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**DAILY EDITORIAL
ANALYSIS**

TOPIC

**Red Sea Crisis & Importance
of IMEC**

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RED SEA CRISIS & IMPORTANCE OF IMEC

In Context

- The Red Sea crisis has caused economic implications like the surge in container ship costs, highlighting the need to revisit alternate routes for global trade.

Do you know ?

- The Red Sea is a semi-enclosed, inlet (or extension) of the Indian Ocean between the continents of Africa from Asia.
- It is connected to the Arabian Sea and the Indian Ocean to the south through the Gulf of Aden and the narrow strait of Bab el Mandeb.
- The countries of **Yemen and Saudi Arabia** border the Red Sea to the east.
- The Red Sea is bordered by **Egypt** to the north and west, and by **Sudan, Eritrea, and Djibouti** to the west.



About Crisis

- Houthi rebels in Yemen have significantly stepped up attacks on commercial shipping vessels travelling through the lower Red Sea since mid-November 2023 in response to Israel's bombardment of Gaza.
- The Red Sea owes its strategic importance for global trade to the **Bab el-Mandab Strait** which lies between **Yemen and Djibouti**.
- It is one of the **world's busiest cargo and oil transit points** with almost 12% of international merchandise trade passing through it.

Impacts

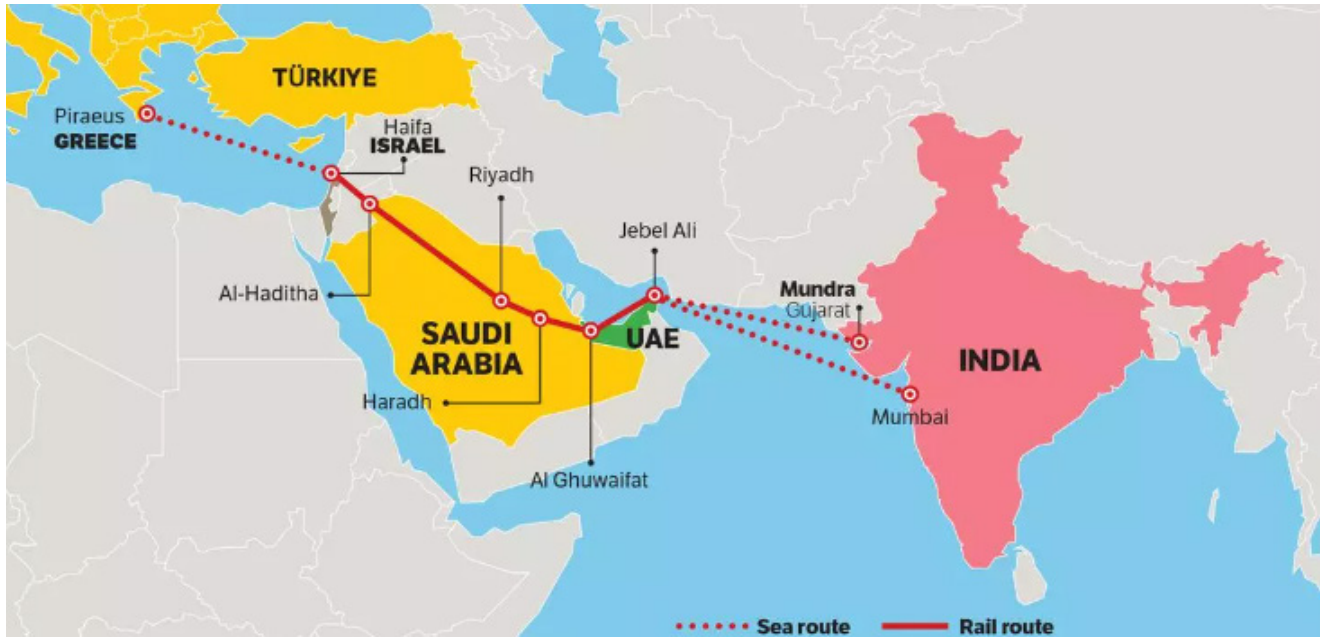
- Major container and oil carriers have been forced to re-route shipments via the **Cape of Good Hope**.
- The re-routing has led to **rising ocean freight, inflated insurance costs, and longer voyage times** leading to delays and shortage of products.
- It has also **driven up transportation costs**.
- The higher shipping costs will be passed onto consumers in the form of **increased commodity prices**.
- As global supply chains are battling delayed shipments and rising costs, **China is actively projecting China-Europe freight trains**, which are part of the Belt and Road Initiative (BRI), as an alternate route.

How has it affected India?

- India's trade with European and North African countries flows entirely through the Red Sea route which is almost **24% of its exports and 14% of its imports**.
- In the year 2022-23, **India's bilateral trade with Europe and North Africa stood at \$189 billion and \$15 billion respectively**.
- The rising fears among traders have already seen a drop in Indian shipments. As per the Federation of Indian Export Organisations (FIEO), rising threats have prompted **Indian exporters to hold back around 25%** of their cargo ships transitioning through the Red Sea.

Significance of the IMEC in present scenario

- The India-Middle East-Europe Economic Corridor (IMEC) was announced during the **G-20 summit in 2023**.
- It will comprise two separate corridors, the **east corridor** connecting **India to the Gulf** and **northern corridor** connecting **Gulf to Europe**.
- It aims at integration of **Asia, Europe** and the **Middle East**.
- It will provide a reliable and cost-effective cross-border ship to rail transit network to supplement existing maritime routes.
- It is estimated to cut the journey time from **India to Europe by 40%** and slash transit costs by 30%.



- IMEC also provides an opportunity to **counter the growing Chinese geopolitical influence**.
- This Corridor will help to bring countries in the **Middle East together and establish that region as a hub for economic activity** instead of as a “source of challenge, conflict or crisis” as it has been in recent history.
- The initiative aims to address the **insufficient infrastructure required** for development in lower and middle-income countries.

Concerns

- It is not receiving much attention and there have not been any investments or operations regarding the corridor.
- Furthermore, the **Israel-Palestine conflict** has put a **pause on the normalisation of Arab-Israel relations** which is a key element of the multi-nation initiative.
- Another major challenge is the **vulnerability of the Strait of Hormuz**.
 - ♦ The entire trade of the IMEC architecture flows through the Strait of Hormuz and with Iran’s proximity and control over the strait, the risk of disruptions remain very high.

Conclusion and Way Forward

- The growing crisis in the Red Sea poses a significant global concern, necessitating a united response from the international community.
- An **empirical study** on the economic benefits of the IMEC needs to be conducted.
- There are speculations that multiple handling of cargo and multi-nation transit would increase carriage and compliance costs.
 - ♦ Therefore, it is critical to **quantify the economic advantages** of the corridor to attract more stakeholders.
- A **robust financial framework needs** to be in place.
 - ♦ Since there are no binding financial commitments on any of the signatories of the corridor, investments will have to be attracted from governments, international organisations, and private sector entities.
- A comprehensive **multi-nation operational framework** is needed.
 - ♦ As the corridor involves facilitating trade across different legal systems, a multi-national framework is necessary.
- A **forum for the corridor needs** to be constituted to undertake the aforementioned activities.

Mains Practise Question

[Q] The ongoing disruptions along the Red Sea route is devastating for global trade and supply chains. In light of above statements, analyse the importance of India-Middle East-Europe Economic Corridor (IMEC).