

Implementation of projects of international transport corridors on the Eurasian continent as drivers of economic growth of the region

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Abstract: This study critically examines the implications of international transport corridor projects for Central Asian countries, focusing on the Western-backed Transport Corridor Europe-Caucasus-Asia (TRACECA), the Chinese initiative “One Belt—One Road”, and the International North-South Transport Corridor (INSTC) supported by the Russian Federation, India, and Iran. The analysis underscores the risks associated with Western projects, highlighting a need for a more explicit commitment to substantial infrastructure investments and persistent contradictions among key investors and beneficiaries. While the Chinese initiative presents significant benefits such as transit participation, infrastructure development, and economic investments, it also carries risks, notably an increased debt burden and potential monopolization by Chinese corporations. The study emphasizes that Central Asian countries, though indirect beneficiaries of INSTC, may not be directly involved due to geographical constraints. Study findings advocate for Central Asian nations to balance foreign investments, promote economic integration, and safeguard political and economic sovereignty. The study underscores the region’s wealth of natural and human resources, emphasizing the potential for increased demand for goods and services with improved living standards, strategically positioning these countries in the evolving global economic landscape.

Keywords: central Asia; Eurasia; international trade routes; multimodal trade routes; TRACECA; One Belt One Road; Russia; China; Iran

1. Introduction

The world faces the real-time process of reformatting global economic space. For several decades, there has been a gradual transfer of centres of economic growth and geopolitical influence from West to East, mainly to Central Asia, South Asia and the Asia-Pacific region. In this regard, the Eurasian countries strive to diversify the directions of their trade and economic cooperation to strengthen their positions in the world commodity markets. An essential factor in the consolidation of the economic potential of Asian countries was the creation of international economic integration associations and organizations: the Association of the countries of Southeast Asia (ASEAN) in 1967, the Asian-Pacific Economic Cooperation Forum (APEC) in 1989, the Shanghai Cooperation Organization (SCO) in 2000 and the Eurasian Economic Union (EAEU) in 2015 (Piri, 2023; Usman, 2023).

In recent years, changes in the development of the global economy have been marked by leading international economic organizations, experts and financial institutions. The statistics given by the Union Bank of Switzerland (UBS) on the dynamics of global well-being (Global Wealth Report, 2023) are representative indicators of this process. The report provides an assessment of the welfare of 5.4 billion adults worldwide, as well as comprehensive data on the distribution of income and their dynamics. The report noted that the level of world welfare has been reduced for the first time since 2008, but the dynamics are highly uneven in countries and regions. In general, the level of net private capital in 2022 decreased by 2.4% to 454.4 trillion U.S. dollars, and the level of wealth per adult became lower by 3.6% and reached 84,718 U.S. dollars.

At the same time, North America and Europe lost 10.9 trillion dollars and were the main drivers of reducing world well-being. The Asia-Pacific region (including China and India) lost significantly less—just 2.9 trillion dollars. At the same time, in Latin America and Africa, the total increase in general wealth amounted to \$2.4 trillion and \$85 billion, respectively. The World Bank also notes that common macroeconomic indicators (Gross national income (GNI), consumer price indices, volume and structure of public debt), as well as the socioeconomic situation in the whole of the East and the Global South, are also much more positive than in the countries of the West (Ortiz and Cummins, 2011; Ahmad et al., 2019). The analysis of some data, like the share of countries and regions of the world in the world GDP (PPP) ultimately confirms these statements in **Table 1**.

Table 1. Gross domestic product based on purchasing-power-parity (PPP) share of world total (World Development Report, 2023).

%	1992	2002	2012	2022	Trend
Advanced economies	57.7	55.5	44.2	41.7	Decline
incl. Major advanced economies (G7)	45.7	42.3	32.8	30.3	Decline
Emerging markets and developing economies	42.3	44.5	55.8	58.3	Rise
Incl. Emerging and developing Asia	12.5	17.7	27.5	32.8	Rise
Incl. Middle East and Central Asia	8.5	8.2	9.1	7.6	Diverse

Data on the state of payment balance (BoP) of the countries and regions of the world also demonstrates an increase in the total debt load of the so-called developed countries (The OECD introduced the term “developed countries” in the early 1970s. It needs to be updated nowadays as it does not correspond to the status quo in the world economy. Moreover, it is judgmental. There is no established convention for the designation of “developed” and “developing” countries or areas in the United Nations system). There was an increase in the positive balance of payment for Asian countries, as shown in **Table 2**.

In these conditions, the countries of the Eurasian space are forced to adapt (Dugin, 2014; Lewis, 2022). Thus, it is highly relevant for them to form a strategic vision aimed at strengthening relations in the economic and energy spheres with the countries of the East, primarily with China, Russia, India, Iran, and other countries of the Asia-Pacific region and South Asia, while supporting and maintaining already

established trade and investment flows with the countries of Western Europe and other large economies in the world (Molchanov, 2015; Kaczmarek and Rodkiewicz, 2016). The need for the development of trade and economic cooperation in Eurasia is becoming the main incentive to increase the significance of transport routes from Europe to Asia and from Asia to Europe (Kuchins et al., 2015).

Table 2. BoP, USD billion (World Development Report, 2023).

USD bln	1992	2002	2012	2022	Trend
Advanced economies	-31.3	-235.9	47.1	-234.8	Negative
Incl. Major advanced economies (G7)	-32.2	-320.1	-291.3	-914.6	Negative
Emerging markets and developing economies	n/a	89.9	325.8	645.7	Positive
Incl. Emerging and developing Asia	n/a	61.7	120.6	296.8	Positive
Incl. Middle East and Central Asia	-28.9	32.3	420.7	406.8	Positive

This process also helps to activate the development of transit and multimodal corridors in sub-regions: the Caspian region, Central Asia, and the Middle East. The growth of trade potential in this region is an essential prerequisite for further developing the Eurasian space in the context of transforming the global economy and tightening geo-economic problems. We consider the largest and most significant international transport corridors in the Eurasian continent: land, sea and multimodal, which compete with each other.

2. Materials and methods

2.1. Projects under the auspices of Western countries: TRACECA corridor and its alternative options

Recently, the media has again begun to talk about a long-shot project of the Transcaspian Trade Route, which runs through the countries of Central Asia, Azerbaijan and Georgia and is referred to as the TRACECA (Gorshkov and Bagaturia, 2001; Keser, 2015). The first references to this transport corridor can be found in the Storm over the Caspian project, developed at the Massachusetts Technological Institute (USA) under the leadership of Prof. Daniel Fine back in the mid-1990s. In modern conditions, the interest of Western countries in this route is becoming increasingly apparent.

At the American think-tank Atlantic Council, the American government is advised to strengthen relations with Azerbaijan to counteract Russia and Iran in the region. However, the critical factor indicates the geographical position of the country at the junction of Europe and Asia and the prospects for the TRACECA (Yildirim, 2012).

The Wall Street Journal also noted that the interest of the White House in the region is due to the need to create alternative logistics paths bypassing Russia, noting the role of the “Middle Corridor” (Alshareef, 2023; Vasa and Barkanyi, 2023). Transit countries have also shown serious interest in this project. There are permanent representatives of TRACECA on the territories of Uzbekistan, Turkmenistan and Kazakhstan, which organize active work to promote this project (Kaw, 2019). We

understand the interest in the project since, in the future, this corridor can form a significant transport flow with a large cash turnover, which will bring transit countries a significant amount of revenue (Tumanishvili et al., 2018). However, the scale of the project, the large number of participants with ambiguous interests and the need for colossal investments are significant deterrent factors for its implementation.

For these reasons, the Organisation for Economic Cooperation and Development (OECD) countries also consider other options for organizing such corridors. In particular, after the Summit in India, the G20 countries announced their support of the route from India to Europe through the UAE, Saudi Arabia and Israel. This caused objections in Turkey since this corridor does not imply Turkish involvement in transit flows (Emerson, 2014; Shlykov, 2023). A route through Iraq and Turkey itself would bring much more significant potential benefits; however, to ensure the functioning of this corridor, a significant amount of investment and time is needed. The main problem is Iraq because most of the route passes through it. Given the situation in the country, the construction of a railway seems unlikely in the short term. For obvious reasons, Western analysts do not consider Iran a transit country.

The corridor through the Persian Gulf also has flaws (Gater-Smith, 2018). First of all, there is a need for a repeated trans-shipment of goods between sea and ground transport, which significantly increases the cost of logistics. However, the Gulf countries have the necessary financial resources to develop infrastructure (unlike Turkey) and political stability on their territory (unlike Iraq). In modern conditions, the only serious obstacle to the development of this route is the severe aggravation of the Palestinian-Israeli conflict. However, these options leave the countries of Central Asia outside the transcontinental traffic flows as shown in **Figure 1**.

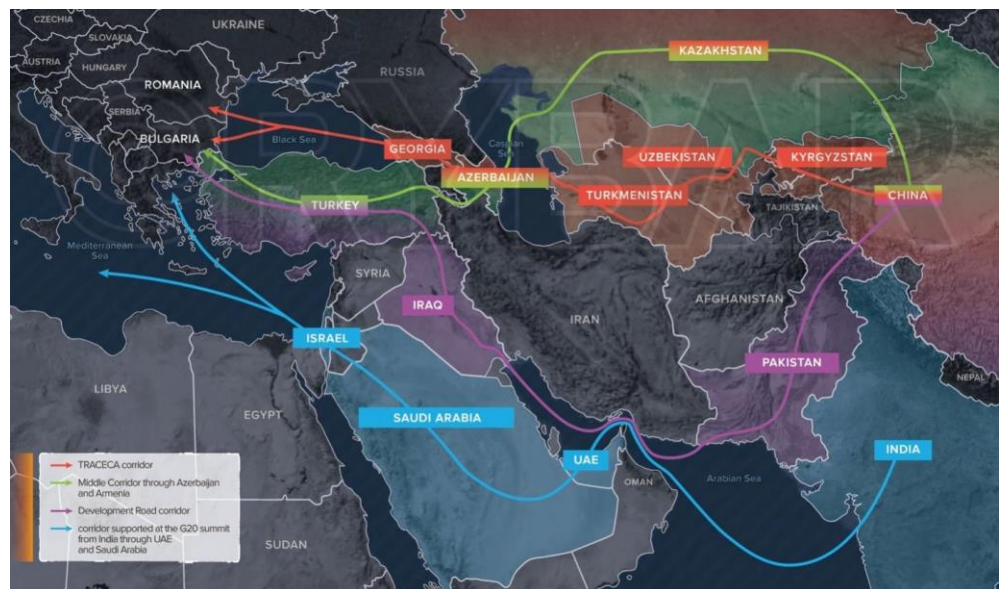


Figure 1. Options for the formation of multimodal transport corridors under the auspices of Western countries (Emerson, 2014).

2.2. Projects under the auspices of China as part of the “One Belt—One Road” initiative

In the early 2010s, the leadership of the Chinese People’s Republic put forward

several projects for the search, formation and promotion of a new model of international cooperation and development by strengthening the existing regional bilateral and multilateral mechanisms and structures of interactions with the participation of China (Meijer, 2022). Based on the continuation and development of the spirit of the ancient silk path, “One Belt—One Road” calls for the development of new mechanisms of regional economic partnership, stimulating the economic prosperity of the involved countries, strengthening cultural exchanges and ties in all areas between different civilizations, as well as promoting peace and sustainable development.

Being one of the most significant infrastructure undertakings in the history of the world economy, the “One Belt—One Road” initiative covers the territory from East Asia to East Africa and Central Europe, connecting almost two-thirds of the world population. A large number of interconnected projects provide for creating a network of highways, railways, sea routes and ports, opening up opportunities for cross-border cooperation and creating incentives for further integration of international markets of goods and services (Aoyama, 2016).

In 2023, a decade after the initiative, “One Belt—One Road” was officially celebrated (Mihir and Weiffen, 2023). Unlike many other projects of international transport corridors, tangible macroeconomic results have been achieved within the framework of this initiative. Over the past ten years, 152 countries and 32 international organizations have become participants in the initiative, which signed more than 200 documents and cooperation agreements with China within the framework. Such a high attractiveness of the initiative for the international community is due to the demonstration by the Chinese government of its financial viability, confirmed by real projects, as well as the efforts of the Chinese diplomats to promote the “One Belt—One Road” at the international level. In addition, the participating countries, most of whom are developing countries, impress the initiative’s conceptual basis and introductory provisions- the principles of broad consultations, joint contribution, and general benefits (Figure 2).

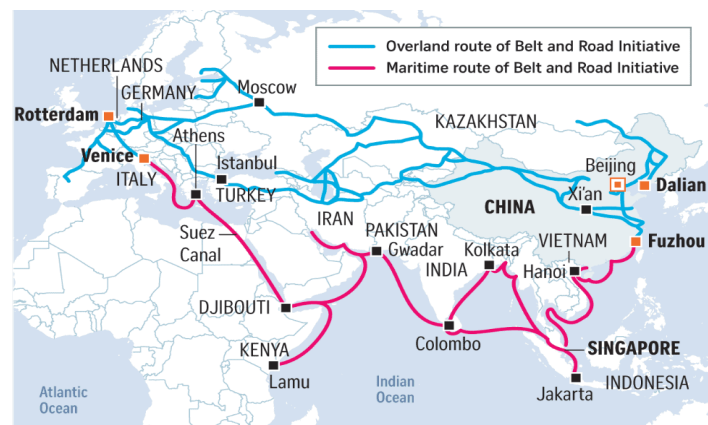


Figure 2. General scheme of transport and logistics corridors of the Chinese initiative “One Belt—One Road” (Bashir et al., 2021).

Over the ten years of the initiative’s implementation, the total number of infrastructure contracts and investments in the non-financial sector from China

exceeded \$1 trillion (Lin, 2022). At the same time, metallurgy and the mining industry have become priority investments from Chinese enterprises due to their significance for China in the declared transition to a “green” economy, for which the production of lithium and batteries for electric vehicles is critical. Currently, one of the most dynamically developing regions from the point of view of participation in the initiative is Africa, or rather, countries located south of Sahara-Bolivia, Namibia, Eritrea and Tanzania. Moreover, compared with 2022, several countries had a decrease in participation in the initiative, particularly Turkey, Poland and Kenya.

As for now, the Russian Federation does not directly participate in the Chinese initiative but expresses support and synchronizes its own integration and transport projects, taking into account China’s actions in the long run, considering the options for “conjugating” its projects with the Chinese initiative (Lukin, 2021). China considers Russia one of its key partners, simultaneously realizing that Moscow’s prior interests are focused on developing the EAEU and distant regions within the country (Larson and Shevchenko, 2010). Russia is interested in the utilization of the additional opportunities provided by the Chinese initiative to deepen Eurasian economic integration and the implementation of large joint projects, including in the context of plans for the economic rise of the Russian regions of Siberia and the Far East (Lukin, 2021).

Western experts also note that Chinese corporations took possession of the global network of seaports in just a decade. At the same time, concern is caused not only by economic reasons but also by potential military consequences of such logistics expansion. Ten years ago, China had a share in 44 ports. In 2023, it will already be managing 100 marine terminals in 50 countries (Kardon and Leutert, 2022).

Chinese corporations bought shares of southern and eastern Europe’s seaports and Africa as part of the Maritime Silk Way initiative. So, in 2016, Cosco Shipping Ports purchased from Vado Holding B.V. 40% of the shares of the Terminal Vada Ligure, as well as several container terminals in Italy. In the same year, the Chinese bought 51% of the shares of the largest Greek port, Piraeus (Huo et al., 2018). At the end of 2017, Cosco Shipping Ports became the main shareholder of the Spanish Noatum Port Holding. They received control over the ports of Bilbao and Valencia (the fifth largest container port in Europe). Montenegro almost lost her key port through the debts to China, through which the North Atlantic Treaty Organization (NATO) technique regularly passes (Kardon and Leutert, 2022).

The Chinese also bought 90% of the container terminal in Belgian Zeebrugge—one of the critical logistics objects in Europe. They own part of the shares of the ports of Antwerp (Belgium) and Rotterdam (Netherlands). These ports primarily create entrance points for exporting Chinese goods to Europe and the possibilities of their cheap trans-shipment in Africa and Asia.

2.3. Projects under the auspices of Russia and Iran: North-South corridor and its branches

The INSTC is a multimodal transport route that connects the ports of India and other South Asian countries with the Caspian territories of the Russian Federation through Iran, Azerbaijan (by land) and the Caspian Sea. Given the network of internal

waterways, railways and roads in the European part of Russia, it becomes possible to communicate South Asia and Iran with the ports of the Baltic Sea and, in the future, also the Northern Sea Route (Vinokurov et al., 2022) as shown in **Figure 3**.

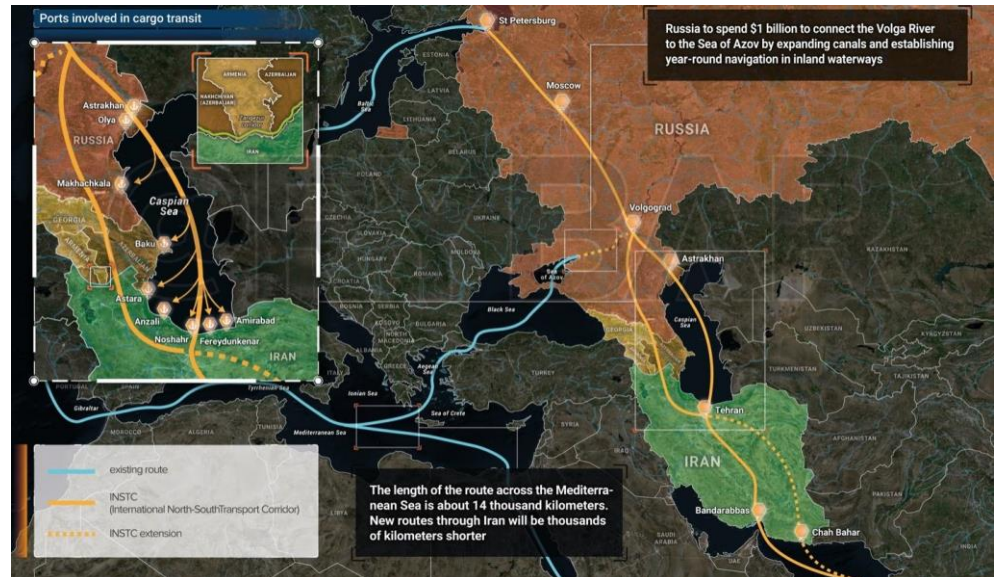


Figure 3. INSTC (Vinokurov et al., 2022).

One of the main advantages of the INSTC through the Caspian is its length: compared with the traditional route through the Suez channel, INSTC is twice shorter (its length is 7.2 thousand km instead of 14 thousand km). The second key advantage is the isolation of the route from the influence of external participants, which is levelled by the sanctions pressure on Russia's and Iran's logistics. The developing cooperation between Iran and Russia and the emergence of uncontrolled strategically significant trade communications in the future can seriously threaten Western countries' economic development (Vinokurov et al., 2022).

The corridor provides three main routes for the supply of goods:

- Transcaspian (through the Russian ports of Astrakhan, Olya, and Makhachkala in the Iranian ports of the Caspian Sea);
- Eastern (direct railway communication through Kazakhstan, Uzbekistan and Turkmenistan with access to the Iranian railway network);
- Western (Astrakhan-Makhachkala-Samur, then along the territory of Azerbaijan to the planned Astara border railway station).

An important option is the route through Armenia, which will become the most important after the conflict between Armenia and Azerbaijan is over. It will allow to form a route from India to the Iranian port of Chah Bahar, then to Armenia, then to Georgia and the Black Sea. Thus, according to experts, the potential of freight transportation through the international transport corridor will vary from a little less than 15 million tons to 25 million tons in 2030 (Fedorenko, 2019).

The first successful supply of containers from India to Russia on this route (along the territory of Iran and the Caspian Sea) was carried out in 2016. As for now, the main volume of goods supplied according to INSTC is energy and agricultural products. Iranian companies are the third largest importers of Russian grain. However, the number of supplied goods types is constantly growing. The supply of turbines,

polymer products, medical equipment and car spare parts has already been announced. Russia supplies nuclear fuel and equipment for the Iranian nuclear power plant in the Busher. Due to INSTC, the trade in Russia with India increased by almost 2.5 times in 2022 compared to 2021 and amounted to more than \$30 billion. This is mainly due to the sharp increase in Russian oil supplies to India, and the trade turnover between India and Iran in 2022 amounted to more than \$4.5 billion, which was 15% more than in 2021 (Kryukova, 2020).

At the same time, several other states have joined or expressed subject interest in INSTC: Armenia, Belarus, Kazakhstan, Kyrgyzstan, Syria, Turkmenistan and Turkey. It was also assumed that several Gulf states would join the implementation of the project: Saudi Arabia, Bahrain, Kuwait, Qatar and the UAE, which have connections with Oman, a member of the INSTC implementation agreement. INSTC can generate economic advantages not only for transit states but also for the entire regional economy. For example, in May 2018, a temporary agreement was signed on forming a free trade zone between the Eurasian Economic Union and Iran, and negotiations began with India (Vinokurov et al., 2022; Fedorenko, 2019).

The implementation of the construction of INSTC will positively affect the integration processes in the region, contribute to the development of the economy of countries, and trade between them, including energy resources, the exchange of goods, capital, labour, knowledge, and experience (Khan et al., 2023). A significant role in the project belongs to the Russian Federation and its partners, India, Iran, and countries of the Eurasian Economic Union (EAEU), together in several international integration associations. INSTC has every chance of becoming a critical strategic trade route for the Russian Federation, Iran, and all Caspian states (Khan et al., 2023).

We also note that the INSTC opens up vast opportunities for integration with other important latitudinal and meridian transport routes focused on the direction from the East to the West. This applies to an essential part of the network of international economic relations, including the planned delivery of goods within the framework of the one belt, one path, and directly contributes to the development of continental transport and logistics systems. The formation of the Eurasian transport framework will improve the economic prospects of many countries of the Eurasian continent, especially those that do not have access to the sea, and allow them to reduce the transport costs and negative consequences of their geographical location. This could eliminate the continental status of central Eurasia, turning it into an international transshipment point for goods and stimulating regional integration and trade cooperation in the framework of Big Eurasia.

In 2020, the COVID pandemic led to supply chain disruptions and increased freight rates for sea transportation. As a result, INSTC may become vital for ensuring uninterrupted trade between Asia and Europe (Tang et al., 2022). As noted above, one of the main advantages of this corridor was the reduction in the time costs of transporting goods, which allows you to quickly and efficiently deliver goods from the regions of southern Europe to Russia, the countries of the EAEU and the Shanghai Cooperation Organisation (SCO). With the commissioning of the Astara-Resht railway section in Iran, the time of delivery of goods to the INSTC will only decrease (Khan et al., 2023).

The use of monomodal transport in the Caspian region explains the prevailing

value of railway transport in developing this corridor. A small emission of gases when using railway transport is one of its main competitive advantages in cargo transportation, according to the INSTC. It is important to note that redirecting container transportation to railway transport can reduce greenhouse gas emissions on this corridor due to lower fuel consumption. The INSTC's development is threatened by several challenges that may interfere with its successful functioning. Among the challenges, experts cause the lack of a single tariff throughout the route, the transport policy of the countries participating in the route, as well as international sanctions that are preserved against some of these countries, insufficient harmonization of international norms and border crossing procedures, as well as narrow places in the structured route.

Finding solutions to these problems will ensure the stable development of this promising project. Creating intangible infrastructure is also an essential factor in implementing this process. It includes solving several serious problems, such as eliminating tariff and non-tariff obstacles, reducing the time of passing borders, forming a coordinated tariff policy and establishing mechanisms for managing the corridor.

Thus, INSTC has become a critical factor in development for the Russian Federation and even more so for the Eurasian region. The project's development will allow industrial complexes and economic zones to be built along the transit path and strengthen the production cooperation between the Russian Federation and the EAEU members with the SCO and developing states. During the implementation of the project, new jobs will be created, economic growth and the welfare of the residents of the region will be stimulated.

It should be noted that the Eurasian Development Bank has developed more than ten investment projects for the North-South MTC in the territory of the participating countries, with a total value of more than \$38 billion. Most of the projects (52) are located in Russia, but there are also projects in Azerbaijan (8), Armenia (5), Turkmenistan (3) and one project in Georgia.

To implement these projects, considerable investments in infrastructure will be required. The most significant investments are required to develop roads in Russia (just over 13 billion U.S. dollars) and railways in Iran (about \$12.9 billion), including electrification and modernization. Also, one of the critical challenges is the expansion of the Volga-Caspian Canal connecting the Bakhthemir River section with the Caspian Sea through the shallow part of the Volga delta in the Astrakhan region. Apart from the infrastructure, one of the main challenges faced by the INSTC project is political disagreements and historical, economic and energy features of the development of participating countries that influence the formation of specific implementation programs for this project.

In addition, the possibilities of investing, and therefore the involvement of a particular country in this project, also significantly impact its implementation. For example, Iran expects investments from China and Pakistan, which have long been strategic partners of Iran. At the same time, India has a complicated relationship with these two countries and negatively refers to their possible participation in financing this transport corridor. On the other hand, for India, the creation of an international transport corridor is essential not only for expanding trade ties with Russia, the EAEU

and SCO countries but also as a chance for establishing more optimal trade and logistics ties with the countries of the Baltic and Western Europe, as well as for getting the opportunity to reduce the route to the Arctic. In addition, there are administrative and legal problems associated with the territorial coverage of the transport corridor and the need to unify customs, visas, and other measures to accelerate the process of delivery of goods.

3. Discussion

From the point of view of Central Asian countries, projects of international transport corridors under the auspices of Western countries, such as TRACECA, carry significant risks. Firstly, unlike China, Western countries express little readiness and desire to carry out large-scale investments in infrastructure projects that can promote the socioeconomic development of the region's countries. Secondly, the prospects for implementing projects under the auspices of Western countries could be more specific due to the preserved significant contradictions between their leading investors and beneficiaries. At the same time, in recent years, the active integration of capital of large Western companies in the field of resource mining, logistics and industry in the relevant industries of Central Asia countries has been carried out, which poses a threat to sovereign control over the fundamental sectors of the countries of these countries.

The Chinese initiative "One Belt—One Road" carries obvious significant benefits, like participation in the transit of goods, infrastructure development, investments in the primary sectors of the economy, and significant risks, often non-obvious. First of all, these risks are associated with an increase in the debt burden on their economy in connection with borrowing investment funds from Chinese financial institutions, as well as to supplant the Chinese corporations of national manufacturers in various sectors of the economy. This can lead to monopolization by Chinese corporations of entire sectors and sectors of the economy and the loss of sovereign control over subsoil and critical infrastructure and industrial facilities. These trends, in particular, are noted in the report of Boston University. At the same time, Central Asian countries are only indirect beneficiaries of the INSTC project because the main transit flow can pass only through the territory of the Caspian states or along the Caspian Sea. Those states that do not have access to the Caspian Sea are not directly involved in implementing INSTC routes. However, they can benefit from mutual integration and intersection of INSTC with the Chinese initiative "One Belt—One Road" or one of the variants of the TRACECA corridor.

4. Conclusions and recommendations

In the context of geopolitical tension, uncertainty of the prospects for the development of the global economy and the restructuring of the global world order, the configuration of international transport corridors in Eurasia will be determined by the competition and potential cooperation or "conjugation" of three key groups of projects and initiatives: the corridor of TRACEA and its options, which is implemented with the support of Western countries, the Chinese initiative "One Belt—One Road", as well as the INSTC, which main initiators and beneficiaries are the Russian Federation, India and Iran. The Central Asian countries are their participants

in almost any configuration of these projects, although with varying degrees of involvement and, therefore, varying degrees of benefit and risks. In these conditions, small countries of the region need to find a balance between foreign (mainly Chinese) investments, the depth of integration of their economies into international projects and processes, the goals of their socioeconomic development and the preservation of political and economic sovereignty. It should not be forgotten that Central Asian countries are affluent in natural resources, including mineral resources. In particular, Turkmenistan, Iran, and the Russian Federation firmly occupy the upper lines of world ratings in natural gas and liquid hydrocarbon stocks. Kazakhstan, Uzbekistan, Turkmenistan, Kyrgyzstan and Tajikistan are also very rich in human capital, and Iran is one of the most densely populated countries in the region. This is relevant both from the point of view of the presence of a sufficiently accessible by the world standards of labour and from the point of view of the potential volume of demand for goods and services in case of increasing living standards in these countries in the context of further economic development.

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