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North-South Transport Corridor: Self-Help Is Best Help

At a recent international transport summit in Moscow representatives of many participant countries expressed their interest in the current development status of the North-South International Transport Corridor (NSITC). BM.Moscow Foresight asked Vladimir Tsyganov, head of the Moscow Department of The Institute of Transport Problems of the Russian Academy of Sciences, to comment on the issue.

The construction of the North-South Transport Corridor began in 2005 to link the Russian market with the markets of Iran and India. Since then there have been no changes in its objectives and purposes. These have only been adjusted and expanded in line with the new country priorities of the Russian foreign trade. This is why it would be only natural to add Africa, Near and Middle East, as well as APR countries to Russia and India.

By the way, just recently an international forum has been held in Astrakhan, where the forum's participants proposed to consider opportunities for expanding the corridor to Iraq, Pakistan and even Afghanistan. Moreover, Moscow agreed to let Turkmenistan formally join the international transport corridor agreement. A relevant regulation has been signed by Mikhail Mishustin, Prime-Minister of the RF. Ashkhabad realizes, that its geographic location gives it an important role in the development of global supply chains. Indeed, Turkmenistan is at the crossroads of the North-South and East-West corridors. It is a very advantageous position for the country.

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At present the North-South ITC includes three key routes, each having its own peculiar features. The Western route goes through the territories of Russia, Azerbaijan and Iran (highway and railway transport); the Eastern stretches across the territories of Russia, Kazakhstan, Turkmenistan and Iran (highway and railway The third route crosses the Caspian Sea into Russia and Iran, and also into Turkmenistan (maritime transport). On the one hand, the routes are complementary, and on the other hand, they are competing.

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When, do you think, it could be announced that the North-South ITC is completely commissioned and operational?

The corridor is live and actively developing today. Here are some numbers for illustration purposes. In 2022 the total freight traffic volume at the North-South ITC amounted to 14 million tons, in 2023 – over 17 million tons. According to Vitaly Saveliev, the head of the Ministry of Transport, this year's ITC freight traffic could amount to 100 million tons.

As per expert estimates, last year the ITC gained about 10 million tons of Russia export cargos, primarily intended for transit through Iran. These are Russian lumber for Iraq, Afghanistan, Pakistan and Persian Gulf countries; coal for India and Pakistan; oil products for Iraq and the UAE; flour for Persian Gulf countries, Pakistan, Afghanistan and Iraq; rolled steel, mineral fertilizers for India, Pakistan and Arab East countries. When the Iranian Rasht-Astara section is commissioned, the freight traffic in both directions will soar.

However, it is also clear that over time the total freight volume will grow even more. Naturally, considering the interests of our manufacturers, including agricultural producers, it cannot be ruled out that the ITC will as soon as tomorrow be to a significant degree busy with transporting grains, grown in Russia.

Meanwhile, lately there have been persistent discussions in the West that allegedly deteriorating relations between Moscow and New Delhi changed the ITC goals from India to Africa.

Indians have invested about $2 billion into development of the ITC since the start of 2000s. But the thing is that they are very dependent on selling their products at the Western markets and also on Western technologies. This is why they are trying to keep their government level contacts with Moscow quiet, to avoid the threat of sanctions for hundreds of their companies, working for the ITC. This project is a colossal "red rag" for the West, which will ultimately suffer a strategic defeat. It could be that India is indeed moving closer to the USA in terms of economy, but trading with neighbors is needed too, and, all things considered, they have a good understanding of this in New Delhi. Nevertheless, according to official data, the trade flow between Russia and India for the first four months of this year grew by 10% — up to record $23,1 billion versus $21 billion in the first four months of last year.

Along with oil and oil products Moscow supplies to India grains and nitrogen-based fertilizers, various agricultural equipment, construction materials, metals and medical equipment. India, in its turn, is increasing its exports of medicinal drugs, textiles

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and rice. By the way, in 2023 almost 60% of all rice supply to the RF came from India.

India has long come to that conclusion that when the North-South ITC reaches its project capacity, supplying goods to Russia would be much more expedient and cheaper. When the last section of the Rasht-Astara railway in Iran will have been built in 2025, ensuring end-to-end railway traffic across the Western ITC route through Azerbaijan to the southern seaports of Iran, then India could deliver its goods to the markets of the Trans-Caucasian region and the Central Asia. How could one abandon such a lucrative project!

And so it turns out that economic interests remain key. In any event, no formal statements on dropping the ITC have been issued by New Delhi.

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But why do global media keep pushing the message that the ITC is about to pivot to Africa?

There were only a few reports in our media, but it is known that a number of countries from the Black continent at the last year's Russia-Africa summit presented to Vladimir Putin a project for reconstruction of the Trans-African Railway mainline.

The Russian President said that as soon as the ITC is launched in full, there would certainly be a discussion of extending its routes. There will be an opportunity to go further. But where to? Let's say, the seaport of Bandar-Abbas in the south of Iran on the coast of the Persian Gulf, will have to be reconstructed. Then grain and fertilizers could be transshipped to special ships and delivered by sea through the Trans-African Railway to any destination on the continent.

By all means, this is a long-term view. For now, Russia has proposed to Africans to provide assistance of its experts to upgrade the Trans-African Railway.

Does Iran have such large financial and human resources to complete the construction of the last Rasht-Astara railway section as soon as in 2026?

It is no secret, that Russia as the most interested party, has allocated to Iran about $1,6 billion for the construction of the 166-kilometer long section of the Rasht-Astara railway. The railway will be electrified; it is planned to build two rail tracks. The railway will follow along the Caspian Sea coast to Azerbaijan, then continue further north.

But the North-South ITC is supposed to be not only a railway, but a highway too?

Yes, indeed. One of these roads, for instance, currently links Iran and Azerbaijan. This is how it operates: freight is delivered to the border of Azerbaijan with Iran, then it is transported by rail and then transshipped to trucks. Trucks travel for 200 km across the territory of Iran and containers are again transshipped to rail platforms and continue to their destination. It turns out to be time-consuming and expensive. This situation will be saved by the new ITC section of the Rasht-Astara railway.

And how do experts view a backup ITC "spur" – through unstable Afghanistan and Pakistan?

Our Central Asian neighbors have learned to cooperate with the Taliban in some ways and deliver various goods over highways to Pakistan and Iran through Afghanistan.

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Our Western partners say there are hardly any roads left there ...

They are just making this up, obviously! Afghanistan has a road network, which may not be in its best shape. But nevertheless, all goods are carried by trucks. Why would we even bother with this? This is a headache for neighboring countries, which are their trading partners.

The best option, in principle, would be to build a railroad through Iran to Pakistan – they share a long border. But there are no railroads in Afghanistan, and no one would be willing to build a railroad to this country, while the domestic political situation there remains complicated.

With certain reservations, these are alternative ITC routes, which are a better fit for our Central Asian partners. The best option for us is to build some hubs in Iran and use them for further transit, let's say, to Afghanistan, Pakistan, India, Africa or the United Arab Emirates.

What do you see as the key issues for building a fully operational ITC?

I would say that there are issues with development, not with construction, because the ITC infrastructure is already in place. The corridor now hosts automotive, rail and maritime cargo traffic. In the near-term, as I have already mentioned, the level of cargo transit will grow significantly. However, by all means, the existing infrastructure falls short of shipper requirements. Let's say, this year the grain yield in Russia is expected to make a record of 97 million tons, and this number is not yet final.

Ideally, cargos should be shipped not through Turkey, but directly through the North-South corridor to African or Asian countries, to which we export a lot of wheat.

Until recently the NSITC has been comprised of varying transport systems of individual states with different customs regimes and railway track gauges. Prior to 2022 for Russia the routes of the North-South ITC had primarily been routes for bilateral trade with the Caspian Sea countries, Turkey, Georgia.

Previously the corridor did not see any active development as a transit corridor due to the lack of services, ensuring high quality, speed and security of cargo transportation, especially in view of the fact, that the main volume of cargos, transported through the NSITC were either high-added value goods or very delivery time- and speed-sensitive cargos.

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There is no fully-functional interaction between the participant states of the North-South ITC to develop a centralized cargo base system in place, back load for transport vehicles is almost non-existent.

There are ongoing issues with dredging of the Volga river, preventing normal development of river shipping.

It is also necessary to actively develop a domestic commercial fleet for the Caspian Sea, build ferries and other special ships of required cargo capacity.

It is high time to build more marine terminals for transshipment of containers, general cargo, oils and grains, i.e. for the product mix, which is now actively shipped across the Caspian Sea.

At the same time our authorities are well aware that large investments into the three branches of the corridor will be required, about $38 billion. Even at the current stage hundreds of the NSITC facilities need to be built, more than a half of these will be located along the route, following the western coastline of the Caspian Sea, through Azerbaijan to Iran.

About 20% will be used by the Trans-Caspian Route, which is to provide for maritime operations of ships from the seaports of Astrakhan and Makhachkala to Iran and further along. And only 12% will be for the eastern part of the ITC or a corridor through Kazakhstan, Uzbekistan and Turkmenistan. It should be noted that these branches are currently quite operational. And our task for the present day is to increase their throughput capacity.

It is well-known, that the North-South project was initiated to develop a shorter route as compared to the maritime transport route through the Suez Canal. How much time would be saved when cargos are shipped through the ITC?

The speed of cargo transit from Europe to India through the North-South transport would be two times faster than through the Suez Canal. Correspondingly, shipping costs through the ITC will be significantly lower.

According to estimates, the time of cargo delivery from the Indian seaport of Mumbai to Saint-Petersburg for the traditional route through the Suez Canal, ranges from 30 to 45 days. At the same time the time of transporting cargo from Mumbai to Russia through the overland North-South route could vary from 15 to 24 says.

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Transporting cargos through the eastern branch, going through Kazakhstan and Turkmenistan, reduces the delivery period down to 15–18 days.

Is it true that companies from the Western countries have been banned from the ITC project forever?

- That remains to be seen. And today the West is not only hindering our operations on our own infrastructure, but is also banning our ships from entering seaports of the EU! We have seen for ourselves, how efficient they can be in shutting us out. And we need major investments, but not from Western banks. This will require participation of private business from Russia and all interested countries– India, Iran, Oman, UAE, Turkmenistan, Azerbaijan. Self-help is the best help.

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