



THE MIDDLE CORRIDOR

A EURASIAN ALTERNATIVE TO RUSSIA

Konrad Popławski

Sandra Baniak, Adam Michalski, Marcin Popławski

THE MIDDLE CORRIDOR

A EURASIAN ALTERNATIVE TO RUSSIA

Konrad Popławski

Sandra Baniak, Adam Michalski, Marcin Popławski

Co-operation: Wojciech Górecki, Jakub Jakóbcowski

© Copyright by Centre for Eastern Studies

CONTENT EDITOR

Jakub Jakóbowski

EDITOR

Tomasz Strzelczyk

CO-OPERATION

Katarzyna Kazimierska, Matylda Skibińska, Szymon Sztyk

TRANSLATION

OSW

CO-OPERATION

Jim Todd

CHARTS AND MAPS

Wojciech Mańkowski

GRAPHIC DESIGN

OSW

DTP

Wojciech Mańkowski

ILLUSTRATION ON COVER



Vladimir Mulder / Shutterstock.com



Centre for Eastern Studies

ul. Koszykowa 6a, 00-564 Warsaw, Poland

tel.: (+48) 22 525 80 00, info@osw.waw.pl

  www.osw.waw.pl

ISBN 978-83-67159-79-1

Contents

MAIN POINTS | 5

I. THE MIDDLE CORRIDOR:

ITS ORIGINS, COURSE AND RECENT DEVELOPMENT | 9

II. THE MIDDLE CORRIDOR'S ECONOMIC RATIONALE | 12

1. The transport potential | **12**

2. Bottlenecks | **17**

III. THE POLITICAL LOGIC BEHIND THE DEVELOPMENT OF THE MIDDLE CORRIDOR | 21

1. The external players' attitude towards the Middle Corridor | **21**

2. A perspective from Central Asia and the South Caucasus | **27**

IV. FUTURE PROSPECTS | 32

MAIN POINTS

- The ongoing Russian invasion of Ukraine, which is approaching its two-year mark, has not only precipitated substantial political reassessments in capitals around the world, but is also catalysing profound shifts in Eurasian transportation networks. On the one hand, the invasion is contributing to the decline of rail freight along the Northern Corridor of the Silk Railroad that has rapidly expanded over the past decade connecting China and the European Union. This corridor, which runs from China through Kazakhstan, Russia and Belarus to Poland and the rest of the EU, witnessed a 50% drop in freight traffic in 2023 compared to the previous year. Increasingly, the corridor's far-eastern segment is primarily serving as a cargo route between China and Russia. On the other hand, the war in Ukraine is also serving as a significant catalyst for the development of an alternative route, known as the Middle Corridor. This corridor, which has principally been developed under the Trans-Caspian International Transport Route (TITR) framework, goes through Kazakhstan, across the Caspian Sea, Azerbaijan, Georgia, the Black Sea, and then onward either via Turkey or into the EU directly.
- Before 2022, the Trans-Caspian Middle Corridor was primarily a niche regional initiative, lacking the endorsement of global stakeholders and international businesses. Kazakhstan proposed the idea of developing this corridor as part of the regional TITR (Trans-Caspian International Transport Route) organisation in 2013, although similar concepts had been floated since the 1990s. Interest in the corridor surged in 2014 following Russia's annexation of Crimea, motivating states in Central Asia and the South Caucasus to collaborate on establishing transport corridors which would be independent of Russia and establish the conditions for trade diversification. Nonetheless, the absence of external support meant that the region alone could not make any substantial progress in this venture.
- The Russian invasion of Ukraine has significantly amplified the momentum for developing the Middle Corridor. The European Union's heightened interest in the corridor stems from its aspirations to improve its access to the region's raw materials, enhance connectivity with China, and bolster the efforts of Central Asian and South Caucasus states to diversify while curbing Russian influence. The United States has also intensified its diplomatic efforts in the region, particularly by endorsing the Middle Corridor's development. Turkey, another key proponent of the plan, is seeking to enhance connectivity and build stronger economic ties with the Central Asia and

South Caucasus. It also perceives substantial benefits for its logistics sectors, especially its transshipment terminals and seaports. Additionally, Moscow's diminishing influence in the Central Asia and South Caucasus, along with its increasing reliance on evading sanctions through those regions, increases the momentum for the corridor's construction.

- The development of the Middle Corridor involves a diverse array of stakeholders, including national governments, local administrations, rail carriers and operators, infrastructure managers, global logistics giants and international organisations. The concrete facilitation of the Middle Corridor – establishing its operational regulations, its specific geographical route, and thus the allocation of its economic benefits – is being negotiated through various initiatives and institutions dedicated to this end. In recent years, the TITR has emerged as the primary organisation spearheading the corridor's development. Specialised international entities such as the Organisation for Co-operation between Railways (OSJD) are also playing instrumental roles.
- China's stance is pivotal for the Middle Corridor's development. Until recently Beijing had ignored this initiative, prioritising the Northern Corridor of the Silk Road, and thus transit to Europe via Russia. However, a notable shift in its approach became apparent at the 2023 Belt and Road Initiative Forum in Beijing, where President Xi Jinping openly endorsed the Middle Corridor's development. Given the booming trade between China and Russia via the Northern Corridor and the global business community's hesitance to route transit via Russia, Beijing is now inclined to cultivate alternative corridors. This shift serves a dual purpose: it would diversify China's supply routes to the EU and intensify its economic expansion in Central Asia and the South Caucasus, thus strengthening its influence in the region. A critical consideration is whether Beijing will extend financial subsidies to transport via the Middle Corridor, thus mirroring its strategy for the Northern Corridor, which significantly increased the volume of China's direct rail trade with Europe.
- The resurgent interest in the Middle Corridor, in contrast to 2014, is marked by a significant engagement from global logistics corporations, which has been attracted and motivated by a conducive political environment. Drawing on the Northern Corridor's experience, it seems that the industry has noticed the need to expand the Middle Corridor – not only for transit of goods between Europe and Asia, but also for integrating the

demographically strong and economically promising states of the Central Asia and South Caucasus into the global economy. Since February 2022 various key logistics and shipping players, including the Italian-Swiss MSC, Denmark's Maersk, France's CMA CGM, and China's COSCO, have initiated intermodal services along this corridor.

- The traffic along the Middle Corridor is growing dynamically. It's stimulated mainly by booming bilateral trade of Central Asian and South Caucasus countries with the EU and Turkey. The transit through the Middle Corridor between the EU and China grows at slower pace with about 33,000 TEUs (Twenty-foot Equivalent Unit) transported in 2022. Due to the low sea freight rates in 2023 and multiple transshipments on the route, transport on the Middle Corridor dropped by nearly 40% last year. According to official data, only 20,200 TEUs were transhipped in 2023, although the TITR association expected this number to be at least twice as much. These modest numbers constitute only around 10% of the volume transited via Russia over the same period. The development of transit flows is hampered by the corridor's limitations including multiple bottlenecks, the necessity for frequent sea-land transshipments, and cumbersome bureaucratic processes, which lead to prolonged transit times and elevated transport costs. Overcoming these challenges would require an investment in linear and point infrastructure, rolling stock, building new border crossings and a logistics terminal network in Central Asia and the South Caucasus estimated at €18.5 billion. Coordinated efforts in infrastructure development, freight and customs procedures, and efficient logistics and transport solutions are essential for the corridor's improvement. According to a 2023 European Bank for Reconstruction and Development study commissioned by the European Commission, the Middle Corridor could reach a transit capacity of 130,000 TEUs by 2040 under the 'business as usual' scenario, and potentially up to 1.4 million TEUs if the bottlenecks are addressed and transit times between Europe and Asia are reduced to 13 days, with an additional 470,000 TEUs of intra-regional container flow.
- Even under the most optimistic projections, the Middle Corridor does not have the potential to significantly alter the structure of Europe-Asia trade flows by shifting them from sea to land. In terms of capacity and freight costs, this route cannot realistically compete with maritime transportation. It can, however, provide an interesting alternative to the Russia-based Northern Corridor. Land transport between Europe and Asia, while a niche for the past decade, remains crucial in specific areas such as the automotive,

electronics, clothing and pharmaceutical sectors. Furthermore, it plays a vital role in diversifying supply routes for essential components, particularly in light of recent significant challenges to maritime transport (port congestion in Asia and Europe, the Suez Canal blockade, and insurgent and pirate activities in the Arabian and Red Seas, as well as the Gulf of Aden). Should relations between Russia and the West ever normalise, the Middle Corridor will still struggle to match the cost-effectiveness of the Northern Corridor running through Russia, Belarus and Poland. The higher quality infrastructure and fewer transshipments & customs zones of the Northern Corridor inherently favour it. Nevertheless, the Middle Corridor can serve as a valuable auxiliary route, which the logistics industry could potentially come to prefer if the countries along its path offer greater reliability and predictability than Moscow. Historically, especially during periods of global economic peaks or port congestion, the Northern Corridor's capacity has proven inadequate to match demand for land-based transportation between East Asia and Europe.

- A significant benefit of the Middle Corridor lies in its potential to foster political and economic cohesion among the Central Asian states, which can then gradually reduce their reliance on Russia. This route not only offers these states stronger integration into the global economy but also positions them as transport connectors between East and West. Moreover, political collaboration in developing the corridor could enhance inter-regional relations and pave the way for a unified regional agenda. In this aspect, the development of the Middle Corridor can create synergies between Western, Turkish, and Chinese interests. Despite their distinct motivations for establishing links to the South Caucasus and Central Asia, these actors share a common objective of establishing a corridor that circumvents Russia.

I. THE MIDDLE CORRIDOR: ITS ORIGINS, COURSE AND RECENT DEVELOPMENT

The Middle Corridor embodies a general vision for establishing transport links between Eurasia's two economic powerhouses – China and Europe – as it traverses Central Asia, the Caspian Sea, the South Caucasus, and the Black Sea region (see the maps on pp. 35–36). This corridor is conceptualised as an alternative to the Northern Corridor, which runs from China through Russia to Europe, and saw significant freight growth from 2013 until the launch of Russia's full-scale invasion of Ukraine in 2022. Complementing these major routes are the less developed Southern Corridors, aiming to link Europe with China via Central Asia, Iran, and Turkey. Despite their smaller scale, Eurasian land transport routes offer a supplementary option to the predominant sea and air transport between Europe and Asia. For landlocked regions such as Central Asia and the South Caucasus, the east-west Middle Corridor offers a crucial trade alternative, bypassing Russia and Iran.

The concept of enhancing the Central Asian and South Caucasian countries'¹ transport links with Europe by circumventing Russia dates back to 1993 with the establishment of the Transport Corridor Europe-Caucasus-Asia (TRACECA), which united 14 countries across Asia, Europe, and the South Caucasus. Initially funded by the European Commission, TRACECA shared objectives similar to the later TITR: fostering closer economic and transport ties between Central Asia, the Black Sea Basin, and the South Caucasus with the EU, and providing an alternative to routes via Russia. TRACECA, with its institutionalised structure and secretariat in Baku, was perceived by regional countries, particularly Azerbaijan and Kazakhstan, as an EU-imposed project. The Middle Corridor's development is also being pursued through other initiatives and organisations, including China's Belt and Road Initiative, the Organisation of Turkic States, and specialised international entities such as the Organisation for Co-operation between Railways (OSJD).

In recent years, the inter-governmental Trans-Caspian International Transport Route (TITR) organisation has become the principal platform for developing the Middle Corridor. Initiated in 2013 by Kazakhstan, the TITR was established through an agreement in Astana between the railway systems of Kazakhstan, Azerbaijan and Georgia to form a Coordination Committee. This initiative,

¹ Armenia, Azerbaijan, Bulgaria, Georgia, Iran, Kazakhstan, Kyrgyzstan, Moldova, Romania, Tajikistan, Turkey, Ukraine, Uzbekistan and Turkmenistan.

which shared TRACECA's goals but was narrower in scope, explores multiple corridor routes from China through Kazakhstan, the Caspian Sea, Azerbaijan and Georgia, diverting thereafter into various paths leading to the EU. These include connections to the Black Sea ports of Constanța (Romania), Istanbul or Filyos (Turkey), and Varna or Burgas (Bulgaria); or alternatively via land to Turkish ports on the Mediterranean (Mersin), Marmara (Ambarlı or Haydarpaşa in Istanbul) or Aegean (Çandarlı) seas, or via a Bosphorus tunnel into the EU.

Since its inception, the TITR has been staunchly supported by key players including Kazakhstan, Azerbaijan and Turkey, along with other Central Asian nations, notably gas-rich Turkmenistan and the populous, landlocked Uzbekistan. Russia's annexation of Crimea in 2014 significantly alarmed these Central Asian states, leading them to elevate the importance of the TITR initiative. However, the post-2014 stabilisation of relations between Moscow and the West diminished the focus on developing the Middle Corridor. In contrast the Northern Corridor, which links China and the European Union via Kazakhstan, Russia and Belarus, underwent dynamic development during this period.²

Russia's full-scale invasion of Ukraine in 2022 brought about considerable alterations in the land transportation routes between East and West. Since the early months of the conflict there has been a notable decline in traffic on the Northern Corridor.³ In 2023, rail traffic between China and the EU plummeted by around 50% compared to 2022.⁴ This downturn was influenced by several factors: a sharp decrease in ocean freight rates, weakened trade between the EU and Russia due to economic sanctions, the withdrawal of certain European companies from the Russian market, restricted access to insurance for shipments crossing Russian territory, and (partially) the moral reservations of Western firms regarding the use of this route. Consequently, European shippers increasingly resorted to the slower but more cost-effective sea route for importing goods from China.

The full-scale invasion of Ukraine has significantly galvanised interest in the TITR initiative among the South Caucasian and Central Asian states. In October 2023, a joint venture comprising the state-owned railways of Azerbaijan,

² See J. Jakóbowski, K. Popławski, M. Kaczmarek, *The Silk Railroad. The EU-China rail connections: background, actors, interests*, OSW, Warsaw 2018, osw.waw.pl.

³ See J. Jakóbowski, 'Kolejowy Jedwabny Szlak w cieniu wojny na Ukrainie', *Komentarze OSW*, no. 477, 15 December 2022, osw.waw.pl.

⁴ *Statistics*, Eurasian Rail Alliance Index, January 2024, index1520.com.

Georgia and Kazakhstan was formed to serve as a unified logistics operator for the route. This venture is responsible for managing tariff issues and overseeing cargo operations in the Caspian Sea-Black Sea corridor's section. Furthermore, in November 2022 Azerbaijan, Georgia, Kazakhstan and Turkey finalised a roadmap for the enhancement and development of the TITR. Additionally, a transport development roadmap for 2023-7, with a focus on expanding the TITR, was endorsed at a recent summit of the Organisation of Turkic States, which also serves as a platform for cooperation among the Central Asian countries, Azerbaijan and Turkey.

II. THE MIDDLE CORRIDOR'S ECONOMIC RATIONALE

The Middle Corridor presents a unique opportunity to enhance trade not only between the South Caucasus, Central Asia, the EU and Turkey but also potentially as a major transit route between Europe and Asia. Compared to the Northern Corridor, which traverses Russia, its distance of 7000 km is 30% shorter.⁵ However, it also faces challenges due to a more complex logistics system and a less developed transportation & handling infrastructure. The key to boosting the Middle Corridor's capacity is the development of ports, railways, and a comprehensive network of logistics terminals within the region. Streamlining the documentation and customs clearance procedures will also be essential, given the multiple customs zones along the Middle Corridor. Support from leading international actors and global logistics companies is vital in this regard.

1. The transport potential

Prior to the Russian invasion of Ukraine, the development of the Middle Corridor was progressing at a modest pace; it was primarily hindered by the financial limitations of the countries involved in addressing the various barriers to its development. The concept of the development of the Middle Corridor and the collaboration among different stakeholders has been a laborious process, unfolding gradually since 2013. A truly significant milestone was reached only in 2017 with the establishment of the Trans-Caspian International Transport Route international association, which played a crucial role in institutionalising the initiative.

Over time, the TITR initiative attracted the participation of other rail carriers, logistics operators, and seaports. Notable external participants include the Polish rail company PKP LHS-Linia Hutnicza-Szerokotorowa, Ukraine's national rail carrier Ukrzaliznytsia, Lithuania's LTG Cargo, and the ports of Burgas (Bulgaria) and Constanța (Romania), along with the China Communications and Transportation Association. This broadening of stakeholders led to regular meetings aimed at coordinating various aspects which are crucial for the corridor's effectiveness. Key areas of focus included harmonising customs rates, initiating regular train and ship services, and enhancing the overall capacity of the route. One tangible outcome of these collaborative efforts was

⁵ *Sustainable transport connections between Europe and Central Asia*, European Bank for Reconstruction and Development, 16 June 2023, p. 11, ebrd.com.

the initiation of a weekly feeder service⁶ in April 2019 between the Caspian Sea ports of Aktau in Kazakhstan and Baku in Azerbaijan. This service enabled the more efficient transportation of various goods, including Kazakh grain and Chinese electronics & clothing. Such developments indicate gradual but steady progress in building up the Middle Corridor's operational efficiency.

The concerted efforts to develop the Middle Corridor have led to a notable acceleration in its growth and capacity. In 2017, the Middle Corridor handled a modest 8900 TEUs, but this figure saw a significant surge of nearly 70% to 15,000 TEUs in 2018. The upward trend continued in 2019, with another increase of over 70%, reaching 26,000 TEUs. However, these figures fell short of the initial expectations set by the main stakeholders, who had projected as much as 60,000 TEUs.⁷ The subsequent years presented challenges that affected the corridor's growth trajectory. The global pandemic and the resulting disruptions to supply chains led to a decrease in shipments through the Middle Corridor, which fell by about 20% in 2020 to 21,000 TEUs. Nevertheless 2021 saw a recovery, with an increase to 25,200 TEUs.

The Russian invasion of Ukraine in 2022, which significantly undermined the credibility and reliability of the Northern Corridor, shifted the focus of the logistics industry towards the Middle Corridor as a viable alternative route for Europe-Asia land freight. Consequently, the freight traffic via the Middle Corridor in 2022 amounted to 33,000 TEUs;⁸ while an improvement, this still did not meet the anticipated potential of 50,000 TEUs. In comparison the Northern Corridor, despite the dampened dynamics, managed to transport 410,500 TEUs in 2022.⁹ This volume is markedly higher than that of the Middle Corridor, but is dwarfed by the traditional maritime route between Europe and Asia, which handled a staggering 24.2 million TEUs.¹⁰ Nevertheless, due to the low sea freight rates in 2023 and multiple transshipments on the route, transport on the Middle Corridor dropped by nearly 40% last year compared to 2022. According to official data, only 20,200 TEUs were transhipped in 2023, although the TITR association expected this number to be at least twice as much.¹¹

⁶ Feeder services between ports are provided by small container ships with a capacity of 300 to 500 TEUs.

⁷ 'First in the new year sessions of the working group and General Meeting of the International Association "TITR" held in Baku', Middle Corridor, 17 January 2019, middlecorridor.com.

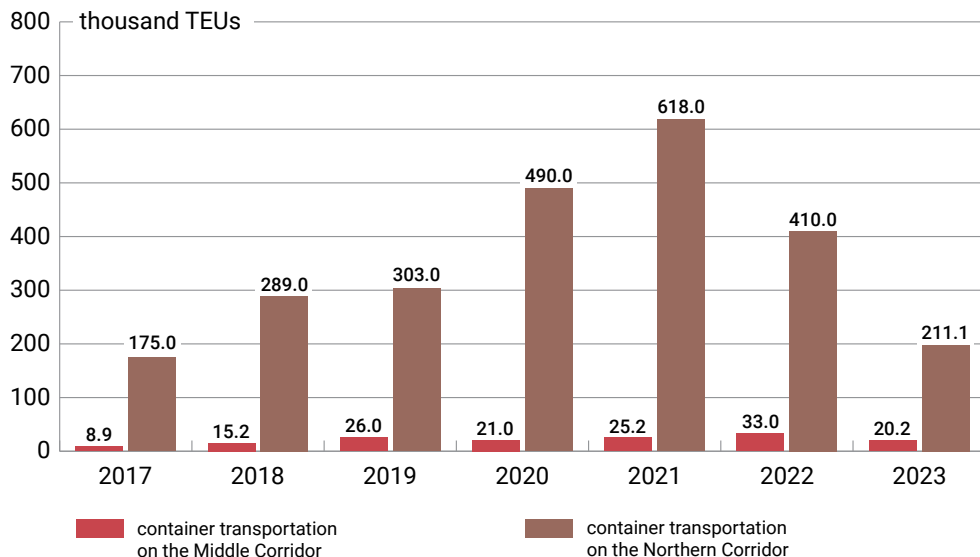
⁸ M. Raimondi, 'KTZ's Middle Corridor volumes more than doubled in 2022', RailFreight.com, 8 February 2023; H. Cokelaere, S.A. Aarup, 'Ukraine war shakes up China-Europe railway express', Politico, 25 July 2022, politico.eu.

⁹ *Statistics*, Eurasian Rail Alliance Index, index1520.com.

¹⁰ *Review of Maritime Transport 2023*, UNCTAD, October 2023, unctad.org.

¹¹ Trans-Caspian International Transport Route, middlecorridor.com

Chart 1. Container transportation on the Northern and Middle Corridors 2017–2023



Source: Statistics, Eurasian Rail Alliance Index, index1520.com; Trans-Caspian International Transport Route, middlecorridor.com.

The Middle Corridor is currently attracting significant attention from the world’s largest shipping companies, such as the Italian-Swiss MSC, Denmark’s Maersk, France’s CMA CGM, China’s COSCO, and Israel’s ZIM. These companies are launching services utilising this route, primarily through the port of Poti (Georgia). The cargo, which is diverted there from Kazakhstan through the port of Baku, is then transported either to Turkey (mainly by land) or the ports in Romania and Greece. In June 2022, the major logistics company CEVA Logistics launched a service from Xi’an in China to Duisburg in Germany. In March 2022, meanwhile, Finland’s Nurminen Logistics signed an agreement with Kazakhstan Railways to commercialise the Middle Corridor. This agreement included running test trains from China via the port of Constanța to Finland, with further connections via ferry from the port of Helsinki to Hamburg. DHL, a leader in courier services, is also operational on this route. Georgian tomatoes and Kazakh wheat also travel to Italy via the Middle Corridor.

The Middle Corridor and the diversification of the region

The Middle Corridor, as it currently stands, handles a relatively modest volume of goods between China and the European Union, a fact underscored by the small number of containers transported via this route. Typically, bulk commodities, which often have lower unit profit margins, are predominantly shipped between Europe and Asia via sea, with container transport being a more expensive and rarely used alternative for such goods.

However, the Middle Corridor holds significant potential to boost another vital trade flow: foreign trade between the European Union, Turkey, China, and the regions of Central Asia and the South Caucasus. The bulk of the goods transported via these routes are non-containerised dry cargoes originating from the region, including commodities such as grain, metal ores and sugar, as well as liquid cargoes such as oil and gas. Data from Kazakhstan Railways indicates that the volume of these cargo flows (measured in tonnes) has so far been relatively modest, with only 1.48 million tonnes recorded in 2022. Yet the corridor is experiencing noteworthy growth dynamics of 86%. In 2023, 2.76 million tonnes of goods were transported, with projections suggesting an increase to 10 million tonnes per annum by 2025.

The optimisation of the EU-China container transit logistics along the Middle Corridor is expected to reduce both the cost and transit time for dry and liquid goods between Central Asia, the South Caucasus, China, Europe and Turkey. This in turn is likely to stimulate not only transit, but also the region's own trade with its external partners. Additionally, these kinds of trade flows hold significant political implications. The development of the infrastructure within the Middle Corridor enhances the possibilities for transport diversification for the landlocked Central Asian countries. Historically, much of their trade has been routed via Russian territory. As the Middle Corridor evolves, it offers these nations alternative routes and opportunities for diversification, which can reduce their dependency on Russia and potentially reshape the region's trade landscape.

Given the strong interest from freight forwarders in using this route, the TITR is optimistic about its performance in 2023, anticipating a significant increase in cargo shipments. According to official data, in 2023 the traffic volumes on the corridor measured in tons increased by 86%,¹² though the figure for container transportation is significantly lower; in 2023 it declined by 39%. However, a 2023 study by the European Bank for Reconstruction and Development (EBRD) commissioned by the European Commission projects that the Middle Corridor could achieve a transit capacity of 130,000 TEUs by 2040 in a 'business as usual' scenario. This traffic could expand to as much as 1.4 million TEUs, plus an additional 470,000 TEUs of container traffic between the region's countries if existing bottlenecks are removed. Realising this potential would require a substantial investment of €18.5 billion and the harmonisation of regional regulations to enable a 13-day transit time between China and the EU, comparable to the Northern Corridor.¹³

A critical factor in enhancing the efficiency of the Middle Corridor is the harmonisation of customs fees and the implementation of a unified consignment note.¹⁴ Kazakhstan, Azerbaijan and Georgia are actively working towards this goal, with digital consignments notes currently being tested on the Baku-Tbilisi-Kars (Turkey) section. Such improvements in the organisation and administration of the route are anticipated to speed up transportation significantly, which will make the Middle Corridor a more attractive and competitive option for Eurasian trade. Work on creating a uniform consignment note for this route is currently underway. This is being done by the TITR and the Organization for Cooperation of Railways (OSD); this latter is based in Warsaw, and was established in 1956 to improve the coordination of international rail transport between Europe and Asia. Another organisation aimed at the further development of rail transport is the Intergovernmental Organisation for International Carriage by Rail (COTIF), established in 1980, which has a different view on the harmonisation of the consignment notes.

¹² Trans-Caspian International Transport Route, middlecorridor.com.

¹³ *Sustainable transport connections between Europe and Central Asia*, op. cit., p. 11.

¹⁴ A document confirming the transport of the goods and containing information about the place of unloading, the type of goods transported and the required customs formalities, among other data. Separate consignment notes are used in rail, road and sea transport. In international rail transport between Europe and Asia, two separate consignment notes are commonly used: SMGS and CIM. The first one is mainly used in the countries of the former socialist bloc, including China, and was developed by the Organisation for Co-operation between Railways (OSJD). In turn, CIM is valid in EU countries and some other European (i.e. Albania, Bosnia and Herzegovina, the United Kingdom, Serbia, Switzerland and Ukraine), Asian (Afghanistan, Armenia, Azerbaijan, Georgia, Iran, Pakistan) and North African countries (Algeria, Morocco, Tunisia) which have acceded to the COTIF Convention (Convention concerning International Carriage by Rail, signed in Berlin in 1980).

2. Bottlenecks

The complexity of the logistics chain means that the costs of shipping via the Middle Corridor from Kazakhstan to Poland are high, ranging from \$10,000 to \$12,000 per 40-foot container (FEU; Forty-foot Equivalent Unit), with delivery taking 50 to 60 days. This makes it less competitive than the Northern Corridor via Russia (supported by Chinese subsidies), where transport costs are presently about \$6000 to \$7000, with an average transit time of between 10 to 14 days. Although freight rates from China to Europe have risen sharply, from \$800–\$900 in November 2023 to about \$5400 in January 2024 following the recent Red Sea crisis caused by the Houthi attacks on cargo ships,¹⁵ the traditional sea route is still more price-competitive than the Middle Corridor.

Chart 2. Transshipments along the Middle Corridor route



Source: authors' own research.

Logistical questions in the Middle Corridor are particularly complex due to the need for multiple transshipments, which lead to high costs and raise the risk of damage to cargo. On average a container between Asia and Europe is transhipped five times, but along this route, it usually happens at least seven times. The complications start on the China-Kazakhstan border, where containers are switched between train platforms due to the different track gauges (Kazakhstan uses a wide track of 1520 mm, while China, like most European countries, has a standard track of 1435 mm). Another transshipment takes place in Kazakhstan's ports on the Caspian Sea (Aktau or Kuryk), where the goods are loaded onto ships. They are then unloaded at the Azerbaijani port of Alat (part of the port of Baku) and transported on to Georgia by truck or train.

After crossing the Caucasus, there are several route options in the Middle Corridor. Goods can travel overland to Turkey, although they require additional transshipment if they go via the Baku-Tbilisi-Kars route because of the different track gauges in Georgia (1520 mm) and Turkey (1435 mm). Alternatively,

¹⁵ K. Wong, 'Red Sea crisis: China firms eye Plan B ahead of Lunar New Year as container prices soar further', South China Morning Post, 22 January 2024, [scmp.com](https://www.scmp.com).

goods can be shipped from the Georgian ports of Poti or Batumi across the Black Sea, then loaded onto trucks or trains in Romania (Constanța), Bulgaria (Burgas or Varna), or Turkey (Istanbul) on to their final destinations. Before the Russian invasion of Ukraine, a key branch of the Middle Corridor ran through the Ukrainian ports of Chornomorsk and Odesa, then on a wide track to the LHS broad-gauge railway in Poland, as was done in the 2018 test connection Slavkov-Urumchi.¹⁶ The end of hostilities in Ukraine might allow this branch of the Middle Corridor to be reopened.

The uneven quality of the rail infrastructure is a significant shortcoming of the Middle Corridor. As a result, in countries like Azerbaijan and Georgia, cargo often must be transported by road transport, which is more costly. These countries view the need to develop and modernise their railway lines to transport goods more efficiently as essential for the route's growth. Kazakhstan in particular is prioritising the development of its railways: over the past decade the country has invested about \$30 billion in its transport and logistics sector, constructing over 2500 km of new railway lines.¹⁷ However in Azerbaijan, and especially in Georgia, the railway systems remain underfunded and outdated, even after the introduction of the Baku-Tbilisi-Kars connection in 2017.¹⁸ The issues extend beyond just infrastructure; there is also not enough rolling stock to operate the route. In Georgia, another key issue is the lack of locomotives.

The Caspian Sea faces challenges in shipping due to a lack of vessels suitable for its relatively shallow and periodically freezing waters, with some areas only 5–6 metres deep. Additionally, climate change is causing a steady decline in the sea's water level, further hindering the development of transport initiatives in this region. This issue also limits the tonnage of goods that can be carried on barges and ferries. While there are plans among the Middle Corridor stakeholders to deepen the sea basin and the waterways leading to various ports, this is an expensive and potentially economically unviable process. Additionally, there is a limited capacity for producing and delivering new vessels for the Caspian Sea. Currently, their construction is primarily conducted by the Baku Shipyard LLC in Azerbaijan, with some vessels also being built in Turkey and delivered via Russian rivers to Kazakhstan. The production of

¹⁶ 'Trasa transkaspijska - testowy przewóz kontenera ze Sławkowa do chińskiego Urumczy', Nakolei.co.uk, 25 June 2018.

¹⁷ Based on a statement by Kazakhstan's Minister of Transport on 31 October 2023, per: gov.kz.

¹⁸ See W. Górecki, 'Inauguracja kolei BTK - kaukaskiego odcinka korytarza Azja-Europa', OSW, 8 November 2017, osw.waw.pl.

a complete fleet which can handle the expected increase in cargo through the Caspian Sea will probably take several more years.

Freight forwarders and clients are also increasingly concerned about the situation in the Black Sea due to the ongoing war between Russia and Ukraine, which adds complexity to the process of transporting goods to and from the European Union. There are currently not enough maritime services operating in the Black Sea, leading to instances where goods intended to be transported via the Middle Corridor from the EU have been delayed. For example, shipments from the port of Constanța have been rerouted to Egypt before reaching the Georgian ports of Poti or Batumi. Often, due to a shortage of containers, cargo is first sent from Romanian or Bulgarian ports to Istanbul, and only then to Georgian ports. There have also been cases where the shippers' container deliveries were split in a Caspian Sea port due to its limited vessel capacity, causing the next batch of containers to arrive late at EU ports, and thus significantly delaying final delivery to customers. Additionally, the underdeveloped railway infrastructure in Romania and Bulgaria is a weak link in the supply chain, making the transit of goods through these countries' ports both costly and complex.

The development of the Middle Corridor faces a significant challenge due to the use of multiple consignment notes for transporting goods, attributed to the frequent changes in transport modes – shifting from rail to sea, then to road or rail, and back again. There is currently no unified consignment note for multimodal transport along the Middle Corridor. This complexity contrasts sharply with the Northern Corridor, which utilises a single rail consignment note, a Rail Transport Document called the SMGS. This document is recognised by China, Kazakhstan, Russia, Belarus and Poland, offering a substantial logistical advantage. Another issue complicating the Middle Corridor's logistics is the limited option for using electronic consignment notes. However, the stakeholders of the TITR are working towards implementing them. This advancement would streamline the logistics process, enable efficient tracking, ensure predictable delivery times, and reduce the risk of cargo loss.

Regionally, efforts are underway (particularly under the TITR initiative) to introduce a unified consignment note similar to the SMGS. However, this is a complex and time-consuming task. The European Bank for Reconstruction and Development, in its report *Sustainable transport connections between Europe and Central Asia*,¹⁹ recommends that regional countries ratify and

¹⁹ *Sustainable transport connections between Europe and Central Asia*, op. cit., pp. 50–54.

implement the e-CMR electronic consignment note for road transport, which is expected to be operational in the EU from August 2024, as well as the e-TIR.²⁰ Developed by the United Nations Economic Commission for Europe (UNECE), the e-TIR aims to become a global standard, facilitating the seamless transit of goods across borders; containers/trailers are to be sealed at the point of origin, and customs controls conducted at the destination. Its adoption would simplify customs procedures, minimise fraud risk, reduce administrative burdens, decrease transport times (by eliminating waiting periods for customs checks), and cut additional carrier costs. Furthermore, the varying customs procedures in each country and the need for additional transit documents add to the complexity and duration of border controls, underscoring the need for more streamlined and unified processes in the region.

²⁰ 'Digitalization of transit along the Middle Corridor from Central Asia to Europe to accelerate thanks to eTIR', UNECE, 3 July 2023, unece.org.

III. THE POLITICAL LOGIC BEHIND THE DEVELOPMENT OF THE MIDDLE CORRIDOR

The Russian invasion of Ukraine has notably heightened the interest of major global players in the development of the Middle Corridor. This route is now seen not only as a conduit for improved connectivity with the South Caucasus, Central Asia and China, but also as a strategic means to diminish Moscow's influence. The concept has garnered political support from the European Union and the United States, with Turkey emerging as another of the main actors keen on developing this route.

There are growing indications that Beijing, while seeking to maintain its strategic relationship with Russia, is looking to capitalise on Moscow's diminishing influence and the renewed Western interest in the corridor, and at the same time positioning itself to play a significant role in the initiative. The future development of the route hinges on the stance adopted by China and the Western players, particularly in terms of their willingness and ability to finance the necessary investments for overcoming the existing logistical bottlenecks.

1. The external players' attitude towards the Middle Corridor

For years, Central Asia and the South Caucasus have been pivotal regions of geopolitical competition for influence by the West, Russia, China, and Turkey. This intensified focus by external actors on the Middle Corridor transcends their economic interests, and is not solely a matter of diversifying trade routes or enhancing access to the region's energy resources. A significant driving force behind the development of this route is the diminishing influence and leverage of Russia over the area. This trend is further bolstered by smaller states like Saudi Arabia, the United Arab Emirates, Singapore, Japan and South Korea, all of which anticipate considerable gains from their involvement in the expansion of the Middle Corridor.

Before Russia's invasion of Ukraine, **the European Union** had expressed interest in participating in the construction of the Middle Corridor, but this was not followed by any decisive steps. After 24 February 2022, Brussels decided to make a much stronger commitment to supporting the development of the route. In October 2022, this issue was discussed during Charles Michel's visit to Kazakhstan and Uzbekistan; and a month later, the EU-Central Asia

Sustainable Connectivity Forum was organised in Samarkand.²¹ Even before the Russian invasion, plans to integrate the countries of the region into EU transport corridors were already part of the EU's Global Gateway strategy, which is aimed at facilitating the EU's economic ties with the world through better infrastructure connections. Russia's aggressive actions led EU countries to see the Middle Corridor not only as an opportunity to increase imports of goods and energy resources from the South Caucasus and Central Asia, but also to emancipate these regions from Russian influence. These topics will be discussed, among others, at the first Global Gateway Investors Forum on Sustainable Transport Connectivity between Europe and Central Asia at the end of January 2024.

The EU is actively financing the development of the Middle Corridor. For instance, the European Bank for Reconstruction and Development (EBRD) has announced an investment of \$100 million in Kazakhstan's railway infrastructure. In October, a crucial segment of Georgia's East-West highway, the Ubisa-Shorapani section, was inaugurated. This development enhances connectivity to key locations, including the port of Poti. The European Investment Bank has allocated €42 million in grants and €1 billion in loans for the construction of 150 kilometres of expressways in Georgia.²² Following this, in November the European Commission committed €16 million for safety enhancements on the above-mentioned highway²³ and is further supporting various national connectivity initiatives with annual grants amounting to €85 million. Additionally, in recent years, the EU has been instrumental in fostering the development of the Baku port strategy in Azerbaijan.²⁴

In June 2023, Germany's President Frank-Walter Steinmeier visited Kazakhstan, becoming the first Western politician to tour the port of Aktau. During this visit, German companies also secured a contract for supplies of Kazakh oil via the Druzhba pipeline which runs through Russia, Belarus, and Poland to the German refinery in Schwedt. There is a strong expectation that major German businesses, particularly in the automotive and logistics sectors, will engage in the development of the Middle Corridor. Previously, these sectors were among the primary beneficiaries of the Northern Corridor via Russia.

²¹ 'Remarks by President Charles Michel after his meeting with President of Kazakhstan Kassym-Jomart Tokayev in Astana', European Council, 27 October 2022, consilium.europa.eu.

²² 'Georgia: another milestone for the EIB's continuous support for the development of the East-West Highway', European Investment Bank, 31 October 2023, eib.org.

²³ A. Usov, 'EBRD invests KZT 50 billion in Kazakhstan Railways bond', European Bank for Reconstruction and Development, 25 July 2022, ebrd.com.

²⁴ M. Kędzierski, 'Kazakhstan is set to supply oil to Germany', OSW, 23 June 2023, osw.waw.pl.

Moreover, Emmanuel Macron's visit to Kazakhstan and Uzbekistan in November underscores France's increased interest in the region and its desire to boost its cooperation on trading in raw materials (principally uranium and crude oil).²⁵

The **United States, along with other nations in the Indo-Pacific** region, are also showing increasing interest in the development of the corridor. In early March 2023, US Secretary of State Antony Blinken announced a commitment of \$25 million during his visit to Kazakhstan and Uzbekistan. This funding is earmarked for various projects, including those aimed at diversifying trade routes in the region and bolstering its economic resilience. In September, the American transportation and logistics titan Wabtec reached a preliminary deal with Kazakhstan Railways to supply 240 locomotives, a move that will help to modernise 15% of its fleet. This transaction, valued at around \$1 billion, is proposed to be financed through a loan from the US EXIM Bank if the US Congress approves the funding.²⁶

Japan is also advancing its collaboration with Kazakhstan, notably through the Japan International Cooperation Agency, a government entity. Tokyo perceives the Middle Corridor as a viable alternative to maritime connectivity between Japan and the EU. Notably, postal mail has already been transported from Japan to European destinations (including London) via this route. Additionally JapanIndex, which holds a 7.6% stake in Kazakhstan's Kashagan oil field, successfully completed a trial shipment of crude oil to the port of Baku in March. In May the Abu Dhabi Ports Group signed a significant agreement with KazMunayGas, Kazakhstan's leading oil and gas company, focusing on the development of its offshore and coastal fleet. Concurrently, the Singaporean port operator PSA, one of the world's largest, entered into a joint venture with Kazakhstan Railways to participate in operations along the route.

In the past two years, there has been a noticeable increase in **China's** interest in the Middle Corridor. While the route has been acknowledged in Chinese strategic plans as one of the branches of the Belt and Road Initiative transport corridors from the outset, the practical focus post-2013 was predominantly on the route through Russia, which Beijing deemed a priority. Several factors contributed to the success of this route, including the relatively swift transit time of c. 12–16 days, financial subsidies from Chinese provinces enhancing

²⁵ M. Popławski, 'Macron in Central Asia: the rise of French ambitions in the region', OSW, 13 November 2023, osw.waw.pl.

²⁶ Z. Mamyshev, 'American Wabtec to invest \$1 billion in Kazakhstan', Курсив, 18 September 2023, kz.kursiv.media/en.

its attractiveness, the modernised rail infrastructure and transshipment terminals to be found along the route, and an efficiently organised logistics chain. Moreover, the Northern Route was optimised by streamlined customs procedures and the unification of shipping documents within the Eurasian Economic Union.

Beijing's relative lack of interest in the Middle Corridor after 2014 was also linked with the critical position of Moscow, which for a significant period showed little inclination towards developing this route, and in some cases even actively opposed it. Consequently, most of China's major rail freight transports in Eurasian trade did not engage in the Middle Corridor's development, at either a central level or through the regional 'hub cities' active in the EU-China railway trade.

Following the Russian invasion of Ukraine, China's interest in the Middle Corridor noticeably increased, as was evident during the 3rd Belt and Road Forum held in Beijing in October 2023. At this forum Xi Jinping, the leader of the People's Republic of China (PRC), articulated a strong desire to "build a multidimensional network of Belt and Road connections" and to establish "a new logistics corridor on the Eurasian continent that integrates the maritime Silk Road".²⁷ Central Asian leaders were prominent invitees at this forum, and significant agreements pertaining to the development of the corridor were signed between the PRC and Kazakhstan, among other countries. In a notable move, a letter of intent concerning the Middle Corridor was signed at the summit between the PRC and Kazakhstan, to be succeeded by a separate international agreement. Furthermore, a similar accord was reached with Iran, aimed at developing a route extending even further south.

The shift in China's focus can be attributed both to the Northern Corridor's maxed-out infrastructure capacity, as it now caters mostly to the rapidly expanding China-Russia bilateral trade, and to Beijing's escalating ambitions to shape the post-Soviet space independently.²⁸ Xi Jinping's high-level endorsement of the Middle Corridor is likely to motivate domestic transport stakeholders in China to geographically diversify their supply chains and possibly to subsidise transport along the Middle Corridor.

²⁷ P. Uznańska, J. Jakóbowski, 'On a new track? The Belt and Road Initiative after the forum in Beijing', *OSW Commentary*, no. 553, 15 November 2023, osw.waw.pl.

²⁸ M. Bogusz, M. Popławski, 'The China-Central Asia Summit. Beijing is still forced to cooperate with Moscow', *OSW*, 22 May 2023, osw.waw.pl.

While the development of the Middle Corridor is lessening the region's economic dependence on **Russia**, Moscow, is not overtly obstructing the South Caucasus and Central Asia's transport collaboration with the West and China, despite its previous criticisms. In fact, Russia's reliance on goods transiting through this region has grown, partly as a means to circumvent Western sanctions. Russia is instead proposing its own new transport cooperation initiatives. In early November 2023, it initiated agreements to create two north-south transport routes, primarily to establish direct links between Russia and Iran (in the Persian Gulf) and India (through a route involving the Caspian Sea, Turkmenistan, Uzbekistan, Kyrgyzstan, and another route through Belarus, Russia, Kazakhstan, Uzbekistan, Afghanistan, and Pakistan). Russia is also aiming to enhance the role of the International North-South Transport Corridor (INSTC), connecting it with India via the Arabian Sea, to Iran, Azerbaijan, and recently Turkmenistan, which officially joined the INSTC in July 2023. In October 2023, Moscow and Tehran pledged €36 billion for infrastructure development along this corridor.²⁹

Moscow's actions indicate that it views the Middle Corridor as a European-led political project. In response to Russia's push for North-South connectivity, the Caucasus and Central Asian countries are striving to avoid being caught between the Russian transport initiatives and the Middle Corridor, seeking to underscore their complementarity while continuing to develop their trade with Russia.

Turkey is another key player in the development of the TITR. It views the project as a means to gain benefits from transits, establish itself as a logistics hub between Europe and Asia, and bolster its influence in the Caucasus and Central Asia.³⁰ This strategic approach traces back to the post-USSR era, which was marked by Turkey's active involvement in the TRACECA initiative. Over the years, Ankara has facilitated major projects such as the Baku-Tbilisi-Ceyhan oil pipeline and the South Caucasus Gas Pipeline (BTE). Ankara has been instrumental in promoting the TITR, as evidenced by initiatives like organising the annual Middle Corridor Congress and advocating for deeper cooperation within the Organisation of Turkic States.³¹

²⁹ M. Raimondi, 'Iran and Russia want to invest 36 billion euros in the INSTC', RailFreight.com, 30 October 2023.

³⁰ From the technical side, this project falls under the competence of the Turkish Ministry of Transport, and its promotion and political dimension are closely coordinated by the Ministry of Foreign Affairs of Turkey. See 'Türkiye's Multilateral Transport Policy', Republic of Türkiye: Ministry of Foreign Affairs, mfa.gov.tr.

³¹ *Orta Koridor Üzerinde Yeni Pazarlar ve Fuarı*, ortakoridor.org.

The main rail route within the TITR, as envisioned by Ankara, should begin at the Turkish-Georgian border and run through Kars, Sivas, Ankara, Istanbul, and under the Bosphorus to Bulgaria, or alternatively to ports on the Sea of Marmara which have substantial capacities, including Ambarlı or Haydarpaşa in Istanbul. These ports currently handle about 7.4 million TEUs, or around 60% of Turkey's total port container throughput.³² Anticipating a surge in the Middle Corridor traffic, Ankara is prepared to expand its rail infrastructure from the Georgian border to the ports of Izmir (on the Aegean) and Mersin (on the Mediterranean), thus further enhancing its role in the corridor's development.

Turkey has recently made substantial investments to manage increased freight flows, particularly in its western regions. These investments include several major projects across the Bosphorus: the Marmaray rail tunnel, which will accommodate 21 goods trains per day in each direction;³³ the double-deck Eurasia Road Tunnel under the Bosphorus Strait, which will handle 120,000 vehicles daily in both directions;³⁴ and the Yavuz Sultan Selim Bridge in Istanbul, which features rail infrastructure (albeit currently unused) at the Black Sea entrance to the straits. Additionally, Turkey has opened a new bridge over the Dardanelles Straits and constructed the Osmangazi Bridge, which bypasses the Gulf of İzmit.

Ankara is also focused on developing high-speed railways. A significant portion of the infrastructure on the Istanbul-Ankara-Konya section (southbound) is complete, and is being expanded between Ankara-Sivas (eastbound) and Ankara-Izmir (westbound). However, Turkey's transit capabilities are less developed in the eastern part of the country, where railway infrastructure is still under construction. Despite the construction of the Baku-Tbilisi-Kars railway, which transported 432,000 tonnes of freight in 2022³⁵ and is expected to increase its capacity to 17 million tonnes by 2030,³⁶ and the ongoing modernisation of the road infrastructure, challenges remain. These include constructing high-speed rail links, particularly between Kars and Sivas, expanding infrastructure capacity, and developing logistics centres.³⁷

³² *Sektör İstatistikleri*, Turkish Association of Port Operators, turklim.org.

³³ O. Uysal, 'Turkey to face more demand on Europe-Asia rail corridor', Rail Turkey En, 18 March 2022, railturkey.org.

³⁴ 'Eurasia Tunnel Project, Istanbul, Turkey', Road Traffic Technology, roadtraffic-technology.com.

³⁵ N. Papatolios, 'Azerbaijan Railways sees cargo transport boosted in all directions', RailFreight.com, 19 January 2023.

³⁶ 'Baku-Tbilisi-Kars (BTK) Rail Line, Azerbaijan, Georgia, Turkey', Railway Technology, 28 November 2012, railway-technology.com.

³⁷ In 2021, a logistics terminal dedicated to rail transport was opened in Kars; it has the capacity to transship around 400,000 tonnes of cargo annually. See 'TCDD opens Kars logistics hub', Railway Gazette International, 1 December 2021, railwaygazette.com.

2. A perspective from Central Asia and the South Caucasus

Russia's invasion of Ukraine has catalysed intra-regional cooperation in the South Caucasus and Central Asia, prompting the states of the region to accelerate the development of transport links which are not dependent on Russia. This situation has also opened up opportunities for these countries to enhance their gains from the transit of goods between Europe and Asia. The combined efforts in advancing the Middle Corridor and participation in China's Belt and Road Initiative have been key motivators for renewed diplomatic engagements among countries like Kazakhstan, Azerbaijan and Georgia, as well as others in the region. By presenting themselves as reliable partners, these nations are aiming to improve their ties with the European Union, China and Turkey, and seeking to fortify their position against Russian influence in the long run.

Furthermore, the Middle Corridor countries view the route as a valuable channel for increasing the transit of goods and energy resources (such as oil and uranium from Kazakhstan) to the EU. This is also seen as a means of boosting intra-regional trade, thereby fostering economic integration in the Caspian basin and Central Asia. In the longer term, their role in trade between Europe and China could be solidified by securing financing to modernise the region's infrastructure. This includes gaining access to Western financial vehicles, such as the funds available through the EU's Global Gateway initiative.

Kazakhstan plays a pivotal role in the overland trade between Europe and China, with 80% of transit traffic passing through it, serving both the Northern and Middle Corridors. It is also particularly active within the TITR initiative. Its strategic geographic position and relatively advanced railway infrastructure make Kazakhstan a key potential logistics hub on this route. As a result, the country has been actively engaged in the project's development, for instance through investments in the Aktau special economic zone.³⁸

From Astana's perspective, the Middle Corridor offers long-term opportunities to diversify oil export routes to the EU, such as utilising the BTC oil pipeline,³⁹

³⁸ This activity is confirmed by Moody's raising the outlook for Astana's rating from stable to positive. This was justified in terms of Astana's actions to diversify the economy, including the development of the TITR. See O. Auyezov, F. Light, 'Moody's raises Kazakhstan's outlook on Middle Corridor prospects', Reuters, 27 October 2023, per: nasdaq.com.

³⁹ The Baku-Tbilisi-Ceyhan oil pipeline, launched in 2006, runs from the Azeri fields to Turkey, and from there to the Mediterranean basin and EU countries. Its creation is primarily the result of cooperation between Azerbaijan & Turkey and Western investors (including BP, Eni, TotalEnergies, MOL, Equinor).

which is expected to increase its crude transport capacity to 6–10 million tonnes annually by the end of the decade. Additionally, it is likely to facilitate the transport of raw energy materials and rare-earth elements from Kazakhstan and Uzbekistan to EU countries. Germany and France in particular have been keen on increasing imports of these resources. Future plans also include transporting green hydrogen and ammonia from a Swedish/German-owned plant in western Kazakhstan to the EU via the Middle Corridor.⁴⁰

The 2023 study by the European Bank for Reconstruction and Development (EBRD) underscores Astana's crucial role in this route, identifying the path from China through southern and central Kazakhstan to the Caspian coast as the most optimal for the corridor. However, its success hinges on addressing several bottlenecks, such as the absence of a road link between Aktau and Kyzylorda and the need to enhance the railway line between Aktau and Beyneu, which will require a second railway track and electrification. Other necessities include constructing the Almaty railway bypass (work on this was inaugurated on 14 November 2023), developing logistics terminals at the borders with China (Altynkol), Uzbekistan, Kyrgyzstan and Turkmenistan, and expanding or creating new railway lines at the Uzbek and Chinese borders. November 2023 also marked the commencement of the Kazakhstan section of the Darbaza-Maktaaral railway, which will establish an additional railway border crossing with Uzbekistan.⁴¹

Kazakhstan's active role in developing the Middle Corridor is increasingly apparent. Astana is focused on expanding the capacities of the Caspian Sea ports of Aktau and Kuryk, both of which are situated within special economic zones. Kazakhstan's port expansion is crucial for increasing the cargo volumes transported through the Middle Corridor. In 2022, the port of Aktau handled 3.8 million tonnes of cargo, a 9% increase from the previous year (including 2.5 million tonnes of oil). However, in the first seven months of 2023 the port shipped 2.6 million tonnes of dry and liquid bulk cargo, a 24% decrease compared to the same period in 2022.

Simultaneously, the utilisation of Aktau port's capacity for transporting oil to the West, via the BTC pipeline or through the Russian port of Makhachkala, is rising. During the first 11 months of 2023, 3.1 million tonnes of Kazakh crude

⁴⁰ See J. Lillis, 'EU taps Kazakhstan for rare earths, green hydrogen', Eurasianet, 9 November 2022, eurasianet.org; W.A. Sánchez, 'Kazakhstan's Uranium Industry and the Middle Corridor Come Together', The Diplomat, 30 January 2023, thediplomat.com.

⁴¹ *Sustainable transport connections between Europe and Central Asia*, op. cit.

oil were exported from Aktau by sea, which is 50% more than the corresponding period in 2022. This increase occurred both via the BTC infrastructure and along the route from the port of Makhachkala. However, these developments have not yet led to a significant diversification away from oil transit through Russia. In the first half of 2023, the transit of Kazakh crude via all routes passing through Russian territory increased by 19% year-on-year. Moreover, Kazakhstan's government does not currently have concrete plans to significantly reduce the country's dependence on Russian oil pipeline networks.⁴²

Kazakhstan is making significant strides in enhancing its port infrastructure at Kuryk. The new Sarzha terminal, a project of the state-owned Semurg Invest, was inaugurated on 29 September 2023. Additionally, in August a collaboration was announced between the UAE's AD Ports Group and Singapore's PSA International for the expansion of the grain and multipurpose terminal at the port of Kuryk. Furthermore, the expansion of the Aktau container port, valued at \$28.9 million, is expected to be completed by the second quarter of 2025. This expansion will substantially increase its capacity, from the current 40,000 TEUs to 215,000 TEUs annually.⁴³ In March 2023, a joint venture involving Kazmortransflot (part of the state-owned KazMunayGas) and the AD Ports Group acquired two 8000-tonne oil tankers. In May, they also signed an agreement to develop the offshore and coastal fleet.

Kazakhstan's transportation and logistics initiatives are not limited to the TITR but also extend to complementary efforts within China's Belt and Road Initiative. A notable achievement for Astana has been securing Beijing's support for the TITR. During the Kazakh president's visit in May 2023, a logistics centre at Kazakhstan's dry-port terminal in Xi'an was inaugurated, a crucial point through which 40% of Astana's imports pass. Earlier, in March, a tripartite memorandum of cooperation was signed between WEA Transport GmbH (a German rail operator), Huapengfei (a Chinese logistics operator), and Kazpost (the Kazakh postal service) to create an e-commerce corridor between the EU and China.

At the Belt and Road Forum in October 2023, Astana finalised agreements for constructing a third rail border crossing at Ayagoz-Tacheng and a 1300-km railway on Kazakhstan's side within three years. Construction of this line,

⁴² 'Kazakhstan increased oil exports in 1H 2023 by 8%, transit via Russia rising', Reuters, 1 August 2023, reuters.com.

⁴³ W.A. Sánchez, 'Kazakhstan's Ports: A Vital Node of the Middle Corridor', The Diplomat, 9 May 2023, thediplomat.com.

connecting the cities of Ayagoz and Bachty in eastern Kazakhstan, commenced in December 2023, with a new border crossing with China expected to open in 2027.⁴⁴ Additionally, the railway infrastructure from the China border (at the Alashankou-Dostyk crossing) towards the hub station in Moynty (central Kazakhstan), including the construction of a second railway track on this section, is being developed, and should be operational by 2025.

Azerbaijan views the development of the Middle Corridor as a chance to boost its role as a major logistics centre. The country's main source of revenue is the export of hydrocarbon energy resources (and in the future this could possibly also expand to green energy) via Georgia and Turkey to the West. Azerbaijan is also involved in the north-south transit of goods between Russia and Iran, and expects to profit from handling trade and raw materials along the east-west axis.

The country has been upgrading the port of Baku, located 80 km away in Alat, although the plans for expansion were modified after Russia's invasion of Ukraine. The new container terminal's capacity is set to rise to 600,000 TEUs yearly, and new terminals for fertilisers and grain are planned. A concept of further expansion to take advantage of the port's favourable geographical conditions is being developed.

The potential for east-west development is evident in the routes of existing oil pipelines such as Baku-Tbilisi-Ceyhan and Baku-Supsa, as well as the Baku-Tbilisi-Erzurum gas pipeline. Currently, smaller amounts of oil from Turkmenistan and Kazakhstan are also transported via the Baku-Batumi and Baku-Poti railways. Developing the Middle Corridor could enhance the use of the Baku-Tbilisi-Kars rail link.

Georgia's strategic location makes it a crucial player in regional connectivity initiatives, covering both the east-west and north-south (Russia-Armenia) corridors. Despite the potential reopening of routes via Armenia, including the Zangezur corridor which connects Azerbaijan, the Nakhchivan exclave, and Turkey, Georgia's significance as a transit hub is unlikely to wane. This is partly due to the current lack of sufficient infrastructure and the continuing closure of Armenia's borders with Azerbaijan and Turkey (as of 3 January 2024).

⁴⁴ N. Papatolios, 'Railway fever: new line and border crossing between Kazakhstan-China', RailFreight.com, 22 December 2023.

Georgia owns several major ports, in Batumi, Poti, and Supsa, along with the Kulevi oil terminal. On 14 August 2023, the Georgian government launched the National Transport and Logistics Strategy for 2023–2030, accompanied by an Action Plan for 2023–2024. This strategy outlines ambitious goals, including completing the railway network’s modernisation by the end of 2024 and initiating a study for high-speed rail links with neighbouring countries. Moreover, there are plans to construct 760 km of high-speed roads by 2030.

The action plan lists 48 initiatives, notably the digital transformation of the transport and logistics sector. This encompasses the implementation of a ‘one-stop-shop’ system at ports and the digitalisation of transport documents. Tbilisi is actively pursuing membership of the EU, a goal which was bolstered by the decision at the EU Summit in Brussels on 14 December 2023 to grant Georgia candidate status. This development could potentially enhance Georgia’s access to EU investment funding.

IV. FUTURE PROSPECTS

The unpredictability of Russia's foreign policy, as starkly illustrated by its full-scale invasion of Ukraine, has significantly accelerated progress on developing the Middle Corridor. This situation has emphatically convinced the leaderships of the South Caucasus states, and even more so those of Central Asia, of the critical need for diversification. There is now a strong push to reduce the current level of transit reliance on Moscow, which is perceived as a threat to these countries' economic security.

Simultaneously, these regions have recognised that a window of opportunity is emerging linked to Russia's diminishing global standing and its growing economic dependence on sanction-circumvention through Central Asia and the South Caucasus. This dynamic is opening avenues for them to actively seek new external partners. Moreover, there is an increasing drive to bolster economic integration within the region itself and to collectively represent their interests on the global stage.

The prospects for the Middle Corridor are now much more promising than they were post-2014, thanks to a tactical alignment in the objectives of the major global players – the US, EU, and China. Despite their differing long-term interests, these actors currently see value in the corridor's development.

For the West, enhancing the Middle Corridor is seen not only as an opportunity to import critical resources, but also as a symbolic reprisal against Russia for its aggressive policies. Offering Central Asia and the South Caucasus an alternative to Russian transit routes will diminish Russian influence in these regions. This initiative aligns well with the EU's Global Gateway strategy, which aims to achieve strategic goals and forge stronger global economic ties through enhanced infrastructure connectivity and coordinated investments by European transnational corporations.

Beijing, for its part, is interested in deepening infrastructure connections with Central Asia and the South Caucasus to expand its influence and reach new export markets, all while maintaining its strategic relationship with Moscow. While China does not seek to 'punish' Moscow as such, it is also working to avoid becoming dependent on Russian infrastructure for its links to Europe. China is currently utilising a significant portion of the Northern Corridor's capacity to support its burgeoning trade with Russia. Ultimately, establishing land transport corridors to Europe that are independent of Russia will

provide China with increased capacity and flexibility for shipping goods to its key export markets.

With this tactical synergy in place, the development of the Middle Corridor could highlight the systemic rivalry between China and the West, particularly in the management of the infrastructure along the route. The European Union, under its Global Gateway framework, is willing to co-finance the corridor's development but will insist on upholding standards of transparency, open access and the enforcement of market mechanisms. Conversely, China might initially aim to dominate the logistical services of the Middle Corridor, using it as a springboard to extend its economic influence, especially in Central Asia and the South Caucasus.

Financial transparency could emerge as a point of contention. The West, as it advocates for complete openness in funding investments, may find its approach at odds with China's potentially less transparent methods. However, despite these differences, there seems to be a convergence in the overall objectives of the EU and Beijing regarding the Middle Corridor. Nevertheless, this alignment is unlikely to translate into direct cooperation or coordination between the EU's Global Gateway initiative and China's Belt and Road Initiative.

Ankara is also seizing the opportunity to enhance its economic ties with the South Caucasus and Central Asia, with the goal of positioning Turkish logistics centres as key transit hubs along the Middle Corridor. Turkey is actively investing in its rail & port infrastructure and leveraging its influence in entities such as the Organisation of Turkic States to advocate for a corridor route that favours its interests.

This opportune political climate for the Middle Corridor's construction is also attracting attention from the Gulf states and Singapore, who view it as a lucrative chance for their domestic companies to participate in operating and expanding the infrastructure along this route. For Japan and South Korea, the Middle Corridor primarily presents an alternative to the maritime route for shipping goods to Europe. Additionally, it offers them a means to diversify their logistics, particularly in contrast to the Northern Corridor that traverses Russia.

The international transport and logistics industry recognises the promising situation for the Middle Corridor's development, as it understands the rapid progress which may be possible with support from key global and regional

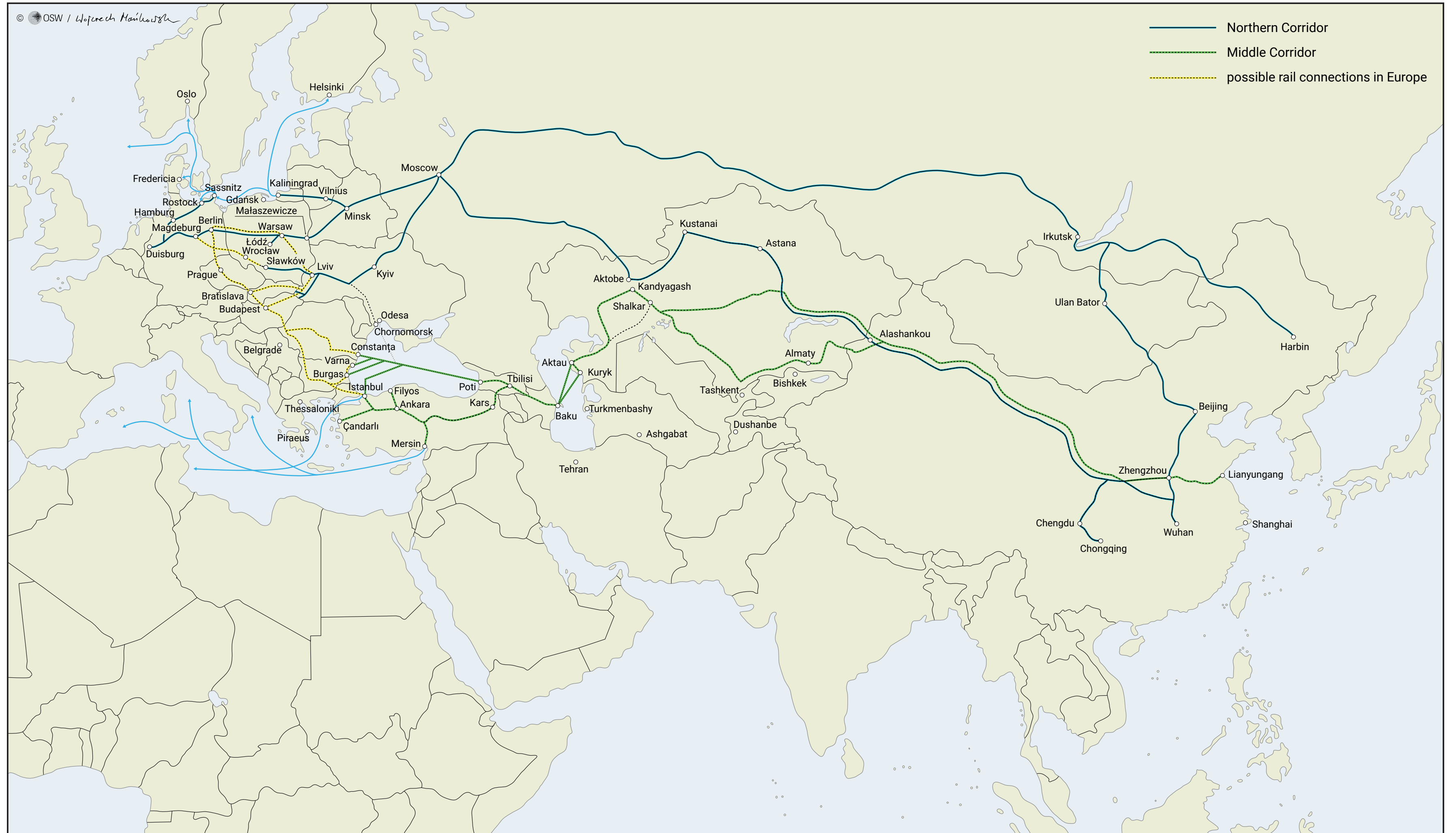
players. Having gained experience from the development of the Northern Corridor, the industry is equipped with the necessary know-how to establish intercontinental transport corridors. Additionally, there is a recognition of the growing demand for faster goods transportation between China and Europe. Despite higher costs compared to sea transport, this demand is fuelled by the increase in trade between the Central Asian and South Caucasus's countries with China, Turkey and the EU.

Three critical factors will determine the success of the Middle Corridor.

- First, close collaboration among key states along the route is essential to mitigate bottlenecks. This will involve both hard infrastructure (such as railways, ports, and Caspian Sea-viable vessels) and soft infrastructure (such as cargo flow management, customs facilitation, and digitalisation of consignment notes). While the existing political forums can facilitate the coordination for soft infrastructure, substantial funding from external actors is crucial for the development of hard infrastructure.
- Second, an influx of foreign capital, particularly from Western countries and China, is needed to finance vital investments, especially in the region's less affluent countries.
- Third, Beijing's approach will be pivotal to determining the cost of the freight going through the Middle Corridor. As with the Northern Corridor, China could offer subsidies for goods transport and support in infrastructure enhancement in the transit countries. Meeting these conditions will probably reduce transportation costs and time along the Middle Corridor, further attracting the interest which is already visible from private investors.

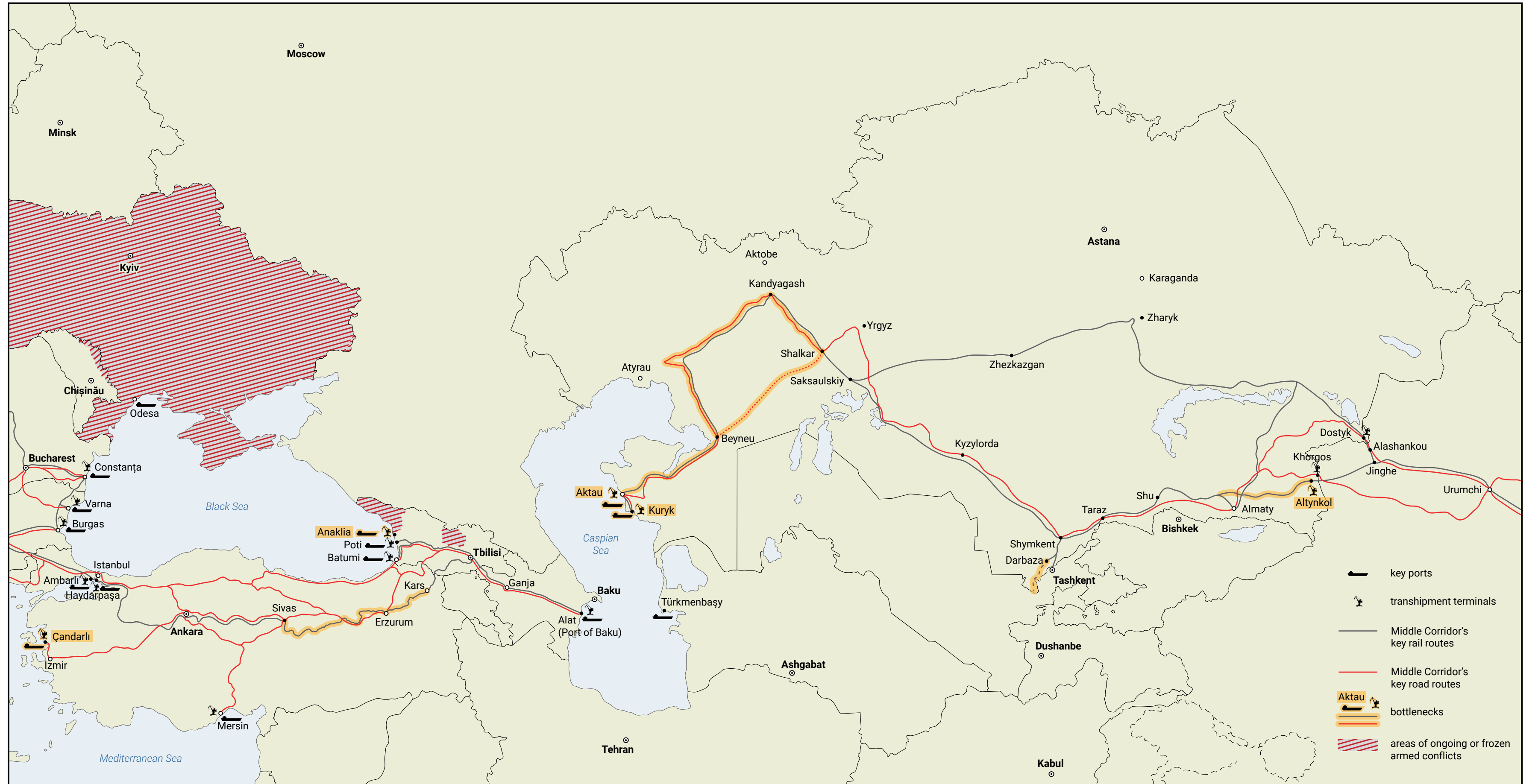
In the long term, the success of the Middle Corridor may gradually reduce the dependence of the Central Asian and South Caucasus's states on Russia and the development of their economic relations with the West, China and Turkey. In addition, it will promote the economic integration of the region itself, which will also weaken Moscow's influence. The improvement of the region's economic situation, together with the weakening of the Russian economy, will limit the scale of trade and may also limit the interest of the Central Asian and South Caucasus's states in participating in the circumvention of sanctions, especially if their dependence on capital inflows from the West increases.

Map 1. Land transport corridors between Europe and China



Source: authors' own research.

Map 2. Middle Corridor transport infrastructure in transit countries



Source: authors' own research.