

Middle Transport Corridor:

Trade and Security Benefits for Wider Region Coupled with Challenges

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Search for alternatives

There are two major trade routes connecting Asia with Europe, the traditional *Indian Ocean maritime route* which has been heavily used historically and at present times also it is the major contributor to the international trade transit and the other trade route is the *Eurasian Northern Corridor* connecting Russian far East and the East & North East China to Europe through the railways. The countries in Europe, Central Asia and East Asia have been looking for a viable alternate trade route that would provide them with the options, firstly, to bypass the Eurasian Northern Corridor as this route is mostly dominated by Russia and also not very feasible for most of the central and south European countries and secondly, to avoid the Indian Ocean maritime route that is long and time-consuming and it may be interdicted by the countries aspiring to enhance their footprints and influence in South East Asia.

The *Trans-Caspian International Transport Route (TITR)*¹, also known as the *Middle Transport Corridor* is a multi-lateral and multi-modal transport system that links the ferry terminals of the Black Sea and Caspian Sea with railways in the Caucasus and Central Asian Region and China. This trade route is a viable option for the countries to avoid the trade route through Russia and the traditional maritime route through the Indian Ocean. However, this

¹ Ziomecki, M. (2022). *Central Asia's Middle Corridor gains traction at Russia's expense*. [online] GIS Reports. Available at: <https://www.gisreportsonline.com/t/middle-corridor/#:~:text=The%20Trans-Caspian%20International%20Transport%20Route%20%28TITR%29%2C%20known%20as>

route has its fair share of challenges- geographical, political, administrative and infrastructure. Notwithstanding the challenges, the excitement over the Middle Corridor has risen high recently due to the prolonged Russia-Ukraine war which has made this route more attractive, economically and geopolitically. The second attractive reason is the substantial potential it has to reduce the time needed to transship the goods between East Europe and Central Asia and China. If the potential of this Corridor is fully realised and the challenges are overcome, this trade route will give the other two trade routes a run for their money and can positively transform trade and economies across the nations of two continents, Europe and Asia.

This article traces the genesis of the idea of the Middle Corridor Trade Route and its realisation; the beneficiaries of this Corridor; the trade and security benefits to the countries in Europe and Central Asia; the challenges and the way ahead touching briefly on the aspects of the political and economic aspirations of Turkey, Caucasian countries, Central Asian countries and China. The article will also bring out the geo-economic impact at the regional level.

Genesis and Realisation of an Idea

It was Turkey that first mooted the idea of the ***TITR aka Middle Corridor Trade Route*** in the late 2000s. However, bringing the idea from the drawing board to the implementation on the ground has been a long winding road. The TITR route runs along the Caucasian region, the Caspian Sea, Kazakhstan in Central Asia, and China.² To begin with, for this trans-continental, multi-lateral and multi-modal transit route involving all kinds of transport modes, railways, ports, ferries and roads, the participating and stake-holding countries, Turkey, Azerbaijan, Georgia, and Kazakhstan, lacked the required transport infrastructure. The countries along the route initially thought of doing the patchwork within their state boundaries but that was grossly inadequate.

The first step came in the form of the *Trans-Kazakhstan Railway line (Zhezkazgen-Beyneu)* that opened in 2014.³ This line is 988 km long creating a seamless rail connectivity in the east-west direction, shortening the distance for freight from China to the Caspian Sea by 1000 km. Coming in its wake was the completion of the *Baku-Tbilisi-Kars (BTK) railway* on 30 October

² middlecorridor.com. (n.d.). *Route*. [online] Available at: <https://middlecorridor.com/en/route>

³ Hashimova, U. (2021). *What a New High-Speed Railway Tells Us About Kazakhstan-Uzbekistan Relations*. [online] thediplomat.com. Available at: <https://thedi diplomat.com/2021/02/what-a-new-high-speed-railway-tells-us-about-kazakhstan-uzbekistan-relations/>

2017⁴ enabling rail passage through the Caucasus mountains, connecting Azerbaijan, Georgia and Turkey.

It was only in 2020 when the first train left Kars using the Middle Corridor Trade route and arrived in China from Turkey. It was the collaborative efforts of Turkey, Azerbaijan, Georgia and Kazakhstan to turn the idea of the Middle Corridor Trade Route into reality. Synergising the efforts at the inter-governmental and private player levels, these countries held several meetings to improve the infrastructure and mitigate trade frictions. The other countries viz Kyrgyzstan, Turkmenistan and Uzbekistan have now become interested to emulate the Kazakhstan model and improve their railways to be connected to this corridor.

Trade benefits

As per Asian Development Bank, May 2021 statement, “***The development of Middle Corridor is institutionally independent and potentially transformative for the economies of Central Asia, the Caucasus and Turkey.***”⁵ By linking diverse economies, the Corridor creates a favourable environment for increased trade and economic growth primarily for Turkey, Caucasian countries and the selected Central Asian countries, as of now. The trade benefits are surely not going to be limited only to these few countries but are going to spill over to other European, Central and East Asian countries in the future.

An interesting statistic shows that there has been a noticeable increase in the trade and cargo shipments through this route during the Covid pandemic. And, this surge has been further fueled by the Russia-Ukraine protracted war that has given the viable alternative to the Eurasian countries to use the option of Middle Corridor instead of the Eurasian Northern Corridor due to obvious reasons. This unexpected rise in the utilisation of the Middle Corridor has already caught the attention of the world, particularly the European and Asian Countries. The shipping companies of Austria, Denmark, Finland and the Netherlands have become interested to invest in this opportunity.

⁴ Parkhomchik, L. (n.d.). *Recent Developments in the Baku-Tbilisi-Kars Railway Project*. [online] Eurasian Research Institute. Available at: <https://www.eurasian-research.org/publication/recent-developments-in-the-baku-tbilisi-kars-railway-project/>

⁵ Kenderdine, T. (2021). *Middle Corridor—Policy Development and Trade Potential of the Trans-Caspian International Transport Route*. [online] www.adb.org. Asian Development Bank. Available at: <https://www.adb.org/publications/middle-corridor-policy-development-trade-potential#:~:text=The%20Trans-Caspian%20International%20Transport%20Route%20%28TITR%29%2C%20known%20as> [Accessed 26 Jun. 2023].

Here are some key trade benefits that have already begun to be realised and would accrue more benefits as the infrastructure gets fully developed; the freight systems are in place; geo-political situations get stabilised and trade frictions are smoothed between the stake-holding countries:

- *Speed of transiting of goods:* The goods starting from China and transiting through Kazakhstan, the Caspian Sea, Georgia, Azerbaijan and Turkey can reach European markets in 15 days instead of 35-40 days which are taken via the maritime trade route through the Indian Ocean. However, the challenge lies to leverage this potential of reducing the transit time by building necessary logistics and transport infrastructure.
- *Regional Integration:* Since the Corridor facilitates the movement of goods across borders by providing speedy transportation infrastructure, the common aim of Turkey, Caucasian and Central Asian Countries will be to tap this international transport facility to boost their economies and open doors for newer opportunities. For that to happen, the countries must cooperate and synergise their efforts to reduce trade barriers; they must have efficient systems and processes in place for trans-border movement of shipments; and, the countries must gain from each other strengths in terms of modes of transport and several other areas wherein they can form work-groups amongst the government and private stakeholders transcending the borders. All these activities will promote regional cooperation, build confidence and foster the spirit of regional integration. Regional integration will help in economic growth and lead to the creation of new trade and business opportunities. The Caucasus region comprising Azerbaijan and Georgia and extending to Turkey are likely to foster better relations and in future, Armenia may also join the bandwagon to get the trade benefits generated by the Corridor. In the Central Asian region, Kazakhstan, Turkmenistan, Kyrgyzstan and Uzbekistan are likely to develop better state relations and be benefitted from the trade opportunities offered by the corridor.
- *Market Access:* The Middle Corridor will expand market access for participating countries, enabling them to penetrate into newer markets and reach a larger consumer base. By improving connectivity and reducing transportation costs, the Corridor will surely enhance the competitiveness of local industries, allowing them to export goods more efficiently and gain a competitive edge in international trade. Europe will definitely see the Middle Corridor as a plausible and attractive option as it offers access to the growing markets of the countries of Central Asia and the Caucasus region, as also the faster access to the Middle East, North

Africa and the European Mediterranean region via the ports in Georgia and Turkey. China will also have an eye on the untapped markets of South Caucasian and Central Asian countries.

- *Diversification of Trade Routes:* The Middle Corridor offers an alternative trade route between Asia and Europe reducing dependency on existing routes and diversifying supply chains. This diversification will improve resilience and mitigate the risks associated with over-reliance on a single Northern Transportation Corridor. It will also create opportunities for landlocked countries to access international markets through this Corridor, reducing their dependence on coastal neighbours.
- *Infrastructure Development:* The construction and maintenance of the Middle Corridor will require significant infrastructure development, including roads, railways, ports, ferries and logistical facilities. This infrastructure development will boost the local economies by generating employment opportunities and attracting investments. It will also serve as a catalyst for further propelling economic growth and development in the surrounding regions.
- *Diversified Sectors.* Europe needs energy and the Azerbaijan and Central Asian countries will supply it through this route; on the other hand, the Central and East Asian countries are supplied the premium goods from Europe. And, several other sectors will also get benefitted. The vast potential of the TITR can unleash new investments in countries across the route, uniting trade partners at a turbulent time when alternative transport routes are needed.
- *Benefits to landlocked countries.* A fair share of economic boost to the landlocked countries of Central Asian region will be from this Corridor that will also give them access to the main maritime points of Baku seaport (Azerbaijan), Aktau / Kursk ports (Kazakhstan), and Turkmenbashi port (Turkmenistan).

Security Benefits

In addition to the trade and economic benefits, the Middle Transport Corridor will promote security cooperation among participating countries. By fostering collaboration and dialogue, the Corridor will contribute to regional stability and strengthen security in the following ways:

- *Counter-terrorism efforts:* The Middle Corridor facilitates information sharing and coordination among countries enabling them to effectively combat terrorism and cross-border

criminal activities. By enhancing intelligence exchange and joint operations, the Corridor will improve the security landscape and help prevent illicit movements along the route.

- *Border Security:* The Middle Corridor serves as a platform for enhancing border security measures. Participating countries can collaborate to strengthen border controls, implement common customs procedures, and ensure the smooth flow of goods while maintaining security. This cooperation reduces the risks of smuggling, human trafficking, and other illicit activities.
- *Conflict Resolution:* The establishment of the Middle Corridor encourages dialogue and cooperation among nations with historical tensions or conflicts. By providing a shared interest in regional stability and economic prosperity, the Corridor creates a conducive environment for resolving disputes peacefully and fostering long-term peace-building efforts.
- *Maritime Security:* As the Middle Corridor connects landlocked regions to coastal areas, it also contributes to maritime security by promoting cooperation among littoral states. This collaboration involves joint patrols, information sharing, and capacity-building initiatives to address maritime threats, such as piracy and illegal fishing.

Challenges & Likely Pitfalls

A lot of optimism has been placed on the potential and feasibility of the Middle Corridor, yet all this optimism has to be taken with caution. There are several bottlenecks in the operations of Middle Corridor, the major ones are: inadequacy of infrastructure; poor control and processes for cross-border movements; lack of digitization; low capacities of railways, ports and ferries; lack of transparency in freight charges; geo-political instability; lack of inter-governmental dialogues; China's ambivalent approach to the Corridor and dilemma over the fate of the Corridor post-Russia-Ukraine war.

All the above-described bottlenecks are ground realities and affect the performance parameters of the Middle Transport Corridor. The obstacles caused by low capacities, lack of infrastructure, poor processes and lack of digitization can be overcome by synergising the government's and private parties' efforts. However, there will be few unpredictable factors: the geo-political situations in Central Asia and the Caucasus region, post Russia-Ukraine spill over effects and China's approach to deal with Central Asian and Caucasian countries. Let us look into the obstacles:

- *A fragile construct:* The Middle Corridor remains a fragile construct as geography plays a major role with terrain constituting a prime obstacle. The route is a multi-modal corridor consisting of sea, rail and road routes, making logistics more complex. Though the first cargo train embarked on its journey in 2020, and there has been an enhancement of infrastructure, yet as compared to Eurasian Northern Corridor and as per international standards, there is a lot that is required to be done. There is also a lack of necessary infrastructure in the Caspian Sea and the Black Sea where there is a need to have deep sea-ports. The long-stalled Anaklia deep-sea port in Georgia has not yet been built, though it was recently announced that the Georgian government will pursue its construction.
- *Low capacities:* The Middle Corridor is running at a very low capacity; it is currently estimated to be only about 5% of the capacity of the Northern Corridor.⁶ There is a shortage of transport vessels on the Caspian Sea and locomotives and wagons in Azerbaijan and Georgia. The route goes through the land, about 4000km and 500km through the Caspian Sea. Limited railway capacities in the Caucasus region, particularly in Georgia, and a shortage of ships in the Caspian Sea are the major bottlenecks. Similarly, is the shortage of seaports and railways in Central Asian countries. In response, both Azerbaijan and Kazakhstan are actively working on the expansion of their seaports. For instance, Azerbaijan plans to enhance the cargo capacity of its Baku Sea Port from the existing 15 million tons to 25 million tons - well below the capacity (over 100 million tons) offered by the Northern Route. The Central Asian countries are also required to beef up the rolling stock capacities. The increased volume of traffic with the low rolling stock capacities and lack of facilities at seaports along with other snarls lead to transport times currently extending up to 30/35 days, thus losing out the advantage over the maritime route.
- *Lack of efficient cross-border controls:* the countries have not been able to harmonise and simplify the regulatory and customs procedures for the transit cargo, whereas, within the Northern Corridor, European importers can enjoy a single price quote and streamlined delivery managed by a single operator.

⁶ RailFreight.com. (2022). *Middle Corridor unable to absorb northern volumes, opportunities still there*. [online] Available at: <https://www.railfreight.com/specials/2022/03/18/middle-corridor-unable-to-absorb-northern-volumes-opportunities-still-there/?gdpr=accept>

- *Lack of digitisation:* The real-time tracking of goods and shipments throughout the route utilising the Global Position System (GPS) is a must which is presently lacking. So is the digitisation and automation of all of the systems and processes including freight charges, manifest details, trans-border movements, transshipments from one mode of transport to another etc. The facilities and services provided in the Corridor have to be modernised using IT & AI tools.
- *Lack of transparency in freight charges:* Another challenge is the unstable freight charges that keeps changing that too at a short notice. Due to the increased demand for rolling stock, transport prices have risen sharply, albeit with irrational pricing. The lack of transparency of the freight charges makes it troublesome for freight forwarders to calculate prices, thus reducing the attractiveness of the route.
- *Lack of inter-governmental dialogue:* Other problems along the Middle Corridor include a lack of effective inter-governmental dialogue. To have tangible progress requires large external actors to be interested in the corridor. The EU seems interested. Brussels looks at the South Caucasus as an energy source and a bridge to the Central Asian region. Brussels signed a massive gas deal with Azerbaijan and laid out the plan for an underwater green energy cable connecting the region with the EU.
- *Geo-political instability:* The protracted war between Ukraine and Russia; the post-war scenarios that would emerge; China's and Russia's stakes in the region; Turkey's role in the whole ambit and the interests of EU and USA in the patronising of this Corridor will be the few factors that are difficult to be ascertained now and would keep changing with times and accordingly will be the effect on the trade and shipment volumes on this trade corridor.

Way Ahead

If we map the Corridor from China's end, the TITR presently begins in the Chinese port of Lianyungang and transits through Kazakhstan, the Caspian Sea, Azerbaijan, Georgia and Turkey, expanding further to Europe either through Georgian Black Sea Ports or through Turkey by Baku–Tbilisi–Kars railway. There is adequate room for further expansion when the other countries get interested and the new members are accepted. Ukraine, Romania and Poland are already active participants of the TITR, while Kazakhstan has recently invited Uzbekistan to join the route. In times to come, the Middle Corridor with newly inducted members, can reach the European market more efficiently thus strengthening the vital East-West trade axis. The willingness of participating countries to develop further regional collaboration and amplify

transportation networks across Eurasia is very present and strong. The Middle Corridor is built to carry huge volumes of goods and cargo from China to Europe and back. As such it possesses a great potential for boosting regional economic cooperation, especially between the South Caucasus and Central Asia.

The Middle Transport Corridor offers significant trade and security benefits for the wider Eurasian region encompassing Turkey, Caucasian region comprising Georgia, Azerbaijan and Armenia and the Central Asian region comprising Kazakhstan, Uzbekistan and Turkmenistan. There will be spill-over advantages of trade benefits to the other European and East Asian countries also. Through enhanced trade opportunities, it will stimulate economic growth, regional integration, and market diversification. Moreover, the corridor promotes security cooperation by facilitating counter-terrorism efforts, strengthening border security, supporting conflict resolution, and enhancing maritime security. As countries continue to invest in the development and maintenance of the Middle Transport Corridor, the region stands to reap the rewards of increased trade.

However, the road is still riddled with bottlenecks in the form of a lack of infrastructure facilities such as railways, roads, ferries, seaports and controlling centres that need to be improved substantially to reap the benefits of shorter distance and less transit time as compared to the other two routes available. Otherwise, the infrastructure bottlenecks coupled with geopolitical uncertainties in the region may bring down the positive response this trade route is getting at present. So need of the hour for the stakeholders is to iron out the processes at the borders, reduce the trade frictions between the states, improve the infrastructure substantially and bring consistency in transit time and safety of the cargo

In essence, all three functionalities of running the Middle Transport Corridor efficiently, that is, the infrastructure, the services and the institutions responsible for coordination, have to be of high standards so as to ensure more volume of cargo shipping through this route to further open the newer windows of opportunities.

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