

Geopolitical Change and the Re-Emergence of the Middle Corridor

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As the war in Ukraine escalates and becomes more violent, global food and energy recession risks continue to increase, in turn further heightening the likelihood of a global economic recession. The new full-scale war revealed particular vulnerabilities of the Western block of countries, particularly on energy and supply chain management, due to their imposition of sanctions and export restrictions on Russia. Hence, new security challenges in Europe have forced the Western block of countries to explore new and safer trade routes while avoiding Russian territory.

With the West's search for new and safer trade routes, the Middle Corridor—a joint venture composed of Azerbaijan, Georgia, Kazakhstan, and Türkiye—has regained strategic prominence. Formally known as the Trans-Caspian International Transport Route (TITR), the Middle Corridor stretches from China to Europe, crossing Central Asia and the South Caucasus, and is divided into two main lines. The first route is China-Kazakhstan-Caspian Sea-Azerbaijan, which can be defined as the Northern Line, and the second route is China-Kyrgyzstan-Uzbekistan-Turkmenistan-Caspian Sea-Azerbaijan, which is the Southern Line. In addition, there is an additional extension of the Middle Corridor via the Lapis Lazuli Corridor, known as the Türkiye-Georgia-Azerbaijan-Turkmenistan-Afghanistan Transit Transport Corridor.

What makes the Middle Corridor most attractive for Western countries is its safe accessibility, since it is not subject to any international limitations compared to other routes traversing other sets of countries. The set of bilateral relations between Azerbaijan-Kazakhstan and Azerbaijan-Türkiye, which have both risen to the level of strategic partnerships, add even more value to the Middle Corridor whilst increasing the chances of economic benefits for all involved parties, including the European Union and China.

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Middle Corridor: Viability Along the East-West Route

Since the war in Ukraine began on 24 February 2022, the transportation volume through the Middle Corridor has increased significantly. Reports indicate that the transportation volume from January to March 2022 increased up to 266,300 tons of cargo, which is 123 percent more than the same period in 2021. As of September 2022, the transportation volume through the Middle Corridor reached 845,000 tons of cargo. Projections indicate that this project is capable of transporting around 10 percent of total cargo volume for China-EU rail trade, although the participating countries would be required to invest more in infrastructure projects to increase the transit volumes.

However, additional investment in infrastructure projects is not the only challenge that hinders the efficiency of the Middle Corridor, as there are certain problems on the Central Asian part of the route, namely the lack of efficient customs control on the Kazakhstan-China border.

The absence of a deep-water port on the Black Sea and suboptimal railway connections in Georgia also represent two other major infrastructure challenges for the transit corridor. These too will need to be addressed quickly—and there are indications that this is being done. For example, Georgia’s major east-west highway has been under construction for several years. In 2020 with the support of the European Investment Bank (EIB), the Khashuri and Kutaisi bypass road (13 and 19 kilometers, respectively) sections were inaugurated, whereas a total of 70 kilometers of the East-West Highway and all construction work and infrastructure modernization will be finalized by the end of 2022, increasing the Middle Corridor’s transportation capacity. The modernization of infrastructure is also important to solve the problem of truck waiting times at Georgian border crossings.

While such challenges cause delays in the shipping of cargos in a timely and predictable manner, they also affect the Middle Corridor’s reliability for international partners and investors. Therefore, since 2020, Azerbaijan, Georgia, Türkiye, and Kazakhstan have launched intensive negotiations and face-to-face meetings to eliminate remaining problems and increase the technical capacity of the route’s Caspian Sea and Black Sea portions. These challenges are thus being overcome. On its end, Azerbaijan has heavily invested in the Baku Sea Port at Alat—a national flagship project to increase the port’s capacity and ferry crossings in order to reach the targeted goal of transshipment.

Hence statements like the one published in a recent bulletin of the Trans-Caspian International Transport Route Association, which indicates that “cargo transshipment through Central Asia and the Caucasus will grow six times in 2022 compared to the previous year, to 3.2 million metric tons.” In order to reach that goal and boost cargo deliveries through the Middle Corridor, national governments and companies are enhancing cooperation to optimize transportation and address certain political concerns

that may occur soon in the wake of new geopolitical realities arising in the post-Soviet region. In this regard, the strategic partnership between Kazakhstan and Azerbaijan—two main Silk Road region countries linking China to the Caspian Sea and further to the Black Sea—is particularly important.

Indeed, Kazakhstan has long enjoyed friendly ties with the states of the South Caucasus, particularly with Azerbaijan. Bilateral relations gained momentum when Kassym-Jomart Tokayev assumed the presidency in June 2019 and were further cemented during his official visit to Azerbaijan on 25 August 2022, undertaken at the invitation of his counterpart, President Ilham Aliyev. Hence, Tokayev's visit to Baku amid deteriorating relations with Kazakhstan's long-term ally Russia highlighted the importance and potential of the Middle Corridor project. Indeed, it now has re-emerged as a strategically viable main option for East-West trade, whereas its main concurrent North-South corridor (through Russia, Azerbaijan, Iran, and on to South Asia) becomes less feasible in the light of the Western-imposed sanctions against Russia and Iran.

Moreover, another essential factor that makes the Middle Corridor a more relevant strategic option for the West is that it has progressed through public-private investments and management, mainly without Chinese funds and influence. This factor enables participating countries to seek additional subsidies in addition to those allocated by Beijing. In the last several years, Azerbaijan and Kazakhstan, as the main stakeholders in the Middle Corridor project, achieved significant results in rebuilding and modernizing necessary infrastructure, such as the vitally important Baku-Tbilisi-Kars railway connection and the expansion of major Caspian seaports, namely the aforementioned Alat as well as Aktau, Kuryk, and Turkmenbashi. In June 2022, it was announced that the state-owned Azerbaijan Railways Company will add a second vessel to transport goods through the Black Sea from the Port of Batumi (Georgia) to the Port of Constanta (Romania), and vice versa, as it could increase capacity and ensure the integrity of supply chains through the Middle Corridor.

In the case of Kazakhstan, the biggest Central Asian country is set to play a vital role in the Eurasian transcontinental trade, especially within the scope of the EU Global Gateway strategy. This EU program aims to boost smart, clean, and secure links in digital, energy, and transport sectors worldwide, with a budget of up to €300 billion until 2027.

With Russia now stuck in Ukraine amid harsh economic sanctions, Azerbaijan and Kazakhstan have intensified efforts to boost transshipment volumes via the Middle Corridor. As such, on 9 March 2022, the Georgian, Kazakh, and Azerbaijani authorities agreed to establish a joint venture to develop further the Middle Corridor to adapt it to the new realities in the region. The ongoing dialogue regarding the development of TITR was further cemented by a quadrilateral declaration signed by Azerbaijan, Georgia, Türkiye, and Kazakhstan on 31 March 2022. The document envisages bolstering the Middle Corridor's infrastructure potential by resolving issues such as tariff setting and cargo declarations to ensure the smoother transit of cargo along the route.

The involvement of several countries in the project has already attracted new foreign partners like the Dutch-based logistics company Cabooter Group, which has recently commenced operation via the Baku Port supplying cargos to China, the Danish shipping company Maersk, and the Finnish company Nurminen Logistics, which launched cargo deliveries in May 2022 from China to Azerbaijan via Central Asia and farther to Europe.

While the new geopolitical realities make the Trans-Caspian corridor a mandatory transit point, replacing the traditional route via Russia, the number of container units passing through the corridor registered at around 19,500 cargo units in the first quarter of 2022, which accounted for a 28 percent increase in comparison to the same period in 2021. Indeed, the projected economic benefits have pushed Azerbaijan and Kazakhstan to take additional steps to upgrade their transportation infrastructure to enhance the movement of goods. Within this framework, Azerbaijan recently completed the second phase of the development of its seaport in order to expand transshipment capacity to 25 million tons of cargo and 500,000 TEU containers, whereas Kazakhstan plans to build a new cargo terminal in Aktau to be carried out by foreign companies and container operators such as Switzerland's MSC and China's COSCO Shipping.

With its widely acknowledged pragmatic foreign policy agenda, Azerbaijan sees the Middle Corridor project as another opportunity to boost fruitful its partnership with China, Kazakhstan, and Uzbekistan and link the landlocked Central Asian region to Türkiye and farther to Europe. Therefore, Baku's efforts to prioritize the project and use it as a tool for deeper regional integration should not come as a surprise. In this vein, Türkiye is another key partner in this project, as the country has long sought to deepen engagement with Central Asia as a way to reinvigorate its regional influence. In the past several years, Türkiye has managed to revitalize relations with all Central Asian states through the Turkic Council, now known as the Organization of Turkic States.

Türkiye is an essentially stakeholder in the Middle Corridor project, as it links the core of the Silk Road region (i.e., the South Caucasus and Central Asian states) to Southeast Europe. Hence, optimization efforts are underway for developing its Turkish part, namely the Halkalı-Kapikule railway project, a high-speed railway link from Istanbul to the border with Bulgaria, which is set to be inaugurated in early December 2022. While this new railway project will further facilitate fast cargo deliveries to markets on the European continent, it has attracted additional partners and investors from the EU and the Western Balkans (e.g., from Hungary, Serbia, and Bulgaria) that seek the optimization of the portion of the route passing through their countries. As stated earlier, Türkiye's interest in the Middle Corridor project is attributed to its geopolitical interests and Ankara's ongoing attempts to replace regional rivals Russia and Iran as the main gateway of Asia to Europe.

With deepening intra-regional engagement and increasing investment flow, the Middle Corridor project will likely continue to develop as an economic region with increasing interest and support from the United States and the European Union. For its Western

partners, the Middle Corridor is a stable and safe route for increasing the resilience of supply chains and energy supplies amid the oncoming and harsh global energy recession, producing more strategic benefits in an increasingly prosperous region.

The EU's interest in the Middle Corridor is obvious, given the July 2022 visit by EU Commission President Ursula von der Leyen to Baku. According to von der Leyen, the EU is ready to mobilize an additional \$2 billion to support Azerbaijani small and medium companies to ensure the Baku Sea Port at Alat becomes a sustainable transit hub. Indeed, the EU seeks to reach out to its energy-rich Central Asian partners through viable routes like the Middle Corridor, which is fast moving away from Russia's direct influence. Hence, it could be a savior for regional states like Kazakhstan, which is steadily experiencing an increase in pressure from the Kremlin.

Russia's decision to temporarily halt Kazakh oil shipments through the Caspian Pipeline Consortium (CPC) via its territory to the EU three times in quick succession several months ago inevitably increased the strategic importance of additional transport routes bypassing Russia. While these incidents set a dangerous precedent for other post-Soviet states, they also motivated the Kazakh authorities to re-route oil exports away from Russian territory and deepen energy cooperation with the EU by boosting the volume of oil exports via alternative routes, including across the Caspian Sea to Azerbaijan. Moreover, Tokayev also instructed the government to turn the seaports of Kazakhstan into leading hubs of the Caspian Sea.

Nevertheless, Russia and its long-term partner Iran will likely continue to use all means and "gray zone" tactics to influence the emerging geopolitical axis of Ankara-Tbilisi-Baku-Astana in order to advance their regional interests. For instance, Russia may strengthen its strategic partnership with Armenia, an arch-foe of Azerbaijan with which it is presently in peace talks, to keep tensions alive in the South Caucasus and halt the momentum of intra-regional partnership. Although Moscow's soft power in much of the Silk Road region began gradually to decline in the aftermath of the Second Karabakh War and dramatic losses in the Ukraine war, it still possesses sufficient means to maintain itself as a key regional stakeholder.

Moving Towards Indispensability

The Middle Corridor represents the interests of several countries engaged in multivector strategic partnerships. The two main countries that stand to win big from this alternative transit route are Azerbaijan and Kazakhstan, since both states are key (and, indeed, indispensable) links between China and Europe via Türkiye. With the new regional geopolitical realities and security cataclysms, the Middle Corridor is likely to keep rapidly developing due to existing high-level political dialogue between all participating states and earlier experience in fostering intra-regional partnerships within various formats.

However, as this IDD analytic policy brief has discussed, despite its vast strategic potential, the Middle Corridor still has certain problems that need to be addressed with all deliberate speed. Firstly, it is a multimodal route, which requires containers to be loaded onto ships in Kazakhstan and then reloaded on a railway in Azerbaijan. Such enormous technical work may seem unattractive to global logistics companies.

Secondly, the further development of the Middle Corridor would be possible through boosting investments from local governments in China that are keen to have a direct link to the EU market. Until now, Chinese provincial governments have not invested heavily in the Middle Corridor. On the contrary, the Chinese authorities have declared an end to all subsidies in 2023. Also, the lack of currency swaps, industrial transfer, and free trade agreements between Azerbaijan and China, unlike Kazakhstan and Georgia, also needs to be taken into consideration.

Moreover, the participating states in the Middle Corridor project still have some work to resolve all issues with hard infrastructure capabilities. Lastly, some international partners and investors have voiced their concerns regarding the lack of common customs and regulatory procedures among the TITR countries for transit cargo. Therefore, harmonizing and simplifying customs procedures will be needed to make the route more attractive for new partners.