

# Conflating or Encumbering Intentions?

## North-South Corridor Possibilities

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The presidents of Iran and Russia, Ebrahim Raisi and Vladimir Putin, respectively, met on 7 December 2023 in Moscow where they held (according to the Kremlin’s spokesperson) “extremely intensive” discussions about the war in Gaza and the conflict over Ukraine as well as “multifaceted aspects of bilateral Iranian-Russian cooperation.” The leaders also discussed oil prices and other energy issues, as the meeting took place after a surprise trip by Putin to the Middle East (U.A.E. and Saudi Arabia, both on 6 December 2023). Putin has limited his foreign travel in the past few years, although in recent months he had visited China (17-18 October 2023 to attend the Belt and Road Forum for International Cooperation) and made several trips to Central Asia (i.e., to Kyrgyzstan for the CIS Summit on 12-13 October 2023, to Kazakhstan for the Russia-Kazakhstan Interregional Cooperation Forum on 9 November 2023, and to Belarus for the CSTO Summit on 23 November 2023), evidencing his desire to highlight the importance he continues to place on Russia’s neighborhood, but also on trade and connectivity issues.

The Raisi-Putin meeting took place one day after Iranian Foreign Minister Hossein Amir-Abdollahian and his Russian counterpart, Sergey Lavrov, had signed a declaration on ways to mitigate and offset Western sanctions on both countries. The rapprochement was conveyed when it was reported that when Putin met Raisi, the two joked that Putin considered dropping by Tehran while he was in the Middle East but knew Raisi had already packed his bags for Moscow.

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The world has watched how Moscow and Tehran have buttressed their relationship. On 28 November 2023, Iran’s media announced—mere days before the Raisi-Putin meeting—that Iran’s Deputy Defense Minister Medhi Farahi declared that plans had been finalized for Iran to acquire 24 Russian Sukhoi Su-35 fighter jets, military Mi-28 attack helicopters, and Yak-130 jet trainers—a deal that had apparently collapsed in July 2023 (note that Russia has not confirmed this avionics sale). Such aircraft would allow Iran to deter Israeli air-to-air capability, as Tehran currently only had ground-to-air defense capability. Raisi’s visit to Moscow must also be seen in light of Russia’s efforts to foster alliances and deepen relations outside the Western sphere (another successful example is India), thus pointing to the failure of attempts by the U.S. and the EU to isolate Russia through the imposition of unilateral sanctions.

Circumventing sanctions is a common design by both countries, as is the attempt to develop alternative development mechanisms, including trade, transport, and connectivity. One of the multifaceted aspects of the Russia-Iran relationship is the International North-South Transport Corridor (INSTC), which has drawn new attention and importance as both countries seek to replace now-sanctioned trade routes.

On 17 May 2023, an agreement was signed to establish the Rasht-Astara railroad section in Iran, with Putin joining in via video link. According to the document, Moscow and Tehran will jointly finance its design and construction, as well as the supply of goods and services. The agreement provides for the construction of 170 km of railway needed to connect the terrestrial sections of the INSTC to increase the economic efficiency of a trans-Caspian route. The document assumed that the Rasht-Astara line would be built by Moscow and Tehran, while the Astara, Iran–Astara, Azerbaijani line would be built with the participation of Moscow, Tehran, and Baku. They would intend to provide a transportation lifeline for both countries by relying on Azerbaijan as a critical link, thus allowing them to connect from the Baltic Sea to the Indian Ocean. The Rasht-Astara section’s launch is reportedly scheduled for 2027.

This railroad has long been on the drawing board. As with any grand connectivity project, it started as a far-fetched dream to connect Northern Europe with India via a land corridor crossing Russia, Azerbaijan, and Iran—and eventually as a counterbalance to the East-West transport corridor (generally referred to as the Middle Corridor). INSTC is a 7,200-km multimodal transportation network originally established in 2000 that stretches from India, Iran, Azerbaijan, and Russia via ship, rail, and road, goes through Iran and connects South Asia with North Europe. Azerbaijan, Russia, and Iran signed an agreement in 2005 to build a railway connecting existing lines in Iran to Astara, for which only 350 kilometers of track were needed. Construction was expected to take about two years. Iran began construction of its portion in 2009. However, only half of it—the Qazvin-Rasht link—was completed in the past decade. Apparently the second half—the Rasht-Astara portion—turned out to be more technologically complicated that required additional funding. In 2016, Azerbaijan agreed to partially finance (along with Iran) the

construction of the Astara-Rasht section. In 2018, reportedly Teheran agreed to receive a loan in the amount of \$500 million from Azerbaijan for the construction of the Rasht-Astara railway. But there was no further progress.

The corridor got new life following the onset of the present stage in the conflict over Ukraine that began in February 2022 and the resulting Western attempts to economically isolate Russia. Now it is Russia that is offering to fund the railroad's construction, with a loan of 1.3 billion euros—this was after Putin called on Russian businesses in mid-March 2023 to invest in constructing the Rasht–Astara line but it was revealed in May 2023 that the Russian government would fund the project itself.

Moscow and Teheran have described the project's potential in pivotal and historic terms—a regional geopolitical breakthrough. They indicate that the route will substantially diversify global transport flows, with terrestrial shipments along the new corridor benefitting from significant competitive advantages. Putin indicated that the route should decrease cargo transit time between St. Petersburg and Mumbai to ten days from the current 30 to 45. Russian First Deputy Prime Minister Andrei Belousov declared that land cargo transport between Russia and Iran could reach up to 45 million metric tons by 2030, triple the current figure.

An important issue to highlight is that while the agreement was between Russia and Iran, it evidently needs the full acquiescence and consent of Azerbaijan, with which the two countries will have to separately sign an agreement, as Putin acknowledged at the Summit of the Eurasian Economic Union on 24 May 2023.

The coincident rise of two overlapping corridors (the Middle Corridor and INSTC) has put Azerbaijan in a uniquely advantageous spot—as my colleague Damjan Krnjević Mišković has put it on various occasions, “Azerbaijan is the indispensable state for the advancement of the strategic connectivity ambitions of all the major powers in the context of the Silk Road region.” Azerbaijan's railway network registered a 63 percent increase in transit traffic in 2022 compared to 2021, and that was without major significant infrastructure improvements. Nonetheless, Azerbaijan has been implementing projects in the transport field for many years. As President Ilham Aliyev stated in January 2023, the Russia-Ukraine war simply enhanced the importance of Azerbaijan's efforts. He added that 15 million to 30 million tons of cargo could be transported in Azerbaijan just through INSTC. This is a very relevant figure, as Azerbaijan's transit opportunities will markedly increase.

In this sense, the INSTC can become a complementary project to the Middle Corridor and make Azerbaijan the connectivity crossroads of the entire Silk Road region.

Azerbaijan has been developing domestic resources and infrastructure with a view to neighbors and international markets. Both the East-West and North-South trunks that pass through its territory have been completed. As of November 2023, works

were underway to expand railroad cargo handling capacities along both corridors, as Aliyev noted in a speech at the recent Economic Cooperation Organization (ECO) summit in Tashkent. For this purpose, Azerbaijan has invested billions of dollars into its transportation infrastructure and further making it accessible to ECO member states. In fact, in the past 20 years, more than \$310 billion have been invested in Azerbaijan (of which, circa \$200 billion have been invested in the non-energy sector).

Azerbaijan has completed its domestic infrastructure to accommodate both transport corridors. As of December 2023, Azerbaijan was in the process of upgrading INSTC's capacity (just as it had done with the Baku-Tbilisi-Kars (BTK) railroad), to be prepared to handle the foreseen increase in trade volume and guarantee due delivery. The interesting theme for Azerbaijan is that enhancements to INSTC's infrastructure may also benefit South-West movements (Persian Gulf- Azerbaijan-Georgia).

Said improvements have achieved results, as these corridors are already being used by several Russian companies by routing through Azerbaijan to reach Georgia and Europe. For these purposes, relations have further been cemented between all the countries involved—those located in Central Asia, Azerbaijan, Georgia, and Türkiye.

Such efforts illustrate an essential concept of geopolitics. The physical location of Azerbaijan is a unique asset. We have repeatedly heard “location, location, location.” But it is not just location that matters in today's world, even if it is an enormous asset; what matters is what a country does on top of its geography—what it does to harness the potential of its geography. As Aliyev put it on 6 December 2023 at a conference held at ADA University: “when geography doesn't have infrastructure, it's just a place on the map.”

Due to the presence of Russia and Iran, Azerbaijan's participation in the development of INSTC may imply worries for Baku due to the latter's ties to the West. However, the country has continuously avoided negative examination, just like other countries, including Georgia and Türkiye.

On dealing with Iran, another set of political hindrances may arise, as relying on an Azerbaijan-Iran link could be precarious since their ties have seen ups and downs of late. Further, legitimate questions are raised in the context of the cost-effectiveness of the Rasht–Astara line compared with the Iranian road transport network, as gasoline is heavily subsidized in Iran and road infrastructure is significantly better than rail. This would also explain why the Russian government has offered to fully finance the project amid an apparent lack of interest from Russian private investors. Nonetheless, Russo-Iranian cooperation has also followed loan paths. In 2021, for example, Russia loaned Iran \$5 billion for infrastructure projects. Also in 2021, it became known that Iran owed 500 million euros for the construction of the Bushehr nuclear power plant. Furthermore, Iran's debts for Russian agricultural products

are also rising. In May 2023, Russia's Deputy Prime Minister Marat Khusnullin declared that Russia estimates spending about \$3.5 billion on INSTC by 2030.

On the other hand, Azerbaijan has demonstrated a clear pragmatic and long-term vision in its foreign policy. Enhanced economic connections via INSTC could discourage the onset of future political tensions. Baku may now see that Moscow and Teheran seem more intent on making the INSTC work, perceiving their need for such a railroad. This, in turn, would strengthen Baku's position in any upcoming negotiation. We must remember that Russian Foreign Minister Sergey Lavrov has repeatedly appealed for a decrease in Azerbaijan-Iran frictions. And as of this time of writing, it appears that his calls have not gone unnoticed.

Putin's Middle East trip tied in with his Moscow meeting with Raisi, sending several clear messages to the region and the world. Putin is making an effort to evince that he is far from isolated and is even welcome by states that—prima facie—are close U.S. partners. These encounters also send a message to Washington from Abu Dhabi and Riyadh, which do not like feeling being taken for granted. The Putin-Raisi meeting is noteworthy for having focused on energy policy, following his encounters with Emirati and Saudi leaders. On the Gaza-Hamas question, it underscores the international split on responses to Russia's "special military operation" in Ukraine vis-à-vis Israel's response to Hamas' terror attack, with a perception felt in the Global South, particularly by many across the Arab world, of double standards.

But a long-term outcome of the Putin-Raisi meeting was its implications for the geopolitical reconfiguration of the Silk Road region—particularly after the restoration of Azerbaijan's sovereignty over Karabakh. The INSTC is regional interest not only for Russia and Iran, but for all involved in East (China)-West (Europe) trade. In logistics terms, some could say it is linking the extremes of the Silk Road region with one railroad, bypassing large swaths of oceans with a cheaper and faster route.

Indeed, proper infrastructure takes a place from the map into the world's vision.