TÜRKSAM

OCAK 2026 / NO 35

THE MIDDLE CORRIDOR: ECONOMIC POTENTIAL, SYSTEMIC CONSTRAINTS, AND STRATEGIC IMPERATIVES FOR CENTRAL ASIA

Aruuke Erkulova*

(Uluslararası İlişkiler 4.sınıf)

Introduction

For the landlocked states of Central Asia, connectivity is a persistent economic challenge. High trade costs, logistical inefficiencies, and reliance on few transit routes have historically constrained export diversification and increased vulnerability to external shocks. In this context, the Trans-Caspian International Transport Route (TITR), or Middle Corridor, has emerged as a primary regional response. This multimodal network, linking China to European markets via Kazakhstan, the Caspian Sea, Azerbaijan, and Georgia, represents a significant attempt to alter the region's economic geography. Following major geopolitical disruptions since-2022, the corridor's profile shifted from a developmental project to an urgent diversification priority. This analysis examines its quantifiable potential, the persistent constraints limiting its utility, and its variable strategic importance for individual Central Asian states. The central argument is that the corridor's substantial benefits are conditional upon the region's ability to advance from political agreement to deep, operational integration.

1. Conceptual Foundation: Trade Costs and Contested Corridors

The economic rationale for the Middle Corridor is rooted in trade theory, particularly the gravity model, which correlates trade flows with reduced exchange costs. For Central Asia, these costs are notably high due to distance, complex border procedures, and underdeveloped logistics (Arvis et al., 2016). Their reduction is an institutional challenge as much as an infrastructural one. The Corridor efficiency depends equally on "hard" components like rail infrastructure and "soft" components like harmonised customs codes. Research indicates that soft infrastructure deficits can negate returns on physical investments.

The corridor also exists within a complex landscape of competing Eurasian connectivity visions. It is a component of China's Belt and Road Initiative (BRI), aligns with the European Union's Global Gateway, and must navigate the established Russian-led Northern Route within the Eurasian Economic Union (EAEU). This presents a multi-vector dilemma for Central Asian states: the opportunity to attract diverse investment is balanced by the risk of incoherent development. The corridor's success, therefore, depends significantly on the ability of regional states to craft a unified operational framework capable of integrating these external influences.

2. Quantifying the Potential: Projections from International Institutions

The prospective economic benefits of a fully operational Middle Corridor have been modelled by major international institutions. The World Bank forecasts that with comprehensive upgrades, the corridor could handle up to 11 million tons of cargo annually by 2030, capturing roughly 8% of containerised cargo potential between China and the European Union (World Bank, 2023). The Asian Development Bank (ADB) estimates that systematic modernisation, particularly via digital platforms, could reduce transit time by 4 to 5 days and lower shipping costs by 20 to 25 percent (ADB, 2023). For Central Asian exporters in time-sensitive sectors, such gains could enhance competitiveness.

The projected impact extends beyond transit fees. The corridor is seen as a catalyst for foreign direct investment in logistics and related services. The European Bank for Reconstruction and Development (EBRD) notes investment linked to ports in Aktau and Alat has mobilised over $1.5 billion, with potential regional employment effects reaching 50,000 jobs by 2030 (EBRD, 2024). A transformative potential lies in shifting from transit to value addition, stimulating "production for transit"—developing export-oriented manufacturing within Central Asia that uses the corridor as a gateway to global markets (Vinokurov, 2022).

Furthermore, a functional corridor could boost intra-regional trade. Improved east-west connectivity can reduce the cost of moving goods between Central Asian economic centres, making trade in processed goods and materials more viable. This could allow the corridor to evolve from a transit artery into a backbone for a more integrated regional market.

3. The Reality on the Ground: Systemic Constraints and Bottleneck

Despite its potential, the corridor's current operation is defined by constraints that limit reliability and cost-effectiveness. The most critical physical bottleneck is the Caspian Sea crossing. The rail ferry fleet between Aktau and Baku has limited capacity, and cargo handling can take 5 to 7 days (World Bank, 2024). This segment acts as a severe choke point, with the corridor functioning as "a chain of separate links" rather than an integrated system (OECD, 2023). National port modernisation efforts are interdependent; their efficacy requires perfectly synchronised investments and scheduling on both sides of the Caspian.

Regulatory and administrative barriers are equally debilitating. Disparate customs procedures and reliance on paper documentation create significant friction. A study by the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) estimates these inefficiencies can add up to 40 percent to total logistics costs (ESCAP, 2022). This fragmentation erodes the savings new infrastructure should provide. While model digital agreements are promoted, implementation is slow, hindered by the need to align routine administrative practices between neighbouring states.

A substantial financing gap compounds these issues. A joint assessment estimates total investment needs for priority upgrades at $18.5 billion until 2030, with funded projects covering only about one-third of this (EBRD, 2024). Mobilising private capital requires predictable regulatory regimes and transparent tariffs across all jurisdictions. Investors currently perceive high risk, viewing the corridor as a collection of sovereign risks rather than a unified asset.

4. Divergent Pathways: Strategic Calculus of Central Asian States

The Middle Corridor's strategic value and policy priorities differ markedly for each Central Asian state. For Kazakhstan, it is a national priority that reinforces its role as a central transit hub. Its strategy focuses on infrastructure leadership but requires balancing its TITR advocacy with commitments within the Russia-led EAEU, a complex diplomatic task.

Uzbekistan, doubly landlocked, views the corridor as essential for export diversification. Tashkent's strategy is twofold: externally negotiating for reliable transit terms, and internally pursuing aggressive trade facilitation reforms. The success of its corridor strategy is intrinsically linked to the competitiveness of its non-commodity exports.

The Kyrgyz Republic, located off the main alignment, faces steep barriers. Its participation focuses on securing affordable access for its agricultural exports. Its immediate strategy centres on "soft" integration—harmonising procedures with Kazakhstan and digitising documents. The long-discussed China-Kyrgyzstan-Uzbekistan railway remains a distant aspiration, dependent on external financing and geopolitical consensus.

Turkmenistan promotes its port of Turkmenbashi as a complementary Caspian gateway, offering valuable network redundancy. However, its policy of neutrality and preference for bilateral engagement can complicate the multilateral operational coordination required for seamless transit.

5. Synthesis and Conclusion

The Middle Corridor stands at a critical juncture. Projections outline a path toward substantial economic gain, while current conditions reveal a pathway obstructed by a persistent Caspian bottleneck, regulatory fragmentation, and a significant financing gap. This dichotomy leads to a central conclusion: the primary obstacle is a deficit of deep, operational integration. Each administrative hurdle is a symptom of this institutional challenge.

Therefore, the corridor's future will be determined less by any single infrastructure project and more by the collective capacity to build shared institutions. Key indicators of progress will be a unified digital trade platform, a single set of transparent transit rules, and the expansion of joint management vehicles to include all participating states.

Ultimately, the Middle Corridor serves as a practical test for Central Asian regionalism, moving integration from diplomacy into the technical realm of logistics and data exchange. Its progress will signal whether these states can transcend fragmented development and co-architect an interconnected economic future. For scholars and policymakers, pressing questions now concern the governance models and political coalitions necessary to realise this integration.

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