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## IS THE MIDDLE CORRIDOR A FOCUS OF POWER IN EURASIA?

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**Abstract:** A trade corridor is a combination of infrastructure, trade logistics and global supply chains. Alongside a trade corridor is a co-operative economic life. It is to manage the flow of goods and facilitate the process of product development conditions along a global/regional supply chain. A trade corridor is not just a transit route. It is a way to create added value.

A trade corridor is a way of transforming and evolving goods in a global/regional supply chain, where logistics and production values spanning the supply chain are added and become closer to customers as they are completed.

Significant bilateral trade volumes between China and Europe are expected to continue, while trade volumes between Central Asia and Europe are expected to increase. With all the disruptions in global trade, it is crucial to find reliable alternatives. China's expansionist policies are seen to be within Russia's sphere of influence by putting forward alternative corridors/projects. The India-Middle East-Europe Mega Economic Corridor was announced at the 2023 G20 summit.

In this study, alternative corridors and their importance are investigated.

**Key words:** Global Trade, corridor, supply chain

### 1. INTRODUCTION

As a requirement of the world economy, every country opens its market to the outside and tries to implement liberal economic policies. On the other hand, countries make commercial co-operation, agreements, bilateral or multilateral agreements in order to protect and expand their own trade and economy, markets and to exist in global competition. The prerequisite for an advanced transport network between countries is to create transport corridors with an effective and efficient logistics management. Turkey has a central position in most of these corridors. Turkey acts as a bridge connecting Asia and Europe (Hanta, Çiçek:2024:2).

During the 20th International Silk Road Expo held in Xi'an in September 2024, it was announced that China's China Railway Container Transport Corporation (CRTC) will officially join the Central Corridor. This move signals a growing dependence on Central Asia's trade route infrastructure potential. China's shift to land routes is part of a broader strategy to move away from traditional sea routes through narrow points such as the Strait of Malacca, which carry geopolitical risk.

China's growing reliance on Central Asian, Trans-Caspian and South Caucasus routes is not only about efficiency. It is also a strategic diversification to mitigate the risks posed by geopolitical instability in other regions. Traditional maritime routes through sea transit points and land routes, such as the Northern Corridor through Russia, have all become problematic for different reasons.

Not only China but also Europe has expressed concerns about the reliability of the Northern Corridor due to global geo-economic complications arising from Russia's ongoing war against Ukraine. The Central Corridor offers an alternative to circumvent these risks while capitalising on Central Asia's increasingly sophisticated logistics integration. In addition to economic and strategic benefits, the Central Corridor offers what are seen as environmental advantages. Land routes,

especially those based on rail, tend to be less carbon intensive than long-distance maritime transport, which is a significant contributor to global carbon emissions.

## **2. SUPPLY CHAIN MANAGEMENT and GLOBAL LOGISTICS**

Supply chain management encompasses many dimensions of a business, from the strategic to the tactical and operational level, as it emphasises the idea of effective integration of suppliers, manufacturers, warehouses and stores (Simchi- Kaminsky, 2004:3). Supply chains vary from single-phase to multi-phase according to increasing complexity. A single-stage supply chain combines the material flow functions of raw material acquisition, production and distribution. In this type of supply chain, there are many information processing and decision-making function.(Metz 1998:4).

For a long time, businesses have considered supply chain management as a process between supply, production, distribution and consumer in the plane of cost, time, quality and flexibility criteria. In this period, which is expressed as traditional supply chain management, the process that starts with the supply of raw materials and materials required for production activities ends with the delivery of the final products produced to the consumer through the members in the distribution channel (Korkankormaz, 2012: 19).

Global supply chain design requires choosing the international location of facilities and involves special global factors. These design decisions may be decentralised, with managers making their own decisions at each facility, or they may be centralised, with decisions compared and coordinated with other facilities. What is desired here is that managers choose decisions that are consistent with the supply chain management strategy of the organisation (Meixell, 2005:531-550). The necessity of integrating transportation channels has emerged from the necessity of businesses to distribute their goods to their customers faster and worldwide with economic globalisation. Therefore, supply chain management and integrated logistics systems need to be effectively combined (Ronneli, Berry,2000:398).

With the effect of globalisation, the importance of concepts such as speed, cost, reliability, quality and flexibility in the supply and distribution processes of products in international trade is increasing. In parallel with the increase in competition in the sector in international trade, effective transport and logistics activities come to the fore. Because effective transport, correct planning of logistics distribution, effective transport of the product through safe and fast channels is the key to economic success today. In other words, the criterion of success in international trade becomes integrated with the efficiency and productivity in the transport sector (Zeybek, 2019:2).

The geopolitical shifts that emerged after 2022 have significantly increased the strategic importance of the Central Corridor for China. Global supply chains have been disrupted by international conflicts. The growing importance of the Central Corridor for land-based trade between the EU and China has led Beijing to adopt a more proactive approach in its interaction with countries along this route. Amid the ongoing crisis in the Red Sea and the Russia-Ukraine war, the Central Corridor has emerged as a stable route for China.

China continues to be the world's largest manufacturing economy, accounting for 35 per cent of world production. When the G-7 countries come together, they cannot reach this level. Only the USA has a share of 12 per cent. China is also the absolute leader in value added in production, accounting for 29 per cent of the world total. Another extremely important indicator is the exposure to foreign supply chains and the extent to which Western industrial countries depend on China even for their own industrial production.

## **3. NEW CORRIDORS**

New Logistics Corridor and Projects:

- Zengezur Corridor // Middle Corridor
- Baku-Tbilisi-Kars Railway Project // Middle Corridor
- India's IMEC Project (Featured Project After G20 Summit)
- China's 'One Belt and One Road Project'
- Development Road Project (Basra-Iraq-Turkey-EU)
- Trans Africa Motorways (Motorway Project Connecting North Africa and South Africa)
- North-South Line (India, Iran, Azerbaijan-Russia)

The India-Middle East-Europe Mega Economic Corridor, a multinational railway and maritime project, was announced at the 2023 G20 Summit by the leaders of India, USA, UAE, Saudi Arabia, France, Germany, Italy, Italy, European Union. Corridors memorandum of understanding was also signed. This step is seen as a challenge to China's economic ambitions in the region. It is a very important project to strengthen India's trade with the Middle East and European countries.

This corridor includes high-speed data cable, hydrogen pipeline, electricity cable, railway connection.

Debt financing is likely to come from the Global Partnership for Infrastructure and Investment (PGII), while other multilateral organisations such as the IMF, World Bank, ADB and state-owned banks may also provide debt financing. The India-Middle East-Europe Mega Economic Corridor is poised to revolutionise global trade dynamics.



Fig. 1. India Middle East Europe Economic Corridor

The project aims to reduce turbulence and insecurity in the Middle East by strengthening economic ties and offers a potential solution to regional challenges.

It offers a forward-looking strategic alternative to the Suez Canal to facilitate trade between India, the Gulf region and Europe. This multimodal approach will increase efficiency and reduce transit times compared to traditional sea routes. It is exciting as it accelerates economic growth by facilitating increased trade volumes between regions.

It will also stimulate local economies through job creation and technological advancement.

The application of advanced technologies such as blockchain for supply chain management and digital customs procedures will streamline operations and reduce delays. The development of smart ports and logistics centres will increase efficiency. Transport links will facilitate travel and tourism, promote cultural exchange between the populations of the region.

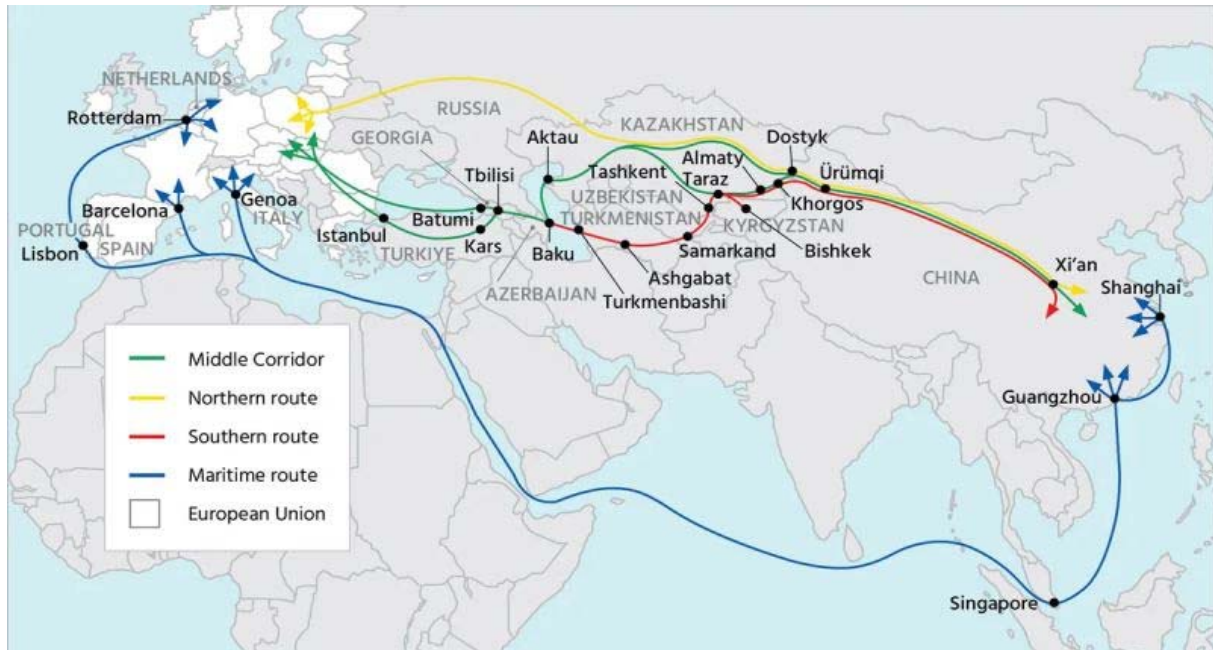
### 3.1. Middle Corridor

Since 2022, the Trans-Caspian International Transport Route or the Middle Corridor has gained significant momentum as an alternative trade route between the European Union (EU) and China, particularly in response to changing geopolitical dynamics. The Central Corridor is a multimodal land and maritime transport route connecting China to Europe using a combination of rail and maritime transport. It runs from China's western border to Kazakhstan, across the Caspian Sea through Azerbaijan and Georgia, then through Turkey to the EU.

The Central Corridor, also known as the Trans-Caspian International Transport Route, is a multimodal land and maritime transport corridor, helping to move goods from China to Europe via Kazakhstan, Uzbekistan, Turkmenistan, Azerbaijan, Turkey, the Black Sea and the Caspian Sea. The route consists of more than 4,250 km (approximately 2640.83 miles) of railway lines and more than 500 km (approximately 310.69 miles) of sea routes. The Central Corridor, 2,000 km shorter than Russia's Northern Corridor, offers a solution to sanctions compliance issues, access to new markets and new business-to-business (B2B) and business-to-government (B2G) opportunities in logistics, transport and infrastructure construction.

The Middle Corridor has emerged as an important alternative to existing routes with a total annual cargo transport capacity of 5.8 million tonnes. According to the latest data, the volume of cargo transport along the corridor increased by 88% in the first nine months of 2023, reaching an impressive 2 million tonnes. The volume of container traffic is 33,000 twenty-foot equivalent (TEU) containers, while the current potential of the Central Corridor is 80,000 TEU.

Central Asia is estimated to need €18.5 billion (\$20.4 billion) for Central Corridor infrastructure development projects. To put this in perspective, in the business-as-usual scenario the transit container volume is estimated to increase to 130,000 TEU in 2040.



**Fig. 2. Middle Trade and Transport Corridor**

In November 2023, the World Bank published a report entitled ‘The Middle Trade and Transport Corridor’. This report highlights priority measures that could help Kazakhstan, Azerbaijan and Georgia transform this multi-modal rail-sea corridor into an important and reliable multi-continental trade route:

- Global tensions are fuelling demand for the China-Europe Central Corridor.
- Landlocked countries gain vital access to European markets.
- Maritime risks increase interest in safe land routes.
- Traffic is expected to exceed 3.2 million tonnes in 2024.
- Central Asia's influence is growing in a changing world order.

#### **4. CONCLUSION**

On 11 January 2024, a train from Xian, China, arrived in Azerbaijan, completing a 3,200-mile journey through Kazakhstan and the Caspian Sea in just 11 days. Just a few years ago, such a journey could have taken 50 days or more, but the train from Xian was travelling through the Central Corridor, a rapidly expanding trade and transport network that provides an alternative to shipping goods through Russian territory. Add to this the problems with cargo transport through the Suez Canal due to attacks on ships in the Red Sea by Houthi militias in Yemen, and the importance of the Central Corridor becomes even greater.

With Russia locked in sanctions and maritime trade disrupted at choke points, the sense of urgency to secure supply chains is fuelling the re-emergence of an old trade route.

With all the disruptions in global trade these days, finding reliable alternatives is crucial. The Central Corridor is a route that bypasses Russia and offers a land-based connection from China to

Europe. As Central Asia is landlocked and surrounded by countries with limited access, such as Iran and Russia, the Central Corridor is a lifeline for trade and logistics.

The Eurasian region is one of the world's granaries and can provide food for 600 million people through agricultural exports. However, in order to achieve this, the countries of the region must properly develop their transport and logistics infrastructure. It is important to develop soft infrastructure within the Eurasian Transport Network. The application of integrated multimodal logistics technology can reduce transport costs by 15%.

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