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Challenges and opportunities of the Middle Corridor

The so-called “Middle Corridor” is a trans-Caspian logistics route that connects Asia with Europe, bypassing Russia. Due to the Russian invasion of Ukraine, the sanctions imposed and the resulting obstruction of the transport route via Russia, the Middle Corridor is becoming increasingly important. However, despite current expansion plans and ambitious investments, the Middle Corridor will not be able to fully replace land transport via Russia even in the medium and long term. Nevertheless, the investments are useful and necessary to strengthen competition and to diversify transport routes.

Uzbekistan should benefit from the expansion of the Middle Corridor, as transit and infrastructure development are likely to improve access to European and Asian markets.

Trans-Eurasian transport corridors

Roughly speaking, two overland transport routes can be distinguished between China and Europe: the Northern Corridor and the Middle Corridor. The Northern Corridor connects Europe with China via Russia and Kazakhstan or Mongolia on a train route of approx. 5,400 km.

Overview of trans-Eurasian transport corridors



Source: Dornier Group 2022

The Middle Corridor is a multimodal land and sea transport route stretching from China through Kazakhstan and partly Uzbekistan and Turkmenistan and across the Caspian Sea through Azerbaijan and Georgia to the Black Sea. The route consists of about 4,250 km of rail lines and about 500 km of seaway. Afterwards, two paths lead to Europe via Turkey and the Black Sea, respectively.

Due to low transport capacities and a time and cost disadvantage, the Middle Corridor has so far played only a minor role for trade compared to the northern route.

Due to the Russian invasion of Ukraine and the sanctions, including the ban on Russian freight forwarders operating in the EU and a ban on trucks from the EU to enter Russia, there has been a reorientation of significant shares of goods transported by land. The Middle Corridor is strongly benefiting from this development.

Opportunities for the Middle Corridor

The Middle Corridor offers a clear advantage in terms of transport time between China and Europe with 13 to 21 days compared to the sea route with 35 to 45 days.

Middle Corridor vs. sea route



Source: Dornier Group 2022

From a European perspective, it also offers access to the growing markets of Central Asia and the Caucasus region, as well as faster access to the Middle East, North Africa and the European Mediterranean region via the ports in Georgia and Turkey. Since the beginning of the war, transport volumes on the Middle Corridor have increased significantly. In the first eight months of 2022, the transport volume already tripled to 970,400 tonnes compared to the same period of the previous year. Analyses assume that the transport volume could rise to between 15 and 18 million tonnes in 2030. A continuation of the growth trend is therefore to be expected but depends on the expansion of transport capacities.

Challenges for the Middle Corridor

The biggest challenge is the low capacity of the Middle Corridor, which is currently estimated to be only about 5% of the capacity of the Northern Corridor. In particular, there is a shortage of transport vessels on the Caspian Sea and locomotives and wagons in Azerbaijan and Georgia. The increased volume of traffic has led to transport times currently extended up to 40 days and in some cases even significantly beyond that. The associated delays jeopardise the time advantage over the sea route.

Another challenge is the unstable price development. Due to the increased demand, transport prices have risen sharply, in some cases at short notice. The lack of

transparency of the increases makes it difficult for freight forwarders to calculate prices (currency risks also play a role here), which also reduces the attractiveness of the route.

Suggested measures

An expansion of the limited transport capacities is necessary to be able to increase the transport volume. This includes, increasing the availability and capacity of ships, especially in the Caspian Sea. However, this can only be achieved in the long term, as shipyards must first be built for the construction of the ships.

The expansion of the railway infrastructure and its electrification is also necessary, as well as an increase in the number of rolling stock, especially in the Azerbaijani and Georgian sections of the railway. It would also be necessary to expand the railway infrastructure to increase the transshipment capacity in Kazakhstan.

In addition, the implementation of digitalisation projects such as the introduction of electronic queues at checkpoints and seaports to reduce waiting times at borders is recommended, as well as the introduction of electronic transit documents (eTIR) and the establishment of a regional logistics platform.

Expansion of capacity already started

The expansion of capacities and infrastructure is already underway. This includes, e.g., new container trains and new shipping connections between Poti (Georgia) and Constanta (Romania). Work is also currently underway to improve shipping capacities on the Caspian Sea. In the area of rail transport, initial measures have been implemented. For example, the Kazakh railway company NC KTZ has handed over more than 200 assembly platforms to the Azerbaijani railway as wagon loading assistance.

Importance of the Middle Corridor for Uzbekistan

Europe as an economic space still plays a minor role for Uzbekistan's trade, with for example only about 3% of total goods exports going to the EU in 2021 and 13% of imports coming from the EU. Nevertheless, Uzbekistan's trade is also suffering from the disruption of transport chains and rising transport costs, especially because Uzbekistan has no access to the sea and is thus dependent on free transport routes. Moreover, Europe is likely to become increasingly important in the diversification of Uzbekistan's exports in the future.

However, there are also opportunities for Uzbekistan, as the expansion of the Middle Corridor will bring the flow of goods closer to Uzbekistan with some of them also

passing through Uzbekistan, which should facilitate integration into international value chains. Uzbekistan has already started to export more through the port in Turkmenbashi, Turkmenistan. The Middle Corridor should also help realise Uzbekistan's plans to establish itself as a regional logistics hub.

Conclusion

The Middle Corridor is experiencing increasing importance due to the obstruction of transport flows via Russia. However, serious capacity bottlenecks are already evident for rail and even more so for the shipping capacity on the Caspian Sea. Through planned investments, the capacity and thus also the transport volume is expected to continue to grow strongly in the coming years. This development is to be welcomed as it strengthens competition and reduces dependence on the still dominant transport via Russia. However, even if all investment and reform plans are implemented, the Middle Corridor will still not be able to replace the Northern Corridor.

Uzbekistan is likely to benefit from the development of the Middle Corridor in the medium term due to better integration into international value chains and markets.

This newsletter is partially based on the Technical Note "[Transport and trade corridors in the Caspian Sea region, Caucasus and Southeast Europe](#)" (only available in German).

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