


How Israel's Gaza war has thrown future of IMEC up in the air

The India-Middle East-Europe Economic Corridor is an ambitious idea that can cut shipping time by about 40%. But Israel's war in Gaza poses a fundamental challenge

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New Delhi | Updated: August 11, 2025 01:03 IST

 **NewsGuard**

 8 min read



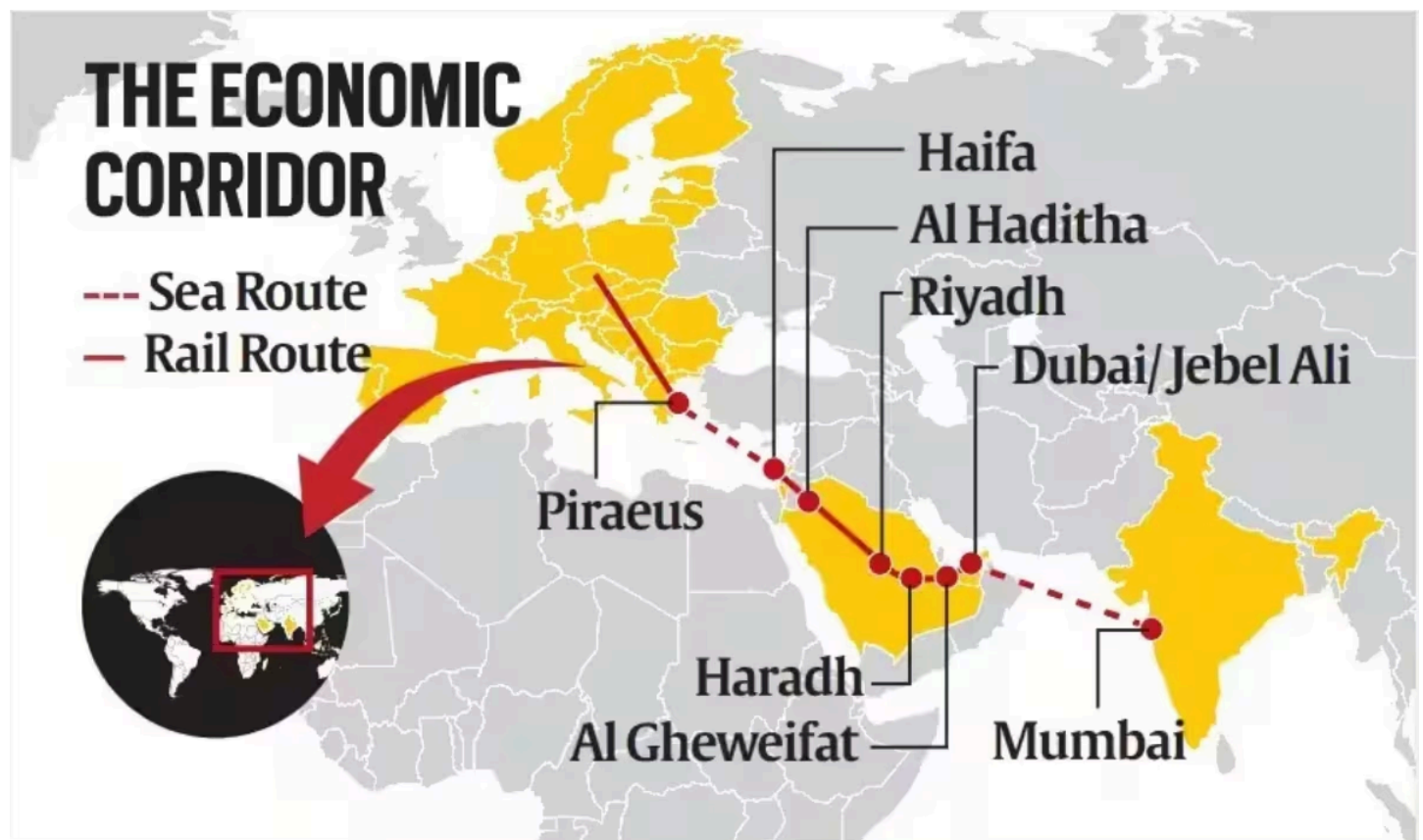
The IMEC being unveiled at the G20 Summit in New Delhi, 2023. (PTI/file photo)

Earlier this week, India's National Security Council Secretariat hosted envoys and officials from the United States, UAE, Saudi Arabia, France, Italy, Germany, Israel, Jordan and the

European Union, to discuss progress on the India-Middle East-Europe Economic Corridor (IMEC).

The IMEC was announced during the G20 Summit held in New [Delhi](#) in 2023 “to stimulate economic development through enhanced connectivity and economic integration between Asia, the Arabian Gulf, and Europe.”

The IMEC comprises two corridors — India-Gulf and Gulf-Europe.



Credit: Michael Tanchum, 'India's Arab-Mediterranean Corridor: A Paradigm Shift in Strategic Connectivity to Europe', 2021

Its eastern leg will carry container traffic from India's western ports to the UAE, from where high speed freight railway will carry goods across the Arabian peninsula (UAE, Saudi Arabia, Jordan) until the port of Haifa in Israel.

The second leg will see cargo being shipped from Haifa to ports in Greece and Italy, from where Europe's well-established train networks will take goods to their final destinations across the continent.

Overall, the IMEC is expected to cut shipping time from India to Europe by about 40% when compared to the Red Sea route. But since being announced, progress has been limited.

What are the corridor's ambitions? What are some key challenges it faces? And what is its future?

Sound idea born in rare geopolitical window

In September 2023, during India's G20 Presidency, the IMEC's conceptualisation and agreement was a testament to a remarkable period of stability in the Middle East.

Years of conflict along ideological and geopolitical lines (Qatar-GCC, Iran-Saudi Arabia, Arab states-Israel) had given way to normalisation agreements and rapprochements that prioritised regional economic growth. The Arab normalisation with Israel, which Saudi Arabia was set to join, was yielding enough geo-economic gains for Arab states to overlook the Palestine question and perhaps even explore minilateral arrangements with Israel (on the lines of the I2U2 with India).

This rare geopolitical window allowed India and its Middle Eastern, American, and European partners to envision a new corridor between India and Europe.



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The economic underpinnings of the idea remain firm. The EU is India's largest trading partner with bilateral trade in FY 2023-24 at \$137.41 billion, and non-oil trade between India, the UAE and Saudi Arabia has increased significantly in recent years. The IMEC itself was meant to be more than a trade corridor. Its implementing partners would lay cables for "electricity and

digital connectivity”, pipes for “clean hydrogen export”, to “increase efficiencies, reduce costs, enhance economic unity, generate jobs, and lower greenhouse gas emissions.”

From the perspective of trade facilitation and accessibility, the IMEC was meant to address several issues that continue to persist till date, including no corridor-wide tariff standardisation and low financial integration among corridor partners, lack of corridor-wide insurance, and widely differing port capacities. The ambitious cross-Saudi/UAE railway meant to transit goods between the corridor’s sea-legs was also significantly under-developed.

However, these presented benign modality and sustainability challenges which could be mitigated through commitment and investment from all stakeholders. Indeed, in September 2023, participants explicitly agreed to meet within sixty days “to develop and commit to an action plan with relevant timetables.”

Less than a month later, the Middle East plunged into an unprecedented conflict that continues till date, and the intended stakeholder meeting never occurred.

Gaza poses fundamental challenges

The underlying economic logic of the IMEC remains. However, its challenges have evolved from reconcilable to fundamental. The single most important issue is Israel’s increasingly unpopular war on Gaza, which has killed at least 61,000 people thus far.

The IMEC’s cornerstone is the ‘Middle East-Europe’ connection, between Jordan and Israel.

Unlike in 2023, Jordan-Israel relations are presently at a significant low, and are worsening due to the Israeli-American push for Jordan to absorb more of the Palestinian population.

From the Archive | As Israel-Hamas conflict gets deadlier, what happens to the India-Europe economic corridor?

Similarly, the potential for Saudi-Israel normalisation is much lower today than in 2023. Riyadh has doubled down on the need for Israeli concessions towards Palestine while Israel’s appetite to concede a Palestinian state is at a historic low. In fact, Israel is presently focused on formally re-occupying and potentially re-settling the Gaza Strip, despite intensifying global opposition.

The direct downstream impact of Israel’s seemingly endless war is the worsening of even those challenges which could be mitigated through reconciled trade practices between

stakeholders.

For instance, while the Houthi attacks on Red Sea shipping (which carries the bulk of Europe's trade) vindicated the need for the IMEC as a more secure alternative, the expansion of Israel's war (into Lebanon, Yemen, Syria, Iraq, and with Iran) bodes high insurance premiums for any trade transiting the region.

That said, the corridor remains vital for Israel even as it continues to hinder its implementation. For Israel, the IMEC represents the pinnacle of its economic integration into a region where it has historically fought for acceptance and recognition.

In September, 2024, [Benjamin Netanyahu](#) held up a map at the UN showing states on the IMEC route as “blessed” with those in Iran's Axis as “cursed” — reflecting the IMEC's role as an invaluable adhesive to bind Israel with the Arab world, minus Palestine.

Future of IMEC up in the air

While the western leg of the corridor is unlikely to materialise in the near future, the IMEC's eastern leg benefits from the strategic partnerships that India has forged with the Arab states.

While India's economic and strategic relationship with the UAE has the most depth, India is Saudi Arabia's second largest trading partner and both states have had a strategic partnership since 2010. These partnerships have yielded several instruments to bolster connectivity. For instance, Riyadh and Abu Dhabi both also allow the use of UPI for fund transfers and remittance payments, improving the potential for digital connectivity along the IMEC route.

Consequently, for India, progress on the IMEC corridor is very much possible. This is despite internecine issues between Arab states over trade modalities. The Saudi need to undercut the Emirati economic dominance of the region continues.

For example, in 2021, Riyadh imposed new tariffs specifically on those GCC states that have “free zones” offering preferential tax and customs treatments. Objectively, this is standard economic competition between two Gulf powerhouses competing for influence and investments. But for a broader corridor that requires a common vision, this is a strong hindrance.

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In the long term, for the IMEC to be realised in its originally envisioned form, a secure and stable Middle East is an imperative. This implies that if the IMEC was seen as the fruit of the

region's unprecedented stability in 2023, the regional architecture that brought about this stability will have to be recreated.

Since that architecture failed to endure, it is now evident that as long as principal issues such as that of Palestinian statehood are not addressed, any regional connectivity plan will inevitably be susceptible to renewed conflict. Global recognition of the unsustainability of Israel's war is now apparent with more Western states both recognising the Palestinian state as well as reconsidering the terms of their support to Israel. Germany's decision to halt weapons shipments that Israel can use in Gaza, in response to Israel considering a broader re-occupation of the Strip, is a case in point.

Given both its scale and scope, the IMEC is essentially now a 'day-after' plan — waiting for the resolution of the Middle East's oldest conflict. Until then, efforts like the August meeting in New Delhi can only focus on modalities and trade facilitation, with implementation being contingent on conflict resolution.

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