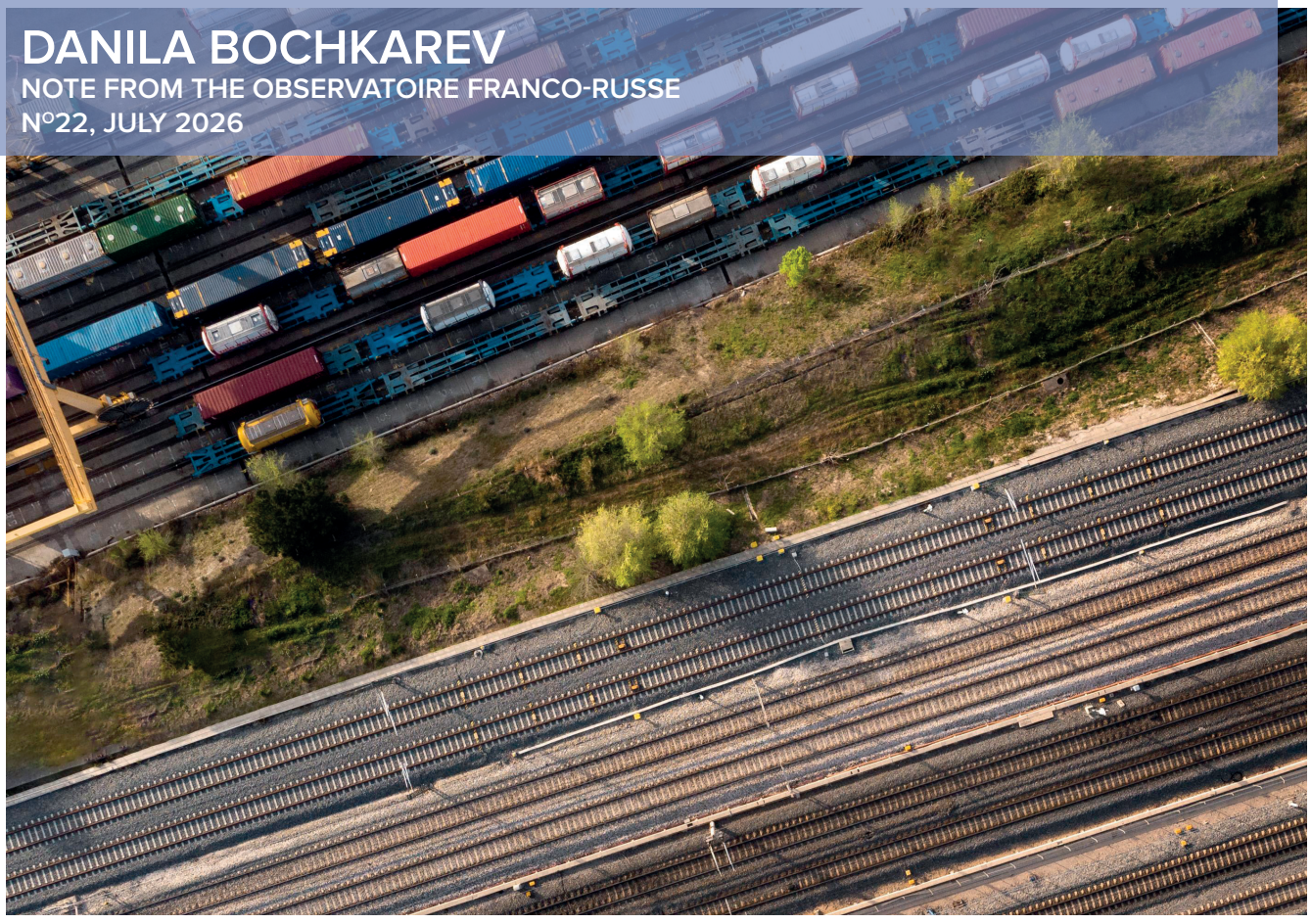
L'Observatoire

CENTRE D'ANALYSE
DE LA CCI FRANCE RUSSIE

THE INTERNATIONAL NORTH-SOUTH TRANSPORT CORRIDOR AS A VECTOR FOR RAPPROCHEMENT: RUSSIA AND INDIA IN THE NEW LOGIC OF EURASIAN CONNECTIVITY

DANILA BOCHKAREV

NOTE FROM THE OBSERVATOIRE FRANCO-RUSSE
N°22, JULY 2026



CONTENTS

Introduction..... 3

1. The historical context of the creation of the North-South transport corridor..... 5

2. The North-South International Transport Corridor: a complex web of interests..... 6

3. Current structure and characteristics of the North-South international transport corridor..... 12

4. Logistics infrastructure..... 13

5. Institutional limitations and obstacles to the development of the INSTC..... 14

Conclusion..... 16

Bibliography and sources..... 18

AUTHOR

Danila Bochkarev is an independent researcher specializing in energy policy, energy governance, regulation, and resource management across the EU and Eurasia. Danila brings extensive experience from advisory, managerial, and research roles in think tanks, academia, international organizations, strategic communications consultancies, and energy infrastructure companies.

* Cover picture: Freepik.

INTRODUCTION

The modern international trade system is undergoing a period of profound transformation. Alongside economic factors such as transportation costs, delivery times, and the capacity of transportation infrastructure, geopolitical tensions, sanctions policies, and regional armed conflicts are having an increasing impact on the configuration of global trade flows. Events in recent years—the crisis in the Red Sea, military escalation surrounding Iran, the expansion of sanctions regimes, and ongoing instability in the Middle East and in the post-Soviet space — have demonstrated the high vulnerability of traditional maritime routes and heightened states' interest in diversifying international transport links. Political crises and armed conflicts can, in a relatively short period of time and often unpredictably, alter the direction of international cargo flows and force a reassessment of the strategic importance of individual transport corridors.

Under these conditions, the resilience of international trade is determined not only by the efficiency of existing routes but also by the global transportation system's ability to rapidly redistribute cargo flows among alternative routes. Consequently, transportation diversification has become one of the key tools for ensuring the economic resilience of nations and regions.

If long-term peace agreements are reached regarding Iran, the North-South International Transport Corridor (INSTC) could once again become particularly relevant as one of the most important alternatives to traditional international trade routes. Thus, the purpose of this article is to analyze the current state of the INSTC, examine the interests of key project participants, assess its transportation and geo-economic potential, and identify factors that could shape the future development of this transport corridor.

As of early 2026, the INSTC was considered one of the most ambitious and promising Eurasian transport projects of the 21st century. Military escalation in the Persian Gulf region has significantly complicated the prospects for its implementation and delayed the project's completion timeline. However, despite the geopolitical risks that have arisen, the route retains the potential to become one of the key routes for international freight transport once the regional situation normalizes.

Combining sea, rail, and road routes, the INSTC connects Indian ports to the interior regions of Iran, Russia, and other states of the Eurasian Economic Union (EAEU). The concept of the INSTC in its current form was officially endorsed at the second Eurasian Transport Conference, held in St. Petersburg in September 2000, when Russia, Iran, and India signed an agreement on the establishment of the corridor. Azerbaijan, Armenia, Kazakhstan, Turkey, Belarus, and several other countries subsequently joined.

The INSTC is a relatively new element of international logistics infrastructure, but its historical roots go back to the ancient Russian trade routes that connected Northern and Eastern Europe to the Caspian region and the southern territories of Eurasia. As early as the time of Prince Sviatoslav (second half of the 10th century), and later under Ivan the Terrible (1547-1584), there were trade routes providing access to the Caspian Sea and, beyond that, to the territories of present-day Iran and India. The project revives this historic North-South axis, adapting it to the geo-economic realities of the 21st century.

Today, the North-South International Transport Corridor encompasses three dimensions:

• The **economic aspect** is the most variable factor in assessing the prospects of the North-South International Transport Corridor. Initially, the corridor was viewed as an alternative to traditional maritime routes for international trade. According to estimates, using the corridor would reduce the distance between India and Russia by about one-third and cut cargo delivery time by approximately 20 days compared to shipments via the Suez Canal. At the same time, the implementation of the corridor's original concept—as a route connecting India with Europe through Russian territory—appears unlikely, at least in the medium term, due to sanctions against Moscow as well as ongoing geopolitical instability surrounding Iran. At the same time, the key function of the INSTC lies in establishing a sustainable transport corridor providing a direct link between the Urals, Southern Siberia, and the Lower Volga region with the countries of South Asia. It is in this capacity that the project has the most realistic prospects for implementation in the medium term.

• **Geopolitically** — the project provides a land-based alternative to maritime routes and strengthens the economic interdependence of Eurasian states. At the same time, geopolitics is also the main challenge facing the project.

• **At the regional level** — it contributes to the development of the Caspian regions and the inland areas of Russia, Iran, and India.

The North-South International Transport Corridor is thus one of the additional axes of the emerging Eurasian transport architecture, contributing to the improvement of the continent's transport connectivity, the diversification of logistics chains, and the deepening of integration processes in the Caspian region. Initially, the corridor was viewed primarily as a route facilitating north-to-south transport. However, its two-way nature is now becoming increasingly evident: cargo flows are generated not only from north to south but also from south to north, and India is just as significant a participant in the project as Russia.

The INSTC should be viewed not only as a transport route but also as a mechanism for fostering new spatial connectivity across Eurasia. Its key significance lies in strengthening sustainable transport and economic ties between Southern Russia, Central Asia, and South Asia, creating alternative logistics chains, and reducing the dependence of international trade on a limited number of traditional maritime routes.

1. THE HISTORICAL CONTEXT OF THE CREATION OF THE NORTH-SOUTH TRANSPORT CORRIDOR

The origins of this route date back to the 10th century, when Prince Sviatoslav Igorevich defeated the Khazar Khanate, which controlled the lower reaches of the Volga River. This event was significant not only militarily and politically, but also economically: Moscow gained direct access to the Caspian Sea and was able to establish trade relations with the territories of present-day Azerbaijan and Iran. Information about these contacts can be found in the works of the Arab geographer Ibn Hawqal, who described the Rus' trade in the Caspian Sea and the functioning of the route along the Volga. Thus, by conducting campaigns at the mouth of the Volga and in Khazaria, Prince Sviatoslav Igorevich effectively laid the foundations for the North-South transport corridor, opening up access for Rus' to Persia and India.

In the 16th century, after the annexation of the Khanate of Astrakhan (1556), Ivan IV the Terrible secured Russia permanent access to the Caspian Sea. Caravan routes passed through Astrakhan and Baku to reach Tabriz, Isfahan, and Bandar Abbas, and then India. Astrakhan became an important center for trade in goods from the East (silk, spices, indigo, and pearls), which were exchanged for Russian furs, wax, leather, and metal objects.

The transport artery linking the northern territories to the Caspian Sea retained its importance until the time of Peter I, when Russia gained access to the Baltic Sea and founded St. Petersburg. Despite Peter the Great's interest in trade with India, Russian foreign trade gradually shifted to the northwest, reducing the importance of the old route, a phenomenon further accentuated by the British Empire's conquest of India and the shift of the Russian Empire's commercial center to the west.

During the Great Patriotic War — or World War II in Russia, these transport routes once again played a major role. In 1942, the Trans-Iranian route accounted for 28.8% of the total volume of deliveries under the Lend-Lease program for the transport of goods intended to supply the Red Army with food, equipment, and weapons. In 1943, this share rose to 33.5%. In total, during the war, nearly a quarter of the goods delivered under Lend-Lease were transported to the Soviet Union via Iran (Naumkin, 2010, p. 285). After the war, this transport corridor once again took a back seat: the foreign trade of the USSR, and later Russia, was almost entirely oriented towards the West, and later towards China.

The current renewed interest in the INSTC is largely due to foreign policy factors, but is not limited to them. The strengthening of sanctions imposed by Western countries on Russia and Iran, as well as instability in the Red Sea caused by Houthi attacks on merchant ships, are stimulating the search for alternative routes to South Asia.

Even if the situation surrounding Iran stabilizes, the North-South International Transport Corridor is unlikely to be able to compete in terms of cargo volume with the Northern Sea Route — or, even less so, with the route through the Suez Canal —

in the medium term. This is due to high transaction costs, the need to cross several national borders, and persistent infrastructure constraints. At the same time, the corridor's significance is determined not so much by the scale of potential cargo flows as by its ability to diversify international transport links and serve as a catalyst for the economic integration of Southern Russia, Central Asia, and South Asia.

Currently, logistical risks are associated not only with the route through the Suez Canal and the Bab el-Mandeb Strait, but also with transportation through the Persian Gulf and the Strait of Hormuz, as well as with restrictions resulting from sanctions compliance, the rising cost of ship insurance, and potential delays when calling at Iranian ports. On the one hand, this increases the relative attractiveness of the overland and trans-Caspian segments of the INSTC; on the other hand, it makes its Iranian segment the most vulnerable element of the entire transport system.

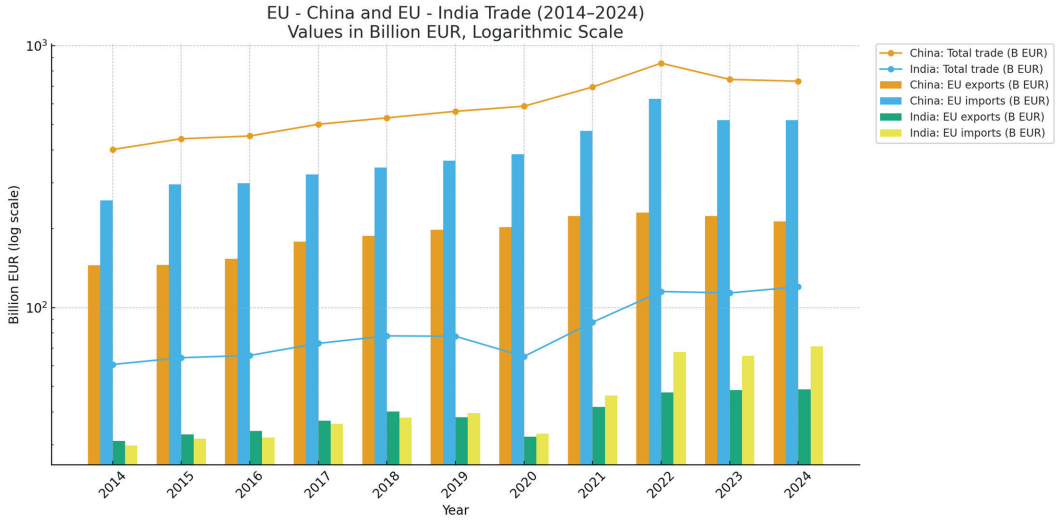
2. THE NORTH-SOUTH INTERNATIONAL TRANSPORT CORRIDOR: A COMPLEX WEB OF INTERESTS

The transport corridor project has been based on the convergence of political and economic interests among the region's major powers — India, Russia, and Iran — each of which sees it as a means of achieving its own strategic objectives.

India: economic logic and route diversification

With an annual growth of between 6.5% and 9.7%, India is gradually establishing itself as an alternative global production hub, complementing China. This growth is being driven by intensifying competition between the United States and China (and, consequently, by the redeployment of some investment to India), by the liberalization of the investment regime, and by the presence of an English-speaking workforce and a vast domestic market. Although India will not replace China at the top of the global industry, its exports are set to grow substantially, particularly to the European Union and the countries of the former USSR. Although the European Union's (EU) trade with China remains significantly higher than that with India, economic relations between Brussels and New Delhi are characterized by growing dynamism, and their trade is growing more rapidly, particularly in recent years. In this context, the imminent conclusion of negotiations on the creation of a free trade area between the EU and India should be a major driver of future growth in trade between the two parties.

EU-China and EU-India trade (2014-2024) in billions of euros.



Source: EU Directorate-General for Trade.

Economic relations between India and Russia are also experiencing significant growth. Trade reached a record high of $68.7 billion at the end of the 2024-2025 fiscal year (Indian Embassy in Moscow, 2025), nearly 5.8 times higher than the pre-crisis level ($10.1 billion). However, a structural analysis reveals a significant asymmetry: imports from Russia, dominated by oil and petroleum products, mineral fertilizers, and coal, amounted to $63.84 billion, while Indian exports — mainly agricultural products, pharmaceuticals, and machinery — totaled only $4.88 billion. India therefore has every interest in rapidly increasing its exports to Russia, a goal that will be difficult to achieve without mobilizing all available logistics routes, including the INSTC.

For India, the INSTC is primarily an economic project aimed at expanding access to markets in Central Asia, Russia, and Europe. This route reduces delivery times for certain goods by 30% to 40% compared to passage through the Suez Canal (Das Kundu, 2024), which could have a significant impact if sanctions against Russia were eased.

In the long term, the development of the INSTC could help reduce the trade imbalance between India and Russia by expanding Indian exports, as well as strengthening New Delhi's economic ties with the Central Asian states, where India's position has traditionally been overshadowed by China's. At the same time, the corridor creates the conditions for improving transportation connectivity between southern Russia and Central and South Asia, which enhances its importance not only as a logistics route but also as an instrument of regional economic integration.

India views the INSTC as part of its "Connect Central Asia Policy" (Ministry of Foreign Affairs of India, 2012). Through it, the country gains the shortest overland route to Russian regions (the Volga region, the Urals, and Siberia) and access to Eurasian energy markets. According to data from the Exim Bank of India and the Eurasian Development Bank (2025), India's trade volume with Central Asia grew to $1.7 billion in 2023from $0.5 billion in 2010, with pharmaceuticals accounting for 38% of exports and machinery and electronics for 21%. At the same time, India will be able to use the port of Chabahar in Iran as its main "gateway" to Central Asia and Russia. This port provides direct access to Afghanistan and Central Asia without transiting through Pakistan, which is significant from both an economic and political standpoint (Wani, 2024).

The Israeli-U.S. military operation against Iran has put the implementation of these plans on hold. The completion of the Chabahar–Zahedan railway—one of the key elements of the North–South International Transport Corridor—may be postponed indefinitely. The situation at the Shahid Beheshti terminal in the Port of Chabahar creates additional uncertainty. The U.S. sanctions waiver, which had been in effect since 2018 and allowed India to participate in the development and operation of the Chabahar Port, expired on April 26, 2026, and as of early July had not been extended. As a result, further participation by Indian state-owned and private companies in the development of port infrastructure is associated with increased sanctions and financial risks. Thus, the INSTC could become a functional counterpart to China's "Belt and Road Initiative" for India, providing a land-based alternative to routes through the Indian Ocean and the Suez Canal for goods shipped to Central Asia and the interior regions of the Russian Federation. New Delhi will also seek to use the INSTC as a component of its own initiatives, such as the India-Middle East-Europe Corridor (IMEC). In this context, the IMEC could become the main transport corridor for Indian goods bound for Europe, while the North-South corridor could serve as a link between India and Central Asia.

Russia: diversification and regional development strategy

Moscow's interest in the INSTC is based on both economic and geopolitical considerations. Historically, Russian logistics chain has been organized along a mainly latitudinal axis, from west to east and east to west. In recent years, there has been a partial shift towards the East, without however completely replacing the western direction. At the same time, a growing number of Russian exporters are turning to South Asian markets, while transporting goods from the Volga and Ural regions to this area is often unprofitable when using traditional routes via the Baltic, Black Sea, or Pacific Ocean. In this context, the development of routes to the south (as well as to the north, towards the Arctic) is becoming necessary, leading to the formation of a southern trade corridor. Russian researchers argue that the new infrastructure must provide the «Trans-Ural macroregion with two strategic outlets to global markets:

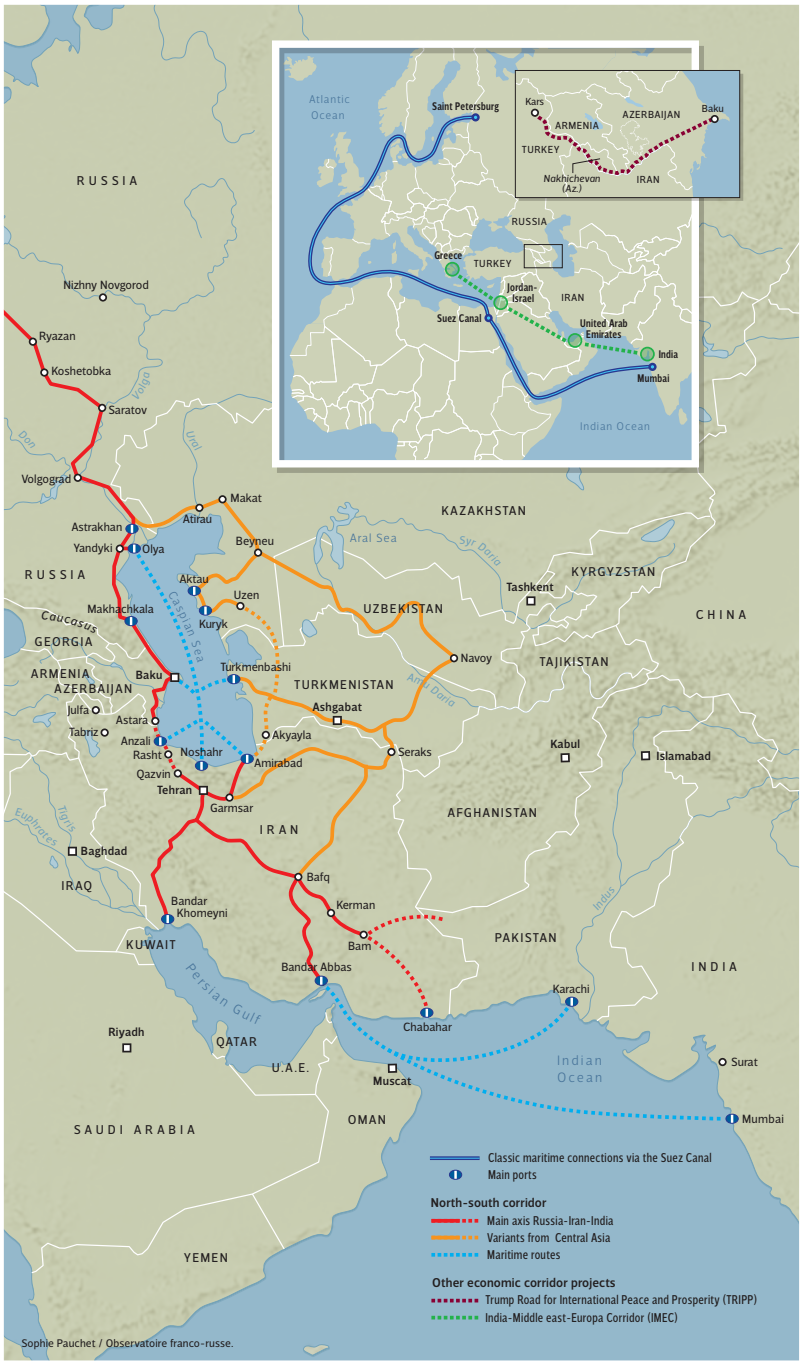
the first [...] towards the Northern Sea Route via relay ports; the second, towards the south, through the creation of new land corridors» (A. Čihačev, A. Sabancev, 2025). In this sense, the INSTC is not simply a modern version of the «route from the Varangians to the Persians,» but an integrative project linking Russia's interior regions with each other, while connecting them to the countries of Central and South Asia.

By connecting Russia to Iran, India, and other countries in the Global South, this route allows Russia to diversify its export destinations, strengthen its logistical independence, and integrate into new trade networks. To a certain extent, it represents an attempt to reduce excessive dependence on maritime routes via the Baltic and Black Seas, while exploring alternative solutions for exporting industrial and agricultural products to southern and southeastern regions. The report From the Varangians to the Persians: Prospects for the Development of the North-South International Transport Corridor, published in April 2024 by the N.Trans Lab research group, highlights strong growth in Russian foreign trade with countries within the INSTC's orbit, notably Iran, India, Pakistan, the Middle East, and Southeast Asia. According to the data presented in this report, Russian exports to these countries increased from 41 million tons in 2014 to 225 million tons in 2023. Cereals, fertilizers, and ferrous metals have become the main non-energy export items, with their volume reaching 31 million tons in 2023. These indicators confirm the growing interest of Russian exporters and importers in developing the logistics and transport potential of the INSTC, which is considered an important strategic vehicle for diversifying trade flows. The corridor reduces transport costs and delivery times between Russia and South Asia by around 30%, while strengthening cooperation with new partners, such as India and Iran, which are seen as alternative centers of political and economic power. It also promotes the integration of the Volga and Ural regions into international trade and improves the overall connectivity of the Russian transport and logistics system. From a geopolitical perspective, the development of the INSTC strengthens Russia's role as a key player in Eurasian integration, connecting the energy and transport systems of the Commonwealth of Independent States (CIS) and South Asia. In the longer term, Russia could also establish itself as an important transit territory between India and Europe, without however being able to fully compete with the major strategic arteries of global transport, such as the Suez Canal.

Iran: from geopolitical adaptation to the quest for resilience

For pre-conflict Iran, the INSTC has served as a tool for economic diversification and strengthening its transit capacity. Subject to sanctions from the US and the EU for years, Tehran is seeking to leverage its geographical position as a source of revenue and political influence. The corridor gives it access to growing transit volumes

The International North-South Transport Corridor



Source : Observatoire franco-russe.

between India, Russia, and Eurasian countries, generating stable foreign exchange earnings from transit fees and port and rail tariffs. In March 2023, the director of Iranian customs stated that the country had earned approximately $1 billion in revenue from the transit of 14 million tons of goods during the current Iranian calendar year (Tasnim News Agency, 2024). Participation in the INSTC also promotes the modernization of transport infrastructure, particularly rail networks and the ports of Bandar-e Anzali and Amirabad, and contributes to the development of the economically less developed northern provinces of Gilan and Mazandaran. The Eurasian Development Bank states in this regard that Iran is becoming an «indispensable part of the Eurasian transport axis» (2024, pp. 90-91). In cooperation with India, Iran is implementing projects to modernize the port of Chabahar and is collaborating with Russia on the construction of the Rasht-Astara and Tehran-Bandar Abbas railway sections. According to the Eurasian Development Bank, Iran considers the INSTC to be «the backbone of its national transport policy.» Over the past five years, Tehran has invested more than $2 billion in the development of the ports of Anzali, Amirabad, and Chabahar, as well as in the modernization of the Rasht-Qazvin and Tehran-Bandar Abbas railway lines. These projects are crucial to the functioning of the INSTC. The deep-water port of Chabahar, for example, plays a key role in organizing direct links between India and Iran, and then on to Eurasia, without passing through Pakistan and Afghanistan. It also strengthens Iran's position as a central player in regional transit, with the country becoming the southern gateway to the eastern branch of the INSTC. The Caspian ports of Anzali and Amirabad are the northern gateways to the corridor, ensuring the transshipment of cargo on the Caspian Sea, mainly to Russia and Kazakhstan. Transport connectivity requires a developed rail infrastructure. The commissioning of the Rasht-Qazvin section completes the final link in a continuous rail route connecting Bandar Abbas on the Persian Gulf to the Caspian Sea, thus establishing an uninterrupted rail link between Saint Petersburg and the ports of the Persian Gulf. The modernization of the Tehran-Bandar Abbas line increases capacity and speed on one of the country's main trade routes. The railway line connecting Chabahar in southern Iran to the logistics hub of Serakhs in Turkmenistan is of particular importance. It provides direct access to the Kazakh and Turkmen transport networks and strengthens the eastern branch of the INSTC. This configuration multiplies the logistics options available to shippers, increasing the overall resilience and attractiveness of the corridor. The eastern branch of the INSTC also paves the way for Turkmenistan's more active participation in the project. In recent years, Ashgabat has adopted a strategy of diversifying and finding alternative uses for its gas resources. Rather than limiting itself to exporting natural gas via pipelines, the country is focusing on developing industrial processing and the production of higher value-added goods, such as fuels, petrochemicals, and mineral fertilizers. In this context, the INSTC is of particular interest to Turkmenistan: it represents a promising avenue for its exports and for the development of its international economic relations (Bochkarev, 2024).

As reported by the AzerNews platform on June 28, 2025, Iran intended to further strengthen its position in global logistics by increasing the volume of goods in transit via international transport corridors to 60 million tons per year. The Deputy Minister of Roads and Urban Development, who is also the director of the Iranian Railway Company, Jabbar Ali Zakari, specified that during the past Iranian calendar year (March 2024 to March 2025), the country had handled approximately 20 million tons of goods, including 2.5 million transported by rail, and that it now intended to develop its transport infrastructure in order to become a major regional transit hub (AzerNews, 2025).

There is no doubt that even the most minimal implementation of such agreements will require peaceful arrangements with Iran (as well as Tehran pursuing a constructive foreign policy based on mutually beneficial economic interests) and compliance with them by all parties to the conflict. Since the outbreak of the war, Iran's transit and port revenues have plummeted, and the development of transit and international trade is no longer a priority for Tehran. According to WTO data as of early July 2026, the number of ships transiting across the Persian Gulf fell by a factor of 4 to 8 compared to the same period in 2025, casting doubt on the sustainability of these foreign exchange earnings in the medium term (WTO Data Lab, Strait of Hormuz Trade Tracker). Thus, the prospects for implementing the INSTC directly depend on political stabilization in the region.

3. CURRENT STRUCTURE AND CHARACTERISTICS OF THE NORTH-SOUTH INTERNATIONAL TRANSPORT CORRIDOR

The INSTC operates as an integrated multimodal system, combining maritime, rail, and road transport on a unified route stretching over 7,200 km.

The INSTC: one North-South axis, three branches (according to the N.Trans Lab report, April 2024):

1. **Western branch**: Baku-Astara (Azerbaijan)-Anzali-Bandar Abbas (Iran). This is the main route, supported by Russia, Iran, and Azerbaijan. Transit capacity is 10 million tons by rail and 14,000 vehicles per day.
2. **Eastern branch**: via Kazakhstan, Turkmenistan, and Iran (Tehran-Bandar Abbas), connecting Central Asia and the Indian Ocean. Transit capacity is also 10 million tons by rail and 14,000 vehicles per day.
3. **Trans-Caspian Corridor**: maritime route connecting the ports of Aktau and Kuryk (Kazakhstan) to Olya and Astrakhan (Russia), and Anzali and Amirabad (Iran). The capacity of Russian ports on the Caspian Sea is approximately 23.5 million tons per year.

These branches complement each other, forming a flexible logistics system that allows flows to be redistributed in the event of force majeure on certain sections.

4. LOGISTICS INFRASTRUCTURE

The corridor includes 15 seaports, 6 railway border crossings, and 20 multimodal terminals. The key section is the Rasht-Astara railway line (164 km), financed by Russia and Iran. Its completion will provide a continuous land link between India and Russia. According to Iran's ambassador to Moscow, Kazem Jalali, speaking on the subject in January 2026, construction of this Iranian segment of the INSTC will take between three and four years. The construction of the missing 162-kilometer Resht–Astara section was officially agreed upon by Russia and Iran in mid-February 2026, with a 48-month construction period; however, the implementation of the agreement may be complicated by the conflict in the Persian Gulf. As experts note (The Diplomat, June 2026), completing the project within the stated 48-month timeframe could be complicated by military operations and the associated risks to foreign investment and equipment deliveries.

Russia is modernizing the ports of Olya and Astrakhan, creating a Caspian logistics hub with an annual capacity of 10 million tons (Eurasian Development Bank, 2024, pp. 83-85). Russian Railways (RZD) also plans to renovate the Volga rail network as part of the INSTC. This work will aim to increase infrastructure capacity, particularly for trains connecting with Kazakhstan (Trans.ru, 2025). Iran, for its part, is rebuilding its Caspian ports and integrating them into the Persian Gulf port infrastructure.

In 2024, the corridor recorded a 19% increase in freight volumes, which reached 26.9 million tons, including more than 12.9 million tons transported by rail (Index 1520, 2025). In terms of containerized freight, 2,400 TEUs were transported via the INSTC that year, including 1,900 TEUs via the eastern route (Index 1520, 2025). At the same time, maritime transport is growing rapidly: more than 6 million tons of goods were transported via the Caspian Sea in 2024. Compared to 2023, the total volume of import transshipments on this route increased by 51%, while exports increased by 29% (SBCargo, 2025).

Despite these advances, the corridor's true potential will only be fully realized once the remaining incomplete links, such as the Racht-Astara railway line, have been completed and the port and multimodal transshipment facilities have been modernized. According to the N.Trans Lab assessment (April 2024), the transit capacity across all branches of the INSTC, including the Astara-Racht railway line, is limited to 27-28 million tons per year when using Iranian rail and road infrastructure. This limit is mainly due to the low capacity of the Iranian railways, the low capacity of Russian ports, and the insufficient number of ships in the Caspian Sea.

The military escalation surrounding Iran in the summer of 2026 demonstrated that the development of the North-South International Transport Corridor depends to a large extent not only on the pace of infrastructure construction but also on the level of regional security. At the same time, the impact of such crises on different sections of the corridor varies. The route through Bandar Abbas remains the most vulnerable, as maritime access to this port depends on shipping through the Strait of Hormuz.

Any deterioration of the situation in this area could lead to higher insurance rates, increased transportation costs, and a temporary decline in the attractiveness of this route.

At the same time, the strategic importance of the port of Chabahar for Iran is growing, despite U.S. sanctions, although its role for India remains less clear-cut. The port's location on the coast of the Gulf of Oman, outside the Strait of Hormuz, allows Iran to partially reduce its dependence on potential restrictions on shipping in the Persian Gulf. In this context, Chabahar takes on special significance as an element of transport diversification and as a tool for strengthening Iran's transit capacity.

The Caspian ports of Anzali and Amirabad are also not directly dependent on the situation in the Strait of Hormuz. However, the general political instability surrounding Iran can indirectly affect their operations through increased sanctions risks, higher cargo insurance costs, and caution on the part of international logistics operators.

5. INSTITUTIONAL LIMITATIONS AND OBSTACLES TO THE DEVELOPMENT OF THE INSTC

The deployment of the INSTC faces several institutional, financial, technical, and geopolitical constraints. Conflicts in the areas crossed by the corridor could significantly impact its attractiveness and create demand for alternative corridors. There are two categories of challenges: those relating to the corridor as a transit route between Europe and South Asia, and those relating to the corridor as a link between the interior regions of Russia and Central Asia and the countries of South Asia and the Persian Gulf.

The challenges related to transcontinental transit can be broadly divided into three categories: the situation surrounding Iran, sanctions pressure from the EU, and competing transport corridors. A large-scale expansion of Iran's transportation infrastructure is impossible without attracting foreign investment, which is extremely difficult under current sanctions restrictions, let alone in the event of an open conflict. Even before the war, the limited operation of the Chabahar port by Indian companies faced serious obstacles: such operations require appropriate licenses from the Office of Foreign Assets Control (OFAC) of the U.S. Department of the Treasury. There is also little doubt that, until EU sanctions against Russia are lifted or at least significantly eased, the emergence and rapid development of a transport corridor through Russian territory is unlikely to be possible. Many Indian companies will prefer to use alternative routes to deliver goods to the European Union.

Alternative routes are also capable of diverting a significant portion of cargo flows. If the situation around Yemen normalizes, traffic through the Suez Canal will inevitably increase, which is bound to affect the prospects for the INSTC, especially given the unresolved conflict surrounding Iran. Furthermore, the development of competing

transport corridors—such as the Zangezur Corridor (the so-called "Trump Route," or TRIPP) and IMEC, which would connect India to Europe via the UAE, Saudi Arabia, Israel, and Italy (or Greece)—could divert a significant share of cargo even if a peace agreement is reached with Iran. In addition to the redistribution of trade flows, these routes will compete for both political and financial capital, creating additional long-term challenges for the INSTC.

Internal challenges include insufficient funding, infrastructure problems, particularly a shortage of river-sea and sea-sea vessels, and the sometimes complex relationships between the parties involved in the project. All these factors can slow down the development of the corridor.

In 2024, Russian consulting firm N.Trans Lab, which specializes in logistics, estimated the necessary investment at $17.7 billion. According to its calculations, this amount would enable the transport of approximately 70 million tons of goods by rail and, by combining rail and road transport, achieve a total capacity of 90 to 100 million tons (N.Trans Lab, 2024). These estimates are significantly lower than those of the Eurasian Development Bank in 2022, which had estimated the requirements at $38.2 billion (Eurasian Development Bank, 2022). However, even these reduced estimates represent very high amounts, both for governments and private companies in the participating countries. The lack of a unified financing mechanism and insufficient participation by development institutions limit long-term capital inflows and slow down infrastructure modernization. For example, in 2025, Russian Railways decided to reduce its investments in the development of the INSTC by 77.5% to 9 billion rubles. The company opted to focus its efforts on priority infrastructure projects. This information was communicated by RZD Vice President Andrei Makarov during the session of the 2025 St. Petersburg International Economic Forum devoted to infrastructure financing.

The incompatibility of rail gauges (1,520 mm in Russia and 1,435 mm in Iran) complicates the creation of a unified logistics space (Vinokurov et al., 2022). Significant obstacles remain, including the unfinished Rasht-Astara railway section, the limited capacity of the railway networks of Russia's partner countries, and the insufficient technological modernization of the Caspian Sea ports and commercial fleet. These factors lead to slower transit speeds and higher transshipment costs. Another major problem affecting the corridor's operation is the imbalance in trade flows, which often forces trains to make return journeys empty, thereby increasing the unit cost of transport. Furthermore, restrictions related to sanctions and banking constraints associated with Iran's participation increase risks, as they limit the acquisition of equipment and the execution of international payments. In addition, the absence of a centralized coordinating body leads to fragmentation of tariff and customs procedures. The development of the corridor is also hampered by tensions between some participating countries, with the positive relations between Russia and Kazakhstan being the exception. Although there are no open conflicts, there are many long-standing disagreements—particularly between Iran and Azerbaijan—and occasional trade

disputes arise between Ashgabat and Tehran, mainly in the gas sector. In this context, the heterogeneity of regulations is a major obstacle: the effective development of the corridor requires the harmonization of the regulatory frameworks and sectoral policies of the participating countries around a minimum common basis.

In order to improve the efficiency of the INSTC, experts recommend a set of institutional, infrastructural, and financial measures. The priority is to complete key railway sections and modernize the Caspian Sea ports (Astara, Amirabad, Astrakhan) in order to ensure the continuity of the route and increase its transit capacity. It also appears necessary to harmonize the tariff policies of the participating countries and to introduce a single digital transit document to speed up customs procedures. Another key focus is to put in place financial and insurance instruments aimed at reducing the risks associated with overcompliance, in particular through the use of public credit lines and local payment mechanisms. At the same time, it is recommended that public-private investment be actively mobilized to develop terminal and logistics infrastructure along the corridor in order to improve its competitiveness and integrate it into the Eurasian transport network. The launch in 2024 of the Eurasian digital logistics platform, which centralizes the customs databases of the EAEU member countries, is a major step forward in the digitization of transit processes: this platform reduces the time required for electronic customs declarations from 48 to 6-8 hours, and the single goods insurance system protects carriers against the risks associated with sanctions. The future development of the corridor requires the institutionalization of its governance in the form of a Coordination Council bringing together the Eurasian Development Bank, Iran, India, and Russia, and is based on deepening digital integration to increase the transparency, resilience, and competitiveness of the corridor in the Eurasian space.

CONCLUSION

The Israeli and U.S. operation against Iran, the prolonged closure of the Strait of Hormuz, and the imposition of mutual blockades have dealt a serious blow to the prospects of the Iranian section of the INSTC in the short and medium term, thereby increasing the appeal of alternative routes. In the long term, the development of the corridor will depend on Tehran's role in the emerging regional security architecture. Both continued confrontation and a possible normalization of relations with Western countries have the potential to significantly alter the corridor's economic model, investment structure, and the direction of international cargo flows.

The INSTC cannot become a fully-fledged alternative to the Suez Canal. Nevertheless, it has real, albeit limited, potential for integration. Historically, its origins date back to the trade routes of the time of Sviatoslav Igorevich and Ivan the Terrible, and then, in the 20th century, to the "Iranian corridor" of World War II. Today, the North-South International Transport Corridor once again offers the possibility of connecting these regions by acting as a geo-economic bridge, albeit on a primarily regional scale. If successful, the corridor could become a kind of regional analogue of the Coal and Steel Community, in which historical differences were overcome through economic cooperation.

- For **India**, it is a vehicle for economic expansion and access to the markets of Russia and Central Asia.
- For **Russia**, it represents an opportunity to diversify export routes and strengthen regional connectivity.
- For **Iran**, it is an instrument of geopolitical integration and economic resilience.

This corridor reflects a general trend characterized by a shift from the almost exclusive dominance of maritime routes to a gradual strengthening of continental forms of integration in the Eurasian space, where regional alliances and historical ties play a central role. At the tactical level, the INSTC, especially when coupled with other regional initiatives, can offer economic benefits to India, Russia, and Iran by reducing logistics costs and making markets more accessible. However, realizing these benefits requires coordinated investment, close institutional cooperation, and measures to mitigate the risks associated with sanctions and banking constraints. Without removing infrastructure bottlenecks and institutional barriers, the economic attractiveness of the corridor will remain limited mainly to high value-added goods that are sensitive to delivery times.

Recent geopolitical crises have confirmed that the strategic value of the North-South International Transport Corridor is not determined solely by shorter delivery times or lower transportation costs. Amid growing international instability, a key advantage of the corridor is its ability to enhance the resilience of the Eurasian transportation system through route diversification. It is precisely this ability to redistribute cargo flows among different routes that makes the INSTC a key element of the region's emerging multi-vector logistics architecture.

BIBLIOGRAPHY AND SOURCES

Azernews, "Iran sets ambitious 60-million-ton goal for international cargo transit", 28 June 2025. https://www.azernews.az/region/243886.html

D. Bochkarev, "Turkmenistan: The gas monetisation challenge", Oxford Institute for Energy Studies, 2024. https://www.oxfordenergy.org/publications/turkmenistan-the-gas-monetization-challenge/

N. Das Kundu, "International North-South Transport Corridor: Enhancing India's Regional Connectivity", Valdai Club, 24 January 2024. https://valdaiclub.com/a/highlights/international-north-south-transport-corridor/

The Diplomat. Can Kazakhstan and Iran Sustain Momentum on Transport Corridor Development? June 2026. https://thediplomat.com/2026/06/can-kazakhstan-and-iran-sustain-momentum-on-transport-corridor-development

Embassy of Indian, Moscow, "Brief on India-Russia Economic Relations", 2025. https://indianembassy-moscow.gov.in/overview.php

Eurasian Development Bank, "The International North-South Transport Corridor: Promoting Eurasia's Intra- and Transcontinental Connectivity", 2025. https://eabr.org/en/analytics/special-reports/the-international-north-south-transport-corridor-promoting-eurasia-s-intra-and-transcontinental-conn/

Eurasian Development Bank, "Bridging Borders: Role of Trade Finance in Enhancing India–Central Asia Trade", 2025. https://eabr.org/analytics/special-reports/bridging-borders-role-of-trade-finance-in-enhancing-india-central-asia-trade/

Index 1520, "Overcoming infrastructure barriers to the development of the International North-South Transport Corridor", 2025. https://index1520.com/en/analytics/preodolenie-infrastrukturnykh-barerov-na-puti-razvitiya-mtk-sever-yug/

N.Trans Lab, «'Iz varâg v persy : perspektivy razvitiâ MTK «Sever-Ûg»» [From the Persians to the Varangians: prospects for the development of the North-South CTI]. https://ntranslab.ru/upload/iblock/6b5/fduhxudb2as2ziqzkkjbvcyqd306vrkx.pdf

Ministry of Foreign Affairs of India, "Keynote address by MOS Shri E. Ahamed at First India-Central Asia Dialogue", 12 June 2012. https://www.mea.gov.in/speeches-statements.htm?dtl/19791/

M. Russon, "The cost of the Suez Canal blockage", BBC News, 29 March 2021. https://www.bbc.com/news/business-56559073

SBCargo, «'Rekordnyj rost gruzooborota po transkaspijskomu maršrutu MTK «Sever-Ûg» v 2024 godu'» [Record growth in freight traffic on the CTI North-South Trans-Caspian route in 2024], 2025. https://sbcargo.ru/news/rekordnyy-rost-gruzooborota-po-mtk-sever-yug-v-2024-godu/

Tasnim News Agency, "Iran Earns $1 Billion from Transit of 14 million Tons of Goods: IRICA Chief", Tasnim News, 18 February 2024. https://www.tasnimnews.com/en/news/2024/02/18/3041070/iran-earns-1-billion-from-transit-of-14-million-tons-of-goods-irica-chief

E. Vinokurov (dir.), A. Ahunbaev, N. Usmanov, A. Zaboev, "International North-South Transport Corridor: Investments and Soft Infrastructure", Reports and Working Papers, Eurasian Development Bank, Februrary 2022, Almaty, Moscou.

A. Wani, 2024, "The Chabahar Gambit: India's Play for Influence in Central Asia", ORF Special Report n° 233, Observer Research Foundation. https://www.orfonline.org/research/the-chabahar-gambit-india-s-play-for-influence-in-central-asia

WTO Data Lab, Strait of Hormuz Trade Tracker. https://datalab.wto.org/Strait-of-Hormuz-Trade-Tracker

A. Čihačev, A. Sabancev, «MTK «Sever-Ûg» čerez ternii k zvezdam ?» [The North-South CTI: a rocky road to the stars?] Analytical article by the Russian International Affairs Council (RIAC). https://russiancouncil.ru/analytics-and-comments/analytics/mtk-sever-yug-cherez-ternii-k-zvezdam/?sphrase_id=259353260

Eurasian Development Bank, «Meždunarodnyj transportnyj koridor «Sever-Ûg»: investicionnye rešeniâ i mâgkaâ infrastruktura» [North-South International Transport Corridor: Investment Decisions and Intangible Infrastructure], 2022. https://eabr.org/analytics/special-reports/mezhdunarodnyy-transportnyy-koridor-sever-yug-investitsionnye-resheniya-i-myagkaya-infrastruktura/

Eurasian Development Bank, «S Vostoka na Zapad i s Severa na Ûg : budušee Evrazijskogo transportnogo karkasa» [From east to west and north to south: the future of the Eurasian transport network], 2024. https://eabr.org/press/releases/s-vostoka-na-zapad-i-s-severa-na-yug-budushchee-evraziyskogo-transportnogo-karkasa-/

INFOLine, Study «Rynok gruzovogo železnodorožnogo transporta Rossii. Predvaritel'nye itogi 2024 goda. Prognoz do 2026 goda» [The rail freight market in Russia. Preliminary results for 2024. Forecasts until 2026], INFOLine, Saint-Petersburg, 2024. https://infoline.spb.ru/upload/iblock/b8f/b8f92e11415e12ad10ff93dcfa59a8dd.pdf

V. V. Naumkin, *SSSR i strany Vostoka nakanune i v gody Vtoroj mirovoj vojny* [The USSR and the countries of the East on the eve of and during World War II], Institute of Oriental Studies of the Russian Academy of Sciences, Moscow, 2010.

Trans.ru, «RŽD otremontiruût 30 km putej v ramkah transportnogo koridora «Sever-Ûg»» [Russian Railways to renovate 30 km of track as part of the North-South transport corridor], 2025. https://trans.ru/news/rzhd-otremontiruyut-30-km-putei-v-ramkah-transportnogo-koridora-sever-yug