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# The Development of the Middle Corridor Trade Route as a Viable Alternative to the Northern Corridor



Prepared By  
Miranda Alsop and Benjamin Weber

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# The Development of the Middle Corridor Trade Route as a Viable Alternative to the Northern Corridor

by TextOre analysts Miranda Alsop and Benjamin Weber

*Unprecedented sanctions against Russia and the subsequent disruption of traditional supply chains -- both consequences of the war in Ukraine -- have seen trade routes begin to shift from the Northern Corridor (connecting Asia to Europe through Russia) to the Middle Corridor. The Middle Corridor, or the Trans-Caspian International Transport Route (TITR), provides a possible alternative trade route to connect China with Europe, by way of Kazakhstan, the Caspian Sea, Azerbaijan, Georgia, and from there via the Black Sea, or by rail, to Türkiye.<sup>1</sup> Establishing a modern, efficient Middle Corridor offers potentially huge benefits to Central Asian and Caucasian states, but achieving those benefits will require overcoming equally huge challenges: securing investment to build key infrastructure, harmonizing trade rules and regulations across jurisdictions, and mitigating or managing risks from regional instability.*



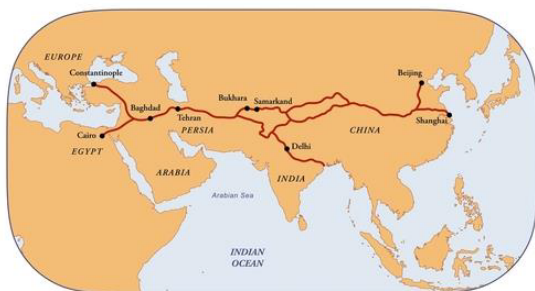
**Russia's invasion of Ukraine severely disrupted traditional supply chains and left the world looking for alternatives.** The Middle Corridor, a network of roads,

railways, and sea lanes, is one promising option to diversify supply chains and transportation routes by sending freight across Central Asia and the South Caucasus. Prior to the war in Ukraine, the Northern Corridor carried 95% of freight traffic between China and the EU via Kazakhstan, Russia, and Belarus.<sup>ii</sup> Sanctions and trade embargos against Russia and Belarus have caused huge disruption to the corridor, resulting in a demand for alternative routes and an increase of cargo along the Middle Corridor by 2.5x, or up to 1.3 million tons.<sup>iii</sup>

The Middle Corridor is one of the more concrete manifestations of a revival of the old “Silk Roads,” a once flourishing overland trade network between Asia and Europe that is often invoked when discussing China’s Belt and Road Initiative. The old Silk Roads faded with the rise of maritime trade and transportation by Europeans and then the redirection of almost all Central Asian and Caucasian trade links through Russia during the Soviet period.

This potential windfall has also served to highlight the numerous deficiencies in the Middle Corridor as a trade route. There is no customs union, joint tariff coordination, or digital integration. This lack of soft infrastructure, coupled with a need to modernize already existing hard infrastructure, has meant that transporting goods has been slow and expensive. While pre-war Northern Corridor transport cost USD 2,662 per twenty-foot equivalent unit (TEU), transport via the Middle Corridor costs almost USD 5,400 per TEU.<sup>iv</sup> Simple capacity is another major challenge: cargo volumes transiting the Northern Corridor prior to the start of the war reached 1.5 million TEUs per year,<sup>v</sup> and the total existing capacity of the Middle Corridor is only about 3-5% of that.<sup>vi</sup>

The Silk Road



Recognizing these major constraints to growth, Central Asian countries and their partners in the South Caucasus are working to eliminate bottlenecks, boost cargo flows, and reduce costs by signing multiple agreements to simplify rules and regulations and to modernize the networks of railways and ports. In March 2022, Kazakhstan, Azerbaijan, Georgia, and Türkiye issued a statement on a “joint venture within the framework of the Trans-Caspian Transport Route,” to strengthen the development of the trade corridor, harmonize freight rates, and create a unified cyber platform to automate freight services.<sup>vii,viii</sup> Azerbaijan, Georgia, and Türkiye have also been working together to optimize the Baku-Tbilisi-Kars line, to improve efficiency by simplifying customs procedures and implementing flat-rate carriage of wagons and containers.<sup>ix</sup> The regional actors’ dedication to the project was further highlighted on 27 June 2022, with the announcement of the Baku Declaration.<sup>x</sup> The parties agreed that the Middle Corridor would benefit from greater customs cooperation and the accessible transit of goods. Kazakhstani Deputy Prime Minister and Foreign Minister Mukhtar Tileuberdi noted that, by working together, the three countries have “serious potential” to restore trade along the Middle Corridor, something that would be “mutually beneficial.”<sup>xi</sup> A second land route

that could act in conjunction with the Middle Corridor is a new landmark railroad agreement signed by China, Kyrgyzstan, and Uzbekistan in September 2022.<sup>xii</sup>

Progress is also visible in port infrastructure on the Caspian and Black Sea. Kazakhstan is in the process of upgrading its ports at Kuryk and Aktau, which will drastically improve the transit potential of the Caspian Sea. The Kuryk Port Development Project, which includes a ferry terminal and expansion of storage facilities, will see the total capacity for cargo increase to 10 million tons by 2030.<sup>xiii</sup> The project partners include Kazakh Temir Zholy (Kazakh Railways) and the Port of Baku on the operational side, while Semurg Invest LLP and Kazakh Invest are responsible for investment in opportunities in the project.<sup>xiv</sup> In July, Kazakhstan also approved a roadmap for the development of special economic zones. The roadmap includes key projects at the Aktau Seaport, namely the expansion of the port in the northern direction and the establishment of a northern terminal.<sup>xv</sup> The Chair of the Committee for Industrial Development of the Ministry of Investment and Development of Kazakhstan, Ilyas Ospanov, highlighted Kazakhstan's ambition to have completed the new container hub at Aktau completed by 2025. The implementation of projects across both ports aims to drastically increase capacity, which currently stands at 21 million tons per year.<sup>xvi</sup>



Further investment into the development of the Middle Corridor could reduce travel time between China and Europe by half, a reduction of 12-15 days, according to Kazakhstani Ambassador to Azerbaijan Amangeldy Zhumabayev.<sup>xvii</sup> This would not only improve supply chains and regional connectivity, but also increase global access to the natural resource-rich countries of Central Asia, including uranium and rare earths from Kazakhstan,<sup>xviii</sup> and re-open exports of cotton from Uzbekistan<sup>xix</sup> (Uzbekistan counts Türkiye as one of its top export markets).<sup>xx</sup> It will also include regional energy resources, which will become increasingly important as Europe looks to diversify from its energy dependence on Russia.<sup>xxi</sup>

Beyond the infrastructure and capacity issues, Middle Corridor states face a marketing challenge. The Eurasian land bridge has previously been dismissed by industry as too slow and too expensive, and some potential users still don't believe that rail freight is competitive with sea freight in terms of cost and speed. Nils Müller from DSV Global Transport and Logistics argued that congestion and slow lead times across the Middle Corridor mean that the route is not currently feasible for many companies. However, he also argued that recent developments along the corridor means the future looks positive for the route.<sup>xxii</sup> The route's potential has been acknowledged by Maia Parlagashvili, Maersk's Head of Intercontinental Rail, who stated that the Middle Corridor has "long-term potential, both as an Asia-Europe connection, as well as an important connection to Central Asian countries."<sup>xxiii</sup>

**The development of the Middle Corridor would offer multi-factored trade, investment, and geopolitical opportunities for the United States, EU, and other Western nations.** The optimization of the Middle Corridor would improve trade between Asia and Europe, open-resource rich Central Asia to global markets, and provide Western states with a new foothold in this strategically important region. While regional states have long sought to diversify relations in both areas,<sup>xxiv</sup> the major economic and security actors in the region are Russia and China. Russia traditionally sees Central Asia and the South Caucasus as part of its "near abroad": a buffer zone that protects Russian borders. Two Moscow-led projects, the Eurasian Economic Union (EAEU) and the Collective Security Treaty Organization (CSTO), formalize Russia's connections in the region.<sup>xxv</sup> In recent years, China has increased its presence through numerous infrastructure investments as part of its Belt and Road Initiative (BRI),<sup>xxvi</sup> of which Kazakhstan is a lynchpin.<sup>xxvii</sup>



However, Russia's pariah status in the international community and growing disillusionment amongst Central Asian states towards China<sup>xxviii</sup> are prompting countries in the region to diversify further both their trade transit routes and their foreign partnerships. Kazakhstan and Uzbekistan are leading the way in this regard. By implementing political and economic reforms, including the denationalization of the economy, Kazakhstan is aiming to attract international companies, including those who have left Russia but want to remain in the region. Further to this, Kazakhstan President Kassym-Jomart Tokayev has stressed Kazakhstan's openness to western investment.<sup>xxix</sup> Similarly, Uzbekistan has declared that it is ready

to open to the world, implementing ambitious reforms and recently launching the *Development Strategy of New Uzbekistan for 2022-2026*.<sup>xxx,xxxii</sup>

Opportunities to help develop the Middle Corridor have already sparked interest amongst western nations. The European Bank for Reconstruction and Development (EBRD) announced in July that it was investing KZT 50 billion (USD 100 million) in the financial resilience of Kazakhstan Temir Zholy (Kazakh Railways). KTZ operates 16,000-kilometres of rail network and is vital for the success of the Middle Corridor.<sup>xxxiii</sup> USAID is also exploring opportunities for increasing Trans-Caspian trade and is considering developing a regional hub for the Middle Corridor in Tbilisi, Georgia.<sup>xxxiii</sup> Dominik Schnichels, co-chairman of the Kazakh-German intergovernmental commission, has also highlighted the interests of German businesses in developing the route.<sup>xxxiv</sup> The EU hopes to create a transregional hub between Central Asia and the Black Sea<sup>xxxv</sup> by investing USD 2 billion to help remodel the port of Baku, which saw cargo increase by 25.8% in the first six months of this year.<sup>xxxvi</sup>

**Current circumstances offer new opportunities, but ongoing conflicts and other challenges to regional peace and stability persist, and traditional commercial, military, and political relationships with Russia remain strong.**

Clearly, willingness to resist Moscow's lead even in the security space appears to be growing. For example, no Central Asian country sided with Moscow on 2 March, 24 March, or 12 October 2022, when the United Nations General Assembly adopted resolutions condemning the invasion of Ukraine. Georgia also voted against Moscow, while Azerbaijan abstained.<sup>xxxvii</sup> That said, even while its ability to exert influence may be limited at present, Russia can be expected to resist efforts by states in what it still views as within its "sphere of privileged interests" to move out of its economic and geopolitical orbit.

Moreover, when it comes to trade and transport, Russia still has considerable skin in the game. This was highlighted by the 2nd Caspian Economic Forum, which opened in Moscow 6 October 2022, at which Russian Prime Minister Mikhail Mishustin stressed the continued strategic importance of the region for Russia.<sup>xxxviii</sup> Additionally, Azerbaijan Prime Minister Ali Asadov said that cooperation with Caspian states, in particular Russia, occupied a special place in Azerbaijan's foreign policy strategy.<sup>xxxix</sup> On a practical level, Azerbaijan signed a declaration on cooperation with Russia and Iran on the North-South rail corridor connecting Iran and Russia via Azerbaijan in September 2022, a rail link that would also provide Russia with access to the Middle Corridor.<sup>xl</sup>

## Key factors shaping future developments:

- **The current opportunity is a windfall from the war, but capturing the market permanently requires proving its long-term value.** Regional states will realize the potential of the Middle Corridor based on their ability to make the business case for the route on its own merits: capacity, reliability, efficiency, and cost-competitiveness.
- **Traditional partnerships with Russia and China remain active and will impact development of the Middle Corridor as well.** The extent to which regional states, individually and in coordination with each other, can balance new partnerships with China's substantial economic influence and Russia's desire to maintain regional leadership will have a major impact on the success or failure of the Middle Corridor.
- **The Middle Corridor will not provide a complete alternative to the Northern Corridor instantly, but it provides the opportunity to offset demand now and offers Europe and the United States additional resilient and diversified supply chains in the future.** That makes both the EU and United States potential stakeholders, and the level and persistence of their engagement with regional states will impact if, when, and how the Middle Corridor develops.

<sup>i</sup> Coordination Committee for the Development of the Trans-Caspian International Transport Route, "Trans-Caspian International Transport Route," <https://middlecorridor.com/en/>.

<sup>ii</sup> United Nations Economic and Social Council, "Preparatory work for the organization of demonstration runs of container trains on Euro-Asian routes," 3 December 2002, <https://www.unece.org/fileadmin/DAM/trans/doc/2003/itc/TRANS-2003-09e.doc>

<sup>iii</sup> Kapital Centre of Business Information, "The volume of cargo transportation along the Trans-Caspian route increased by 2.5 times," 8 September 2022, <https://kapital.kz/economic/108737/ob-yem-perevozok-gruzov-po-transkaspiskomu-marshrutu-vyros-v-2-5-raza.html>

<sup>iv</sup> Eurasian Rail Alliance, <https://www.utlc.com/en/about/>

<sup>v</sup> The Journal of Commerce Online, which provides up to date shipping and logistics data, reported that in 2021 1.5 TEUs were carried along the Northern Corridor, a 30% increase on the previous year. The Journal of Commerce Online, "Multiple pain points test forwarders on China-Europe rail route," 5 August 2022, [https://www.joc.com/rail-intermodal/international-rail/china-rail-intermodal/multiple-pain-points-test-forwarders-china-europe-rail-route\\_20220805.html](https://www.joc.com/rail-intermodal/international-rail/china-rail-intermodal/multiple-pain-points-test-forwarders-china-europe-rail-route_20220805.html)

<sup>vi</sup> Rail Freight, "Middle Corridor unable to absorb northern volumes, opportunities still there," 18 March 2022, <https://www.railfreight.com/specials/2022/03/18/middle-corridor-unable-to-absorb-northern-volumes-opportunities-still-there/>

<sup>vii</sup> Railway Supply, "Railways of Georgia, Azerbaijan, Turkey, and Kazakhstan will create a joint venture Middle Corridor," 15 April 2022, <https://www.railway.supply/en/railways-of-georgia-azerbaijan-turkey-and-kazakhstan-will-create-a-joint-venture-middle-corridor/>

<sup>viii</sup> The Ministry of Economy and Sustainable Development of Georgia reported that the declaration "highlighted the significance of strengthening the development of transport corridors and transit potential, deepening cooperation between the parties in terms of integration of the Trans-Caspian East-West Corridor in the international transport system." Ministry of Economy and Sustainable Development of Georgia, "Georgia joint Declaration on Trans-Caspian Middle East Corridor," 31 March 2022, <http://www.economy.ge/?page=news&nw=1892&lang=en>

The joint venture is expected to be complete by mid-2023, and "will facilitate the process of trans-shipment and make the passage through different countries much smoother," according to Secretary General of the TITR, Gaidar Abdikarimov. Report, "Gaidar Abdikarimov, Work is underway to create a joint venture on the Trans-Caspian Route," 1 June 2022, <https://report.az/ru/infrastruktura/gajdar-abdykarimov-vedetsya-rabota-po-sozdaniyu-sovmestnogo-predpriyatiya-na-transkaspiskom-marshrute/>

Tengrinews, "Turkey plans to join the initiative of Kazakhstan, Georgia, and Azerbaijan," 15 March 2022, [https://tengrinews.kz/kazakhstan\\_news/turtsiya-planiruet-prisoedinitiya-initsiative-kazahstana-464275/](https://tengrinews.kz/kazakhstan_news/turtsiya-planiruet-prisoedinitiya-initsiative-kazahstana-464275/)

<sup>ix</sup> In May 2022, the President of Kazakhstan Kassym Jomart-Tokayev and the President of Turkey, Recep Tayyip Erdogan released a joint statement on Enhanced Strategic Partnership. The Parties agreed on enhancing cooperation in transport and logistics. They agreed on "fixed complex rates for the transportation of wagons and containers on Transcaspian direction of the Middle Corridor," emphasizing its importance for cargo transit via the Baku-Tbilisi-Kars line. Official Website of the President of the Republic of Kazakhstan, "Joint Statement of the President of the Republic of Kazakhstan Kassym-Jomart Tokayev and President of the Republic of Turkey Recep Tayyip Erdogan on Enhanced Strategic Partnership," <https://www.akorda.kz/en/joint-statement-of-president-of-the-republic-of-kazakhstan-kassym-jomart-tokayev-and-president-of-the-republic-of-trkiye-recep-tayyip-erdoan-on-enhanced-strategic-partnership-104238>

<sup>x</sup> Azertag, "Jeyhun Bayramov: The Baku Declaration will make a great contribution to the development of important interaction," 27 June 2022, [https://azertag.az/ru/xeber/Dzheihun\\_Bairamov\\_Bakinskaya\\_deklaraciya\\_vneset\\_bolshoi\\_vklad\\_v\\_razvitie\\_vazhnogo\\_vzaimodostizheniya-2194829](https://azertag.az/ru/xeber/Dzheihun_Bairamov_Bakinskaya_deklaraciya_vneset_bolshoi_vklad_v_razvitie_vazhnogo_vzaimodostizheniya-2194829)

<sup>xi</sup> Ministry of Foreign Affairs of the Republic of Kazakhstan, "Kazakhstan, Azerbaijan, and Turkey discussed issues of transport cooperation," 27 June 2022, <https://www.gov.kz/memleket/entities/mfa/press/news/details/393636?lang=en>

<sup>xii</sup> In September 2022, China, Kyrgyzstan, and Uzbekistan signed a landmark railroad agreement to construct a railroad that will connect the three countries. The three governments signed the agreement on 14 September, on the side-lines of the Shanghai Cooperation Organization in Uzbekistan.

The Ministry of Transport and Communications of the Kyrgyz Republic, "A Cooperation Agreement on the project of the construction of the China-Kyrgyzstan-Uzbekistan railway on the territory of the Kyrgyz Republic was signed in Samarkand," 15 September 2022, <http://mtd.gov.kg/v-samarkande-podpisano-soglashenie-o-sotrudnichestve-po-proektu-stroitelstva-zheleznodorozhnoy-kitaj-kyrgyzstan-uzbekistan-na-uchastke-na-territorii-kr/> ;

The Ministry of Transport of the Republic of Uzbekistan, "A tripartite cooperation agreement on the Uzbekistan-Kyrgyzstan-China railway project was signed," 15 September 2022, <https://mintrans.uz/ru/news/ozbekiston-qirgiziston-hitoj-temir-jol-i-qurilishi-lojihasi-bojicha-hamkorlik-togrisida-uch-tomonlama-bitim-imzolandi> ;

National Development and Reform Commission of the People's Republic of China, "Phased Progress Achieved for China-Kyrgyzstan-Uzbekistan Railway," 29 September 2022, [https://en.ndrc.gov.cn/netcoo/achievements/202209/t20220929\\_1338173.html](https://en.ndrc.gov.cn/netcoo/achievements/202209/t20220929_1338173.html)

<sup>xiii</sup> Kuryk Port Development Project, [proekt-kuryk.html](http://proekt-kuryk.html)

<sup>xiv</sup> Kuryk Partners, <https://kuryk.kz/ru/proekt-kuryk/partnery.html>

<sup>xv</sup> Prime Minister of Kazakhstan, "Execution of President's Instructions: Kazakhstan approves roadmap of the development of special economic zones," 25 July 2022, <https://primeminister.kz/en/news/reviews/arnayy-ekonomikalyk-aymaktarda-12-trln-tengege-315-ke-zhuyk-zhoba-iske-asyryldy-256343>

<sup>xvi</sup> Ministry of Industry and Infrastructural Development of the Republic of Kazakhstan. "The Head of MIID held a meeting with the management of Abu Dhabi Ports Group." 11 October 2022, <https://www.gov.kz/memleket/entities/miid/press/news/details/438936?lang=ru>

<sup>xvii</sup> Trend, "Kazakhstan, Azerbaijan, Georgia, and Turkey plan to create a joint transport company," 16 March 2022, <https://www.trend.az/business/economy/2374511.html>

<sup>xviii</sup> *Kazakhstan is rich in rare earth minerals and the world's biggest uranium producer.* Kazatomprom, <https://www.kazatomprom.kz/en/>

<sup>xix</sup> "For the first time in eleven consecutive years of monitoring forced child and adult labor in Uzbekistan's cotton fields, Uzbek Forum for Human Rights (Uzbek Forum) found no systemic or systematic, government-imposed forced labor during the cotton harvest." Uzbek Forum for Human Rights, *A Turning Point in Uzbekistan's Cotton Harvest*, March 2022, [https://www.uzbekforum.org/wp-content/uploads/2022/03/UZBEK-FORUM\\_harvest\\_report.pdf](https://www.uzbekforum.org/wp-content/uploads/2022/03/UZBEK-FORUM_harvest_report.pdf).

<sup>xx</sup> OEC, "Raw Cotton in Uzbekistan," <https://oec.world/en/profile/bilateral-product/raw-cotton/reporter/uzb>

<sup>xxi</sup> Kazakhstan holds the largest offshore oil and gas reserves amongst Post-Soviet Caspian States. Its largest oil field, Tengiz, has an estimated 3.2 billion tonnes of oil. Its gas reserves are estimated at 5 trillion cubic meters (15th largest reserves in the world). Chevron, "Tengiz Expansion, Supersizing the output of a supergiant field," <https://www.chevron.com/projects/tengiz-expansion>; U.S. International Trade Administration, "Kazakhstan – oil & gas," <https://www.trade.gov/energy-resource-guide-oil-and-gas-kazakhstan>

Uzbekistan is the second largest gas producer in Central Asia, in 2021 it produced 53.6 billion cubic meters of natural gas. It is estimated to have 5.5 billion tons of oil reserves and 1.5-1.6 billion tons of natural gas. U.S. International Trade Administration, "Uzbekistan," <https://www.trade.gov/country-commercial-guides/uzbekistan-oil-and-gas>

Azerbaijan's estimated gas reserves are 3 trillion cubic meters. At the end of 2021, its oil reserves were estimated to be 7 billion barrels. President of Azerbaijan, "Azerbaijan Oil and Gas Projects," <https://president.az/en/pages/view/azerbaijan/>

<sup>xxii</sup> Youtube, "Keeping cargo on rail between Europe-Asia," 16 March 2022, <https://www.youtube.com/watch?v=gtgs9P61-k0&t=982s>

<sup>xxiii</sup> The Journal of Commerce Online, "China-Europe 'middle' rail corridor has long-term potential: Maersk," 1 June 2022, [https://www.joc.com/rail-intermodal/international-rail/asia/china-europe-'middle'-rail-corridor-has-long-term-potential-maersk\\_20220601.html](https://www.joc.com/rail-intermodal/international-rail/asia/china-europe-'middle'-rail-corridor-has-long-term-potential-maersk_20220601.html)

<sup>xxiv</sup> All Central Asian and Caucasian states are members of NATO's Partnership for Peace (although level of participation varies), and Kazakhstan's Peacekeeping Training Centre (KAZCENT) partners with NATO's Partnership Training and Education Centres (PTEC). North Atlantic Treaty Organization, "Signatures of Partnerships for Peace Framework Document," last updated 27 March 2020. [https://www.nato.int/cps/en/natolive/topics\\_82584.htm](https://www.nato.int/cps/en/natolive/topics_82584.htm);

KAZCENT, "Introduction to KAZCENT," Ministry of Defense of the Republic of Kazakhstan, <https://kazcent.kz/activity/eng>.

Georgia, Armenia, and Azerbaijan all have relations with EU under its Eastern Partnership policy. Michal Jiráček and Florian Carmona, "Three Eastern Partnership neighbours in the South Caucasus," European Parliament, December 2021. <https://www.europarl.europa.eu/factsheets/en/sheet/172/three-eastern-partnership-neighbours-in-the-south-caucasus>;

*It engages Central Asia through its 2019 EU Central Asia strategy.* Jorge Soutullo, Stefania Gazzina, Niccolò Rinaldi, "Central Asia," European Parliament, October 2021. <https://www.europarl.europa.eu/factsheets/en/sheet/178/central-asia>

<sup>xxv</sup> Kazakhstan and Kyrgyzstan are members of the Eurasian Economic Union, a Moscow-led economic union of some of the post-Soviet states. They are both, along with Tajikistan, also members of the Collective Security Treaty Organization, a Moscow-led intergovernmental military alliance in Eurasia.

<sup>xxvi</sup> China's Belt and Road Initiative is a global infrastructure development strategy, which connects China to Europe, Asia, Africa, and beyond, via land and maritime networks. European Bank for Reconstruction and Development, "Belt and Road Initiative," <https://www.ebrd.com/what-we-do/belt-and-road/overview.html>

China has already heavily invested in Central Asia as part of the BRI, with money pouring into Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan to fund a variety of infrastructure projects. The importance of the region to the BRI, is underlined by President Xi Jinping's decision to launch the BRI in Nur Sultan (formerly Astana), the capital of Kazakhstan in 2013. China Daily, "President Xi proposes Silk Road economic belt," 7 September 2013, [https://www.chinadaily.com.cn/china/2013xivisitcenterasia/2013-09/07/content\\_16951811.htm](https://www.chinadaily.com.cn/china/2013xivisitcenterasia/2013-09/07/content_16951811.htm)

<sup>xxvii</sup> Kazakhstan is the leading country in Central Asia attracting Chinese investment. Between 2013 and 2022 there was USD 19.64 billion of Chinese investment into Kazakhstan according to the China Global Investment Tracker. China Global Investment Tracker, "Chinese Investments and Contracts in Kazakhstan 2005-2022," <https://www.aei.org/china-global-investment-tracker/>

<sup>xxviii</sup> People across Central Asia are disillusioned and suspicious of Chinese activity in the region. China's labor-intensive, polluting, and low-cost manufacturing has sparked disillusionment amongst the Central Asian states when it comes to Chinese investment. This is coupled with distrust of China, due to the treatment of the Uyghurs in Xinjiang, which has seen people of Kazakh and Kyrgyz origin also be incarcerated. Ashok Sajjanhar, "China-Central Asia Relations: An un-easy co-existence," Observer Research Foundation, 10 March 2021, <https://www.orfonline.org/expert-speak/china-central-asia-relations-an-uneasy-co-existence/>;

Additionally, Central Asian companies rarely see funds injected by the People's Republic of China (PRC) into Central Asia – often the loan granted to a Central Asian company is reinvested in the Chinese company that was awarded the contract. Building and Wood Workers' International's study showed that 60% of the BRI projects funded by China, are allocated to a Chinese company. International Trade Union Confederation, "Belt and Road Initiative in Central Asia," p8, 2021, [https://www.ituc-csi.org/IMG/pdf/belt\\_and\\_road\\_initiative\\_in\\_central\\_asia.pdf](https://www.ituc-csi.org/IMG/pdf/belt_and_road_initiative_in_central_asia.pdf)

<sup>xxix</sup> Kazakhstan is trying to position itself as a bridge between east and west, balancing its foreign policy to allow both openness with the west and manage its relations with Russia. This year, President Kassym-Jomart Tokayev has made several attempts to forge strategic alliances with western countries. In September, he met with Charles Michel, President of the European Council, paying special attention to the development of political dialogue and expansion of trade and economic cooperation. Akorda, "Kassym-Jomart Tokayev held a meeting with the President of the European Council," 21 September 2022, <https://www.akorda.kz/en/kassym-jomart-tokayev-held-a-meeting-with-the-president-of-the-european-council-2182036>

In September 2022, President Kassym-Jomart Tokayev visited the US, where he met with the heads of major US companies. During the meeting, Tokayev informed the US business leaders of economic and political reforms occurring in Kazakhstan. He also highlighted investment opportunities in Kazakhstan, specifying prospects of cooperation with the Samruk Kazyna National Welfare Fund and highlighting that 700 Kazakh companies being privatised. He touched upon the transport and logistics sectors. YouTube, "Kazakhstan ready to support US investors – President," 19 September 2022, <https://www.youtube.com/watch?v=-WN6OGomELQ&t=1s>

Kazakhstan is pushing to gain from this opportunity, not only the Kazakh government leading the way when it comes to regional cooperation on the Middle Corridor. They are also actively acting to attract international companies that left Russia following the full-scale invasion of Ukraine. In July, Almas Aidarov, Kazakh Deputy Foreign Minister, gave an interview in which he stated the Foreign Ministry, along with state-owned Kazakh Invest was in talks with 43-foreign owned companies moving their headquarters to Kazakhstan, by September this had increased to 51. Vlast Kazakhstan, "Kazakhstan is negotiating relocation of 51 companies – Smailov," 10 September 2022, <https://vlast.kz/novosti/51600-kazahstan-vedet-peregovory-o-relokacii-s-51-kompaniej-smailov.html>

The US is already a prominent player in Kazakhstan, it is one of the top three investors in Kazakhstan's economy and has 600 companies operating across the country.

Kazakh Economic Research Institute, [https://economy.kz/en/Issledovanija\\_instituta/World\\_Economic\\_Survey/](https://economy.kz/en/Issledovanija_instituta/World_Economic_Survey/);

The Astana Times, "US Ranks Among Top Three Investors in Kazakhstan's Economy," 20 September <https://astanatimes.com/2022/09/us-ranks-among-top-three-investors-in-kazakhstans-economy/>

<sup>xxx</sup> The World Bank, "Recommendations for a National FDI Strategy and Roadmap for Uzbekistan," June 2022, <https://documents1.worldbank.org/curated/en/099430406302241587/pdf/P17672901802190a108e00089316ad3dc7e.pdf>

<sup>xxxi</sup> All countries in Central Asia and the South Caucasus need to implement further measures to attract more FDI, as significant investment is needed if the transport corridor is to truly meet its potential. The Asian Development Bank believes Central Asia will need an extra 7.8% of its GDP annually to invest in infrastructure needs. Asian Development Bank, Meeting Asia's Infrastructure Needs, 2017, <https://www.adb.org/sites/default/files/publication/227496/special-report-infrastructure.pdf>

The CAREC (Central Asia Regional Economic Cooperation) Transport Strategy 2030, states that investment should focus on reducing trade barriers and costs, improved connectivity, and reducing trade turnover times. Central Asia Regional Economic Cooperation, "CAREC Transport Strategy 2030," January 2020, <https://www.carecprogram.org/uploads/CAREC-Transport-Strategy-2030-1.pdf>

<sup>xxxii</sup> Anton Usov, "EBRD invests KZT 50 billion in Kazakhstan Railways bond," European Bank for Reconstruction and Development, 25 July 2022, <https://www.ebrd.com/news/2022/ebd-invests-kzt-50-billion-in-kazakhstan-railways-bond.html>

<sup>xxxiii</sup> US Embassy and Consulate in Kazakhstan, "USAID Explores Opportunities for Increasing Trans-Caspian Trade," 17 May 2022, <https://kz.usembassy.gov/usaid-explores-opportunities-for-increasing-trans-caspian-trade/>; USAID has already piloted the shipping of cargo across the route from the port of Kuryk, Kazakhstan, through Azerbaijan and Georgia, to Turkey, to identify specific issues. USAID, "USAID Explores Opportunities for Increasing Trans-Caspian Trade," 17 May 2022, <https://www.usaid.gov/central-asia-regional/press-releases/may-17-2022-usaid-explores-opportunities-increasing-trans-caspian>

<sup>xxxiv</sup> Official Page of the President of the Republic of Kazakhstan, "The Head of State received the economic delegation of Germany," 6 September 2022, <https://www.akorda.kz/ru/glava-gosudarstva-prinyal-ekonomicheskuyu-delegaciyu-germanii-682145>

<sup>xxxv</sup> President of the Republic of Azerbaijan, “Statements by Ilham Aliyev and President of the European Commission Ursula von der Leyen,” 18 July 2022, <https://president.az/ru/articles/view/56810>

<sup>xxxvi</sup> Trend, “Cargo through Baku port increased by 25.8%,” 8 August 2022, <https://az.trend.az/business/3630471.html>

<sup>xxxvii</sup> The United Nations, “General Assembly resolution demands end to Russian offensive in Ukraine,” 2 March 2022, <https://news.un.org/en/story/2022/03/1113152>;

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Twitter, “UN News,” 13 October 2022,

[https://twitter.com/UN\\_News\\_Centre/status/1580290964165341185?ref\\_src=twsrc%5Etfw%7Ctwcamp%5Etweetembed%7Cterm%5E1580290964165341185%7Ctwgr%5E8c4e1411866a9b81c70d9d7f0170bb0a53264d8e%7Ctwcon%5Es1\\_%ref\\_url=https%3A%2F%2Fnews.un.org%2Fen%2Fstory%2F2022%2F10%2F1129492](https://twitter.com/UN_News_Centre/status/1580290964165341185?ref_src=twsrc%5Etfw%7Ctwcamp%5Etweetembed%7Cterm%5E1580290964165341185%7Ctwgr%5E8c4e1411866a9b81c70d9d7f0170bb0a53264d8e%7Ctwcon%5Es1_%ref_url=https%3A%2F%2Fnews.un.org%2Fen%2Fstory%2F2022%2F10%2F1129492)

<sup>xxxviii</sup> Speaking at the forum, Prime Minister Mikhail Mishustin stated “For Russia, the Caspian Sea is of great importance, primarily given its strategic position in the centre of Eurasia, at the intersection of transport and energy arteries, as well as a large number of minerals and unique bioresources in its water area.” The Government of Russia, “Second Caspian Economic Forum,” 6 October 2022, <http://government.ru/news/46720/>

<sup>xxxix</sup> At a meeting between Mishustin and Azerbaijani Prime Minister Ali Asadov, Asadov stressed that the Russian Federation “has always been and remains an important economic and political partner.”

Government of Russia, “Meeting of Mikhail Mishustin and Azerbaijani Prime Minister Ali Asadov,” 6 October 2022, <http://government.ru/news/46722/>

<sup>xl</sup> President of Russia, “Meeting with the President of Iran Seyyed Ebrahim Raisi,” 15 September 2022, <http://en.kremlin.ru/events/president/news/69354>

Caspian News, “Azerbaijan, Russia, Iran sign declaration on North-South transport corridor,” 11 September 2022, <https://caspiannews.com/news-detail/azerbaijan-russia-iran-sign-declaration-on-north-south-transport-corridor-2022-9-11-0/>



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(571) 321-2013  
inquiries@textore.net

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