seven countries and the European Union (EU) signed a Memorandum of Understanding (MoU) establishing the India–Middle East–Europe Economic Corridor (IMEC).

This is an opportune moment to take stock of developments and reflect on lessons learned. The study explores the prospects and feasibility of IMEC in the context of strengthening economic ties and converging geostrategic interests between India and the European Union, as well as in light of significant recent developments in the Middle East over the past three years. And three years certainly is a long time in a region as volatile and rapidly changing as the vast area stretching from South Asia to the Mediterranean.

The paper addresses four principal research questions (RQs):

RQ1: *What is the geostrategic rationale behind the relationship between the EU and India?*

RQ2: *How economically viable and strategically expedient is the IMEC project?*

RQ3: *What are the advantages and disadvantages of IMEC as an alternative to existing and proposed connectivity projects linking Europe and Asia?*

RQ4: *What are the practical requirements for the implementation of IMEC, including key stakeholders, potential sources of financing, institutional and logistical considerations, and broader geopolitical challenges?*

The research was conducted over a six-month period, from February to August 2026, and is based entirely on open sources, including academic publications, policy papers and documents, and media reports from a wide range of countries. The extensive and rapidly growing literature on the subject made the selection of the most relevant and reliable sources a daunting task. At the same time, the whirlwind of events across the broader Middle East during the research period repeatedly forced us to push back the cut-off date in order to capture as many developments as possible.

The members of the research team are deeply grateful to the distinguished experts who generously took the time to read earlier drafts of the report and provide valuable insights. Their comments and suggestions have helped significantly improve the quality of the report. The authors would like to extend their sincere thanks to to Prof. Swasti Rao from the Jindal School of International Affairs in India; Prof. Micheline Ishay from the Korbel School of Global and Public Affairs, University of Denver in the US; and Prof. Asteris Huliaras from the University of the Peloponnese, Greece.

2. EVOLUTION OF THE EU-INDIA PARTNERSHIP

2.1. Geostrategic Rationale Behind the EU–India Rapprochement

The European Union views India as an emerging major power with significant influence in the Indo-Pacific and strong commitment to strategic autonomy rather than alignment with formal alliances or geopolitical blocs. India is also a functioning democracy whose political values are, broadly speaking, compatible with those of the EU, particularly in contrast to the emergence of assertive authoritarian powers. Equally important, the EU regards India as a significant economic and technological partner in a world that will increasingly depend on technological innovation as a driver of wealth, prosperity, and security.

Several factors explain the EU's growing interest in strengthening its relationship with India. First, **economic security and resilient supply chains**. The COVID-19 pandemic exposed the vulnerabilities created by excessive dependence on concentrated supply chains. The experience reinforced the EU's interest in diversifying sources of supply and production through approaches that have become known as near-shoring and friend-shoring. At the same time, digital technologies and infrastructure, artificial intelligence (AI), advanced telecommunications and cybersecurity have become increasingly important components of Europe's economic and strategic agenda.

Second, **Europe's pursuit of strategic autonomy**. The EU is seeking to reduce excessive dependence on both the United States and China while diversifying its economic partnerships, markets, and sources of critical goods and technologies. This has contributed to a growing network of trade and investment agreements with partners across the Indo-Pacific, with India occupying a particularly prominent position. The long-negotiated EU–India Free Trade Agreement has become a central pillar of the broader bilateral partnership.

Third, **India's strategic position in the Indo-Pacific** which makes New Delhi a critical actor in a vast region accounting for a substantial share of Europe–Asia trade flows. The EU recognises that its economic prosperity depends on secure sea lines of communication (SLOCs) across the Indian Ocean. This is an argument for closer EU–India cooperation on freedom of navigation, maritime security, and the protection of critical sea lanes, particularly in response to instability in the western Indian Ocean and the Red Sea as well as disruptions in maritime trade between Europe and Asia.

Fourth, **India's interest in closer ties with Europe**. New Delhi has strong incentives to deepen relations with the EU as part of its broader strategy of becoming more integrated into the global economy. Closer ties with Europe also support India's efforts to diversify its international partnerships and strengthen its position amid intensifying strategic and economic competition with neighbouring China and renewed uncertainty regarding Washington's tariff policy towards New Delhi.

Fifth, **alternatives to the Belt and Road Initiative.** European policymakers are taking into account risks associated with excessive dependence on China-led connectivity initiatives,

such as the Belt and Road Initiative (BRI). The EU is therefore seeking alternative transport corridors, energy infrastructure, and digital connectivity networks. One of the prominent examples is the proposed IMEC project, which aims to connect India, the Gulf, and Europe through integrated transport and logistics networks.

2.2. Rationale Behind the IMEC Project

The IMEC project was presented on the sidelines of the G20 New Delhi Summit in September 2023. A Memorandum of Understanding (MoU) for the promotion of IMEC was signed by India, the United States, Saudi Arabia, the United Arab Emirates (UAE), France, Germany, Italy, and the European Union. The MoU established a broad framework for cooperation and coordination regarding the development of the corridor. It did not start from scratch. However. To a large extent, it envisaged upgrading existing regional logistics infrastructure, by achieving greater interoperability, making it more flexible, ensuring interconnections, and adding new segments.

The initiative emerged within a period of geopolitical realignment in the Middle East. The US-led Abraham Accords were negotiated and signed during Donald Trump's first presidential term, creating a framework for greater regional economic and diplomatic integration. IMEC was subsequently promoted by former US president Joe Biden and has been backed by Donald Trump's second administration, illustrating a degree of continuity in US support for the project despite the change of guard in the White House.

IMEC was conceived as a transregional connectivity initiative designed to strengthen economic integration among India, the Middle East, and Europe while reducing exclusive reliance on existing trade routes, particularly the maritime route through the Suez Canal. More broadly, the project reflects an effort to create alternative and more resilient connectivity networks linking the Indo-Pacific with Europe.

At a conceptual level, IMEC is structured around three central pillars:

- **Multimodal transport connectivity** (Figure 1). The project envisages the integration of maritime and railway infrastructure through three interconnected segments: maritime routes linking ports on India's western coast with the Arabian Peninsula; railway connectivity across the Middle East towards the Israeli port of Haifa; and maritime connections linking Haifa with major ports in southern Europe.
- **Energy connectivity**. IMEC also envisages cooperation in energy infrastructure, particularly through electricity interconnections and renewable energy projects, as well as the prospective transportation of green hydrogen and other energy products.
- **Digital infrastructure**. The digital dimension of IMEC focuses on expanding cable networks and communications infrastructure, with the aim of improving data connectivity between Europe, the Middle East, and the Indian Ocean region.

Taken together, these three dimensions – transport, energy, and digital connectivity – illustrate the broader strategic logic of IMEC. The project is not simply an infrastructure initiative; it represents an effort to strengthen economic resilience, diversify connectivity

routes, and deepen the strategic interdependence of India, Europe, and key partners in the Middle East.

Figure 1

Initial Design of the Transport Component of IMEC

September 2023

Source: **Atlantic Council**

3. ECONOMIC PROSPECTS OF IMEC

This chapter examines the economic and trade dynamics that underpin the development of IMEC. Rather than approaching IMEC solely as an infrastructure initiative, we analyse the broader economic context and evolving trade patterns that could make this prospective corridor strategically relevant for a wide range of stakeholders. Particular emphasis is placed on strengthening Indo-European economic relations, including the countries located in-between. Each of the three pillars (trade facilitation, green energy market integration, and digital connectivity) represents a strategic domain where participating nations stand to achieve significant economic gains and diversify their existing partnerships with other countries.

3.1. Anticipated Trade Expansion

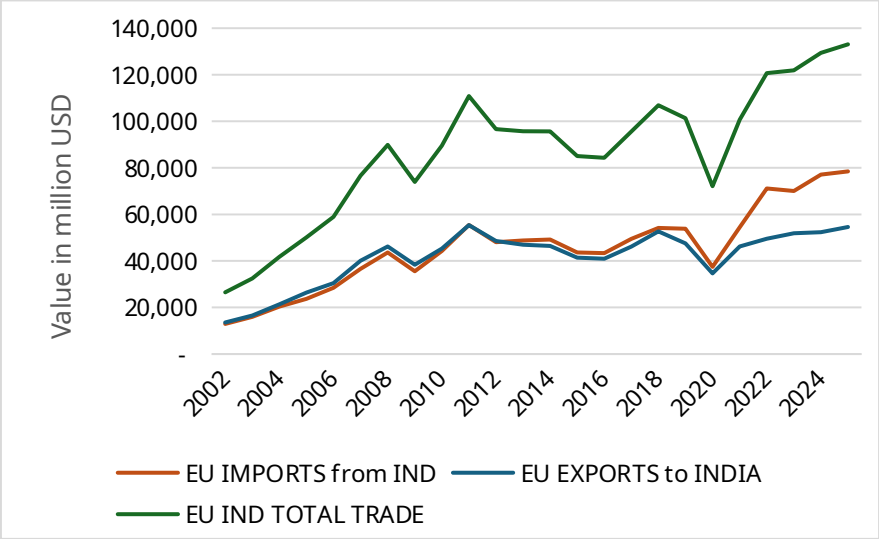
IMEC was primarily conceived as an alternative logistics corridor to help advance the involved parties' trade relations and decrease their dependence on existing routes. It has become relevant against the backdrop of expanding economic and commercial ties between the EU, India and the Gulf monarchies, and is expected to further strengthen this dynamic. In particular, the evolving relationship between India and the EU constitutes the backbone of the prospective corridor, whose viability depends on substantial flows of goods. Over the last two decades, bilateral trade and investment flows between India and

Europe have expanded significantly. The EU is India's second largest trading partner, after China, with bilateral trade amounting to $133 billion in 2024 (Figure 2).

Two key facts are noteworthy: First, while the two sides experienced a balanced trade until 2020 and shortly afterwards, the EU's sanctions on Russia led to the restructuring of European imports. Since 2022, shrinking EU imports from Russia in numerous commodity categories coincided with increased imports from India, particularly in terms of textiles, agricultural and chemical products, fossil fuels and machinery (Annex 1). This trend suggests strong trade diversion effects and highlights India's growing weight as an alternative economic partner for the EU. Second, the EU's share of India's total external trade has declined over the past 20 years: from 20% in 2005 to roughly half that in 2024.[1] This means that, despite growing consumer spending in the country, European exports have failed to keep pace with the expansion of India's domestic market and their growth has stalled even as opportunities have increased.

Figure 2

EU-India Trade Flows, 2002-2024



Source: **Compiled by the authors based on data from the UNCTAD COMTRADE Trade Database**

Just as importantly, this gap is being filled primarily by China whose share of India's external trade climbed from 7% in 2005 to 12% in 2024. This shift has favoured China disproportionately, as the value of its exports to India surged from $9 billion to $126 billion over that period of time. However, India's mushrooming trade deficit, close to $100 billion at the time, has fuelled New Delhi's concerns about growing dependency on China and spurred a push for trade diversification towards the EU and other economic partners.

In terms of the structure of EU - India trade, the EU's exports to India remain concentrated in high-value industrial sectors: machinery, transport equipment, aviation products and chemicals. India's export basket, by contrast, is more diversified across machinery,

[1] UNCTAD COMTRADE Trade Database.

chemicals, agricultural products, raw materials, pharmaceuticals and textiles and stronger in lower value added sectors, as shown in Annex 1. This sectoral composition reflects the differing comparative advantages of the two economies and growing trade complementarity which reinforces the prospects of deeper economic integration.

Both partners have come to view each other as key pillars in their respective efforts to diversify their external economic relations. To this end, in January 2026, the two partners signed a Free Trade Agreement (FTA), pending since 2007. In many ways, this is a historic agreement that aims to bring together a market of two billion people and close to a quarter of the global GDP. The EU-India FTA expands beyond tariff reductions and incorporates provisions concerning customs facilitation, regulatory harmonisation, digital trade, intellectual property protection, investment cooperation, public procurement and sustainable development. The broad scope of the agreement improves the prospects of supply chain integration between the two countries. As of August 2026, the agreement was yet to be ratified by the parties' competent bodies, including EU member states, and this is a lengthy process that may go beyond 2027. Yet, this historic agreement is expected to generate substantial trade expansion between the two partners. Although a specific trade target has not been set, it is estimated that Indian exports to the EU will increase by 41%, and EU exports to India by 65%.[2] The EU expects a comparatively greater increase in its exports compared to India, which will gradually narrow down New Delhi's bilateral trade surplus.

As trade volumes between India and the EU grow, so will the strategic relevance and economic viability of IMEC as a connectivity facility. At present, almost 90% of the EU-India trade transits through the maritime route, which has become a geopolitical hot spot. The need to reduce likely disruption risks by diversifying connectivity infrastructure is the core of the IMEC concept. As a secondary but equally important effect, cross-border infrastructure development is positively correlated with increased trade, thanks to the reduction of transportation costs, regulatory harmonisation, and growth-inducing spillover effects.[3]

As trade volumes between India and the EU grow, so will the strategic relevance and economic viability of IMEC as a connectivity facility

For India, IMEC constitutes an instrumental initiative through which the country aims to achieve greater export expansion towards major western markets and global value chain integration, especially in manufacturing. India has long pursued efforts to boost its manufacturing sector as the engine for enhanced welfare and job creation as part of New Delhi's development strategy, even if government policies to date have failed to transform

[2] Thakur, V., Langhammer, R. J., Hinz, J., & Mahlkow, H., 'The EU–India trade Deal: Strategic diversification in an era of uncertainty', *Kiel Institut*, 1 January 2026, p. 10, https://www.kielinstitut.de/fileadmin/Dateiverwaltung/IfW-Publications/fis-import/82e3902e-610e-46e7-9176-83e37af0d5ab-KPB202.pdf.

[3] Amankwah-Amoah, J., Bai, Y., Liu, L., Wang, S., & Zhang, H. (2025). Bridging the gap: how transport infrastructure reduces bilateral trade costs to fuel GDP growth. Journal of Chinese Economic and Business Studies, 23(2), pp. 295–320. https://doi.org/10.1080/14765284.2025.2472502.

India into a world manufacturing hub in ways that replicate China's development experience.

Following the trends towards restructuring of the global trade architecture amidst the growing urgency for value chain resilience after the pandemic, the West's need to reduce dependence on Chinese imports and China-led infrastructure and the re-emergence of US trade protectionism, India faces a structural opportunity. As multinationals look to diversify supply chains away from a single dominant hub, a strategy also known as "China plus one", India has a notable chance to capture some of that relocating manufacturing and increase its export footprint. Hoping to capitalise on these developments, India has signed a series of FTAs and preferential trade agreements (PTAs) with other partners. Two of them, the United Arab Emirates (UAE) and the EU, are located along or at the end points of prospective IMEC routes.

Similar economic gains can be expected for other states located along the prospective IMEC corridor. Apart from benefiting intra-regional trade between India and the EU, IMEC bestows upon states in the Middle East greater production and transit value. For the GCC countries, positioning themselves as conduits for the anticipated Indo-European trade volumes could be highly beneficial. Nearly all of them, Saudi Arabia and the UAE in particular, have been seeking to diversify their economic profiles away from hydrocarbon exports[4]. A key pillar of this economic transition is the establishment of reliable logistical hubs and secure intermediate junctions for international trade. To this end, both nations have unveiled substantial investment plans in transport infrastructure, railway, ports, and digital networks in a bid to bridge the East and the West. These investments will presumably form the backbone of the central leg of IMEC. Consequently, they look favourably upon strengthening ties between India and the EU, and see IMEC as a vehicle to generate lucrative transit revenues and capture a large chunk of global trade flows.

3.2. Green Energy Pillar

The key aim of IMEC's green energy pillar is to offer infrastructure links between the involved countries' renewable energy markets. This would benefit both the Gulf states as energy exporters, and India and the EU as energy importers, interested in mitigating the risk of external coercion or supply shocks. IMEC envisions the construction of electricity grid interconnectors through subsea and terrestrial transmission cables, thus enabling interregional trade in electricity. Furthermore, it includes plans for a green hydrogen transport network connecting emerging production hubs in the Gulf with prominent consumer markets overseas.

At the same time, unlike fossil fuels, electricity generated from solar or wind cannot be stored at scale without dedicated infrastructure. As a result, surplus renewable electricity is often lost when production exceeds domestic demand. Cross-border grid interconnectors partially help address this problem by allowing excess electricity to be exported to

[4] Sweidan, O. D. (2025). Economic Challenges of Economic Diversification and Sustainability in the GCC Countries. Review of Political Economy, pp. 1–23, https://doi.org/10.1080/09538259.2025.2493269.

neighbouring high-demand markets. Green hydrogen offers a complementary long-term solution. Produced through electrolysis and powered by renewable electricity, hydrogen can be stored, transported, and used as fuel later on[5]. Notably, Saudi Arabia aims for renewables to account for 50% of its electricity generation by 2030, while the UAE targets nearly 30% over the same period of time.

If these countries evolve into major renewable energy producers, IMEC could provide the infrastructure needed to export electricity and green hydrogen to both India and the EU. Saudi Arabia's $8.4 billion investment in the NEOM green hydrogen project illustrates its export ambitions. In this scenario, the Gulf's energy transition would become increasingly export-oriented while reducing dependence on maritime chokepoints such as the Strait of Hormuz.

For India, whose energy imports remain dominated by fossil fuels, ensuring secure, affordable, and sustainable energy supplies is imperative to becoming a competitive manufacturing power. Although coal still accounts for a large share of domestic electricity generation, New Delhi seeks to diversify its energy mix to improve its energy security.[6] This is why India has launched a National Green Hydrogen Mission, aiming to develop domestic hydrogen production capacity and eventually become an exporter. The implementation of IMEC would facilitate these efforts, though for the time being this remains a long-term prospect.

The energy component of IMEC is likely to face some challenges due to viability issues and geopolitical uncertainty

Despite its theoretical potential, however, the energy dimension of IMEC is in need of further conceptualisation. First, most participating states have yet to achieve the renewable generation capacity necessary for significant electricity or hydrogen exports. Second, at this stage green hydrogen remains less cost-effective than fossil fuels, especially in price-sensitive markets such as India, where discounted Russian hydrocarbons offer a competitive alternative. Although the Gulf's exceptionally low solar generation costs may gradually improve hydrogen's competitiveness, widespread commercial adoption is unlikely in the near term.[7]

Not least of all, any proposed green hydrogen pipeline linking Gulf production hubs to the EU through the Eastern Mediterranean may face challenges due to geopolitical uncertainty. Disputes over EEZ delimitation between Greece and Turkey have obstructed similar energy projects in the past, notably the construction of an EastMed gas pipeline. In addition, high-voltage electricity cables, such as the Great Sea Interconnector linking Greece to Cyprus and Israel, are also susceptible to geopolitical tensions.

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[5] Eliseo Curcio, Techno-economic analysis of hydrogen production: Costs, policies, and scalability in the transition to net-zero, *International Journal of Hydrogen Energy*, Volume 128, 2025, pp. 473-487, ISSN 0360-3199, https//doi.org/10.1016/j.ijhydene.2025.04.013.

[6] Preeti Prajapati, Ru Guo, Angzu Cai, Rajendra Prashad, Navigating the energy transition in India: challenges and opportunities towards sustainable energy goal, Water-Energy Nexus, Volume 9, 2026, pp. 1-18, ISSN 2588-9125, https://doi.org/10.1016/j.wen.2025.07.004.

[7] Eliseo Curcio, *op.cit.*

Nonetheless, some noteworthy initiatives are gaining momentum in the Eastern Mediterranean. A proposed GREGY interconnector between Egypt and Greece aims to reach a transport capacity of 3,000MW of electricity from renewable sources in North Africa. In June 2026, the United States, Greece, Cyprus and Israel established the Eastern Mediterranean Energy Center (EMEC) in Houston under the so-called 3+1 cooperation framework. A gas pipeline between Greece and Bulgaria is planned to evolve into an energy Vertical Corridor across Southeast Europe. Notably, the US is a staunch supporter of all these projects, as illustrated by the ongoing discussions in Congress about the adoption of an Eastern Mediterranean Gateway Act as an integral part of IMEC.

3.3. Digital Connectivity Component

The digital component of IMEC involves the coordinated installation of high-speed data transmission fibre-optic cables between South Asia and Europe. It stems from the realisation that in the 21st century international communications, financial transactions, cloud computing services, artificial intelligence (AI), and digital trade depend on secure and resilient pathways. At present, data traffic between Europe and Asia and fibre-optic cable routes remain geographically concentrated in the Mediterranean, the Red Sea, and the western Indian Ocean (Annex 2), which could create vulnerabilities due to conflicts, sabotage, or natural disasters. In addition, IMEC MoU signatories have grown wary of China's expanding footprint in international digital connectivity infrastructure and cognizant of the need to minimise data disruption risks. India, in particular, has established itself as a leader in Information and Technology (IT) services and software development, so reliable digital links with European and Middle Eastern markets would serve its broader objective of expanding the export of high-value services. Both Saudi Arabia and the UAE are investing in data centres, AI infrastructure and cloud capabilities, viewing them as the new oil. For its part, Israel is at the cutting edge of cybersecurity with deep links to US tech and defence ecosystems.

At the same time, the ambitions of all these countries require technological involvement and investment by the US and to a lesser extent by the EU. Washington is suspicious of China's digital footprint in the Middle East, and has restricted the export of advanced technologies to its biggest competitor and to countries aligned with Beijing. For example, as of January 2026, the US maintained export restrictions of its most advanced chips to the UAE and Saudi Arabia over concerns that advanced semiconductor technologies could leak to China. Reducing the region's reliance on China's technological infrastructure while facilitating secure digital commerce is in line with the Gulf states' strategic goals, as this could potentially alleviate Washington's reluctance and pave the way for further US investment in their tech ecosystems.

4. PROS AND CONS OF IMEC AS AN ALTERNATIVE CONNECTIVITY PROJECT

This chapter focuses on diversification opportunities offered by IMEC. In particular, we examine the comparative advantages and limitations of the prospective corridor as an alternative to the traditional maritime route through the Suez Canal. First, it seeks to assess the strategic importance of the maritime route via the Suez Canal and the vulnerabilities that have emerged in recent years, including geopolitical instability in the Red Sea, disruptions to global shipping, and rising insurance and freight costs. Building upon this analysis, the chapter evaluates to what extent IMEC can realistically help address these challenges with emphasis on travel timelines, costs, exposure to shocks and logistics considerations. Next, potential modifications to the initial design of the corridor are explored, including complementary connectivity initiatives, which would broaden the project's geographical scope.

4.1. Maritime Route Overview

Since 1896, the 193-km Suez Canal in Egypt has been the principal route in maritime transport between Asia and Europe, as it connects the Mediterranean Sea with the Red Sea and onwards to the broader Indo-Pacific region. Before the current crisis in the Red Sea, the Suez Canal accounted for approximately 12% of worldwide shipping and nearly 30% of all global container traffic. It is a major trade route that used to facilitate the flow of more than $1 trillion worth of goods annually up to November 2023. Given the strategic importance of the canal and the limited transport alternatives, a thorough assessment of risks and underlying challenges would be fully warranted.

Given the strategic importance of the Suez Canal, a thorough assessment of risks along this major trade route is fully warranted

The accident involving the cargo ship *Ever Given* in March 2021 has been widely reported. The vessel became lodged inside the canal, blocking the entire waterway for almost a week.[8] Among the countries that were negatively affected, China reportedly lost approximately $73 billion, the damages for India and Israel were calculated at about $26 billion and $20 billion, and the EU sustained delays that affected the delivery of goods worth almost $73 billion.[9] While shipping accidents do happen in many cases across the globe, their impact on international trade when occurring near the Suez Canal is exponentially greater because of its position as a chokepoint in international trade flows.

[8] Ehud Gonen, 'The Incident of the Suez Canal Blockage by the Ever Given Container Ship – The Implications for the Region and for Israel', *University of Haifa* and *Maritime Policy and Strategy Research Center*, p. 201, https://www.academia.edu/94547829/The_Incident_of_the_Suez_Canal_Blockage_by_the_Ever_Given_Container_Ship_The_Implications_for_the_Region_and_for_Israel.

[9] 'Economic Impacts of the blockage of the Suez Canal: an Analysis by IDE-GSM', *Institute of Developing Economies*, 2024, pp. 5-6, https://www.ide.go.jp/English/Publish/Reports/Dp/919.html.

What has been an infinitely more serious challenge are the attacks by the Iran-backed Houthis in Yemen since late 2023, which have had grave implications for shipping in the Red Sea. Between November 2023 and November 2024, the militant group based in Yemen conducted over 190 attacks against merchant ships crossing the Bab el-Mandeb strait, and in some cases hijacked, seized and even sunk transiting vessels (Annex 3).

The attacks began in October 2023 with missiles launched towards the state of Israel. Shortly afterwards, ships linked to Israel were directly targeted by the militant group in the Bab el-Mandeb Strait with an arsenal of inexpensive drones and unmanned undersea vehicles (UUVs). In November 2023, the Houthis hijacked the Israeli-owned ship *Galaxy Leader* under the Bahamian flag and held the crew hostage until January 2025. As the war in Gaza escalated, Houthi attacks became more numerous, targeting vessels owned by US and British companies. To deal with the threat, in January 2024 the US and UK repeatedly hit Houthi targets in Yemen, while the Houthis retaliated by sinking the *Rubymar* cargo vessel, a UK-owned ship. This exchange of blows worsened and subsequently the insurgent group broadened the list of its targets.

Outdated or incomplete intelligence available to the Houthis concerning which ships were tied to Israeli interests resulted in collateral damage to global shipping, as third-country vessels with no links to Jerusalem were indiscriminately targeted. In June 2024, the bulker *Tutor* under the Liberian flag but linked to Greek interests, was sunk. In October 2024, the militant group attacked the Russian-owned oil tanker *Cordelia Moon*, presumably mistaking it for a British-owned vessel.

Due to the disruption risks in the Red Sea, shipping companies have been forced to use alternative routes which incur considerably higher costs

Given the increased disruption risks in the Red Sea, major shipping companies, such as Maersk, MSC, CMA CGM, and Hapag-Lloyd have been forced to use alternative routes, namely via the Cape of Good Hope, despite the longer distance and additional fuel costs. In the long run, these changes have become permanent logistics strategies, with voyages around Africa significantly raising shipping costs and prolonging delivery timelines.[10] Indicatively, this decision has added approximately 10-14 days to the journey for Maersk and Hapag-Lloyd ships, while fuel costs have increased by up to 40% compared with the Red Sea route.[11]

Under these circumstances, the Suez Canal witnessed a 48% vessel traffic decrease in January 2024 year-on-year, a decline that deepened to 68% a month later. Cargo shipment decreased from an initial 4.4 million GT (Gross Tonnage) in December 2023 to 2.27 million GT in January 2024. The sharp decline in container traffic through the canal reflects risk aversion strategies that shipping companies prioritised due to the Houthi attacks.

[10] Rodriguez-Diaz, E., Alcaide, J.I. and Garcia-Llave, R. (2024). Challenges and Security Risks in the Red Sea: Impact of Houthi Attacks on Maritime Traffic. *Journal of Marine Science and Engineering*, 12 (11), p. 13. https://doi.org/10.3390/jmse12111900.

[11] Ahmed Maged Kabil Hamed, 'The Impact of the Red Sea Crisis on Global Shipping and Strategic Supply Chain Management', *Iconic Research and Engineering Journals*, 2025, p. 582, https://doi.org/10.64388/irev9i4-1711267-1778.

Conversely, the Cape of Good Hope saw a 63% increase of maritime traffic in January 2024 and 74% a month later.

4.2. War Risk Premiums and Freight Rates

The Houthi attacks have not only affected shipping volumes. The Joint War Committee of Lloyd's immediately listed the Red Sea as a high war-risk zone, and insurance premiums climbed up to an all-time high in early 2024. Prior to the crisis, they accounted for approximately 0.05% of the value of each vessel. After the attacks started, insurance premiums rose to 1% for each vessel and around 2% for vessels owned by the UK, the US and Israel, i.e. an increase of 2,000% to 4,000%. According to the Freightos Baltic Index, freight rates for a 40-foot container travelling from Asia to Europe surged from $1,500 prior to the attacks to $7,000 in January 2024 (Figure 3).

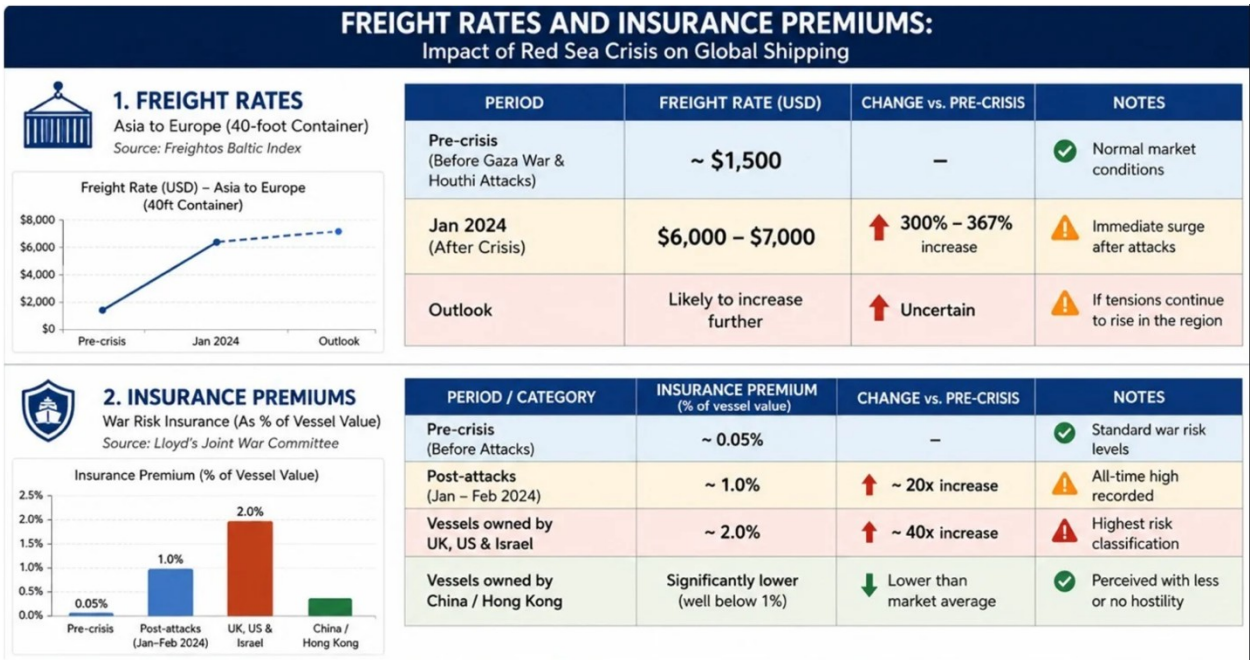
Higher premiums and freight rates have imposed additional costs that many shipping companies are not willing to shoulder, thus making the Cape of Good Hope a preferable choice, despite the considerable difference in distance. The perception of threat generated between November 2023 and January 2024 has been "haunting" the global shipping industry. A Houthi blockade on Saudi Arabian ports in the Red Sea and the resumption of attacks on merchant ships in the summer of 2026 are expected to bring about a new wave of higher transportation costs. Many analysts have pointed out that rates will increase again if tensions persist in the region and this definitely appears to be the case.

Notably, however, these additional costs are not incurred uniformly. Vessels owned by countries with lower risk profiles, such as China or Hong Kong, are charged much lower premiums compared to other states. This can be attributed to China being viewed with as non-hostile by Houthis. On the other side stand countries linked to or collaborating with Israel – and now Saudi Arabia – in the shipping domain.

4.3. Comparative Analysis of the Maritime Route and IMEC

IMEC is not yet operational as an integrated corridor and at present there is no official consolidated assessment of its capacity, therefore almost all quantitative values are estimates or scenario-based projections. Nonetheless, the juxtaposition of IMEC against the principal maritime route via the Red Sea is a very useful exercise with a view to assessing its relevance and feasibility. A back-of-the-envelope comparative analysis of key economic and environmental parametres of the two corridors suggests that IMEC could: (i) offer lower costs by some 30% to 40%; (ii) shorten transit time by some 50%; (iii) reduce environmental pollution considerably through electrified railway networks, thanks to lower greenhouse gas (GHG) intensity compared to road and maritime transport modes; and (iv) contribute to green transition thanks to its explicit clean energy component.

Figure 3
War Risk Premiums and Freight Charges in the Red Sea
November 2023 to January 2024



Source: **Compiled by the Institute of International Economic Relations from multiple sources**

In terms of similarities, both routes have vulnerabilities. The maritime route hinges upon the chokepoints of Bab el-Mandeb and the Suez Canal, which increases its vulnerability to disruption, while hostilities in and around the Arabian Peninsula make the prospects of IMEC equally uncertain. However, IMEC includes a digital component, whereas the maritime route is confined primarily to transportation. Although China is a major user of the maritime route as part of its Maritime Silk Road (MSR), Beijing's Digital Silk Road (DSR) is a global strand of the Belt and Road Initiative and is not limited to connectivity between South Asia and Europe.

On the other hand, IMEC will have a much lower transportation capacity than the maritime route and will provide complementary connectivity, at best. Notably, container ships can move tens of thousands of twenty-foot container equivalent units (TEUs) on a single voyage, whereas trains can carry a few hundred containers. In addition, maritime transport remains the cheapest mode for bulk commodities, containers, and low-value goods.

Not least of all, IMEC has been conceived as a set of multimodal transport route(s) to be constructed across an array of different jurisdictions and countries with very different levels of infrastructure development, which will add yet another layer of complexity. The would-be Jordan hub is a case in point, as the country lacks a railway network. Without investment in domestic infrastructure (including freight rail, dry ports, special economic zones, and cross-border logistics), Jordan will be more of a bottleneck and a missing link than a functioning

hub.[12] Conversely, the maritime route already benefits from a number of large-scale investments in maritime and industrial infrastructure, notably within Beijing's BRI framework. Chinese companies have embedded themselves in ports, logistics corridors, industrial zones, telecommunications networks, and energy infrastructure across the Gulf, North Africa and the Levant. There is significant Chinese presence in several ports in Egypt, at the Kumport terminal in western Turkey, and the Greek port of Piraeus.

It is clear that IMEC would have some advantages, as does the principal maritime route via the Suez Canal, while both face serious challenges as well. This comparison aims to highlight pros and cons of the two main options (Figure 4). However, it is beyond any doubt that the development of IMEC would provide an alternative transit pathway and contribute to the economic security of a large number of countries and companies by reducing their exclusive exposure to the aforementioned disruption risks along the principal maritime route.

4.4. Alternative Proposals for the IMEC Transport Route

Meanwhile, while the original design of IMEC envisages a trunk transport corridor from India to Saudi Arabia and the UAE, then onwards to Jordan, Israel and Mediterranean Europe, there is no shortage of alternative proposals either. Countries such as Egypt and Turkey have shown keen interest in acting as hubs in connectivity between Asia and Europe, and understandably are concerned that IMEC could weaken their strategic importance in global trade and transportation networks. Notably, the presidents of Turkey and Egypt both attended the G20 Summit in New Delhi in September 2023, but their countries are not among the signatories to the IMEC MoU.

Egypt considers IMEC a threat to its strategic role of the Suez Canal, which is also a major source of revenue for the country's economy – more than $10 billion in 2023 (Annex 5). Notably, Riyadh has not concealed its intention of promoting alternative routes through Egypt. One of them is the long-discussed "Moses Bridge", a proposed 32-km causeway linking the Red Sea coast with the Sinai Peninsula. This would give cargo traffic access to the Suez Canal, as well as to Port Said and Alexandria on Egypt's Mediterranean shores. This could play a crucial role in generating revenue and adding approximately 3 million TEUs of capacity to the project.[13] France, too, has confirmed its support to the idea of Egypt being incorporated into IMEC. That said, Egypt's proposal could directly involve North Africa in the development of IMEC, though it would be more of an addition rather than a substantial modification of the route(s) officially presented by the signatories to the 2023 MoU.

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[12] Asher Fredman, Joseph Rozen., 'The India - Middle East – Europe Economic Corridor: A Catalyst for Regional Integration and Global Prosperity', *Konrad Adenauer Foundation*, June 2025, p. 15, https://www.kas.de/documents/263458/263507/IMEC+publication+ENG.pdf/4568ca66-aaa4-3961-d59f-c9d7d23b8191?version=1.0&t=1751282626770.

[13] 'The India-Middle East-Europe Economic Corridor Connectivity in an era of geopolitical uncertainty', *Atlantic Council*, August 2025, p. 8. https://www.atlanticcouncil.org/wp-content/uploads/2025/08/The-India-Middle-East-Europe-Economic-Corridor-Connectivity-in-an-era-of-geopolitical-uncertainty.pdf.

Figure 4

Comparative Assessment of the Principal Maritime Route and IMEC

Indicator	Principal Maritime Route	IMEC	Assessment
		Design	
Structure	Maritime transport route through the Suez Canal, linking Asia, Europe and the Middle East	Multimodal corridor comprising transport, energy and digital connectivity	IMEC differs fundamentally from the maritime route by integrating transport with energy and digital networks
Energy Connectivity	Primarily a transport route for energy and other commodities	Proposed energy component, potentially encompassing electricity and clean energy infrastructure	Energy integration could broaden IMEC beyond a conventional trade corridor
Digital Connectivity	Digitalisation supports maritime logistics but is not a defining component	Core component of IMEC alongside transport and energy	Digital connectivity could give IMEC a broader strategic and economic function.
Governance	Largely associated with the China-led BRI. Significant Chinese involvement in related infrastructure	Multilateral initiative involving India, the UAE, Saudi Arabia, Jordan, Israel, the EU and others	IMEC does not have a clear-cut governance structure
		Economic and Technical Features	
Economic Rationale	Major trade route between Europe and Asia, especially China.	Aims to strengthen India's role in Europe–Asia trade, while generating economic opportunities for intermediate countries	IMEC could function as a complementary corridor, expanding trade opportunities and diversifying participating economies
Transportation Capacity	Approximately 24 million TEUs annually at present; substantially larger established capacity	Projected at 1.5–3 million TEUs , subject to infrastructure development	Currently, the maritime route has a clear capacity advantage, while IMEC'S capacity remains prospective
Delivery Time	Approximately 12–16 days from India to Europe under normal conditions	Potentially up to 40% faster than the conventional Suez route	Speed is one of the principal potential competitive advantages of IMEC
Transportation Cost	Generally competitive because of established infrastructure and economies of scale; costs can rise sharply during diversions and security disruptions	Potential cost reductions of up to 40% for some India–Europe trade flows	The cost advantage of IMEC depends on efficient transshipment, infrastructure utilisation and harmonised procedures
Investment	Extensive existing investment in ports, shipping, logistics and associated infrastructure	Large-scale new investment required in rail, ports, logistics, energy and digital infrastructure	The maritime route benefits from mature infrastructure which is largely in place
Infrastructure Bottlenecks	Vulnerable to congestion and disruption at major maritime chokepoints	Jordan and other land-link sections may constitute bottlenecks	Both corridors have critical bottlenecks, though their nature differs: maritime chokepoints vs land-based infrastructure gaps
		Geopolitical Risks and Resilience	
Exposure to Geopolitical Risk	Exposure to Suez, Bab el-Mandeb and the Red Sea, particularly during periods of regional conflict	Exposure to terrestrial routes in the Middle East, including risks affecting cross-border infrastructure	IMEC potentially diversifies the geographical concentration of geopolitical risk
Impact of Disruption	Disruption can cause major rerouting, longer transit times, higher freight rates and insurance costs	Disruption affecting rail links, ports and border crossings, potentially causing delays and additional investment	IMEC could enhance resilience by providing an additional routing option, but its resilience depends on additional security measures
		Strategic Assessment	
Overall Strategic Value	Established, high-capacity global trade artery, but exposed to maritime chokepoints and geopolitical disruption	Potential alternative and complementary corridor, though not risk-free, offering diversification, speed and integrated connectivity	IMEC's principal strategic value lies in diversification and resilience, rather than immediate replacement of the maritime route

Source: **Institute of International Economic Relations**

Turkish president Recep Tayyip Erdoğan has famously stated that "There is no corridor without Türkiye", and considers that major trade routes should pass through his country because of its strategic position between Asia and Europe. One reason why Turkey is skeptical about IMEC is its own Iraq Development Road project. With a 745-mile railway-highway system and an estimated cost of $17 billion, the project is set to connect the Grand Al-Faw Port in the Gulf to Türkiye, making it a direct alternative to the IMEC corridor.

Given that trade route diversification is the key rationale behind the MoU signed in New Delhi in 2023, broadening the range of choices by including even more countries could also be considered. As has been pointed out by some analysts, beyond IMEC's original arterial design, conceived in New Delhi in 2023, there could well be "capillaries" that will build economic resilience along the way. According to another school of thought, a redesigned IMEC should involve more than adding branches to its original arterial route, but it should move from a line to a lattice.

While a linear corridor maximises efficiency along a sequence of ports, railways and border crossings, it also concentrates disruption risk at its weak nodes. Conversely, a network or a lattice creates a set of interoperable and partially substitutable gateways through which transport, energy and digital flows can be redirected. Its strategic value lies in preserving options when one port, railway, cable or maritime passage becomes unavailable. In either case, however, a reconceptualised IMEC project could be viewed as a web of multiple routes that could be designated as IMEN: India-Middle East-Europe Network.

4.5. Prospective Routes for Energy and Digital Infrastructure

As already stated above, IMEC is about more than just the transportation of goods. It is also about energy and digital/telecom connectivity, which cannot readily be compared between the maritime route and IMEC. It is too early, however, to make an accurate assessment of the prospects of green hydrogen due to its nascent presence in the energy market. Yet, increased demand for green energy in both India and Europe, and the GCC States' willingness to expand in this sector, makes this element of IMEC worth monitoring in the future.

As for the digital component of IMEC, the Global Gateway strategy of the EU already includes the project EU-Africa-India Digital Corridor, an 11,700-km long submarine cable system. The actors participating in the Global Gateway are included in Team Europe, a collective partnership of the EU member states, their respective agencies, public development banks and private companies. This cable will provide ultra-high-speed data connectivity via the Blue Raman cable which will subsequently connect Europe, Africa and India securely, helping to support economic growth through fast and reliable data exchange between partners. This project is expected to cost the EU approximately €200 million, yet it has been delayed past its original timeframe and is expected to be completed by the end of 2026.

With over 90% of communications between Europe and Asia travelling through Egypt, a higher degree of diversification in digital connectivity is imperative. Specific sources suggest

that the Blue Raman cable, in which the Italian company Sparkle and Google are the main investors, aims to bypass Egypt entirely, and directly connect Europe and India via Israel. Sparkle has reportedly connected Palermo, Marseille, Crete and Cyprus, while an Israeli telecommunications corporation has linked the two segments – Blue coming from southern Europe, and Raman from India and Oman.

5. CONSTRUCTING IMEC: MODALITIES AND STAKEHOLDERS

As discussed in previous chapters, the rationale behind IMEC is premised on largely favourable economic parametres, expanding EU-India trade relations and broader efforts to diversify supply chains between Europe and the Indian Ocean region. GCC states, too, are eager to emerge as transit junctions between Europe and the Indo-Pacific, and wean their economies off their dependence on hydrocarbons. Nevertheless, the economic rationale alone does not guarantee the successful implementation of IMEC. The project must overcome two sets of serious challenges. First, there is a wide range of institutional, financial and technical issues to be addressed. Second, there have been dynamic geopolitical developments that call into question key assumptions widely accepted three years ago. This chapter examines the principal challenges that IMEC faces and the actors whose involvement will determine the prospects and long-term viability of the corridor.

5.1. Institutional Challenges

One of the principal implementation challenges stems from the variety of jurisdictions along prospective IMEC route(s). The corridor includes multiple states with different legal frameworks, customs procedures, technical and regulatory standards, and infrastructure governance systems. All these factors may cause delays, raise transaction costs and complicate cross-border coordination. Therefore, the construction of IMEC requires close coordination between participating states and private actors alike, as well as harmonised regulations and procedures.[14] IMEC depends not only on physical infrastructure, but also on effective institutional cooperation between participating states, so that development initiatives are synchronised and the necessary level of interoperability is achieved.

While the success of IMEC depends on close cooperation between all stakeholders, at present there is no coordinating body

However, at present there is no coordinating body or a dedicated institution, e.g. an IMEC secretariat. The success of IMEC will depend not only on motivation, but also on close cooperation between the stakeholders involved. This calls for reflection and some adjustments in the initial

[14] Sharma, R. (2013), 'The Potential of Private Institutional Investors for Financing Transport Infrastructure', OECD Working Papers No. 11, May 2013, pp. 36-37, https://www.oecd.org/content/dam/oecd/en/publications/reports/2013/05/the-potential-of-private-institutional-investors-for-financing-transport-infrastructure_g17a22da/5k46bj481jjh-en.pdf.

design. IMEC can proceed, but not in its present format. Three structural revisions will determine whether the corridor can become operational: (i) The formalisation of governance, as one of IMEC's key vulnerabilities is institutional. In its current format, IMEC is based on a declaration of intent, not on a central coordinating mechanism overseeing the implementation of a concrete action plan; (ii) The corridor's exposure to Hormuz necessitates the diversification of maritime entry and exit points, e.g. by investing in Fujairah and other ports in the Gulf of Oman which would help the Strait; (iii) The third revision relates to the "unbundling" of the three pillars – while the construction of the transport pillar in its initial form appears to be constrained at present, the digital one faces less significant geopolitical impediments. The India-UAE Virtual Trade Corridor demonstrates that integration can advance independently of physical obstacles. Each pillar could have its own diplomatic track, financing structure and investment timeline, and the same applies to the clean energy projects.

The national priorities of most of the countries concerned differ, as some focus on trade, others on developing infrastructure and still others on increasing their geopolitical influence. The IMEC project is discussed mainly at government level, with each country setting its distinct strategic objectives. India, for instance, views the corridor as a means to access markets in the Middle East and Europe, in order to reduce dependence on traditional maritime routes and strengthen its position in global trade. Actors located in between, such as Saudi Arabia, the UAE, Turkey, Egypt, etc. also have their ambitions to become major regional hubs for transport, logistics, energy and connectivity.

The debate about IMEC has led to a flurry of diplomatic exchanges. Since the beginning of 2023, India's prime minister Narendra Modi has made multiple visits to Middle Eastern and European countries along prospective IMEC routes. In turn, European leaders from southern Europe have also visited India on a number of occasions, while in February 2025 the entire European Commission paid a visit to the country. Notably, Narendra Modi was in Egypt in June 2023 on a state visit, the first bilateral visit by an Indian Prime Minister to the country in decades (Annex 6).

5.2. Financing Issues

Since railways, ports, energy pipelines and digital infrastructure require substantial capital investment, financing is one of the project's most significant challenges. The 2023 MoU requires the signatories to coordinate on technical, financing, legal and regulatory aspects of the corridor, but it neither identifies specific funding sources nor establishes binding financial commitments. Most GCC countries have unveiled substantial investment plans to enhance connectivity infrastructure and increase their countries' footprint in global re-export trade. For instance, Saudi Arabia's logistics sector transformation, as envisaged in the National Transport and Logistics Strategy and the National Industrial Development and Logistics Program, aims to elevate the sector's contribution to 10% of the national gross domestic product (GDP) by 2030. However, despite numerous political announcements and statements, there is limited publicly available evidence that extra-regional major investment

banks, asset managers, pension and sovereign wealth funds are committed to financing the corridor.

A significant risk stems from the limited availability of detailed studies, ex-ante evaluations and credible financial forecasts, which may delay investments in the prospective corridor. Preliminary estimates suggest that developing the required infrastructure along the IMEC corridor in its entirety could require up to €100 billion, while associated long-term investments certainly will raise the price tag even higher. Although no detailed feasibility study has yet been completed, these estimates reflect the ambitious scale of the project.

The private sector is also expected to play a central role in the implementation and long-term success of IMEC, particularly given the project's substantial investment requirements. The implementation of IMEC is likely to depend on the effective use of Public Private Partnerships (PPPs).[15] Such arrangements allow governments to leverage private capital, technical expertise and management capabilities in the delivery of large-scale infrastructure.[16] In this context, they could facilitate the development of transport, energy and digital infrastructure, while broadening the project's financing base and reducing pressure on public resources. Given the cross-border nature of IMEC and the diversity of infrastructure involved, PPP schemes could facilitate cooperation between governments and the private sector. Even if state authorities invest heavily in infrastructure, its construction and use will depend on how private actors assess costs and benefits. In this way, the private sector will also play a part in the success or failure of IMEC.

The long-term success of IMEC will depend, *inter alia*, on close cooperation between public and private stakeholders in the area of security

The turmoil and hostilities, primarily in the Middle East, also necessitate a degree of flexibility as to the sources and sequencing of financing. Most probably, the stakeholders will have to identify bankable nodes and interfaces that can generate economic value independently—ports, dry ports, customs digitalisation, railway connectors, cable landing stations and intermodal terminals—and finance them in separate modules.

Beyond financing, the allocation of responsibilities among participating actors represents another important challenge. Among many other factors, the long-term success of IMEC will depend on the degree of cooperation between public and private stakeholders in the area of security. Private security companies can contribute to the protection of specific industrial units, adjacent infrastructure and logistics facilities where appropriate. However, it will be incumbent upon state authorities to provide the overall security framework through diplomacy, military capabilities and international cooperation.

[15] Zreik, M. (2024), 'The India–Middle East–Europe Economic Corridor: Geopolitics, Security and the Impact of Operation Al-Aqsa Flood', *The Arab World Geographer / Anthropology of the Middle East*, 19 (2), pp. 82-83.
[16] Sharma, R. (2013), *op.cit.*, p. 8 and p. 32.

5.3. Intra-European Competition

As for the EU, while its member states are interested in the construction of IMEC, their priorities are not always fully aligned. In particular, France, Italy and Greece seek to position themselves as the principal entry points for trade between India, the Middle East and Europe. For instance, France touts Marseille as a strategic Mediterranean hub capable of supporting trade, logistics, energy and digital connectivity between Europe and IMEC partner regions. In doing so, French officials tend to overstate the role of their country in the construction of the corridor.[17] In turn, Italy points to the strategic value of the Adriatic port of Trieste and seeks to act as the Mediterranean hinge of the Indo-Pacific. Likewise, Greece highlights the importance of Aegean ports as well as its energy networks and data infrastructure. In addition, Greece is a member of the Three Seas Initiative (3SI), a cooperation format including countries from Central and Eastern Europe.

Instead of competing amongst themselves, South European states could consider meaningful forms of division of labour

Overall, 3SI members declare their aspiration to help expand IMEC further north into Europe. The initiative in question aims to enhance transport, energy and digital connectivity between the Baltic Sea, the Adriatic Sea and the Black Sea, and - with Greece's accession to 3SI in 2023 - to the Aegean Sea as well. Indeed, connecting 3SI with IMEC via the Mediterranean could create a transregional network targeting much larger markets, a development that could further increase the importance of IMEC with a view to supply chain diversification.

The intra-European competition makes little sense, for at least two reasons. First of all, Southern European states appear to be vying for dominance in a project that has much more significant hurdles to get over in the Middle East, before benefits become available in Europe. Second, the long-term success of IMEC in Europe will largely depend on the ability of European partners to work towards a meaningful division of labour amongst themselves and this is a task to be prioritised.

The success of connectivity between South Asia and Europe should not be measured merely by whether cargo reaches a Mediterranean port, but by whether it can efficiently reach the huge European market. Marseille could serve France, the Iberian peninsula and western Europe; Trieste would provide connectivity with Central Europe; and Greek ports could be the gateway to the Balkans, Eastern Europe and the Black Sea.

5.4. Geopolitical Antagonism

The single biggest set of challenges relates to geopolitical factors, which are already affecting the initial design and long-term prospects of IMEC. Regional instability in the Middle East is an obvious starting point in this discussion. IMEC was announced at a time when the US was actively seeking to further the Abraham Accords and Israel was viewed as

[17] "La France joue un rôle moteur dans ce projet d'infrastructures", Audition de M. Gérard Mestrallet, envoyé spécial du Président de la République pour le corridor économique Inde-Moyen-Orient-Europe (IMEC), 2 avril 2025, https://www.senat.fr/compte-rendu-commissions/20250331/etrang.html.

a vital partner in regional logistics and trade. However, the Hamas attack on Israel in October 2023 and subsequent hostilities have upended this process. The war in the Gulf which broke out on 28 February 2026 is causing further disruptions and is contributing to heightened tensions between Israel and other states in Middle East.

The initial idea behind the Abraham Accords was that growing interdependence between Israel and GCC countries would serve as an instrument for the normalisation of relations in the tumultuous region, but this appears to be an unlikely prospect at the current stage. Three years after the signing of the IMEC MoU, Riyadh's relationship with Israel is the weakest link in this chain. Tellingly, Greek and Saudi banks have signed an agreement to finance 60% of the EMC project, but Riyadh is reportedly pursuing the construction of a fibre-optic cable through Syria rather than Israel. Not least of all, in June 2026 Saudi Arabia and Turkey signed two MoUs to expand cooperation on railways and bilateral connectivity, including the revival of the historic Hejaz railway track between the two countries through Jordan and Syria. In conjunction with the plans for the construction of the Moses Bridge, it is clear that Saudi Arabia is steering its involvement in IMEC away from Israel. The US continues to insist on Israel's role as a vital player in the development of the corridor. However, the ongoing military clashes in the Middle East limit Washington's leverage in convincing the GCC countries to normalise relations with Jerusalem, and accept Israel's role in IMEC, as envisaged in the MoU signed in New Delhi in September 2023.

Furthermore, the Mecca Joint Defense Agreement signed by Saudi Arabia, Turkey and Pakistan in August 2026 renders the process of normalisation even more unlikely. By entering into a mutual defence pact with Turkey and Pakistan - two nations that are highly critical of Israel - Saudi Arabia is largely aligning its security apparatus with regional powers that condition their diplomatic ties on Palestinian statehood and a cessation of Israeli military actions. Moreover, this development is not to the taste of India, due to its entrenched enmity with Pakistan.

Last but not least, Saudi-Emirati relations have also been under strain since the signing of the New Delhi MoU. The two countries have developed divergent security objectives in the civil war in Yemen, while different approaches are evident in their oil policy as well, with Abu Dhabi's decision to withdraw from OPEC, the Organization of Petroleum Exporting Countries, and review its quota on petroleum production. The blow to bilateral confidence between these two crucial partners may also delay operational coordination in investment and regulatory matters around IMEC.

Therefore, the whole endeavour is confronted with growing challenges as a result of the changing security environment and geopolitical configuration in the Middle East. Regional instability and growing tensions create a setting that is less than conducive to long-term infrastructure investments. In addition, they lead to higher transportation and insurance costs, making large-scale connectivity projects more costly and financially uncertain. Consequently, private-sector participation in initiatives such as IMEC may also become less

likely.[18] Similarly, the participation of potential extra-regional investors in IMEC would depend on government assurances that the project will be financially and politically stable. Therefore, IMEC needs to offer all types of investors both clear benefits and a sense of security in order to be attractive and relevant in the long term. One useful lesson, three years after IMEC was officially announced, is that a security component is missing in its design.

A useful lesson learned three years after the announcement of IMEC is that a distinct security component is missing from the initial design of the project

Security should not be interpreted exclusively as a military umbrella over the corridor. It requires a broader resilience architecture comprising maritime domain awareness and intelligence sharing, cybersecurity for infrastructure and logistics platforms, preparedness for the protection and rapid repair of undersea cables and energy pipelines, as well as exercises based on various scenarios in view of contingencies.

An equally important aspect of IMEC is its conception as a response to China's BRI and a pursuit of alternative connectivity channels for the sake of the economic security and strategic autonomy of all the countries involved in the project. Yet, disentangling the two routes altogether would be both difficult and impractical, and Greece offers an appropriate example. Chinese ownership of a majority stake in the Piraeus Port Authority adds a significant geopolitical complication concerning the inclusion of the port of Piraeus in the IMEC framework. In cases like this, ring-fencing rather than outright rivalry would be a more reasonable way to go.

6. CONCLUSIONS

The India–Middle East–Europe Corridor represents one of the most ambitious connectivity initiatives proposed in recent years. More than a transport corridor, it reflects the broader geopolitical and economic realignment currently underway across the Indo-Pacific, the Middle East and Europe.

6.1 The Geostrategic Rationale of the EU and India Drawing Closer

The ever-closer relations between the EU and India constitute a major incentive for the promotion of IMEC as a strategic connectivity initiative. For both partners, closer economic integration serves not only commercial interests but also wider strategic objectives, including the diversification of trade relations and reduction of excessive dependencies. The conclusion of the EU-India Free Trade Agreement has further strengthened the economic rationale underpinning the corridor.

Ironically, however, regional instability and armed conflicts have simultaneously made IMEC more difficult to construct and more strategically relevant. The war in the Gulf and the closure of the Strait of Hormuz, disruptions in the Red Sea, the uncertainty surrounding

[18] Zreik, M. (2024), *op. cit.,* pp. 81-82.

Saudi–Israeli normalisation and the deterioration of relations among important regional actors have weakened the original design. Yet, these same developments have strengthened the need for diversified connectivity between India, the Middle East and Europe.

6.2 Economic Prospects of the IMEC Project

In principle, the economic prospects of IMEC are promising, although they should be assessed with caution. Expanding trade between Europe, India and the GCC states, together with growing investment in transport infrastructure, logistics, renewable energy and digital networks, provides a favourable foundation for the project's long-term viability. The corridor's three pillars - multimodal transport, green energy and digital connectivity - reflect the evolving priorities of the global economy.

For the EU, IMEC offers an opportunity to deepen strategic engagement with India and strengthen economic partnerships with partners in the Middle East. For India, the corridor supports broader ambitions to expand manufacturing, become integrated into global value chains and diversify its export markets. Although a specific target has not been set, it is estimated that trade volumes between India and the EU will increase substantially. Other states located along the prospective IMEC corridor can also expect significant economic gains. Apart from benefiting intra-regional trade between India and Europe, IMEC bestows upon states in the Middle East greater value as production and transit hubs, and complements their national economic diversification strategies. These converging interests provide a solid strategic rationale for continued cooperation, even if implementation can only proceed gradually, step by step.

6.3 Pros and Cons of IMEC as an Alternative to Other Connectivity Projects

The comparison between IMEC and the traditional maritime route through the Suez Canal suggests that the two should not be viewed as mutually exclusive alternatives. Maritime shipping will continue to dominate long-distance international trade because of its comparatively lower transportation costs and unparalleled economies of scale. Therefore, IMEC should be understood as an additional strategic option that enhances the security of global supply chains. Recent disruptions in the Red Sea have demonstrated the risks associated with excessive reliance on routes through maritime chokepoints.

Many of the expected benefits remain dependent on future infrastructure investments, regulatory harmonisation and the successful implementation of complementary projects across participating countries. Consequently, many of the quantitative estimates concerning transport costs, transit times and commercial gains should be regarded as purely indicative for the time being. Nonetheless, IMEC illustrates the relevance of a more diversified and competitive international connectivity landscape. Rather than replacing existing initiatives such as China's Belt and Road Initiative, it contributes to a growing plurality of transport, energy and digital networks linking Europe and Asia.

6.4 Practical Aspects of the Construction of IMEC

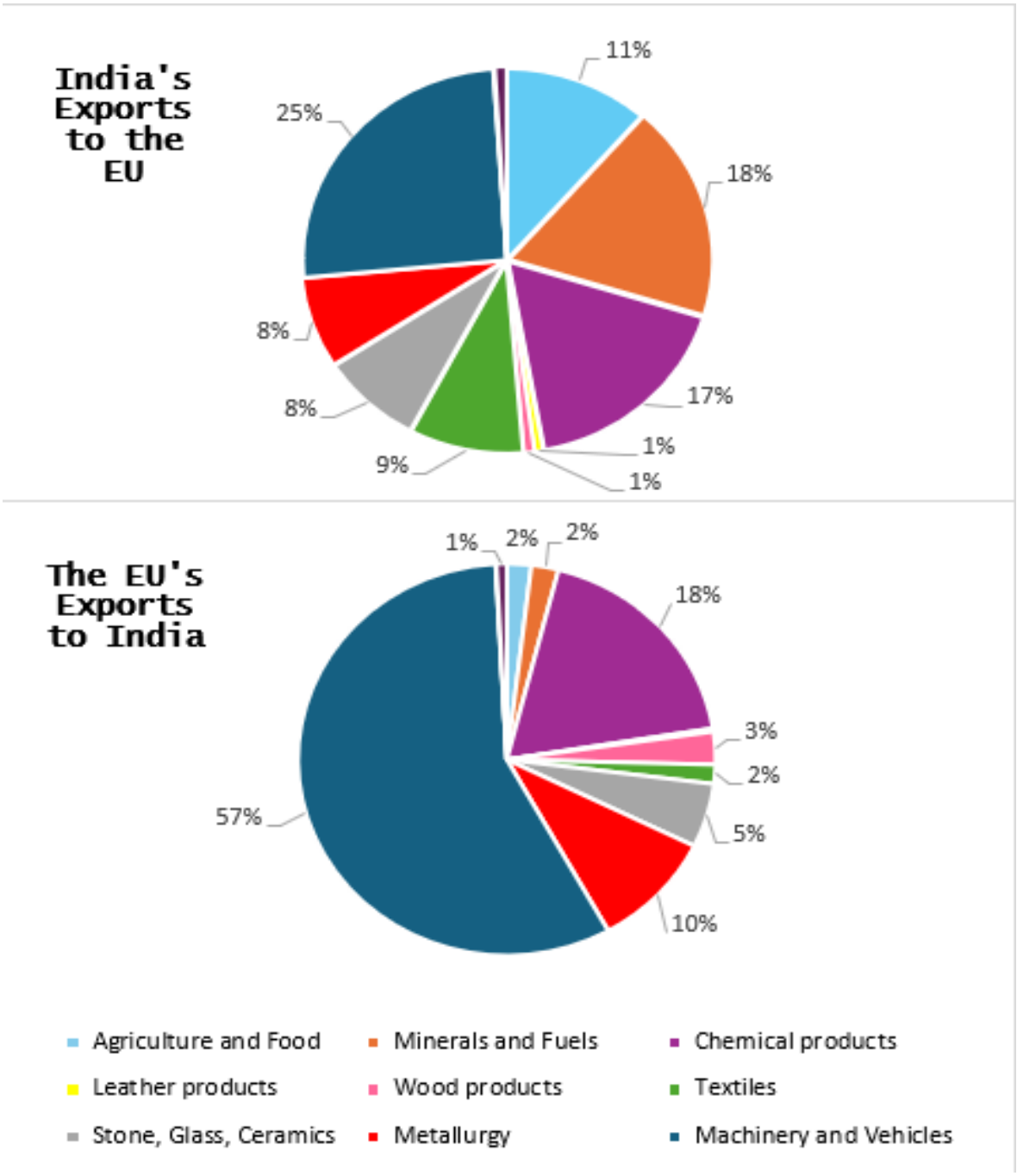
The study has identified substantial obstacles which create uncertainty over the construction of IMEC and its long-term prospects. Different jurisdictions, regulatory fragmentation, competing national interests and the absence of a comprehensive financing framework represent significant challenges. Equally important is the fact that at this stage the corridor remains largely a political vision rather than a clearly designed infrastructure programme. The role of the private sector also deserves to be highlighted. Governments can provide part of the finance, regulatory support and the necessary diplomatic umbrella, but the corridor will only materialise if private actors conclude that IMEC offers commercially sustainable opportunities.

Above all, unresolved regional disputes, military clashes and political instability across the Middle East are the single biggest hurdle, whose importance cannot be overstated. Given all these challenges and the high degree of uncertainty in the region, IMEC needs to be reconceptualised and "enriched" with a security component that was omitted three years ago. At the same time, the three pillars need to be "unbundled", i.e. progress in digital connectivity, customs integration or selected energy projects need not wait until the entire transport infrastructure becomes politically feasible. In any case, the project will have to become more flexible, i.e. based on a wider range of choices that would further boost its relevance as well as its resilience and economic viability.

IMEC will have to become more flexible, i.e. its three pillars need to be "unbundled" and promoted independently of each other

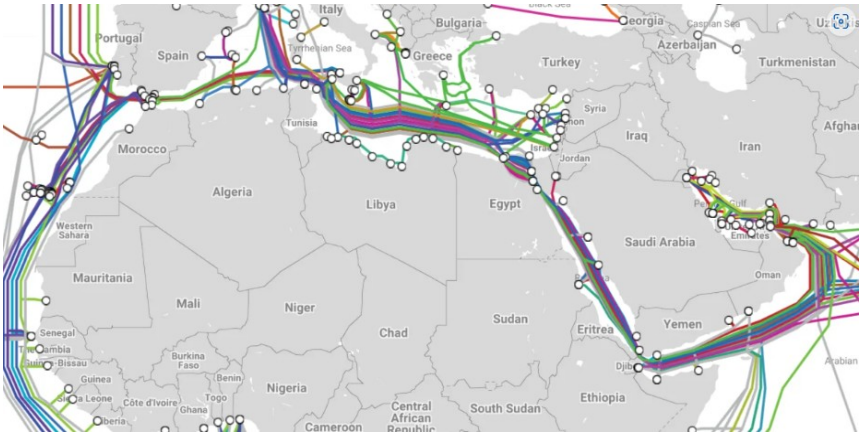
7. ANNEXES

Annex 1
Sectoral Breakdown of India's Exports to the EU (2024)



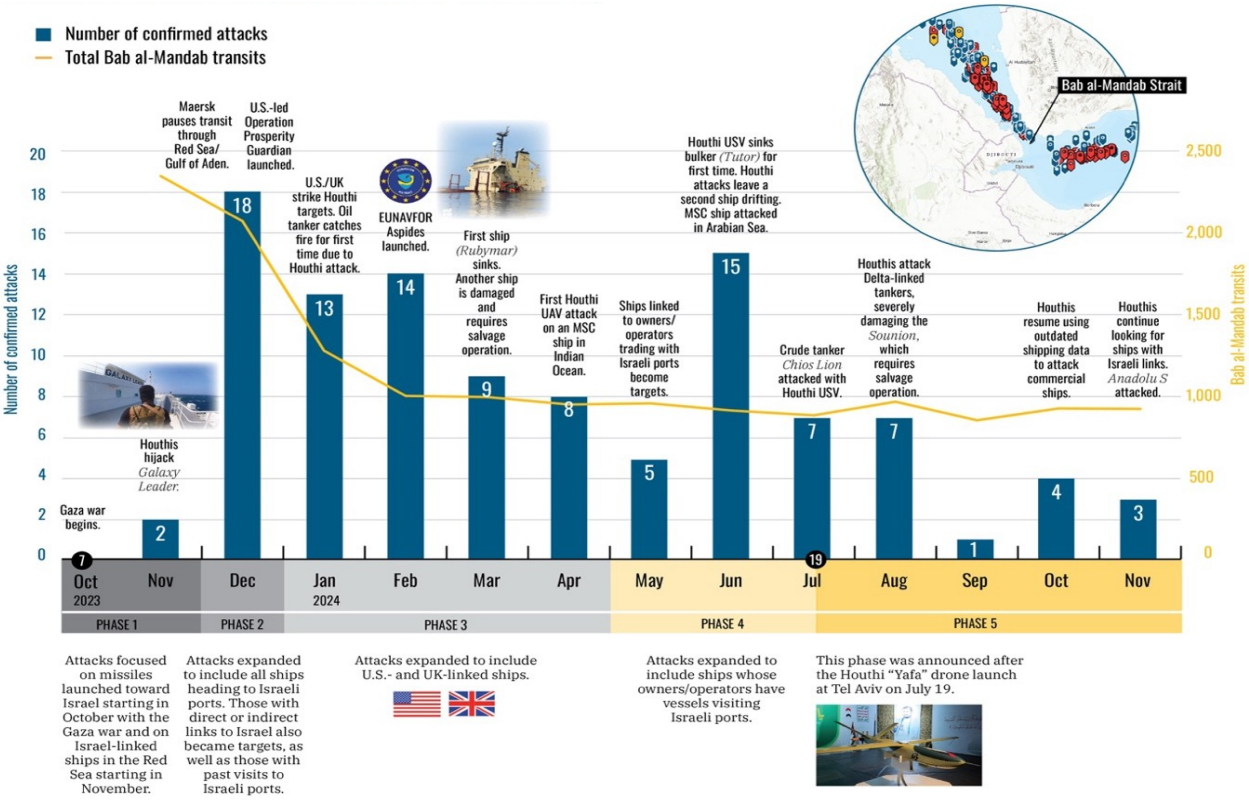
Source: **UNCTAD COMTRADE Database**

Annex 2
Underwater Fibre Optic Cables Between India, the Middle East and Europe



Source: **Middle East Eye**

Annex 3
Transit in Bab el-Mandeb and Confirmed Houthi Attacks on Commercial Ships (November 2023 -November 2024)



Source: **Raydan, N. and Nadimi, F.**

Annex 4
Attacks on Ships in the Red Sea
November 2023 – January 2024

Date	Ship	Flag	Attack Type	Attack Results
19 November	*Galaxy leader*	Bahamas	Piracy	Captured
24 November	*CMA CGM Symi*	Malta	UAV	Damaged; course not altered
3 December	*Unity Explorer*	Bahamas	Missile	Damaged; course not altered
3 December	*Number 9*	Panama	Missile	Damaged; course not altered
3 December	*Sophie II*	Panama	Missile	Damaged; course not altered
11 December	*Strinda* *Languedoc*	Norway French Navy	Missile UAV	Damaged; course not altered Unsuccessful
13 December	*Ardmore Encounter*	Marshall Islands	Piracy, missile, and UAV	Unsuccessful
14 December	*Maersk Gibraltar*	Hong Kong	Missile	Unsuccessful
15 December	*Al Jasrah*	Liberia	UAV	Unsuccessful
15 December	*MSC Palatium Iii*	Liberia	Missile	Unsuccessful
16 December	*USS Carney*	US Navy	UAV (14)	Unsuccessful
18 December	*Swan Atlantic*	Cayman Islands	Missile and UAV	Damaged; course not altered
18 December	*MSC Clara*	Panama	Missile	Unsuccessful
23 December	*Blaamanen*	Norway	UAV	Unsuccessful
23 December	*Saibaba*	Gabon	UAV	Unsuccessful
23 December	*Chem Pluto*	Liberia	UAV	Unsuccessful
26 December	*MSC United VIII*	Liberia	Missile	Unsuccessful
30/31 December	*Maersk Hangzhou*	Singapore	Piracy and missile	Unsuccessful (Houthi casualties)
10 January	*USS Dwight D. Eisenhower* *USS Gravely* *USS Laboon* *USS Mason* *USS Florida* *HMS Diamond*	US Navy Royal Navy	Omnibus attack: UAVs, cruise and ballistic missiles	Unsuccessful
11 January	*St. Nikolas*	Marshall Islands	Piracy	Captured
11 January	*Khalissa*	Panama	Missile	Unsuccessful
14 January	*USS Laboon*	US Navy	Missile	Unsuccessful
15 January	*Gibraltar Eagle*	Marshall Islands	Missile	Damaged and altered course
16 January	*Zografia*	Malta	Missile	Damaged and altered course
17 January	*Genco Picardi*	Marshall Islands	UAV	Damaged; course not altered
18 January	*Chem Ranger*	Marshall Islands	Missile	Unsuccessful
24 January	*Maersk Detroit* *Maersk Chesapeake* *USS Gravely*	US Merchant Marine US Navy	Missile	Unsuccessful
26 January	*USS Carney*	US Navy	Missile	Unsuccessful
26 January	*Marlin Luanda*	Marshall Islands	Missile	Unsuccessful
28 January	*HMS Diamond*	Royal Navy	UAV	Unsuccessful

Source: **Rodriguez-Diaz, E., Alcaide, J.I. and Garcia-Llave, R.**

Annex 5
Egypt's Revenue from the Suez Canal
2019-2025

Year	Suez Canal revenue	Change y-o-y
2019	$5.804 billion	—
2020	$5.606 billion	−3.4%
2021	$6.334 billion	+13.0%
2022	$7.934 billion	+25.2%
2023	$10.250 billion	+29.2%
2024	$3.991 billion	−61.1%
2025	~$4.2 billion (projected)	~+5%

Source: **Suez Canal Authority**

Annex 6
Exchange of High-Profile Visits Along IMEN Routes
March 2023 - June 2026

Time	Country/Institution	Type of Visit
	Visits of Indian Prime Minister Narendra Modi to Southern Europe and the Middle East	
June 2023	Egypt	State visit
July 2023	France	Official visit
July 2023	United Arab Emirates	Official visit
August 2023	Greece	Official visit
Nov.–Dec. 2023	United Arab Emirates	COP28 in Dubai
February 2024	United Arab Emirates	World Governments Summit
February 2024	Qatar	State visit
June 2024	Italy	G7 Summit
December 2024	Kuwait	Official visit
February 2025	France	Official visit; AI Action Summit
April 2025	Saudi Arabia	State visit; Strategic Partnership Council
June 2025	Cyprus	Official visit
December 2025	Jordan	Official visit
December 2025	Oman	Official visit
February 2026	Israel	State visit
May 2026	United Arab Emirates	Official visit
May 2026	Italy	Official visit
June 2026	France	G7 Summit
	Visits of Leaders from Southern Europe and the Middle East to India	
March 2023	Georgia Meloni, Prime Minister of Italy	State visit
September 2023	Emmanuel Macron, President of France	G20 Summit
September 2023	Georgia Meloni, Prime Minister of Italy	G20 Summit
September 2023	Mohamed bin Zayed Al Nahyan, UAE President	Official visit
September 2023	Prince Mohamed bin Salman, Saudi Arabia	State visit; G20 Summit
December 2023	Sultan Haitham bin Tariq, Oman	State visit
January 2024	Emmanuel Macron, President of France	State visit
January 2024	Mohamed bin Zayed Al Nahyan, UAE President	Vibrant Gujarat Global Summit
February 2024	Kyriakos Mitsotakis, Prime Minister of Greece	State visit
February 2025	College of European Commissioners	Official visit
January 2026	Mohamed bin Zayed Al Nahyan, UAE President	Official visit
February 2026	Kyriakos Mitsotakis, Prime Minister of Greece	India AI Impact Summit
February 2026	Emmanuel Macron, President of France	India AI Impact Summit
February 2026	Pedro Sánchez, Prime Minister of Spain	India AI Impact Summit
February 2026	Andrej Plenković, Prime Minister of Croatia	India AI Impact Summit
May 2026	Nikos Christodoulides, President of Cyprus	State visit

Source: **Compiled by the Institute of International Economic Relations**