BRICS - NEW ECONOMIC SOLUTIONS - NORTH-SOUTH MARITIME TRANSPORT CORRIDOR.

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Abstract. In the modern conditions of close cooperation between countries and the globalization of the economy, the problem of international transport corridors requires special attention in national and international politics. The organization of transport corridors is based on the concentration of cargo, transport and passenger flows in one direction and implies high productivity and the creation of a developed infrastructure. Man-made canals around the world have transformed international shipping by shortening shipping routes and reducing operating costs. Currently, the world's major man-made canals, such as the Panama Canal, the Volga-Don Canal, the Corinth Canal, and the Suez Canal, provide alternative shipping routes through the world's major maritime networks, facilitating efficient transportation. But the new economic conditions also require new (alternative) ways to meet the growing needs for safe and fast transit. Therefore, more and more countries show a strong interest in participating in the development of new sea routes.

Keywords: international transport corridors; artificial canals, alternative transport routes

1. Introduction

In the modern conditions of globalization, close cooperation between countries requires actions to optimize economic relations between them. All types of transport are the main factor for the development of these connections, with maritime transport corridors taking the main place. Their importance and subsequent organization is based on the concentration of freight, transport and passenger flows in a given direction and must have excellent performance and developed infrastructure. One of the most important types of transport in the world is water transport, with artificial canals playing a particularly important role in it.

Man-made canals around the world have transformed international shipping by shortening shipping routes and reducing the cost of delivering goods.

Currently, the largest man-made canals in the world are the Panama Canal, the Volga-Don Canal, the Corinth Canal and the Suez Canal, which provide alternative transport routes through the world's major maritime networks, facilitating efficient transport.

Undoubtedly, the Suez Canal is the most famous and certainly one of the most important waterways. It is 193.30 kilometers long, and it is extremely important to note that it is located at sea level. It is one of the most used waterways in the world, with thousands of ships passing through it every year. The channel separating Asia from the African continent offers the shortest sea route between Europe and the regions bordering the Indian Ocean and the western Pacific Ocean. The canal was opened for navigation in 1869, and due to its extremely important role, it was for a long time under the control of the French and the British. Since 1956, it has been under the control of **Egypt** (BRICS member since 2024).

Every year more than 30 thousand ships pass through the canal. In total, they transport about 300 million tons of various goods. 14% of total world trade passes through the canal, most of the oil traffic from the Persian Gulf region to Europe and the Americas. Because of this, its annual revenue exceeds $7 billion. For 2023, it has exceeded $10 billion [1]

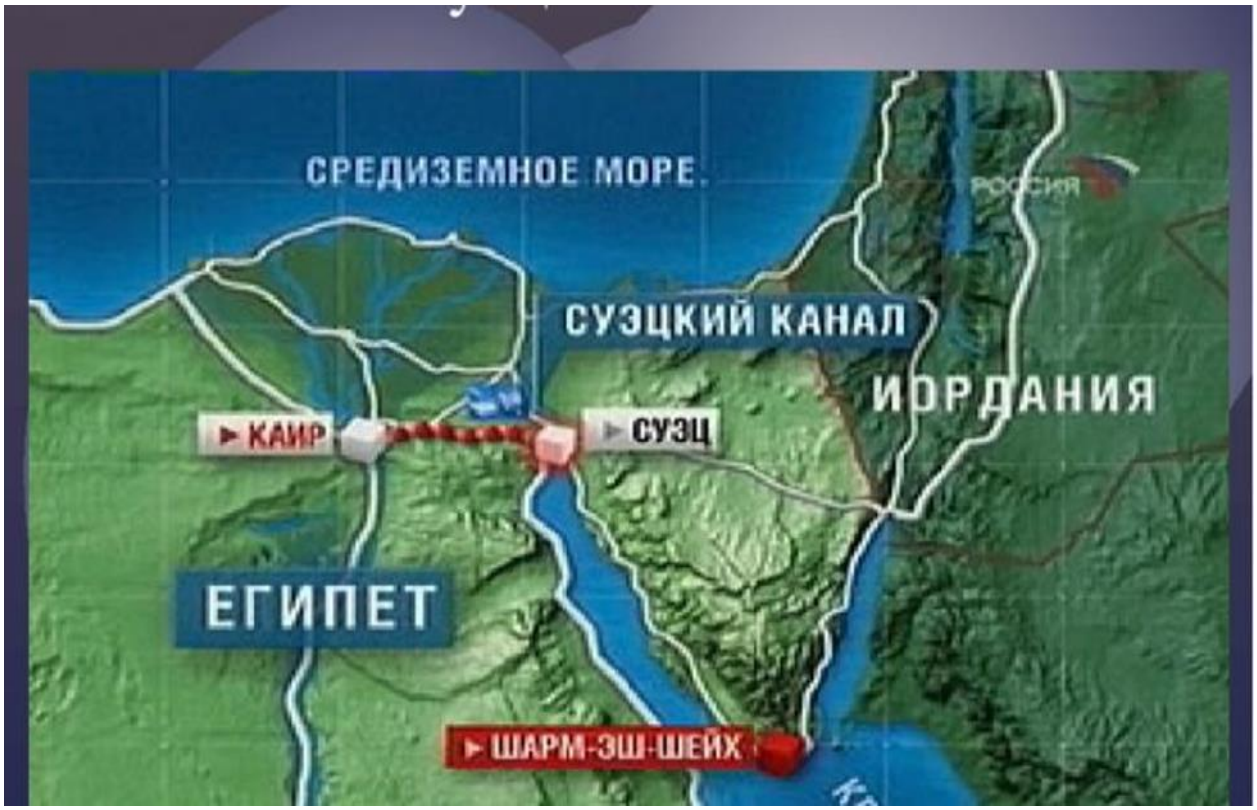

Figure 1 - Location of the Suez Canal

But all interested parties may begin to consider the possibility of ensuring the stability of a project of such economic importance in the event of its suspension. And such a coincidence occurred on the morning of March 23, 2021, when one of the largest container ships in the world ever to sail (with 18 thousand containers), traveling from Malaysia to the Netherlands, moving through the Suez Canal, turned around and ran aground in the channel, as a result of which it is closed.

This event served as a catalyst for the activation of forgotten and suspended similar projects, such as the NORTH-SOUTH SEA TRANSPORT CORRIDOR.

2. History of the project

The history of the "Caspian Sea - Persian Gulf" project dates back to 1889-1892, but only at the beginning of the XXI century was an agreement signed to create a "North-South" transport corridor that will connect Russia (founder and member of BRICS from 2009) with India (founder and BRICS member since 2009) through Iran (BRICS member since 2024). And yet this project remains on paper, despite the fact that it is rightly considered a strategically important project

crossing international waters. It could even mean potentially restricting US warships in the Persian Gulf - a channel of strategic importance to Russian-Iranian relations in the current geopolitical reality.

The position of the Russian side is to ensure that the new canal, which completely passes through the territory of Iran, is able to provide the shortest access to the Indian Ocean basin from the North Atlantic, Baltic, Black and Azov seas, the Danube River and the Volgo- Caspian basin. The route is needed not only as a transport corridor, but also to provide desalinated water to the central arid areas of Iran

According to experts, the fact that the canal will connect the southwestern regions of the Caspian Sea, Abadan and Khoremshahr (on the border with Iraq) and the Persian Gulf seems the most acceptable from a financial point of view. However, the concept of transferring water from the Caspian Sea to the central regions of Iran to address the problems of water scarcity in agriculture may bring with it negative consequences - such as disruption of the ecological system or changes in the environment.

Another important point is logistics. For this channel to be truly navigable, it needs a great depth and width for the free movement of ships. This will be a serious achievement, despite the huge height difference between the Caspian Sea and Persian Gulf regions.

For Iran, this project is vital. They call it the "Iranian River", a transport corridor crossing the entire country from north to south. If the project is funded, Iran will get an unprecedented national transportation network that will modernize and optimize, speed up and simplify the transportation of passengers and cargo, among which will be the crucial transportation of energy resources - oil and gas. But the last word on this project belongs to specialists, politicians and diplomats, who through an integrated approach can give a new life to Iran [2] .

Due to the huge interest, Iran intends to start the construction of a navigable waterway about 600 km long, which will connect the Caspian Sea with the Persian Gulf and the Arabian Sea. As a result, it will become possible to travel between the Arctic seas and the Baltic region through a Russian water transport system to the Persian Gulf and the Indian Ocean. Russia and many Eastern European countries will for the first time be able to choose an alternative route to the traditional Bosphorus - Dardanelles - Suez Canal - Red Sea.

Russia needs this project, both for economic revenue and if necessary for income and even for war if it happens. A project of such importance should be built urgently, but there are experts who believe that it is very important for its creators to consider the possibility of inviting investors from NATO countries to also take part in its development and protection. Their concerns are rooted in history, as if Russia were to declare its own "defense" status over this canal, it would have the right to act as the United States can in Panama.

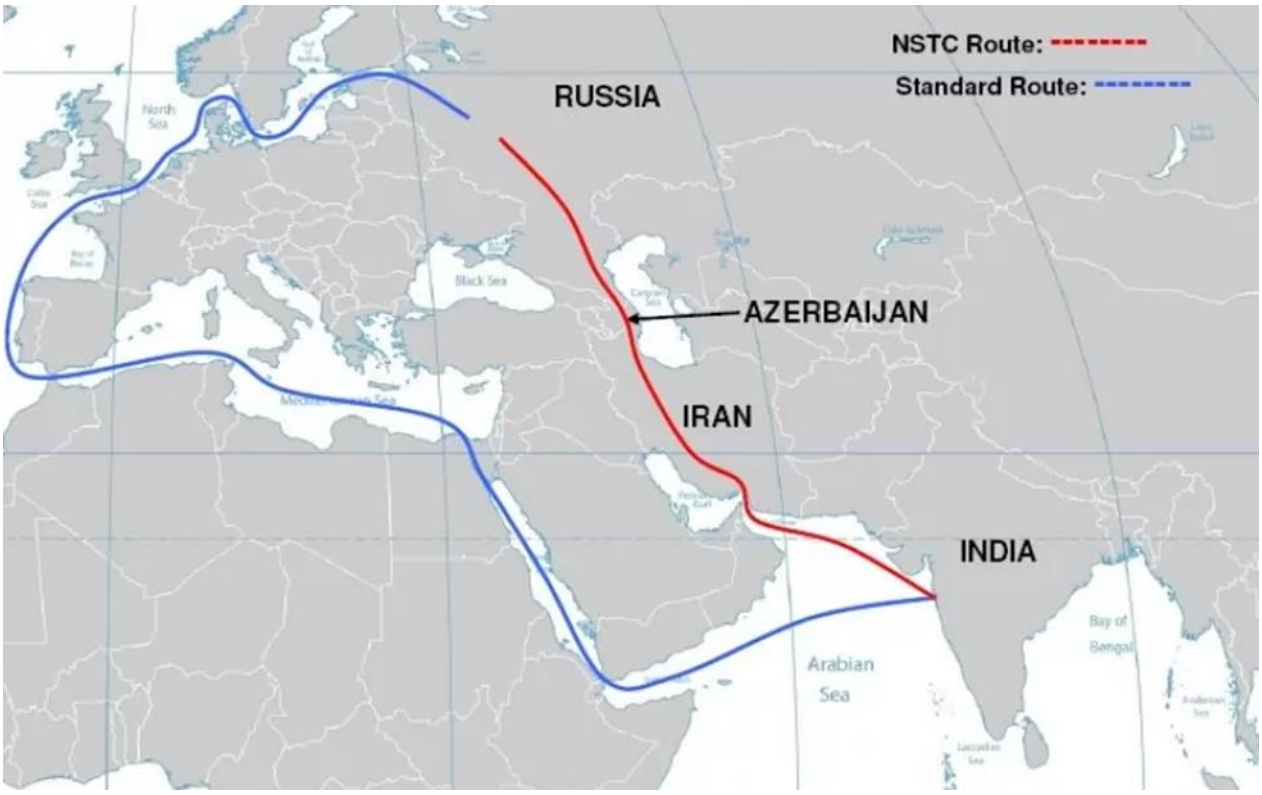

Figure 2 – Comparison between the standard corridor and the North-South Maritime Transport Corridor.

3. Role of Russia, Iran and India in the planning of the new transport corridor

As the world fretted over Russia's blockade of Ukraine's Black Sea grain exports at the end of June 2022, Vladimir Putin turned to the leaders of the Caspian Sea nations, pitching them the idea of a "really ambitious project." as the centerpiece of Moscow's efforts to "improve the region's transport and logistics architecture."

For more than two decades, the International North–South Transport Corridor (INSTC) - a 7,200-kilometer network of railways, highways and sea routes that is supposed to connect Russia and India via Iran - has been nothing more than a dream. But according to analysts, this idea is finally ready to be developed by Moscow, Tehran and New Delhi. The rare combination of geopolitical and economic incentives makes the route a potentially vital economic escape route for Moscow as tough Western sanctions cut it off from European markets

INSTC is not a new concept; many European, Indian and other foreign traders used it to reach Central Asian markets. The current INSTC project, on the other hand, was launched in September 2000 in St. Petersburg by Russia, India and Iran. The agreement was signed on 16 May 2002. Azerbaijan (applied for BRICS membership from 2024) joined this agreement in 2005 and later several other countries ratified it, including Azerbaijan, Belarus (applied for membership in BRICS from 2023), Bulgaria, Armenia, India, Iran, Kazakhstan (applied for BRICS membership from 2023), Kyrgyzstan, Oman, Russia, Tajikistan, Turkey (applied for BRICS membership from

2024) and Ukraine. The route largely involves the transportation of goods by sea, rail and road from India, Iran, Azerbaijan and Russia.

Also, INSTC will provide access to landlocked Central Asian countries. The INSTC, which was conceived long before China's Belt and Road Initiative (BRI) [4] , will not only help reduce the cost and time required to transport goods from India to Russia and Europe via Iran, but also thus, it will serve as an alternative connectivity strategy for countries in the Eurasian area.

In June 2022, Iran announced the first-ever pilot transit of goods from Russia to India using INSTC, through Bandar Abbas port on the Strait of Hormuz. The two containers of wood laminate have since been followed by the shipment of at least 39 more containers from Russia to the Indian port of Nhava Shewa in the Arabian Sea in July 2022.

And this is just the beginning, said Vaishali Basu Sharma, a former consultant at the secretariat of India's National Security Council. At the same time, RZD Logistics, the largest multimodal transport operator in the former Soviet nations and the Baltic countries, launched a new container train service on the INSTC. And by 2030, the INSTC corridor is expected to have the capacity to transport nearly 25 million tonnes of cargo each year – 75 percent of the total container traffic between Eurasia, South Asia and the Persian Gulf.

"These are the new routes to the east and Moscow is very serious about introducing them, especially as EU sanctions are expected to remain - even after the end of the conflict with Ukraine," said Chris Devonshire-Ellis, founder of Dezan Shira & Associates, pan -an Asian business and investment consultancy, for Al Jazeera [3] .

4. Economic justification of the need for the new sea route

The logic behind creating INSTC is simple. Historically, the lack of a developed land route meant that cargo from India to Russia had to cross the Arabian Sea, the Red Sea and the Mediterranean Sea, then circle Western Europe and finally cross the Baltic Sea to reach St. Petersburg. Available data from the Federation of Shippers' Associations of India shows that the 7,200-km INSTC — which crosses Central Asia, the Caspian Sea, Iran and finally the Arabian Sea — has reduced travel times from 40-60 days to 25-30 days and reduced costs accordingly by 30 percent.

But let's be more specific. According to "Federation of Freight Forwarders Association of India, Ministry of Commerce" [5] the following differences are of particular interest:

Previous Route (Transit Time 40 to 60 Days), INSTC Route (Transit Time 25 – 30 Days; 40% Shorter, 30% Cheaper), Route to Moscow from Mumbai/JNPT Distance – 8700 Nautical Miles, Approximate Cost – Freight $1,300 to $1,800 for a 20-foot dry container. $3500 for shipping containers to St. Petersburg. Approx $800 /1000 USD shipping from Saint Petersburg to Moscow. Total cost - $2,100 to $2,800 for a dry container. Transit time - 25 to 30 days and 7 days to Moscow from St. Petersburg. Total 32 to 37 days to Moscow, Main carriers - Maersk, Hamburg Süd, MSC, CMA.

INSTC route to Moscow, from Mumbai/JNPT - Distance – 2200 nautical miles + 3000 km., Estimated cost – freight $150 to BNB 20ft dry container. $500 (quantity discount) from BNB to Amirabad, $250 from Amirabad to Astrakhan and $600 to Moscow (Russia and Iran maintain the same rate for the same distance). TOTAL - $1260 (adding 2 port transshipment costs of

approximately $260). Transit Time – 7 days to BNB, 3 days to Amirabad, 7 days to Astrakhan, 2 days for Transshipment – Total 19 days.Main Operators – Simatech, IRSIL.

For India, the route is also strategic: it offers access to Central Asia and Afghanistan, bypassing archenemy Pakistan. In 2016, India committed an investment of $85 million and a concessional loan of $150 million to build berths at Iran's Chabahar port during Prime Minister Narendra Modi's visit to Tehran.

NSTC provides the legal framework for freight movement on the ship-rail-road route connecting India, Iran, Russia, Central Asian countries and Europe. INSTC helps in promoting India's trade with Eurasian countries and also helps in improving connectivity. The INSTC connectivity project facilitates India's reach into its extended neighbours, helping to increase trade and commerce with this region

India's active interest in the implementation of the project is due to various considerations. Indian goods reached Russia and Central Asia by making the long journey through the Suez Canal. While the Suez Canal route takes about 45-60 days, the trans-Iranian route takes about 25-30 days. This route helps to open up the huge markets in India, Russia and Central Asian countries as well as other parts of Asia and Europe. The energy-rich region of Eurasia, with its vast geography and resources, is expected to play a crucial role in the emerging new great game in the Eurasian space. The political-economic dimension of this route will be significant in the international political scenario, given the indications of a shift in the global power base.

The North-South Corridor helps develop a network of bilateral trade route infrastructure in the region and the flow of goods and people that are otherwise impeded at borders due to lack of bilateral and multilateral agreements. Reduces transportation costs that otherwise impede trade; they arise from various technical and legal requirements relating to considerations such as weight, dimensions and vehicle operating permits, inconsistent documentation and inspections, etc.

A rail corridor connecting Northern Europe (with Helsinki as the starting point) to the Persian Gulf ports (with Bandar Abbas as the reference destination port) could serve as a backbone for a distinctive distance advantage over the existing shipping route. The distance from Helsinki to Bandar Abbas by sea is about 7,217 nautical miles, i.e. 13,366 km. In other words, the corridor cuts the distance in half. The Caspian route is the shortest of all routes within the corridors.



Figure 3 – Detailed map of the route of the North-South Maritime Transport Corridor.

5. International opinion

All Eurasian countries have shown great interest in opening up the network of routes in the region and stressed the need to increase cooperation and connectivity among the countries of the region, as a close network and connections can connect them in a mutually beneficial framework. In today's geopolitical environment, achieving better connectivity and better trade and economic relations is extremely important. The North-South corridor certainly facilitates this; unites regional forces and increases mutual understanding and cooperation [6].

According to experts, despite this appeal, the INSTC has so far not been a priority for Russia and India, which have shifted their economic focus to trade with Europe, with the European Union contributing more than a third of Russia's trade in 2020.

INSTC is now set to spread its radials over a much larger area. Essentially, the new INSTC is a combination of two corridors. One starts, as originally intended, from Mumbai and heads to Bandar Abbas, a prominent Iranian port on the Persian Gulf. From here it takes the land route to Bandar Anzali, which is located on the shores of the Caspian Sea in the north. Containers are unloaded here and sent along the Caspian Sea to its Russian coast in Astrakhan, which becomes a base for further transport in Eurasia. Over time, other countries joined this rapidly changing corridor, including Azerbaijan and Armenia, in sync with the rise of Eurasia in the 21st century.

But for the further development of the combined route, Russian and Iranian media reported that there are serious discussions on the construction of a trans-Iranian canal running from the Persian Gulf to the Caspian Sea. But let's not forget that these countries (Russia, India and Iran),

as well as other countries through which the INSTC will pass, are part of the extremely powerful financial group BRISC [7], which has enormous financial power, supported by their own bank - New Development Bank [8] and its own currency for payment between members, which makes it an organization that can achieve the desired results.

6. Conclusions and summary

Russia, Iran and India, as BRICS member countries, are working together to create a 7,200 km long multimodal trade corridor called INSTC. Its development is monitored by many other countries, which are directly interested in the pace of work and the possibilities for its subsequent use.

As it developed, INSTC added vital new branches and quickly emerged as a giant enterprise that would connect South Asia and West Asia with the Eurasian continent.

The revival of the Silk Road connectivity, the development of transport corridors and the improvement of connections increase regional cooperation and can be considered a major tool for the development of transport and trade. By now, there is a large developed market that surrounds this region, but it will be easily connected through INSTC. A regional cooperation agreement helps to remove many potential obstacles. Transport corridors can indeed contribute significantly to the development of trade and transit between the countries of the region. The importance of a transport corridor of this scale is that it provides a platform to improve cooperation as well as communications and reduce barriers to allow each country's economies to develop independently and achieve goals for the benefit of the country and the region as whole

But last but not least, the decision to implement it will be made after long and complex international negotiations.

NOTES

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