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The Middle Corridor (TITR) – high expectations and harsh realities

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The modern system of international logistics has been undergoing a major transformation in recent years. In 2020–2021, the coronavirus epidemic disrupted the supply chains of raw materials and finished products between Europe and Asia. In 2022, the Special military operation (SVO) in Ukraine, in 2023, the renewed Palestinian conflict became the most noticeable factors in the transformation that took place, their influence included infrastructure transit projects that are directly related to the countries of Central Asia and the South Caucasus. The unhurried technological modernization, the progressive development of investment budgets against the backdrop of the widespread sanctions fight against Russia received an unexpected and comprehensive acceleration: the hope for the EU countries, which felt transport insecurity, has become the Trans-Caspian International Transport Route (TITR). Or, more briefly, the Middle Corridor.

Organizational and legal dimension. In November 2013, within the framework of the International Transport and Logistics Business Forum "New Silk Road", which was held in Astana, the authorities of the Azerbaijani, Georgian and Kazakh railways signed an Agreement on the establishment of a Coordination Committee for the development of the Trans-Caspian International Transport Route. The representatives of the seaports of Aktau (Kazakhstan), Baku (Azerbaijan) and Batumi (Georgia), as well as the national railway operator of Turkey joined the authorities of the railways of the three countries. In December 2016, the participants of the organizing committee decided to create the Trans-Caspian International Transport Route Association, which began full-fledged work in February 2017. It is 2017 that is considered the year of birth of the Middle Corridor.

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In March 2022, EU countries imposed the first sanctions against the Russian transport and logistics business¹. At that time, the intensification of the TITR activity began, which the EU countries began to consider as a replacement for the Trans-Siberian Railway and other Russian transit corridors connecting Europe with Asia. The intensification of cooperation was supported by the countries of Central Asia and the South Caucasus. Working meetings and round-table discussions were held in the countries participating in the project: Kazakhstan, Georgia, Azerbaijan, Turkey and China, and the EU countries. In the fall of 2022, a meeting of the heads of the Ministries of Foreign Affairs of Kazakhstan, Turkey, Azerbaijan and Georgia was held in Aktau, following which a Roadmap for 2022–2027 was signed, aimed at developing the efficiency of logistics routes and eliminating bottlenecks along the entire route².

The intensification of the organization's activities was expressed in the creation of a joint association "Middle Corridor Multimodal Ltd" on equal terms by the Azerbaijan, Kazakhstan and Georgian railway companies in 2023. The adopted Charter³ of the organization declares the following as its goals:

- attracting transit and foreign trade cargo to the TITR;
- development of integrated logistics products along the TITR;
- implementation of an effective tariff policy, optimization of expenses and the cost of the integrated service;
- creation of a unified technology for the transportation process;
- ensuring the competitiveness of the TITR compared to alternative routes;
- assistance in reducing administrative barriers associated with border customs procedures, handling of cargo and containers in ports and docking stations.

Geoeconomic dimension. The Middle Corridor is a latitudinal transport highway, a multimodal route that starts from the Chinese seaport of Lianyungang, then goes to the most important railway transport hub of China, the international dry port of Xi'an, where transport routes from Shanghai, Beijing and Lianyungang, other industrial centers of China converge, and ends in one of the seaports of Georgia: Poti or Batumi. The distance from the Chinese city of Xi'an to the final Poti is 7,829 km, travel time is about 15 days⁴.

From Xi'an, container freight trains go to Kazakhstan via Urumqi in two directions: via the international dry port of Dostyk or the Altynkol railway station located in the Khorgos SEZ, where containers

¹ How the imposed sanctions affected cargo transportation in Russia. URL: <https://www.forbes.ru/biznes/467589-kak-vedennye-sankcii-otrazilis-na-gruzoperevozkah-v-rossii>

² Kazakhstan, Azerbaijan, Georgia and Turkey discussed the development of transport routes through the Caspian Sea. URL: <https://www.gov.kz/memleket/entities/mfa/press/news/details/466518?lang=ru>

³ Устав ОЮЛ «ТМТМ». URL: https://middlecorridor.com/images/docs/Устав_Charter.pdf

⁴ Новый маршрут ж/д грузоперевозок связал китайский Сиань с грузинским Потти. URL: <http://russian.people.com.cn/n3/2024/0122/c31518-20124817.html>

are reloaded from the Chinese (European) 1435 cm gauge to the wider Russian 1520 cm gauge. Then, freight trains go to one of the sea ports of Kazakhstan on the Caspian Sea: Aktau or Kuryk, where the containers are reloaded onto sea vessels. They, in turn, go to the Baku International Sea Trade Port. In Baku, the containers are again reloaded onto a train and go to one of the sea ports of Georgia: Batumi or Poti. After that, the containers are again loaded onto a sea vessel and sent to one of the sea ports of Romania, Italy or Turkey.

According to the Ministry of Industry and Infrastructure Development of Kazakhstan, over the five years since 2017, more than 3.9 million tons of cargo have been transported via TITR, including 2.1 million tons of Kazakhstan's export cargo: metals, coal coke, thermal coal, ferroalloys, LPG, petrochemical and agro-industrial products¹. A sharp intensification of growth in the transshipment of transit cargo occurred in 2022: more than 65 thousand TEU containers, or more than 1.6 million tons, were transshipped in one year. In 2023, the volume of containers transported via TITR exceeded 100,000 TEU containers, which, converted into tons, gives a figure of about 2.1 million tons. (Depending on the product, 1 TEU is approximately equal to 21.5 tons of commercial container cargo).

It is especially worth noting that in December 2022, a freight train loaded with copper concentrate produced by the Almalyk Mining and Metallurgical Plant departed along the Middle Corridor from Uzbekistan (the train left from the Sergeli station) to Bulgaria. From Uzbekistan, the train, consisting of 46 freight platforms and 91 containers, went to the Turkmen port city of Turkmenbashi, from there by sea to Baku. Then, it went through Azerbaijan and Georgia, to Burgas.

Technological dimension. A multimodal transport route with crossing a large number of borders and transshipments from one mode of transport to another requires a high level of technical equipment for the cargo operations carried out, developed transport and port infrastructure along the entire TITR way. Thus, at the beginning of 2024, a Kazakhstan terminal with a capacity of 66.5 thousand TEU per year began operating in the dry port of Xi'an in China². A whole range of works on the modernization and implementation of new infrastructure facilities is to be carried out in Kazakhstan. The construction of second tracks of the Dostyk – Moiyn³ railway section and the Almaty bypass railway line is underway. The construction of a new multifunctional cargo terminal Sarzha in the port of Kuryk⁴ is also underway.

¹ Транскаспийский коридор: результаты развития и новые перспективы. URL: <https://web.archive.org/web/20220218065236/https://www.gov.kz/memleket/entities/miid/press/news/details/240111?lang=ru>

² По ТМТМ из казахстанского терминала в порту Сианя отправился первый контейнерный поезд. URL: <https://www.gov.kz/memleket/entities/transport/press/news/details/733547?lang=ru>

³ Достык – Мойынты: строительство идет по плану. URL: https://tengrinews.kz/kazakhstan_news/dostyik-moyyintyi-stroitelstvo-idet-po-planu-521735/?ysclid=luhzn8eyy2311025412

⁴ Многофункциональный морской терминал «Саржа» в порту Курыйк начал перевалку генеральных грузов. URL: <https://primeminister.kz/ru/news/mnogofunktsionalnyy-morskoy-terminal-sarzha-v-portu-kuryk-nachal-perevalku-generalnykh-gruzov-26039>

Azerbaijan is not standing aside either. The modernization of Azerbaijani railways is already underway, which will allow increasing cargo turnover from 1 to 5 million tons in the Baku-Tbilisi-Kars direction in 2025. In addition, as stated by Azerbaijani President Ilham Aliyev at the fifth consultative meeting of the heads of Central Asian states in Tajikistan in September 2023, in 2024 the cargo turnover of the Baku Trade Port will increase from 15 to 25 million tons¹. And in 2026, a cargo airport with a capacity of 0.5 to 1 million tons per year will begin operating in the Alat SEZ, which is located in close proximity to the Port of Baku.

The modernization of Georgia's main railway line Tbilisi – Makhinjauri (railway station in the suburbs of Batumi)² is almost complete. The modernization of the 180-kilometer Georgian section of the Baku - Tbilisi - Kars - Marabda - Kartsakhi railway, located in a difficult-to-work mountainous and forested area, is also nearing completion. In 2024, Chinese construction companies are planning to complete the construction of a four-lane highway on the Rikoti Pass, which will connect Eastern and Western Georgia and reduce travel time from the Azerbaijani border (Red Bridge checkpoint) to the Sarpi border point in Western Georgia from 8 to 4.5 hours.

It is especially worth noting that by 2026, in Kazakhstan's Dostyk dry port it is planned to introduce single-window train servicing, where the port physically handles commercial cargo, as well as processes and prepares accompanying documents. This option will also increase the speed of processing and sending cargo further along the route. In total, by 2026, in the Dostyk terminals the number of TEU containers shipped are to be increased from the current 160,000 per year to 450,000 TEU containers per year³.

In 2023, at the Silk Road Forum in Tbilisi, railway companies from Azerbaijan, Georgia and Kazakhstan signed an agreement to create a single company – a freight forwarder along the entire TITR route. It is assumed that due to framework agreements with sea and dry ports, terminals and railways, there will be an acceleration in the processing of documents for the passage of commercial cargo. That is, freight forwarding companies that carry out cargo handling will use tariffs received from a single company, rather than contacting various terminals and ports. This will reduce paper barriers in the work of freight forwarding companies.

Political dimension. China. The international transport Eurasian corridors and, above all, the Middle Corridor are based on the global Chinese initiative “One Belt, One Road” (hereinafter OBOR), which

¹ Алиев: Азербайджан модернизирует железную дорогу Баку-Тбилиси-Карс. URL: <https://sputnik-georgia.ru/20230914/aliev-azerbaydzhan-moderniziruet-zheleznuyu-dorogu-baku-tbilisi-kars-282286679.html?ysclid=lufh15yvpd500751445>

² Проект модернизации железной дороги в Грузии завершится в 2024 году. URL: <https://sputnik-georgia.ru/20230914/proekt-modernizatsii-zheleznoy-dorogi-v-gruzii-zavershitsya-v-2024-godu-282262806.html?ysclid=luh1409cn178566718>

³ Мощность сухого порта Dostyk Trans Terminal вырастет до 450 тысяч контейнеров в год. URL: <https://inbusiness.kz/ru/last/moshnost-suhogo-porta-dostyk-trans-terminal-vyrastet-do-450-tysyach-kontejnerov-v-god>

the Chairman of the People's Republic of China Xi Jinping put forward in 2013 during his visit to Kazakhstan. The Chinese initiative, in addition to the obvious desire to reduce the dependence of the export-oriented Chinese economy on possible military and political crises that could arise in the Taiwan Strait, through which most of China's trade routes pass to Europe, also consists of promoting the idea of a new model of international economic and cultural cooperation using bilateral and multilateral formats and structures of interaction, with the participation of China.

Strategic decisions for the OBOR and related projects are discussed and adopted at the level of heads of state and governments who gather in Beijing at the organization's Forums, the last of which was held on October 17-18, 2023. It is worth noting that at the opening of the Forum, Xi Jinping, in his speech, announcing eight steps to support the implementation of the OBOR Initiative, outlined the formation of the China-Europe transport route within the Trans-Caspian International Transport Corridor as the first step. This testifies to the paramount political importance that official Beijing attaches to the TITR.

The political significance that China gives to cooperation with the Central Asian countries is also evidenced by the China-Central Asia Summit held in China in May 2023. In his opening speech, Xi Jinping emphasized the special significance of the city where the summit was held: Xi'an, the ancient Chang'an, was the starting point of the Silk Road. The Chinese President noted the need to increase the capacity of transit routes linking China and Central Asia, and to develop the Middle Corridor: simplifying trade procedures, customs clearance, and updating investment agreements¹.

Kazakhstan. Almost immediately after the OBOR Forum in Beijing, in November 2023, the anniversary, tenth summit of the Organization of Turkic States was held in Astana. The event was attended by the heads of Azerbaijan, Kazakhstan, Kyrgyzstan, Turkey, Turkmenistan and Uzbekistan. Topics related to transport and transit, in particular along the Middle Corridor, took a prominent place in the Astana Declaration. The parties agreed to promote transport cooperation between member states and observers, with an emphasis on advancing physical and digital transport infrastructure projects; to emphasize the importance of the Baku-Tbilisi-Kars railway line in the development of multimodal infrastructure; to take steps to simplify customs procedures for commercial cargo for increasing the competitiveness of the Middle Corridor.

In September 2023, by the decree of the President of Kazakhstan K. Tokayev, the Ministry of Transport of the Republic of Kazakhstan was established within the structure of the executive power of the country. The Ministry of Transport formed a pool of investment projects in the transport sector, including the ones for increasing the transit capacity of Kazakhstan by more than \$ 31 billion. These figures were announced by Vice Minister of Transport T. Lastayev during a meeting on

¹ Полный текст программной речи Си Цзиньпина на саммите "Китай - Центральная Азия". URL: <http://russian.people.com.cn/n3/2023/0520/c31521-20021216.html>

improving the investment climate with the participation of the Ministry of Transport, the Ministry of Foreign Affairs and the Ministry of Finance of the Republic, as well as JSC NC Kazakh Invest and business in February 2024¹. At the end of February 2024, Deputy Prime Minister Zh. Makashevich held a meeting in the Mangistau region dedicated to the expansion and increase in the capacity of the North-South and TITR corridors.

Uzbekistan. Uzbekistan is also interested in developing the Middle Corridor. In particular, the Minister of Transport of Uzbekistan Ilhom Makhkamov, speaking at the panel session of the Tbilisi Silk Road Forum in October 2023 on the topic "The Middle Corridor in Focus", proposed deepening the mutually beneficial partnership of the TITR member countries. The Minister especially noted that it is necessary to jointly develop a mechanism for the corridor's potential, to organize regular meetings of the transport departments representatives of the TITR member countries and the EU; to achieve an increase in the capacity of the infrastructure, especially in the Caspian Sea; to apply a more flexible tariff policy along the cargo route; to achieve digitalization of customs paperwork procedures for goods passing through the Middle Corridor.

In addition, the Uzbek official proposed linking the TITR with the Trans-Afghan Transport Corridor, which runs through Uzbekistan, Afghanistan and Pakistan. According to him, Uzbekistan and Pakistan are working on increasing cargo transportation along the Trans-Afghan Corridor. «The dynamics show that we have tripled cargo turnover compared to last year, but linking the Trans-Afghan Corridor with the TITR and then with Europe is, of course, important, and we are using it», Makhkamov noted².

Azerbaijan. In 2023, Ilham Aliyev signed two decrees on the regulations for the work of the new interdepartmental body - the Transport Coordination Council (TCC), which was granted broad powers in the field of development of the country's transport infrastructure. Aliyev also approved an action plan for 2024-2026 to increase the transit potential and encourage transit traffic along transport corridors passing through Azerbaijan. Great importance is given to the country's transit capabilities at the highest level of political leadership. It is not without reason that in his inauguration speech on February 14, 2024, I. Aliyev emphasized that Azerbaijan is perceived in the world as one of the main transport and logistics centers of Eurasia³.

¹ Пул инвестиционных проектов в транспортно-логистической отрасли Казахстана превышает \$31 млрд. URL: <https://portnews.ru/news/359528/>

² Узбекистан хочет подключиться к Среднему коридору. URL: <https://uz.kursiv.media/2023-10-27/uzbekistan-hochet-podklyuchitsya-k-srednemu-koridoru/?ysclid=lxecfz7qc3288506316>

³ Состоялась церемония инаугурации Президента Азербайджанской Республики Ильхама Алиева. URL: https://azertag.az/ru/xeber/sostoyalas_ceremoniya_inauguracii_prezidenta_azerbaidzhanskoi_respubliki_ilhama_alieva__glava_gosudarstva_vystupil_na_ceremonii_s_rechyu_obnovleno_4_video-2921584

Georgia. In October 2023, Georgia hosted the fourth, most representative Silk Road forum, which brought together more than 2,000 participants from 60 countries. The forum was organized by the then Prime Minister of the country Irakli Garibashvili. The importance of the transit industry in Georgia and the hopes that the authorities have for the country's transit capabilities are expressed in the fact that the construction of the most expensive deep-water port of Anaklia in Georgia is recorded in the state constitution.

EU countries. European countries have been addressing the issue of diversifying routes from West to East and back since the 1990s, ever since the creation of the TRACECA organization in 1993. However, the political priorities of the EU countries have now shifted towards supporting the existing TITR project, assuming that investment proposals would coordinate the development of transport projects in the Europe-Asia direction. This is confirmed by the establishment of a new form of relations between the EU and the Central Asian countries – annual summits.

In October 2022, the first EU-Central Asia summit was held in Astana with the participation of EU President Charles Michel and the heads of state of Central Asia. The summit discussed the development of transport logistics and the harmonization of transport routes between the EU and Central Asian countries. The next high-level meeting, which also discussed transport communications, was held in 2023 in Kyrgyzstan, where an initiative to develop a Roadmap to strengthen ties between the EU and Central Asia was proposed. Soon in the fall of 2023, a meeting of the Central Asian foreign ministers and Josep Borrell was held in Luxembourg, where issues of interregional cooperation were discussed. Particular attention was paid to transport logistics; the Roadmap for interaction between the EU and Central Asia was approved; the EU Global Gateway strategy aimed at ensuring connectivity in the transport and digital spheres was discussed. The third summit of the heads of state of Central Asia and the EU will be held this year in Uzbekistan, where, together with the President of the European Council, Charles Michel, the President of the European Commission, Ursula von der Leyen, is expected to participate, which testifies to the increased political importance of the Central Asian states for the EU and transport transit routes, in particular.

The strategic importance of developing transport communications in Central Asia for Europe was emphasized by the Global Gateway Investment Forum, held in January 2024 in Brussels. It was attended by more than 600 representatives from Central Asian countries, the South Caucasus, and other states interested in the TITR. A Memorandum of Understanding was signed at the Brussels forum between the European Investment Bank and the governments of Kazakhstan, Kyrgyzstan, and Uzbekistan, and the Development Bank of Kazakhstan for EUR 1.47 billion to invest in transport infrastructure. The loans will be made possible by guarantees provided by the European Commission. The European Bank for Reconstruction and Development also signed a Memorandum of

Understanding with Kazakhstan, providing for investments of EUR 1.5 billion in transport projects¹. The EU-funded transport program is expected to begin operating in 2025.

Limitations and difficulties in the operation of the TITR. Against the background of optimistic economic and geopolitical prospects for the Middle Corridor in the process of trade integration between the countries of Europe and Asia over the past two years, the report on the TITR published at the end of November 2023 by the World Bank² came as a surprise. Increased attention to the TITR arose in 2022 after the start of the SMO in Ukraine. Many transport companies, fearing secondary sanctions, began to leave the Northern Corridor - the Trans-Siberian Railway - for the TITR. Thus, transit container traffic in the Middle Corridor increased by 33 % compared to 2021. The operation of the Middle Corridor in a busy mode quickly showed its limited capabilities, when in the first 8 months of 2023 the volume of transit container traffic fell compared to the same period last year. In 2023, business began to leave the Middle Corridor for two main reasons: high transit prices and, what is more unpleasant, their volatility, in contrast to comparable in cost but fixed transit prices in the Northern Corridor. The advantage of transit through Russia and Belarus is also that it is three times faster. The delivery time of cargo via the TITR in 2022 from the dry port of Dostyk to the Romanian port of Constanta reached 50 days and is comparable to the sea route through Suez, whose advantage over the Middle Corridor is the low tariffs.

The reasons for the inefficient operation of the TITR:

- The lack of unified coordination and management of the corridor.
- Low operational efficiency of ports on both the Caspian and Black Seas. There is a shortage of vessels on the Caspian Sea to cross the sea, and those that are available travel by sea at low speeds and high tariffs for the distance between the ports of Aktau and Baku.
- End-to-end railway infrastructure: there are problems at the junctions of seaports and railways, local restrictions during movement along the route, and a shortage of equipment.
- Delays at customs when crossing borders and completing the paperwork for commercial cargo³.

Structural limitations of the Middle Corridor:

- Kazakhstan Railways, in addition to transit functions, carry out direct export/import cargo transportation to Russia, China, the EU, Central Asia, as well as passenger transportation. At the same time, only 27 % of the country's railways are electrified, more than half of

¹ Key Outcomes of the Global Gateway Investors Forum for EU-Central Asia Transport Connectivity. URL: https://international-partnerships.ec.europa.eu/document/download/e1c1b297-0d05-40a3-968c-cba1c77a48d9_en?filename=investors-forum-eu-central-asia-transport-connectivity-key-outcomes_en.pdf

² The Middle Trade and Transport Corridor: Policies and Investments to Triple Freight Volumes and Halve Travel Time by 2030. URL: <https://openknowledge.worldbank.org/server/api/core/bitstreams/7e6a216e-eb56-4783-ba1b-b7621abddcd9/content>

³ Ibid.

which are single-track. In total, these factors significantly reduce transport capacity and lead to increased fuel consumption and a decrease in transportation speed. They affect the wear and tear of rolling stock, which reaches an impressive 70 %¹.

- Another serious problem is the shallowing of the Caspian Sea, which forces the already small multipurpose Caspian vessels with a deadweight of 5 to 8 thousand tons to load less than their full capacity.
- Bad weather in the Caspian or Black Seas can also affect the speed of delivery. Merchant ships can wait for good weather for several days.

Middle Corridor Prospects. Economy. To eliminate the problems of coordinating and managing the TITR, Azerbaijan, Georgia and Kazakhstan signed an agreement in autumn 2023 to establish a joint company for the transportation of goods through the Middle Corridor. The single company will carry out the transportation of goods and provide transparent customer service on a one-stop-shop basis. It is obvious that simplification of processes and procedures for the processing and transshipment of goods, the introduction of digitalization to ensure fast and accurate exchange of information between service providers and shippers or their agents will improve the operational work of the TITR.

Apparently, having despaired of increasing the efficiency of the Aktau and Kuryk seaports on their own, the Kazakh authorities are considering the possibility of transferring them to a trust management of a private company capable of ensuring their loading. This was stated by the Minister of Transport of Kazakhstan Marat Karabayev at a thematic round-table discussion in November 2023. The authorities are also considering the possibility of selling shares in the ports if the “send-or-pay” concept arises².

If the operational deficiencies of the TITR and some of the structural problems are successfully eliminated, the World Bank forecast can be considered as an optimistic result, according to which cargo transshipment through the Caspian Sea via the TITR will have reached 11 million tons in total, and 4 million tons of them in container transit (186 thousand TEU) by 2030. The travel time from the dry port of Dostyk to Constanta will be halved, to approximately 21 days.

The Middle Corridor will remain mainly a regional and secondary player in intercontinental trade, where deep sea shipping will continue to play a predominant role. The Middle Corridor will carry approximately 1 % of mutual trade turnover between the EU countries and China. But the TITR will obviously be used to transship container cargo with high added value, for which the Middle Corridor will compete with the Northern, Russian-Belarusian corridor.

¹ Обзор железнодорожной отрасли: нарушение рыночных механизмов мешает развитию. URL: <https://skill-sproof.kz/restful/v1/domain/registry/kazlogistics/documents/539154/>

² Казахстан готов передать свои морские порты в частное управление. URL: <https://www.interfax.ru/business/931046>

Geopolitics. Diversification of trade routes will lead to less dependence on Russia and China, the main trading partners of the TITR member countries: Azerbaijan, Georgia and Kazakhstan. The member countries, thanks to the TITR, will have the opportunity to increase trade turnover with the countries of North Africa and Southeast Asia, Western Asia, integrating into the world economy, increase the production of more complex goods, improve the quality of the economies of the member countries, and create new jobs for young people.

Due to the economic resources that the TITR will provide, the integration of the Central Asian states will increase. For example, Uzbekistan is already launching test freight trains along the Middle Corridor, and is ready to actively develop Central Asian transport logistics in the future.

In the ongoing global reformatting of transit and trade routes, even with the secondary global transit role on the Europe-Asia route, the growing importance of the TITR is obvious. China and the EU are fighting for influence on the countries of Central Asia and the South Caucasus, using the "One Belt, One Road" and the "Global Gateway". The strategy of maintaining a balance between the two economic centers of power provides an opportunity to maximize the economic potential of the Middle Corridor member states, increasing their sovereignty in both economic and political international processes.