

INTERNATIONAL NORTH-SOUTH TRANSPORT CORRIDOR: A RENEWED HORIZON OF TRADE CONNECTIVITY BETWEEN INDIA AND RUSSIA

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Abstract

In the context of shifting geopolitical alignments and evolving regional strategies, Indo-Russian trade relations are entering a new phase of strategic relevance. This paper examines the potential of the International North–South Transport Corridor (INSTC) as both an instrument for enhancing bilateral trade and a broader geopolitical lever. Two central questions guide the analysis: first, how the INSTC can redefine the scale, efficiency, and scope of economic exchange between India and Russia; and second, how it may influence regional power dynamics amid growing global fragmentation. As Western powers increasingly employ trade as a tool of political coercion, and Russia seeks to recalibrate its international partnerships, the INSTC emerges as a critical avenue for fostering strategic autonomy and connectivity. Beyond its economic utility, the corridor reflects a shared ambition to challenge existing power asymmetries and reinforce multipolarity. This study situates the INSTC within a wider set of developments, including China’s expanding footprint, India’s commitment to a rules-based international order, ongoing geopolitical tensions, and Russia’s pursuit of a rebalanced global security architecture. Against this backdrop, a careful reassessment of the INSTC’s strategic value is necessary to understand its implications for the future of Eurasian connectivity and order.

Keywords: *Russia, India, trade, transit corridor, geopolitics.*

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Introduction

India and Russia share a long-standing history of trade cooperation. However, since the collapse of the Soviet Union, their economic relationship has experienced limited momentum and has largely remained underdeveloped. In the context of shifting global power dynamics, both countries have recently begun efforts to broaden the scope of their bilateral engagement, moving beyond their traditional focus on defense and energy. These evolving initiatives reflect a strategic intent to diversify ties and enhance resilience through deeper economic integration.

India continues to face a significant trade deficit with Russia, highlighting a persistent imbalance in their economic exchange. One of the key challenges lies in the mutual lack of familiarity between business communities; Russian investors often have a limited understanding of the Indian market, and Indian stakeholders face similar informational gaps regarding Russia. Despite longstanding diplomatic ties and formal agreements, existing trade connectivity between the two countries has yet to tap into its full potential. In this context, both sides have emphasized the strategic importance of the INSTC as a means to strengthen bilateral trade and unlock greater commercial opportunities.

According to the facts and figures, a bilateral trade of US\$8.1 billion was registered from April 2020 to March 2021.¹ On September 4, 2019, NITI Aayog and the Ministry for Development of the Russian Far East and Arctic signed an MoU to enhance trade and investment in the region. Russia's Far East region has become the pillar of the "Act Far East" policy. During the plenary session of the Eastern Economic Forum, Indian Prime Minister Shri Narendra Modi asserted, "I believe that the talent and professionalism of India can bring about rapid development in the Russian Far East."² He also highlighted the strategic significance of emerging transit corridors in fostering deeper India–Russia connectivity. Emphasizing this point, he stated: "Whether we talk about the International North–South Corridor, the Chennai–Vladivostok Maritime Corridor, or the Northern Sea Route, connectivity will play an important role in the development of our relations in the future."³ He further noted India's growing economic footprint in the Russian Far East, particularly in sectors such as pharmaceuticals and diamonds, asserting, "Along with energy, India has also made significant investments in the Russian Far East in the areas of pharma and diamonds. Russia can become an important partner

¹ Embassy of India, Moscow, "Brief on India–Russia Economic Relations," 2023, <https://indianembassy-moscow.gov.in/overview.php>.

² Press Information Bureau, "English Translation of Address by Prime Minister Shri Narendra Modi at the Plenary Session of the Eastern Economic Forum 2022," September 7, 2022, <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1857404>.

³ Press Information Bureau, "English Translation of Address."

for the Indian steel industry through the supply of coking coal.”⁴ Modi also underscored the potential for human capital cooperation: “We can also have good cooperation in the mobility of talent. Indian talent has contributed to the development of many developed regions of the world. I believe that the talent and professionalism of Indians can bring about rapid development in the Russian Far East.”⁵ These remarks underscore India’s strategic interest in broadening its engagement with Russia through multi-sectoral cooperation and enhanced regional connectivity.

The INSTC, established in 2000, is a multi-sectoral transportation network that bridges the Indian Ocean and the Persian Gulf to the Caucasus, Central Asia, and Europe via Iran. It facilitates the movement of goods via Iran, the Caspian Sea, and Astrakhan to Russia and the adjoining countries of the CIS region.⁶ It incorporates multiple modes of transportation, including sea, rail, and road links, and connects the Iranian ports of Bandar Abbas and Chabahar to the Russian port of Astrakhan and the Finnish port of Helsinki. The corridor also subsumes a rail link from Azerbaijan to Iran, and a highway network that connects Russia, Azerbaijan, and Iran. The main purpose of the corridor is to provide a faster, more efficient, and cost-effective transportation route for goods and passengers in these regions. The INSTC not only reduces transportation costs and transit times, but also expands trade opportunities and stimulates economic development in the countries along its route. At the same time, it fosters regional cooperation, contributes to greater stability, and strengthens political ties.

The connectivity architecture of the INSTC can be divided into three principal routes, distinguished by their length, modes of transport, and the development of main and ancillary infrastructure. The ‘Western’ Route stretches along with the western coast of Caspian Sea through Russia and Azerbaijan approximately about 5,100 km, well connected through Railway and Roadways of South Caucasus, the ‘Eastern’ Route, a 6,100 km, long route stretches over the Eastern Coast of Caspian Sea through Kazakhstan and Turkmenistan, and ‘Trans-Caspian’ a 4,900 km long route which uses ferry and feeder containment through Caspian Sea. The IN-

⁴ Press Information Bureau, “English Translation of Address.”

⁵ Press Information Bureau, “English Translation of Address.”

⁶ United Nations Economic Commission for Europe, *Declaration Adopted by the Second International Euro-Asian Conference on Transport*, September 12–13, 2000, <https://unece.org/DAM/trans/doc/cd/peter2e.pdf>.

STC is viewed as a variant of the Suez Canal route.⁷ Along with the physical connectivity, it will also enhance knowledge and information-sharing mechanisms.⁸

The ongoing Western sanctions and Russia's quest for new market avenues have given a new impetus to the geoeconomic appraisal of the INSTC as a viable alternative multimodal transit corridor. The complexities at the western front of INSTC, incessantly unraveling the Ukraine War, and Russia's derailed relationship with the European Union have crucially influenced and avowedly increased the geostrategic significance of the transit corridor, where India and Iran are dominant actors of ceaseless global power dynamics. India's standing in this international transit model becomes geopolitically exigent as it tries to maintain a delicate balance between its close allies and traditional partners. However, its efforts to establish an inclusive and sustainable geostrategic environment have faced significant challenges. Nevertheless, the INSTC offers substantial practical benefits, reducing transportation costs between India and Russia by approximately 30 percent and shortening transit times from 40 days to just 25 days.

The INSTC can initiate transformative development in the region, facilitate trade, transit, and overall economic advancement. Strategically, it bypasses Pakistan and exhibits better ties with Russia, Central Asia, and Europe. It offers a geostrategic counter to the sprawling network of the 'New Silk Road'. Recently, the Container Corporation of India and Russian Railways' container transportation subsidiary signed a service agreement to transport cargo between the two countries. The Container Corporation of India Limited (CONCOR) is keen to avail the INSTC route to facilitate the export of goods, including pharmaceuticals, vegetables like onion, spices, and tea from India that are in huge demand in the Russian market. For Russia, the INSTC serves as a viable alternative for accessing markets in South Asia, particularly in response to Western economic sanctions. During the COVID-19 pandemic and subsequent supply chain disruptions, stakeholders increasingly viewed the INSTC as a practical alternative logistics route.

This paper critically examines the INSTC as a means of strengthening investment and strategic partnership between India and Russia. The primary objective is to assess how the corridor shapes each country's evolving strategic calculus. For Russia, the INSTC serves as an alternative to the EU's Europe-Caucasus-Asia

⁷ Vaishali Basu Sharma, "The Political Economics of the International North-South Transport Corridor," *The Wire*, June 30, 2022, <https://thewire.in/world/political-economics-international-north-south-transport-corridor-india-iran-russia>.

⁸ Naina Bhardwaj, "India's Opportunities along the International North-South Transport," India Briefing, 2022, <https://www.indiabriefing.com/news/indias-export-opportunities-along-the-international-north-south-transport-corridor-22412.html>.

Transport Corridor (TRACECA), creating an efficient link to India.⁹ For New Delhi, it offers vital access to Central Asian markets, bypasses Pakistan, and counters China's Belt and Road Initiative (BRI). In light of shifting geopolitics marked by Western sanctions, India–China rivalry, global instability, and disruptions from COVID-19 and the war in Ukraine, the INSTC has gained heightened importance as a framework for transregional integration and cooperation.

This study also highlights the underexplored role of interconnectivity in shaping Indo-Russian relations within the context of globalization. By examining the direct links between transit corridors and economic growth, it provides critical insights into the expansion of bilateral trade. The analysis draws on a range of primary sources, including official reports, speeches, government documents, and joint statements, as well as secondary materials such as academic journals, yearbooks, and online data, to offer a comprehensive assessment of evolving India–Russia economic ties.

The INSTC is a multi-modal transportation route linking the Indian Ocean and the Persian Gulf to the Caspian Sea via Iran and onward to northern Europe via St. Petersburg in Russia. The need for an alternate logistics route became apparent during the COVID-19 pandemic and subsequent supply chain disruptions. And as the conflict in Ukraine has escalated, the Black Sea blockade has hampered trade between India and Russia and vice versa. This, again, has provided opportunities to revive this trade route. INSTC is a convenient and economically enduring option for Russia to diversify its export extent beyond Europe. Countries geographically placed along the INSTC route present a lucrative market for Russian Exports. Since the 2014 Crimean crisis, Moscow has faced persistent economic sanctions from Western countries. With the ongoing conflict in Ukraine, the scope and severity of these sanctions have intensified further. Along with the facilitation of southward connectivity, Russia can minimize the impact of these weaponized trade equations. For India, the route is also strategically significant. It offers access to Central Asia and Afghanistan, bypassing the archenemy Pakistan.¹⁰ India can also expand its export capabilities through this route to Russia in a shorter time and lower cost. The corridor will elevate India's economic engagements with Russia.

India can also attract investments by developing commercial and economic centers along the INSTC ports, such as the Nhava Sheva port and Kandla port in

⁹ "EU support to the Europe-Caucasus-Asia Transport Corridor." *MEMO/12/141*, Brussels, 28 February 2012 https://ec.europa.eu/commission/presscorner/api/files/document/print/en/memo_12_141/MEMO_12_141_EN.pdf.

¹⁰ Charu Sudan Kasturi, "Is the INSTC Russia's New Economic Escape Route?" *Al Jazeera*, July 27, 2022, <https://www.aljazeera.com/economy/2022/7/27/russias-new-economic-escape-route>.

Gujarat. India aspires to be a leading producer and exporter of pharmaceuticals, electronics, aircraft, and accessories, and these products can find lucrative markets along the INSTC corridor. In 2021, the blockage of the Suez Canal, which disrupted approximately 12 percent of global trade and reportedly halted goods valued at US\$9 billion per day, further amplified optimism regarding the INSTC as a practical and reliable alternative multimodal transit corridor.

India has accorded priority to economic integration with the member nations and has accordingly concluded Double Taxation Avoidance Agreements (DTAA) and Bilateral Investment Protection Agreements (BIPA) with adjoining member states. According to a study conducted by the Federation of Freight Forwarders' Association of India (FFFAI) in 2014, INSTC was 30 percent cheaper and 40 percent shorter than the traditional Suez route, slashing the transit time to an average of 23 days for Europe-bound shipments from the 45-60 days taken by the Suez Canal route.

Russia and India thus drew up the foundation for a road-and-sea corridor linking their countries with each other through Iran, Central Asia, and the South Caucasus. the INSTC would directly link St Petersburg with Mumbai.¹¹ By proposing the INSTC, Russia alluded to coining an alternative to the Transport Corridor Europe-Caucasus-Asia (TRACECA) of the European Union (EU). In addition, given worsening Sino-Indian relations, New Delhi might be more interested in developing the INSTC as a counterweight to the BRI's China-Pakistan Economic Corridor (CPEC). India is trying to use the INSTC to create an economic corridor and expand trade with Russia. Russia has begun sending goods to India via the INSTC to overcome sanctions-related challenges in doing business with traditional trade partners. Stakeholders believe the INSTC routing also helps shorten the transit time between India and Russia to 25 days from about 40 days under other available communication routes. It remains to be seen how far INSTC would help India and Russia grow trade volumes across tense borders. Nevertheless, the two strategic partners saw bilateral trade soar nearly 46 percent from April 2021 to February 2022, amounting to \$11.9 billion.

In his Presidential address to the Federal Assembly, President Putin highlighted that Russia will impart special attention to the INSTC, connecting India to Russia via Iran, and the de-dollarization of the global settlements system. For more than two decades, the INSTC has been little more than a pipe dream. However, it has gained top momentum under the backdrop of the Russia-Ukraine crisis. A rare

¹¹ Mher Sahakyan, "Rebuilding Interconnections: Russia, India and the International North-South Transport Corridor," *AsiaGlobal Online*, September 17, 2020, <https://hal.science/hal-02980041v1/document>.

confluence of geopolitical and economic incentives is turning the route into a potentially vital economic escape pathway for Moscow. The Western sanctions deny the Kremlin access to European markets.¹²

Recently, however, that landscape has changed. In June, Lithuania imposed a transit ban on sanctioned goods headed for Russia's Baltic enclave of Kaliningrad, only reversing its decision after the EU stepped in to clear the way for the cargo to travel.

This study is guided by three central research questions. First, whether the INSTC can emerge as a viable and sustainable alternative trade route between India and Russia. Second, it examines the extent to which this corridor contributes to the expansion of bilateral trade volume. Third, it considers whether the INSTC represents a mere aspirational project or, instead, functions as a strategic counterweight to the Western sanctions and China's BRI.

Research Methodology: This research employs a mixed-methods approach, integrating both quantitative and qualitative analyses to provide a comprehensive understanding of the INSTC's economic and geopolitical implications. The quantitative component examines trade volume data, logistics efficiency, and conducts cost-benefit comparisons between the INSTC and traditional routes, using statistical tools to assess growth trends and economic impact. Qualitative analysis, on the other hand, involves case studies, policy reviews, and expert interviews to assess the geopolitical dynamics, mainly in countering BRI, by evaluating strategic partnerships, diplomatic engagements, and regional security implications. The study is grounded in Complex Interdependence Theory, which helps analyze the multifaceted economic, political, and strategic interdependences between India, Russia, and other participating nations, emphasizing non-state actors, transitional networks, and the role of economic cooperation in reducing geopolitical tensions. Secondary data obtained from government reports, trade databases, and institutional publications are supplemented with primary insights from policymakers and logistics experts. By combining these methodologies, the research aims to provide a holistic assessment of the INSTC's potential to reshape trade connectivity, while also addressing key challenges such as infrastructure gaps, geopolitical rivalries, and China's counter-strategies in the region.

International North–South Transport Corridor, Trade, and India

The impact of INSTC on trade volume between India and Russia has been especially significant. The recent data of the Indian Ministry of Commerce and Industry

¹² Kasturi, "Is the INSTC Russia's New Economic Escape Route?"

reveals that bilateral trade between India and Russia in the fiscal year 2019-20 was about \$9.4 billion. Where Indian exports amounting to \$3.8 billion and imports amounting to \$5.6 billion have been realized. India is a destination with huge economic diversification, though bilateral trade with Russia accounts for only 1.19% of total Indian trade. Before the announcement of the INSTC, the bilateral trade between Russia and India stood at \$10.11 billion in the fiscal year 2013-14.¹³ The trade volume between India and Russia has witnessed several fluctuations due to changing geopolitical factors, global economic instability, and changes in trade policies. These factors not only influenced the trade value rather it also impacted the other dimensions of Indo-Russian bilateral engagements.

India's gradual shift toward closer ties with Western countries, coupled with Russia's increasing proximity to China and Pakistan, has significantly influenced the dynamics of their bilateral relationship. The COVID-19 pandemic and the subsequent Russia–Ukraine crisis further contributed to a sharp decline in India–Russia trade. Nevertheless, in the post-pandemic period, both nations have expressed a clear commitment to revitalizing and strengthening their partnership. This renewed engagement is reflected in India's continued imports of Russian S-400 defense technology, oil, and other commodities, even in the face of strong Western criticism. Their ongoing willingness to cooperate is also evident in multi-lateral forums such as BRICS, the Shanghai Cooperation Organization, and the Eurasian Economic Union.¹⁴ This has resulted in the revival of the INSTC, which has the potential to increase trade volume between India and Russia by providing a more efficient transportation route. Despite numerous Western sanctions, trade between India and Russia has increased, supported by operational improvements to the INSTC route via Iran. Both countries have called for the maximum use of this corridor to increase not only bilateral trade but trade in extra-regional areas as well. The eagerness to develop it as more feasible transport connectivity was reflected in Putin's addressing of the 6th Caspian Sea Summit in July 2022, where he referred to the INSTC as 'Transport Artery from St Petersburg to Iran and India'.

The economic integration and interests of India in the INSTC belt could well be understood in India's recent agreements with different states in the region. India has agreed and signed on DTAA (Double Taxation Avoidance Agreements) with the Russian Federation, Central Asian states, Belarus, and Ukraine. Though established on September 12, 2000, the critical importance of this connectivity has been lately

¹³ "Trade Statistics." *Ministry of Commerce and Industry, Government of India* <https://www.commerce.gov.in/trade-statistics/>.

¹⁴ Nandan Unnikrishnan and Nivedita Kapoor, "India–Russia Relations in a Post-Covid World," Raisina Debate, March 1, 2021, <https://www.orfonline.org/expert-speak/india-russia-relations-in-a-post-covid-world/>.

realized by the signatories, and hence its operationalization has been delayed. The export of natural gas and oil through the INSTC via India not only enhances the corridor's geopolitical significance as a major transportation route but also supports the growth of India's exports to the EU.

As global isolation intensified, Russia increasingly prioritized economic integration with Asia, particularly with India. In pursuit of this goal, both countries accelerated the development of institutional mechanisms to strengthen their bilateral trade relationship. India and Russia have actively promoted new channels for engagement between their business communities. For instance, a multi-sectoral trade fair, The India Show, was organized in Moscow from September 24 to 26, 2014, attracting participation from numerous Indian companies. The establishment of reciprocal banking links further illustrates tangible progress, with Russian banks such as VTB, Sberbank, Vnesheconombank, Promsvyazbank, and Gazprombank opening branches in India, and Indian banks like SBI and Canara Bank establishing a presence in Russia. Additionally, both countries have initiated discussions toward a free trade agreement with the Eurasian Economic Union.¹⁵

The Eurasian Economic Union is an important emerging economic bloc, and India is keen to engage more closely with Russia and the CIS countries to further intensify its trade and economic cooperation with this region. Russian Deputy Prime Minister Denis Manturov stated that "We pay special attention to the issues of mutual access of production to the markets of our countries. Together with the Eurasian Economic Commission, we are looking forward to intensifying negotiations on a free trade agreement with India."¹⁶ He further stated that this will create opportunities for Indian companies to increase their supplies to Russia. Laying out the challenges posed by the Western sanctions and the COVID-19-led logistics disruptions provoked Russia to strengthen trade alignment with the fast-growing economy of India. Addressing the India-Russia Business Dialogue, India's Minister for External Affairs Dr. Jaishankar pointed out that "We have crossed the bilateral trade target of \$30 billion before the year 2025, which was the target year given to us by our leadership. In order to make India a global manufacturing hub, we need to motivate businesses on both sides."¹⁷

¹⁵ "Decision No. 14 of the Supreme Eurasian Economic Council dated December 26, 2016 "On the Beginning of Negotiations with the Republic of India on Concluding an Agreement on a Free Trade Area" (Russian language), *The Eurasian Economic Commission (EEC)* <https://eec.eaeunion.org/en/commission/department/dotp/torgovye-soglasheniya/india.php>.

¹⁶ ANI, "Kyrgyzstan Conference Stresses on Importance of INSTC and Chabahar Port as Alternative to BRI," *The Print*, October 24, 2022, <https://theprint.in/world/kyrgyzstan-conference-stresses-on-importance-of-instc-and-chabahar-port-as-alternative-to-bri/1180383>.

¹⁷ "Remarks by External Affairs Minister, Dr. S. Jaishankar at the India-Russia Business Dialogue."

Will the INSTC be a Counterweight to BRI?

The INSTC is strategically crucial for India because the corridor route circumvents Pakistan and provides New Delhi access to Central Asia and Afghanistan, providing a viable counter to the controversial China-Pakistan Economic Corridor (CPEC) of China-led BRI. India is thus looking to expand the strategic value of the INSTC.¹⁸ On the surface, the project represents an ambitious undertaking of reinventing the ancient Silk Road. However, despite China's presentation of the project as serving only economic purposes, its political undertones cannot be negated. China has largely sold the BRI project as a significant contributor to the growth of Asia as a whole.

In this continuation, India, being the other major power after China in Asia, its position on the project cannot be overlooked. With a major part of the BRI project passing through Pakistan and close to the contested territories, India has been critical of the project from the beginning. Simultaneously, the Indian strategic community is already on alert with China's "String of Pearls" that manifests as an undeclared encirclement of India's maritime boundaries. So, taken together, India remains worried about China's extensive expansion achievable through the said project. The following section examines India's concerns and objections regarding China's BRI, as well as the strategies New Delhi has adopted to address these challenges. The central question remains: what specific issues drive India's apprehension toward the BRI, and how does it plan to overcome them?

The trajectory of India-China relations is cast in the shadow of unresolved boundary demarcations. Though they both share a robust economic relationship, their unresolved boundary often gets reflected in local border skirmishes. These localized conflicts have a strong bearing on India's domestic electoral politics. India's opposition to the BRI is also rooted in its concerns about China's strategic interests in the region. India sees the BRI as a way for China to increase its influence in the region and project its power beyond its borders. India is equally concerned with China's hostile expansion in the South China Sea, besides its undeclared 'String of Pearls' policy aimed at countering New Delhi in blue waters.

India also has reservations about the transparency and sustainability of the BRI projects. Several of the projects are funded through loans from Chinese banks and executed by Chinese companies, raising questions about their economic

April 17, 2023 Ministry of External Affairs, Government of India.
<https://www.meaindia.gov.in/Speeches-Statements.htm?dtl/36496>.

¹⁸ Jagannath Panda, "Revitalizing INSTC: Analyzing Geopolitical Realignments and the China Factor," Institute for Security & Development Policy, February 2023, <https://www.isdp.eu/publication/revitalizing-instc-analyzing-geopolitical-realignments-and-the-china-factor>.

viability and the debated debt-trap diplomacy. In addition to these concerns, India is also worried about the geopolitical implications of the BRI. India sees the BRI as part of China's broader strategic vision to establish a new world order with China. India fears being marginalized in this new order and seeks to maintain its strategic autonomy and independence. Simultaneously, India-Pakistan relations have a bitter historical undercurrent. Because a major section of China's BRI—specifically the China-Pakistan Economic Corridor—passes through Pakistan-occupied Kashmir, India views these developments with particular concern. India considers this region an integral part of its territory and regards the CPEC as a violation of its sovereignty.¹⁹

India's investment in the Chabahar Port project in Iran, which connects India to Central Asian markets via Afghanistan, will come under severe strain once the BRI gets operational. India will lose its strategic edge to Afghanistan and Central Asia. Imperatively, with an uncertain border, the presence of Pakistan in the BRI, the loss of strategic inroads, and an expansionist China add to Indian anxieties. Persistent border uncertainties, Pakistan's involvement in the BRI, the loss of strategic leverage, and China's expansionist ambitions all heighten India's anxieties. Additionally, China's unpredictable approach further complicates the situation. In this context, New Delhi has resisted Chinese pressure and maintained its opposition to the BRI, instead adopting a policy of passive deterrence.

India's Counterbalance to BRI

Given the preceding analysis, the next logical question is: beyond a strategy of passive deterrence, what approach does India adopt to counterbalance the BRI? In this context, the INSTC emerges as a key element of India's regional strategy. The corridor is a multimodal route spanning 7,200 kilometers, connecting India and Russia via Iran and several Central Asian countries, and offering a robust alternative for regional connectivity and trade. India, Iran, and Russia founded INSTC in 2000 and refined it to include other countries like Azerbaijan, Armenia, Belarus, Kazakhstan, Kyrgyzstan, Oman, Tajikistan, Turkey, Ukraine, and Syria. Bulgaria

¹⁹ Srikanth Kondapalli, "Perception and Strategic Reality in India-China Relations" in Thomas Fingar Ed. *The New Great Game- China and South and Central Asia in the era of Reform* (Stanford: Stanford University Press, 2016) pp. 93-115.

was made an observer state.²⁰ Since its inception, the INSTC has been regarded as a potential game-changer for freight and trade dynamics across Eurasia.²¹

In its composition, INSTC truly represents a multilateral integration initiative that aims to connect disparate regions and pursue intra-regional development. Although the INSTC experienced a slow start, recent years have witnessed its revitalization, largely driven by shifting geopolitical dynamics. The need for intraregional connectivity has only increased with Iran and Russia bearing intense Western sanctions. Russia views INSTC as “a potentially vital economic escape pathway route”, given the restrictions on the entry of its goods into the European market.²² As for India, INSTC is expected to reduce transport time and costs, besides fulfilling its energy needs. India is promoting INSTC “as a viable and fairer corridor which doesn’t have a superstitious neo-colonialist agenda like that of BRI.”²³ At the same time, the INSTC provides Central Asian countries with an alternative to China’s debt-laden infrastructure projects. India’s policy has also been re-energized by its outreach to the region, wherein INSTC will emerge as a vital link for India-Central Asia. Therefore, INSTC holds an effective model for lowering trade transaction costs and promoting greater growth of intra/inter-regional trade on a global scale, by reducing transport time and costs for participating countries.²⁴ The INSTC is a counterincentive to China’s BRI, providing India with opportunities to bridge its energy demand-supply gap and access untapped markets.

This route also offers a chance for India’s infrastructure to go global, with state-run corporations leading the charge. India is looking to expand the strategic value of the INSTC by investing in Iran’s Chabahar port, creating industrial parks and SEZs.²⁵ Despite recent progress, the INSTC has faced considerable challenges. Early growth was hampered by sanctions on Iran, while the Russia-Ukraine crisis and intensified Western sanctions have further stalled development. The Taliban’s return to power in Afghanistan and ongoing regional instability have also hindered cooperation, while China’s deepening ties with both Iran and Russia have complicated the corridor’s strategic landscape.

²⁰ Neythiri Levina, “Checkmating Chinese BRI through INSTC,” *Chanakya Forum*, July 5, 2022, <https://chanakyaforum.com/checkmating-chinese-bri-through-instc>.

²¹ Radhika Lakshminarayanan and Tigran Yepremyan, “Armenia-India Partnership: Geopolitical and Geo-Economic Implications in the Eurasian Context,” *Asia Europe Journal*, 21, Springer-Verlag, 2023, pp. 81–100, <https://doi.org/10.1007/s10308-023-00665-x>.

²² Panda, “Revitalizing INSTC.”

²³ Levina, “Checkmating Chinese BRI through INSTC.”

²⁴ Panda, “Revitalizing INSTC.”

²⁵ Panda, “Revitalizing INSTC.”

Strategic Importance of the INSTC for India

Conceived before China's Belt and Road Initiative, the INSTC is designed to reduce both costs and transit times for shipping commodities from India to Russia and Europe via Iran, while also providing Eurasian countries with an alternative framework for regional connectivity.²⁶ The Ashgabat accord, a multimodal transport agreement reached by India, Oman, Iran, Turkmenistan, Uzbekistan, and Kazakhstan, will also be synchronized through the INSTC. A major boost to India's "Connect Central Asia" policy, besides securing geopolitical interests in the region, is by-passing its regional rival, Pakistan.²⁷ Given these strategic dynamics, Eurasia holds considerable significance for India's broader regional ambitions.

The corridor will be a 'game changer' for India to position itself as a prominent player in the strategically important Eurasian space, where India has historically been a marginal player.²⁸ Despite having relations with the Central Asian Republics in the post-Soviet period, India could not establish a vibrant economic engagement with them. However, India's "Connect Central Asia" and "Act North" policies have facilitated a renewed interest in Eurasia. Trade relations between India and Russia remain a cornerstone of their bilateral partnership, and the effective operationalization of the INSTC is poised to further strengthen these ties. President Putin has already pushed INSTC to connect India by calling it a "truly ambitious project".²⁹ A trial run of goods has already projected a shortening of delivery time between the two countries.³⁰ Simultaneously, India is trying to expand its trade relations with Iran by adding INSTC to its Chabahar port, creating a viable trade corridor for both countries. The operational control over the port is key to "India's ambition for the INSTC."³¹ INSTC also offers India to project its soft power in the region. The multilateral and consensus-driven approach of the INSTC stands in sharp contrast to the BRI, which faces mounting challenges due to protests in partner countries, escalating costs, and a growing trust deficit toward China. India's reputation as a responsible and trusted leader of the Global South is further solidi-

²⁶ IANS, "India Quietly Counters China's BRI."

²⁷ ANI, "Kyrgyzstan Conference Stresses."

²⁸ Sharma, "The Political Economics of the International North–South Transport Corridor."

²⁹ Dipanjan Roy Chaudhury, "Putin Pushes INSTC to Connect India; Describes It as a 'Truly Ambitious Project,'" *The Economic Times*, July 1, 2022, <https://economictimes.indiatimes.com/news/economy/foreign-trade/putin-pushes-instc-to-connect-india-describes-it-as-a-truly-ambitious-project/articleshow/92582524.cms>.

³⁰ Krishna, "Is INSTC the Answer of China's BRI, Which Halved the Time of India–Russia Trade Route, Despite Reservations from US."

³¹ Syed Fazal-e-Haider, "INSTC vs. BRI: The India–China Competition over the Port of Chabahar and Infrastructure in Asia," *The Jamestown Foundation: Global Research & Analysis* 21, no. 19 (2022), <https://jamestown.org/program/instc-vs-bri-the-india-china-competition-over-the-port-of-chabahar-and-infrastructure-in-asia/>.

fied, building on its historical role in advancing South–South cooperation, reminiscent of the Non-Aligned Movement.³²

INSTC's Role in Addressing Russia's Strategic Needs

Infrastructure is often described as the “lifeline of a country,” playing a pivotal role in national development. In the context of Russia, the development of the INSTC is particularly significant, as it offers strategic opportunities to bolster the country’s economy and enhance its regional connectivity. Russian economist Evgeny Vinokurov pointed out that INSTC would contribute to the “formation of a macro-regional transport and logistics system”. He defines it as “Eurasian Transport Framework.” It will boost the trade and investment partnerships within Eurasia.

All three INSTC routes are crucial for unlocking Russia’s transport and transit capacity. In addition, the INSTC facilitates the development of special economic zones and industrial parks along its route, further stimulating regional economic growth. On the Syrian coast of the Mediterranean Sea, the corridor would provide Russia with railway connectivity to its military port in Tartous. Economically, the INSTC is poised to strengthen trade with the Middle East while also consolidating Russia’s political and military presence in the region. Thus, this transit corridor would minimize US influence in the Middle East.³³

This transit corridor is particularly vital for Russia, as it serves as the country’s primary strategic trade route for engaging with global markets. Stabilizing the Middle East is a top priority for Russia, as it can foster greater regional economic interconnectivity between the Caucasus and the Middle East. Ultimately, the INSTC presents a mutually beneficial solution for Iran, Russia, and the member states of the Gulf Cooperation Council.

The rise of Asia in the geopolitical landscape has reasserted the need for regional connectivity. The INSTC has assumed greater significance as a transregional integration vehicle in the Eurasian region. This corridor might facilitate the trade flows between the Eurasian Economic Union and Russia at large under the FTA framework. At present, the maritime route between India and Russia is challenged by both geographic and strategic factors. The journey, which passes through the Red Sea, the Suez Canal, the Mediterranean Sea, and the English Channel, is exceptionally long and strategically vulnerable, with the potential to be disrupted by the US or European countries. In the context of extensive sanctions, Russia has

³² ANI, “Kyrgyzstan Conference Stresses.”

³³ Evgeny Vinokurov, Arman Ahunbaev, and Alexander I. Zaboeva, “International North–South Transport Corridor: Boosting Russia’s ‘Pivot to the South’ and Trans-Eurasian Connectivity,” *Russian Journal of Economics* 8, no. 2 (2022): 59–173, <https://doi.org/10.32609/j.ruje.8.86617>.

increasingly aligned itself with Iran, one of the most economically isolated countries in the world. The completion of the Rasht-Astara railway is likely to play a key role between the two nations. Additionally, Iran can capitalize on its strategic geographic location as a hub for the transit of goods between the West and East. Thus, the development of the corridor plays a key role in building the integrated Eurasian transport that may serve as the basis for regional trade and investment cooperation.

Conclusion

The INSTC will serve as a transformative approach not only for India and Russia but also for Iran. This Corridor will help to enhance their trade connectivity, counterbalance geopolitical challenges, and foster regional economic integration. The paper demonstrates that the INSTC can lower transportation costs by 30 percent and reduce transit times by 40 percent compared to the Suez Canal, thereby significantly boosting bilateral trade. This route offers a crucial economic advantage by minimizing capital and operational costs through shorter distances and faster delivery. The development of INSTC will provide direct access to India in Central Asia and Russia.³⁴ Some estimates suggest that using the INSTC could halve transit times from Mumbai to Europe and Russia compared to traditional sea routes, resulting in savings of up to \$2,500 for every 15 tonnes of cargo. While the standard sea route takes approximately 40 days, the North–South Corridor is projected to reduce this duration by more than half.³⁵

Geopolitically, the INSTC emerges as a counterweight to BRI, giving a transparent, multilateral model that contrasts with the BRI's debt-trap diplomacy and sovereignty concerns.³⁶ From a Russian perspective, the corridor may serve as a vital lifeline for diversifying trade beyond Europe and strengthening ties with partners amid ongoing Western sanctions.³⁷ Iran's crucial role in INSTC further under-

³⁴ Intueri Consulting, *International North–South Transit Corridor (INSTC) Impact Analysis*, October 23, 2022, <https://intueriglobal.com/international-north-south-transit-corridor-instc-impact-analysis>.

³⁵ David Rogers, "Iran's Railway Revolution," *Global Construction Review*, December 14, 2015, <http://www.globalconstructionreview.com/markets/how-islamic-republic-set-become-land-br8i8d8ge>.

³⁶ Laura-Anca Parepa, "The Belt and Road Initiative as Continuity in Chinese Foreign Policy," *Journal of Contemporary East Asia Studies* 9, no. 2 (2020): 175–201, <https://doi.org/10.1080/24761028.2020.1848370>.

³⁷ Vinokurov, Ahunbaev, and Zaboeva, "International North–South Transport Corridor: Boosting Russia's 'Pivot to the South' and Trans-Eurasian Connectivity."

scores its potential to reshape regional dynamics, providing India with energy security and Iran with economic resilience.³⁸

However, challenges such as the ongoing Russia–Ukraine conflict, instability in Taliban-controlled Afghanistan, and fluctuating international relations pose significant risks to the full operationalization of the corridor. After all these hurdles, the INSTC’s success hinges on diplomatic agility. As Modi has emphasized, connectivity through initiatives like the INSTC is crucial for future relations.³⁹

In conclusion, the INSTC is more than a trade route; it is a geopolitical tool that can reshape Eurasia’s economic landscape. By leveraging this corridor, India and Russia can achieve mutual growth, reduce dependency on contentious routes, and assert their roles in an emerging multipolar world order. As Russian President Vladimir Putin has described the proposed ISTC, connecting India and Russia via Iran, as a “truly ambitious project”⁴⁰ and its realization could mark a new chapter in transregional cooperation.

Conflict of Interests

The authors declare no ethical issues or conflicts of interest in this research.

Ethical Standards

The authors affirm this research did not involve human subjects.

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³⁸ Rajeev Agarwal, “The Role of Iran in India’s Strategic Outreach in West Asia,” Observer Research Foundation, 2024, <https://www.orfonline.org/research/the-role-of-iran-in-india-s-strategic-outreach-in-west-asia>.

³⁹ Press Information Bureau, “English Translation of Address by Prime Minister Shri Narendra Modi at the Plenary Session of the Eastern Economic Forum 2022.”

⁴⁰ Swarajya Staff, “‘Truly Ambitious Project’: Putin Pitches 7,200 km Long INSTC as ‘Transport Artery’ Connecting Russia to India via Iran,” *Swarajya*, July 1, 2022, <https://swarajyamag.com/business/truly-ambitious-project-putin-pitches-7200-km-long-inst-corridor-as-transport-artery-connecting-russia-to-india-via-iran>.

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