Recent Shocks and Renewed Interest to Middle Corridor

• COVID-19 pandemic and associated supply chain disruptions, the issues with the maritime route via Red Sea/Suez canal, the spillovers of the Russian invasion of Ukraine created major risks for PRC–Europe freight traffic

• The CCA economies and their trade with western partners have also been strongly affected by these shocks in different ways

• Middle Corridor (MC) stands as the least vulnerable route for trans-Eurasian and regional transport flows

• The demand for shipments via Middle Corridor has dramatically increased in 2022
The Latest Developments and Studies

- The ocean shipments resumed in 2022 and prices fell dramatically.
- Northern Corridor (the main competitor for MC) continues its container operations with some decline.
- Container traffic via MC has also contracted significantly in 2023.
- Caspian Pipeline Consortium continues exports of crude oil from Kazakhstan.
- PRC government still considers phasing out subsidies for rail shipments to Europe in the medium-term.
- Large part of the re-export flows to Russia through CCA is channeled via MC.
The Latest Developments and Studies (2)

• Several studies on MC have been published/prepared recently by EBRD, World Bank, OECD, ADBI and other organizations and researchers
• ADB is finalizing its own study
• Some takeaways from these studies
  - MC is going to serve mostly the trade flows originating from/intended for CCA
  - MC retains strategic importance as a critical resilience mechanism
  - Transportation costs and times for shipments via MC are high
  - Large infrastructure investments are necessary for MC development
  - Major improvements are necessary in trade facilitation and logistics along MC
  - Regional cooperation is key for MC development
CCA Intra-Regional Trade and Trade with Europe and Western Partners

- CCA intra-regional trade is small, but its non-energy part is growing
- This trade provides CCA economies with better international value chain participation roles than the trade with other partners
- CCA energy exports require oil/gas pipelines; railways/Caspian Sea vessels provide no full-scale alternative
- Non-energy trade potentially served by MC is asymmetrical in terms of transport modes
- Road transport plays a very important role in this trade, esp. for imports
ADB and Middle Corridor Development

• Middle Corridor is CAREC Corridor 2
• ADB activities to support MC development:
  - ongoing/planned hard infrastructure investments in roads (Georgia, Kazakhstan, Kyrgyz Republic, Uzbekistan), railways (Turkmenistan, Uzbekistan), ports (Georgia)
  - structural reforms in CCA economies, e.g., in railway sector
  - soft infrastructure (customs, JBCPs, information exchange, SPS measures, etc.)
  - M&E of the corridor performance (CPMM)
  - institutional development (MC development strategy) and knowledge work
Conclusions and Policy Implications

• Middle Corridor is strategically important as ever to serve CCA non-energy trade within the region and with western partners
• It might also have a role in serving long-haul transcontinental transit
• MC is a multimodal route combining rail, road, and sea – the need for climate-smart solutions
• To make it competitive, major transport and transit cost reductions are needed
• This might be achieved through a mix of hard infrastructure investments, soft infrastructure improvements, competition-enhancing structural reforms and institutional developments
• ADB stands ready to support MC development in all forms