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ITC North-South Development Prospects

The emerging geopolitical situation and global market conditions allow us to assume with a high degree of certainty that over the next 5-10 years the key cargo shippers and receivers for Russia, with growth dynamics of up to 1 million tons of total cargo turnover, will be East Africa, South Asia, and the most attractive throughput capacities for these regions will be the capacities of the unique International North–South Transport Corridor (INSTC).

The current state of the INSTC infrastructure supports transit through the Iranian seaport of Bandar Abbas through the eastern route via Kazakhstan and Turkmenistan (Sarahs), and also across the Caspian Sea through the seaport of Amirabad for the distance of over 7000 km. A final section Astara– Rasht is being completed at the western route.

What are the current and prospective challenges and likely obstacles in this area?

First of all, these are definitely sanctions and restrictions. Logistics of such a prospective international transport corridor, its infrastructure, corporations and firms, personnel should be immune to sanctions in third countries. However, now a large part of logistics and support services are already under sanctions. To reduce this negative pressure, it would be required to develop comprehensive support for exports of these services, not only for transport, but for insurance services as well, for example. An important area in this case is accelerated development of the Eurasian Reinsurance Company (ERC), which has been set up by

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the EAEU after the exit of the Western players in 2022 (Allianz, March, Swiss Re and others). Russian importers have their concerns that the ERC will not reinsure toxic risks of parallel imports, preventing a resolution of the situation with lacking reinsurance capacity. At present the ERC is in a technical launch stage as an international reinsurer, meaning it operates export loans only. Further along, the corporation's powers will be extended to universal reinsurance operations.

Second, there is important work underway to train qualified personnel in those countries hosting these developing supply chains. The Russian market, especially in the regions adjacent to the Caspian Sea, would require Asian studies specialists, knowing business specifics in partner countries, and of course, highly trained in logistics. Speaking of young talent, these people are entering universities literally at this moment so that they would be able to work in this promising area by 2030, when the INSTC would reach its projected throughput capacity. At the same time, Russia is ramping up its potential for specialist training and professional development for people from Iran, Azerbaijan, Pakistan, Oman, UAE, East African countries, and this training is based not on quotas, but on corporate stipends, and of course, joint activities of the business of partner countries is important here.

Third, application and development of digital technologies, for instance, of systems for autonomous (unmanned) cargo ship navigation, the Saint-Petersburg – Mumbai route is the most promising one, since developers consider this route to be ideal for testing new solutions and development of cutting-edge prospective standards for controlling maritime autonomous ships. Current projects to equip ships and seaports along the route with advanced digital systems, including vessel traffic control systems, logistic process control IT-systems (shipments, transportation, unloading, customs processing, first and last mile deliveries) and other software projects, are facing the need for speedy adoption of an international code to regulate operations of Maritime Autonomous Surface Ships (MASS), and for standardization of requirements to autonomous ship control technologies being implemented and applied, at the international level.

Fourth, there are military and political risks of impact on the currently underdeveloped transport communications and infrastructure of the INSTC from geopolitical adversaries and economic competitors of the project via a broad spectrum of power proxy tools – Taliban in Afghanistan, terrorist groups in Central and South-East Asia, tensions around Iran. This aspect rules out single solutions and makes it necessary to develop the INSTC along several routes, branches, markets. Today there are development and upgrade projects of the international level underway to remove such obstacles at all of the three INSTC routes.

Therefore, the INSTC is a promising and currently necessary major transport artery for Russia and its trade partners, a route,

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which is being successfully developed despite unprecedented resistance of its opponents. After the start of the special military operation in Ukraine with following ever tougher anti-Russian sanctions, the corridor became of special importance to the domestic economy and drew close attention at all levels of the country's leadership. All participants of the project would have to apply major efforts to develop the project, and there is strong confidence that the issues would be resolved, the obstacles would be overcome and that the INSTC will become a truly important link between Russia and those countries that are ready to trade and cooperate with it.

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