Middle Corridor: from Western-Initiated TRACECA to China’s Belt and Road Initiative

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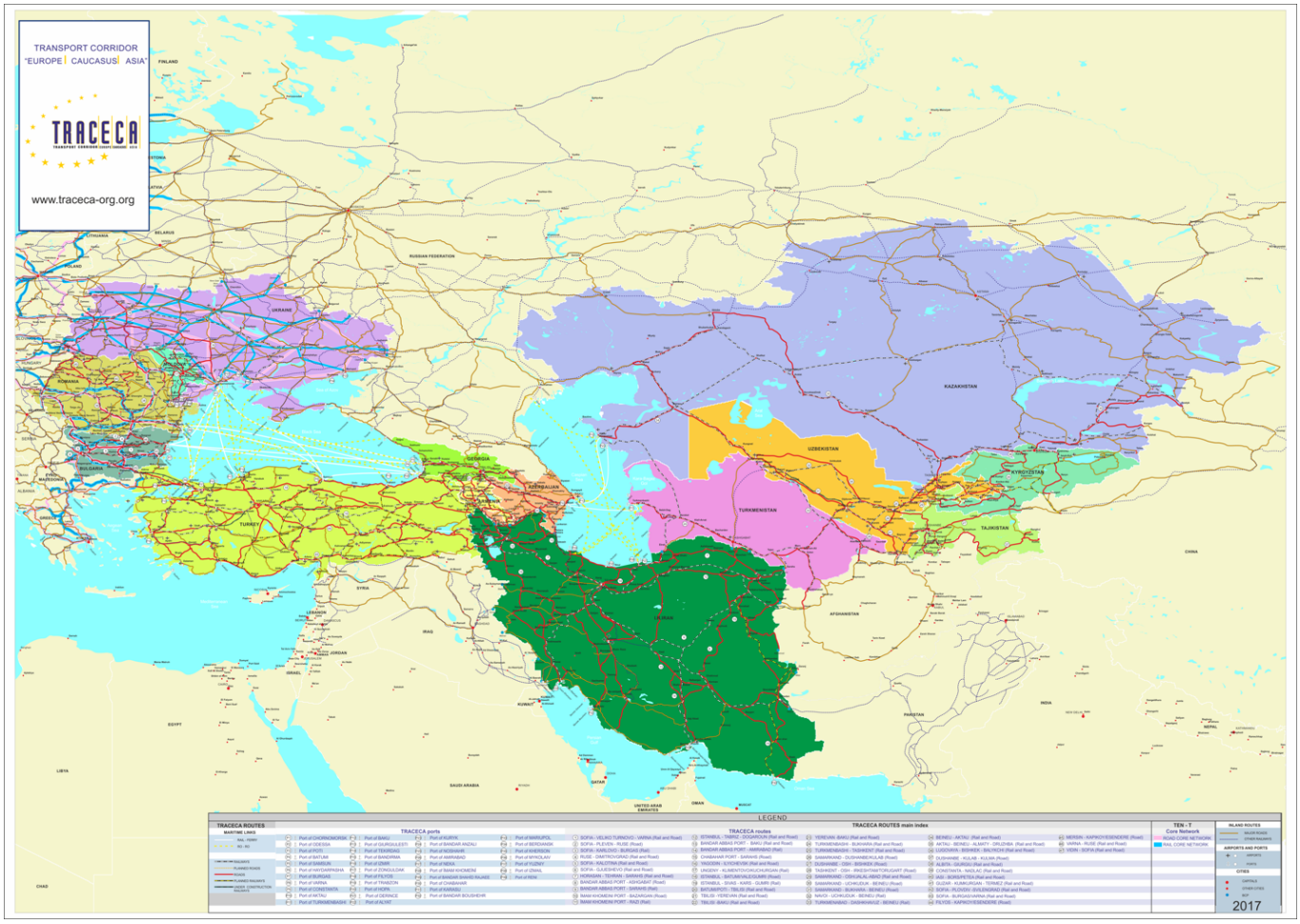
The revival of the ancient Silk Road has been a subject of interest to global and regional powers in the modern era. International transport and the construction of logistics infrastructure, which are also considered to be an important element of the system of economic linkages in today’s world, are high on the political agenda in most governments. Over the past 30 years, the world’s hegemonic political actors have drawn up plans for communication and integration areas spanning dozens of countries, worth billions of dollars, with the intent to create a multi-faceted transit network extending from the Far East through Central Asia, the South Caucasus, the Middle East and Anatolia to Europe. In developing intercontinental multi-purpose transit hubs and regional logistics centers, political actors such as the European Union (EU) and China have implemented large-budget government programs.

In this article we will look at the joint steps taken by the European and Asian states towards the development of an East-West international transport corridor, focusing on attempts to integrate and build capacity along both land and sea trade routes. We will discuss multilateral cooperation projects that have come to the forefront at the global and regional levels, such as Europe’s TRACECA program and China’s Belt and Road Initiative (BRI). The transport network, also referred to as the Middle Corridor or Trans-Caspian International Transport Route (TITR) will also be one of the main subjects of discussion of the article. The TITR’s geo-economic importance

is increasing as a result of complications caused by the coronavirus pandemic in the global supply chain, as well as delays caused by traditional transit lines due to Russia-Ukraine War. In addition to analysis of the construction of the infrastructure necessary for the full formation of the listed international projectsand the financial resources required, we will also address obstacles to the restructuring process. The article also includes visual maps related to each project for a more accurate understanding.

An attempt from Brussels

In the 1990s, the EU launched the TACIS Program (Technical Assistance to the Commonwealth of Independent States). TACISincluded technical and financial assistance in political, economic and commercial spheres to the states of Eastern Europe, the South Caucasus and Central Asia, which gained independence after the collapse of the USSR. One of the first proposed projects of TACIS was TRACECA. This initiative was designed to ensure the establishment of a sustainable economic model and integration into the global economy of the countries of Central Asia and the South Caucasus, which were isolated from global markets as a result of 70 years under the Soviet Union. The EU, of course, wanted to integrate these areas because they are rich in hydrocarbon resources and, most importantly, are located on important trade routes between east and west across the Eurasian continent.



Map 1. (A map showing trans-regional infrastructure projects designated for reconstruction under TRACECA. Source: www.traceca-org.org)

The international transport corridor TRACECA, established in May 1993 in Brussels with support from the European Union and participation of eight post-Soviet countries (Azerbaijan, Georgia, Armenia, Kazakhstan, Kyrgyzstan, Uzbekistan, Turkmenistan and Tajikistan), was intended ensure the economic development and protection of social stability of the member states by strengthening regional cooperation, effectively regulating customs and tariff duties, improving supply chain management, building necessary transport and logistics infrastructure along the east-west corridor, as well as attracting international financial organizations to the region.

In the context of efforts to improve the stability and security of the global supply chain, TRACECA was also

conceived as an alternative route for freight transport by rail and land via Russia and Iran. Despite the development of alternative transport corridors, the bulk of freight transported overland from China to Europe and back is still provided via Russia's rail network. Even with the massive political and economic sanctions the West has imposed against Russia in response to its invasion of Ukraine, the situation hasnot changed.

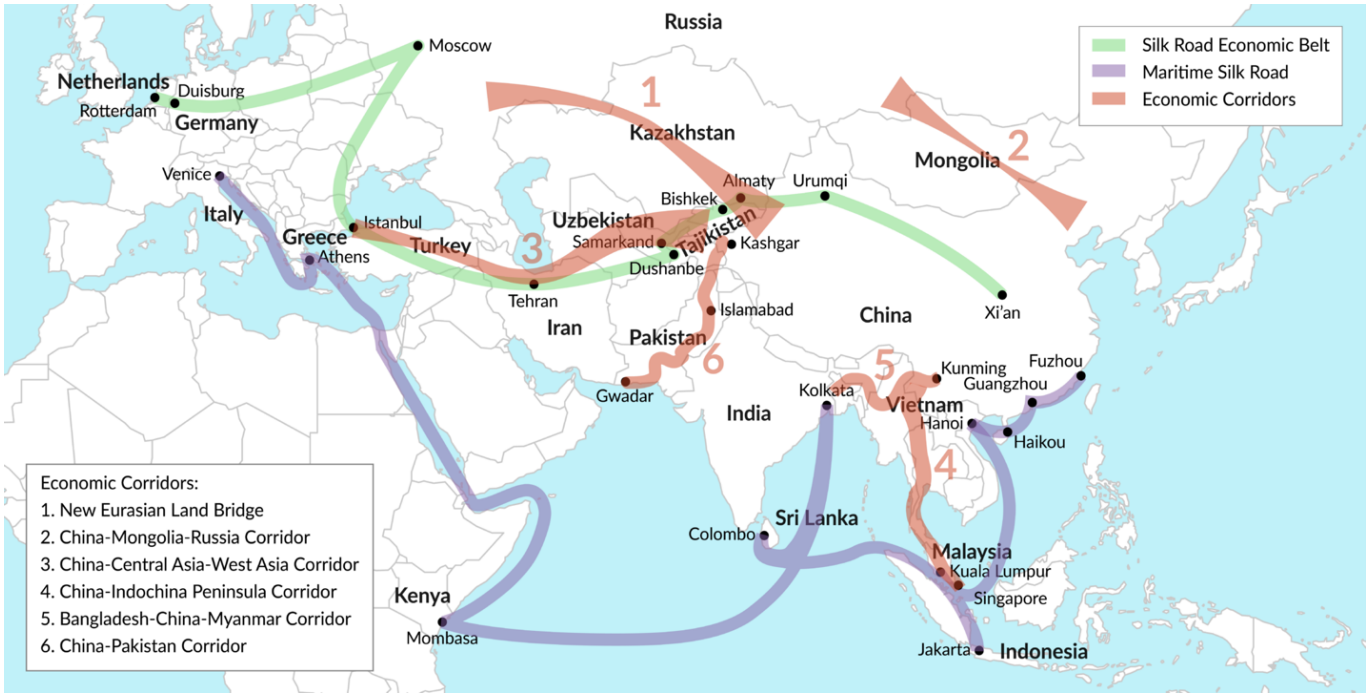
Although TRACECA provides attractive alternative routes for part of the freight transported overland between Europe and China, the international competitiveness of the project has always been questioned due to a number of technical, economic and bureaucratic factors. The biggest obstacle to the full implementation of the TRACECA project might, for example, stem from the poor organization of the simplified international customs procedure and non-application of a single customs duty, difficulties in the integration of economic regions, slow progress in the construction of necessary infrastructure, technical backwardness and non-automation of work processes, non-diversification of electronic services, inefficiency of communication channels, non-optimal management of inter-institutional relations, low trans-regional load capacity and throughput, delays at border-crossing points, non-transparent management of processes, lack of highly qualified personnel potential, difficult geographical conditions, insufficient use of digital solutions, weak organization of intergovernmental coordination mechanisms, and financial deficiencies.

To date, projects implemented directly under TRACECA include mainly the development of trans-regional and multi-modular transport and logistics corridors. (You can see via the below links the budgets allocated by the European Commission, which works towards strengthening communication channels between the post-Soviet countries and securing infrastructures in member states, including Azerbaijan). Brussels currently supports international infrastructure projects through a large-scale reconstruction program coined the *Global Gateway Strategy*.

Announced in 2021, this strategy aims to mobilize up to €300 billion in investments between 2021 and 2027 to underpin a lasting global recovery, taking into account its partners' needs and the EU's own interests.

Beijing's Plans

China has also shown great interest in building transcontinental transport and logistics lines that it can directly control, and, most importantly, that can end its dependence on Russia's land logistics corridorsand on the ocean, water canals and straits under US control. Thus, in 2013, China launched the Belt and Road Initiative (BRI), a global project of both land and maritime networks. In general having the same content as TRACECA, BRI not only contains an infrastructural development strategy, but also centers on comprehensively strengthening political-economic, scientific-cultural and socio-humanitarian contacts with the economies that have joined its initiative.



Map 2. (Chinese- proposed intercontinental trade corridors under the Belt and Road Initiative. Source: www.gisreportsonline.com)

Considered one of the largest international projects in world history in terms of funding and scope, in total 149 countries have so far signed documents to join China's BRI, also known as One Belt One Road. Azerbaijan, Türkiye, Georgia and Kazakhstan, the main countries of the Middle Corridor, which we will discuss later, are no exception in this regard. All four countries have signed a memorandum on developing mutually beneficial economic relations and deepening existing cooperation with China under the BRI framework. In addition, the Asian Infrastructure and Investment Bank (AIIB) was created in May 2016 to promote economic cooperation among BRI member countries and to finance promising projects. Established with the joint participation of 57 countries under the leadership of China, AIIB is considered one of the largest international financial institutions of the twenty-first century. It should be noted that one of the founding members of the bank was Azerbaijan with a total subscriptions of 254,1 million USD.

With an initial authorized capital of $100 billion, AIIB offers sovereign and non-sovereign financing for sound and sustainable projects in energy and power, transportation and telecommunications, rural infrastructure and agriculture development, water supply and sanitation, environmental protection, and urban development and logistics across Asia. For example, in the year of its inception, the bank offered a total of $1,7 billion in loans for nine projects aimed at improving transport, logistics and transit infrastructure, energy construction and urban development initiatives of seven member states including Azerbaijan. In particular, in December 2016, AIIB decided to provide a $600 million long-term loan for the construction of the Trans-Anatolian Natural Gas Pipeline (TANAP), one of the components of the Southern Gas Corridor project to transport natural gas from Azerbaijan to Europe. The bank currently has 106 members and is seen as an alternative to other financial institutions, such as the International Monetary Fund, the European Bank for

Reconstruction and Development, the Asian Development Bank and the World Bank, because of its wide-ranging activities and the volume of loans it has offered.

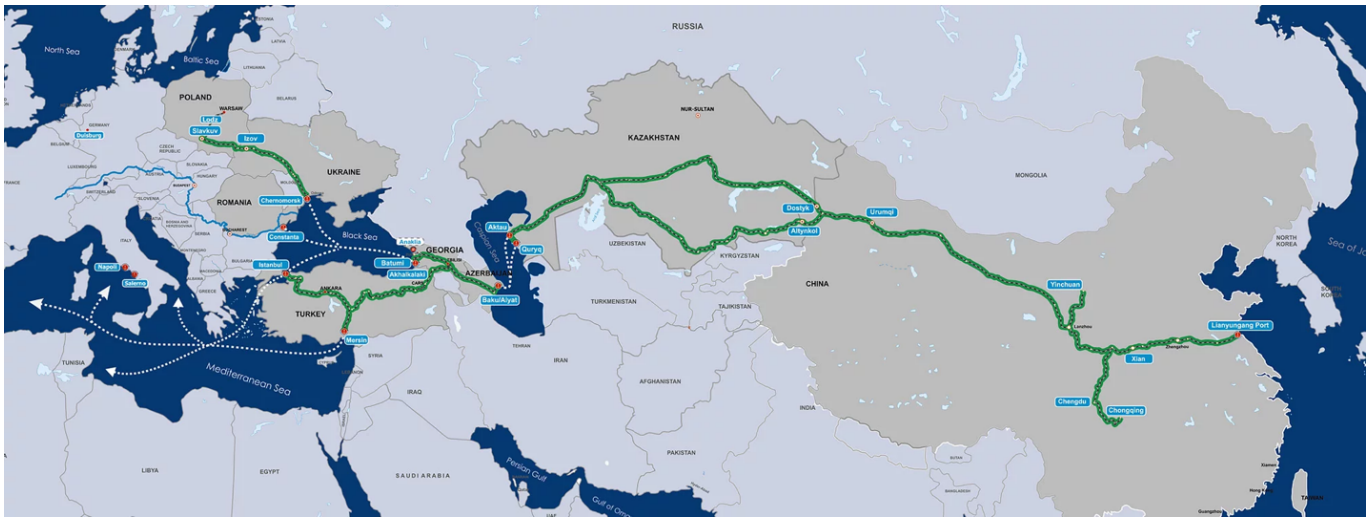
Chinese engagement has continued through financial investments covering various economic sectors and worth of billions of dollars in the 147 countries of the BRI by the China Investment Corporation (CIC). The CIC was founded with the technical and financial support of the People's Bank of China, along with AIIB. Thus, according to a report published by Shanghai's Fudan University in January 2023, cumulative BRI engagement since the announcement of the BRI in 2013 has been 932 (USD962?) billion USD (to 2022).

The part of the BRI that belongs to our region is the China–Central Asia–West Asia Economic Corridor (abbreviated as CCAWEC), which is one of BRI's primary economic corridors (the orange straight line indicated as number 3 on the second map). It coincides with the trans-regional transit line, also called the Middle Corridor or the Trans-Caspian Route. Freight trains departing from China along this BRI trade corridor are projected to travel to Kazakhstan and to Turkmenistan in some cases, take the Caspian ferry heading to Azerbaijan and Georgia, then arrive in Europe via Türkiye or the Black Sea. If the aforementioned multifunctional corridor, which includes large air and sea ports and transit lines for transporting energy resources such as oil and natural gas, operates at its full potential, it will boost trade volume and help ensure financial flows among the countries impacted by this route by shortening the time taken to transport goods across these countries.

The Middle Corridor

More than 200 million tons of cargo are transported annually between China and Europe. About 96% of that volume is carried out by sea and 4% by land/road transport corridors. Railways cover the major part of land routes. In terms of cargo

transportation, railways are considered cheaper compared to air transport and faster compared to sea. In this sense, the 9300 km Trans-Siberian Railway Highway, which crosses the Russian Federationalso known as the Northern Corridor, has played a key role in delivering goods from Chinese suppliers to European consumers (and vice versa) for many years. The disruption of traditional supply chains and the difficulties encountered in transporting international goods during the coronavirus pandemic led to the emergence of alternative transit corridors, which mainly consist of rail networks, such as the Middle Corridor. Moreover, due to the ongoing Russian war against Ukraine, the volume of international cargo transportation through the Middle Corridor has increased significantly compared to previous years.



Map 3. (Multimodal trans-continental transport line known as Middle Corridor or Trans-Caspian International Transport Route (TCITR). Source: www.middlecorridor.com)

The Middle Corridor, the institutional foundation of which was established in Astana in 2013 by the Coordination Committee of the Governments of Azerbaijan, Georgia and Kazakhstan for the Development of the Trans-Caspian International Transport Route, is referred to by many as a competitor to the Trans-Siberian line, which is the main railway link between Europe and China. Starting from the China-Kazakhstan border, this route extends through Kazakhstan and the Caspian Sea to

Azerbaijan, Georgia and Türkiye before arriving in Europe via the railways and seaways. The transportation of the first cross-country test containers along the corridor from China to Europe took place in 2015. Starting from 2020, regular transportation of containers from Türkiye to China along the Middle Corridor is carried out twice a month. Although the total volume of cargo transported through this corridor was in 2020-2021 from 350,000 to 530,000 tons, in the context of changing dynamics, this figure increased to 3,2 million tons in 2022 alone.

At present, transportation of international cargo through the Middle Corridor is feasible due to *the* Baku-Tbilisi-Kars railway line (2017) and Alat port (2016). Türkiye is also trying to strengthen its position in the Middle Corridor under various projects such as the Yavuz Sultan Selim Bridge (2016), the Osmangazi Bridge (2016), the Çanakkale Bridge (2022), including the Marmaray (2013) and the Eurasia (2016) undersea tunnels. Ankara also focuses on the development of seaports such as Filyos (the Black Sea), Çandarlı (the Aegean Sea) and Mersin (the Mediterranean Sea), which can increase the load capacity of the Middle Corridor. The 988-km Zhezkazgan-Saksaulskaya-Shalkar-Beyneu railway line, completed in Kazakhstan in 2014 as part of the Trans-Kazakhstan rail network, is considered one of the main components of the Middle Corridor. The distance from the west of China to the Caspian coast of Kazakhstan, has been shortened by 1000 km thanks to this railroad built under a large-scale Kazakhstani state infrastructure development program, “Nurly Zhol.”

Although it is not directly included in the sanctions list of Western countries, currently the use of the Northern Corridor has decreased compared to previous years. In light of uncertainties in global supply chains, the world’s leading freight and logistics companies such as Maersk (Denmark), Nurminen (Finland), COSCO (China), MSC (Switzerland), ÖBB Rail Cargo Group (Austria), CEVA Logistics (France), Rail Bridge Cargo (Netherlands) and Gebrüder Weissrganizes (Austria) are

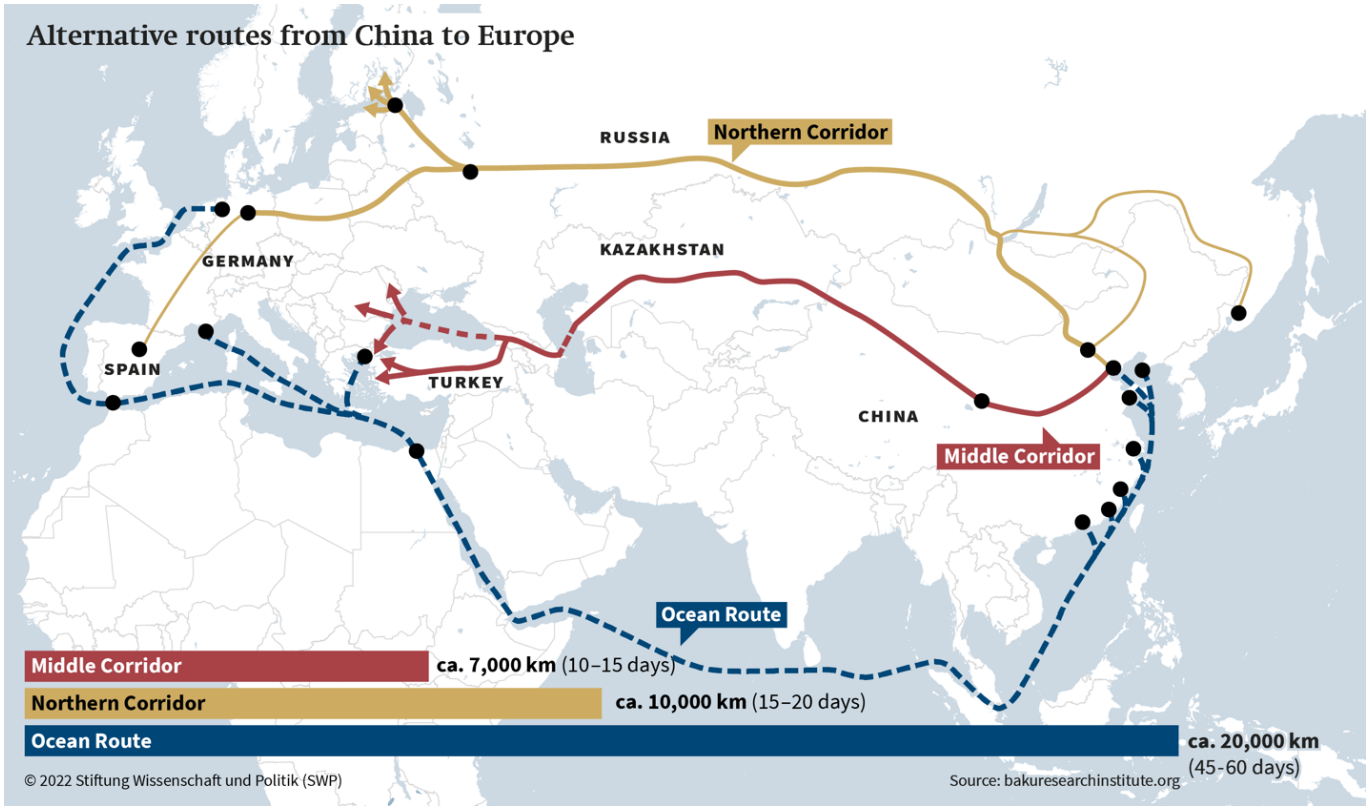
focusing on alternative transit routes. The listed transnational corporations not only transport their large-capacity containers through the Middle Corridor, but also play a key role in its technical development and optimization. Major global financial institutions such as the Asian Development Bank, the European Investment Bank, the Asian Infrastructure and Investment Bank, the European Bank for Reconstruction and Development, as well as the World Bank, which have been striving to diversify the global transport and transit lines for many years, are also interested in the development of this transport corridor consisting of train and ferry routes.

Although the Middle Corridor is 2,000 km shorter than the Northern Corridor, its passing through the land/sea border and customs control of several countries is the main factor that reduces the attractiveness and reliability of the corridor. Moreover, the poor organization ϕтв coordination of the activities of cross-country cargo carriers and relevant government agencies operating along the corridor and insufficient technical equipment of seaports are the main factors that negatively affect the economic efficiency of international cargo transportation through the Middle Corridor. The shortage of large-scale ferries in the Caspian and Black Seas, the incomplete electrification of part of the rail network between Georgia and Türkiye, the limited capacity of the ports, and the frequent loading of trans-continental bridges and overpasses located in Istanbul are examples of obstacles that the Middle Corridor has to overcome. In general, according to the latest estimates of the European Bank for Reconstruction and Development, about $3,5 billion shall be allocated for the construction of infrastructure so that the Middle Corridor can effectively regulate transcontinental cargo transportation.

The current critical geopolitical situation in eastern Europe has stimulated the strengthening of mutual political and economic relations of the Middle Corridor countries and the

establishment of common strategic interests. The member states of the Middle Corridor have begun to take practical steps to eliminate bureaucratic obstacles, introduce a unified tariff system, develop an electronic payment mechanism for their customs clearance systems, solve technical problems and organize unified coordination between institutions. Thus, after the Russian invasion of Ukraine, high-ranking officials of the countries along the corridor have periodically held meetings in various formats.

Without going into details, bilateral and multilateral international agreements envisaging the improvement of physical and digital infrastructure and optimization of processes within the Middle Corridor include interstate agreements mainly between Azerbaijan, Türkiye, Kazakhstan and Georgia signed in March, April, May, June, July and November 2022 and in April 2023. Moreover, the formation of an economically efficient and competitive intercontinental transport corridor has become one of the key issues of the summit of the Organization of Turkic States (OTS), whose activity in the international arena has increased over the past two years. The development priorities of the Middle Corridor were highlighted both at the VIII and IX summits of the Organization of Turkic States held in Istanbul in 2021 and Samarkand in 2022.



Map 4. Comparison of the Northern Corridor (yellow straight line), the Middle Corridor (red straight line) and the Ocean Road (blue broken line), which are the main routes used to transport cargo from China to Europe.

The annual load capacity of the Middle Corridor, which has to pass through the territory of at least 4 countries (Kazakhstan, Azerbaijan, Georgia and Türkiye) and 2 water bodies (the Caspian Sea and the Black Sea), is indicated as 10 million tons, including 200 thousand containers. According to official data shared by Azerbaijan Railways (ADY), trains operating along the Middle Corridor deliver wagons from China to Europe in about 10-12 days. This period of transportation can vary due to the speed of customs operations between countries, traffic jams in ports, as well as unfavorable weather conditions on the Caspian Sea. Although during 2022, a number of operational improvements have been implemented along the Middle Corridor, allowing the reduction of delivery times due to optimization of customs processes and synchronization of the activities of relevant agencies, delays in the delivery of containers by the Caspian Sea from the ports of Aktau and

Turkmenbashi to Alat port due to changing weather conditions still pose extra challenges.

According to the recent report published by ADY, during the 10 months of 2022, freight traffic by containers through the Middle Corridor increased by 45% compared to the relevant time span of the previous year. During that period, an increase of about 65% was recorded in the volume of transit cargo passing through the territory of Azerbaijan. At present, the cargo entering the port of Alat are transported to European markets via two routes. One of them crosses the Black Sea through the Georgian ports of Poti and Batumi, and the other is transported through Türkiye by the Baku-Tbilisi-Kars railway. Container blocks entering the port of Alat are also shipped from the seaports of Aktau in Kazakhstan and Turkmenbashi in Turkmenistan, depending on the export point and destination country. Petroleum products (34,8%) continue to dominate among the most transported cargoes.

The Middle Corridor still lags behind the capacity of the Russian-controlled routes to the north. While the Middle Corridor is estimated to have carried up to 80.000 twenty-foot equivalent units (TEUs) in 2022, the northern routes carried 1,5 million TEUs in 2021. Overall, when we look at the statistics of container cargo transported through the TITR, we see that the primary products are fuel and various raw materials, sourced mainly from countries in the region. This is also an indicator that freight traffic from China to Europe or vice versa along the Middle Corridor has still not reached the desired level. On the other hand, due to the agreements reached by Alat Port with leading European logistics companies, there has been an increase in the transport of a number of technical products. For example, in the first 9 months of 2022, 9.316 wheeled vehicles were transported through the said port, up more than 3 times from the same period in 2021.

Europe and China, seeking to cope with uncertainties in global

supply chain management, are also focused on improving existing infrastructure and building new infrastructure along the Middle Corridor. In anticipation of widespread containerization in the Caspian and Black Sea basins, expanding international seaports such as Alat, Aktau, Turkmenbashi, Filyos, Batumi and Poti will also contribute to the increased capacity of the Middle Corridor. The development of this transport corridor is extremely important from the point of view of integrating into world markets countries such as Azerbaijan, Kazakhstan and Turkmenistan, which do not have direct access to oceans. On the other hand, the Middle Corridor can play an important role in the export of Turkish products to Central Asia and the Far East, circumventing Iran and Russia, both of which are under sanctions.

Conclusion

Undoubtedly, strengthening the contacts of the main transit countries of Central Asia, which continue to distance themselves from Moscow's orbit, with Beijing and Brussels against the background of the geopolitical landscape enhances the development prospects of the Middle Corridor. This suggests that in parallel with Russia's isolation from world markets, the optimization and capacity building of the Middle Corridor, which is growing in importance day by day, will continue to be systematically pursued. Of course, one of the decisive factors will be the continuous development of strong diplomatic and commercial relations between member countries, as well as the creation of land and maritime physical and digital infrastructure to ensure that the international railway ferry route under discussion justifies itself both economically and politically, while at the same time effectively utilizing its potential.