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The Middle Corridor Increasing Importance for the European Union

Since 2022, the Trans Caspian International Transport Corridor, also known as a Middle Corridor importance for EU-China continental trade. During February 2024, Middle Corridor handled 274,200 tons of cargo, marking a 147% increase compared to February 2023. The main reason for the increasing importance of corridors is based on two critical factors.

The first is Russia-Ukraine war because the growing sanctions on Moscow deter international companies from engaging in the Northern Corridor, which passes through Russia. In this context, the Middle Corridor emerged as one of the alternative routes. The second important factor is the imminent attack of Houthi rebels in the Red Sea. Their actions have forced major shipping companies to use the Suez Canal and Red Sea routes to reach their destinations. Although companies began to use the Cape of Good Hope to diversify their routes, this led to an increase in the distance and cost of travel. Both disruptions in the northern corridor, which passes through Russia, and the Red Sea route push the EU to look for alternatives; the Middle Corridor emerges as one of the most important.

In this context, the European Union (EU) is developing a proactive approach and supporting the optimization of the corridor. The EU is not only supporting the development of the soft infrastructure of the corridor, but since 2022, it has also been helping to improve the hard infrastructure. For example, the European Bank for Reconstruction and Development (EBRD) has provided Kazakhstan with a loan of up to $40 million to support the development of modern logistics infrastructure and address bottlenecks along the Central Corridor. The main objective of the loan is to help Kazakhstan’s largest private rail operator,

Eastcomtrans, expand its container handling capacity to ensure uninterrupted operation of its rail park.

Another example is the EBRD's loan to the Azerbaijan Caspian Shipping Company (ASCO). The main objective of this loan is the expansion of ASCO's merchant fleet through the purchase of two handy-size vessels for the transport of dry cargo in international waters. The new vessels will serve not only to reduce the shortage of vessels but also to alleviate congestion in the corridor.

The last but most important example of EU support for the Middle Corridor was at the Global Gateway Investors Forum for EU-Central Asia Transport Connectivity. European and international financial institutions present at the Forum will pledge €10 billion in support and investment for sustainable transport connectivity in Central Asia. The European Investment Bank (EIB) signed a Memorandum of Understanding with the governments of Kazakhstan, Kyrgyzstan, and Uzbekistan and the Development Bank of Kazakhstan. The EBRD signed a Memorandum of Understanding with Kazakhstan with an investment pipeline of €1.5 billion of projects already in preparation for the overall development of transport connectivity in the Central Asian region.

In general, the EU has several interests in bolstering the development of the Middle Corridor. First, investing in the Middle Corridor assists the EU in reducing its reliance on the Northern Corridor and, to a lesser extent, sea routes in the short term while fostering alternative supply chains over the medium and long term. Second, supporting the corridor's development aids the EU in strengthening its ties with Central Asian nations and in lessening their dependence on Russia. Lastly, the EU's increased engagement with the Middle Corridor is intertwined with the expanding influence of China in Central Asia. The EU's proactive stance toward the corridor enables local countries to balance their

relationships with various major powers and pursue a multi-vector policy.