

# Game of Corridors

## Emerging Actors, Interests, and Security Risks of the Greater Caspian Region

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*“...the times now require you to manage your general commerce with sword in your hands”*

– Gerald Aungier, the Governor of Bombay, 1675

The effects of the ongoing European War continue redesigning the geo-economic map of Eurasia at a fast pace, including the regions placed far away from the Russia-Ukraine battlefield. One of the most significant outcomes becomes the cessation of the previously operational supply chains, and the subsequent shift of their functionality towards newly emerging priority routes and infrastructure. By the trick of geography, most of those contemplated routes run through or by the Greater Caspian Sea region. Such developments provide the transit countries and the end users a range of new opportunities and benefits—but also a new set of risks and challenges.

Critical transportation infrastructure (railways, pipelines, seaports, shipping lines of communication, etc.) does not exist in vacuum. It is absorbed into a politico-security environment. As such, it appears a potential aim for what is called by specialists the “projection of adverse impact” by state competitors and/or non-state opponents, who tend to maximize their own advantages and restrain other contestants. That projection may either be of an indirect or direct (kinetic) nature (in the extreme scenario). The rival agendas related to the transit corridors generate frictions that could develop into tensions, and even transform into crises. In fact, the contemporary edition of the “Great Game” unfolds now in the heart of the Silk Road region (a.k.a. Eurasia).

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This IDD Analytical Policy Paper provides an outlook on the reformatting geo-economic landscape in those parts of the Silk Road region contiguous to the Greater Caspian Sea region. It focuses on the particular existing, emerging, and envisaged transit transportation corridors; assesses the interests and intentions of the involved actors; and evaluates the associated security risks. A particular emphasis is placed on China's activity as an emergent stakeholder in that part of the world.

### *The Middle Corridor: Asia's Gateway to Europe*

The start of the European War has brought into question the future of the shortest and cheapest overland transportation route between China and the European Union that passes through the territory of Russia. Increasingly, regular freight traffic is shifting to the Trans-Caspian International Transportation Route (TITR), also known as the Middle Corridor. That 4,700 km long corridor linking China with Central and Western Europe passes through the Greater Caspian region (particularly Kazakhstan, Azerbaijan, and Georgia). Its infrastructure encompasses railways, highways, seaports (e.g., ferry, oil, container, and grain terminals), cargo transshipment nodes, and other assorted logistics infrastructure. The route's capacity is quickly expanding thanks to the investment efforts made by the stakeholder countries and the Asian Development Bank: in 2023, freight's delivery time from China to the Black Sea ports will be reduced from 38-53 days to 14-18 days. If in 2022, the volume of cargo transported via the TITR was less than two million tons, by 2025 that amount is projected to increase to 10 million tons, and by 2034 to 17 million tons per year.

The Caspian Sea is located exactly in the middle of the Middle Corridor. The sea provides vital transportation connectivity through the operationalized link between seaports of Aktau (Kazakhstan) and Alat (Azerbaijan). Both Azerbaijan and Kazakhstan are vigorously developing the associated infrastructures and facilities. In addition, they are building new vessels (dry cargo, container ships, ferries, and oil tankers) to supplement this connectivity. The Kazakh merchant fleet, for instance, will expand with 15 additional vessels built by 2030. Astana progressively uses the Caspian maritime route to ship its export oil to the market, thus bypassing Russia (in the first quarter of 2023 that amount increased sixfold).

Overall, now the Middle Corridor represents the most developed and feasible overland route for China's export to Europe, and has a great importance for the fulfillment of Beijing's wish to reorient its economy from the American to the European market. There are essentially no credible challenges to that corridor along its route—except one weighty “but,” namely the competing meridional North-South corridor that passes through or along the same Caspian Sea.

## *The Russia-Iran Nexus: The Fiftieth Meridian's Lifeline*

Russia's invasion into Ukraine led to the former's exclusion from the global economy—or, more precisely, from its West-related segments. However, Moscow is not backing down and seems to be seriously preparing for a long standoff. This forces the Kremlin to seek alternative alliances, solutions, and ways to establish connectivity with actors in the Global South that did not join the West-led sanctions and export restrictions regime. An impetus to facilitate a breakthrough to the outer world has led to an advent of the odd strategic alliance between Moscow and another outsider: Tehran. One of the central products of that rapprochement has become the resurgence of the long-discussed International North-South Transport Corridor (INSTC) project—a multimodal 7,200 km-long transportation route that aspires to provide a terrestrial connection between the Baltic Sea and the Indian Ocean. The developments of the European War have reduced the span of INSTC to 3,000 km whilst greatly increasing its strategic significance for both Russia and Iran.

The Caspian Sea has now become a geography that provides connectivity between the two aforementioned actors right along the fiftieth meridian. The overland connection via Azerbaijan rests on a single highway that passes and has relatively limited throughput, crossing two interstate borders, each with custom procedures. The railway connection has a missing link between Azerbaijan's town of Astara and Iran's Rasht. Russia is ready to grant Iran a \$1.3 billion credit to build 164 km-long absent segment of the railway. However, time pressures and political complications may suspend or even cancel this project, notwithstanding the recent agreement. That leaves all actors with the Trans-Caspian maritime nexus as an only viable and serviceable way of communication.

However, there are the particular impediments on both the northern and southern shores of the sea. *First*, the existing Russian and Iranian merchant fleets on the Caspian are not advanced enough to sustain the rapidly increasing flows of freight. For instance, Iran has only 53 vessels there, although it needs twice as many. Russian shipping companies maintain only 19 vessels of roll-on/roll-off (RORO) class, while Iran has zero. *Second*, the service, maintenance, and logistic infrastructure ashore does not match the growing demand. The Iranian ports have no railway connection, save at Amirabad. *Third*, the problem of bottlenecks. The major Russian port of Astrakhan is up the Volga River. The Caspian Sea, with its capricious hydrography, retreats in its northern part, and the Volga's mouth becomes too shallow (and often freezes in wintertime). This limits the passage of vessels with a draught of more than 3.5 m and forces them to carry only 70 percent of their full load. The Volga-Don canal connecting the Caspian and the Black Seas is narrow and exposed to frequent jams.

Russia and Iran are keen to overcome the mentioned conditions, as demonstrated by the geopolitical and geo-economic logic of INSTC. Altogether, they have indicated that they will invest some \$25 billion to improve the infrastructure and capabilities on the Caspian.

Iran's merchant fleet will get 20 new vessels (RO-RO class, Volga-Don Max class container ships, and dry cargo ships of 5,000t deadweight), already ordered to the Russian shipyards. A joint shipping company, a joint shipbuilding venture, and a new container terminal will be set up on Volga, and other port facilities and associated logistics will be modernized and expanded. Some \$1 billion is assigned to dredge the mouth of the Volga and renovate the Volga-Don canal. Iran has acquired a 53 percent share of the Astrakhan cargo port, allocating \$10 million to its modernization. It is also modernizing the year-round port of Makhachkala, with Tehran even contemplating the establishment of an aviation hub and repair facility in Dagestan, operated by Pars Golden Sky Company.

The urgent (due to wartime pressure) measures have started to pay off: between March 2022 and March 2023, an Iranian operator on the Caspian Sea (the Khazar Sea Shipping Line) centered in the main seaport of Bandar Anzali, has increased its cargo turnover by 120 percent. Ambitious plans include the increase of volume of cargoes shipped between Russia and Iran—first to 15-30 million tons, and then to 60 million tons, including 8 to 10 million of standard containers (twenty-foot equivalent units, or TEU).

The Caspian maritime route between Russia and Iran is just *one* segment of INSTC, although a vital one. The cargoes delivered to northern Iranian ports will proceed by truck transport through crosscutting highways to Bender Abbas and Chabahar, its primary embarkation ports in the Indian Ocean. The extensive heavy load trucks' fleet, the developed road network, and cheap gasoline prices in Iran are additional benefits for that corridor's design.

The above could have been interpreted as standard bilateral economic cooperation, if only it did not have a clear militarized dimension, which is related to the European War. Iran is intensively using the Caspian Sea link to support the Russian war machine with much wanted artillery ammunition, strike drones, and other military hardware spent later against Ukraine. Western sources track and provide enough evidence of such supplies delivered from the Iranian ports to Russia. There are also other indicators of the growing militarization of the Russia-Iran bilateral relationship. Particularly, Russia supplies Iran with SU-35 jet fighters to upkeep its outdated air forces. In May 2023, the Commander-in-Chief of the Russian Navy visited Tehran to negotiate bilateral cooperation in this area. He also visited Iran's naval academy on the Caspian Sea. The discussion of the issues of "cooperation" in the Caspian Sea at the Russian National Security Council meeting on 17 March 2023 highlights the strategic pivot of the Trans-Caspian connection for Moscow.

In total, the fully operationalized INSTC provides a strategic asset for Moscow and Tehran. That corridor is not for China's benefit (especially in the light of India's involvement, as discussed below). Still, Beijing has to tolerate it, taking into account the new global disposition forming by the European War. Equally, both Russia and Iran would be happy to upset the Middle Corridor, thus causing pain for Europe. Yet, the Chinese stakes in the TITR project prevent them from acting. Nonetheless, that mutually

restraining equation potentially may alter, depending on future dynamic. In that case, different “hybrid scenarios” targeting the Middle Corridor may unfold.

### *The Indian Dimension: Exploring the Northern Avenues*

The Russia-Iran nexus has an extension. New Delhi was lobbying for the operationalization of INSTC for a long time, in order to facilitate the own overland connectivity to Europe. Indeed, the traditional maritime route is long, passes through choke points (Bab el Mandeb Strait, the Suez Canal, and the Strait of Gibraltar), and zones of insecurity (the Horn of Africa and the Red Sea). Thus, the Indian concept is based on the premise of shortening the maritime leg by connecting Mumbai and its other western ports with the Iranian mega-ports of Bender Abbas and Chabahar. From there, the cargoes would transship to either Europe, Russia, Central Asia, or other destinations. An illustrative example: the cost of delivery of one TEU to Russia via Suez is more than \$5,100, while via Chabahar and Astrakhan, the cost is around \$3,000. Not surprisingly, an Indian company obtained the rights for the operational management of Chabahar port as early as in 2018.

The European War revitalized India’s desire to activate INSTC, especially in light of its reluctance to support the West-led sanctions and export restrictions regime against Russia. In July 2022, the first TEU arrived from India to Astrakhan via Iran. It illustrates the de facto partaking of India in the Russia-Iran Caspian maritime venture—although it is relatively limited, obviously, at present.

India is also exploring other offshoots of INSTC. One is the East Caspian Railway (discussed below). Another is the multimodal Persian Gulf and Black Sea International Transport Corridor (PBTC), which is a project (and a route) that is distinct from INSTC. It starts from the aforementioned Iranian ports, passes through Iran, Armenia, Georgia, the Black Sea, and ends up in the ports of Bulgaria and Romania. Although the infrastructural, financing, and political issues related to PBTC still remain to be resolved, both India and Iran are staunch proponents of that corridor, which would grant them the shortest possible access to the markets of the European continent. To keep the project afloat, India is actively rearming Armenia after its defeat in 2020 Second Karabakh War, while Iran, de facto, plays the role of Yerevan’s security protector—all this to keep control over the some 40-km long border between Iran and Armenia, where the planned corridor is supposed to pass through.

### *Thick Shadow of China: Entering the Game*

China—previously dubbed in the West as the “world’s factory”—is gravely dependent on its global export dominance. In part to advance that dominance, ten years ago Beijing launched the Belt and Road Initiative (BRI)—a strategy to institutionalize its infrastructural expansion. Beyond its geo-economic bearing, BRI has a symbolic



political significance as a project bred by the acting top leaders of the People's Republic of China.

Over 90 percent of Chinese export is carried by sea (over 300 million TEU yearly), while only 8 percent is transported by land (with minimal volumes brought over by air). The maritime leg is cheaper than the other two, but is slow in terms of delivery. Moreover, it creates dependence on sea lines of communications that in case of troubles could be interdicted by China's competitors (the U.S. and its AUKUS and Quad partners), especially in such chokepoints as the Taiwan and Malacca Straits. The Red Sea area is also insecure, given the war in Yemen and recently flared-up conflict in Sudan. The contemplated Arctic maritime route's opening due to the "big melt" is still farfetched. Meanwhile, the land transportation option, though more expensive, is both faster and safer—if, that is, the proper connections are established. That is precisely what China is now focused on engendering. The European War and the closure of the northern (Russian) branch of BRI produced a crisis that Beijing endeavors to transform into an opportunity.

In February 2023, Iran's President Ebrahim Raisi visited China to sign a set of bilateral strategic cooperation agreements on trade, transportation, security arrangements, and so on. The next month, Iran and Saudi Arabia—all of the sudden, so it seemed to the world—reached an accord to repair their spoiled relations, with Beijing being presented as an architect of the deal that granted it a strategic entryway to the Gulf region. Thus, it gained the shortest access to the markets of the Arab monarchies and to an extensive resource base in Africa that is of a paramount importance for the Chinese economy.

The foray into the Gulf reduces Beijing's dependence on the China-Pakistan Economic Corridor (CPEC), a 3,000 km infrastructure network connecting the Chinese province of Xinjiang to the Pakistani deep-water port of Gwadar on the Arabian Sea. Beijing perceives that a single operational land corridor between China and the Indian Ocean is not sufficiently reliable. This is due to the harsh terrain of the Hindu Kush, the ethnic Baloch insurgency and Islamist terrorist activities along the route, and, foremost, to what it perceives to be Pakistan's inherent political instability. Thus, the new southern transit transportation route opened through the Iran-Saudi deal has an enormous advantage for China, which remains cautious to place all eggs in one basket. Yet, between China and Iran (and the Gulf) rests Central Asia.

On 19 May 2023, leaders of all five Central Asian states gathered in the Chinese city of Xi'an to meet with Chinese President Xi Jinping. The summit produced a general declaration on cooperation (including in its transportation and security dimension). A tangible outcome was agreement to accelerate the implementation of the CKU project—a flagship railway project to connect China with Kyrgyzstan and Uzbekistan. When completed, that 523 km long complex infrastructural design (18

rail stations, over 80 bridges and 40 tunnels) will be linked to the already existing Soviet-era railways in Uzbekistan and Turkmenistan (although it requires pairing of different railway gauges, a technical solution for which China has mastered in various other theaters, including on its border with Russia). The CKU project—its estimated full capacity is 12-15 million tons a year—shortens the route to Iran’s Gulf ports by 900 km and cargo’s end-to-end delivery time to 7-8 days.

The plan is to ultimately merge the CKU route with the East Caspian Rail Corridor. The 917 km long route, inaugurated in 2014 and linking Kazakhstan, Turkmenistan, and Iran, has already entered into a testing phase. The Asian Development Bank has allocated \$620 million to fund the project. When connected with the Iranian rail and road network, it will end at the Bandar Abbas-Chabahar hub. Turkmenistan already has established its presence in the latter port with the Indian facilitation. The East Caspian rail and Turkmenbashi port on the Caspian Sea will provide the potential all-aspect connectivity to Kazakhstan, Uzbekistan, Azerbaijan, Georgia, Iran, Russia, India, and the Gulf States—with Turkmenistan at the center of the network.

The CKU may also be extended towards Turkey (still to be constructed), Iraq (which just announced an ambition to build the 1,200-km “Development Route” from its northern border with Turkey to the Gulf), and Afghanistan (the so-called “Lapis Lazuli” corridor). However, all the foregoing projects exist mostly on paper, requiring an accommodation of interests, the resolution of legal issues (e.g., the legitimization of the Taliban regime), and the overcoming of manifold security threats posed by violent non-state actors (the Islamic State, various Kurdish groups, etc.). The risks related to the flashpoints are the awesome factor. For example, the ethnic Baloch insurgency in Iran and the recently flared Iran-Afghanistan confrontation transpire exactly along the route connecting Central Asia to Iran’s ports on the Indian Ocean.

### *Central Asia: Eagle Out, Dragon In, Bear Down*

The pullout from Afghanistan in 2021 significantly diminished the U.S. and Western footprint in Central Asia. Then, the start of the European War led to a prompt weakening of the traditional Russian influence in its “near abroad.” Now the time has come for China to arise and step into a new “Great Game.” The balance of internal and external conditions favors it, especially after Xi Jinping consolidated his political position.

The Chinese way of doing business in Africa and Asia centers on a “turnkey” concept: providing all at infrastructure (construction, modernization, maintenance, and exploitation), logistics, technologies, services, personnel, equipment (such as locomotives and another rolling stock), and other required components—and even Chinese language teachers. To finance those ventures, Beijing provides partner

countries with credit lines and loans, which go in package with guarantees of investment and security protection. A win-win strategy for China, which becomes a primary user and benefactor of the infrastructure its companies build and its banks finance.

China sees Central Asia as a source of energy, as a mineral resources base, and as a transit corridor towards the European continent and the Indian Ocean. Beijing has invested significant capital in Central Asia. For instance, China has invested some \$45 billion into Kazakhstan's economy between 2005 and 2022 (mostly in the oil and gas sector), and over \$11 billion in Uzbekistan since 2017. Some 30 percent of China's energy imports comes from the region: for instance, in 2022, Turkmenistan supplied about \$9.2 billion of natural gas. In 2022, the volume of bilateral trade between China and the five Central Asian states reached a high record of some \$70 billion.

Aside from the well understood risks of doing business in Central Asia, China needs to figure out how to deal with a constellation of violent and hostile actors in nearby Afghanistan, be it the Taliban, the Islamic State in Khorasan Province, an ethnic-Uyghur movement, and so on. China will also have to figure out how to contain perceived state competitors. This suggests that an expanded Chinese security or military presence is a likely development down the road. This would not be unprecedented: Chinese facilities already exist in Tajikistan and control the Wakhan Corridor, a highland region of Afghanistan that directly borders China and is potentially being exploited by Uyghur separatists. China supplies weapons to Kazakhstan, Turkmenistan, Uzbekistan, and Tajikistan, including modern air defence systems. Beyond that is China's longstanding comprehensive defence cooperation with Iran. Therefore, the eventual emergence of a Chinese military presence in the Greater Caspian region, in one form or another, would not be a surprise.

All this is part and parcel of BRI—at least in that part of the world. The power of Chinese money also plays a role. Taken together, this may cause the Central Asian states to rebalance their preferences and result in more involuntary dependence on Beijing's will. Some analysts even argue that the Xi'an summit represents another step towards consolidating China's patronage over Central Asia, reporting that local populations are already generating anxiety and tensions. The Central Asia elites are certainly well aware that no one undertakes any form of foreign direct investments out of altruism—including China. And they also seem to be aware that their field of maneuver is narrowing, given the new geopolitical and geo-economic realities constraining Russia and the deficiency of American and European tools of influence in the region. Turkey, for its part, has recently undertaken vigorous inroads into Central Asia with its own geopolitical and geo-cultural project. Still, it is not overmatching Chinese economic and financial weight and military power. Moreover, the factor of geography (distance and separation) matters. Other present actors (such as India, Iran, Israel, Pakistan, some of the GCC states, and South Korea) are also



not powerful enough to provide counterbalancing options. The growing dependence of Central Asian states on China poses a strategic challenge and a potential for future conflict(s).

## Synopsis

- The European War has triggered a chain reaction process of the remaking of the global geo-economic system and its infrastructure.
- One outcome is the emergence of the Greater Caspian Sea region as a key transit transportation node of the Silk Road region.
- The Greater Caspian area is transforming into a plexus of the existing, emerging, and prospective multimodal transit corridors of principal strategic significance for actors from the region and external actors.
- Those actors are aligning themselves into groupings, developing and pinning on specific corridor projects.
- The competing objectives of those groupings and their individual participant states are contradictory and rival in many aspects.
- Conflicting interests, power vacuums, fragile internal balances, excessive militarization, and actual and potential flashpoints around the Greater Caspian area are multiplying security risks along transit corridors.
- Any potential interdiction or disruption of supply chains will precipitate grave consequences for the global economy, far beyond the region.
- Transit corridors in the Greater Caspian are progressively falling in the shade of emerging security frameworks and even politico-military alliances.
- In particular, the Iran-Russia strategic alliance exploits the Caspian Sea as a direct communication avenue.
- The use of that maritime corridor supports the Russian war effort in Ukraine, facilitates bilateral defence coordination, and helps both actors to circumvent international sanctions and sustains their economies.
- Driven by intentions to diversify its transit transportation options, China emerges as a potential major economic and security player in the Greater Caspian.
- The strategic uncertainty over the European War's endgame may eventually transform the Moscow-Tehran axis into a triangulation involving China, at least in the area of the Greater Caspian.
- Another emerging triangulated configuration, this one caused by the formation of the transit transportation corridor, is the alignment between India, Iran, and Armenia.

In sum, the Greater Caspian Sea region is moving to the fore as an area of critical geopolitical, geo-strategic, and geo-economic importance in the Silk Road region. The combination of transit transportation routes and infrastructure, as well as massive hydrocarbons deposits, determine that prominence. Where the money goes, insecurity follows. The region bears a broad array of actual and potential security risks and

challenges that may eventually transform into crises affecting global supply chains. To avoid such scenarios, the actors from within the region and external players will need to elaborate multilateral arrangements and frameworks that shape a stable environment and make possible all to coexist and benefit, notwithstanding divergent interests and competing agendas.

The “game of corridors” in the Greater Caspian Sea region should not transform into the zero-sum game.