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EDITORIAL

Enhancing Global and Regional Connectivity through Strategic Initiatives

In today's globalized world, connectivity projects have become essential for supporting economic growth and strengthening international partnerships. Initiatives like China's Belt and Road Initiative (BRI), the European Union's Global Gateway, and the International North-South Transport Corridor (IMEC) are changing the way we think about trade routes and economic cooperation across different regions. These projects not only improve physical infrastructure—like roads, railways, and ports—but also enhance digital connectivity, which has become crucial in today's global economy. By linking various markets, they also create new opportunities for investment and innovation and help the countries discover their economic potential and boost their competitiveness. At the same time, they encourage cultural exchanges and foster understanding among nations, which is quite important in the development of a more connected and cooperative global community.

In this context, Türkiye's unique geographical position and active role in connectivity projects highlight the country's importance as a key player in the evolving global geopolitical landscape. Initiatives like the Middle Corridor (also known as the Trans-Caspian International Transport Route) and the Development Road Project enjoy strong backing from the Turkish government, as these efforts are designed not only to improve Türkiye's infrastructure but also to connect regional economies, making trade smoother and promoting cultural interactions.

This issue of Perceptions aims to explore the various global and regional connectivity projects and the potential role(s) Türkiye can assume in this new environment. The articles in this issue examine the economic, political, and social implications of these initiatives, showcasing Türkiye's role as a facilitator of trade and cultural exchange. Additionally, the contributions look at the benefits and challenges that emerge with these projects and offer insights into how Türkiye can leverage its strategic advantages to promote sustainable development while navigating the complexities of international relations. Through a range of case studies, this issue seeks to provide a deeper understanding of how connectivity projects are shaping the future of global trade and cooperation.

ARTICLE

From Border Walls to Corridors: An Analysis of Connectivity in a Changing Multilateral World Order

Radiye Funda KARADENİZ *

Abstract

Since the end of the Cold War, the world has witnessed the construction of new border walls in an increasing speed against the unprecedented risks emerging from porous borders such as refugees, terrorists, and smugglers, weakening the borderless world discourse of globalization. In today's world, six out of every ten people live behind border walls. Meanwhile, paradoxically, connectivity deepens in the world at all levels of international society through various means of information networks, financial flows, and logistic networks. Moreover, despite connectivity being an underdeveloped concept in International Relations, it has become an essential feature of the changing world system as seen in various strategies followed by the U.S., China, and the EU. Between the two trends of connection and disconnection, this study analyzes connectivity within the conceptual frameworks of multiplexity, interlocking regional worlds, and the Three World system developed to understand the changing world system. The common theme in these world order narratives reveals that multilateralism is a dynamic concept that requires to be assessed according to the new ways of cooperation in today's world between different actors on various issue areas. In this context, this paper will argue that looking at connectivity from a new multilateralism perspective makes a cautious optimistic contribution to the debates of "multilateralism in crisis" which intensified as a result of the Russia-Ukraine war, the Gaza conflict, and the depreciating legitimacy of prevailing institutions in the current world order.

Keywords

Connectivity, multilateralism, infrastructure alliances, changing world order

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Introduction

Since the end of the Cold War, the world has witnessed the construction of new border walls in an increasing speed against the unprecedented risks emerging from porous borders such as refugees, terrorists, and smugglers which have weakened the borderless world discourse of globalization. As of 2018, after the fall of the Berlin Wall, 63 new physical walls have been constructed worldwide. In today's world, six out of every ten people live behind border walls.[1] Meanwhile, paradoxically, connectivity deepens in the world at all levels of international society through various means of information networks, financial flows, and logistic networks. Parag Khanna underlines that in contrast to the 250,000 kilometers of international borders worldwide, 64 million kilometers of highways, 1.2 million kilometers of railways, two million kilometers of pipelines, and 745,000 million kilometers of internet cables bring populations and economic centers together.[2] What unites these networks is infrastructure which is the basis of connectivity today. Hence, from this point of view, borders are not only sites of tensions, but also gateways to learning.[3] Khanna claims that the true political map of the world includes not just states but megacities, highways, railways, pipelines, internet cables, and other symbols of our emerging global network civilization which makes connectivity the new paradigm of global organization.[4]

Although human interactions and connectivity are as old as each other, what is new is the emergence of connectivity as a strategy with geopolitical implications and its becoming a tool of diplomatic influence.[5] The global political agenda today is replete with many "connectivity strategies" pursued, for example, by the U.S., India, China, and the EU. However, despite the term's popularity, it is a buzzword that is rarely defined with sufficient precision. Moreover, there is a debate whether connectivity will be a source of conflict or cooperation in the changing world order. Some argue that redrawing geopolitical boundaries to connect and divide regions through trade corridors and supply chains carries the risk of security problems.[6] On the other hand, others contend that in the age of connectivity, connectivity projects are also multilateral cooperation agendas, revitalizing multilateralism which is the best way to coordinate the various existing bilateral and regional efforts for enhancing connectivity.

This paper aims to analyze the interplay of connectivity with multilateralism. In this context, it asks whether there is any chance for connectivity to revitalize multilateralism. In order to answer this question, first, the article examines

connectivity from an analytical framework, and second, with the help of the recent analyses of the changing world order by Acharya, Ikenberry, and Onar and Kavalski, it evaluates how connectivity empowers multilateralism. The paper argues that connectivity in today's world has the potential to make a cautious optimistic contribution to the debates of "multilateralism in crisis" which have intensified as a result of the Russia-Ukraine war, the Gaza conflict, and the depreciating legitimacy of prevailing institutions in the current world order.[7]

Between Walls and Networks: An Analytical Framework for Understanding Connectivity

The term "connectivity" has been used in the computing field since the late 20th century and simply meant "a state or a capacity of being connected."[8] The term has also been used in fields such as economics, finance, energy policy, and infrastructure development to describe the increasing interconnectedness of actors in the globalized world, from individuals to states, forming increasingly complex networks.[9] Despite the fact that "connectivity" as a term has been used for a long time, in the early 21st century, the intensity, scale, and impact of connectivity changed. According to the World Economic Forum, connectivity is now the driving force of globalization, which lost its speed after COVID-19. The "purpose-led globalization" supporting "sustainability and common purpose and cause for the global good" is strengthened by connectivity initiatives.[10]

Since the beginning of 2013 with the announcement of China's Belt and Road Initiative (BRI), the world has witnessed the proliferation of various connectivity projects.

Since the beginning of 2013 with the announcement of China's Belt and Road Initiative (BRI), the world has witnessed the proliferation of various connectivity projects. The BRI is the first major institution of what is known as an era of "infrastructure alliances," which requires attempts of both economy and diplomacy.[11] On its tenth anniversary, China's president Xi Jinping summarized the project with these words: "covering the land, the ocean, the sky and the internet, this network has boosted the flow of goods, capital, technologies and human resources among countries involved."[12] More than 140 countries are affiliated with the initiative and China has spent more than US$350 billion for

the project.[13] In the latter half of the 2010s, the U.S. and its allies launched several alternative initiatives as a response to China's infrastructure initiatives and trade routes such as the Partnership for Global Infrastructure and Investment (PGII) initiative.[14] Japan, for instance, put forward its own "Quality Infrastructure Investment" concept in 2016.[15] In 2021, the Global Gateway Initiative was announced as the EU's large-scale investment plan to support infrastructure development worldwide.[16] The latter focuses on physical infrastructure to strengthen digital, transport, and energy networks. Additionally, it seeks to establish the ideal framework for bettering trade and investment conditions by integrating supply chains, standardizing financial services, and bringing regulatory systems closer together.[17] Russia also proposed its own connectivity vision with the officially announcement of the Greater Eurasian Partnership (GEP) in 2016 at the time of Beijing's acting as an "organiser of the Eurasian space" with the BRI. Moscow's initiative "envisions a network of connections between key Asian powers—Russia, China, India—and regional organisations, from the Shanghai Cooperation Organisation (SCO) and BRI to ASEAN".[18] With this vision it aims "to find a new role for Russia among connectivity initiatives and regional projects" in the Russian Far East (RFE), Central Asia, and within the so-called Greater Eurasia and hence "to ensure symbolic status equality with China and counter connectivity frames promoted by the USA, such as the Indo-Pacific Region."[19] Nonetheless, the war in Ukraine has significantly hindered Russia's connectivity plans.

The concept covers hard connectivity (physical links such as infrastructure projects); soft connectivity (institutional linkages, people-to-people, or digital connectivity); land, sea, air, cyber, and educational connections; and customs cooperation and trade facilitation links.

Economic corridors linking economic hubs, key economic players, and resources became important functions of these connectivity initiatives.[20] For instance, the G20 Summit in New Delhi in 2023 added a new dimension to this aspect of connectivity. India, along with the U.S., Saudi Arabia, the UAE, France, Germany, Italy, and the EU laid the foundation for the India-Middle East-Europe Economic Corridor (IMEC) with a joint declaration.[21] The EU, under the Global Gateway Project, announced two initiatives focusing on energy, climate, and digital connectivity in the Central Asia region.[22] In addition to the projects of the great powers and the EU, connectivity is also on the agenda put forward in major regional

cooperation schemes by the Association of Southeast Asian Nations (ASEAN), ASEAN Plus Three (10 ASEAN Member States plus China, Japan, and the Republic of Korea), the East Asia Summit (EAS), and the U.S.-led Free and Open Indo-Pacific (FOIP).[23] Connectivity has been on the agenda of ASEAN for a long time. The most recent manifestation of this, namely the "Master Plan on ASEAN Connectivity 2025", indicates sustainable infrastructure, digital innovation, seamless logistics, regulatory excellence, and people mobility as five areas of ASEAN connectivity.[24] In this context, starting from the mid-2010s, connectivity has become popular in global politics. Yet, there is no agreed definition of connectivity and the debate on whether it is just an abstract buzzword or a distinct category has led to the concept remaining academically underdeveloped.[25]

Connectivity was comprehensively defined for the first time at the Asia-Europe Meeting (ASEM) in 2017. The forum defined connectivity as "bringing countries, people, and societies closer together." The concept covers hard connectivity (physical links such as infrastructure projects); soft connectivity (institutional linkages, people-to-people, or digital connectivity); land, sea, air, cyber, and educational connections; and customs cooperation and trade facilitation links. It is underlined that enhanced economic, political-security, and sociocultural ties between Asia and Europe will help narrow development and capacities gap.[26] For ASEM, connectivity activities should have values and principles such as "result-oriented, support of free and open trade, market principles, multi-dimensionality, inclusiveness, fairness, openness, transparency, financial viability, cost-effectiveness and mutual benefits." In the ASEM context of connectivity, sustainability is prioritized and it is underlined that connectivity should contribute to "the materialisation of the principles, goals and targets of the 2030 Agenda for Sustainable Development."[27]

In order to grasp the complexity of the concept of connectivity, Gaens et al. provide a two-dimensional analytical framework which consists of six spheres (or fields of connectivity) and six logics (different ways of connecting). Both the activities of state actors and non-state actors of transnational and multinational corporations, nongovernmental organizations, and individual citizens and consumers are included in this framework. Gaens et al. categorize six fields of connectivity as "material infrastructures, economic transactions, institutional frameworks of governance, knowledge exchange, socio-cultural exchange, and security." The material and human dimensions of the interactions of connectivity take place in these fields.[28]

Material infrastructures, the primary of the six fields of connectivity, include the physical connections of "energy and transport networks, e.g. aviation and train connections and the corresponding regulations of these, and digital infrastructures that make the flow of information, ideas, and capital possible."[29] The second sphere is all economic transactions, covering the economic linkages that in the future will evolve into "conscious policies and practices" to create connectivity initiatives. The global and regional regimes created by "norms and rule production of the world" are included in the third sphere of connectivity, namely the institutional frameworks of governance. Investment and trade treaties are also a part of this sphere. The fourth sphere covers knowledge exchange including research diplomacy, expertise, data, and information sharing. This is an important area of connectivity in today's world whose importance was tested during the COVID-19 vaccine development. The fifth sphere is the people-to-people interactions which constitute sociocultural exchange, and the framework's final sphere is security. Various activities from "joint operations to patrol the high seas through traditional alliance building all the way to using hybrid tools to influence political decision-making in other countries" are evaluated within this category. Within these fields of connectivity, the framework focuses on six different ways of connecting, or "logics of connectivity," which are listed as cooperation, copying, cushioning, contestation, containment, and coercion. Compared with traditional alliance-building, the "infrastructure alliances" of connectivity change more dynamically and constantly. At the same time, due to the involvement of different actors in the process such as state, civic, and business actors, there are various logics of action.[30] Despite the existence of different fields and ways of connectivity, three important components associated with the concept differentiate it from other types of interconnectedness: agency, intentionality, and imagined futures.

Agency is the first attribute of connectivity. Connectivity today is a strategy which is different from "connections that are built randomly or opportunistically."[31] Therefore, agency is central to the production of connectivity and disconnectivity, although connectivity activities may produce unintended consequences in the form of positive or negative externalities. A state's decision to connect itself with others is embodied in the investments in infrastructure which actually realize that connection both in physical and non-physical terms.[32] Intentionality is the second attribute of connectivity initiatives. Connectivity requires some degree of strategic intentionality on the part of the actors engaged in the processes of connection or disconnection.[33] States and non-state actors connect and disconnect themselves in line with their strategic interests. Hence,

connectivity is defined as implementing strategic intent through investments in infrastructure while strategic and sustainable investment in infrastructure have become the core of international politics.[34] In addition to agency and intentionality, the various forms of intentional connectivity generally involve an element of imagined futures.[35] Thus, it is argued that connectivity initiatives such as creating transnational corridors are long-term investments, the impacts of which will be measured in long periods of time like decades. China, for instance, has determined the completion date of the BRI as 2049, signaling that "it is thinking about grand strategy and international order-building in the long term."[36] The Chinese concept of connectivity is inclusive and does not seek to exclude anyone on ideological or other grounds. On the other hand, the EU and the U.S. have different visions of connectivity than China. The EU's principles of understanding the connectivity concept involve "democratic values, adherence to international law and standards, ensuring a high level of human rights, transparency, financial and environmental sustainability, partnership, resilience and encouraging private sector investment."[37] These different norms and principles expose the great powers' visions of world order which are reflected in these projects.

The way we are connected in today's world has created "weaponized interdependence" which describes how actors, mainly states, make strategic use of economic interdependencies and networks over which they have control

As a response to China's BRI and other large-scale Chinese investments in infrastructure projects in Asia and Europe and besides the many regional organizations, infrastructure alliances were created by the U.S., Japan, India, Russia, and the EU, leading to the connectivity race becoming a great power competition.[38] In other words, infrastructure corridors are becoming "a core feature of the emerging great power contest over the shape and form of international order."[39]

Connectivity Is What States Make of It

The current debate in global politics is about whether this great power contest in the age of connectivity brings peace or conflict. Khanna argues,

> [T]he nature of geopolitical competition is evolving from war over territory to war over connectivity. Competing over connectivity plays

> out as a tug-of-war over global supply chains, energy markets, industrial production, and the valuable flows of finance, technology, knowledge, and talent. Tug-of-war represents the shift from a war between systems (capitalism versus communism) to a war within one collective supply chain system. While military warfare is a regular threat, tug-of-war is a perpetual reality – to be won by economic master planning rather than military doctrine.[40]

Hence the competition for connectivity is about a new kind of geopolitics in which the "geo," and hence the "political space," have been substantially redefined. In a world order in transition, the new geopolitical game of connection carries political risk and can be unsettling.[41] Yet, the understanding of connectivity as a source of conflict or cooperation depends on what states make of it in the first place.

A pessimistic perspective sees "connectivity wars" as manifesting themselves in "geoeconomic warfare, the weaponisation of international institutions, and infrastructure competition."[42] The building of infrastructures is often securitized and linked to development cooperation. For instance, China's BRI investments in Central Asia or Europe have political and security implications. In many parts of the world, development assistance—an essential kind of connectivity—has grown more securitized and is now a crucial part of the geostrategic deployment of economic power.[43] In the case of the BRI, concerns regarding "debt trap diplomacy," the sustainability of Chinese financing, and the overall socioeconomic and environmental effects of BRI projects have led to the decline of interest and support for the project on the part of receiving countries.[44]

Another "dark side of connectivity" related with creating conflict relates to the potential consequences of dependence. The way we are connected in today's world has created "weaponized interdependence" which describes how actors, mainly states, make strategic use of economic interdependencies and networks over which they have control. Asymmetrical power relations in global networks, specifically in securing access or control over markets through infrastructure policy, carry the risk of "weaponization," referring to all processes through which states may seize transnational infrastructures and use them against others.[45] In this context, global networks, such as financial, commercial, infrastructural, digital, etc., may become sources of conflict due to increasing interdependencies among states.[46] Moreover, it is argued that the "age of connectivity" can also be an "age of bypassing" because while infrastructure

projects and economic cooperation corridors promote connectivity and trade, they also exclude certain countries or regions. Those left outside the supply chains or disconnected may become more dependent on others.[47]

In the "rise of the others" period, the West is losing its power in terms of both its institutions and its capacity to set the agenda, and the power and leadership to ensure order and the common good in the fields of economy and security are not concentrated in the hands of a few states or a group of great powers, but are distributed among many actors.

On the other hand, optimistic views look at connectivity initiatives as potential sources of multilateral cooperation. Khanna asserts that "the supply chain world is a post-ideological landscape since it's all business, all the time." He discusses that today it is not ideology but "the promise of privileged access to resources and infrastructure that shapes geo-strategic maneuvering."[48] Although the weaponization debate takes our attention to the processes with which infrastructure policy initiatives are put into practice geoeconomically, the state is taken as a unitary actor in this perspective. Therefore, this view fails to look at the role of competition within the state apparatuses, the limitations of state control over national businesses, and the civil society actors such as trade unions. Yet, infrastructures are "an end of both statist and private action." Moreover, the productive function of infrastructures in realizing public wealth and private profits is also neglected.[49] Highlighting this point, Khanna asserts that Saudi Arabia's willingness to create a "land bridge" stretching from Jebel Ali in the UAE or Mina Salman in Bahrain to Israel's Haifa Port to lessen the logistic costs from geopolitical shocks due to the Red Sea maritime terrorism illustrates how connectivity creates cooperation between states.[50] From this view, "more belts more roads" is what the world needs today to meet supply shocks in the age of uncertainty.[51]

There is a grain of truth in this view: as the world population expands, the global need for infrastructure investment requires US$94 trillion by 2040 since urbanization and economic development cannot be provided by the 14% of global GDP spared for infrastructure. Moreover, connectivity initiatives are closely related with the 2030 Sustainable Development Goals (SDGs) adopted by the UN.[52] Meeting the SDGs increases the need for global infrastructure by a further US$3.5 trillion, growing the gap to approximately US$18 trillion

and investment requirement to 3.7% of global GDP.[53] Infrastructure plays a significant role in the recovery after the pandemic and in fostering long-term green, resilient, and inclusive development, particularly in the low- and middle-income countries (LMICs), where the demand for investment is highly critical.[54] Hence, value chains, telecommunications, and even people-to-people connectivity can all be mobilized for the economic growth and advantages of LMICs. But the question is "whether connectivity can also be created in a consensus between the great powers themselves, if they adopt connectivity schemes that are not mutually exclusive, and thus do not force other states to choose between one or the other."[55] Is there any chance that connectivity initiatives will revitalize multilateralism? The next section answers this question.

Connectivity and the Changing Multilateral World Order

In the 2000s, the multilateral world order was at the center of crisis debates as a result of two interrelated developments. The first was the shift in the balance of power in global politics and the resulting demands for change brought to the existing order by emerging powers. The second was the dissatisfaction with the structural inability of the institutions of the existing system to respond to many of the problems faced by the international community and to provide solutions. The inequality created by the neoliberal global economic order and the growing distrust in the system's institutions to fulfill their functions were exacerbated by the 2008 global financial crisis, the COVID-19 pandemic, and, most recently, the Russia-Ukraine War and Israel's brutal attacks on Gaza. The Russia-Ukraine War has created a rupture in the international order that will have long-term consequences. The different attitudes of various groups of countries towards this war also pose the problem of reaching a consensus on common norms for the future of the multilateral order.[56] Hence, it is clear that the global system is in a transition period in which it is being rebuilt on the basis of institutions, values, and principles. In this context, a struggle is becoming evident between the founders of the post-World War II order led by Western countries such as the U.S. and the EU, and the demands of rising powers led by China for an order based on different norms and principles. For example,

> Through its BRI and other infrastructure lending programs, China aims to transform global institutions and norms reflecting its values and interests

the debate on whether the economic development model created by China's rise in recent years, defined as the "Beijing Consensus," will be an alternative model to the Washington Consensus/Post-Washington Consensus shows this competition on the level of norms.

On the level of practice in global politics, it can also be asserted that multilateralism is currently being operationalized by actors outside the West to achieve their strategic objectives. As seen in the rise of informal organizations such as BRICS (Brazil, Russia, India, China, and South Africa) and MIKTA (Mexico, Indonesia, Korea, Türkiye, and Australia), states outside of the West have started to use multilateralism to pursue their strategic aims centered around South-South cooperation and development. As if to prove this point, Chinese Foreign Minister Wang Li stated that with the expansion of the membership of BRICS, the organization should "turn itself into a new type of multilateral cooperation mechanism that is based on emerging markets and developing countries while staying open to the whole world."[57] Hence, in today's world, there are different methods for providing effective functioning of the multilateral system and in this context, discussions on the global agenda that multilateralism is at a crossroads have gained momentum.[58] This paper argues that connectivity projects have the potential to revitalize multilateralism within the framework of recent analyses of the changing world order by Acharya, Ikenberry, and Onar and Kavalski.

In the aftermath of the 2008 global financial crisis, the world order has been described with various concepts such as the "post-Western world order,"[59] the "rise of the rest,"[60] an "interdependent hegemonic world,"[61] "decentralized globalism,"[62] and the "age of anxiety."[63] The basic idea that these approaches have in common is that the dominant element in today's system is the uncertainty created by the transition process. In the "rise of the others" period, the West is losing its power in terms of both its institutions and its capacity to set the agenda, and the power and leadership to ensure order and the common good in the fields of economy and security are not concentrated in the hands of a few states or a group of great powers, but are distributed among many actors.[64] In this transition, middle powers have found room for maneuver in the system, and while finding opportunities to make their voices heard in existing institutions, they have also increased their quest for status within the G20 and created new informal formations like BRICS and MIKTA as stated above.[65] Although it is asserted that the rise of new great powers (especially China, but also others like India and Russia) and the "relative economic decline" of the U.S. and its

allies will lead to a multipolar world, it is claimed that describing the future world order as "multipolar" is misleading. Rather than multipolarity, Acharya claims that the term "multiplexity" is more useful for capturing the transition in the world order today since the term "polarity" does not "tell us much about other factors [that] are crucial to world order such as ideas, norms, leadership or patterns of interaction."[66]

The defining features of a multiplex world order are categorized under five points. First, although power inequalities and hierarchies remain, there is an absence of a global hegemon in the system. Second, in this system, we witness the proliferation of actors other than great powers such as international and regional bodies, corporations, and non-state actors. Third, in a multiplex order, there is a broader pattern of interdependence on investment flows, production networks, and supply chains. Fourth, the multiplex system has a dynamic and plural global governance architecture. And last, with different cultural, ideological, and political world views, the multiplex world order emphasizes "the existence of different pathways to stability, peace and prosperity."[67] In a multiplex world, "influence is achieved not so much through power but through a nation's interaction capacity."[68]

> Whether the competition of connectivity will lead to conflict or cooperation depends on what states make of it.

Acharya et al. offer "interaction capacity-based multiplexity" as a new concept to frame the new world order.[69] They establish their argument on the term "interaction capacity" which was first developed by Buzan and Little referring to the "physical and organizational capability of a system to move ideas, goods, people, money and armed forces across the system."[70] The indicators of interaction capacity include the level of transportation, communication, and organization capability in the system. The key defining measure of multiplexity is the interaction of states rather than the key economic or military power measures traditionally used to discuss multipolarity. Multiplexity views global interdependence as increasingly multi-issue in nature. In this context, it is suggested that connectivity projects can be analyzed from the perspective of the interaction capacity of actors in the system. Khanna underlines that connectivity not only changes the role of borders, but also the pathways through which power is projected. Transportation routes, energy grids, financial networks, and internet servers are part of the functional geographical map. Khanna argues that

the most connected power rather than the largest one in the system will survive because in today's world, the competition to establish physical and financial connections to the most significant raw material, advanced technology, and rapidly expanding markets worldwide is becoming more significant.[71]

Yet, the race to increase the interaction capacities of actors in the system does not necessarily lead to confrontation since in a multiplex world within cultural, ideological, and political diversity, "there are different pathways to stability, peace, and prosperity."[72] Global cooperation in the multiplex world is more pluralized, with bilateral, pluriteral, and especially regional arrangements that are not necessarily part of the UN system.[73] For instance, BRICS is a forum for economic cooperation in the Global South without being a part of the UN or the World Bank. The Asian Infrastructure Investment Bank (AIIB) created by the initiation of China including all major European economies (such as Germany, the UK, and France), and the BRICS New Development Bank, established in 2014, are examples of how this new way of global cooperation may be reflected in enduring institutions which greatly contribute to financing SDGs.[74] Hence, within this framework, it can be asserted that different connectivity projects created by China, the EU, the U.S., and many regional organizations can coexist and contribute to the new way of cooperation in the transitioning world order.

Like Acharya, Ikenberry believes that "the idea of polarity does not fully capture the dynamics" of the emerging world system.[75] He describes the emerging world order as a "Three Worlds system." The Ukraine war, which triggered a global debate over the fundamental rules and institutions of order, led to the Three Worlds, namely the global West led by the U.S. and Europe, the global East led by China and Russia, and the global South, an amorphous grouping of non-Western developing states led by India, Brazil, and others.[76] The Three Worlds are defined "as loose coalitions seeking to shape global rules and institutions."[77] Each grouping shares "a range of more-or-less consistent convictions about what constitutes a desirable and legitimate international order." Ikenberry underlines that these Three Worlds are "informal, constructed and evolving global factions" rather than rigid blocs.[78] He argues that the Three Worlds System is a durable form of global order since "each of these groupings carries with it deeply held political ideas and projects, rooted in its global position and developmental circumstances, that will not disappear any time soon."[79] Therefore, although there is a competition, "no one will win" and this creates "a certain irreducible political and ideological pluralism."[80] Moreover, the struggle between these blocs is a creative struggle because the global West

and global East will compete for the support and cooperation of the global South. Clean energy, development aid, peacemaking leadership, the championing of multilateral rules, and inclusive governance are promoted as a result of this creative struggle. Connectivity projects may also be the sites of this new creative struggle. For instance, China's leadership of the global East is based on power, geography, and ideas. Through its BRI and other infrastructure lending programs, China aims to transform global institutions and norms reflecting its values and interests. In this struggle, the global West is no longer in the position of the "world's geopolitical and ideological colossus."[81] When analyzed from the perspective of the Three Worlds System, it can be asserted that connectivity initiatives may reinforce geopolitical competition but also have the potential to contribute to multilateral cooperation. Gaens et.al also discuss that "in order to understand the ongoing shifts in global order dynamics, it is useful to think of the world in terms of geographically undetermined regional constructs that are increasingly shaped by various forms of connectivity."[82]

With a different conceptualization of "interlocking regional worlds … a notion inspired by 'Afro-Eur-Asia' as a site that evokes multiple meanings," Onar and Kavalski underline "the diffusion of geoeconomic power to regional hubs across greater Eurasia in today's world."[83] This is also a reflection of a "structural shift from trans-Atlantic hegemony to multiple centers of gravity."[84] Onar and Kavalski assert that "transformative narratives and practices to promote new forms of connectivity that, for better and for worse, portend alternative ways of being in, reading, and shaping the world" can be interpreted as "exercises in world-making."[85] They include "large-scale connectivity platforms such as China's BRI, the Indo-Japanese 'Asia-Africa Growth Corridor,' Turkey's 'Middle Corridor,' the American 'Build Back Better World,' and the EU's 'Global Gateway'" within the sites of world-making. The regions these projects cover are microcosms of competing world orders. Onar and Kavalski claim that although connectivity may be used as a "weapon" in the world-making projects across and beyond Afro-Eur-Asia, there are opportunities for mutual empowerment. Hence, the "international system [is] characterized not only by crises and uncertainties, but also by opportunities to reimagine IR in terms of relational transformation."[86] As in the multiplex world order narrative, in the "interlocking regional worlds" narrative too there are different pathways to stability, peace, and prosperity. This perspective captures "the globe as a pluriversal space where multiple realities can and do coexist."[87] Within this framework, even though connectivity projects cannot be created between the great powers themselves, "various efforts of constructing regionalized spheres

of influence"[88] through connectivity may coexist without necessarily leading to conflicts.

Conclusion

In his prominent book Connectography: Mapping the Future of Global Civilization, Parag Khanna writes that "connectivity is destiny" in today's world since global transportation, communications, and energy infrastructures make the famous adage "geography is destiny" old-fashioned.[89] While on the surface of the planet walls are being built from Asia to Europe, "humanity is re-engineering the planet" with a greater volume of lines connecting people than dividing them. Hence, connectivity is seen as a driver of the deep shift in the global system, replacing the old Westphalian world of borders with a more complex "supply chain world."[90] Between the connections and disconnections witnessed in the current world system, this paper has shown that connectivity as a different form of interconnectedness in the 21st century with the traits of agency, intentionality, and imagined futures is becoming a diplomatic tool of states. With the help of the "interaction capacity-based multiplex world order" proposed by Acharya et al., it is suggested that various connectivity projects on the agenda of global politics can be read as actors' new ways of gaining influence in the changing world system. Whether the competition of connectivity will lead to conflict or cooperation depends on what states make of it. At this point, the paper argued that connectivity projects have the potential to revitalize multilateral cooperation within the framework of the world order narratives of "multiplexity" by Acharya, the "Three Worlds System" by Ikenberry, and the "interlocking regional worlds" by Onar and Kavalski.

The common point of the different analyses of the current world system by Acharya, Ikenberry, and Onar and Kavalski is that the world order in transition brings competition over the norms and principles on which the emerging new world order will be built. However, all three have underlined that this race will not necessarily lead to conflict. Different visions of order may coexist since peace, development, and stability do not emerge from a single source. This also makes multilateralism a dynamic concept which requires being assessed according to the new ways of cooperation in today's world between different actors on various issue areas. In other words, "multilateralism does not simply exist within a certain set of conditions to be practised by an unchanging set of actors in a fixed context." Conversely, "multilateralism has proven to be far more fluid and adaptive to actors' needs and to the changing international landscape."[91]

UN Secretary-General António Guterres has noted that the world is in a new "1945 moment" for building the system with an emphasis on "inclusive multilateralism".[92] Rather than focusing on "connectivity wars" projections in global politics, this paper, with a cautiously optimistic perspective, argued that the infrastructure alliances created under various connectivity strategies led by the U.S. and its allies, on the one hand, and by China, on the other, have the potential to create new sites of this inclusive multilateralism in a multiplex world.

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ARTICLE

Asian and European Connectivity Initiatives: Intersecting Geopolitical Strategies

Hatice ÇELİK *

Abstract

Connectivity, although not a new phenomenon, has recently begun to be addressed in International Relations and Area Studies scholarship from a more complicated perspective, including, among others, geopolitical calculations, economic initiatives, and institutional strategies. While the Asia-Europe Meeting (ASEM), the EU, and the Association of Southeast Asian Nations (ASEAN) have been three fundamental platforms for connectivity to flourish between Asia and Europe, they have also played crucial roles for countries to develop their own initiatives. Considering their economic rise, Asian states like China and India, an already developed economy like Japan, and Asian regional organizations such as ASEAN have been pursuing a more structured way of establishing their connectivity agendas sometimes in collaboration with their European counterparts. Likewise, the EU has its own path for connectivity. These actors have initiated their peculiar connectivity initiatives in the last couple of decades. The selected cases from Asia and Europe examined in this study are the Belt and Road Initiative (BRI), the India-Middle East-Europe Economic Corridor (IMEC), and the Partnership on Sustainable Connectivity and Quality Infrastructure between Japan and the European Union. Within this context, this paper aims to shed light on Asian and European connectivity initiatives by addressing the geopolitical landscape within which the initiatives are discussed based on their goals, potential, challenges, and limitations utilizing the document analysis method. The main research question of this study is whether these initiatives create any geopolitical tensions by virtue of their aims, methods, and their ideological and normative discourses. The article concludes that different connectivity initiatives are best understood as geopolitically oriented strategies rather than exclusively technical, infrastructure and/or trade-focused projects.

Keywords

Connectivity, ASEM, EU, ASEAN, geopolitics

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Introduction

Over the last decade, it has become quite popular for states to announce connectivity initiatives aimed at conjugating geographies, either by establishing a trade/economic corridor or by bringing together various infrastructure projects, and sometimes even vaguely defined rather than normative connectivity strategies. There is reciprocal interaction between Asia and Europe, considering this relatively new phenomenon thanks to the rising economic power of Asian countries and, likewise, the increasing economic potential of the Association of Southeast Asian Nations (ASEAN) not only within the region but also across the region. Although there is a growing body of literature on connectivity, it is necessary to question whether these strategies really connect. Inspired by this question, I ask how and why connectivity strategies are becoming more vital for countries and organizations, and in what ways they intersect.

There is reciprocal interaction between Asia and Europe, considering this relatively new phenomenon thanks to the rising economic power of Asian countries and, likewise, the increasing economic potential of the Association of Southeast Asian Nations (ASEAN) not only within the region but also across the region

The current paper is divided into the following sections: First, a literature review of the concept of connectivity will be provided in order to investigate the main discussions in the current literature. Second, the theoretical framework and methodology section will discuss how connectivity is theoretically understood, and how this paper is designed both theoretically and methodologically. Since my aim is to look at different type of actors' perspectives on connectivity, I have chosen the EU and ASEAN as regional organizations for two reasons. The EU, on the one hand, is one of the best examples in contemporary international affairs of managing successful intra-region connectivity among member states via economic/trade links and also via a visa-free system which has strengthened people-to-people connectivity. Although not the same system as the EU, ASEAN, with a more complex dynamic, has also managed to overcome most of its members' bilateral difficulties and has focused on establishing a regional economic ecosystem. Beyond these two, China has been chosen as a rising power, Japan as a developed and regional power, and India as an emerging

power. Each of these actors has their own connectivity initiatives which include a variety of issues, mechanisms, and goals. Moreover, China's connectivity enthusiasm is perceived as a challenge to Western economic supremacy and has generated geopolitical discussions. India's relatively new connectivity project has also sparked regional and global competition. Meanwhile, the collaboration between the EU and Japan, as promoters of liberal international order, is impossible to ignore within this connectivity sphere. Since the Asia-Europe Meeting (ASEM), the EU, and ASEAN are the first platforms to try to establish a connectivity definition and strategy from their own perspective, their approach and definitions will be provided as an introduction. Third, I present the fundamental characteristics of the three connectivity strategies between Asia and Europe, namely the Belt and Road Initiative (BRI), the India-Middle East-Europe Economic Corridor (IMEC), and the Partnership on Sustainable Connectivity and Quality Infrastructure between Japan and the EU. I also examine the general outlooks of the ASEM and the EU's Connectivity Strategy.

The case selection is based on the following perspectives: 1) BRI: Representing China's evolving perspective on connectivity, which often differs from Western interpretations and normative values; 2) Quality Infrastructure: Reflecting Japan's perspective, which aligns with the liberal international order (LIO) and shares similarities with Western approaches to connectivity; 3) IMEC: As an emerging regional power, India is striving to establish its own understanding of regional dynamics, particularly in the Indo-Pacific and Indian Ocean regions, while also developing its unique approach to connectivity.

Despite their differing dynamics, motivations, and understandings of connectivity, this paper highlights the similarities and commonalities among these connectivity projects. In the fourth and main part of the paper, I compare and contrast selected connectivity initiatives/strategies, and question whether they foster connectivity/connectedness or produce disconnectedness from a geopolitical perspective by underlining their similarities and commonalities. In the conclusion, I discuss the geopolitical dimension of these connectivity strategies and try to foresee their possible impact on the inter-regional political relations.

The Definition and Evolution of the Concept of Connectivity

For a couple of decades now, connectivity has been one of the buzzwords in the social sciences.[1] Its meaning and the expectations associated with it change depending on the actor using it and yet, it is "still an academically underdeveloped concept."[2] Hawke and Prakash contend that connectivity has

existed since ancient times as people have communicated and interacted across boundaries for various reasons such as business, government purposes, and social activities.[3] But conceptualizing connectivity as such is a recent phenomenon.[4] Godehardt and Postel-Vinay share a similar perspective as they mention that human interactions and connectivity are as old as each other, yet what is new is the introduction of connectivity into strategy with geopolitical ramifications.[5] They highlight how the Covid-19 pandemic revealed the fragility of the liberal international order and how the given views of connectedness were fractured in Asia, Europe, and beyond.[6] Moreover, they argue that the political reactions to the pandemic supported the geopolitical importance of connectivity in global political relations.[7] The world witnessed various reactions such as lockdowns, travel limitations, restricted access to basic rights, etc. by different types of governments such as liberal democratic or authoritarian, and additionally unusual precautions/performances from great powers and middle powers.[8] As it was an unexpected health crisis, globalization faced a tough challenge and Godehardt and Postel-Vinay assert that it was demonstrated that globalization can lead to both overt disconnectivity and hyperconnectivity at the same time.[9]

One of the early attempts to reach a definition came from the ASEM Pathfinder Group on Connectivity in June 2017 by emphasizing the requirement for a comprehensive definition of connectivity that encompasses the three pillars of ASEM (economic, security, and people-to-people interactions) in both a functional and geographic sense. “Hard” and “soft” factors should be covered, such as all forms of transportation (air, sea, and land), energy and digital connections, research and higher education, customs, and trade facilitation.[10] Another definition comes from Ries who argues that the term “connectivity” describes all the ways that nations, organizations—commercial or not—and communities are interconnected and interact on a global scale covering information flows as well as the actual flows of people and products. Rather than being a policy, connectivity is a quality (of being connected or interconnected) which includes both “soft” regulatory measures and sociocultural linkages in addition to “hard” infrastructures.[11]

The declaration of the Master Plan on ASEAN Connectivity in Ha Noi in 2011 is believed to be the starting point of the popularization of the concept.[12] When the Master Plan on ASEAN Connectivity is closely examined, there are a couple of points which can be thought to shape the current literature on the concept. To begin with, one of the key emphases of the Master Plan was to formulate itself based on the three types of connectivity pillars: physical connectivity (to connect ASEAN via improved physical infrastructure development), institutional

connectivity (operative institutions, mechanisms, and processes), and people-to-people connectivity (qualified people).[13] These three pillars are the framework mechanisms that lay the foundations of contemporary connectivity initiatives by different agents or actors from various geographies.

Another attempt to conceptualize connectivity came from the Asia-Pacific Economic Cooperation (APEC) when leaders gathered in Bali in 2013 and emphasized their aim to promote connectivity under physical, institutional, and people-to-people themes to accomplish an integrated and connected Asia-Pacific.[14] APEC published its Blueprint and set forth that several APEC work streams would concentrate their efforts within the high-level framework of connectivity, adding that the Blueprint would serve as a strategic road map for ongoing and upcoming projects aimed at deepening economic integration within the APEC area by 2025.[15]

When ASEM's and ASEAN Master Plan's three pillars are compared it is seen that the former puts emphasis on the economic, security, and people-to-people interactions, while the latter emphasizes physical, institutional, and people-to-people connectivity. Thus, people-to-people connectivity emerges as the intersectional pillar between the two. The links between the hard (physical) and soft (institutional) supporting infrastructure, easier access to credit, and effective logistical services have all contributed to Asia's growing interconnection and integration. The linking of geographic areas, economic activity, and institutions to facilitate the flow of people, ideas, technology, goods, and services might be outlined as connectivity.[16] As extensive academic research has contributed to the existing literature on connectivity issues, this paper aims to provide a general outlook on the relation of connectivity and the geopolitical dimension by focusing on different initiatives together in order to offer a more complete picture.

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Despite the many different definitions of connectivity, there is an obvious emphasis on the three pillars of connectivity as physical, institutional, and people-to-people in addition to fields such as digital, green transition, transport, etc. One of the most visible challenges for the actors who are part of connectivity strategies or project initiators is to sustain connectivity not

only in the real/physical sphere but also on the normative level. I argue that the main competition between different actors will be reflected within the normative realm since most actors, in one way or another, are pushing their limits to make their projects financially sustainable. At the same time, it is much more fundamental to attract newcomers and persuade them to collaborate in a project at the normative level.

Theoretical Framework: Geopolitical Dimension and Connectivity

Becker et al. argue that in high-level political and diplomatic forums participated by countries from Asia and Europe, strengthening ties between the two continents for peace, stability, economic prosperity, and sustainable and inclusive development has taken center stage.[17] Asia and Europe have firmly committed to working towards Sustainable Development Goals (SDGs) and have elevated mutual connectivity between people, businesses, and institutions to a top political goal.[18] Although connectivity initiatives might be conceived as purely trade-oriented and resulting in a win-win outcome, there are not politics or ideology free. Each inter-governmental organization of a nation-state declaring and/or participating in a connectivity project must contemplate the possible geopolitical conditions, risks, and opportunities. As Flint and Zhu summarize, the BRI has a total of three aims and strategies: economic integration, regional influence, and global geopolitical competition.[19] Flint and Zhu build their argument on "Glassman's call to include geopolitical accounts to the discussions of economic intercourse,"[20] and take a political economy perspective towards geopolitics, meaning that neither the politics of territory nor economic networks are prioritized.[21] Moreover, the authors assert that their political economy approach highlights the "single logic" of contest in the capitalist world economy within which states and businesses are linked as the latter aim to maximize profits while the former (1) try to "capture" economic activity within their borders; (2) forge international connections to maximize the benefits of global economic flows for their "domestic" economy; and (3) entangle economic agendas with geopolitical objectives.[22] In line with Flint and Zhu's perspective, Godehardt and Postel-Vinay offer three stages toward the geopoliticization of connectivity: first, to improve regionalization through connectivity policies; second, to define a new international space beyond the region; and third, to emulate competition in politicized connectivity.[23]

However, apart from geopolitics, identity politics is also one of the foremost segments of connectivity initiatives. Holzer compares the BRI and EU Connectivity Strategy for Asia by looking at the identity narratives in China and the EU's economic diplomacy.[24] The identity dimension of the issue can also be understood

from the European Commission's joint communiqué "Connecting Europe and Asia – Building Blocks for an EU Strategy" policy paper of 2018 in which it defined its overall perspective as the "European way."[25] While the EU has been polishing its strategy with a normative attribute, Asia is placing emphasis elsewhere. Being one of the pioneers of connectivity strategies, ASEAN highlighted "identity" by putting more emphasis on "regional identity" in its master plan.[26] Both the identity and the geopolitical dimension of connectivity make it difficult to argue that connectivity is merely about infrastructure and/or trade route projects. Connectivity has much more to offer and it relates not only to goods, people, and services but also to values, identities, ideologies, and political calculations. At a certain level, we might even be able to discuss a clash between Western and non-Western values when looking at different connectivity initiatives. At this point, it will be beneficial to formulate ways to interpret geopolitics through connectivity. For this purpose, based on the abovementioned perspectives, I use a three-layered road map to discuss all three connectivity initiatives. On the first layer, I will compare their main policy papers that serve, or at least aim to serve, for an improved regionalization structure. On the second layer, I will compare their efforts to create a new space beyond their regions, and at the third layer, I will follow each one of these five initiatives' efforts that are taking them step by step into new competition fields. Additionally, a normative layer is also included in the discussion: since the EU is under consideration, it is not possible to ignore norm production and norm diffusion.

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The current paper relies on comparative area studies. Basedau and Köllner assert that there are three types of comparative area studies: intra-regional comparison, inter-regional comparison, and cross-regional comparison.[27] Since the connecting initiatives of Asia and Europe will be comparatively examined, this paper applies the inter-regional comparison methodology while the method chosen for the research is document analysis. For this purpose, each connectivity strategy will be briefly introduced mentioning its aims, perspectives, and mechanisms relying, first, on the official documents of state institutions such as foreign

affairs ministries, finance and trade ministries, etc. In the paper's main analytical section, the aims, tools, and agendas of these initiatives will be examined in addition to their strengths and weaknesses by comparing them on the basis of their reflections at the regional and global level, and normative and institutional constructions. The paper aims to deliver an introduction on the connectivity and geopolitics nexus by concentrating on multiple cases, and, as such, no fieldwork was conducted during the research phase. However, the understanding and analysis of the geopolitical implications of each initiative via having fieldwork would be a valuable contribution to the existing literature.

Asian and European Connectivity Platforms and Initiatives: A Brief Overlook

Asia-Europe Meeting (ASEM)

ASEM is a special, unofficial forum for communication and collaboration between Asia and Europe on the major concerns of a rapidly changing world, including connectivity, trade and investment, and climate change, as well as more general security issues like cybercrime, migration, counterterrorism, and maritime security. As the primary multilateral platform connecting Europe and Asia, ASEM unites 53 partners from both regions. With a substantial worldwide impact, its members account for approximately 65% of the world's GDP, 60% of its population, 75% of its tourism, and 68% of its trade.[28] Inaugurated in Bangkok, Thailand on March 1-2, 1996, the first ASEM partnership comprised 15 EU member states, seven ASEAN member states, China, Japan, South Korea, and the European Commission. The current membership of ASEM is 51 countries, with the 10 ASEAN countries plus Australia, Bangladesh, China, India, Japan, Kazakhstan, South Korea, Mongolia, New Zealand, Pakistan, and Russia on the Asian side, and the 27 Member States of the EU plus Norway, Switzerland, and the United Kingdom on the European side. ASEM's institutional partners include the EU and the ASEAN Secretariat.[29]

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One particular characteristic of ASEM that keeps it alive and enable it to continue receiving support from the EU and China is the absence of

the U.S. from the structure. This is the reason that prevents the U.S. to dominate and shape the agenda.[30] Another important contribution of ASEM is that it introduces the "sustainability" dimension to the connectivity definition. ASEM Sustainable Connectivity includes two main indexes: the connectivity index, including physical, economic/financial, political, institutional, and people-to-people connectivity, and the sustainability index, including environmental, social, and economic/financial layers.[31]

EU Connectivity Strategy

In September 2018, the EU released the joint communiqué entitled "Connecting Europe and Asia - Building blocks for an EU Strategy." In the latter, the EU defines the networks that connect people, places, and opportunities as "connectivity" with a focus on digital, human-to-human, energy, and transportation connectivity in particular.[32] Since then, this has been widely known as the "EU Connectivity Strategy."[33] The EU has already a paramount experience within itself as a single market which enables it to put forward an approach to connectivity that is "sustainable, comprehensive and rules-based,"[34] formulating a "European Way"[35] while focusing on "digital, energy, human dimension and transport."[36]

Widmann argues that to realize the "European Way" to connectivity across Asia and beyond in a flourishing way and, moreover, to enfold the associated regulatory norms and standards, would also raise the EU's geopolitical influence and normative power as compared with China and other actors in the region.[37]

According to the "European Way," the EU mainly refers to connectivity being economically, fiscally, environmentally, and socially sustainable in the long term, creating a comprehensive synergy among transport links, digital networks, and energy networks, and promoting open and transparent procurement processes.[38] In January 2021, the European Parliament resolution emphasized that a global connectivity strategy for the EU which can "advance its interests, values and positions and strengthen cooperation with its partners in the digital field and the fields of health, security, the green transition, transportation, energy and, in particular, human networks."[39]

Belt and Road Initiative (BRI)

In the autumn of 2013, Xi Jinping proposed in Kazakhstan and later in Indonesia the building of the Silk Road Economic Belt and the 21st Century

Maritime Silk Road, which became known as the Belt and Road Initiative (BRI). At the opening of the Belt and Road Forum in 2017, Xi stated that the BRI aims to contribute to countries' development strategies by weighing their comparative potency and intensifying coordination with initiatives such as Russia's Eurasian Economic Union, the Master Plan on ASEAN Connectivity, Kazakhstan's Bright Road initiative, Türkiye's Middle Corridor initiative, Mongolia's Development Road initiative, Vietnam's Two Corridors, One Economic Circle initiative, the UK's Northern Powerhouse initiative, and Poland's Amber Road initiative.[40] When the full speech of Xi is examined, it is seen that he not only highlighted policy connectivity, but also trade, infrastructure, financial, people-to-people, land, maritime, air and cyberspace, and software connectivity, involving telecommunications, customs, and quarantine inspection.[41]

The announcement of the BRI opened a new chapter for middle, regional, and great powers to consider connectivity issues as a new form of contemporary strategic calculation.

Since its inception, the BRI has been labelled a strategy to strengthen trade and investment connectivity between China and Europe, Central Asia, the Middle East, Africa, and South Asia.[42] The announcement of the BRI opened a new chapter for middle, regional, and great powers to consider connectivity issues as a new form of contemporary strategic calculation. As Holzer argues, the BRI is an "overall umbrella term for China's engagement with the outside world according to its strategic interests."[43] Meanwhile, China's engagement through such a massive, hard and soft connectivity strategy has fuelled the discussion on whether it is challenging the current international system and seeking to establish a new order based on its own values, perspective, and interests.

India-Middle East-Europe Economic Corridor (IMEC)

Following a meeting on the sidelines of the G20 Summit in New Delhi among the leaders of India, the U.S., Saudi Arabia, the UAE, Italy, France, Germany, and the European Commission, the IMEC was unveiled in September 2023. When India is involved, one usually thinks about China immediately.

The IMEC is an economic corridor and not just a pathway for the traffic of goods. A safe and fast data pipeline has also been suggested in light of the growing importance of cybersecurity, as it may help India export its IT services

to West Asia and Europe.[44]

As Raza argues, the U.S. is eager to join this initiative, not only to demonstrate to China that a counter-initiative to President Xi's ambitious BRI is finally taking shape, but also because of the tremendous potential of this trade corridor between India, the Gulf region, and the EU.[45] He adds that this was something that was long overdue, especially to counter China's vast ambitions as demonstrated by the BRI, launched ten years before with the aim of exploiting the global markets, especially in Central Asia and Africa, with the vast inventories of manufactured goods that are accumulating in Chinese factories.[46]

Monroe asserts that the IMEC differs from earlier Western trade initiatives in the region in two respects. First, regarding the actors involved, with India a leading proponent and keeping an eye on both north-south and south-south trade. Second, due to its focus on infrastructure, similar to China's BRI.[47] However, Monroe adds that the IMEC still faces political handicaps on how to achieve success, such as the harmonization of international regulations and trade policies that necessitate the standardization of policies on paper and in practice.[48]

It is not a surprise that some argue that the IMEC is a reaction to China's BRI.[49] Considering the rise of China in the international system, there is a growing discussion that the geopolitical competition is back in international politics, which is also one of the main arguments of this paper. As major powers in the Indo-Pacific region have used connectivity projects to assert influence and counter China,[50] the BRI and the EU Connectivity Strategy also reflect broader geopolitical competition rather than purely economic collaboration between Asia and Europe. Although there is an ongoing emphasis on the cooperation dimension at the heart of the connectivity projects, there are many obvious signs that geopolitical competition is growing.

The Partnership on Sustainable Connectivity and Quality Infrastructure between Japan and the European Union

"The Partnership on Sustainable Connectivity and Quality Infrastructure between Japan and the EU" was signed in Brussels on September 27, 2019, by Jean-Claude Juncker, President of the European Commission on behalf of the EU, and Shinzo Abe, then Prime Minister of Japan. The EU and Japan asserted their commitment to establishing a connectivity partnership based on sustainability as a shared value, quality infrastructure, and their belief in the benefits of a level playing field by hearkening back to the statements of the

ASEM of October 18-19, 2018; the EU-Japan Summit of April 25, 2019; and the G20 Osaka Summit of June 28-29, 2019.[51] Both sides intend to advance free, open, rule-based, fair, non-discriminatory, and predictable regional and international trade and investment, and transparent procurement practices, securing debt sustainability and high standards of economic, fiscal, financial, social, and environmental sustainability.[52] It can be clearly seen that in the initiatives where the EU is a partner, there is an emphasis on the normative characteristic of the connectivity strategy as free, rule-based, transparent, and so forth.

Clashing or Contributing Strategies

ASEM, the EU, and ASEAN have been putting forward their strategies concerning connectivity for almost two decades. Each platform prioritizes its own geopolitical concerns when designing its strategies. To reiterate ASEM's and ASEAN's differentiated focuses, the former uses economic, security, and people-to-people interactions, while the latter uses physical, institutional, and people-to-people keywords in its definitions. The EU, on the other hand, has been integrating relatively new dimensions which it prioritizes such as digital connectivity, green and sustainable connectivity, etc. Moreover, China's declaration of its megaproject, the BRI, in 2013 has brought a new breath to this picture. Not only did it attract the attention of developing countries through its loans and infrastructure investments, but China also created discomfort since it fueled the fear that it might challenge the current international order via its assertive project. As mostly perceived a response, it came from India by its announcement of IMEC. Monroe argues that the "recent eruption of violence between Hamas and Israel" serves as a somber reminder of the political obstacles in including Israel in economic/trade endeavors.[53] Putting aside the obstacles in realizing the IMEC, it might have a serious potential when realized.

> The primary goal of the EU is to ensure future prosperity by promoting an open and international trade system. For the EU, the most important question is how much China can become an ally.

After providing introductory information for the selected actors' strategies on connectivity, it is time to look at them from a broader perspective. Below, the paper analyzes these strategies and initiatives

from a geopolitical perspective, under three subheadings: connectivity at the regional dimension, connectivity at a beyond-regions dimension, and the role of connectivity as a catalyzer in the political competition.

Connectivity and Its Regional Dimension

This section discusses the selected cases' contribution to regionalization or their potential risk to diminish regionalization efforts. Holzer summarizes the situation considering the EU and China as follows: from a strategic perspective, China views multilateralism as a means of advancing toward a multipolar global order in which it would serve as one of the poles of power and a check on U.S. hegemony. Conversely, the EU has been a reluctant political force that continues to demonstrate a great reliance on an international alliance headed by the U.S., both politically and economically. The central tenet of the EU Connectivity Strategy is the promotion of rule-based, all-encompassing, and sustainable collaboration under a framework of competitive neutrality. The primary goal of the EU is to ensure future prosperity by promoting an open and international trade system. For the EU, the most important question is how much China can become an ally.[54] Yet, this is a question which is quite difficult to answer immediately. Although Holzer has pointed to the EU's open and international trade system, the current developments have cast a shadow on this. Xinhua reported that the European Commission announced punitive tariffs on Chinese battery electric vehicles (EVs); the measure was criticized by many European nations and car industries regarding the possible danger that it could negatively impact the EU's competitiveness.[55]

It is argued that, on the one hand, the BRI offers some opportunities for Europe such as connecting Trans-European Transport Networks (TENTs) to networks in Asia, but, on the other, it creates puzzling calculations for Europe.[56] Gaens has argued that there are three underlying challenges: (1) the non-existence of an equal playing field referring to the fact that China-financed projects are frequently operated by Chinese companies which are usually more closed to local or international companies, and mostly have less transparent proposal procedures; (2) the growing economic presence of China within Europe—particularly in Central and Eastern Europe—is fueling the fear that it might cause intra-European fractures; and (3) China's sparky stance in the multilateral forums exposes a severe contrast to Europe's wait-and-see perspective.[57] When these three challenges are carefully considered, it is possible to argue that these risks can be interpreted in line with the layers mentioned in the theoretical framework section of the paper. If three layers are remembered, connectivity has a regional dimension, a beyond-

region dimension, and a catalyzer dimension that is escalating the geopolitical competition.

Both China's BRI and EU's Connectivity Strategy produce policies for a better regionalization of their own sphere. To exemplify, the State Council Information Office of the People's Republic of China issued a document titled "The Belt and Road Initiative: A Key Pillar of the Global Community of Shared Future" in October 2023.[58] In this document, various issues are emphasized by the Chinese government among which the extensive and in-depth policy coordination. The document states that the foundation of BRI cooperation is policy coordination and adds that China has established a multilevel policy coordination and communication structure for the purpose of harmonizing development strategies, economic and technology policies, and administrative regulations and standards with other participating nations and international organizations. Moreover, the BRI is said to be a crucial collaborative framework for international exchanges because it allows plans and measures for regional cooperation to be developed through collaborative efforts to facilitate and expedite collaboration.[59] China heralded that APEC Connectivity Blueprint, the ASEAN Community Vision 2025, the Asia-Europe Meeting and its group on pathfinders of connectivity. The EU-China Connectivity Platform, the Master Plan on ASEAN Connectivity 2025, and the Trans-European Transport Networks are among many other connectivity initiatives that China sees as potential cooperation partners in realizing connectivity and sustainable development.[60]

It is clearly seen that China is not leaving the criticism toward the BRI unanswered and demonstrating its will to reply through policies on the related issues.

In addition to the connectivity initiatives' policy pillar, their economic pillar is also an indispensable component; China has been designing the latter from the very beginning. In the "Guiding Principles on Financing the Development of the Belt and Road," China offers assurance that it endorses "a transparent, friendly, non-discriminatory and predictable financing environment."[61] However, the country is not exempt from criticism concerning its financial policies both within the framework of the BRI and beyond it, namely delineated as "debt-traps." Chellaney introduced the concept of "debt-trap diplomacy" in 2017.[62] Yet before that, then-U.S. Secretary of State Hillary Clinton urged against a "new colonialism" enhancing with the enlargement of China-Africa relations,[63] and Singh argued that a discourse of "debt-trap diplomacy" has risen to define

Chinese international lending behavior towards developing countries mostly in the last few years.[64] On the other hand, there is a counterargument against the assertion that China is instrumentalizing its loans to acquire control or influence over the countries where it has been investing. Singh claims that the charges of debt-trap diplomacy against China are baseless, in addition to exhibiting a lack of understanding and rigor.[65] To address these accusations, in 2019, China put forward a "Debt Sustainability Framework for Participating Countries of the Belt and Road Initiative" (hereafter BRI-DSF).[66] There are three crucial points in the BRI-DSF: (1) China's positive and constructive attitude towards the debt sustainability issue; (2) China's concern for the real conditions and development needs of low-income countries partaking in the BRI; and (3) assisting both creditors and debtors in handling investment risks better.[67] It is clearly seen that China is not leaving the criticism toward the BRI unanswered and demonstrating its will to reply through policies on the related issues. Similar to China's BRI, ASEM is also pushing forward for a better structured framework for connectivity and regionalization. As mentioned above, ASEM added the sustainability dimension to the connectivity competition by which I argue ASEM desired to reflect the EU experience within the Europe-Asia connectivity projects.

Connectivity and Its Beyond-Regions Dimension

As mentioned in the previous sections, connectivity can be roughly divided into two groups, namely hard and soft connectivity. In the first group, we focus more on infrastructure, transportation, and economic corridors, while in the second group, we see more digitalization and mobile networks, clean energy pioneering, environmental issues, data, artificial intelligence, etc. As mentioned previously, the BRI also has a digital dimension. China is operative in strengthening digital infrastructure connectivity and has magnified work on digital corridors by penning agreements with 17 countries on the construction of the Digital Silk Road, 30 nations on e-commerce cooperation, and 18 nations and regions on greater investment cooperation in the digital economy. Among other initiatives, China suggested and worked to launch the China+Central Asia Data Security Cooperation Initiative, the ASEAN-China Partnership on Digital Economy Cooperation, the Global Initiative on Data Security, the BRI Digital Economy International Cooperation Initiative, the initiative to build the ASEAN-China Partnership on Digital Economy Cooperation, and the BRICS Digital Economy Partnership Framework.[68] These initiatives might be taken both as an incorporation of a non-traditional asset into connectivity and as a contribution to connecting regions via digital mechanisms, which eventually

will result in a higher sense of regionalization. Besides China, we have another assertive actor within the digital connectivity world: India. Suri et al. have stated that digital connectivity is a vital element of corridors. When completed, digital connectivity offers a fast and secure flow of data, which is essential for regional integration and economic progress. The three possible building components for the IMEC's digital connectivity are an underwater data cable, a telecom network, and digital payment ecosystems. India has the potential to make a major contribution to these digital endeavors due to its extensive technological footprint.[69] I argue that India's ambition regarding the digital connectivity of its new corridor has two revealing extents. The first is the reflection of its digital experience on the connectivity project, and the second is the message that it is giving to the world that it is also a significant actor within the connectivity competition. One concrete example in the financial digital connectivity sphere is India's growing assertiveness in spreading its Unified Payment Interface (UPI). Recently, a cooperation emerged among the Reserve Bank of India (RBI), the Bank for International Settlements (BIS), and the central banks of four ASEAN countries to collaborate on Project Nexus, a multilateral international initiative to enable retail cross-border payments.[70]

The rise of China and its mega-scale BRI has definitely intensified the competition among connectivity initiatives. In addition to China, the EU, and India, another important player of the game is Japan.

Connectivity as a Catalyzer in the Political Competition

From an optimistic point of view, connectivity is serving to achieve a much more integrated world which carries various opportunities for states and societies. However, there is another side of the coin as countries aim to acquire more interests from connectivity, taking us to a kind of competition. The rise of China and its mega-scale BRI has definitely intensified the competition among connectivity initiatives. In addition to China, the EU, and India, another important player of the game is Japan. Japan is rescaling itself in the connectivity framework through a partnership with the EU. It is argued that there are many reasons for the beginning of the EU-Japan partnership. The first is associated with the geopolitical concerns over China's rise with the EU-Japan partnership seen as a response to it.[71] There is a fear about the

non-transparency of Chinese contributions to infrastructure expenditures.[72] Moreover, Söderberg argues that the EU and Japan "share a mutual goal of promoting a liberal world order built on values such as transparency, sustainability, democracy and human rights."[73] The inclusion of the liberal world order automatically brings the issue to a certain level that no one is able to avoid as China has been heavily criticized as challenging the liberal world order and U.S. supremacy. However, there are more optimistic views on this competitive atmosphere as well. Anthony et al. assert that notwithstanding these conflicts, their study demonstrated that positive developments by the EU-China connection for the world are still achievable, both inside and outside of the connectivity domains.[74] At this point, the inclusion of Japan and India in the connectivity competition is noteworthy. The EU and Japan put emphasis on the "high quality" infrastructure in their common connectivity initiative which has a subtext implying that the Chinese infrastructure investments' are not on par with European and Japanese standards. Actually, Japan is not a newcomer. Gaens and Sinkkonen argue that Japan has indisputably been a "connectivity superpower" way before connectivity turned into a conceptual framework and much before the BRI was announced.[75] However, because China's BRI is such a megaproject, it has created an environment where almost every step by its neighboring powers is assumed to be a response to it. A similar case is also applicable for India. As Samaan asserts, the IMEC is more about today's politics than it is about tomorrow's economics.[76] He adds that the U.S. was expecting its Middle East allies to refuse to cooperate with Beijing on the BRI, yet this did not happen, while the IMEC can be a new alternative for that to be realized.

Conclusion

The intensified volume of bilateral and multilateral relations has paved the way for a more connected world today. However, it has also showed us how fragile this connectedness is particularly during the pandemic period. To minimize the risks stemming from the dependency on one source in trade and economic relations, the capable actors began researching for precautions and solutions. One such remedy is believed to be to generate new routes and connections not only in terms of hard connectivity mechanisms but also soft connectivity mechanisms. When one considers the density between Asia and Europe, it is not surprising that these efforts have been consolidated within this inter-regional axis.

The EU, ASEAN, China, Japan, and India have all been contributing to the connectivity issue through different strategies. Although the concept has a positive and commendable resonance, it carries with it risks and tension mostly manifesting in the form of geopolitical competition. This has been the focal point of this paper which aims to provide an overall assessment of how the above actors' connectivity strategies and initiatives contribute to regional and beyond-regional geopolitics.

In summary, it is possible to conclude that the actors and their initiatives do not operate solely on economic motives but also embrace political incentives. Considering the ongoing geopolitical tensions within Europe, Asia, and Eurasia, connectivity projects carry both opportunities and challenges. On the one hand, intensification of such initiatives reveals new economic and political chances for the initiators and beneficiaries. On the other, the geopolitical crises have an impact on the continuation of the projects. Moreover, as the current connectivity initiatives are already provoking mutual geopolitical tensions, they are also pushing other actors to declare or create their own type of connectivity strategies. This reproduces the geopolitical tensions in a vicious circle, meaning that new initiatives come with their own political tensions. To conclude, since the cases this paper covers are all of a magnificent size, each of the initiatives necessitates further research and should be examined both within a single and multiple frameworks in a more detailed way.

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ARTICLE

Financing Connectivity in Eurasia: The Role of Multilateral Development Banks

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Abstract

The article explores the role of leading multilateral development banks (MDBs) in financing connectivity in Eurasia. MDBs are instrumental in providing liquidity to large-scale infrastructure projects, attracting private sector investments as well as helping to foster cooperation between governments and private sector actors. In terms of enhancing connectivity in Eurasia, MDBs have once again come to the forefront due to the growing need to bypass Russia in trade between Europe and China. Western-led MDBs such as the World Bank, the European Investment Bank (EIB), and the European Bank for Reconstruction and Development (EBRD) have recently reoriented their lending plans to prioritize the Middle Corridor. The importance of these MDBs has been consolidated with the European Union's Global Gateway project. In addition to facilitating faster and more reliable trade between China and the European markets, MDBs prioritize investments in the natural resources of the Caspian, as well as renewable energy and the green transition in Central Asia, the Caucasus, and Türkiye. The article also investigates the connectivity projects financed by the Asian Infrastructure Investment Bank (AIIB), a Chinese-led development finance institution. To explore the connectivity lending of MDBs in Eurasia, the article focuses on two sectors: energy and transportation/logistics. Finally, the article presents a discussion on the criticisms directed towards MDBs and the potential challenges they may face in financing connectivity projects in Eurasia.

Keywords

Connectivity, Eurasia, multilateral development banks, infrastructure, finance

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Introduction

Multilateral development banks (MDBs) are fundamental actors in the contemporary international development finance regime. The World Bank (WB), as the primary development actor, has shaped the norms and practices of lending in development projects in the post-World War II period. The contemporary development finance regime incorporates major multilateral institutions and states along with the rules, principles, norms, and practices of lending that characterize development projects across the global economy. The expansion of the scope of the development finance regime over the decades is a consequence of the emergence of new actors and institutions as well as new issues, sectors, and financial resources. This process has been shaped by the priorities of the members of MDBs, the demands of recipient countries with varying levels of development, and the shifting global economic trends.

Over the past few decades, the number of MDBs has increased significantly. Currently, in addition to the WB, many international organizations such as the European Union (EU) and the African Union (AU) have their own development finance institutions. In addition, MDBs such as the Asian Development Bank (ADB) and the European Bank for Reconstruction and Development (EBRD) have project portfolios reflecting their priorities in the target countries and sectors. What is more, in the past decade, China and the BRICS have taken the lead in establishing two new MDBs: the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB), respectively.

This article is driven by the following research question: what role do MDBs play in fostering connectivity between China and Europe, and specifically through Central Asia, the Caucasus, and Türkiye? In response, we argue that MDBs are essential actors in financing connectivity in Eurasia and demonstrate the role that MDBs play in this process through leading examples.

Connectivity between China and Europe has gained increasing attention in recent years. This growing interest in connectivity politics across countries and different regions has created a need for a definition of this concept. The most comprehensive definition was initially proposed by the Asia-Europe Meeting (ASEM), a multilateral forum for cooperation and dialogue between 51 countries from Asia and Europe, as well as several regional organizations, including the EU and the Association of Southeast Asian Nations (ASEAN). In 2017, the forum reached a consensus on a definition, which was as follows:

> Connectivity is about bringing countries, people and societies closer together. It facilitates access and is a means to foster deeper economic and people-to-people ties. It encompasses the hard (infrastructure) and soft aspects, including the physical and institutional social-cultural linkages that are the fundamental supportive means to enhance the economic, political-security, and socio-cultural ties between Asia and Europe which also contribute to the narrowing of the varying levels of development and capacities.[1]

The financing of cross-border infrastructure projects, including highways, bridges, railways, ports, energy routes, and digital networks, enables MDBs to facilitate improved linkages across the globe. Furthermore, their initiatives within multiple countries and regions facilitate the construction of more sustainable and reliable connectivity, as they provide not only financial support but also technical assistance and policy reform.

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The Middle Corridor has emerged as an important alternative route connecting Asia to Europe. Since 2022, it has attracted increasing attention as the Russian invasion of Ukraine has resulted in a loss of appeal for the Northern Corridor that passes through Russia. According to a report published by the World Bank in 2023, "The Middle Corridor is a multimodal transport corridor connecting China to Europe."[2] It links China and Kazakhstan by rail, then crosses through the Caspian Sea, connects Azerbaijan to Georgia, and reaches out to Europe through Türkiye and the Black Sea. The Middle Corridor also has ties with China's and Europe's major initiatives since it is considered to be a part of both China's Belt and Road Initiative (BRI) and the EU's Trans-European Transport Network (TEN-T). These initiatives are critical in creating networks between Asia and Europe that facilitate international trade, foster economic integration, secure energy transportation, and create capital mobilization. MDBs play an important role in financing connectivity in Eurasia by providing credits for large-scale cross-country infrastructure projects and managing development cooperation across countries. In Eurasia, MDBs have particularly concentrated on loans for transportation, energy transition, and digital connectivity across the Middle Corridor.

A focus on MDBs in the context of Eurasian connectivity enables the filling of a significant gap in the development finance literature. The current literature is largely state-centric, focusing on countries' foreign policy objectives, geopolitical motivations, and their mutual competition in terms of developing connectivity projects. Yet, this perspective ignores the role that MDBs play in financing connectivity. Once created, MDBs, like other international organizations develop a life of their own and become autonomous actors, designing their own policy preferences and lending practices. It can therefore be argued that these institutions are independent actors within the development finance regime. Also, MDBs shape their member states' interests, preferences, and development models by providing financial and norm-based guidance.[3]

The article pays close attention to connectivity projects financed by leading MDBs such as the WB, the EBRD, the European Investment Bank (EIB), the ADB, and the China-led AIIB. The reasons we focus on these MDBs are twofold. First, these multilateral institutions are the key financiers of the connectivity projects that link the countries in Eurasia. As the empirical section examines in greater detail, MDBs have provided a large share of lending to the cross-country infrastructure projects in Eurasia. Second, these institutions represent both sides of multilateral development finance in Eurasia. While the WB, EBRD, EIB, and ADB represent the neoliberal model of development finance, the AIIB represents the emerging Chinese-led model. The article, therefore, also contributes to the academic attempts to demonstrate the divergence and competition among different development institutions as well as the growing cooperation between them. Moreover, the article scrutinizes the norms and practices of lending through an examination of the biggest connectivity projects in terms of project cost. While MDBs offer lending for multiple sectors, this article limits its focus to two crucial sectors for connectivity across the Middle Corridor, also known as the Trans-Caspian International Transport Route (TITR): energy and transportation/logistics.

The article proceeds as follows: the first section following the introduction discusses the importance of MDBs for financing large infrastructure projects. Next, the article presents an empirical analysis of the connectivity projects financed by five MDBs in Eurasia, namely the WB, EBRD, EIB, ADB, and AIIB. The third section discusses the challenges that lie ahead for these MDBs, and the final section concludes with a discussion of the article's implications for the literature.

The Importance of Multilateral Development Banks for Financing Infrastructure Projects

In the past decade, scholars from around the globe have explored China's BRI extensively. More recently, the academic literature on infrastructure investments has reinvigorated its focus on connectivity projects in Eurasia. However, much of the literature remains state-centric and aims to uncover the main economic and geopolitical motivations of different governments for developing connectivity projects.[4] This is understandable given the primacy of foreign policy and economic development needs in pursuing large infrastructure projects. The current article strives to complement the existing literature by fleshing out the importance of MDBs in the realization of governments' connectivity projects. In fact, without highlighting the role that MDBs play in infrastructure investments in Eurasia and other regions of the global political economy, the picture would be incomplete at best. Why are MDBs essential in fostering and implementing infrastructure projects? This section points out the reasons with a specific focus on connectivity in Eurasia.

First and foremost, MDBs increase the appeal of infrastructure investments for private investors. Often, the credits that MDBs extend to governments do not even cover the majority of the project costs. Yet, the functional role that MDBs play goes beyond the financial liquidity that they provide for governments: the participation of leading MDBs is especially desired by developing country governments because they signal the reliability and profitability of the project for private businesses or foreign investors, who may otherwise be reluctant to invest. Investment in large connectivity infrastructure projects such as railways, highways, ports, and energy infrastructure (including oil and natural gas pipelines and renewable energy infrastructure) is especially costly and can require co-financing by multiple actors. Therefore, MDBs help reduce the financial risks for large infrastructure projects.

Especially the WB has been accepted to be the key norm-setter in development projects across the global economy since the early Cold War period.

Second, MDBs shape the key norms and practices of lending in infrastructure projects. Especially the WB has been accepted to be the key norm-setter in development projects across the global economy since the early Cold War period. Over the decades, the WB has played the role of an agenda-setter in addressing many chronic issues in

the developing world including socioeconomic inequality, gender inequality, workers' rights, and sustainable development. In the 21st century, the WB and other leading MDBs have developed environmental and social guidelines for governments, which are essential for project financing to commence.

As the literature has demonstrated, China has started to learn from and socialize into the norms and lending practices of the WB and other leading MDBs such as the EBRD and the ADB.[5] Additionally, several studies in the literature have posited that China presents an alternative model of development finance via its development institutions to the developing world, characterized by distinctive lending practices and an infrastructure-intensive sectoral focus.[6] Scholars have argued that the Chinese way of financing would be complementary to the existing institutions in the context of the fulfilment of developing countries' infrastructure needs in energy, transportation, telecommunication, and digitalization.[7] On the contrary, there are studies that take the opposite view on the involvement of Chinese-led MDBs in the global development finance regime. For example, some have argued that China could cause a debt trap to many developing nations due to its banks' unspecified and less structured loans.[8] Yet others have posited that the Chinese approach to financing, which is predicated on state-backed export credits and bilateral state-to-state relations, has the potential to erode the fundamental norms, rules, and performance standards of the focal institutions, and could have a detrimental impact on multilateralism in global development.[9]

Meanwhile, the increasing investment requirements of developing countries and the costly nature of connectivity projects have compelled countries to collaborate in multiple areas. This has led to a shift in focus within the literature, away from an emphasis on the divergences between Chinese-led and Western-led MDBs towards areas of convergence and potential for cooperation. Indeed, several recent studies demonstrate a notable increase in the co-financing of larger projects over time, which this article will turn to in the empirical section.[10] In response, MDBs have reformulated their financing policies based on an analysis of one another's practices. This development has involved a learning process for all parties, with each MDB undergoing a transition in its policy agenda with the goal of developing more effective financial solutions for developing countries. In light of the dynamic nature of the literature on MDBs and the evolving credit and policy patterns observed in the 21st century, we contend that MDBs play a significant role in countries' development and demonstrate their importance as essential actors in the contemporary global political economy.

Third, Russia's invasion of Ukraine which started in 2022 has revitalized the role of MDBs in financing connectivity projects across the Middle Corridor. The most important reason for this renewed focus on the Middle Corridor is that the Northern Corridor (or Northern Route), which passes through Russia, has been cut off from supply chains and transport corridors amidst sanctions imposed by the U.S., the UK, and the EU on Russia.[11] Officially, Beijing does not participate in the sanctions imposed on Russia, and even criticizes the use of sanctions as a tool of foreign policy, questioning their effectiveness and highlighting the potential effects on civilians in the target country.[12] Moreover, Russian-Chinese economic ties have been further consolidated after the former's invasion of Ukraine. Still, driven by profit-seeking, Beijing has been rather careful not to violate the sanctions, and has strived to enhance the transportation of its goods to European markets via Central Asia, the Caspian Sea, the Caucasus, and Türkiye to European markets. Russia's invasion of Ukraine has also resulted in a significant change in the EU's energy policy. Since 2022, Brussels and European capitals have aimed to decrease their reliance on imported Russian natural gas. This has meant that Europe has had to find alternative and yet reliable sources of natural gas, which has highlighted the importance of the delivery of Caspian natural gas to the EU market. As mentioned above, MDB lending is essential for the governments of the resource-rich countries in the region to expand the extraction and delivery of natural resources to the EU market.

Finally, MDBs have also been instrumental in supporting the transition of regional economies towards greater and more efficient use of renewable energy. For example, the EBRD has supported Kazakhstan's transition to a green economy since 2008 with the Sustainable Energy Action Plan.[13] Similarly, the EBRD works in close cooperation with the Uzbek government in accelerating the country's long-term policy of enhancing renewable energy capacity.[14] Also, in 2021, the Turkish government signed a memorandum of understanding with multiple MDBs, international institutions, and countries, including the WB, the United Nations (UN), the International Finance Corporation (IFC), the EBRD, France, and Germany for supporting the country's climate action with technical assistance and additional development financing up to US$3.2 billion.[15]

A Glance at Connectivity Projects Financed by MDBs in Eurasia

The empirical section takes a closer look at several connectivity projects which have received financing by MDBs. As the article has so far argued, MDBs

have made a significant contribution to countries along the Middle Corridor, providing support for the financing of connectivity and sustainable development projects. These banks have specifically emphasized transportation, energy, green transition, and digitalization of services across the Middle Corridor. These projects are worth examining since several of them aim to provide faster, cost-effective, and reliable connectivity between Asia and Europe. In their reports on Middle Corridor infrastructure projects, both the WB and the EBRD highlight that financing the cross-country projects under the Middle Corridor will serve to reduce transportation time and offer reliable trade and investment in the region.[16] In this section, we analyze the roles and financial practices of these banks in the region and demonstrate their substantial contributions to connectivity in Eurasia.

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The World Bank (WB)

The WB's contribution to financing connectivity across regional countries is not just about providing loans to development projects. As mentioned above, the WB also sets the norms and rules for the rest of the development finance actors. The WB's governance features have continued to shape the general operations within Eurasian countries' connectivity finance, and are central to the design and operations of most other MDBs.[17] In a recent report, the WB foresees an overall increase in trade between China and the EU by about 30% by 2030. While westbound flows remain unbalanced in this estimation, the highest increase is expected for Azerbaijan, Georgia, and Kazakhstan with a 37% increase in overall trade flow.[18] Thus, the WB has paid specific attention to these countries to stimulate trade and economic growth, and most of the WB's credit flows in the context of connectivity across the Middle Corridor are concentrated here.

At first glance, to reach these goals, the WB presented the top ten priority development actions for the Middle Corridor, particularly focusing on Azerbaijan, Georgia, and Kazakhstan and partly Türkiye in the short term. These ten actions focus on issue areas such as creating new railway and highway routes and increasing connections among countries, improving targeted ports,

developing trade facilitation, border management, and services delivery.[19] Beyond these short-term actions, the WB also highlights the financing of green energy transition and digital connectivity. For example, as a part of the Western Europe-Western China Corridor Roads projects, the WB committed US$1,068 million to the Kazakh government in 2012—the Kazakh part of the road ranges from Karagandy to Almaty, with a total length of 1,600 km. The development objectives of this extensive and multi-country project are to increase transport efficiency and modernize highway management along the selected road sections between the corridors. For the same project, the WB provided additional credit in four phases to Georgia for a total amount of US$184 million – the Georgia part of the road ranges from Tbilisi to Rikoti. Similarly, in 2013, the WB committed US$220 million to the Azerbaijani government to improve and create railway roads as part of the East-West Transport Corridor project. The main objective of this project is to increase sustainability, operating and cost efficiency, and expand rail roads across Middle Corridor countries.

Since the adoption of the EU-Central Asia Strategy in 2019, the EIB has become the main tool of the EU in providing loans to Middle Corridor connectivity.

European Investment Bank (EIB)

Since the adoption of the EU-Central Asia Strategy in 2019, the EIB has become the main tool of the EU in providing loans to Middle Corridor connectivity. As part of the EU's Global Gateway and the Green Deal projects, the EIB supports sustainable transportation between Europe and Central Asia. For this purpose, the EIB has signed memorandums of understanding for project co-financing with Kazakhstan, the Kyrgyz Republic, and Uzbekistan, and with the Development Bank of Kazakhstan for a total of €1.47 billion this year.[20] The documents were signed during the Investors Forum for EU-Central Asia Transport Connectivity held in Brussels in January 2024.[21] At the forum, the EU and other international financial institutions committed to investing €10 billion for sustainable transport connectivity in Eurasia.

Even though this is a current development in the context of providing loans to connectivity and covers a limited number of states along the Middle Corridor, the EIB has been offering lending for multiple projects to countries in the region regarding energy, green transition, and connectivity. One example is the Crescent Clean Energy Fund for multiple countries, including Türkiye,

Armenia, Bulgaria, and Turkmenistan for which the EIB provides €25 million. It is important to note that the credit package of the EIB targeting renewable energy sectors in the aforementioned countries is co-financed with the EBRD. The fund targets the renewable energy sectors in these countries and plans to complete around 10-15 investments for green energy transition with a total of €200 million. Also, the EIB provides €140 million to the Tajik-Kyrgyz Power Interconnection project co-financed with the WB. The project aims to build a power-transmission infrastructure for sustainable trade in renewable electricity (hydro) between Central Asian countries.

The EIB has also committed loans for transportation projects to the countries located on the Middle Corridor route. For example, in 2016, the EIB provided a loan of approximately €500 million to the Georgian government for transport connectivity under the name "Georgia Transport Connectivity." The framework of this loan is to support the construction and upgrading of selected roads to ensure Georgia's global connectivity through the East-West Highway Corridor. As part of this credit package, in 2018, the EIB provided €332 million to Georgia's Ubisa-Shorapani section of this highway infrastructure project. Moreover, the Eurasia Tunnel in İstanbul, which connects two continents, Europe and Asia, was supported by the EIB with a loan of €250 million. In the Turkish government's outlook towards regional connectivity, the Eurasia Tunnel is an essential building block of the Middle Corridor alongside other projects such as the Marmaray undersea railway, the Yavuz Sultan Selim Bridge, the Çanakkale Strait Bridge, the Edirne-Kars High Speed Rail project and the Filyos, Çandarlı, and Mersin ports.[22]

European Bank for Reconstruction and Development (EBRD)

The EBRD is another European MDB with a policy framework and lending portfolio directly targeting connectivity in Eurasia. Like the EIB, the EBRD has produced large loans and investment packages to countries located on the Middle Corridor route by targeting transportation and logistics, energy infrastructure, green transition, and digitalization. In 2023, along with the EU project fund, the EBRD published a report titled "Sustainable Transport Connections between Europe and Central Asia" and announced its objectives for the connectivity of Asia and Europe. The EBRD's report highlights two essential points regarding connectivity:[23] First, it identified the EU's extended Trans-European Transport Network (TEN-T), which covers 27 EU Member States, and its extensions to the Western Balkans, Eastern Partnership countries (including the Caucasus), and Türkiye as the most sustainable transport network connecting five Central

Asian countries (Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan). Second, the report proposes key actions for the development of connectivity, including hard and soft networking investment, such as "railway and road network rehabilitation and modernization, rolling stock expansion, port capacity enhancements, improvements to border crossing points, and multimodal logistics centers and auxiliary network connections,"[24] and "a scaling up of low-carbon fuels and energy-efficiency measures."[25] Also, the EBRD highlights its cooperation with the EIB in the context of the EU Strategy on Central Asia of 2019 and Global Gateway of 2021.

In fact, the EBRD's emphasis on connectivity between Central Asia and Europe goes back to the 1990s. In 1999, the EBRD extended a €44 million credit to Uzbekistan for the Railway Construction and Management project with the Asian Development Bank and Overseas Economic Cooperation Fund of Japan as two co-financiers. [26] This project formed part of the bank's strategy on regional connectivity and aligned with the TRACECA (Transport Corridor Europe-Caucasus-Asia) initiative. Since then, other projects have been developed in the region such as the Trans-Caucasian rail line in Georgia and Azerbaijan, which is the main transit route between Baku and the Georgian ports, and the Ispartakule-Çerkezköy railway line, which connects Türkiye's railway network with the TEN-T through Bulgaria.

The institution also supports the rail rehabilitation (track maintenance) project in Kazakhstan and the road rehabilitation project in Turkmenistan. For instance, along with the WB, the EBRD committed US$180 million to Kazakhstan for the rehabilitation and upgrading of the 102 km road section that is part of the Western Europe-Western China International Transport Corridor.

Moreover, the EBRD has engaged in port infrastructure projects, which are among the key hubs of connectivity between Asia and Europe. For instance, in 2018, the EBRD provided US$25 million for the Railport project in the Kocaeli province of Türkiye, one of the country's major industrial hubs. The project entails the development of an intermodal freight transport hub within Türkiye, with the objective of expanding this transportation system to the international scale, encompassing European, Balkan, and Asian countries.[27] In September 2023, the EBRD committed up to US$50 million for the Mersin International Port's expansion project in Türkiye. The project is part of Türkiye's Middle Corridor perspective and aims to upgrade and expand the port's container-handling capacity. The loan was provided to Mersin Uluslararasi Liman Isletmeciligi A.S., a private company that has assumed responsibility for this project and operates the Mersin port.[28]

Moreover, the EBRD has engaged in multiple energy and green transition projects in the region. For example, the EBRD contributed to countries' green energy infrastructure through the construction and operation of solar power plants and hydropower. In August 2024, the EBRD offered a financial package of US$65 million for the first renewable hydrogen project in Central Asia. The EBRD's objective is to facilitate the decarbonization of fertilizer production and power generation in Uzbekistan by providing financial assistance to the state-owned enterprise Uzkimyosanoat.[29]

Asian Infrastructure Investment Bank (AIIB)

The AIIB was created in May 2016 under China's leadership to promote cooperation among the BRI member countries and finance promising projects. According to the AIIB's first annual report published in 2016, the institution's thematic priorities and development strategy exemplify how the bank contributes to East-West connectivity by highlighting cross-border connectivity along with sustainable infrastructure and private capital mobilization. In the context of cross-border connectivity, the same report states that the AIIB's main objective is "prioritizing cross-border infrastructure, ranging from roads and rail to ports, energy pipelines, and telecoms."[30]

The AIIB was created in May 2016 under China's leadership to promote cooperation among the BRI member countries and finance promising projects.

Since the bank announced its priorities in 2016, it has committed to multiple projects and loans to fulfill the infrastructure needs of Asian countries. Just like the WB, EIB, and EBRD, the AIIB also provides lending for the region's green energy transition. Georgia, Tajikistan, Uzbekistan, and Türkiye have taken multiple credit commitments from the AIIB to construct and operate solar power plants and hydropower development. As of March 2024, Türkiye is the second-largest recipient of loans from the AIIB.[31] As of August 2024, the AIIB has approved up to US$1.6 billion in financing ten energy projects in Türkiye, including the Tuz Gölü Gaz Storage Expansion Project, the TSKB Sustainable Energy and Infrastructure On-Lending Facility, the Efeler 97.6 MW Geothermal Power Plant Expansion project, and the Akbank Sustainable Energy Facility.[32] While four of these projects are sovereign/public projects, the remaining six are owned by the private sector. Also, the AIIB has committed US$260 million in credit for hydropower rehabilitation and development projects in Uzbekistan.

Since its establishment, the AIIB has committed to offering loans for multiple transportation infrastructure projects along the Western China-Western Europe economic corridor, which is the primary economic route for the BRI. For example, in Uzbekistan, the AIIB committed US$165.5 million for the Bukhara Road Network Improvement Project (Phase 1), the major international cross-border road in the Uzbek city of Bukhara.[33] Moreover, the AIIB committed US$114 million for the Batumi Bypass Road project in Georgia, which enhances connectivity through the East-West Highway (EWH). As the AIIB's project summary document indicates, "The EWH, which carries over 60% of the total foreign road trade, connects Tbilisi with the border of Azerbaijan and runs Westward to connect to the Black Sea ports of Batumi and Poti, and finally to the border with Türkiye."[34] The AIIB reports that by 2030, 25-30% of its portfolio will be represented by cross-border connectivity projects.[35]

Asian Development Bank (ADB)

The ADB was founded in 1966 as one of the world's four regional development banks, along with the Inter-American Development Bank, the African Development Bank, and the Caribbean Development Bank. The ADB performs functions and operations similar to the WB "but at the region-specific level, providing financial loans and technical assistance to developing Asian countries."[36] In 2021, the ABD published a working paper on the framework of the Middle Corridor. By exploring the institutional development of transport infrastructure and the economic potential of the Middle Corridor, the report contended that despite China's supply-side development policies and financial practices, there were serious limitations in both the structural, economic, and political capacity of the Middle Corridor countries and Europe's demand-side positions.[37] To overcome such challenges, the report suggested "implementing transparent pricing, openness to foreign investment, transparent international agreements," and integration of the multilateral trade bloc.[38] In line with these recommendations, the ADB has provided loans for multiple projects and offered technical assistance to multiple countries in the Middle Corridor and other MDBs. For example, in 2021, the ADB provided a US$225 million loan to a multi-country development fund titled "A New Operational Economic Corridor Development Framework for Central Asia and Beyond." The fund aims to enhance economic cooperation and build new economic routes among Afghanistan, Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyz Republic, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan. The fund also aims to help establish a CAREC (Central Asia Regional Economic Cooperation)

Infrastructure Projects Enabling Facility.[39] The ADB has also provided another technical assistance fund for the railway sector development in CAREC countries, which totaled US$500 million. In addition, in the context of energy connectivity and green transition projects, the ADB has provided multiple funds to Middle Corridor countries. For example, in 2022, the ADB committed US$80 million in financial loans to Kazakhstan for the Samruk Energy Restructuring and Transformation Project.

Co-Financing by MDBs in Eurasia: Towards Greater Cooperation?

As this article has so far explored, MDBs have pursued their own agendas regarding connectivity finance in Eurasia. At the same time, the region has increasingly witnessed cooperation between MDBs to jointly offer lending for large infrastructure projects. Since the Cold War period, co-financing has been one of the most important components of MDB operations to fulfill the growing need for loan financing in developing countries.[40] Co-financing is primarily pursued to enhance the recipient countries' limited financial capacity. The implementation of collective financial practices also facilitates the achievement of policy coherence, cooperation, and coordination among MDBs.

The Middle Corridor offers a valuable empirical case study to analyze the ways in which different development actors collaborate and operationalize policy coherence in infrastructure financing.

The Middle Corridor offers a valuable empirical case study to analyze the ways in which different development actors collaborate and operationalize policy coherence in infrastructure financing. From among the many projects co-financed by Western MDBs and the China-led AIIB, the Trans-Anatolian Natural Gas Pipeline (TANAP) is one of the solid examples of integrating multiple MDBs into a single connectivity project. The project covers constructing and operating a natural gas pipeline from Azerbaijan's Shah Deniz production field to the Turkish and European markets. According to the Project Summary Information document released by the AIIB, TANAP has three objectives: First, the project strengthens energy connectivity and integrates Azerbaijan with regional and European markets.[41] Second, it diversifies Azerbaijan's gas export markets, and third, it improves the energy supply security of Türkiye and Europe.[42] While the WB has committed US$800 million in financing for TANAP, the EBRD and the EIB

have committed US$500 million and US$270 million, respectively. The AIIB provided a further US$600 million long-term loan.[43] At the same time, the ADB committed to offer US$500 million in technical funds to Azerbaijan's Shah Deniz Gas Field Expansion Project. TANAP demonstrates that Western and China-led development finance actors can come together to provide loans for energy infrastructure investments.

In another example of co-financing for regional connectivity, the EBRD and ADB have extended credits to the first and second sections of the Obigarm-Nurobod Road Project in Tajikistan. The AIIB has also taken part in the project by committing a US$75 million loan for the construction and operation of a 920-kilometer-long bridge (Section 3 of the project).[44] In Türkiye, the AIIB and the EBRD co-finance the Ispartakule-Çerkezköy Railway project with loans worth US€300 million and US€150 million, respectively. The project is developed as part of the Halkalı-Kapıkule high speed railway line. According to the EBRD, "The Halkali - Kapikule railway line will connect Türkiye's railway network with the Trans-European Transport Network (TEN-T) through Bulgaria and will, therefore, set a milestone for the railway connectivity between Türkiye and the EU countries."[45]

Challenges Ahead

So far, this article has presented the general framework and the role of MDBs in fostering connectivity in the Eurasian region. Yet, there are also certain drawbacks and challenges when MDBs finance large-scale infrastructure projects in the developing world and specifically across the Middle Corridor.

Most importantly, China-led development finance institutions have been criticized for serving China's foreign policy objectives, especially in developing regions such as Latin America and Sub-Saharan Africa.

First, MDBs can generate problems in countries' economic structures and development paths. For example, neoliberal finance institutions, including the WB, EIB, EBRD, and ADB, have been criticized for pushing countries to heavy adjustment measures through the adoption of open-market economies. The WB and EBRD has been reprehended for ignoring local needs and implementing a one-size-fits-all approach in the post-communist countries since the early 1990s.[46] Contrarily, Chinese development banks offer fewer conditionalities to the recipient

countries in the developing world. Still, there are concerns about Chinese-led financing of infrastructure projects. Most importantly, China-led development finance institutions have been criticized for serving China's foreign policy objectives, especially in developing regions such as Latin America and Sub-Saharan Africa. Also, while the China-led development actors impose fewer conditionality measures on developing country governments, they might create a solvency problem. In addition to the latter, Chinese-led financing continues to struggle with major transparency issues regarding its loans and projects, creating credibility, and a legitimacy and trust problem for the MDBs it supports.

In financing connectivity projects in Eurasia, MDBs will also face multiple challenges along technical, financial, and political dimensions. Most important among them is the fact that the Middle Corridor will require intermodal transportation across Asia and Europe, and even across countries with different logistical infrastructure. From a financial standpoint, this hurdle might reduce the financial attractiveness of connectivity across the Middle Corridor because China's trade to Europe continues to be operated mostly by sea. To address this problem, governments in the region must increase direct institutional contact and take the necessary steps, especially, to transform their railway systems towards harmonization and integration. Similarly, ports across the Middle Corridor will need significant expansion and reconstruction to increase their transportation and storage capacity.[47] In specific, this is the case for Kazakhstan's port of Aktau and Azerbaijan's port of Baku, which are expected to play a fundamental role in the Middle Corridor. To achieve this, the political will of regional governments and close cooperation between MDBs and governments will be required at each step of the way.

The second challenge that faces MDBs in financing connectivity in Eurasia concerns the global economy's green turn and Europe's growing focus on the green transition. Yet, the EU's Global Gateway and European Green Deal projects are not always completely co-coherent as the latter makes it compulsory for the EIB to invest in green projects and not include fossil fuel-related projects in its portfolio. In 2019, the EIB announced that it would not finance fossil fuel projects any longer, making it the first MDB to do so.[48] This means that the EIB, as the EU's main development institution, will not offer lending to Azerbaijan to increase natural gas exploration capacity in the Caspian Sea. Recently, this issue has sparked a disagreement between Baku and Brussels. The natural gas resources of the Caspian Sea have gained significance once again after Russia's invasion of Ukraine. In 2022, the EU and the Azerbaijani government signed

a "Memorandum of Understanding on a Strategic Partnership in the Field of Energy." With this new agreement, Brussels and Baku pledged to increase the Azerbaijani natural gas delivered to the EU market to 20 billion cubic meters per year by 2027.[49] Azerbaijani authorities have argued that they need investments by international investors and lending by MDBs to realize the requirements of the agreement and increase production. However, Brussels has been reluctant to allow the EIB to offer lending to the project because it would be against the rules of the Green Deal. As reported by the Financial Times, Azerbaijani authorities demonstrated their frustration with Brussels' seemingly incoherent position on this issue.[50] Accordingly, Baku has argued that the EU's demand for signing short-term contracts with Azerbaijan has not helped international investors to overcome uncertainty. Instead, Baku has been asking for signing longer-term contracts that would attract financing for drilling in the Caspian.[51] At the time of writing, it is unclear whether the EIB will offer new lending for natural gas exploration, drilling, and delivery for Azerbaijan. This seeming incoherence can be expected to influence Kazakhstan as well, the economy of which is significantly dependent on the extraction and exportation of fossil fuels.

The third difficulty in MDB financing of infrastructure projects in Eurasia concerns another potential incoherence in the attitude of the EU and Western-led development banks toward China and the BRI. As other articles on this issue also explore in detail, in essence, the Middle Corridor aims for faster and greater trade between China, the world's biggest producer of consumer goods, and Europe, the world's wealthiest market in terms of per capita income. At the same time, the EU has recently been experiencing a "geo-economic turn" in which its foreign economic strategy has been shaped by geopolitical developments.[52] In a time of weaponized interdependence,[53] both national governments in the EU and supranational authorities in Brussels have developed a skepticism regarding the growing role of China inside Europe.[54] The U.S.-China rivalry and ongoing trade wars have further consolidated the EU's and European governments' search for catching up in geo-economic competition.[55] While not directly raising concerns about the BRI, European decision-makers have been wary of Chinese investments in the EU. Moreover, through investment screening mechanisms, various European governments have strived to balance economic needs and national security in an age of heightened geo-economic competition.[56] Therefore, both the EU and European national governments do not seem to have developed a comprehensive strategy addressing the BRI. Meanwhile, Chinese state-

owned corporations and development finance institutions increase their economic activities not only in Central Asia and the Caucasus, but also in the Western Balkans. This means that European and Chinese financial actors will have to accommodate the priorities, operational procedures, and lending norms of each other gradually in the near future. As the above section briefly explored, collaboration between Western MDBs and the China-led AIIB is already underway.

The fourth challenge follows the third one. In supporting the post-communist countries' transition to free market economies, Western MDBs have prioritized good governance, private sector funding, and democratization. This goal has remained mostly intact, while these financial institutions have also adjusted their lending practices after large scale crises such as the global financial crisis (2008-09), the eurozone crisis (2009), and the Covid-19 pandemic (2020). Especially the EIB and the EBRD have increased their lending in Central Asia and the Caucasus in the past decade. In terms of the transformations in the global economy, one very important development in the post-global financial crisis period has been the rise of state capitalism. State capitalism is a mode of capitalism in which the state becomes an important player in the global economy as the "promoter, supervisor, and owner of capital."[57] This version of capitalism is especially associated with China and other BRICS countries. As regional countries continue to have authoritarian governance structures with heavy involvement of the state in economic decision-making, state capitalism has been an appealing instrument of economic development for many post-Soviet countries as well. However, state capitalism is a significant challenge for the EU and Western MDBs in financing connectivity projects in Eurasia. This is mainly because Western actors will have to coordinate their projects with state-owned companies and governments in the region. As the literature has recently explored, the EBRD has moved closer to working with governments and accepting the state's role in economic development in Central Asia, the Caucasus, and the Middle East.[58]

This last challenge is also connected with concerns about the lack of transparency in China-led investment projects. China has long been associated with non-transparent bilateral deals—especially with governments in Africa and Latin America—that work at the expense of the public good and the environment.[59] There are similar concerns about China's growing economic might in Eurasia. For example, Chinese state-owned corporations will build the Georgian port of Anaklia, which is considered to be essential

for the Middle Corridor. The key Chinese actor taking part in the project is the China Communications Construction Company, which the WB had banned from taking part in the projects it financed in 2010-2017 due to corruption allegations in the Philippines.[60] All this means is that cooperation with Chinese development actors will meet hurdles, especially on the side of European banks and decision-makers.

Conclusion

This article has offered a snapshot of the role that MDBs play in offering much-needed loans for infrastructure connectivity along the Middle Corridor. Through an examination of the projects financed by leading development banks, it has demonstrated the vital role played by these financial institutions in providing financing for regional connectivity across Eurasia especially in energy and transportation/logistics. MDBs are also instrumental in shaping the norms of development finance in the age of energy transition. The normative influence and agenda-setting power of MDBs, and especially Western ones such as the WB, the EIB, and the EBRD, will continue to matter for both governments and private sector actors in achieving sustainable development goals. MDBs will also continue to shape financial practices in Eurasia by providing structured and effective loans. On the other hand, the China-led AIIB will gradually increase its lending portfolio in Central Asia, the Caucasus, and Türkiye.

The intensification of cooperation and co-financing among MDBs can be expected to mitigate further such risks and motivate countries to fulfill their infrastructure investment needs in energy, transportation/logistics, and digitalization.

This study has also argued that MDBs' involvement in infrastructure projects conveys reliability to other investors and mitigates investment risks emanating from high costs. The intensification of cooperation and co-financing among MDBs can be expected to mitigate further such risks and motivate countries to fulfill their infrastructure investment needs in energy, transportation/logistics, and digitalization. This will also mean that MDBs will have to incorporate local needs and address the concerns of national governments in Eurasia, which can now enjoy greater policy space due to the rise of China. The research agenda on the role of MDBs in financing

connectivity in Eurasia can be expanded by investigating the position, priorities, and bargaining power of different governments in their loan negotiations with MDBs. While achieving faster and more reliable trade through the Middle Corridor is commonly desired by all regional governments, each country has its specific developmental needs that shape its policies vis-à-vis MDBs.

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ARTICLE

Feasibility of Regional Connectivity Projects in Energy and Transportation: The Collision of Microfoundations and Geopolitical Considerations

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Abstract

The article aims to examine two basic arguments: (a) the feasibility of regional connectivity projects and initiatives in energy and transportation areas depends not only on geopolitical considerations and power competition but also on microfoundational parameters such as technicalities, human behavior, random decisions, networks, and institutional, informational, socioeconomic, and financial dimensions; (b) the microfoundations of the energy and transportation connectivity projects and initiatives enable actual power diffusion from states to non-state actors such as private companies that have accumulated technical capacity and resources. The article investigates the feasibility of tangible connectivity projects in transportation and energy such as the Middle Corridor, the International North-South Transport Corridor, the Zengezur Corridor, the Northern Sea Route, the Nabucco Gas Pipeline, and the Trans-Caspian Gas Pipeline from the perspective of the collision between microfoundations and geopolitical considerations. Even though connectivity projects and initiatives in energy and transportation have different prerequisites and components for feasibility, both incorporate exogenous geopolitical and endogenous microfoundational parameters. The article argues that social scientists researching connectivity in energy and transportation sectors as an epistemic community commonly concentrate on the geopolitical perspective, frequently overlooking the microfoundations of regional projects and initiatives.

Keywords

Connectivity, microfoundations, energy, oil-gas, transportation, geopolitics

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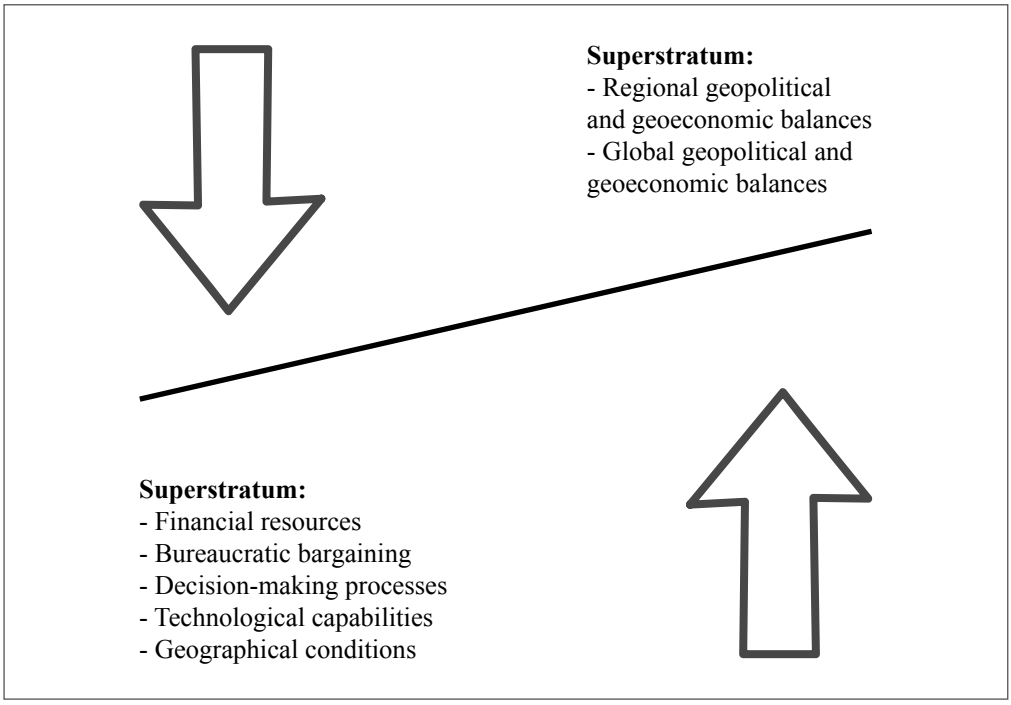
Introduction

Nowadays, the global political and economic power shift "from the West to the rest," the strategic competition between the U.S., China, Russia, and the EU, and the geopolitical and geoeconomic moves of regional middle powers are becoming more prominent approaches in the analysis and study of the large energy and transportation projects and initiatives in the world, especially in the Eurasian geography. This approach involves looking at connectivity projects in energy and transportation from the top, meaning from the layer of global and regional power balances and power dynamics (top-down approach). However, there is another sublayer beneath the regional and global layer that directly affects the feasibility of connectivity projects in energy and transportation. The current article will reveal the importance of approaching the issue from this sublayer defined as the "microfoundations" based on a bottom-up approach applying the case study analysis method based on qualitative and quantitative data from secondary sources.

The criteria that formed the basis in the selection of cases are as follows: (a) the case must be among the energy and transportation connectivity projects of the Eurasian geography where the bipartite concept of connectivity has emerged; (b) equal distribution of feasible and non-feasible cases with the discernible interaction of geopolitical and microfoundational factors; (c) evident reflection of one-sided and geopolitics-oriented narrative in the case's history with a neglect and overlooking of microfoundations; (d) the case should occupy a certain place in the relevant literature and media as a connectivity initiative/project that goes beyond the mere official declaration and serious efforts should have been made for its realization.

A macro perspective with the geopolitical overemphasis on regional energy and transportation connectivity can potentially lead us to overlook the specific microfoundational factors and components that determine, condition, and shape the feasibility and viability of connectivity initiatives. The emphasis on the lower layer or microfoundations does not mean denying the importance of the upper layer or regional and global geopolitical and geoeconomic concerns. What is intended to be accented here is that in order for connectivity projects in energy and transportation to move beyond being propaganda elements in official rhetoric and evolve into a realizable and applicable process, the parameters of both the lower and upper layers must be in balance and meet the appropriate conditions. Therefore, the implementation of energy and transportation connectivity projects and initiatives follows a system of parameters and prerequisites within a multilayered reality. (Fig. 1)

Figure 1. The Multilayered Structure of Connectivity Projects (proposed by author)



Theoretical Framework of the Microfoundations Approach to Connectivity Projects in Energy and Transportation

The concept of microfoundations used and defined in this article is not entirely identical to the concept of microfoundation used in microeconomics and management science. The concept of microfoundations used in the article entails the factors, parameters, conditions, and influences that are (1) smaller in scope and scale than regional and global processes; (2) directly related to the content and implementation of the connectivity project; (3) not directly political and more technical in nature; and (4) can sometimes establish organic interconnections with the upper layer or macrofoundations, and sometimes exist autonomously from the upper layer. This definition has been specifically developed and conceptualized for this article.

If we review the existing literature, according to Foss, "microfoundations refer to the search for a reductionist approach in social science and management theory that will enable what is happening at a certain aggregate, macro or collective level to be understood in terms of what is happening at lower levels."[1] In this

reductionist approach, lower-level entities, components, elements, and their relevant behaviors are taken as inputs and the mechanisms that transform these inputs into what is being explained at a higher level are emphasized. There is clearly a methodological individualism in this approach and the concept of microfoundations can be considered as a level dominated by individuals. The conceptual framework used in this article only partially accepts the conceptualization used in management science and microeconomics with the dimension of "explaining the macro with the micro." The article also adopts the concept of microfoundations as processes and parameters that emerge both at the individual level and at the level of companies and even states.

Felin, Foss, and Ployhart argue that microfoundations can be considered as a level of analysis where lower units or components explain the content and change of large phenomena.[2] For example, the decision on a syndicated loan to any connectivity project in energy and transportation can be elucidated by the behavior or decisions of each participating lender. Felin, Foss, Heimeriks, and Madsen propose the following definition for the concept of microfoundations:

> …theoretical explanation, supported by empirical examination, of a phenomenon located at analytical level N at time t (N_t)…A baseline microfoundation for level N_t lies at level N-1 at time t-1, where the time dimension reflects a temporal ordering of relationships with phenomena at level N-1 predating phenomena at level N. Constituent actors, processes, and structures, at level $N\text{-}1_{t\text{-}1}$ may interact, or operate alone, to influence phenomena at level N_t…Actors, processes, and structures at level $N\text{-}1_{t\text{-}1}$ also may moderate or mediate influences of phenomena located at level N_t or at higher levels (e.g., $N+1_{t+1}$ to $N+n_{t+n}$).[3]

This means that the upper and lower layers of the phenomenon interact with each other equally, without one having superiority over the other; however, the elucidation of the changes and contents of the upper layers should engage lower layers of the phenomenon.

As an application of the microfoundations approach to the connectivity realm, the current article proposes a trial of a new analytical framework or perspective. The content, form, mode, and sustainable implementation of the connecting lines established between nodes "A" and "B" can be partly considered the output of the geopolitical processes and great power struggle over the connection lines or connectivity initiatives in transportation and energy (we have only two nodes in this simplified model). However, it also directly depends on the technological, economic, environmental, social, and political events and developments experienced at points "A" and "B":

$$C = f(N)$$

(where "C" is a connectivity and "N" is a node that can be more than two)

Connectivity in the field of energy and transportation are processes that occur between supply and demand points (nodes). Therefore, not only the geopolitical processes and emerging risks experienced in the connectivity lines and routes, but also the changes and transformations in the microfoundations at these supply and demand points significantly determine the fate of connectivity projects in the field of energy and transportation. The multilayer structure of energy and transportation connectivity incorporates multi-actor and multifactor reality and interaction between macro- and microelements.

The microfoundations approach anticipates the empowerment of companies, households, and individuals in addition to nation-states in the decision-making and fulfillment phases of the connectivity initiatives and projects. It partly overlaps with Nye's concept of "the diffusion of power from states to non-state actors."[4] Nye argues that states can't completely command "the structural power of market forces of supply and demand" under the framework of sensitivity and vulnerability interdependence.[5] As power diffuses alongside power transition "from the West to the rest," decision-making processes become more complex, actors' behavior becomes more chaotic, and the nature of power becomes more contextual. For example, we observe a strong presence not only of Western but also of Chinese construction companies and financial institutions involved in the implementation of connectivity projects in Eurasia. Another concrete example is the Channel Tunnel as a connectivity project between the UK and France that had a complex and multi-actor construction phase and project management system comprising ten private design and construction firms, five private banks, Deutsche Bahn, Eurostar, DB Schenker, Europorte, and railway undertakings.[6] This reality increases the number of actors with diverged interests and networking combinations in the various phases of connectivity projects such as the construction, project financing, and bureaucratic bargaining phases.

The growing role of social networks, propagation of capabilities in the age of globalization, and wider participation opportunities via information technologies diffuse the power from the realms of geopolitics and geo-economics to micro and less hierarchical layers of decision-making dominated by non-state actors. Also, people and their organized social systems often exhibit elements of randomness in their decisions and judgments rather than systematic patterns. The lack of power concentration, the existence of power diffusion, and the randomness in human decisions and judgments are crucial factors in microfoundations of connectivity that slowly crowd out and supersede geopolitical overemphasis.

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We can conclude from Nye's contributions that not only nation-states, but also non-state actors reproduce power from the function of the hub in connectivity and communication. This approach doesn't overlook the role of nation-states in connectivity initiatives even in the age of information technology and globalization. In fact, as a result of the "economies of scale" effect and the accumulated material resources, states have the whip hand over non-state actors. However, the microfoundations approach and the power diffusion environment envisage a gradual adjustment of power asymmetries between states and non-state actors in the connectivity realm.

In the International Relations (IR) discipline, foreign policy analysis (FPA) literature introduces the concept of microfoundations from the individualist or actor-specific perspective in the decision-making process. Hudson and Day argue that the deficient concentration on microfoundations through agent-based patterns in the agent-structure dichotomy will cause a theoretical vacuum and setback in the comprehension and elucidation of interruptions in phenomena from IR, foreign policy analysis, and the broader social science perspective.[7] Walker, Malici, and Schafer emphasize microfoundations as the "beliefs of individuals-as-actors," including the "belief systems and risk orientations" of leaders and small groups.[8] These definitions and explanations in the existing FPA literature are not sufficient and comprehensive for appropriately

operationalizing the concept of microfoundations in the connectivity realm. One of the techniques for the operationalization of the microfoundations concept in energy and transportation connectivity could be the decomposition of the phenomena into components and actor-specific sub-elements revealing particular variables.

The Components and Actors of Microfoundations in Connectivity

Microfoundations as micro-level factors could interrelate with macro factors (such as geopolitical, political, security, and strategic factors) and sometimes emerge autonomously in the realization of connectivity projects and initiatives such as transportation corridors, transportation networks, energy transmission lines, energy export infrastructure, and so-called energy hubs. The microfoundations of regional connectivity projects and initiatives in transportation and energy could potentially be as follows:

a) Supply and demand dynamics, the emergence of new supply and demand points in various economies, and expected business cycle-related crises in the supply and demand points (e.g., pitfalls of EU-China and EU-India trade and investment relations that can determine new energy and transportation corridors in Eurasia).

b) Behavioral patterns, the level of compliance, interactions, and bargaining processes between relevant bureaucratic structures and multifarious representatives of formal and informal networks, and interest groups overlapping with the "bureaucratic politics model" theory.[9] Also, we could take into account the role of transformations and changes in human and institutional behavior in connectivity projects and initiatives.

c) The realization of connectivity projects could be influenced by the socio-economic, technical, and financial feasibility of regional connectivity projects; financing mechanisms and the projects' timing; the condition of the central budgets (budget constraints), the government's procyclical or countercyclical fiscal policies, and the phases of the budget cycle.

d) The preferences, interactions, behavioral attitudes, key decisions, perceptions, and capacities of the private sector firms and other non-state actors regarding foreign trade and external financing, sensitivities towards risk-taking and cost-benefit balance, and technological changes and innovations.

e) Volatility in energy prices (e.g., oil prices); strategic transformations related to green energy and energy transition; and the impact of the hydrogen energy and the shale oil and shale gas revolution on connectivity projects such as dual-use oil-gas pipelines.

f) The increasingly complex structure of transportation networks in terms of modes (multimodal/unimodal/intermodal systems in sea, land, and air transportation) and the multi-stakeholder structure of the mega connectivity projects.

Actors in the microfoundational approach towards connectivity can include individuals and various levels of organized entities such as bureaucratic organizations and companies.

Actors in the microfoundational approach towards connectivity can include individuals and various levels of organized entities such as bureaucratic organizations and companies. The preferences of the companies participating in the import and export processes is one of the most important factors in the connectivity projects and initiatives from the demand perspective. At the same time, projects' cost, the stages of business cycles, the quality of energy carriers, changes in supply-demand balance, energy transition, and technological transformation are important processes in the connectivity from the supply perspective. The behavior and preferences of companies and individuals can determine the demand for further connectivity and related infrastructure needs. For example, energy efficiency, which relates to the consumption behavior of individuals and companies, can influence or determine energy import volumes and pipeline policies in the EU countries ("More demand, More infrastructure, More connectivity" principle).

Another issue we can underline in the context of microfoundations is the capabilities of private companies and non-state actors. Significant capabilities and capacities in energy and transportation connectivity projects have been accumulated within private sector companies including consulting groups, R&D, and technological innovation centers. For example, it is the capabilities of this country's shale gas and oil companies, such as hydraulic fracturing and horizontal drilling, that elevated the U.S. to a leading position in oil and gas production and exports, in addition to investments and incentives. The increasing importance of the U.S. as an oil-gas exporter in transatlantic energy geopolitics is a consequence of the shale gas and shale oil revolution led by U.S. companies.[10]

The future of connectivity in energy and transport will depend on geopolitical processes as well as the capacity of companies to adopt technological innovations and solutions. Therefore, the analysis of the technological power and capacity of companies such as Allseas (Switzerland), a contractor in the offshore energy sector's connectivity projects (subsea pipeline installation), or Halliburton (U.S.), which provides services related to oil wells, is necessary. These companies have accumulated enormous technological capacity in energy and can influence the realization of connectivity projects such as Russia's Nord Stream 2 Gas Pipeline.[11]

The shape of the new energy and transportation connectivity reality under regionalization and fragmentation trends will also largely depend on the companies and the solutions that they will develop. The fact that global production centers such as the U.S., EU, and China choose their supply points from geographies close to them (nearshoring) causes connectivity projects to cluster in certain regions. Also, there is a shift in bilateral trade and investment preferences that influence long-term connectivity towards countries with similar geopolitical stances (friend-shoring.)[12] Firms' exit strategies to reduce costs and risks from a microfoundational perspective are principal factors in the regional trends towards nearshoring and friend-shoring driven by states' geopolitical preferences, which partly determine the future connectivity path.

Geopolitical Considerations of Connectivity Initiatives and Projects

The geopolitical considerations of connectivity projects and initiatives globally and especially, in the Eurasia region can be: (a) the geostrategic and geo-economic importance of the regions; (b) political, military, and security affairs among states; (c) regional "mega integration" initiatives; (d) global and regional power shifts; and (e) multipolar order formation and the rise of China. For connectivity projects and initiatives to be feasible, both geopolitical considerations and microfoundations must be in appropriate conditions. Although geopolitical conditions exist for the implementation of connectivity initiatives in the field of energy and transportation, micro factors such as project financing and logistics

Connectivity initiatives in the field of energy and transportation are expected to strengthen bilateral and multilateral relations further through interdependence and outspread into other areas

feasibility must also be in favor of the initiative (macro-micro conflict). Geopolitical considerations and microfoundational factors could also trigger each other, either accelerating or disrupting the connectivity project.

Connectivity initiatives in the field of energy and transportation are expected to strengthen bilateral and multilateral relations further through interdependence and outspread into other areas ("peace pipeline," complex interdependence, spillover effects). In terms of the feasibility of connectivity projects in energy and transportation, geopolitical issues pave the way for the projects, bring them to the public agenda, and cause revisions in the implementation process. At the same time, microfoundations determine the conditions for the implementation of projects, being at least as important and decisive as macrofoundations.

Connectivity in energy and transportation sometimes budges in a changing process within the triangle of geopolitics, microeconomics, and macroeconomics. For example, attacks on ships in the Red Sea, the Gulf of Aden, and the Bab el-Mandeb Strait during 2023-2024 could reflect the formidable geopolitical power struggle taking place on the U.S., China, Russia, and Iran axis (geopolitical dimension). As a result, global shipping companies such as Maersk and energy companies such as Shell stopped shipments via the Red Sea, directed their ships to the longer African route via the Cape of Good Hope, and automatically increased transportation costs (microeconomic dimension).[13] Ultimately, this process resulted in the rise of energy and food prices and the risk of spiraling inflation (macroeconomic dimension). In this case, the microeconomic dimension incorporates microfoundational factors through the preferences of logistics companies that actively interact with the geopolitical momentum and cycle.

The long-term project cycles of connectivity initiatives in the field of transportation and energy may not be fully synchronized with the political or geopolitical cycles of regional processes. For example, the specific project cycles of the Middle Corridor and the cycle of the U.S.-China competition in the Central Asia region may diverge. The motivation of global and regional powers in connectivity initiatives in the field of energy and transportation should coincide with the motivation of transit countries to diversify their export routes. For the Central Asian and Caucasus countries to export more fossil fuels, domestic consumption must be met from more renewable local resources. For this reason, investments by financial management funds or energy companies of the EU and Gulf countries come to the fore. Since the aggressive foreign investment policies of Gulf companies such as ACWA Power, Masdar, and

Mubadala coincide with the investment needs of energy-rich countries such as Azerbaijan and Kazakhstan, and the energy security interests of the EU and U.S., more fossil fuel exports can be possible.[14] On the contrary, cycle mismatch may prevent the realization of connectivity projects passing through problematic transit regions.

Connectivity projects in the field of energy and transportation increase the bargaining power and geopolitical importance of relatively weak transit states in the corridor building process. Although there is a great need for the connectivity project in the field of transportation and energy in terms of geopolitics, ultimately the institutional capacity of transit countries and the microfoundational feasibility parameters of the project may be decisive in the fulfilment process. For example, the Development Road Initiative between Iran and Türkiye will depend on Iraq's institutional capacity to implement multiyear megaprojects. The "Crossroads of Peace" initiative which Armenia proclaimed as the official declaration to unblock communications in the South Caucasus requires the availability of microfoundational factors and regional geopolitical unanimity. We can now multiply the number of case studies to reveal the clash and nexus between microfoundations and geopolitical considerations.

Feasibility of Connectivity Projects in Transportation: Microfoundations vs. Geopolitics

Parameters of Connectivity Projects in Transportation

When we analyze the parameters of connectivity in transportation proposed by international organizations, we can observe the interaction between microfoundational factors/indicators and geopolitical considerations. The World Bank (WB) developed trade-based transport modelling parameters to carve out forecasts and various scenarios on the freight flows where five groups of parameters were used including the global economic condition, and the factors of geopolitics, the global energy transition system, industrial development, and transport system parameters. Only five out of the model's 28 indicators are related to geopolitics while the remaining factors are related to microfoundations such as the availability of terminals and border crossing points.[15] Also, the industrial development component overlaps with the article's model envisaging connectivity as a function of the developments in the "nodes" of demand and supply between connectivity lines.

The European Commission (EC) and the European Bank for Reconstruction and Development (EBRD) collaborated to prepare and publish a report in 2023

titled "Sustainable Transport Connections between Europe and Central Asia," in which authors identified and compared transportation corridors. The report evaluated transport corridors in Central Asia by applying five sustainability components under the framework of the "multi-criteria assessment" (MCA). These components were:

1) Country assessment (economic-fiscal outlook, political viability, legal-regulatory environment)

2) Traffic assessment (potential transit trade volumes, trade facilitation measures, non-tariff barriers)

3) Infrastructure assessment (capacity of the transport network, infrastructure performance and efficiency, planned upgrades)

4) Social-environmental assessment (environmental impact of route operations, commitment to sustainability, safety and security of route operations, environmental and social issues)

5) Economic integration assessment (domestic and regional connectivity enhancements) [16]

Only 10% of almost 50 subcriteria were related to political and geopolitical variables, while the remaining sub-indicators were directly related to the microfoundations of the connectivity corridors. For example, traffic assessment criteria cover microfoundational subcriteria such as mode of cargo transportation, number of border crossings, the presence of a "single window" system, the level of digitalization, and inspection and certification procedures. Country-level and infrastructure assessment criteria include subcomponents such as the enactment of treaties and conventions that envisage bureaucratic bargaining as a microfoundational parameter, institutional governance, regulations, procurement systems, time-cost equilibrium, and operational performance.

The Middle Corridor (MC)

Based on the MCA framework, the EC/EBRD report identified the total investment needed to substantially enhance the interoperability of the Middle Corridor (MC) transport network to be around €18.5 billion which requires collaboration with financial institutions. This investment will be allocated for microfoundational measures such as "the modernization of the railway and road

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networks, expanding the rolling stock, enhancing port capacity, improving border crossing points, and developing multimodal logistics centers and auxiliary network connections."[17] The MC represents the relevant case study on the clashes between geopolitical considerations and microfoundations.

The MC, a multimodal transportation route linking China with Europe through Kazakhstan, the Caspian Sea, Azerbaijan, and Georgia, has garnered higher focus after Russia's incursion into Ukraine. The Western actors considered the MC as an alternative corridor with China to diminish the logistical dependence on Russia. At the same time, the MC had a huge potential to diversify the export baskets of the corridor states such as Kazakhstan, Azerbaijan, and Georgia. Despite the growing interest by stakeholders in the MC after geopolitical processes in Eurasia, the WB report has identified a long list of technical barriers and challenges related to the microfoundations that decelerate the effectiveness and timely implementation of the corridor. These include:

1. The lack of corridor coordination/management systems
2. Restricted and fragmented digitalization in the ports
3. Problems in data and information exchange in the railways
4. Poor operational efficiency at ports and border crossing points
5. Bottlenecks at maritime services and rail networks
6. Shortage of vessels and errors in shipping documentation
7. High prices of transport and time unpredictability in deliveries
8. Lack of digital tracking systems for shipments
9. Critical issues with transshipment processes
10. Limited container shipping capacity on the Baku-Aktau route
11. Long cargo dwell times due to high wind speeds
12. Poor port-rail connections and challenges in last-mile delivery
13. Dropping level of the Caspian Sea and needs for port dredging
14. Poor quality of logistics centers in the transit states
15. Lack of internal transport links and capacity problems
16. Uncompetitive shipping rates and port tariffs for containers[18]

Notwithstanding that the WB predicted the tripling of cargo traffic throughout the MC via the Caspian Sea by 2030, this depends on the operational performance of the connectivity subsystems (land, maritime, and railway connections) related to the microfoundations. In 2019-2021, the Northern Corridor (NC) through Russia

and Belarus managed more than 86% of land traffic between China and Europe, whereas the MC only accounted for less than 1% of the total traffic capacity. In the best-case scenario, the MC is expected to surpass the NC in terms of EU-China transit volumes by 2030, with the MC handling 2 million tons and the NC handling 12.5 million tons of cargo.[19] The ongoing geopolitical developments alone don't guarantee the total shifting balance between the MC via the Caspian Sea and the NC via Russia and Belarus. Even if the geopolitical processes such as the Russia-Ukraine war and instability in the Red Sea basin bolster the MC, the sound microfoundations such as cost, duration, capacity management issues, and technical parameters of connectivity could favor the Northern Corridor from China to Europe.

The Northern Sea Route (NSR)

China officially declared the "Arctic or Polar Silk Road" initiative in 2017 as a part of the Belt and Road Initiative (BRI).[20] The "Polar Silk Road" or the Northern Sea Route (NSR) was an alternative connectivity initiative or transportation corridor between China and Europe using the Siberian coasts of the Arctic. Cargo or container shipments from the ports of Shanghai to Hamburg using the NSR can take 18 days, compared to 35 days for the traditional Middle East route through the Suez Canal, or 45 days if rerouted around the Cape of Good Hope.[21] The NSR initiative was launched due to a combination of factors. These include:

a) The microfoundational motivations of companies, such as saving time and reducing costs in cargo transportation, played a significant role in the initiative.

b) The repercussions of climate change, such as the melting of ice in the Arctic area, have unlocked new opportunities for ship navigation.

c) China's geopolitical motivations to bypass congestion in the Malacca Strait, and Russia's motivation to control an alternative transportation corridor between Asia and Europe, also promoted the initiative.

The geopolitical dimension impacted the feasibility of the NSR differently during 2022-2024. Russia's military intervention in Ukraine weakened the position of any transportation corridor where Russia

The geopolitical dimension impacted the feasibility of the NSR differently during 2022-2024. Russia's military intervention in Ukraine weakened the position of any transportation corridor where Russia facilities due to Western sanctions.

facilities due to Western sanctions. Simultaneously, Yemen's Houthi rebel groups, supported by Iran militarily and technically, launched attacks on commercial ships in the Red Sea and the Bab el-Mandeb Strait in 2023-2024, making this route unsafe even for Chinese ships (despite some statements of "positive discrimination" by the Houthis in favor of Chinese ships).[22] When the transportation corridors via the Middle East were rendered insecure, the NSR came to the fore again by the Chinese, Russian, and even some Western and Asian states and private sector actors. However, certain underlying microfoundational factors regarding the NSR once again hindered the feasibility of this transportation corridor, in addition to the geopolitical rivalry between the West, China, and Russia. These include the following factors related to the microfoundations of the NSR:

a) Norway's Kirkenes port, which could be the European end of the NSR for Chinese cargo or container ships, does not have any reliable railway connections with Finland and the entire railway network of Europe. The governments of Finland expressed concerns on (i) the profitability of the railway connection with Kirkenes port; and (ii) the risks for the local ecosystem of indigenous Sami people in the region.[23]

b) There are some uncertainties for the Chinese logistics companies in the NSR. First, despite the melting ice in the Arctic, the schedules for the ship navigations are not predictable as they depend on climatic conditions. Second, Russia imposes high tariffs and service fees on Chinese ships for utilizing the services of icebreakers.[24]

c) Russia's Arctic development strategy that intended to promote the NSR is facing significant challenges. To maintain the planned levels of shipping (80 million tons) along the NSR, 200 ice-class vessels are urgently needed. Even in the absence of restrictions such as the threat of secondary sanctions, Korean and Chinese shipyards are currently loaded with orders until 2028-2029.[25]

d) The large Western transport and logistics companies disapprove to use of the NSR because of the further ecological risks such as emissions of black carbon and potential fuel spill accidents leading to the degradation of biodiversity.[26]

The example of the NSR clearly demonstrates that the nexus between geopolitical and microfoundational factors that determine the feasibility of connectivity initiatives and projects is not one-sided but, instead, that they interact with each other.

The Zengezur Corridor (ZC)

The Zengezur Corridor (ZC) initiative emerged after the 2020 Karabakh War to connect Azerbaijan and Central Asia with Türkiye[27] and EU countries via Armenia. In addition, transport routes to Russia and Iran can be activated in full integration with the corridor. The operation of the ZC would contribute to the interconnection between the East-West and North-South transport corridors, boosting the transit and logistics potential of the region.

One of the main dimensions and indicators of the regional energy and transportation initiatives from the microfoundational perspective is the availability of adequate financial resources for the realization of connectivity projects. In the case of the ZC, the resources of the financial institutions and the state budget of Azerbaijan ensure the smooth realization of the connectivity from the microfoundations aspect. The oil-gas revenues and traditional budget surplus of the state of Azerbaijan accelerated the realization of the infrastructure base of the ZC. The country has a strategic foreign exchange reserve of approximately US$70 billion, which corresponds to an expected GDP amount for 2024.[28] Approximately US$7 billion of financing has been allocated from the 2024 budget of Azerbaijan's government to the reconstruction of the infrastructure of the regions liberated from Armenian occupation in 2020, including the relevant infrastructure of the ZC.[29] Yet, the microfoundations are not sufficient for the timely completion of connectivity initiatives in transportation.

Despite the fact that strong microfoundations exist in the ZC initiative (e.g., access to financial resources, great incentives for private logistics companies to exploit the corridor, the existence of old railway and highway infrastructure that require only restoration in some areas), the negative impact of geopolitical considerations (e.g., Iran's direct opposition,[30] Georgia's indirect opposition, the discord between Russia and Armenia on the security of the connectivity) did not guarantee the smooth completion of the ZC initiative in 2020-2024. However, the presence of strong microfoundational ground could potentially accelerate consensus-based solutions that could pave the way for full implementation in the near future.

The International North-South Transport Corridor (INSTC)

An intergovernmental agreement on the forming of the International North-South Transport Corridor (INSTC) was signed between Russia, Iran, and India in 2000.[31] The Iranian portion of the INSTC connectivity project (Gazvin-Rasht-Enzali-Astara) could not be completed technically, financially, and

bureaucratically because of Iran's reluctant position and financial hurdles due to U.S. sanctions. However, there were favorable geopolitical conditions, especially, after the war in Ukraine that forced Russia to look for alternative connectivity routes. The lag in the development of the Iranian railway network does not allow for the delivery of containers at high route speeds under the INSTC. In 2023, the Russian state announced that it would allocate €1.3 billion in financing for the Rasht-Astara Iran railway connection project. The railway section Rasht-Astara, only 170 km in length, is needed to connect the land sections of the INSTC.[32] However, microfoundational factors such as bureaucratic interactions based on bargaining, the lack of access to financial resources, and technical challenges stemming from the restrictions by the sanctions on the resource-rich economies of Russia and Iran adjourned the full realization of the project.

Feasibility of Connectivity Projects in Energy: Microfoundations vs. Geopolitics

Parameters of Connectivity Projects in Energy

In the energy (oil-gas) sector, proposals for connectivity projects, such as the construction of new pipelines, usually arise in three situations: (a) when a sufficiently large supply of oil-gas surplus needs to be brought to market (unrealized supply); (b) when oil-gas resources are insufficiently or not available at all to a sufficiently large customer market (unmet demand); and (c) when a major oil-gas resource and a major market are close enough geographically to make it worthwhile financially or technically to connect (proximity-driven rationality). For the oil-gas pipeline to work as a value chain, each component that can be also classified as a microfoundation, must be in place. The necessary components or parameters of oil-gas pipelines as connectivity projects are as follows:

1. Oil-gas resource (Reserves)
2. Specific and definite oil-gas supplier (Seller)
3. Functional oil-gas realization platform (Market)
4. Specific and definite oil-gas consumer (Buyer)
5. Contract type for fossil fuel production from oil-gas fields (e.g., PSA vs. concession contract)[33]
6. Pipeline route determination and technical feasibility (Design/ Engineering)

7. The organization or company operating the pipeline on a daily basis (Operator)
8. Government authorizations for pipelines passing through transit countries (Permits)
9. The level of oil-gas prices (Quote)
10. Oil-gas transportation fee (Tariff)
11. Construction companies building the oil-gas pipeline (Constructor)
12. Financial institutions financing the oil-gas pipeline (Investor)[34]

The Trans-Caspian Gas Pipeline (TCGP) Project

The aforementioned microfoundational components for oil-gas pipelines, which are an example of an energy connectivity project, will be applied to the Trans-Caspian Gas Pipeline (TCGP) case that envisaged the export of Turkmen gas to Europe via the Caspian Sea, Azerbaijan, Georgia, and Türkiye. During the energy crisis that Europe faced after 2021, the export of Turkmenistan's gas to Europe was more frequently on the top official and public agenda. The TCGP project could be an important infrastructure for this purpose.

During the energy crisis that Europe faced after 2021, the export of Turkmenistan's gas to Europe was more frequently on the top official and public agenda.

1. Oil-gas resources (Reserves): Turkmenistan ranks fourth in the world after Russia, Iran, and Qatar with gas reserves of 13.6 trillion cubic meters as of 2020, which amount to more than 7% of the world's total known gas reserves while the reserve-production (R/P) ratio is considered 230 years.[35] Turkmenistan theoretically possesses adequate gas reserves to fill multiple pipelines in various directions including the potential TCGP. However, we do not know how much of Turkmenistan's gas resources it would be economically and technologically feasible to extract from underground and market abroad. Additionally, we must consider that the country's gas consumption increased by 120% during 2009-2022.[36] Increasing domestic gas consumption reduces the gas volumes that the country can sell abroad.

2. Specific and definite oil-gas supplier (Seller): The Turkmengaz State Company carries out the exploration, production, preparation, transportation, and processing of gas. Turkmengaz supplies gas from

large fields such as Dovletabat, Yashlar, Galkynysh, and Bagtyyarlyk to China, Russia, Iran, and even Azerbaijan.[37] However, China National Petroleum Corporation (CNPC) dominates Turkmenistan's gas sector as a major partner of Turkmengaz in upstream and midstream components.

3. Functional oil-gas realization platform (Market): European countries that consumed an average of 566 billion cubic meters of gas annually in 2003-2023 can be considered as a potential market for the Turkmen gas. But the gas consumption decreased 2% in the European market between 2013 and 2023.[38] Moreover, although Europe will need Turkmen gas in the medium term to compensate for Russian gas,[39] EU states have committed to limiting their consumption of fossil fuels in the long term, considering urgent environmental considerations.[40]

4. Definite oil-gas consumer (Buyer): Suppliers, traders, and shippers that are responsible companies (e.g., OMV, MVV Trading, Uniper, Kelag, Engie, REPOWER, EBN) for "buying and selling gas at virtual or physical points on an energy trading platform or bilaterally with other traders,"[41] can act as a specific buyer of Turkmen gas in the European market. But their active participation in the gas import transactions with Turkmenistan depends on other microfoundations such as gas volumes, prices, transit fees, and other related determinants that will determine private companies' behavior.

5. Contract type for fossil fuel production from oil-gas fields (PSA vs. concession contract): The State Agency for Management and Use of Hydrocarbon Resources of Turkmenistan and the CNPC signed a PSA for the Bagtyyarlyk gas field in 2007 for more than 30 years.[42] However, the conditions of the production sharing aren't clear for major gas fields of Turkmenistan and therefore, it is challenging to evaluate the "free gas reserves" at Turkmengaz's disposal which the company can canalize to export.

6. Pipeline route determination and technical feasibility (Design/ Engineering): A detailed feasibility study of the TCGP project has not yet been conducted with the participation of energy companies. Therefore, the pipeline's precise route hasn't been determined yet. Meanwhile, the EC announced the TCGP as a "project of common interest" (PCI) describing it as follows: "[An] [o]ffshore pipeline in the Caspian Sea with a length of 300 km and an ultimate capacity of 32 billion cubic meters annually."[43] The Trans Caspian Resources Inc. proposed the connectivity project of

the 78-kilometer Trans-Caspian Interconnector between Turkmenistan and Azerbaijan.[44]

7. The company operating the gas pipeline on a daily basis (Operator): The operator company will be identified when the pipeline initiative will proceed into the tangible realization stage. Turkmengaz can insist to function as a project operator, or it can hand out this function to the foreign companies. It depends on the share of foreign companies in the project, finance conditions, and the tough negotiations among domestic and external actors.

8. Government authorizations for pipelines passing through transit countries (Permits): The heads of state of the Caspian Sea littoral countries signed the "Convention on the Legal Status of the Caspian Sea" in Aktau in August 2018. However, the Convention has not resolved fundamental geopolitical disputes regarding the legal status of the Caspian Sea.[45] The environmental clauses in the Convention require all littoral states to reach a consensus on key underwater infrastructure projects.[46] The continuous disputes among littoral states on the seabed deteriorated the determination of a clear transit route for the Turkmen gas in the Caspian Sea. The production and transportation of the gas from the Dostluq oil-gas field shared between Turkmenistan and Azerbaijan will require finance, technology, leadership, and bureaucratic negotiations in addition to the geopolitical context.

9. The level of oil-gas prices (Quote): Gas prices can be determined daily in spot markets, or through long-term gas sales agreements between the Turkmen state-owned gas firms and potential buyers in the European market. It is uncertain how Turkmen authorities will behave with Western consumers in terms of gas pricing. But we know that Turkmenistan had a series of gas conflicts with Iran and Russia to determine and revise gas prices,[47] and EU states don't intend to sign long-term gas purchase contracts with gas-exporting countries.

10. Oil-gas transportation fee (Tariff): The gas transportation fee or tariff will be defined in the realization phase, but it will be subject to long and non-easy negotiations between the Turkmen government, state-owned oil-gas companies, and transit countries' governments and companies. The gas exporting process often is accompanied by consecutive conflicts among seller, buyer, and transit countries on the transit fees.

11. Construction companies building the oil-gas pipeline (Constructor): Constructor companies have not been identified yet, because of uncertainties in the project's implementation. But the performance of these companies will determine the high-quality and on-time completion of the pipeline project. The volume of Turkmen gas to be exported, the capacity of the new pipeline, and who will build this new pipeline are points of uncertainty.

12. Financial institutions financing the oil-gas pipeline (Investor): It is not yet clear which states, private companies, and international financial institutions (IFIs) will finance the TCGP. To gain access to the financial resources, the TCGP project should be technically and economically justified. IFIs are now less enthusiastic about financing oil and gas infrastructure projects because of commitments to limiting GHG emissions.

Table 1: Feasibility of Energy Project in Terms of Connectivity Parameters' Certainty

Parameters	Trans-Caspian Gas Pipeline (TCGP) Project
1. Gas reserves	Medium certainty
2. Gas seller	High certainty
3. Gas market	Medium certainty
4. Gas buyer	Low certainty
5. Contract type (PSA)	Medium certainty
6. Route, design/engineering	Medium uncertainty
7. Operator company	High uncertainty
8. Permits and licenses	High uncertainty
9. Gas prices	Medium uncertainty
10. Transportation fee tariff	High uncertainty
11. Constructor company	High uncertainty
12. Investor (public/private)	High uncertainty
Final assessment: Non-feasible connectivity project because of the high and medium uncertainty of 7 out of 12 connectivity parameters	

We can conclude that the future of the TCGP project depends not only on the geopolitical power struggle in the Caspian Sea, Caucasus, and Central Asia among global and regional players.[48] It also depends on the scale of China's gas imports from Turkmenistan, the trends in gas demand of the EU and Türkiye, Turkmenistan's increasing domestic gas demand, the capacity of gas export pipelines, and the availability of capacity-enhancing investments from financial actors. Issues concerning the microfoundations of the project (see Table 1), such as the level of ongoing uncertainties regarding the project financing, the change in the gas volumes that can be supplied by this pipeline, and the portion of the Turkmen gas reserves that can be extracted with technical and economic feasibility, are at least as important as geopolitical processes in the region.[49]

The Nabucco Gas Pipeline (NGP) Project

Also, the Nabucco Gas Pipeline (NGP) project can be examined as a relevant case to reveal the interaction between microfoundations (project financing) and geopolitical matters. The NGP project was undertaken in the early 2000s to reduce Europe's dependence on Russian gas by creating a new route for gas from the Caspian Sea region to Europe. The proposed NGP project was intended to stretch approximately 3,300 kilometers across multiple countries, with the route transiting through Türkiye, Bulgaria, Romania, Hungary, and Austria. However, unfavorable geopolitical conditions and several adverse microfoundational factors contributed to its failure including,

- political differences and bureaucratic bargaining processes within and among participating sides;
- lack of consensus and common approach towards the pipeline among private sector actors;
- financial problems (the initial cost estimates for the pipeline were around €5 billion, but had risen to €17 billion in the later stage;[50]
- lack of gas suppliers (expected gas sources such as Azerbaijan, Turkmenistan, and potentially Iraq and Iran were uncertain);
- geopolitical and economic competition from other gas pipeline projects (e.g., the Trans Adriatic Pipeline);
- uncertainties in transit issues including transit fees;
- technological complexities and environmental challenges;
- regulatory hurdles such as the EU's energy directives aimed at separating the generation, transmission, and supply of energy.

Ultimately, the pipeline project faced such a complex combination of financial, political, market, and technical issues that the project's economic and strategic

viability was seriously questioned. The mismatch between geopolitical momentum and the project-level cycle led to the failure of the energy connectivity project.

Conclusion

This article has applied the case study analysis method and unlocked the solid patterns of various transportation and energy projects and initiatives in terms of divergence between geopolitical momentum and microfoundational factors. The impact of technological and environmental factors on connectivity projects in the field of energy and transportation was also considered. In the energy realm, the TCGP and NGP projects can be considered as an example where we could observe that geopolitical conditions and microfoundations (financing, gas reserves, status of gas fields) collide with each other. In the transportation sector, the MC, the INSTC, the ZC, and the NSR, as the relevant cases, revealed the importance of congruence between the superstratum and the substratain the multilayer reality of connectivity.

Table 2: Feasibility of Energy and Transportation Connectivity Projects and Initiatives in Eurasia

Project/Initiative	Geopolitical Considerations	Microfoundations	Feasibility
Middle Corridor (MC)	+	+ -	feasible
Northern Sea Route (NSR)	+	-	non-feasible (partly)
Zengezur Corridor (ZC)	+ -	+	feasible
North-South Transport Corridor (INSTC)	+	+ -	feasible
Trans-Caspian Gas Pipeline (TCGP)	+ -	-	non-feasible (partly)
Nabucco Gas Pipeline (NGP)	-	-	non-feasible (fully)

Explanatory and Methodological Note: In this attempt at subjective evaluation, (+) means geopolitical considerations or microfoundational dimension are in favor of the project/initiative, while (-) means geopolitical considerations or microfoundational dimension are not in favor of the project/initiative.

Table 2 summarizes the probationary and tentative feasibility assessment of energy and transportation connectivity projects and initiatives vis-à-vis the conflicted interaction between microfoundations and geopolitics. Geopolitical cycles and microfoundational factors favored some projects and initiatives, simultaneously making these connectivity lines relatively feasible (MC, ZC, INTSC). For some other energy and transportation connectivity projects/initiatives, geopolitical matters and microfoundational elements collided and desynchronized, making these endeavors relatively non-feasible (NSR, TCGP, NGP).

Microfoundations can lead to power diffusion and power penetration in connectivity projects and initiatives from states to non-state actors such as companies, various interest groups, and individuals. Academics and analysts working on connectivity in energy and transportation as an epistemic community adopt a more geopolitical perspective on the issue. The representatives of private sector companies in this field highlight the technical feasibility and cost-benefit aspects of huge connectivity projects. Representatives of bureaucratic systems give priority to issues such as organizational interests and the "superior interests" of the state. The level of harmony between interacting bureaucrats, private sector representatives, and other non-state actors of the supplier, transit (or corridor), and recipient countries is also key to the feasibility of regional connectivity initiatives in the field of energy and transportation.

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ARTICLE

The Global Rivalry over Strategic Connectivity and the Emerging World Order: A View from Türkiye

Tuba ELDEM *

Abstract

The 21st century has witnessed the emergence of strategic connectivity as a pivotal domain in global politics, where infrastructure initiatives embody broader geopolitical ambitions. Central to this paradigm shift is China's Belt and Road Initiative (BRI)—an extensive program encompassing a network of transportation routes, energy pipelines, digital infrastructures, and socio-economic engagements. This ambitious project, aiming to create a multifaceted matrix of global interconnectivity across continents and domains, has catalyzed an array of competitive and complementary initiatives from international actors, giving rise to a new era of "competitive connectivity,". This paper examines the concept of strategic connectivity, showing how it qualitatively differs from earlier forms of global interdependence. Through a comparative analysis of major connectivity strategies—such as China's BRI, the EU's Global Gateway, and the G-7's Partnership for Global Infrastructure and Investment—the study explores their objectives, scope, and strategic priorities. In doing so, it identifies key areas of convergence, such as the emphasis on infrastructure development and digital connectivity, while highlighting divergences, particularly in governance models and geopolitical objectives. The paper contributes to ongoing discussions about the future of global power dynamics, highlighting a shift from traditional geopolitical competition to a new form of geostrategic rivalry centered around connectivity, where great and aspiring powers use their networks to influence the movement of goods, capital, energy, ideas, and people to their advantage.

Keywords

Connectivity, world order, Belt and Road Initiative, Global Gateway, great power competition, multipolarity

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Introduction

The world has been undergoing a profound and long-standing transformation. Scholars and analysts have used various terms such as multipolar,[1] post-liberal,[2] multiplex,[3] post-Western,[4] and post-American,[5] to capture the complex and multifaceted nature of this transformation. A central driver of the transformation, this paper argues, is the competition over strategic connectivity, namely the deliberate and competitive efforts to build, control, and dominate critical infrastructure and networks that enable the flow of goods, energy, information, and people across borders. These connectivity networks include not only traditional physical infrastructures such as transportation routes, energy pipelines, trade corridor, and logistics hubs, but also increasingly digital assets and networks like undersea fiber-optic cables, satellite systems, 5G mobile networks, digital payment systems, and data centers. These networks are vital for the movement of goods, resources, information, and people, making them highly strategic assets. Control over such infrastructure can be transformed into significant political and economic leverage, potentially leading to what Farrell and Newman describe as "weaponized interdependence."[6]

The concept of weaponized interdependence underlines the dual nature of connectivity, signifying a departure from the classical liberal understanding of complex interdependence which underscores the opportunities created by interconnectedness. While complex interdependence increases cooperation, it also creates points of dependence where states can be coerced or sanctioned by other actors who control critical infrastructures or networks. Actors that dominate critical nodes in these interconnected systems (whether in energy, finance, technology, or logistics) can use this dominance as leverage, coercing others by disrupting or manipulating the flows of resources, information, or capital. Russia's use of energy supplies to pressure European states or the U.S. sanctions on Iran and Russia via global financial networks are clear examples of weaponizing global interdependencies for strategic gains. The concept of strategic connectivity thus involves not only competitive efforts to build and control networks to harness the opportunities of interdependence (economic growth, innovation, cooperation), but also incorporates those efforts to minimize the vulnerabilities that these networks can create by diversifying connections, building resilience, and reducing overdependence on any single actor. This dual focus—building influence through connectivity while protecting against its weaponization—reflects the evolving complexity of global power dynamics in an era of intense interdependence.

Recent geopolitical challenges, such as the COVID-19 pandemic, the war in Ukraine, and the intensifying U.S.-China rivalry, have accelerated the global competition over connectivity by dramatically reshaping transnational flows leading to rising concerns over geo-economic fragmentation. Firms and states began exploring strategies like near-shoring (moving production closer to home), friend-shoring (relocating supply chains to allied or friendly nations), and re-shoring (bringing production back domestically) to de-risk weaponization of interdependence. The recent research shows a significant decline in trade and FDI flows between countries from geopolitically distant blocs (e.g., U.S. and China) relative to flows between countries within the same blocs. Since Russia's full-scale invasion of Ukraine, trade between rival blocs has decreased by around 12%, while FDI flows have dropped by 20%.[7]

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The war in Ukraine has not only disrupted trade and investment flows, but has also showed how control over connectivity flows could be used by political actors as a tool of power and influence.[8] For example, the U.S. and EU have imposed sweeping sanctions on Russia, aimed at severing its access to global financial systems, energy markets, and technological inputs. Türkiye by invoking Article 19 of the Montreux Convention of 1936 has prevented warships, except those of non-belligerent coastal states, from passing through the Turkish Straits demonstrating the strategic leverage countries can exert over key chokepoints. This realignment of connectivity flows underscores that the ability to shape, direct, and control these flows—whether they involve physical goods like food, energy, or weapons, or non-material dimensions such as information, technology, and narratives—has become a key indicator of power and influence in the age of what NATO refers to as "strategic competition."

This argument is substantiated in the following order. First, the concept of strategic connectivity is conceptualized and operationalized by highlighting how it qualitatively differs from previous forms of connectedness. The second section examines various connectivity initiatives by exploring how various global actors, such as China, Japan, the U.S., the EU, and Türkiye, interpret

and implement connectivity differently, reflecting their unique geopolitical objectives. The final section identifies convergences and divergences among competing projects and offers some policy recommendations for Türkiye.

Defining Strategic Connectivity

Although often used interchangeably, connection, connectedness, and connectivity represent distinct concepts in the context of international relations and global networks. While all three relate to the state of being linked or joined, each emphasizes different aspects of these linkages. Connection typically refers to a specific, direct link between two or more entities, such as electronic devices, individuals, or systems. It denotes a tangible relationship or point of contact. Connectedness emphasizes the quality and depth of these relationships. It reflects the experience of being connected, such as a sense of belonging or the strength of social ties within a particular context. In contrast, connectivity is broader and more systemic. It comes from the field of computing and focuses on the capacity or potential for connections, emphasizing the infrastructure, networks, or systems that enable these links. Connectivity, thus, highlights how connections operate within and influence larger structures or processes.

Connectivity is an important concept in several disciplines. In network science, it refers to the degree to which nodes, such as individuals, organizations, or devices, are connected to each other.[9] In neuroscience, it describes functional connections between different regions of the brain.[10] In computer science and information technology, it refers to the ability of devices in a network to exchange data and cooperate in processing information.[11] In sociology, connectivity often serves as a metaphor for social networks, describing interactions and relationships within and between organizations or groups. Kolb argues that attributes such as latent potentiality (the potential for future connections), temporal intermittency (the intermittent nature of connections), actor agency (the ability of entities to act independently), and unknowable pervasiveness (the inherent unpredictability of connections) make connectivity a compelling metaphor for understanding contemporary social relationships.[12]

In international relations, connectivity is often described as all the ways in which states, organizations, and societies are linked and interact globally, including physical and information flows, infrastructures, and sociocultural ties.[13] Parag Khanna, in Connectography, frames connectivity as a transformative force, a new paradigm where global power hinges on how well countries, cities, and regions integrate into vast infrastructure networks, such as roads, railways,

energy grids, and internet cables. He writes, "Connectivity is … how we make the most of our geography" and is "the most important asset class of the twenty-first century."[14]

Strategic connectivity, as a concept, builds on this contemporary understanding of connectivity by emphasizing the intentional and often competitive use of these linkages by political actors to achieve geopolitical and economic objectives. While traditional connectivity might focus on facilitating the free flow of goods, capital, and information, strategic connectivity highlights the power dynamics and strategic considerations underlying these connections as well as the inherent vulnerabilities arising through dependency and exposure to external shocks. Strategic connectivity thus implies that connectivity is no longer a neutral or purely beneficial phenomenon; instead, it is a tool used by states to shape the global order, gain strategic advantages, and project power.

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Connectivity, as a strategy, is fundamentally distinct from random or opportunistic connections, and from the earlier era of interdependence where, connections between states were primarily based on physical infrastructure with information flows being secondary to goods and capital. Digitalization has transformed strategic connectivity by amplifying the speed and complexity of global flows, shifting power dynamics to focus on control over intangible assets such as data, intellectual property, platforms, and algorithms, and introducing new vulnerabilities like cybersecurity risks. Nations and corporations now compete over the control of data flows and digital infrastructure, which are increasingly seen as more valuable than physical goods. The rise of platform economies (like Amazon, Google, and Tencent) and of surveillance capitalism reflects this shift from tangible to intangible assets. Unlike the earlier era of interdependence, where cooperation was key, today's connectivity is more about strategic competition—with states and non-state actors vying for control over critical infrastructures and networks, making power more fluid, contested, and decentralized than ever before.

Global Rivalry over Strategic Connectivity

Although the root of connectivity goes back to ancient trade routes, cultural exchanges, and migrations, which laid the groundwork for global interdependence long before modern globalization, the use of connectivity as a deliberate strategy is rather new.[15] Connectivity as a strategy was born in Asia and can be divided into three phases. Initially, connectivity was seen as a means to foster regional economic integration among the ten members of the Association of Southeast Asian Nations (ASEAN), namely Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam. ASEAN's "Connectivity Master Plan" launched in 2010 represents the ideas of classical liberal internationalism, where connectivity is utilized to promote peace, stability, and economic prosperity. Accordingly, it sought to address the gaps in regional infrastructure, reduce transaction costs, and increase economic opportunities for ASEAN member states by promoting the physical development of transportation networks, institutional, and people-to-people connectivity. The "Connectivity Master Plan" prioritized the development of transportation networks, the harmonization of regulatory frameworks, and the simplification of customs to promote trade facilitation.[16] It also focused on enhancing people-to-people exchanges through initiatives in education, culture, and tourism. Programs such as the ASEAN University Network (AUN) and the ASEAN Tourism Strategic Plan were established to foster greater intercultural understanding and collaboration among ASEAN citizens. In 2016, ASEAN updated its connectivity strategy with the "Master Plan on ASEAN Connectivity 2025" (MPAC 2025) with a stronger focus on digital connectivity, sustainable infrastructure, and institutional resilience.[17]

MPAC 2025 places a significant emphasis on digital integration, recognizing the critical role of digital technologies in driving economic growth and innovation. It supports the development of regional digital infrastructure, such as high-speed internet and cross-border e-commerce platforms, to facilitate seamless digital trade and connectivity. MPAC 2025 underscores the importance of sustainable infrastructure development, which includes promoting green growth, reducing environmental impacts, and integrating climate resilience into infrastructure planning. Projects under this framework include efforts to enhance energy connectivity through the ASEAN Power Grid and the Trans-ASEAN Gas Pipeline. MPAC 2025 continues to prioritize institutional connectivity by enhancing trade facilitation measures, harmonizing standards, and improving logistics and supply chain connectivity. This includes initiatives like the ASEAN Single Window for faster customs clearance and the development of a region-wide logistics network.

China's Belt and Road Initiative and the Construction of a "Community of Shared Destiny"

The paradigm shift in connectivity strategies was realized with the launch of the Belt and Road Initiative (BRI) by China in 2013.[18] The BRI represents a more ambitious and expansive vision of connectivity that goes beyond regional integration to create a new global spatial reordering. Referred to as the "Project of the Century," the BRI aims to connect multiple continents via land, sea, space, and cyberspace, positioning China as a central node in global networks.[19] The initiative spans more than 140 countries and is built on five pillars: policy coordination, infrastructure connectivity, unimpeded trade, financial integration, and people-to-people exchange.

The BRI is, however, not a single, coherent plan, but a loose collection of projects. The Silk Road Economic Belt focuses on reviving the ancient overland trade routes popularly known as the "Silk Road" that connected China with Central Asia, the Middle East, and Europe. It emphasizes infrastructure development, such as railways, highways, pipelines, and logistics hubs, to facilitate the movement of goods and services across the Eurasian continent. The economic belt consists of multiple corridors, including the China-Central Asia-West Asia Economic Corridor, which includes Türkiye, and the New Eurasian Land Bridge (Northern Corridor), which connect China to European markets. These corridors are designed to reduce transportation costs, enhance supply chain efficiency, and create new economic opportunities for participating countries.

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President Xi Jinping's keynote speech at the Third Belt and Road Forum in 2023 emphasized the development of China-Europe transport routes and the Trans-Caspian International Transport Corridor, or simply the Middle Corridor, highlighting China's rising focus on Eurasian connectivity. The China-Kyrgyzstan-Uzbekistan (CKU) railway project, which has been on hold for decades, was finally approved in June 2023. After years of negotiations, China has agreed to fund more than half of the project's total cost. In addition to the CKU railway, China has invested heavily in other key infrastructure projects across Central Asia. For example, Beijing has financed the expansion of the Central Asia-China Gas Pipeline, which runs from Turkmenistan through Uzbekistan and Kazakhstan to China. This pipeline is part of China's strategy to secure energy resources

and diversify its energy supply routes. In Kazakhstan, China has invested in modernizing road and rail networks that connect to the BRI's overland routes. Chinese firms have also been involved in developing the Khorgos Gateway, a major dry port on the Kazakh-Chinese border, which is expected to become a critical hub for trans-Eurasian freight traffic.

In addition to land corridors, the BRI includes maritime corridors. The 21st Century Maritime Silk Road seeks to establish a network of ports, shipping routes, and maritime infrastructure that links China with Southeast Asia, South Asia, Africa, and Europe via the Indian Ocean and South China Sea. Key projects under this framework include the development of strategic ports such as Gwadar in Pakistan, Colombo in Sri Lanka, and Piraeus in Greece. These ports serve as critical nodes for maritime trade, enabling China to secure its sea lanes, reduce dependence on traditional chokepoints like the Malacca Strait, and establish new trade routes. Critics argue that China's large and unsustainable loans for infrastructure projects put the receiving countries under high debt, creating an opportunity for China to exert political and economic influence or even gain control over critical infrastructure, as in the case of Sri Lanka's Hambantota International Port.[20] Others label China's "debt-trap diplomacy" a myth and argue that such a narrative ignores the complex political, economic, and strategic factors that influence both Sri Lanka's decision-making and China's financing.[21] They add that the Hambantota experience has led China to become more cautious in its overseas investments.

The Digital Silk Road (DSR), a more recent component of the BRI, was formally announced in 2015 during the Second World Internet Conference in Wuzhen, China. It was introduced to expand digital infrastructure, such as fiber-optic cables, satellite networks, 5G infrastructure, and to promote e-commerce, smart cities, and other technology collaborations among countries participating in the BRI. Chinese tech giants like Huawei, ZTE, Alibaba, and Tencent are central to the DSR and despite facing U.S. sanctions and restrictions, they continue to thrive globally, particularly in Africa and the Indo-Pacific.[22] The DSR poses a challenge to U.S. and Western technological dominance, especially with the concern that China's digital infrastructure projects may be used for surveillance, data collection, and potential cyber espionage.

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is also about connecting cultures, ideas, and civilizations. China seeks to revive and expand the historical "Silk Roads" as a means to construct a global identity as a benevolent leader committed to fostering development and cooperation. This narrative aligns well with its civilizational state discourse, which positions China as a harmonious power that integrates diverse cultures and economies into a "Community of Shared Destiny" through a win-win approach.[23] By promoting a narrative of connectivity as a pathway to shared development and prosperity, China challenges competing narratives, particularly those that emphasize conflict or competition, such as the "Clash of Civilizations" thesis or NATO's narrative of strategic competition between democracies and autocracies. Strategic connectivity, thus, becomes a vehicle for China to redefine the terms of global engagement, positioning itself as an alternative to the West's competition logic. By promoting the concept of a "harmonious world" and "peaceful development," China seeks to establish a moral and cultural leadership that transcends mere economic power. This is strategically significant as it provides a counternarrative that appeals to non-Western countries, particularly in the Global South, where China frames itself as a leader of a more inclusive and multipolar world order.

Connectivity Initiatives Led by G7

China's massive connectivity project has not only raised criticisms and concerns such as accusations of debt-trap diplomacy, lack of transparency, environmental harm, and geopolitical expansion, but has also catalyzed several competing or complementary initiatives by states, regional organizations, and informal groupings setting the state for global rivalry over connectivity.[24] The G-7 and its regional allies converged on a narrative advocating for a high-quality, sustainable, and rules-based connectivity. Japan's 2015 "Partnership for Quality Infrastructure" promoting high-quality and sustainable infrastructure development has laid the ground for this competitive dynamic.[25] Japan's "Free and Open Indo-Pacific Strategy," originally launched in 2016 and then revised in 2023, promotes rules-based order, free and open maritime routes, multilayered connectivity, and high-quality infrastructure. Since 2017, Japan has partnered with India to promote the Asia-Africa Growth Corridor, and in 2019, it signed the "Partnership on Sustainable Connectivity and Quality Infrastructure" with the EU.[26]

Japan's promotion of quality infrastructure principles in international forums, such as the G7 and the OECD, eventually pushed for the adoption of the G20 Principles for Quality Infrastructure Investment at the G20 Osaka Summit in June 2019.[27] These principles serve as a guideline for high-quality infrastructure investment, focusing on economic efficiency, sustainability, resilience, inclusivity,

and good governance.[28] The OECD hosts the Blue Dot Network (BDN), which will serve as a "seal of approval" for those infrastructure projects aligning with the G20 Principles. The BDN was announced at the Indo-Pacific Business Forum in Bangkok by the U.S., Japan, and Australia in November 2019. It will serve as an independent entity overseen by the initiative's member governments: Australia, Japan, Spain, Switzerland, Türkiye, the UK, and the U.S. It announced a call for projects for the first round of certifications in April 2024. The BDN will serve as a mechanism to attract private sector investment by certifying those projects that maximize the positive economic, social, environmental, and development impact of infrastructure.[29]

The Build Back Better World (B3W) initiative, launched by the G7 in June 2021, is another competing initiative to China's BRI. This "values-driven, high-standard, and transparent infrastructure partnership" led by the U.S. and the UK seeks to address the significant infrastructure gap in the developing world by investing US$40 trillion by 2035.[30] The initiative was revised and expanded globally by the Partnership for Global Infrastructure and Investment (PGII, 2022). The PGII focuses on four key areas: climate and energy security, digital connectivity, gender equity and equality, and health systems. Under the PGII, G7 countries have committed to mobilizing US$600 billion in global infrastructure investment by 2027. One of the most notable projects put forward by this initiative so far is the India-Middle East-Europe Economic Corridor (IMEC), signed during the G20 summit in New Delhi in September 2023 by the EU, the U.S., India, Saudi Arabia, and the United Arab Emirates (UAE). The corridor aims to enhance economic integration and connectivity between India, the Middle East, and Europe by developing a comprehensive network of railways, ports, and digital infrastructure. The Israel-Hamas war, however, has halted progress on the IMEC, as have attacks on vessels in the Red Sea by Houthi rebels. Due to these attacks, trade along the Suez Canal dropped by 50% in 2024 compared to a year earlier, disrupting supply chains and distorting key macroeconomic indicators.[31]

EU-Led Connectivity Initiatives

The EU has its own connectivity initiatives, such as the EU Strategy on Connecting Europe and Asia and the Global Gateway, to enhance connectivity

The EU's Global Gateway is presented as a crucial tool for strengthening Europe's geopolitical stance, particularly in Africa, which is the key regional priority, and for fostering economic partnerships that align with the Sustainable Development Goals (SDGs).

in a rules-based and sustainable manner (smart, green, and sustainable) by means of infrastructure upgrading. Reflecting a values-based approach to global infrastructure development, these initiatives are often framed as alternatives to China's BRI. For example, one of the slogans emphasized by the Asia connectivity strategy is "Creating Connections, Not Dependencies."[32] The EU's Global Gateway is presented as a crucial tool for strengthening Europe's geopolitical stance, particularly in Africa, which is the key regional priority, and for fostering economic partnerships that align with the Sustainable Development Goals (SDGs). Global Gateway has five priority areas for investment in projects in developing countries: digital technologies, climate change and energy, transportation, health, education, and research. The project's budget is €300 billion, with half allocated to Africa and the other half to other regions. Global Gateway is supported by major European donors, including the European Commission, development agencies such as French Development Agency (AFD) and German International Cooperation Society (GIZ), and financial institutions such as the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD), and other European Development Finance Institutions (EDFI).[33]

The EU-Central Asia Connectivity Strategy, launched in 2019, has also been revitalized with a focus on supporting digital transformation, enhancing transport links, and fostering energy security through sustainable development.[34] The EU signed a new energy deal with Azerbaijan in July 2022 to double gas imports to Europe by 2027. The EU also signed an "Enhanced Partnership and Cooperation Agreement" with Uzbekistan in the same month and with the Kyrgyz Republic in June 2024. In November 2022, Kazakhstan and the EU signed a memorandum of understanding on strategic partnership to create sustainable value chains in raw materials, batteries, and green hydrogen. The EU-Central Asia International Conference on Connectivity held in November 2022 in Samarkand, Uzbekistan, called for diversifying transport corridors to strengthen the Europe-Central Asia-Asia axis. This emphasis was echoed at the Second EU-Central Asia Economic Forum held in Berlin in May 2023, where European Commission Executive Vice-President Valdis Dombrovskis emphasized the need for investment to alleviate transportation bottlenecks and develop infrastructure, underscoring the EU's commitment to enhancing regional connectivity.[35] This focus on transport corridors was further reinforced by the 2020-2030 economic roadmap signed by Uzbekistan and France, and echoed in a joint statement with German leadership and their Central Asian counterparts. The EU-Central Asia Ministerial Meeting in October 2023[36]

ended with the adoption of the "Joint Roadmap for Deepening Ties between the EU and Central Asia (2023)" focusing on enhancing intergovernmental, economic, infrastructural, security, and people-to-people connectivity.[37]

Connectivity Initiatives Promoted by Türkiye

Türkiye gives high importance to connectivity. The Middle Corridor initiative, which received significant backing from Ankara, has gained importance particularly after Russia's full-scale invasion of Ukraine. The invasion and the subsequent heavy sanctions on Russia and Belarus have disrupted land and rail freight transportation between Europe and China along the Northern Corridor. The Northern Corridor or the New Eurasian Land Bridge (China, Kazakhstan, Russia, Belarus, Poland, Germany), considered the greatest success of China's BRI, has seen a substantial reduction in China-EU shipments since the Russian invasion. These disruptions have increased the appeal of the Middle Corridor.[38]

The Middle Corridor, also known as the Trans-Caspian Transport Corridor, redirects China's Southern Corridor from heavily sanctioned Iran to the Caspian Sea, the South Caucasus, and Türkiye. It is the shortest route between China and Europe, 2,000 kilometers shorter than the northern route, and reduces travel time by 15 days compared to the maritime route. Although the initiative dates back to 2009, well before the BRI was announced in 2013, no significant steps had been taken until recently due to a lack of interest from both the EU and the former Soviet republics. Russia's war in Ukraine and its efforts to intimidate other countries in the region have shifted regional dynamics in favor of the Middle Corridor and greater cooperation among the Turkic states. The war, impacting on the EU's energy and supply chain networks, has also brought Central Asia to the center of the EU's connectivity agenda, as described above. The World Bank report published in 2023 confirms that the Middle Corridor could contribute to regional economic integration and triple trade flows along the route by 2030, halving travel times, provided the right policies are implemented.[39]

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Türkiye supports regional connectivity efforts along the Middle Corridor through the Organization of Turkic States (OTS), which was founded as the "Cooperation Council of Turkic Speaking States" by the 2009 Nakhichevan agreement.

2009 Nakhichevan agreement. The OTS has increased its efforts to integrate the member and observer countries along the corridor into regional and global supply and value chains by improving transportation, digital, and energy connectivity. The OTS's "2022-2026 Strategy," adopted at the Samarkand Summit, gives priority to improving transport connectivity and customs cooperation in order to eradicate obstacles to efficient, stable, and seamless transport across the Middle Corridor. In this regard, the OTS members adopted agreements on "International Combined Freight Transport" and the "Establishment of a Simplified Customs Corridor," while the work on digitalization of transport and transit procedures is ongoing.

The Middle Corridor is also important for energy connectivity given that Kazakhstan, Uzbekistan, Turkmenistan, and Azerbaijan have significant hydrocarbon reserves, and they increasingly seek to diversify their energy partnerships. For instance, facing severe pressure from the Kremlin, Kazakhstan has recently made a deal with Azerbaijan to re-route its oil away from Russia towards the Baku–Tbilisi–Ceyhan (BTC) oil pipeline. Türkiye, on the other hand, is positioning itself as a hub for delivering energy resources from Russia and the Caucasus to Europe. Current pipelines passing through Türkiye, such as the Trans-Anatolian Natural Gas Pipeline (TANAP), Trans Adriatic Pipeline (TAP), and TurkStream, are vital, but are predominantly fossil fuel based. To improve its energy connectivity, Türkiye must accelerate its efforts towards a sustainable energy transition and expand its role in renewable energy corridors. Exploring infrastructure options to transport green hydrogen to Europe through the Middle Corridor can be beneficial. The 2022 revision of the TEN-E Regulation has made it possible for the EU to co-finance cross-border infrastructure projects with third countries under "Connecting Europe Facility–Energy (CEF-E)," identifying these initiatives as "Projects of Mutual Interest." This could pave the way for co-funding feasibility studies related to hydrogen transport through the Middle Corridor. Additionally, green projects have received substantial financial backing, with more than €1 billion allocated through the European Fund for Sustainable Development Plus (EFSD+) and the EBRD. However, to accelerate private sector investment and infrastructure development along the Middle Corridor, Türkiye and the EU could explore the creation of a dedicated program focused on this objective.[40]

Türkiye's interest in connectivity projects is also underscored by its strong support of the Zangezur Corridor aiming to connect mainland Azerbaijan with its exclave Nakhichevan, and of Iraq's "Development Road Initiative," also

known as the "Iraqi Silk Road," which is a transport corridor connecting the Iraq's Al-Faw Grand Port in Basra to Southern Türkiye. Offering a faster, more efficient alternative to maritime routes like the Suez Canal, the 1,200 km route reduces travel time and offers fewer bureaucratic and logistics hurdles compare to the IMEC.[41] This multi-billion-dollar project could benefit from seeking BDN support, which would enhance investor confidence in the project's transparency and sustainability.

Conclusion

The various connectivity initiatives outlined above indicate the geo-politicization of connectivity and provide significant insight into how major great and aspiring powers seek to position themselves within the global networks. The review of the competing connectivity projects reflects both convergences and divergences in their goals and implementation. First, all these initiatives aim to enhance global and regional connectivity to boost trade and economic growth. Second, there is a shared recognition that infrastructure development is central to achieving economic growth, regional integration, and global influence. Third, digital connectivity emerges as central to both economic competitiveness and geopolitical strategy in all initiatives. Fourth, there is a growing emphasis on environmentally sustainable development and green growth across all initiatives. A good example of this is China's reshaping of the BRI after a decade, giving more emphasis to the digital, energy, and sustainability dimensions of the initiative and bringing it closer to Western conceptual content. Fifth, the Russian invasion of Ukraine has had profound implications for Central Eurasian connectivity as the EU, China, and Türkiye have put the development of the Middle Corridor at the center of their connectivity agenda. Finally, all these initiatives are ultimately dependent on the principles of economic liberalism for global trade and growth. Despite ideological differences, all the connectivity actors benefit from the liberal economic order, making outright conflict unlikely.

The review of the competing connectivity projects reflects both convergences and divergences in their goals and implementation.

While these initiatives converge in their goals of improving physical, digital and energy connectivity, they slightly diverge in terms of scope and focus, funding models, governance and standards, and project implementation. The

EU seeks innovative types of connectivity by combining efforts in the three key sectors, namely digital, energy, and transport, with a strong emphasis on green transitions. The G7 favors sustainable infrastructure, health systems, digital connectivity, green connectivity, and gender equity. China's connectivity strategy focuses on physical or digital infrastructure. The second key difference lies in the conditionality attached to these projects. China's BRI follows a "no strings attached" policy, focusing on infrastructure development without imposing political conditions. In contrast, the EU's Global Gateway promotes rule-based development, emphasizing good governance, human rights, and sustainability . Yet, the research indicates a decoupling between the official rhetoric of both initiatives and how they are implemented.[42] The BRI, while claiming openness and mutual benefit, often introduces conditionalities through the backdoor, such as requiring the use of Chinese contractors, materials, and labor. Similarly, the EU's Global Gateway faces challenges in enforcing its liberal values during implementation, often prioritizing strategic interests over developmental goals.

Another important difference is the source of funding. The BRI primarily uses state-backed loans often provided by Chinese banks, like the China Development Bank and the Export-Import Bank of China (Exim Bank), leading to concerns about debt sustainability in participating countries. In various U.S. and G7 initiatives, infrastructure development is largely driven by market forces, with government and international development finance playing a supportive role to steer, but not replace, these market dynamics. The EU's Global Gateway combines EU grants, loans, and guarantees with investments from European financial institutions and the private sector. Yet, while China's BRI has already deployed significant funds surpassing US$1 trillion, the G7's B3W and PGII as well as the EU's Global Gateway are in earlier stages, with the latter aiming for substantial investments by 2027. The effectiveness and impact of these Western initiatives in matching or countering the scale of China's BRI, thus, remain to be fully realized.

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ARTICLE

Connectivity and Corridors: Türkiye's Middle Corridor Vision through International Trade

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Abstract

This paper investigates the potential impact of Türkiye on international trade with Middle Corridor (MC) countries, taking into account its geopolitical and strategic role over the past two decades and evaluating how the corridor affects connectivity between partner countries. The study employs a gravity model (GM) to investigate the impact of trade flows on the Turkish economy. Our analysis utilizes a panel dataset spanning from 1990 to 2023. It incorporates a range of estimators, including the Poisson pseudo-maximum likelihood (PPML), the fixed effects (FE) estimator, and the random effects (RE) estimator. The findings obtained from all estimation models demonstrate that the gravity model accurately represents Türkiye's foreign trade with MC countries. In particular, the findings based on all the estimators suggest a positive correlation between the GDP per capita of importing countries and Türkiye's exports to the member states of the MC. More precisely, the results of the RE model indicate that a 1% increase in the average per capita gross domestic product of an importer country is associated with a 0.92% increase in exports from Türkiye to that country. The findings also indicated a positive correlation between the religious and linguistic homogeneity of the two countries and their membership in the MC. Overall, our results suggest that enhancing economic relations with the nations involved in the MC presents an advantageous scenario and promises significant policy benefits.

Keywords

Türkiye, Middle Corridor, gravity model, international trade, Asia

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Introduction

The global economic integration trend is gaining momentum, strengthening interconnections and promoting collaboration among neighboring states or regions. Regional economic and social progress presents novel prospects and obstacles, and economic corridors represent a novel approach for states to engage in collaborative efforts. They aim to foster regional economic collaboration by establishing connections between cities, regions, and nations spanning multiple continents. Government entities need to understand the current growing state of economic corridors clearly. Economic corridors have consistently played a crucial role in linking the economies of a given region. Venables asserts that economic corridors directly and indirectly influence well-being.[1] Kuroda et al. ascertain that in the era of globalization, economic corridors have emerged as crucial pillars of regional economic integration.[2]

With the Belt and Road Initiative (BRI) initiated by China in 2013, there has been increased interest in trade corridors in the literature. Huang argues that the BRI has the potential to reduce transport costs and time significantly, and increase the volume of trade between participating countries.[3] On the other hand, Ascensão et al. highlight the potential harms of the BRI beyond its potential in terms of the need for sustainable development.[4] Regarding the Trans-Caspian International Transport Route (TITR), more commonly known as the Middle Corridor (MC), another project linking Asia to Europe, Kenderdine and Bucsky argue that geopolitical advantages and coordination difficulties among participating countries raise doubts about the project's potential.[5] A similar concern was recognized by Vinokurov et al., who acknowledge the need for greater coordination between participating countries as well as investment in transport infrastructure.[6]

In a comparative analysis of trade corridors, Baniya et al. highlight that the BRI attracts a greater volume of investment, though the Middle and South Corridors, which are still in their infancy stage, also possess considerable potential.[7] As a result of their comparative analysis, Jakobowski et al. present geopolitical stability, infrastructure quality, and regulatory harmonization as success criteria for trade corridors.[8] Şenol and Erbilen observe that Türkiye, situated at the confluence of the BRI and the Northern and Southern Routes, appears to have enhanced its significance within the Middle Corridor in response to conjunctural shifts such as the Russia-Ukraine conflict and decommissioning of the Nord Stream pipeline.[9] Despite the existing literature on the potential impacts of trade corridors indicating that the impacts and expectations regarding Türkiye

have been examined, the analysis of the concrete impact of the MC on Türkiye was found to be incomplete. In contrast to previous narrative studies, this paper will illuminate the concrete impact through a methodological analysis.

Moreover, the intensifying emphasis by governments on international corridors in recent years highlights the pivotal role these corridors play in facilitating trade among their beneficiaries. This essay primarily examines the function of the MC initiative. A variety of factors influence trade, and a corridor can facilitate increased trade among those who stand to gain from it.

The gravity model (GM) is a commonly employed economic model for forecasting trade opportunities between nations.[10] The model has been utilized in recent studies to analyze economic corridors and assess how much they enhance international trade.[11]

This research employs data such as population, GDP per capita, exchange rates, distance from Türkiye, common language, common religion, coastline, colonial past, shared borders, trade flows, and bilateral trade agreements as inputs for the gravity model from 1990 to 2023 to examine the trade potential trends and patterns across member states of the MC.

This study is organized into six components. The introduction offers a concise summary of the importance of this research. The following section delineates the regional integration process and connectivity alternatives. The third section focuses on TRACECA (Transport Corridor Europe-Caucasus-Asia), as a transport corridor connecting Europe, Caucasus, and Asia. The fourth section deals with the MC initiative and how it serves as a bridge for Eurasian trade. The final part of this section comprehensively elucidates the gravity model, emphasizing its utilization in evaluating trade prospects. The model specification and data sources used in the study are presented in the fifth section. Section six contains the results of our research, discusses these findings, and provides a concise overview of the study's critical aspects.

Regional Integration and Connectivity

Regional integration is a complex process in which independent nation-states create shared political, legal, economic, and social institutions to govern collectively. Politically, regional integration entails establishing supranational institutions that possess administrative, legislative, and judicial authority. It also involves transferring policy responsibilities from domestic governance institutions to these supranational bodies. At the economic level, regional

integration progresses from a common market alongside national markets to a single market where barriers to the free movement of goods, services, capital, and labor are eliminated. This may be followed by adopting a common or single currency alongside or instead of national currencies. Ultimately, full economic union is achieved, involving the implementation of common macroeconomic and fiscal policies.[12]

According to the liberal intergovernmentalist theory, regional integration is positioned between liberalism and realism. Liberal intergovernmentalism (LI) posits that state preferences are shaped by domestic competition among competing economic interests within society, as opposed to the ideology of liberalism. According to LI, realism suggests that after states develop their preferences, they bargain to safeguard and advance their interests. States also collaborate to create institutions that minimize the costs of transactions, overcome collective action issues, and establish trustworthy commitments. This can be achieved, for instance, by delegating agenda-setting and enforcement powers to supranational agents.[13] The LI literature is situated closer to realism, with a particular focus on the role of national governments in the decision-making process. The argument is made that states negotiate in accordance with their self-interest and that the connectivity of states also affects national preferences and bargaining processes.[14]

In this understanding, regional integration is advantageous for states since it enables them to make logical decisions based on their interests while facilitating vertical and horizontal exchanges among themselves. Regional integration creates a sense of connectivity that facilitates the retention of mutual peace, the development of mutual capabilities, and carving out a new self-image and role identity. Connectivity encompasses the physical, institutional, and interpersonal connections that form the fundamental support and enabling mechanisms for achieving economic, political, security, and sociocultural goals, and creating connected communities. Improving regional connectivity is a complex undertaking that will necessitate executing ambitious policy measures at both the national and regional levels.[15]

The concept of connectivity represents a shift from traditional state-centered models to a more complex approach to understanding international politics. Connectivity emphasizes the reach beyond

The concept of connectivity represents a shift from traditional state-centered models to a more complex approach to understanding international politics.

the physical borders of nation-sates, challenging the traditional international agenda. It has become a phenomenon for addressing transnational issues such as climate change, cybersecurity, and global health crises. In particular, the advent of new technologies has enabled the emergence of digital diplomacy and network-based approaches, which are transforming traditional methods.[16] This transformation is a consequence of the multifaceted nature of connectivity. The tangible aspect of connectivity is physical connectivity, which encompasses transport networks and major infrastructure projects such as the BRI, TRACECA, and the MC. The intangible aspect reflects the interaction between international organizations, states, and non-state actors.[17]

TRACECA and the BTK Railway Project

The conclusion of the Cold War resulted in the reconciliation of certain Eastern Bloc nations with their former adversaries, specifically the Western Bloc nations. TRACECA (Transport Corridor Europe-Caucasus-Asia) is an example of a transport corridor connecting Europe, Caucasus, and Asia. In May 1993, eight countries (Azerbaijan, Armenia, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan) convened in Brussels with the backing of the EU to establish a transit corridor connecting Europe to the Central Asian countries by utilizing the Black Sea, the Caucasus, and the Caspian Sea. In 1996-1998, Ukraine, Mongolia, and Moldova became participants in the scheme. Bulgaria, Romania, and Türkiye joined in 2002, and Iran joined in 2009.[18]

Considering the route from China to Europe, the TRACECA corridor is a significant advantage for Türkiye's regionalization efforts. For this reason, Türkiye also supports many new initiatives that will complement TRACECA to enhance existing regionalization efforts, including the Baku-Tbilisi-Kars (BTK) Railway Project.

Since the early 1900s, geopoliticians have emphasized the construction of many transport corridors across the continent to seize Eurasian geography's dominance; TRACECA is one of these regional cooperation projects. TRACECA, the result of an effort toward strategic superiority, aims to reduce Russia's geographical dominance in the region. The inclusion of critical actors, such as the post-Soviet Union of Socialist Republics (SSR) and the Commonwealth of Independent States, in particular, has been effective in achieving this aim.

Considering the route from China to Europe, the TRACECA corridor is a significant advantage for Türkiye's regionalization efforts. For this reason, Türkiye also supports many new initiatives that will complement TRACECA to enhance existing regionalization efforts, including the Baku-Tbilisi-Kars (BTK) Railway Project. The BTK Railway Project is an essential step in TRACECA, also known as the "Iron Silk Road," as when the project is completed, a significant portion of trade between Europe and Asia will be carried out via this railway.

The BTK project's foundation was laid on November 21, 2007, with the participation of the presidents of Türkiye, Azerbaijan, and Georgia. The BTK Railway Project is carried out at the heart of TRACECA to fill the shortcomings under the program's objective. The main difficulties facing the planned transport infrastructure to be developed for the corridor are congestion in international traffic and border crossing.

All in all, the BTK Railway Project is strategically significant. It connects Baku, Turkmenistan, and China via the Caspian Passage and Türkiye, Bulgaria, Serbia, Hungary, Austria, Switzerland, Germany, France, and the UK through Kars. From a geographical perspective, the railway line runs from China to the UK, making the reference to the "Iron Silk Road" easy to understand. In addition to developing economic relations with the West, from Türkiye's perspective, developing economic ties with countries in the East is a strategic step, and the BTK plays an essential role in this. According to a report prepared during BTK Railway feasibility studies, in the first year after its completion, one million passengers and 6.5 million tons of cargo will be transported, while the target for the next 20 years is three million passengers and 17 million tons of cargo capacity.

Türkiye, a highly engaged member of TRACECA, has not limited itself to the BTK Railway: it has successfully executed several transport projects, with others nearing completion or in the planning phase. Among these projects is the Kars-Nakhchivan railway project, which aims to extend to Tabriz-Tehran-Zahedan and Islamabad after Nakhchivan.

Transportation corridors are of significant geostrategic importance for Türkiye and Russia, which are in regional competition. TRACECA's geopolitical impact as a transportation corridor that connects Asia with the European continent is to reduce the role of the Russian Federation in global competition. In particular, shortening and facilitating transportation from China to Europe has reduced Russia's influence in Asia. In addition, the effect of the recent war with

Ukraine has made the TRACECA corridor advantageous in terms of security. TRACECA alone cannot be held accountable for the negative turn in Turkish-Russia relations while talking about TRACECA's positive contribution to the rising momentum in Turkish-Russian relations until 2015.[19] However, Russia's lack of security in terms of the policies implemented by the EU and the U.S. is starting to result in it pursuing an aggressive policy in today's conjuncture. The annexation of Crimea following the 2008 Russia-Georgia War, its involvement in Syria, and finally freezing relations with Türkiye are manifestations of this foreign policy perception.[20]

Projects like TRACECA serve as socio-economic development tools for Eurasia. The increase in cooperative initiatives resulting from the forces of globalization and regionalization is crucial for promoting regional cooperation and development, facilitating Eurasia's integration into the international community, and serving as a model for others. These projects are thought to enhance socio-economic growth in Eurasia and are a significant benchmark for bolstering societal connections and promoting the region's wealth, peace, and stability.

As a pivotal stakeholder in the implementation of these initiatives, the EU offers financial assistance for the establishment and enhancement of transportation infrastructure, including roads, railways, ports and telecommunication networks, along the TRACECA route, which it views as a crucial gateway to Asia. In 2006, the European Commission allocated €6 million to infrastructure projects in member states. The European Central Bank committed approximately €51 million to 39 technical investment projects. Additionally, the IMF and the World Bank invested €1.7 billion in the construction of ports, roads, and railways in member states. Türkiye, a significant partner country, has also made notable contributions, with €63.9 million invested in 19 projects.[21]

The Middle Corridor: A Bridge for Eurasian Trade

A substantial transformation has occurred in the global trading environment. Countries increasingly seek alternative transport routes due to geopolitical concerns and a greater focus on diversification. Asia and Europe are connected by three primary inland trade routes: the Northern Corridor, which passes through Russia; the Southern Corridor, which passes through Iran; and the Trans-Caspian International Transport Route (TITR), or MC, which passes via

Central Asia and the South Caucasus. The ongoing military conflict in Ukraine has resulted in unavoidable spillover effects that have raised concerns about the safety of freight traffic along the Northern Corridor. Additionally, cargo transportation along the Southern Corridor is facing difficulties due to sanctions against Iran in the crisis-prone Middle East. As a result, the MC, which passes through Central Asia, the Caspian Sea, the Caucasus, and into Europe, has gained increased significance.[22] Within this framework, the MC is a prospective catalyst for enhancing connectivity across Eurasia.

The MC offers a more reliable option than routes susceptible to geopolitical disturbances. Furthermore, it guarantees expedited transit times compared to the clogged Suez Canal and the protracted voyages through Russia.

The MC, which gained significant attention after Russia invaded Ukraine, is a transportation route connecting China to Europe via multiple modes of transport. The transportation network includes railways, roadways, and sea lines, providing an alternative land route that avoids the conventional Northern Corridor via Russia and the Suez Canal. This strategic positioning has numerous benefits. The MC links China and Kazakhstan by rail through Dostyk or Khorgos/Altynkol, crosses Kazakhstan by rail to Aktau Port, crosses the Caspian Sea to the Port of Baku/Alyat, and Azerbaijan and Georgia by rail to, then either continue by rail to Europe through Türkiye or cross the Black Sea.[23]

The MC is an international transport infrastructure project that commenced in November 2013 with the signing of an agreement between the CEOs of rail firms from Kazakhstan, Azerbaijan, and Georgia. The agreement established that the Coordination Committee was responsible for the development of the MC. Over the subsequent years, several additional national enterprises became part of the MC, ultimately culminating in forming the international association "Trans-Caspian International Transport Route" (TITR) in December 2016. The MC is a component of China's Belt and Road Initiative (BRI), which is anticipated to shape the future of transport connectivity in the region. So far, the BRI has significantly contributed to the growth and improvement of established and emergent transportation networks throughout Eurasia.

The MC offers a more reliable option than routes susceptible to geopolitical disturbances. Furthermore, it guarantees expedited transit times compared to the clogged Suez Canal and the protracted voyages through Russia. The estimated travel duration of 14-18 days across the MC is notably shorter than the 19-day voyage through Russia and sea routes that last between 22 and 37 days.

The emergence of the MC offers substantial economic prospects for the participating nations. Enhanced trade flows will spur infrastructure growth, generate employment opportunities, and promote the integration of different regions. Moreover, the corridor has the potential to stimulate economic diversification in Central Asian countries, which have traditionally depended on exporting resources.

Although the MC has substantial promise, it also encounters various problems. Investing significant money is necessary to upgrade infrastructure and establish smooth communication between countries. Efficiently simplifying customs procedures and standardizing laws are essential for seamless operation. Furthermore, the corridor must position itself as a viable alternative to well-established routes.

The effectiveness of the MC relies on solid international collaboration. Collaboration between governments, private investors, and international organizations is necessary to tackle infrastructure bottlenecks and establish a robust institutional framework. This collective endeavor has the capacity to reach the corridor's potential and fundamentally transform the dynamics of trade in the Eurasian region.

To summarize, the MC is a significant initiative that has the capacity to revolutionize the connectivity in the Eurasian region. Through international cooperation, this land bridge can provide a secure, efficient, and economically prosperous path for global trade by successfully addressing current obstacles. Its success hinges on the joint dedication of the participating nations to establish a corridor that not only promotes trade but also encourages regional integration and a more integrated future.

Data and Methodology

Data

To analyze how Türkiye's international trade with MC countries has changed over the last three decades, we constructed a panel dataset covering 11 countries (Azerbaijan, Georgia, Kazakhstan, China, Austria, Bulgaria, Czech Republic,

Hungary, Poland, Romania, and Slovakia) from 1990 to 2023. The countries selected for inclusion in the study were chosen according to their commercial importance to Türkiye in the context of the MC initiative.[24]

To estimate international trade between Türkiye and MC countries, the dependent variable of the econometric models is the amount of exports from Türkiye to these countries (EXPORT). The data on Türkiye's exports were obtained from the United Nations Commodity Trade Statistics Database.[25] The data on the independent variables, including importer countries' GDP per capita (GDPPC), population (POP), and exchange rates (EXCR), were obtained from the World Bank Development Indicators.[26] The data on the distance from Türkiye to the countries under study were compiled using Google Maps.[27] The distance variable (DIST) was constructed based on the geographic coordinates of the capital cities of the countries under study. The data on bilateral trade agreements (BTA) were sourced from the Republic of Türkiye Ministry of Trade databases.[28] Similarly, crises and conflicts (CC) data were obtained from the International Crisis Group database.[29]

In addition to the aforementioned independent variables, the model incorporates a series of dummy variables based on the previous studies in the relevant literature. These variables are employed to ascertain whether two countries are border neighbors (BOR), whether they share a common language (LANG) with Türkiye, whether they adhere to a common religion (REL) with Türkiye, whether they possess a coastline (SEA), whether they are an MC country (MC), and whether they have a colonial past (COL). All variables used in the econometric analyses were transformed into natural logarithms, with the exception of dummy variables. The panel data set utilized in the study encompasses 374 observations, spanning 11 countries and 34 years. Table 1 presents the descriptive statistics of the variables used in the analyses.

Table 1: Descriptive Statistics

Variable	Obs	Mean	Std.	Min.	Max.
lnEXPORT	360	20.028	1.400	16.153	22.663
lnGDPPC	362	8.606	1.222	4.1026	10.890
lnDIST	374	7.395	.5888	6.619	8.829
lnPOP	363	16.605	1.510	15.126	21.068
lnEXCR	336	8.459	2.320	-2.302	16.866
BOR	374	.2723	.445	0	1
LANG	374	.272	.445	0	1
REL	374	.181	.386	0	1
SEA	374	.633	.482	0	1
COL	374	.727	.445	0	1
MC	374	.264	.441	0	1
BTA	374	.433	.496	0	1
CC	374	.328	.470	0	1

Model Specification and Method

The gravity model (GM) for international trade is a popular and intuitive framework used to predict and explain trade flows between countries. It extensively discusses diverse international financial matters, such as trade flows, economic integration agreements, foreign direct investment, overseas affiliate sales, and multinational firms.[30] In addition, the GM considers not just the distance between locations but also other factors, such as the existence of different languages, as a means of international communication.[31]

This study aims to develop and estimate a gravity model for international trade among the study countries. The GM, an econometric model employed to analyze trade flows between countries and regions, has been employed extensively across a range of scientific disciplines to investigate the interactions and flows between entities that are separated by distance. The GM borrows its concept from Newton's law of gravity, which states that the gravitational attraction between two objects is directly proportional to their masses and inversely proportional to the square of the distance between them. Similarly, in the context of international trade, the gravity model posits that the trade volume between two countries is positively related to their economic sizes and negatively related to the distance between them. The GM is applied in a diverse

range of fields, such as international trade, traffic, foreign direct investment (FDI), and tourism.

The basic form of the Newtonian gravity model can be expressed mathematically as:

$$F_{ij} = \frac{M_i M_j}{D_{ij}^2} xG \quad (1)$$

where is the interaction force between entities *i* and *j*; is a gravitational constant of proportionality; and are the sizes of country *i* and *j*, respectively; and D_{ij} is the distance between entity i and j. Although the original formulation has been demonstrated to possess utility, subsequent studies have proposed a number of modifications with a view to enhancing the explanatory power of the formula. Following the initial application of the gravity formula to trade,[32] a significant contribution was made through the introduction of novel modifications in conjunction with the previously established parameters of mass and distance.

The following equation (2) expresses a basic form of the gravity model for international trade:[33]

$$T_{ij} = \frac{GDP_i^{\beta_1} GDP_j^{\beta_2}}{D_{ij}^{\beta_3}} xC \quad (2)$$

where T_{ij} represents the value of trade between country i and country j; C is a normalizing constant of proportionality; GDP_i is the GDP of country i and GDP_j of country j; and D_{ij} is the distance between country i and j.[34]

The estimated basic gravity model is obtained by taking the natural logarithm of Eq. (2).[35]

$$lnT_{ij} = \beta_0 + \beta_1 lnGDP_i + \beta_2 lnGDP_j - \beta_3 lnD_{ij} + \varepsilon_{ij} \quad (3)$$

In light of the preceding literature, it can be posited that there is a positive correlation between bilateral trade and the economic size of countries. Conversely, geographical distance between countries has been identified as a factor that negatively affects their bilateral trade. Recent contributions to the

relevant literature indicate that the characteristics of expenditure systems may be utilized to develop a variety of international trade models, including gravity models, Ricardian models, Heckscher-Ohlin frameworks, and monopolistic competition models.[36] The argument is put forth that the gravity model, which is utilized to examine the determinants of demand and costs in bilateral trade flows, should be employed in conjunction with a standard fixed effects estimator.[37] However, this approach is thought to be biased due to the correlation that exists between trade costs and multilateral resistance conditions.[38]

The GM indicates a positive correlation between international trade flows and market size. It is therefore recommended that the analysis be based on the economic size of countries.

The GM indicates a positive correlation between international trade flows and market size. It is therefore recommended that the analysis be based on the economic size of countries. In the case of an analysis where GDP is the primary variable, it is also necessary to consider geographical and spatial factors. The most authoritative examples of geographical distance have their origins in comparisons between neighboring countries. For example, a comparative analysis of neighboring countries Canada and the U.S. demonstrated that national borders exert a significant impact on trade effects.[39] Moreover, the incorporation of multilateral resistance terms into gravity equations is purported to facilitate the identification of trade barriers and promote more consistent analysis.[40]

A variety of estimation methods have been developed in the literature with the objective of increasing the number of variables and ensuring more consistent analyses. In lieu of the conventional log-linear OLS estimator, which is ill-equipped to address nonlinearity and zero trade flow problems, the Poisson pseudo-maximum likelihood (PPML) estimator is to be employed as a replacement, as it is expected to yield more accurate results.[41] A gravity model that permits the existence of firm heterogeneity and zero trade flows has been developed over an extended period.[42] The two-stage estimation procedure permits the estimation of both the extensive margin (trade decision) and the intensive margin (trade volume) on an independent basis, thereby facilitating the analysis of trade decisions and trade volumes.

The GM, which seeks to examine the influence of geography on economic activity, also endeavors to elucidate the role of trade corridors, which encompass the intertwined factors of geography, politics, and economics. It is notable that

the majority of studies in the literature focus on the BRI, which represents one of the most significant developments of the recent period. The findings of these studies indicate that China's FDI flows were more significantly impacted by the inception of the BRI than by China's accession to the World Trade Organization (WTO). This is because China's diplomatic engagement with the BRI economies enabled it to identify more accurately the sources of investment by considering factors such as cross-border distance and per capita income.[43] The application of diverse regression techniques, including pooled ordinary least squares (POLS), fixed effects (FE), and Heckman two-stage estimation, indicates that China possesses the capacity to export a greater volume of goods to BRI countries. Concurrently, China stands to benefit from the vast market opportunities presented by BRI countries.[44] The implementation of the stochastic frontier analysis (SFA) method within GM has demonstrated that China's agricultural exports are adversely impacted by several factors,[1] including the country's income level relative to that of its trade partners.[45] The Poisson pseudo-maximum likelihood (PPML) estimation method, which analyzed the impact of the BRI on Türkiye's economy, found that distance, bilateral trade agreement (BTA), and border variables had a positive effect, while GDP, distance, and capital endowment had a negative effect.[46]

Given the lack of empirical research on the trade corridors that encompass Türkiye, this study will investigate the economic and political implications of the MC on Türkiye. To address the existing literature on the MC and to demonstrate the practical outcomes of Türkiye's policies in this regard, we have transformed Eq. (3) into a general model by including additional control variables which may have a significant effect on bilateral trade.

The following Eq. (4) represents a more general gravity model for the international trade between Türkiye and the study countries.

$$ln\mathrm{T}_{ijt} = \beta_0 + \beta_1 ln\mathrm{GDPPC}_{jt} + \beta_2 ln\mathrm{DIST}_{ij} + \beta_3 ln\mathrm{POP}_{jt} + \beta_4 \mathrm{MC}_j + \beta_5 \mathrm{SEA}_j + \beta_6 \mathrm{BORD}_j + \beta_7 \mathrm{LANG}_j + \beta_8 \mathrm{REL}_j + \beta_9 \mathrm{COL}_j + \beta_{10} \mathrm{BTA}_{jt} + \beta_{11} \mathrm{CC}_{ijt} + \varepsilon_{ij} \quad (4)$$

where subscript t denotes time, i symbolizes Türkiye, and j is for importer countries, as explained in the previous section. T_{ijt} is the dependent variable of the model and represents the amount of export of country i to importer country

1 Including the per capita income of its trading partners, currency fluctuations, and geographical isolation due to landlockedness.

j at time t; $GDPPC_{jt}$ is the per capita income of importer country j in year t; $DIST_{ij}$ is the distance between the capital cities of country i and importer country j; POP_{jt} is the population of country j at time t. The dummy variables are as follows: MC_j assumes the value of 1 if country j is a member of the MC and the value of 0 otherwise; SEA_j denotes the maritime accessibility of country j; $BORD_j$ takes the value of 1 if importer country j shares a border with Türkiye and 0 otherwise; $LANG_j$ indicates whether country j shares a common language with Türkiye; REL_j indicates whether importer country j shares a common religion with Türkiye; COL_j indicates whether country j has experienced a colonial history at any point in its historical development; BTA_j represents if country j has a free trade agreement with Türkiye; and, finally, CC_{ijt} represents the national and international crises/conflicts faced by countries i and j in year t. In Eq. (4), all β coefficients except for the dummy variables can be interpreted as the elasticities of the observed trade flows relative to the specified explanatory variables, given that the variables have undergone a natural logarithmic transformation. Finally, ε_{ij} stands for the error term of Eq. (4), which is assumed to be independent and identically distributed with zero mean.

Empirical Results

The gravity model of Türkiye's international trade with MC countries, as depicted in Eq. (4), is estimated using three different estimators: the Poisson pseudo-maximum likelihood (PPML) estimator, the fixed effects (FE) estimator, and the random effects (RE) estimator. These models employ a comparable set of independent variables to explain the dependent variable, which is represented as the natural logarithm of Türkiye's exports to the study countries. The PPML model is especially beneficial for the examination of international trade, as it is capable of addressing the prevalent challenges of zero trade flows and fluctuating variance in the data.[47] In contrast, the RE regression model allows for the investigation of individual heterogeneity across panel units, which can be a valuable approach when analyzing trade data that may exhibit country-specific effects.[48] One reason for using an FE regression estimator in analyzing international trade between countries is to control for unobserved heterogeneity. The FE estimator accounts for country-specific characteristics that do not change over time, such as geographical factors, institutional quality, or cultural aspects, which could otherwise bias the results. By controlling for these time-invariant factors, the FE estimator provides more accurate and reliable estimates of the impact of the explanatory variables on trade flows.

Table 2 reports the regression results based on the three estimators.

Table 2: Regression Results

Variables/Models	PPML	Random Effects	Fixed Effects
lnGDPPC	0.046***	0.917***	1.047***
	(0.003)	(0.040)	(0.048)
lnDIST	-0.060***	-1.208***	-
	(0.006)	(0.128)	-
lnPOP	0.030***	0.601***	-0.299
	(0.003)	(0.056)	(0.572)
lnEXCR	-0.001	-0.020	-0.021
	(0.002)	(0.024)	(0.023)
BORD	0.055***	1.101***	-
	(0.004)	(0.092)	-
LANG	0.037***	0.711***	-
	(0.011)	(0.175)	-
REL	0.018	0.376	-
	(0.012)	(0.230)	-
SEA	0.063***	1.236***	-
	(0.006)	(0.128)	-
COL	-0.034***	-0.665***	-
	(0.007)	(0.123)	-
MC	0.014***	0.306***	0.245***
	(0.003)	(0.070)	(0.068)
BTA	0.041***	0.803***	0.666***
	(0.005)	(0.081)	(0.096)
CC	0.001	0.017	0.020
	(0.003)	(0.056)	(0.053)
Constant	2.483***	9.936***	15.760*
	(0.040)	(0.688)	(9.368)
Observations	327	327	327
Number of id	11	11	11

Note: The dependent variable is the log of Türkiye's exports to the study countries. Robust standard errors are in parentheses. *** p<0.01, ** p<0.05, * p<0.1

According to the results presented in Table 2, all three models demonstrate general compatibility with one another and produce outcomes that align with expectations. As the FE model presented in the final column of the table does not account for variables that remain constant over time, these variables were omitted from the model. Consequently, the estimation results for these variables are not included in the table.

The results based on the PPML estimator indicate a positive relationship between GDP per capita and the dependent variable, namely Türkiye's exports to the countries included in the study. To be more precise, an increase of 1% in a given country's average per capita GDP leads to a notable increase (0.046%) in Türkiye's exports to that country. Conversely, the augmented distance between the two countries has a statistically significant and negative impact on the bilateral foreign trade between these two countries, in accordance with the predictions derived from the gravity theory. In particular, a 1% increase in the distance between the countries included in the study and Türkiye results in a 0.06% average reduction in Türkiye's exports to that country. In alignment with gravity theory, the findings of the analysis indicate that an increase in the population of importing countries is associated with a statistically significant expansion in their foreign trade with Türkiye. In particular, a 1% increase in the population of importing countries is associated with a 0.03% increase in Türkiye's exports to these countries. This indicates that countries with larger populations tend to import more, potentially due to increased domestic demand and market size. Furthermore, no statistically significant correlation was identified between exchange rates and foreign trade between countries in any of the estimation models.

In alignment with gravity theory, the findings of the analysis indicate that an increase in the population of importing countries is associated with a statistically significant expansion in their foreign trade with Türkiye.

The empirical findings obtained by the RE estimator are similar to those obtained by the PPML estimator. However, the RE model exhibits considerably higher elasticity coefficients than the PPML. The RE results indicate that a 1% increase in the per capita income of the importing countries is associated with a 0.92% increase in Türkiye's exports to these countries, a relationship that is statistically significant. Additionally, the findings indicate that a 1% increase in

the distance between Türkiye and the importing country will result in a 1.2% reduction in trade between the two countries. Similarly, the results demonstrate a statistically significant and positive correlation between the growth of the population of the importing country and Türkiye's exports to that country.

The results of the PPML and the RE estimation models validate the hypothesis proposed by the GM, namely that the volume of bilateral foreign trade between countries is directly proportional to their respective sizes and inversely proportional to the distance between them. This relationship is particularly evident in the case of countries situated along the MC.

Upon examination of the results obtained from the PPML and RE estimation models for dummy variables, it becomes evident that both models yield comparable outcomes with regard to the sign of the coefficients. However, the RE estimator exhibits higher elasticity coefficients than the PPML estimator. The findings indicate that the existence of a border neighbor with Türkiye in the importing country is a statistically significant predictor of increased trade between the two countries. In particular, the PPML results indicate that an importing country that is a border neighbor of Türkiye engages in approximately 5.5% more trade with Türkiye than countries which do not have a common border with it. Additionally, the results indicate that the existence of shared religious and linguistic traditions between the importing country and Türkiye is associated with a statistically significant increase in trade between the two countries. This serves to reinforce the significance of cultural and linguistic ties in fostering trade. Similarly, the results indicate that the presence of a coastline in the importing countries is associated with an increase in foreign trade with Türkiye, highlighting the significance of maritime transportation in the context of international trade. However, the results also indicate a negative correlation between the importing country's colonial history and its trade with Türkiye.

Overall, the results indicate a positive correlation between an MC country and its foreign trade with Türkiye. In particular, the RE estimator indicates that countries classified as "MC countries" engage in approximately 80% more foreign trade with Türkiye than countries that are not included in this group. This positive and significant coefficient indicates that the MC initiative has a beneficial effect on trade between member countries. Ultimately, the findings indicate that the establishment of bilateral trade agreements between the importing countries included in the study and Türkiye leads to an increase in their foreign trade. The results demonstrate that the economic crises did not exert a statistically significant influence on the foreign trade between the

analyzed countries and Türkiye during the specified time period.

The final column of Table 2 presents the FE estimation results for comparison with the random effects and PPML estimation results. As previously stated, the FE estimators exclude time-invariant variables from the analysis, and thus, time-constant dummy variables are not included in the resulting estimation results. For this reason, the FE estimators are not the preferred method for analysis in studies that include time-invariant variables, such as the GM. The FE estimation results for the remaining variables indicate that the per capita income variable is the sole factor with a significant and positive impact on Türkiye's foreign trade with the countries under examination. Among the dummy variables, only the MC and BORD variables demonstrate a significant and positive relationship with the dependent variable.

Conclusion

The MC initiative represents a significant opportunity for the advancement of Eurasian connectivity through trade. The initiative is centered on Türkiye, a country with a historical mission of building a bridge between Europe and Asia. This study examined the potential impact of Türkiye, which has assumed an important geopolitical and strategic role in the last two decades, on the MC and concluded that the MC has had a positive impact on trade flows between member countries, as indicated by results obtained using PPML, RE and FE regression estimators. The RE estimator indicated that the MC member countries engage in approximately 80% more trade with Türkiye than non-member countries. In particular, the PPML and RE estimation results corroborate the hypothesis that, in the case of MC countries, the volume of bilateral trade is directly proportional to the size of countries and inversely proportional to the distance between them. This notable pattern confirms the hypothesis of the gravity model.

The RE estimator indicated that the MC member countries engage in approximately 80% more trade with Türkiye than non-member countries.

The results of all three regression estimators demonstrate that, as a founding member of the initiative, Türkiye has witnessed an expansion in the volume of trade with partner countries and that the MC has helped to increase Türkiye's impact on connectivity in this region. The estimators indicate a strong negative

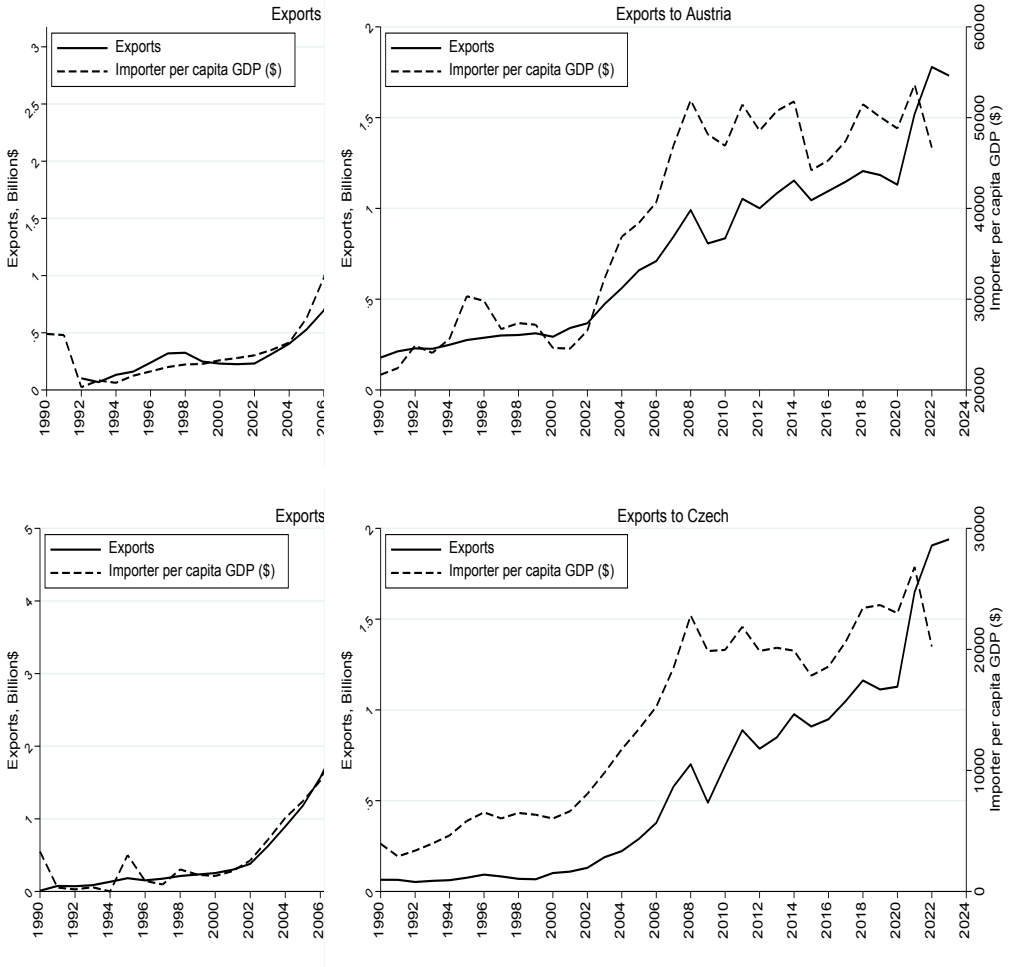
correlation between distance and trade flows, which can be attributed to the fundamental principles of the gravity model. Türkiye's central position within the MC initiative serves to reduce the effect of the average distance within the region. Türkiye's extensive coastline and land connectivity with MC members such as Georgia results in other partner countries leveraging Türkiye's influence to access the European market. The regression estimators also indicate that the presence of coastline in importing countries is associated with an increase in foreign trade with Türkiye. This result serves to underscore the significance of maritime transportation as a pivotal factor in securing economic connectivity. As is the case with many other trade corridors that facilitate connectivity, maritime transport plays a significant role in the MC. In particular, the ports of Aktau and Kuryk in Kazakhstan, Baku in Azerbaijan, and Batumi and Poti in Georgia play a pivotal role in the movement of goods from mainland China to Europe. Türkiye's geographical proximity to critical ports for MC positions makes it a crucial transit point between China and Europe, thereby reducing the time and costs associated with regional trade. As a key player in this context, Türkiye has the potential to exert a considerable influence in the future, particularly given its capacity to offer a viable alternative to the established Southern and Northern Corridors.

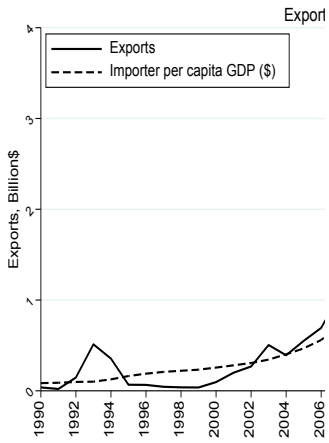
In light of Türkiye's growing involvement in the MC initiative, it is imperative to highlight its recent investments in transportation infrastructure. In particular, the BTK Railway, which connects the Caucasus to Europe, represents the cornerstone of MC's land route. The enhancement of the BTK Railway and the injection of capital into the expansion of high-speed railway lines within the internal railway networks have led to an increase in trade within the region. The Marmaray, the Yavuz Sultan Selim Bridge, the Eurasia Tunnels, the Çanakkale Strait Bridge, the Edirne-Kars High-Speed Railway project, the Gebze-Orhangazi-Izmir Motorway, the Northern Marmara Motorway, and the Filyos, Çandarlı, and Mersin port expansion projects are not only results of national vision but also reflect an international vision in terms of their impact on the MC. Furthermore, Türkiye's cultural and historical ties with the MC countries represent an additional crucial factor that enhances the likelihood of success for the initiative. The cultural and historical ties that exist between Türkiye and Azerbaijan, as well as other Turkish-speaking Central Asian countries, have resulted in the strengthening of commercial relations between these countries. While there are potential sources of conflict in the MC route, Türkiye, with its extensive connections, has the capacity to prevent instability in the region and maintain the security of trade.

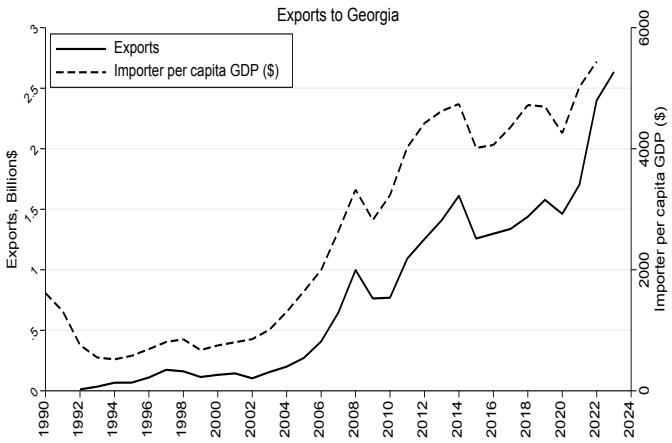
In the post-Cold War period, the advent of globalization has led to a greater focus on commercial relations and political alliances to increase connectivity. As a consequence of this transformation, connectivity, as one of the most recent phenomena, is exemplified by trade corridors that connect disparate geographical regions. This study, which analyzes the case of MC, has demonstrated that Türkiye's geopolitical advantages can be transformed into economic advantages. The results obtained from different regression estimators indicate that Türkiye has achieved a statistically significant increase in foreign trade due to its cultural and linguistic ties with the region. However, it can be concluded that infrastructure investments and developments in transport are equally important when considering connectivity. This result challenges the traditional understanding of the role of culture, language, common history, and political consolidation in trade. Instead, a more flexible alternative understanding, shaped by infrastructure investments and trade agreements, seems to have emerged. As the MC countries develop as examples of this flexible organization, Türkiye's role in increasing connectivity will become increasingly important. In light of the potential risks and opportunity costs, it is evident that the manner in which Türkiye manages crises in the context of the initiative may serve to reinforce its status as a pivotal facilitator of Eurasian trade. In consideration of its developmental process, the MC persists as an alternative to both the Southern and Northern trade corridors. The findings of this study indicate that Türkiye's strategic vision and recent investments have served to reinforce the objectives of the MC by facilitating enhanced connectivity.

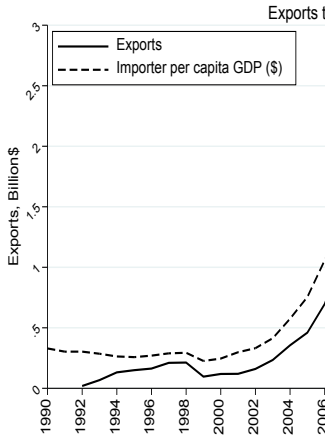
Appendix

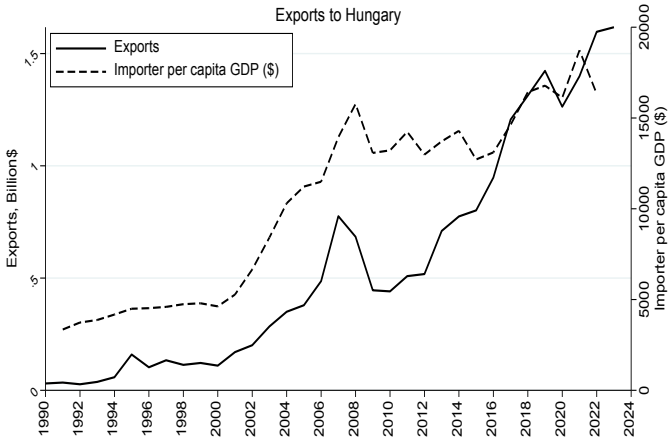
Türkiye's Exports to Countries Examined in the Dataset and Their Per Capita GDP (1990-2023)




Export
Exports
Importer per capita GDP ($)
Exports, Billion$
0
1
2
3
4
1990
1992
1994
1996
1998
2000
2002
2004
2006


Exports to Georgia
Exports
Importer per capita GDP ($)
Exports, Billion$
Importer per capita GDP ($)
0
.5
1
1.5
2
2.5
3
0
2000
4000
6000
1990
1992
1994
1996
1998
2000
2002
2004
2006
2008
2010
2012
2014
2016
2018
2020
2022
2024


Exports t
Exports
Importer per capita GDP ($)
Exports, Billion$
0
.5
1
1.5
2
2.5
3
1990
1992
1994
1996
1998
2000
2002
2004


Exports to Hungary
Exports
Importer per capita GDP ($)
Exports, Billion$
Importer per capita GDP ($)
0
.5
1
1.5
0
5000
10000
15000
20000
1990
1992
1994
1996
1998
2000
2002
2004
2006
2008
2010
2012
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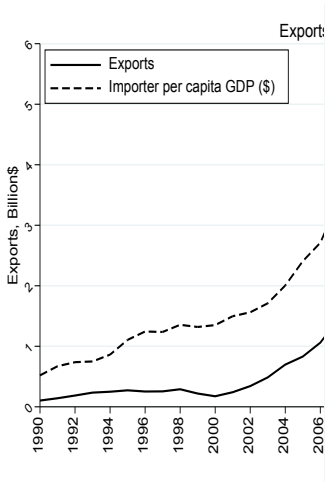
2018
2020
2022
2024


Exports
Importer per capita GDP ($)
Exports, Billion$
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4
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6
1990
1992
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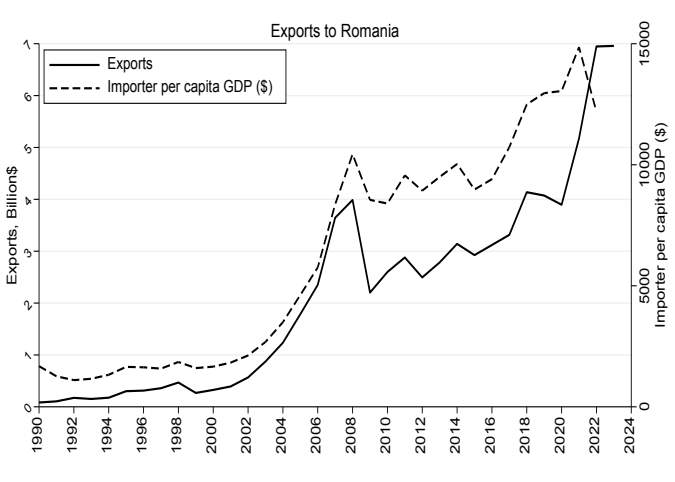
2000
2002
2004
2006


Exports to Romania
Exports
Importer per capita GDP ($)
Exports, Billion$
Importer per capita GDP ($)
0
1
2
3
4
5
6
7
0
5000
10000
15000
1990
1992
1994
1996
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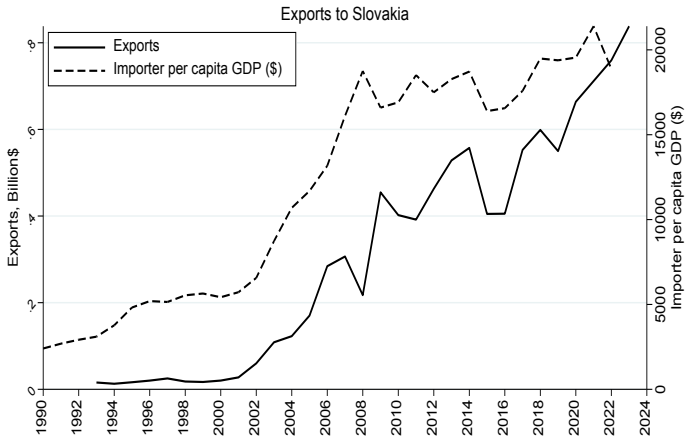
2016
2018
2020
2022
2024


Exports to Slovakia
Exports
Importer per capita GDP ($)
Exports, Billion$
Importer per capita GDP ($)
0
.2
.4
.6
.8
0
5000
10000
15000
20000
1990
1992
1994
1996
1998
2000
2002
2004
2006
2008
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2014
2016
2018
2020
2022
2024

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ARTICLE

Unlocking the Potential in the South Caucasus: The Zangezur Corridor's Impact on the Trans-Caspian International Transport Route (Middle Corridor)

Turan GAFARLI *

Abstract

The South Caucasus region has increasingly become a focal point of geopolitical interest, particularly in light of the ongoing conflict in Ukraine. This article examines the strategic importance of the Zangezur Corridor, a proposed transportation route designed to connect Azerbaijan's western regions with the Nakhchivan Autonomous Republic. The study identifies the internal and external factors influencing the development of this corridor, which promises to enhance regional connectivity and integrate the South Caucasus into the broader Trans-Caspian International Transport Route (Middle Corridor). Internally, the article discusses the political and economic challenges that Azerbaijan, Armenia, and neighboring countries face in realizing the corridor's potential. Externally, the research explores the influence of geopolitical actors such as Iran, Türkiye, and Russia, whose interests and interventions have shaped the corridor's trajectory. By analyzing the interplay between these internal and external factors, the article seeks to provide a nuanced understanding of the Zangezur Corridor's potential to transform regional dynamics, highlighting both the opportunities and challenges that lie ahead in the pursuit of greater regional stability and economic development.

Keywords

Zangezur Corridor, South Caucasus, Middle Corridor, regional connectivity, geopolitics

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Introduction

The South Caucasus, a region strategically positioned between Europe and Asia, has seen its importance rise, particularly in light of the conflict in Ukraine that began in February 2022. The ongoing war has prompted fresh evaluations of the strategic value of various transport routes, notably the Trans-Caspian International Transport Route—commonly referred to as the Middle Corridor—which runs through the South Caucasus. Although the countries in this region have followed different political trajectories since the fall of the Soviet Union, their destinies remain closely connected. The transport corridors in the South Caucasus not only offer significant economic advantages to several nations, but are also vital to maintaining regional stability and promoting growth.

The South Caucasus has historically served as a crucial transit hub, bridging the East and West. The corridor that extends from China through Central Asia, across the Caspian Sea, the South Caucasus, and Türkiye, and into Europe, stands out as one of the most efficient, secure, and dependable routes connecting these vast regions. Analysts view the aftermath of the 2020 Second Karabakh War as a transformative period, opening doors to new trade relations and economic collaborations in the region—opportunities that had not been present for decades. The proposed Zangezur Corridor, designed to link Azerbaijan's western territories with the Nakhchivan Autonomous Republic, holds the potential to bolster this connectivity further. Should this corridor be realized, it could play a vital role in strengthening economic ties and trade among the countries in the region, fostering widespread regional development.

The shifting geopolitical landscape, characterized by regional interdependencies and rising security concerns, calls for a thorough understanding of the evolving dynamics within the South Caucasus. As transport routes traversing this region gain increasing importance, there is a pressing need for coordinated efforts to enhance economic ties and promote regional development. This article explores the strategic potential of the Zangezur Corridor, recognizing its capacity to strengthen trade links and foster economic cooperation. By analyzing both the challenges and opportunities associated with this proposed corridor, the study seeks to underscore its pivotal role within the broader framework of the Middle Corridor.

Azerbaijan's active role in the development of the East-West corridor has earned significant recognition from its international partners. Despite this, there is a conspicuous lack of academic studies focused on the creation and consequences of the Zangezur Corridor. Specialists in the field underscore the

pressing need for Armenia to expedite the construction of this vital transport route, particularly given the geopolitical changes brought about by the conflict in Ukraine.

Amid shifting geopolitical landscapes, the South Caucasus faces both opportunities and challenges, with the proposed Zangezur Corridor poised to enhance regional connectivity significantly and reshape economic and strategic dynamics. This article critically examines the corridor's potential impact, highlighting the need for collaborative efforts to overcome obstacles and maximize its benefits. By focusing on the corridor's integration into the Middle Corridor and its broader implications for regional and international trade, the study aims to contribute to academic discussions on transport infrastructure and its geopolitical significance. The Zangezur Corridor's successful implementation could dramatically improve connectivity, stimulate economic growth, and strengthen trade ties across the South Caucasus and beyond.

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Understanding the Zangezur Corridor: An Overview

The 44-day Karabakh War in 2020 reshaped the region, presenting new opportunities for Azerbaijan, Armenia, and other involved powers. For these prospects to materialize, Azerbaijan and Armenia must finalize a peace agreement and meet their obligations under the Tripartite Agreement of November 10, 2020, which includes reopening transportation links and focusing on the Zangezur Corridor. Failure to do so risks reigniting regional tensions and harming the economies of both nations and their neighbors. The Zangezur Corridor is crucial, reconnecting Azerbaijan's Nakhchivan Autonomous Republic with the mainland, enhancing regional cooperation, and integrating Armenia into economic networks while strengthening Azerbaijan's territorial integrity.

Two key documents signed in the aftermath of the Second Karabakh War have significant implications for the Zangezur region. The first of these is the Trilateral Ceasefire Statement, signed on November 10, 2020, by Azerbaijani

President Ilham Aliyev, Armenian Prime Minister Nikol Pashinyan, and Russian President Vladimir Putin, which brought an end to the conflict that began on September 27, 2020. A close examination of Article 9 of this statement reveals a focus on projects aimed at fostering peace, with particular attention to Russia's strategic maneuvering. By leveraging its influence over Armenia's railway operations, Russia has positioned itself to control key trade routes, thereby enhancing its role in the region's postwar dynamics. Article 9 of the Trilateral Ceasefire Statement proclaims,

> All economic and transport connections in the region shall be unblocked. The Republic of Armenia shall guarantee the security of transport connections between the western regions of the Republic of Azerbaijan and the Nakhchivan Autonomous Republic in order to arrange unobstructed movement of persons, vehicles and cargo in both directions. The Border Guard Service of the Russian Federal Security Service shall be responsible for overseeing the transport connections.[1]

Article 9 underscores the restoration of Azerbaijan's land connection with the Nakhchivan Autonomous Republic, which had been severed for many years, focusing on integrating the Zangezur region within Armenia's borders. This direct link, crucial for overcoming challenges exacerbated during the Nagorno-Karabakh occupation, aims to connect mainland Azerbaijan not only with Nakhchivan but also with Türkiye. Despite Türkiye's absence as a signatory to the Tripartite Ceasefire Agreement, its support during the Second Karabakh War and the subsequent Shusha Declaration of July 15, 2021, ended Azerbaijan's diplomatic isolation, emphasizing the alignment of political, economic, and defense interests between Türkiye and Azerbaijan. The declaration writes,

> The parties note that the opening of the corridor connecting Azerbaijan and Türkiye between western regions of the Republic of Azerbaijan and the Nakhchivan Autonomous Republic of the Republic of Azerbaijan (the Zangazur corridor) and, as a continuation of this corridor, the construction of the Nakhchivan-Kars railway will make an important contribution to the development of transport and communication links between the two countries.[2]

The provisions outlined in the Shusha Declaration have effectively elevated Türkiye's involvement from a supporting role to a legally significant presence, despite not being a party to the 2020 Ceasefire Agreement. This shift means that Türkiye's participation alongside the other signatories in Shusha has become a legal expectation in international relations. Moving forward, Türkiye is

anticipated to play an active role in all processes related to the establishment and operation of the Zangezur Corridor.

The proposed Zangezur Corridor will establish a highway and railway link connecting Azerbaijan's western regions with Nakhchivan, crossing Armenian territory. This includes the construction of a new 166 km railway from Horadiz in Fuzuli province to Ordubad in Nakhchivan, integrating it into the existing Baku-Horadiz railway. With the opening of Fuzuli International Airport in 2021, the region's air transportation is fully operational.[3] Historically, a Soviet-era railway extended from Horadiz to the Armenian border, but parts were destroyed or submerged during the occupation. To bridge this gap, a new 43 km railway segment will pass through Armenia's Zangezur region, pending an agreement with Russia, which controls Armenia's railways. Additionally, extensive repairs will be made to the 158 km Ordubad-Velidağ railway, extending it by 14 km to reach the Armenian border, creating a continuous transportation corridor from Armenia to Russia and Iran.

The construction of the Horadiz-Aghbend railway, managed by Azerbaijan State Railways with significant Turkish involvement, is also underway. This 110.4 km line, featuring nine stations and approximately 500 structures, is 82% through the design phase and 45% complete, with 69.7 km of rail laid. Despite challenges posed by land mines and difficult terrain, the project is on track for completion by the end of 2024.[4] Parallel to this, the Ahmetbeyli-Horadiz-Mincivan-Aghbend highway, largely completed, will run alongside the railway, further enhancing connectivity in the region.

In parallel with the creation of the transportation corridor connecting Azerbaijan's western regions with Nakhchivan, a separate railway line has been planned to link Kars with Nakhchivan. The project, for which the tender process has already been completed, is scheduled to commence in 2024.[5] Once these projects are fully realized, a new transportation link between Türkiye and Azerbaijan will be established. Additionally, this will create an uninterrupted land and railway connection between Türkiye and Russia via Azerbaijan.

The Zangezur Corridor is crucial on multiple levels and is expected to ease long-standing congestion in the South Caucasus, a historically significant crossroads for human and commercial activity.

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Caucasus, a historically significant crossroads for human and commercial activity. This development could invigorate regional economies, especially those hit hard by the pandemic, and promote cooperation among South Caucasus countries, Türkiye, Russia, and Iran. Globally, the corridor has the potential to enhance the efficiency of the North-South axis and Middle Corridor, benefiting global trade and providing Türkiye with alternative routes to Central Asia. In the medium to long term, the Zangezur Corridor could foster socio-economic integration and cultural exchange, transforming regional cooperation into lasting peace and stability.

Integrating the Zangezur Corridor into the Middle Corridor

The Middle Corridor is a multimodal transport route that combines land and sea transportation, significantly shortening distances and facilitating the movement of goods. This corridor offers the most direct path for products traveling from China to Europe, passing through Central Asia, the Caspian Sea, the South Caucasus, and Türkiye before reaching their European destinations. A key advantage of the Middle Corridor is its total length, which is approximately 3,000 kilometers shorter than Russia's Northern Corridor.[6] This route not only reduces transit times, but also circumvents Russia, thus avoiding sanctions-related issues. As a result, it has become an increasingly attractive option for businesses seeking alternative trade routes and markets.

To grasp the potential of the Middle Corridor, it is instructive to consider the trade volume between Europe and China. Trade in goods between China and the European Union (EU) rose from €737.9 billion in 2022 to €857.8 billion in 2023.[7] In the most recent year, approximately 5% of the total containers transported from China to Europe were moved by land, with the remaining 95% transported by sea. This modest increase in land-based transportation is largely due to the growing instability of maritime routes, particularly through the Red Sea, and the rising importance of alternative corridors like the Middle Corridor. The Middle Corridor has attracted attention for its potential to offer greater safety and shorter transit times compared to traditional sea routes.[8] These figures also highlight the ongoing shifts in global logistics as companies seek to reduce their reliance on vulnerable maritime routes by increasingly utilizing land-based transport options.[9]

The Middle Corridor has experienced a notable surge in cargo transit volume, reaching 2.76 million tons in 2023—a 65% increase compared to 2022.[10] This marked a new record for freight traffic along the corridor, underscoring its

potential to accommodate the growing demands of global trade. Currently, the corridor's capacity is generally cited as 5.8 million tons per year, with projections suggesting an increase to 10 million tons annually by 2027. Transit times range between 14 and 18 days, reflecting ongoing improvements in infrastructure and a rising interest in this route, particularly given the instability of alternative corridors like the Northern Corridor.

In November 2023, the World Bank released a report titled "The Middle Trade and Transport Corridor: Policies and Investments to Triple Freight Volumes and Halve Travel Time by 2030." The report emphasizes the Middle Corridor's importance as a key transport link between China and Europe, gaining prominence following Russia's invasion of Ukraine. While highlighting the increased traffic along the corridor, the report stresses the need for significant efficiency improvements to realize fully its potential as a major global trade route.[11] The World Bank projects that by 2030, travel time between China and Europe's western border could be halved, and freight volumes could triple, reaching 11 million tons.

On December 13, 2023, the Organization for Economic Co-operation and Development (OECD) released a report titled "Realizing the Potential of the Middle Corridor." The report underscores the significant potential of the Middle Corridor, despite the various challenges it faces. It emphasizes that the policies adopted by the states involved will play a crucial role in enhancing the corridor's importance and capacity.[12] The projections within these reports suggest a promising future for the Middle Corridor. The report also highlights the need for collaborative efforts among the governments of Türkiye, Azerbaijan, Georgia, and Kazakhstan to develop the corridor's capacity further. Additionally, bilateral and multilateral initiatives by Turkic States and the Organization of Turkic States[13] aim to boost the corridor's efficiency. Furthermore, growing interest from Europe and China in the corridor strengthens positive expectations for its future.

Despite significant progress in developing the Middle Corridor, it still faces operational inefficiencies and high costs, causing many operators to revert to sea routes. Unpredictable delays ranging from 14 to 60 days, combined with underperforming ports and inefficient rail infrastructure, hinder the corridor's potential. While the introduction of a single operator may address coordination issues, a more critical problem is the inadequate infrastructure for oil and gas transportation, particularly in the Caspian and Transcaspian regions. For example, transporting oil from Kazakhstan to Azerbaijan via the Middle

Corridor involves multiple stages: the oil is first moved by rail to Kazakh ports, transferred to a ship bound for Baku, and then reloaded onto a train before reaching a pipeline for further distribution. This complex process results in significant delays and technical challenges compared to the more straightforward route through Russia via the Caspian Pipeline Consortium (CPC) even though both Kazakhstan and Europe are in search of alternatives.[14]

Another major challenge facing the Middle Corridor is the varying customs regulations across the countries it traverses, including Türkiye, Georgia, Azerbaijan, and Kazakhstan. Unlike the Northern Corridor, which enjoys more streamlined procedures under Russia's centralized control, the Middle Corridor suffers from a lack of standardized customs practices and digitalization. This fragmentation results in delays, higher costs, and unpredictable transit times, complicating the movement of goods and diminishing the corridor's competitiveness as a trade route between Europe and Asia.

The opening of the Zangezur Corridor is expected to transform the regional transit landscape and significantly influence the future of the Middle Corridor. This new route will provide a direct land connection between Azerbaijan and Türkiye, and enable the construction of a railway line linking Armenia and Russia through Azerbaijan. The Zangezur Corridor will thus serve as a crucial link, connecting Azerbaijan and Türkiye, as well as Armenia and Russia, and for the first time in modern history, it will establish a railway connection between Russia and Türkiye. Additionally, the Zangezur Corridor is poised to become the shortest land transport route between the Pacific and Atlantic Oceans, serving as a key junction for North-South and East-West routes. Its establishment will significantly enhance the efficiency and scope of land transport networks connecting Europe and Asia. As the missing link in one of the few East-West trade routes that bypass Russia, the Zangezur Corridor is strategically critical. A broader look at the Caspian-Black Sea region reveals that the most efficient route to both the Far East and the West runs through the Türkiye-South

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Caucasus-Caspian corridor, with Azerbaijan's active participation being crucial for these routes to become fully operational.

The trade volume between China and the EU amounts to trillions of dollars, with goods typically transported via Central Asia, the Caspian Sea, and the Baku-Tbilisi-Kars railway to Türkiye, taking about two weeks. The Zangezur Corridor, however, offers a shorter and more reliable route between the EU and China, bypassing the strained relations between Moscow and Tbilisi. Amid global supply chain disruptions, this corridor reduces the distance by at least 3,000 kilometers compared to the northern route through Russia, highlighting its strategic importance. The Zangezur Corridor aligns with China's Belt and Road Initiative, enhancing the South Caucasus's transit potential and supporting the EU's TRACECA (Transport Corridor Europe-Caucasus-Asia) project.[15] Türkiye's role is pivotal, as it signed a Memorandum of Understanding with China in 2015 to link the Middle Corridor with the Belt and Road Initiative, positioning itself as a logistics hub for EU-China trade while addressing regional instability.[16]

Table 1: Türkiye's Brief Trade Data with China, South Caucasus, and Central Asia in 2021

	Export (USD thousand)	Share in Türkiye's total export, %	Import (USD thousand)	Share in Türkiye's total import, %	Trade Balance (USD thousand)	Trade Turnover (USD thousand)
Armenia	2,341.58	0.00	3,684.11	0.00	-1,342.53	6,025.69
Azerbaijan	2,342,788.74	1.04	751,290.08	0.28	1,591,498.66	3,094,078.82
China	3,662,747.79	1.63	32,238,051.68	11.88	-28,575,303.90	35,900,799.47
Georgia	1,703,745.40	0.76	470,851.04	0.17	1,232,894.36	2,174,596.44
Kazakhstan	1,288,142.38	0.57	1,595,313.34	0.59	-307,170.96	2,883,455.72
Kyrgyz Republic	749,441.17	0.33	86,460.87	0.03	662,982.30	835,902.04
Tajikistan	258,353.54	0.11	195,730.98	0.07	62,622.56	454,084.52
Turkmenistan	984,446.06	0.44	710,865.12	0.26	273,580.95	1,695,311,18
Uzbekistan	1,841,623.05	0.82	1,800,043.71	0.66	41,579.34	3,641,666.76

Source: "Turkey Trade Balance, Exports and Imports by Country and Region 2021," World Integrated Trade Solution, https://wits.worldbank.org/CountryProfile/en/Country/TUR/Year/2021/TradeFlow/EXPIMP# (Accessed 01.07.2024).

As illustrated in Table 1, data from the "World Integrated Trade Solution" highlight Türkiye's significant trade turnover (imports and exports) with China, the South Caucasus, and Central Asia, which is crucial for analyzing the Middle Corridor's impact. In 2019, Türkiye's total trade turnover with Central Asian countries was approximately US$8.5 billion. By 2021, this figure had only modestly increased to around US$9.5 billion, a growth rate that can be largely attributed to the disruptions in global trade caused by the coronavirus pandemic.

However, these trade figures are far from satisfactory for Türkiye and its regional partners. Türkiye has set ambitious trade turnover goals: US$10 billion with Kazakhstan,[17] US$5 billion each with Uzbekistan[18] and Turkmenistan,[19] and a target of US$7.5 billion with Azerbaijan[20] by 2024, with plans to double that figure to US$15 billion in the coming years. Additionally, Türkiye has already achieved a US$1 billion trade turnover with Kyrgyzstan[21] and has set the same target for its trade with Tajikistan[22].

As evident, Türkiye's preference for the Middle Corridor is driven by its goal to boost trade turnover with the South Caucasus, Central Asia, and China.

As evident, Türkiye's preference for the Middle Corridor is driven by its goal to boost trade turnover with the South Caucasus, Central Asia, and China. In contrast, the southern route through Iran has become less favorable. Turkish-owned trucks traveling along the route face significant delays due to long queues at the Gürbulak customs post, the main crossing point between Iran and Türkiye, and are further burdened by fuel taxes imposed by Iranian authorities.

The Zangezur Corridor allows for direct entry into Azerbaijan, and when comparing route lengths, it is estimated that the total travel distance will be reduced by an average of 25% with the corridor's opening. This reduction becomes even more significant when considering the time required for a typical truck to pass through border crossings. For instance, given that the average fuel consumption for a truck is 20 liters per 100 kilometers, fuel usage could decrease from approximately 163 liters to 130 liters if vehicles can move without stopping.[23] Additionally, when factoring in the time spent in queues at border crossings and the savings from eliminating the entry-exit procedures at a third country's border, the benefits become even more substantial.

It is important to note that the Middle Corridor currently lacks the capacity to meet the demands of trade volume fully or replace the routes passing through Russia, as it currently holds only about 10% of the capacity of the

Russian route.[24] However, it remains a highly valuable project in terms of route diversification, especially given that China-EU shipments along the Northern Corridor have decreased by 40% since Russia's invasion of Ukraine.[25]

It should be noted that Central Asian countries have been making significant investments to develop modern infrastructure. Over the past five years, Kazakhstan, for example, has invested approximately $35 billion in its transport sector. This substantial investment has led to the construction of 2,500 kilometers of new railways, 19,500 kilometers of roads, 15 airports, and expanded port capacities along the Caspian Sea.[26] Additionally, in 2022, Kazakhstan announced a $20 billion investment package to diversify transit and freight transport routes further and integrate advanced logistics solutions. Recent initiatives include plans to increase the capacity of the Caspian Sea ports of Aktau and Kuryk by 50% and to triple container capacity by 2028, underscoring ongoing efforts to modernize infrastructure and strengthen Kazakhstan's role in international trade routes.

It is also worth noting that Azerbaijan joined the International North-South Transport Corridor (INSTC) in 2005. This project was initiated with the aim of significantly reducing the delivery time of freight from India to Russia, as well as to northern and western Europe, from over six weeks on the current route to an expected three weeks via the North-South Transport Corridor. Once the Zangezur Corridor becomes operational, Armenia will have the opportunity to benefit from this North-South Transport Corridor as well.

National Perspectives and Strategic Interests

Azerbaijan

The Zangezur Corridor holds three key strategic advantages for Azerbaijan:

1. Geographical integration with Türkiye: The Zangezur Corridor will play a crucial role in bridging the physical and geographical gap between Türkiye and Azerbaijan. By providing a more direct and efficient connection between the two countries, this corridor will enhance regional integration.
2. Azerbaijan's access to Europe: The opening of the Zangezur Corridor will secure Azerbaijan's access to Europe via Türkiye, thereby expanding its transit routes. This development has the potential to strengthen Azerbaijan's economic and trade relations with European nations.

3. Lifting the blockade on Nakhchivan: Currently, the land connection between Nakhchivan and Azerbaijan is facilitated through Iran. The Zangezur Corridor will break this blockade, offering new avenues for Nakhchivan's economic development and reintegration into Azerbaijan's broader economy.

The Zangezur Corridor is expected to boost Azerbaijan's trade with Türkiye and Europe by up to 15%, while reducing transport costs by up to 30% and cutting travel time by up to 50%. These benefits will extend to other regional countries as well. Strategically, the corridor is vital for Azerbaijan's efforts to diversify its economy beyond oil and gas, fostering growth in sectors like agriculture and manufacturing, particularly in rural areas. Additionally, the corridor positions Azerbaijan as a key transit hub for Caspian oil and gas exports to Europe. With significant investments in transport infrastructure, including new highways, railways, and airports, the Zangezur Corridor offers a direct route to Türkiye and access to the Black and Mediterranean Seas, enhancing Azerbaijan's export efficiency to Europe.

The Zangezur Corridor, passing through Azerbaijan and Türkiye, holds significant potential to enhance economic ties between the two nations and stimulate development in Türkiye's eastern regions bordering Azerbaijan.

The southwestern districts of Azerbaijan—Fuzuli, Jabrayil, Qubadli, Zangilan, and Lachin—faced limited economic development due to partial control by Baku from the 1990s until the Second Karabakh War in 2020. Following the war, Azerbaijani officials prioritized the swift economic recovery of these regions, which were integrated into the East Zangezur and Karabakh economic regions in July 2021.[27] The Zangezur Corridor is expected to enhance development significantly, with Zangilan earmarked as a key transportation hub due to its upcoming international airport and highways. Additionally, Fuzuli, Lachin, and Khojaly each host airports, further boosting the region's infrastructure.

The Zangezur Corridor project aims to reestablish a direct overland link between Azerbaijan's western regions and the Nakhchivan Autonomous Republic, which was severed during the 1990s Armenian-Azerbaijani conflict. Since then, Azerbaijan had to rely on alternative routes through Georgia, Iran, and Türkiye. Reopening these transport links is expected to reduce subsidies for Baku-Nakhchivan flights by $10 million and significantly boost the economy,

with estimates projecting more than $710 million in increased exports, a 2% rise in non-oil GDP, and growth in the manufacturing and mining sectors by 3% and 2.7%, respectively.[28]

Türkiye

Türkiye's active role in the Middle Corridor aligns with its objective of ensuring reliable transportation of Chinese products between Europe and Asia. The convergence of hydrocarbon reserves, railway networks, and pipelines in the South Caucasus and Central Asia with the Silk Road initiative bolsters Türkiye's negotiating position. Economically, Türkiye benefits by directly adding transit fees to its balance sheet. The Second Karabakh War has cleared the Zangezur Corridor's path, making trade more sustainable in terms of time and cost. Türkiye's recent megaprojects, like the new Istanbul Airport, the Marmaray, and high-speed railways, underscore its strategic importance in transportation and logistics, positioning it as a central transit hub. As a key player in Central Asia and the Caucasus, Türkiye has spearheaded regional cooperation through projects like the Baku-Tbilisi-Ceyhan (BTC) crude oil pipeline, the Baku-Tbilisi-Erzurum (BTE) natural gas pipeline, the Baku-Tbilisi-Kars (BTK) railway, and Trans-Anatolian Natural Gas Pipeline (TANAP), crucial for diversifying energy routes and reducing reliance on Russia.[29]

Transporting goods to Europe via Türkiye, which is central to the Middle Corridor, allows for bypassing Russia, and the shortened transportation distance strengthens China's strategic position. By utilizing transit routes that avoid Russian territory, there may be a potential reduction in Russia's aggressive and non-compliant behavior in foreign policy. This scenario opens a new window of opportunity for Türkiye to collaborate with Russia, China, and the Turkic States. The concept of sustainable trade that connects Europe with eastern countries, particularly those with deficits in raw materials and semifinished products, enhances Türkiye's economic prospects.

The Zangezur Corridor, passing through Azerbaijan and Türkiye, holds significant potential to enhance economic ties between the two nations and stimulate development in Türkiye's eastern regions bordering Azerbaijan. Türkiye has long faced territorial and economic imbalances, with the western regions dominating population and GDP.[30] To address these disparities, Türkiye has implemented various development projects in the east, including the Eastern Anatolia Regional Development and Transportation Infrastructure initiatives. The construction of the Turkish segment of the BTK railway aligns with these efforts. Even before the 2020 ceasefire in Nagorno-Karabakh and discussions

about the Zangezur Corridor, Türkiye planned a railway line from Kars to the Azerbaijani-Turkish border, with high expectations that the Iğdır-Nakhchivan corridor will triple trade with Azerbaijan and elevate Iğdır's strategic importance with the newly built gas pipeline.[31] This route, complementing the BTK railway, is expected to play a crucial role in revitalizing the historic Silk Road and further developing transport infrastructure in Türkiye's eastern regions adjacent to the Azerbaijani-Turkish border.

Armenia

Armenia is highly skeptical of the Zangezur Corridor project, strongly opposing the term "corridor" as it is not mentioned in the ceasefire agreement and is seen as implying a loss of sovereignty.[32] The use of the name "Zangezur" is also rejected by Armenians, who interpret it as an assertion of Azerbaijan's historical land claims on Armenian territory. Many Armenian experts fear that the corridor could pose significant geopolitical risks and potentially undermine Armenia's sovereignty.[33] There is particular concern about the corridor's location along Armenia's 40-kilometer border with Iran, as its implementation could complicate border management and oversight of the Iran-Armenia gas pipeline. The Armenian leadership worries that the corridor could become extraterritorial and militarized, which they view as a violation of territorial sovereignty, and fear it might become a hub for illicit activities.[34]

While Armenia is skeptical of the Zangezur Corridor, Yerevan supports unblocking regional transport links and has proposed the construction of the Horadiz-Meghri-Ordubad-Yeraskh railway line through its territory, with Azerbaijan responsible for its portion. A section of this railway would overlap with the proposed Zangezur Corridor. However, some argue against the Zangezur route, noting that goods from Armenia to Russia would face a longer journey compared to the traditional Ijevan-Gazakh route.[35] Instead, Armenia's government envisions broader regional connectivity by reopening de jure borders and restoring Soviet-era cross-border roads and railways, all within the framework of international law and respect for sovereignty. Armenia believes this approach would yield immediate economic benefits for all South Caucasus countries. This vision hinges on the signing of a peace treaty, requiring mutual recognition of sovereignty and territorial integrity. Summarizing the Armenian proposal for the connectivity in the region, Prime Minister Pashinyan introduced the "Crossroads for Peace" initiative.[36]

Armenia contends that the core issue lies not in the corridor itself, but in the coercive manner of its implementation, accusing Azerbaijan of using a

threatening and expansionist approach. There is also concern in Yerevan that a Zangezur Corridor beyond Armenian control could complete a sanctions-resistant network linking Iran, Türkiye, and Russia via Azerbaijan. To address these fears, President Aliyev suggested setting up checkpoints at both ends of the corridor, which would prevent it from being extraterritorial and protect Armenia's territorial integrity.[37] Meanwhile, Armenia highlights that its "Crossroads for Peace" initiative, with support from the EU and the U.S., has paved the way for transport projects connecting Tehran to Moscow through Azerbaijan, sidestepping Western sanctions.

Georgia

The opening of the Zangezur Corridor in the South Caucasus could have mixed effects on Georgia's economy. While it might challenge Georgia's status as a key transit country, particularly as Azerbaijan previously relied on Georgia to maintain links with Türkiye due to its conflict with Armenia, the new route doesn't necessarily diminish the value of transit roads through Georgia.[38] Azerbaijan and Türkiye have heavily invested in the BTK transport corridor running through Georgia, with Azerbaijan providing substantial financial support, including recent commitments to further invest in the project. This continued interest suggests that Georgia's transit relevance may persist despite the emergence of the Zangezur Corridor.

However, the construction of the Zangezur Corridor could raise concerns in Georgia about increasing Russia's influence in the region. The reopening of transport links in the South Caucasus, possibly including a Russia-Armenia railway through Azerbaijan, might reduce the importance of Georgian routes. Despite Armenia's political hesitations, there is recognition that the Zangezur Corridor could economically benefit the country by addressing logistical issues, such as the bottleneck at the Georgian checkpoint "Verkhny Lars," which hampers Armenia's agricultural exports to the Eurasian Economic Union.

Official Tbilisi remains uninvolved in negotiations concerning the Zangezur Corridor, partly due to its geographical distance from Georgia and partly to preserve the unique status of the "Verkhny Lars" route, which currently serves as the sole road for Armenian trucks reaching Russia. With a daily capacity of 200 passenger cars, 170 trucks, 30 buses, and 4,000 individuals, this route generates significant revenue along the lines of US$80 million per annum for Georgia, making it economically beneficial to maintain and expand.[39] Although the opening of the Zangezur Corridor could offer an alternative route for Armenian cargo, Georgia's leadership sees the existing infrastructure, including

ports in Batumi and Poti, as crucial for the region's trade, despite the potential outflow of some goods to Russia due to occasional bottlenecks at the "Verkhny Lars" checkpoint.

While the Zangezur Corridor could shorten and make the Yarag-Kazmalar route more attractive for cargo delivery to Armenia, Georgian experts believe their ports and transport routes will remain vital. They acknowledge that even with the reopening of old and the construction of new Armenian-Azerbaijani-Russian transport links, these alternatives are unlikely to meet fully the demands of Azerbaijan, Nakhchivan, and especially Türkiye. Despite this, Georgia stands to benefit from the overall increased transport importance of the South Caucasus once the Zangezur Corridor opens, although experts agree that the political complexities in Azerbaijani-Armenian relations, compounded by Russia's involvement, may delay its realization.

Iran

Iran views the Zangezur Corridor with significant concern due to its historical and geopolitical implications. The disruption of Iran's railway access to the former Soviet network during the First Nagorno-Karabakh War caused considerable economic harm, making Tehran eager to restore connections, particularly through the Julfa Iron Bridge and the Nakhchivan Railway. While Iran has historically supported unhindered transportation between mainland Azerbaijan and Nakhchivan, it strongly opposes any definition of the corridor that would place Armenia's Syunik Province under a special legal regime, effectively removing it from Armenian control. Additionally, some Iranian analysts see the corridor as a pan-Turkism project supported by NATO, with the potential to destabilize regions within Iran where ethnic Turks reside.[40] They argue that the corridor could be part of a broader NATO strategy to encircle and weaken Iran, Russia, and China by increasing influence in the Caucasus and Central Asia, thus contributing to the encirclement and potential disintegration of these nations.

Iran's strategy in the Caucasus involves direct communication with Russia and Armenia to address concerns over the Zangezur Corridor while remaining cautious of Türkiye's growing ties to Central Asia and the potential for increased NATO influence. Despite more than 70 years of bordering Türkiye, a NATO member, Iran's friendly relations with Ankara have mitigated any significant harm. However, Tehran's opposition to the Zangezur Corridor is likely to persist, fueled by nationalist sentiments and fears of broader Turkic ambitions. Iran is also wary of Baku possibly seizing southern Armenian territory to create

a direct link with Nakhchivan, which would sever Tehran's connection to Yerevan, a key ally. Furthermore, Iran opposes the normalization of Armenia-Türkiye relations, fearing it could reduce Yerevan's dependence on Tehran and lead to greater Western influence in the region.

The shifting regional dynamics and declining Russian influence present challenges to Iran's long-term geopolitical and security goals. Tehran fears that if Ankara's efforts to normalize relations with Yerevan succeed, leading to the establishment of the Zangezur Corridor, Iran could be marginalized. This development could bolster Turkish and Azerbaijani influence by creating a direct link between them, bypassing Iran and diminishing its role as a key regional transit hub. In July 2024, Iranian Supreme Leader Ayatollah Ali Khamenei warned against creating a land corridor through Armenia to Azerbaijan's Nakhchivan exclave, stressing that such a move would harm Armenia and that foreign powers should not impose restrictions on relationships between neighboring countries.[41]

Russia

For years, Russia considered the South Caucasus part of its post-Soviet sphere of influence, employing economic, military, and other tools of dominance. However, recent uncertainties have led Moscow to reassess its regional priorities, with Armenia and the Nagorno-Karabakh conflict becoming less central. Now, Russia views its South Caucasus agenda primarily through the lens of its confrontation with the West, leaving it without a clear regional strategy. This shift is reflected in the omission of Nagorno-Karabakh from Russia's 2023 Foreign Policy Concept,[42] a departure from previous versions. Limited resources due to the war in Ukraine have pushed Moscow into a reactive stance in the South Caucasus, evident in its failure to uphold security guarantees to Armenia. Russia's primary concern is to exclude Western influence from the region, aiming to maintain dominance either alone or with non-Western allies in the post-Ukraine war order. A peace agreement

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between Armenia and Azerbaijan brokered by European or U.S. mediators would represent a significant loss for Russia, undermining its role as the primary peace broker, a scenario Russia is determined to avoid.

A key strategy for Russia in sustaining its influence in the region has been its long-standing involvement in regional connectivity, especially concerning Armenian-Azerbaijani communications. Russia sought to prioritize the railway connection between Armenia and Georgia as a response to Western sanctions and efforts to isolate it. However, this proposal was swiftly dismissed by Tbilisi. Considering Russia's interest in maintaining communication channels with Georgia, Moscow might back Armenia's "Crossroads of Peace" initiative, which aims to unblock all regional routes. A crucial North-South corridor for Russia runs through Azerbaijan, and in 2023, Russia and Iran agreed to build a railway linking Rasht and Astara.[43] This new route will provide Russia with direct access to the Persian Gulf via Azerbaijan and Iran, further connecting to India and other Asian markets. Coupled with the free trade agreement between Iran and the Eurasian Economic Union (EAEU), the completion of this railway will significantly boost Azerbaijan's strategic economic importance to Russia.

Azerbaijan's push for the Zangezur Corridor, connecting its main territory with the Nakhchivan enclave, has not received explicit support from Russia for a control-free passage. However, Moscow views the opening of this route favorably, aligning with the 2020 Trilateral Ceasefire Statement, as it is seen as a step toward regional stability. According to the statement, Russia's Federal Security Service (FSB) was tasked with overseeing the transport links between Azerbaijan's western regions and the Nakhchivan Autonomous Republic. The creation of this new route could prompt a reassessment of Russia's influence in the South Caucasus. Amid anti-Russian economic sanctions, Moscow is seeking reliable alternative routes for its suppliers. Here, the International North-South Transport Corridor, which will link Russia, Azerbaijan, Iran, and India, can be highlighted as a crucial overland route.[44] In this context, the strategic importance of the Zangezur Corridor, particularly its western branch through Azerbaijan, becomes increasingly clear.

The corridor through Armenia will also facilitate railway and transport links to Türkiye and the Middle East, offering a crucial alternative to the current route from Russia to Armenia, which faces operational challenges, particularly during winter on the Georgian Military Road, and complications due to Russia's strained relations with Georgia. Additionally, for greater transportation and logistics efficiency, some of the commodity flow from East Asia, which

currently passes through Russia, may be rerouted through the Trans-Caucasus via the Zangezur Corridor. Given China's growing influence in the global economy, involvement in its international initiatives to strengthen economic ties with Europe is vital for the development of all countries in the region. This suggests that Russia should be actively interested in the Zangezur Corridor's development. Without such involvement, the existing Baku-Tbilisi-Kars route, where Russia has limited participation, will likely continue to dominate. By backing the Zangezur Corridor, Russia could enhance its economic power in the South Caucasus.

United States

The U.S. position on the Zangezur Corridor, a proposed link between mainland Azerbaijan and its Nakhchivan exclave through Armenia, is characterized by cautious engagement. While Washington supports efforts to stabilize the South Caucasus and facilitate dialogue between Armenia and Azerbaijan, it has refrained from fully endorsing the corridor due to concerns over Armenian sovereignty and the complex geopolitical implications. The U.S. emphasizes the importance of respecting territorial integrity, aligning with its broader principles of sovereignty and non-interference.

During a visit to Yerevan, U.S. Assistant Secretary of State James O'Brien highlighted the strategic importance of the Zangezur Corridor within the Middle Corridor, which connects Central Asia to the Mediterranean.[45] He stressed that the current regional dynamics, particularly the desire to reduce Russian influence, create a unique opportunity to advance the corridor's development. However, the U.S. prefers diplomatic and political solutions over military intervention, viewing Türkiye as a key partner in counterbalancing the influence of China, Russia, and Iran, which could complicate the corridor's realization.

While recognizing the Zangezur Corridor's potential to enhance regional connectivity and trade between Europe and Asia, the U.S. is wary of it becoming a source of renewed conflict. American policymakers have supported peace talks and urge Armenia and Azerbaijan to reach a mutually acceptable agreement. The U.S. is also concerned about Russia and Iran's influence in the region, as their involvement in the corridor could increase their leverage, potentially destabilizing the area. Thus, the U.S. advocates for a solution that minimizes these risks and promotes long-term peace and stability.

Conclusion: Prospects and Future Implications

Russia's invasion of Ukraine has increased interest in the Middle Corridor as European nations seek alternatives to Russian transit routes. However, the corridor's limitations quickly became evident, with border crossing issues, transportation challenges, and coordination problems leading to significant delays and a 37% decrease in container transportation in the first eight months of last year compared to 2022. High and variable transport costs, lengthy transit times, and inadequate infrastructure, including a shortage of ships and poor logistics, have further hindered its effectiveness. To improve the corridor's attractiveness, medium-term investments in coordination, logistics, and digitization are essential, along with short-term measures to enhance efficiency.

To improve the corridor's attractiveness, medium-term investments in coordination, logistics, and digitization are essential, along with short-term measures to enhance efficiency.

If the Middle Corridor extends through the Zangezur Corridor, Armenia could connect with Russia, its key trade partner, by leveraging Azerbaijan's transport routes via Gyumri-Nakhchivan-Meghri-Baku and Ijevan-Kazakh-Baku. A railway from Kars to Gyumri, estimated to cost US$434 million, could become profitable within 13 years, handling 10 million tons of cargo annually. Additionally, the Kars-Nakhchivan railway through the Zangezur Corridor would enhance the project's strategic importance. Armenia's integration with Azerbaijan's and Türkiye's railway networks will hinge on its policy decisions. Furthermore, Armenia could explore connections with Iran via Azerbaijan and Türkiye, though the challenging geography makes significant investment in the Armenia-Iran railway unlikely. Opening South Caucasus communications would provide access to major maritime routes through Iran's Bandar Abbas port.

However, the successful implementation of the Zangezur Corridor project hinges on resolving the region's most significant challenge: the ongoing peace negotiations between Azerbaijan and Armenia. In August 2024, reports emerged that the article concerning the Zangezur Corridor had been removed from the draft peace agreement with Armenia.[46] This removal seems to align with calls from Western powers to expedite the signing of the peace agreement. Nevertheless, expectations for a swift conclusion to the peace deal remain low.

Armenia and Azerbaijan have been engaged in peace negotiations for more than

two years, with Western powers, including the U.S. and the EU, urging both South Caucasus nations to finalize an agreement soon. Azerbaijan has demanded that Armenia remove the constitutional clause calling for "reunification" with Karabakh as a precondition for signing the peace agreement, asserting that Karabakh has never been part of Armenia.

While the opening of the Zangezur Corridor is not a central issue in the broader peace agreement, the draft does emphasize the importance of reopening all communication links. The specifics of these communications and their operational rules can be addressed later through a separate agreement or multiple agreements. The crucial point here is the necessary amendments to Armenia's constitution, without which the peace agreement cannot be signed.

Thus, despite the Zangezur Corridor's potential economic benefits, the project faces significant obstacles due to the conflicting interests of regional powers. Even with Western support for the corridor, there is no guarantee that Russia will not attempt to use it to circumvent sanctions. Meanwhile, Armenia is seeking to escape regional isolation on its own terms, rather than following the path outlined by Azerbaijan. Iran, for its part, is trying to curtail Türkiye's influence in the region and has taken a stance in favor of Armenia. However, if the Zangezur Corridor is implemented—whether before or after a peace agreement—it could play a pivotal role in advancing regional and global economic development, as well as enhancing the Middle Corridor.

To overcome the identified geopolitical and infrastructural challenges, Azerbaijan and Armenia should address the development of the Zangezur Corridor through direct bilateral dialogue, minimizing third-party involvement. By keeping external actors out as much as possible, the two nations can build a foundation of trust, which would have significant implications for achieving lasting peace in the region. Such an approach would also foster social harmony between the peoples of Azerbaijan and Armenia, creating a monumental step toward reconciliation and peaceful coexistence.

Future research could delve deeper into the socio-economic impacts of large-scale infrastructure projects like the Zangezur Corridor on local populations. Questions such as how local economies and job markets are influenced by improved connectivity, and whether these benefits are equitably distributed among marginalized communities, require thorough investigation. Moreover, environmental concerns, particularly related to the construction of new roads and railways, warrant analysis. Research on how these developments might affect biodiversity, land use, and carbon emissions in the South Caucasus would

provide critical insights into sustainable infrastructure planning in the region.

Additionally, further research could explore the corridor's alignment with broader international strategies like the EU's Global Gateway. A new perspective from China, examining its evolving economic interest in the Zangezur Corridor beyond its Belt and Road Initiative, could offer valuable insights into the potential shift in China's strategic outlook. Understanding China's deeper economic involvement could help clarify the corridor's role in shaping future global trade routes and regional economic alliances.

In its current state, there are significant challenges for researchers analyzing the Zangezur Corridor. The corridor has yet to reach its full practical implementation, and the signing of a comprehensive peace agreement between Azerbaijan and Armenia remains crucial. Additionally, the lack of accessible open-source data from both countries makes accurate calculations difficult. For research to be truly effective, a complete non-biased approach is necessary, one that transcends political and ideological concerns. Only by prioritizing objective analysis can the true impact of the Zangezur Corridor be fully understood and leveraged for regional development.

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ARTICLE

The Evolution of China's Foreign Aid Perspective towards Africa: The Case Study of TAZARA Railway from the Cold War to the Present

Rahman NURDUN *

Abstract

This study examines the evolution of China's foreign aid policies in Africa by focusing on the Tanzania-Zambia Railway (TAZARA), a key infrastructure project initiated during Mao Zedong's era. Initially conceived as a symbol of solidarity with developing nations, TAZARA reflects China's ideological commitment during the Cold War. The research addresses how the evolution of China's foreign aid policies in Africa from the Cold War to the present is illustrated by TAZARA and how its historical development has influenced China's current aid approach. The analysis situates TAZARA within China's shifting aid policies, transitioning from Mao's ideological motivations to Deng Xiaoping's pragmatic economic focus. This transition laid the groundwork for the Belt and Road Initiative (BRI), which emphasizes infrastructure development to expand China's global influence. While existing literature critically assesses China's aid dynamics, few studies analyze TAZARA as a case study of evolving aid strategies. This research fills that gap by providing a qualitative examination of TAZARA, incorporating both Chinese and Western perspectives to highlight its significance. The study is organized into four sections: the evolution of China's aid strategy; the rationale behind TAZARA's construction; the implications of TAZARA's rehabilitation within the BRI; and a concluding reflection on how TAZARA symbolizes China's multifaceted engagement in Africa. Ultimately, the findings suggest that TAZARA represents both a historical legacy and a strategic initiative, highlighting China's commitment to fostering deeper diplomatic ties and shared prosperity across the continent.

Keywords

TAZARA Railway, Tanzania, Zambia, China, Belt and Road Initiative (BRI)

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Introduction

The origins of the Tanzania-Zambia Railway (TAZARA) can be traced back to Mao Zedong's era when China sought to forge alliances and alleviate international isolation. Mao's African aid strategy aimed to foster camaraderie with developing nations by extending substantial assistance, exemplified by infrastructure projects like TAZARA. Built between Tanzania and Zambia, this monumental endeavor wasn't merely a transport infrastructure initiative but a manifestation of China's solidarity with African nations, reflecting Mao's ideological vision of global solidarity among developing countries.

However, the passage of time and geopolitical transformations prompted a shift in China's aid policies. From the ideological underpinnings of Mao's era, Chinese aid gradually evolved into a more pragmatic approach under subsequent leadership. Deng Xiaoping's reforms marked a turning point, advocating for a pragmatic foreign policy that aligned with China's economic interests. Consequently, aid policies pivoted from ideological alignment to pragmatic economic cooperation, setting the stage for the Belt and Road Initiative (BRI).

TAZARA stands as a testament to China's evolving strategies within its BRI and underscores the transformation of its foreign aid policies. Initially conceived as a symbol of Chairman Mao's African aid strategy, it epitomizes China's journey from ideological altruism to pragmatic global engagement.

TAZARA stands as a testament to China's evolving strategies within its BRI and underscores the transformation of its foreign aid policies.

This study is designed to answer the following research questions: (1) How have China's foreign aid policies in Africa evolved from the Cold War era to the present? (2) How and to what extent does TAZARA as an aid initiative reflect the change and continuity in China's foreign aid strategy in Africa? (3) How has the historical development of TAZARA influenced China's current approach to foreign aid in Africa?

The topic of China's foreign aid to Africa has garnered significant attention from various scholars in recent years, leading to numerous academic publications and scholarly works from which this study draws its information. Western scholar

Brautigam is one of the forerunners in this field by addressing questions such as where China provides aid, the reasons behind its aid contributions, and the amount of aid it allocates to Africa.[1] Taylor contends that China's expansion into Africa hasn't been universally welcomed and has claimed that although China is open to building economic and political ties with poor and often unstable African countries seeking foreign assistance, its approach sometimes conflicts with Western policies on governance and development.[2] When evaluating China's foreign aid policy, Lengauer argues that many African leaders' support of Chinese aid and investments does not necessarily imply that the average African will benefit from China's increasing presence on the continent.[3] According to Kjøllesdal and Analysebyrå, China's strategic positioning as a key player in foreign aid, particularly in Africa, is challenging traditional donors by providing assistance without stringent conditionalities, prompting a reevaluation of their approaches amid its long-standing relationships with developing countries.[4] Academic studies by Chinese scholars such as Qi Guoqiang,[5] Huang Meipo and Lang Jianyan,[6] and Li Xiaoyun and Wu Jin[7] are more related to the historical review of China's foreign aid, in general, and the practical experiences and challenges faced by China in its aid to Africa, in particular.

On the other hand, existing academic studies on TAZARA are concerned with specific aspects like its economic impact, historical context, or geopolitical significance. For instance, Wekesa discusses the TAZARA project as a significant example of Chinese investment in infrastructure in East Africa. He explores the historical context of the railway, its impact on regional connectivity, and the economic implications for both Tanzania and Zambia.[8] Monson explores how the construction and operation of TAZARA have influenced the lives and livelihoods of local communities.[9] Ke Song portrays TAZARA as a symbol of China's commitment to African development while he believes that the project exemplifies Chinese modernism, shaped by multidirectional knowledge exchange and selective Western influences.[10] Shakhshir argues that the TAZARA project, while initially intended to foster cooperation and development between Tanzania and Zambia, faced significant challenges due to differing national interests, governance structures, and management practices.[11] Using interdependence theory, Enuka highlights TAZARA's positive effects on Tanzania's economy, technological transfer, and China's commitment to African development and liberation, despite challenges from the Cultural Revolution.[12] Liu and Monson focus on cooperation between African and

Chinese workers, with Chinese experts providing on-site training to their African counterparts.[13] Yu analyzes TAZARA as a major Chinese aid project, highlighting China's motivations, the political and economic needs of Tanzania and Zambia, and TAZARA's enduring influence on both local and international contexts from 1955 to 1970.[14] In her dissertation, Bourbonniere explores the historical evolution of development planning through the TAZARA project, examining British-led planning during the colonial era and the reinterpretation by African leaders post-independence, ultimately revealing how historical context and political needs shape development debates and future possibilities for the region.[15]

This study specifically aims to examine the impact of China's changing aid modality in Africa by taking TAZARA as a case study. The study is a qualitative research that is designed to analyze TAZARA's role within the context of China's evolving foreign aid policies and the BRI. The qualitative nature of this research allows for an in-depth exploration of the complexities surrounding the railway's historical significance, its ideological underpinnings, and its contemporary implications in the development landscape of Africa. Apart from Western academic studies, the analysis also draws on a range of Chinese perspectives and academic sources, which have often been overlooked in Western development circles and academia. This includes scholarly articles, government publications, and policy documents. By incorporating these sources, the study aims to provide a more nuanced understanding of TAZARA that contrasts with predominantly Western narratives.

This study is organized into four sections. The first section examines the evolution of China's aid strategy toward Africa during the Cold War and its subsequent developments up to the present. The second section analyzes the rationale behind China's approach to extending its influence in Africa through the construction of TAZARA while the third section investigates the rehabilitation of TAZARA and its implications within the context of the BRI. Finally, the concluding section posits that the rehabilitation of TAZARA serves as a symbol of China's multifaceted engagement in Africa under the BRI framework, reflecting its commitment to facilitating substantial development while underscoring the strategic significance of infrastructure connectivity for promoting economic growth and regional cooperation.

China's Aid Strategy towards Africa during the Cold War

According to Chinese scholars, during the period from the founding of the People's Republic of China to the beginning of the reform and opening-up, China's national interests more or less centered around adhering to the principles of internationalism and building the identity of proletarian revolutionaries; opposing the imperialism, colonialism, revisionism, and hegemonism of the major powers; safeguarding national security and strategic interests, and consolidating socialist political power; and restoring and developing the economy.[16] This ideological approach can be explained by the fact that the People's Republic of China faced a severe international situation between the 1950s and 1970s, with the Western camp led by the U.S. imposing blockades, on one hand, and rivalry with the Soviet Union, on the other.[17] During the same period, Africa was experiencing the peak of its national liberation movements, with the struggle between colonialism and African nationalism becoming the main political focus across the continent.[18]

After the Bandung Conference, 99 nationalist parties aiming for national independence and 12 Marxist groups quickly emerged in the African region. This attracted the attention of China, which was then seeking to expand its anti-imperialist, international united front worldwide.[19] In other words, as China's foreign policy was deeply influenced by ideology, it began to show an interest in African countries and gradually became actively engaged in establishing diplomatic relations with them.[20] Aid became an effective instrument applied by China to gain friends in these newly emerging developing countries. Indeed, the aid provided to newly independent countries in Asia, Africa, and Latin America promoted their national liberation and economic development, while China on its part sought recognition of its government by the recipient countries, the utilization of the recipient countries' voting rights in its favor in international organizations, and engagement in its resolute struggle against Taiwan. The most significant achievement was seen in the 26th session of the United Nations General Assembly in 1971, where the overwhelming majority, with 76 votes in favor, 35 against, and 17 abstentions, passed the proposal put forward by Albania and 22 other countries to restore the seat of the People's Republic of China at the United Nations. Among the 23 proposing countries, except for Yugoslavia, all were recipient countries of Chinese aid. Of the 76 countries that voted in favor of the proposal, 51 were from Asia, Africa, and Latin America, the majority of which were recipients of Chinese aid.[21]

From the late 1950s to the early 1960s, changes in the international situation, especially the rupture in Sino-Soviet relations, had a significant impact on China's foreign policy. China's foreign aid began to shift towards supporting so-called pro-China countries, with a focus on geopolitical needs and ideological outputs. China began to pay much more attention to aid to African countries, forming the initial policy guidelines and management system for foreign aid with more conscious ideological goals. Under this policy guidance, China's foreign aid funds sharply increased in the early 1970s. Foreign aid became an important means for China to export its ideology, to strive for international status, and to compete with the Soviet Union. China's foreign aid policy had strong political implications and almost no economic considerations. The specific forms of aid were mainly based on the needs and requests of the recipient countries.[22]

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During this period, China's aid to Africa highlighted its attempt to establish and develop close relations with African countries as a means to break through the blockades imposed by the U.S. or the rivalry between the U.S. and the Soviet Union, thus expanding its diplomatic activities. The characteristics of China's aid to Africa during this period were the following: First, aid was entirely guided by political and ideological considerations, serving political purposes. The political function of aid overshadowed its economic function, and economic benefits were rarely considered. Second, due to China's limited national strength at the time, the scale of aid was also very limited. China's assistance to Africa was generally based on the social and economic development needs of African countries, helping them address pressing issues. For example, infrastructure and agriculture are crucial for Africa's economic development and poverty alleviation, and are areas of deep concern and in need of development. Hence, infrastructure and agriculture have been the focus of China's long-standing aid to Africa.[23]

Although China claimed to provide aid mostly as unconditional assistance, it halted all medical assistance and cooperation, withdrawing its medical

teams from African countries that established formal diplomatic relations with Taiwan during the 1980s and 1990s. This continued until those countries ceased recognizing Taiwan's political status.[24] As an integral component of diplomatic relations, China's foreign aid also became a policy tool serving national interests. During the 1960s and 1970s, China's assistance to Africa, characterized by mutual trust, garnered recognition and support from African nations, significantly expanding China's diplomatic space.[25] Different from aid provided by Western countries, which often comes with political conditions such as rule of law and good governance, Chinese aid focuses on "teaching people to fish." Without any political conditions, it primarily focuses on infrastructure projects such as roads, bridges, ports, airports, and fiber optics. These projects are financed by Chinese financial institutions, with funds transferred directly to Chinese engineering enterprises. Upon completion, the projects are handed over to the recipient country.[26]

Over the past 50 years, China's assistance to Africa has undergone changes in both its principles and methods. Although China's foreign aid developed almost concurrently with international development assistance, Chinese aid to Africa has been relatively modest in scale. More importantly, China has consistently followed an independent foreign aid policy, resulting in a distinctly different approach compared to Western countries. Some Chinese scholars claim that Chinese foreign aid, influenced by both political considerations and traditional cultural values, aims to provide moral support to weaker parties, viewing it as a form of partnership rather than a gift to recipient countries.[27] However, according to a recent academic study by Chinese scholars, China's provision of medical assistance to Africa may also be driven by economic interests, although Chinese officials have consistently refuted this idea. Moreover, China's aid serves as a strategy to facilitate access for Chinese state-owned enterprises to African markets, particularly in resource-rich nations with weaker bargaining positions. Meanwhile, the State Council of China has clarified that while economic benefits might arise as a consequence, they are not the primary motivation behind the assistance.[28]

In general, China's aid consists mainly of material goods and construction projects, with the implementation of these projects directly undertaken by Chinese companies and institutions. This approach may not be conducive to the development of local capabilities; however, since it does not involve direct financial transactions, it can help prevent corruption. Since the 1950s, complete

sets of projects and general material assistance have accounted for 70% to 80% of China's total foreign aid expenditure. China's assistance to Africa also primarily consists of complete sets of projects,[29] with TAZARA being one of the most important projects ever completed in Africa by China. Before we continue by exploring the significance of revitalizing TAZARA so far as the BRI is concerned, it is worthwhile to look into the rationale behind China's approach in order to shed light on the evolution of Chinese aid perspectives towards Africa.

The Case Study of TAZARA: A Gateway to Extending Chinese Influence in Africa

The Rationale behind China's Approach

The idea of building a major railway in Africa can be traced back to the late 19th century. At that time, the African continent was largely under British and French colonial rule. Cecil Rhodes, a British statesman, proposed the idea of building a railway line traversing Africa from north to south. The concept aimed to connect Cairo in the north and Cape Town in the south of Africa through a railway.[30]

In 1960, Tanzania and Zambia gained independence one after another, and there was an urgent need to strengthen railway construction for economic development. Especially in Zambia, there was a plan to build a railway across the two countries to transport its abundant copper ore to the port of Dar es Salaam in Tanzania. A few years later, Southern Rhodesia (now Zimbabwe) in southern Zambia gained independence. Due to the hostile relationship between the two countries, Zambia's southern sea route was blocked, making the construction of TAZARA necessary.[31]

In 1964, Mao Zedong proposed to regard Asia, Africa, and Latin America as the primary intermediate zones between the U.S. and the Soviet Union, which set the strategic goals for China's diplomatic work.

In the early 1960s, the surge of national liberation movements in Africa raised concerns and suspicion in Western countries, and railway construction became highly politicized. Western countries and the World Bank refused to assist in building TAZARA, citing reasons such as poor economic efficiency. The Soviet

Union also did not provide corresponding assistance. Zambia and Tanzania had to turn to China for help,[32] while China, at that time, was also looking towards developing countries in the south.[33] Incidentally, Tanzania's President Julius Nyerere and the Chinese Communist Party (CCP) found common ground in their shared socialist ideologies, forging a natural alliance.[34]

In 1964, Mao Zedong proposed to regard Asia, Africa, and Latin America as the primary intermediate zones between the U.S. and the Soviet Union, which set the strategic goals for China's diplomatic work. In order to strengthen unity and cooperation with the economically underdeveloped countries in Asia, Africa, and Latin America, China began to increase its aid to them. At that time, both the U.S. and the Soviet Union were assisting in the construction of large-scale water projects in Africa, such as the U.S. building the Volta Dam in Ghana and the Soviet Union constructing the Aswan Dam in Egypt. China also intended to assist in building large-scale infrastructure projects in Africa.[35] After Western countries refused to build TAZARA citing cost or objective conditions as their reasons, China voluntarily undertook this massive project spanning more than 1,800 kilometers. Chinese Premier Zhou Enlai contended,

> Building this railway transportation line that connects Tanzania and Zambia could help them break free from the control and extortion of imperialism, colonialism, and racism. It could also enable anti-imperialist and anti-colonial countries around the world to more effectively support the freedom fighters struggling for independence and liberation in southern, central, and western Africa. We view the construction of TAZARA from the perspective of supporting the African national liberation movement. Assisting them is also assisting ourselves.[36]

It is believed that China's engagement stemmed from two additional motives: First, to advance its developmental model originating from rural areas, and second, to establish a fresh framework for collaboration among peripheral nations, aiming to generate favorable economic and social progress without fostering dependence.[37]

Judging from China's aid strategy to Africa in the 1960s, it is apparent that the rationale behind China's willingness to build TAZARA can be directly linked to China's evolving foreign aid policy and its geopolitical strategy during a

time of significant international shifts, particularly the Sino-Soviet split. As China's foreign policy began to focus on supporting "pro-China" countries, particularly in Africa, the TAZARA project emerged as a key initiative to strengthen diplomatic ties with African nations. This railway was not just a means of transportation: it symbolized China's commitment to assisting newly independent African states in their economic development and sovereignty. By helping to construct TAZARA, China sought to provide an alternative to Western influence and support the liberation movements in the region, especially in the context of the anti-colonial struggle.

The railway also served to counteract the U.S. and Soviet blocs, showcasing China's role as a leader in the Non-Aligned Movement. With its ideological objectives in mind, China aimed to position itself as a champion of African solidarity and self-reliance. The project was aligned with the broader goal of exporting China's socialist ideology and demonstrating its commitment to anti-imperialist principles.

Additionally, the construction of TAZARA enabled China to assert its presence in Africa, enhancing its international status while simultaneously providing an avenue to engage in economic cooperation with African nations. The aid given for this project highlighted China's willingness to make significant investments in infrastructure, despite minimal economic returns, reinforcing its political goals over purely economic considerations. In short, the TAZARA project exemplified how China's foreign aid policy during the late 1960s and early 1970s was strategically designed to foster alliances with African countries, break through international isolation, and assert its ideological influence against the backdrop of the Cold War rivalry.

The Construction of TAZARA

To construct TAZARA, China mobilized a large number of domestic machinery. The railway group's mechanical equipment surpassed that of six domestic railway bureaus, with machine tool quantities exceeding those of a major province. All of China's Yellow River dump trucks and 90% of its Yellow River trucks were sent to African construction sites. Despite this, a significant amount of machinery had to be imported from Sweden, France, and Japan, as their equipment's' actual utility far exceeded that of China's domestic mechanical equipment. For instance, the efficiency of French and Japanese mechanical digger was 1.55 and 1.45 times that of domestically produced ones, respectively,

with significantly greater durability. During the construction process of the dam section, China's Red Flag brand mechanical diggers required repairs for 102 units, while Japanese mechanical diggers only needed 17. To a certain extent, the use of these imported equipment was crucial for ensuring the project's completion.[38]

The relationship between the construction of TAZARA and Chinese experience is most prominently reflected in technical transfer. The construction process served as an opportunity for Chinese engineers and workers to train African industrial workers, share China's experience in industrialization, and cultivate a new African working class team.[39] Yet, despite efforts by Chinese instructors and workers to train African workers, Tanzania and Zambia did not achieve complete independence in managing the railway.[40] Starting in 1977, the three countries engaged in two phases of technical cooperation over four years. China dispatched 1,000 experts within two years, but the issue of a lack of railway management talent remained unresolved by 1980, necessitating an extension of the technical cooperation period. When Chinese trainer Du Jian retired in 2005, he lamented that as most of the local management personnel trained by Chinese experts retired, TAZARA in the 21st century faced severe shortages of technical and management personnel.[41]

Numerous incidents of derailment and collisions occurred, partly due to aging equipment, but also because of insufficient responsibility, inadequate technical command, speeding, operation mistakes, poor train and track maintenance. Meanwhile, by the end of 1974, TAZARA had not yet been completed in full, but a movement to build new rural areas had quietly begun along the railway line. Chinese experts observed vast areas of land being cultivated, with preparations underway for planting. Subsequently, more and more residents migrated from surrounding areas to settle along the railway, reclaiming wasteland and constructing houses, leading to the emergence of numerous villages, towns, and even small cities forming a new economic belt symbiotic with the railway over decades.[42] Since its operation began in 1976, in five years, TAZARA transported 25 million tons of goods and 40 million passengers, accelerating socio-economic development in the surrounding areas.[43]

It must be acknowledged that during the construction of TAZARA, China was still a country in the process of industrialization, with a significantly backward industrial technology level. Although the project was completed ahead of

schedule, it still fell far short of the goal of being "fast, good, and economical." Internal calculations conducted by China in early 1972 found actual investments of RMB 1.8 billion, nearly double the total estimated cost of RMB 988.37 million calculated after the survey in 1970, and Deng Xiaoping subtly criticized TAZARA for overspending.[44] In 1978, China revamped its approach to foreign aid, aligning it with its domestic economic reforms led by Deng Xiaoping. This entailed recalibrating the scale, arrangement, structure, and sectors of aid. With a focus on opening up markets and utilizing agricultural surplus, China bolstered its support to the least developed nations while placing greater emphasis on the economic and enduring impacts of aid initiatives.[45]

For decades, the railway line linking Tanzania and Zambia has served as a crucial artery, facilitating the smooth flow of goods and people. It has generated employment opportunities for hundreds of workers and contributed significantly to the economic advancement of the Southern Africa region.[46]

The construction of TAZARA occurred during a critical juncture in African history marked by the need for nation-building amidst the legacy of colonialism. Prior to World War II, African nations struggled with forging cohesive national identities, relying instead on traditional kinship-based communities. The era following colonial independence saw nascent attempts at nation-building, yet many African countries continue to grapple with fragmented identities despite over half a century of autonomy. Scholars attribute the challenges of national identity formation to a complex interplay of factors including economic development, colonial legacies, and anti-colonial struggles. While economic progress and resistance movements have aided identity formation, indirect colonial rule has posed obstacles. Chinese support during anti-colonial struggles, epitomized by the funding of TAZARA, when Western powers hesitated, underscores the intertwined nature of nationalist movements and infrastructure development.[47]

The construction of TAZARA occurred during a critical juncture in African history marked by the need for nation-building amidst the legacy of colonialism.

Conceived to facilitate trade and foster connectivity between Tanzania and Zambia, TAZARA served a dual purpose: it aimed to bolster economic ties and to promote national unity in multi-ethnic societies. By traversing regions

inhabited by diverse ethnic groups, the railway provided tangible experiences of the state's presence, fostering a shared sense of identity among the region's inhabitants. TAZARA represents the ambitions of newly independent African nations to establish cohesive national identities. Its construction reflects state-led initiatives aimed at overcoming ethnic divisions and promoting national unity, marking it as a significant milestone in the process of nation-building in Africa.[48]

The Rehabilitation of TAZARA and Its Implications for China

As the 11th anniversary of the BRI approaches,[49] China aims to establish itself as a purveyor of public goods and a promoter of tangible development assistance to its African partners.[50] Therefore, when Zambian President Hakainde Hichilema raised the issue of the rehabilitation of TAZARA during his visit in September 2023, the Chinese side agreed to assist in the upgrade and refurbishment of TAZARA, adhering to market and commercial principles.[51] Thus, China has recently signaled its interest to invest in the modernization of TAZARA, connecting Tanzania's Dar es Salaam port to Zambia's copper belt. Following this, the governments of Tanzania and Zambia have opted to grant the concession for operating TAZARA to a state-owned Chinese company on a commercial basis,[52] and the company has already started its on-site feasibility study.[53] During the Beijing Summit of the China-Africa Cooperation Forum held in September 2024, the initial agreement on the rehabilitation of TAZARA was signed between China, Tanzania, and Zambia. This MoU and other Chinese investments will position Tanzania as a showcase for enhancing high-quality Belt and Road collaboration between China and African nations,[54] and is one of the prime examples of China's transition from ideological aid to pragmatic global engagement. China is expected to invest US$1 billion to renovate the railway through a public-private partnership approach,[55] signifying the convergence of historical aid strategies with contemporary geopolitical and economic objectives under the expansive BRI.[56] There is optimism that the "Friendship Railway" will flourish in the future, evolving into a key transport corridor within the region and transforming into a pivotal "Development Railway."[57] Reportedly, China's investment in this network reflects the major global powers' concerted efforts to oversee the supply of essential minerals that are crucial for the energy transition as the railway network plays a vital role in transporting segments of these resources extracted from Zambia to the Dar es Salaam port. This route will directly compete with the Lobito Corridor, which currently facilitates mineral transportation from Zambia through Angola.[58]

In recent years, Tanzania has consistently maintained a positive economic trajectory through concerted efforts. This economic growth naturally translates into a heightened demand for transportation infrastructure, where railways play an indispensable role in efficiently moving bulk goods and large numbers of passengers across extensive territories. The ongoing processes of industrialization and urbanization in Tanzania will further fuel the need for railway transportation. With a focus on reducing transportation costs and streamlining logistics networks, there's a shift in industrial production from traditional consumer countries to regions offering lower labor costs globally. As emerging industrial nations like China experience economic growth alongside increasing labor costs, there's a foreseeable relocation of labor-intensive industries to areas such as Africa. Given Tanzania's enduring political and social stability coupled with favorable macroeconomic conditions, the country stands as a prime destination for this industrial shift.[59]

In the broader context of China's BRI and the evolving China-Africa cooperation, Tanzania emerges as a pivotal hub for industrial capacity transfer and collaboration. Notably, in 2017, Tanzanian Foreign Minister Augustine Mahiga voiced support for China's BRI, highlighting Tanzania's readiness to facilitate its entry into Africa.[60] Industrialization stands as a strategic imperative for Tanzania's current socioeconomic development.[61] Urbanization has been a long-standing trend in the country, with the burgeoning development of urban areas, mineral exploitation, and other labor-intensive industries driving the establishment of numerous factories. Consequently, this surge in industrial activity underscores the increased demand for long-distance, high-volume transportation of bulk goods like containers, machinery, and automobiles. The strain on Tanzania's highways highlights the urgent need to reinvigorate railway transportation. Railways and highways serve as the primary modes of land-based freight transportation. Railways, in particular, stand out as the most crucial and suitable means for transporting bulk goods over long distances. With Tanzania's economy experiencing continuous expansion in recent years, the volume of freight has surged, causing highways to surpass their capacity limits. In response, the Tanzanian government has been actively

In the broader context of China's BRI and the evolving China-Africa cooperation, Tanzania emerges as a pivotal hub for industrial capacity transfer and collaboration.

investing in infrastructure, with a notable focus on railway construction. As previously discussed, Tanzania's railway development is influenced by a combination of political, economic, social, and regional factors.[62]

China's robust promotion of railway upgrade and renovation projects in Tanzania take into account several considerations. Politically, China acknowledges the Tanzanian railway as a historical symbol of Sino-African friendship, emphasizing the importance of preserving the values of unity, friendship, and dedication into the future. Economically, China believes that through comprehensive reforms in Tanzania's railway management and operations, coupled with effective integration of the railway with ports like Dar es Salaam and Bagamoyo, and the creation of an industrial economic corridor along the railway, both countries can elevate the Tanzanian railway from a symbol of freedom and friendship to a catalyst for cooperation and prosperity. Strategically, the railway holds significant value in securing mineral resources in Zambia's Copperbelt Province and the eastern Democratic Republic of Congo, where China has substantial investments. China's advocacy for the Tanzanian railway stems from a nostalgic sentiment for historical friendship and its recognition of the railway's symbolic importance in political discourse.[63]Formun Üstü

TAZARA holds a position of paramount strategic importance in Africa and serves as a flagship project for China's aid to Africa. Currently, it still plays a crucial role in enhancing China's image in Africa, promoting Chinese investment in Africa, and continuing to serve China's interests in the region. In terms of real economic value, copper is an important resource, and China's overseas dependence on it has reached 64%. The Copper Belt in northern Zambia, recognized as one of the world's premier copper-producing regions, has seen a resurgence in production, with output levels now returning to historical peaks of approximately 700,000 tons. With the rise in copper prices and increased investment, there is still great potential for copper production in this region.[64] Thus, China's investment in the northern Zambian copper mines and other mineral resources is rapidly increasing, and TAZARA remains an important export channel for Zambian copper, which is of significant economic importance in meeting China's demand for copper ore. In terms of strategic value, TAZARA's endpoint, Zambia's Copperbelt Province, borders the southern region of the Democratic Republic of Congo (DRC), which holds even greater potential mineral resources than northern Zambia. Currently, a "Southern Africa Transportation Network" originating from this area is being

planned and constructed, with the participation of countries like the U.S. and Germany. Therefore, TAZARA holds strategic value and should be integrated into China's overall strategy in Southern Africa.[65]

The revitalization of TAZARA within the BRI paradigm is profound as it promotes regional connectivity in Africa in terms of a rail-sea intermodal transport network.[66] Positioned as a key component of the BRI in Africa, TAZARA symbolizes China's contemporary strategic objectives. From a Chinese perspective, the revitalization of TAZARA stands to enhance trade and transportation across Africa significantly, facilitating the efficient movement of goods and services between nations. As Africa's economies continue to grow, there is an urgent need for improved transportation networks, and modernizing TAZARA will benefit Tanzania and Zambia as well as support landlocked countries in the region. This revitalization can transform the corridor into a vital trade link, making international commerce more seamless and contributing to regional economic integration.[67]Additionally, the TAZARA project reaffirms China's commitment to its long-standing partnership with Africa, showcasing its readiness to invest in initiatives of historical and strategic importance. By aligning this modernization with sustainable development goals, the project promises to reduce environmental impacts while promoting economic growth. The project also creates job opportunities and builds local capacities, ensuring that communities benefit from technological advancements. Ultimately, the revitalization of TAZARA is a symbol of resilience and cooperation, paving the way for deeper diplomatic ties and shared prosperity between China and Africa.[68]

The revitalization of TAZARA within the BRI paradigm is profound as it promotes regional connectivity in Africa in terms of a rail-sea intermodal transport network.

Conclusion

The BRI has developed from a concept into various projects, reflecting China's engagement in global cooperation. With more than 200 cooperation agreements inked with numerous nations and organizations, the BRI has become a platform for connectivity, economic growth, and cultural exchange. China's involvement in the modernization of TAZARA exemplifies its win-win strategy when

fostering tangible development assistance, particularly in Africa.

The decision to invest more than US$1 billion in the rehabilitation of TAZARA highlights China's role in improving regional infrastructure and connectivity within the context of the BRI. By granting a concession for operation to a Chinese state-owned company, Tanzania and Zambia signal their trust in China's expertise and reliability. The revitalization of TAZARA may serve as an important transport corridor and could contribute to economic development and cooperation in the region.

Furthermore, the strategic significance of TAZARA cannot be overstated. It serves as a vital link for the transportation of essential minerals, such as copper, from Zambia to the Dar es Salaam port. China's investment in this railway network aligns with its broader objectives of securing access to key resources and fostering regional stability and development.

Moreover, Tanzania's economic trajectory and its commitment to infrastructure development present opportunities for further collaboration under the BRI framework. As Tanzania seeks to bolster its industrial capacity and improve transportation infrastructure, China's expertise and investment may play a critical role in supporting these efforts.

In conclusion, the rehabilitation of TAZARA symbolizes China's multifaceted engagement in Africa under the BRI. It not only reflects China's strategy of fostering tangible development, but also highlights the strategic importance of infrastructure connectivity in driving economic growth and regional cooperation. As the BRI reaches its 11th year, the revitalization of TAZARA reflects the ongoing partnership between China and Africa and their mutual interest in prosperity and development.

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COMMENTARY

The Development Road Project (DRP): Transforming the Nature of Türkiye-Iraq Relations

Bilgehan ÖZTÜRK *

Abstract

This paper examines why Ankara and Baghdad have committed to the Development Road Project (DRP), a long-term regional connectivity initiative, despite a history of strained bilateral relations since 2003. It argues that both countries are motivated by the prospect of significant material benefits, namely economic growth, job creation, revenue generation, and improved connectivity. To answer the primary question of why Ankara and Baghdad decided to pursue this strategic project together, the paper suggests that the DRP's economic promise outweighs long-standing political tensions. The secondary question of how these benefits will shape bilateral relations is addressed through the lens of theories of interdependence, regionalism, and connectivity, which together explain how the DRP could transform Turkish-Iraqi interactions from a state of discord to one of strategic partnership. By connecting Basra to Europe through Türkiye via new railways and motorways, the DRP could foster deeper interdependence, address mutual security concerns, and promote regional stability. Moreover, the involvement of Gulf states such as the United Arab Emirates (UAE) and Qatar underscores the project's potential to attract diverse stakeholders, thereby enhancing its strategic value. Ultimately, the paper argues that the DRP could lay the foundations for sustainable cooperation, economic development, and stability in the wider Middle East, overcoming historical tensions and establishing a lasting partnership between Türkiye and Iraq.

Keywords

Development Road Project, Türkiye, Iraq, regional connectivity, economic integration, Middle East

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Introduction

Turkish President Recep Tayyip Erdoğan visited Baghdad on April 22, 2024, after 13 years, resulting in the signing of 26 agreements between Ankara and Baghdad.[1] Besides, the quadrilateral memorandum of understanding signed by Türkiye, Iraq, the United Arab Emirates (UAE), and Qatar for cooperation on the Development Road Project (DRP), went beyond the bilateral arrangements between Ankara and Baghdad and arguably put some flesh on the prospects and feasibility of the project.[2]

The DRP is envisioned to connect the Basra (Persian) Gulf to Europe via Türkiye with the construction of 1,200 km long railways and motorways from Basra to the Turkish border in the north. The Al-Faw Grand Port, whose construction is underway in Basra, is the starting point of the DRP and is set to be the largest port in the Middle East and one of the largest in the world once it is completed in 2025. With an envisioned 90-berth capacity, the Al-Faw Grand Port is expected to surpass the 67-berth Jebel Ali Port in Dubai, which is the largest in the Middle East at the moment. The 1,200 km long railway and motorway lines are planned to pass through the cities of Diwaniyah, Najaf, Karbala, Baghdad, and Mosul, reaching the Turkish border. The DRP will provide access to Türkiye's primary Mediterranean port, Mersin, and extend to Europe via a land route passing through Istanbul.[3] The DRP is expected to generate an annual revenue of US$4 billion and at least 100,000 jobs.[4] This lucrative outlook has been Baghdad's main motivation for years in its long-term goal of creating a non-oil economy for Iraq. Aside from tapping into Iraq's connectivity potential, the DRP provides a very favorable alternative to other connectivity projects connecting Asia to Europe such as the India-Middle East-Europe Economic Corridor (IMEC). Due to the multimodal concept and additional loading and unloading points envisioned within the IMEC, it is projected to cost more and take longer to transport goods along the IMEC than the DRP.[5]

This paper aims to answer the question, "Why did Ankara and Baghdad jointly decide to become involved in a long-term strategic regional connectivity project despite the persistence of uneasy bilateral relations for most of the past two decades?" The tentative answer to the question is that both capitals expect strong material and tangible benefits via the realization of the project. The paper's secondary and complementary question asks how the expected material benefits will contribute to the transformation of the bilateral relations. The paper argues that the DRP could potentially transform the nature of Turkish-Iraqi relations in the post-2003 period. The paper draws on the interdependence

theory, regionalism, and connectivity theory to explain how interdependence, a deepened regionalism, and connectivity forged through the DRP could transform the nature of bilateral relations between Ankara and Baghdad.[6]

Interdependence suggests that countries are more likely to seek peace and cooperation when they have mutual economic interests or shared goals. When both parties benefit from trade or projects, they are less likely to engage in conflict, which would be detrimental to both. On the other hand, complex interdependence, introduced by scholars Robert Keohane and Joseph Nye, extends the idea by emphasizing multiple channels of interaction, such as trade, diplomacy, and culture, beyond military or strategic concerns.[7]

In a world of high interdependence, military power becomes less useful because countries depend on each other for economic prosperity and stability. Instead, countries can use economic or diplomatic influence to achieve their goals. Interdependence theory argues that deeper ties between nations create incentives to maintain peaceful relations. It posits that war and conflict would disrupt mutually beneficial relationships, thereby acting as a deterrent against aggression.[8]

Likewise, regionalism often promotes economic cooperation, such as free trade areas, customs unions, or common markets, which help to increase trade and investment between neighboring countries. This economic integration aims to boost growth, reduce poverty, and improve competitiveness on a global scale. It promotes political cooperation and a shared sense of identity among neighboring countries. As countries within a region develop common goals, values, or cultural ties, they are more likely to cooperate on political issues and act together on the global stage.[9]

Regionalism can give smaller or developing countries more influence in international relations by forming larger blocs, such as the European Union (EU) or the Association of Southeast Asian Nations (ASEAN). This collective power allows them to negotiate more effectively with larger powers and to promote their interests in global institutions such as the United Nations. Although the DPR's four main stakeholders, namely Türkiye, Iraq, the UAE, and Qatar, do not form a formal alliance, they will still likely

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benefit from the collective power generated by the DRP. Regionalism theory recognizes different forms of regionalism ranging: from formal regionalism, where countries create official institutions and agreements like the EU, to informal regionalism, which is more loosely structured and focuses on informal cooperation without binding commitments.[10]

Turkish-Iraqi Relations after 2003

In the post-2003 period, despite cordial episodes between Ankara and Baghdad, the relations were overshadowed by distrust and discord—roughly until 2019—for two reasons.[11] The first reason was the heavy influence Tehran enjoyed over Baghdad, which was a negative force mostly due to the former's usual regional rivalry with Türkiye.[12] The second was the inevitable vacuum created by the collapse of the Iraqi state and the subsequent exploitation of the vacuum in the north especially by the terrorist organization Kurdistan Workers' Party (PKK).[13] The PKK's free hand to flourish in northern Iraq and the lack of the central government's capacity to impose its authority to its fullest extent in the north created an environment in which Ankara and Baghdad found themselves at ontological odds with each other: on the one hand, Ankara continuously felt the need to address the PKK threat through sporadic cross-border military operations, since Baghdad could not, and on the other, Baghdad raised sovereignty issues, which were exacerbated at times of tension between Ankara and Tehran, in response to Ankara's military operations in northern Iraq.

It is important to highlight the rather uneasy nature of Ankara-Baghdad relations for the most part of the two decades post-2003 to understand better the transforming impact of the DRP on the bilateral relations. Ankara's relations with Baghdad started deteriorating with the withdrawal of the American military presence in Iraq in 2011. Nouri al-Maliki's premiership played a significant role in Baghdad's maintaining sour relations with Ankara; in the first place, al-Maliki was offended by Ankara's support to the al-Iraqiya Alliance led by Iyad Allawi.[14] The tension between Ankara and Baghdad arguably gained a domestic political dimension with the withdrawal of the U.S. military from the country in December 2011 and the subsequent arrest of Vice President Tariq al-Hashimi. This tension proved to be highly sticky over the years and even gained a discursive dimension within the scope of the Syrian civil war.[15] Initially, tense relations between Ankara and Baghdad revolved around three key issues: Ankara's rejection of handing over al-Hashimi to Baghdad and later providing him asylum; Baghdad's heavily sectarian policies under al-

Maliki being influenced and supported by Tehran, which became more evident in Baghdad's support for Assad in Syria; and finally, Ankara's direct oil trade with the Kurdistan Regional Government (KRG), which Baghdad harshly protested.[16]

With the advent of DAESH, relations between Ankara and Baghdad gained another negative dimension as the latter protested against Ankara's training of Iraqi forces against DAESH in Bashiqa, around 20 km to the northeast of Mosul. Baghdad criticized the move as an infringement upon Iraq's sovereignty, and Baghdad made this particular point over and over again whenever Ankara targeted PKK positions in northern Iraq.[17] Similar to the issue of the PKK and its potential—or even power—of pitting Ankara and Baghdad against each other, another contentious issue over the years was the sharing of the waters of the Tigris and Euphrates rivers.[18] Although there were abundant contextual issues and developments such as the ones mentioned above between the two capitals in the past two decades, two structural and core issues, namely Tehran's heavy influence on Baghdad and the PKK's free hand in organizing and operating in northern Iraq, prevented the bilateral relations from becoming more cordial and cooperative.

Baghdad's Search for Balance in Foreign Policy

The DRP, along with Ankara and Baghdad's mutual commitment to initiate it, marks the beginning of a new era in bilateral relations, characterized by strategic partnership and a shared vision for the future. This new era and its defining elements are poised to render the existing disagreements or differences between the two capitals of secondary importance.

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Notwithstanding Ankara's eagerness to realize the DRP and positively transform the nature of relations with Baghdad, it is crucial to note the primary role of the latter in driving the mutual interest in realizing the project. So much so that without the strong desire to elevate the bilateral relations by engaging in a strategic partnership with Ankara, it is safe to argue that the DRP could not have progressed so far.

Baghdad's strong desire to elevate bilateral relations with Ankara is rooted in its painstaking efforts roughly since 2019 to balance Tehran's heavy influence through cultivation of better relations with several regional and extra-regional actors such as Saudi Arabia and other GCC countries, Türkiye, and the U.S. Starting with the former prime minister Adil Abdul-Mahdi,[19] this strategic trend has been further strengthened by every succeeding prime minister, gaining greater steam by 2021 and culminating with stronger efforts by the incumbent Mohammed Shia al-Sudani.[20] With all the expected material benefits of the DRP, Baghdad's long-held strategic choice of balancing Tehran's influence through cultivation of closer relations with alternative actors seems to have paved the way for the DRP's launch.

The Positive Impact on Standards of Living and Regionalism

The DRP's expected benefits for Türkiye and Iraq are not unique to these countries or this particular regional connectivity project. Regional connectivity projects offer the prospect of elevating the standards of living of the participating countries' populations.[21] More importantly, the improvement of living standards, whether it materializes or not, is an expected benefit of initiating or participating in such projects for the stakeholders or decision-makers. This is not without ground as there is evidence from regions such as South Asia that regional connectivity projects contribute to an increase in the level of standards of living of the populations at large.[22] A growing tendency towards regionalism at the political level as an accompanying phenomenon is also observed.[23]

Both aspects, i.e., an expected improvement in living standards both in Türkiye and Iraq, and a growing willingness towards regionalism at the political level, are observable in the case of the DRP. Temporally speaking, the mutual impetus to initiate the DRP came after decision-makers in both Türkiye and Iraq experienced periods when their respective populations felt economic displeasure In Türkiye, it was a monetary policy driven by lower interest rates, to boost productivity, manufacturing, and the real sector in the Turkish economy, and the subsequent inflationary environment;[24] in Iraq, it was the widespread and months-long popular protests triggered by a far-reaching disillusionment felt towards the political elite.[25] Economic factors scored high in the accumulated popular resentment towards the political elite in Iraq based on the consecutive administrations' poor performance as seen in the failure to address the social and economic expectations of the wider public of the past two decades.[26]

Conversely, while it remains uncertain whether Baghdad has shown any political inclination toward greater regionalism, Ankara has a well-established history of strong political commitment to regionalism.[27] In a way, Ankara has been pivoting in the region in many respects, epitomized by the normalization drive it launched simultaneously in early 2022 with Israel (until 7 October 2023), Saudi Arabia, Egypt, UAE, Syria, Armenia, and Greece.[28] This new sort of regionalism was informed by a common denominator among all traditional regional U.S. allies in terms of their displeasure with Washington's faltering strategic commitment to allies, their increased level of strategic autonomy and hedging practices, and their reliance on oil-rich Gulf countries for financial resources and foreign investments.

Security Aspect of Regional Connectivity Projects

The security aspect of the DRP or the wider framework of the comprehensive understanding reached by Ankara and Baghdad also fits into the greater universe of regional connectivity projects. For instance, the annexation of Crimea in 2014 caused increased attention to military and non-military security in the EU-China connectivity within the scope of the Belt and Road Initiative (BRI).[29] Part of the increased attention to security was due to infrastructure being a potential target for an adversary.

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Likewise, the security concerns caused by the PKK's disruptive potential against the DRP's infrastructure and the expected security benefits of the DRP for Ankara are integral parts of the DRP-oriented long-term interdependence between Ankara and Baghdad. The DRP's expected economic benefits bring Ankara and Baghdad closer especially in terms of their security cooperation, particularly of their fight against the PKK terrorist organization. Ankara is paving the way for a more secure environment for the DRP through Operation Claw-Lock in northern Iraq, and Baghdad is promising joint operations against the PKK in addition to designating it as a "banned organization" in Iraq.[30]

Türkiye faces significant challenges in Iraq due to the presence of terrorist organizations like DAESH and the PKK, which pose security threats and hinder cooperative relations in the region. The geopolitical dynamics, including

tensions with traditional allies and the quest for strategic autonomy, influence Türkiye's approach to Iraq, as it seeks to establish stability and foster good relations without being entangled in regional rivalries. Türkiye's strategy emphasizes the importance of economic resilience and overcoming obstacles to maintain outreach and diversify relations in the Middle East, including Iraq.[31]

Although the DRP offers attractive economic prospects especially for Iraq and Türkiye, it is also about increasing the strategic value and significance of both Türkiye and Iraq in regional and international geopolitics.[32] Like oil and gas pipelines increase the strategic importance of the regions or countries they traverse—a fact that has informed Turkish decision-makers' decades-long desire to turn Türkiye into an energy hub—railways, motorways, and marine routes connecting countries and areas for trade and logistics also increase the strategic value and significance of the countries and regions in question.[33] Connectivity projects and routes, like pipelines, involve many stakeholders as investors and beneficiaries,[34] who all—regional and global—attach great importance to the countries and regions through which the connectivity routes pass. The geographic locations of such countries are usually the most convenient routes for launching these projects and by initiating connectivity projects, from dormant, passive, or potential assets, their locations become active strategic assets. By initiating connectivity projects on their territories, countries render themselves indispensable actors in both regional and global geopolitics.

The DRP as an Investment in Stability

By spearheading the DRP, Türkiye and Iraq are investing in their long-term stability, which is a highly coveted and rare commodity in the Middle East. The lack of long-term stability, rapidly changing dynamics, frequent eruptions of conflicts across the region, etc. make long-term planning and implementation of development impossible for regional countries. A quick look at Iraq's post-2003 invasion history reveals the extent of destabilizing dynamics such as occupation, insurgency, state collapse, civil/sectarian war, violent extremism, and so on. Despite gigantic oil resources, a series of deeply destabilizing dynamics have been hindering the country's prospects of prosperity and development.[35] For decades, the aforementioned phenomena have resulted in the waste of national resources and capacities; overcoming this waste has been the main challenge for many countries in the region.[36] The initiation of the DRP is a way for Türkiye and Iraq to share the burden of building and sustaining their stability with partners and stakeholders. By constituting the main axis of a

precious value chain between Asia and Europe, Türkiye and Iraq, and especially Iraq and its stability, will become a priority for many countries from Asia and Europe. Thus, the latter will prioritize Iraq's stability, and contribute to it both politically and economically. In the absence of the DRP, Iraq's stability is not a high priority for many countries if they are not directly connected to Iraq in the form of a value chain or they don't neighbor it. Once Iraq's fate is linked to many countries, starting from the immediate region and reaching further to Asia and Europe via the DRP, they will share tangible interests such as trade, infrastructure, logistics, and investments.

More importantly, the DRP is set to be a boon and a powerful incentive for a lot of disparate domestic actors who have arguably been the main sources or causes of instability in Iraq for more than a decade due to, among others, their incompatible interests, power struggles, and sectarian tensions. Except for a tiny strip of the Kurdish region in the north, the DRP traverses a huge landmass that is home to the majority of the Iraqi population. By traversing and covering almost the whole of Iraq, the DRP is set to offer infrastructure, development, and economic benefits to all communities, Shiite or Sunni, and to all actors, military, religious, political, and civilian. This seems to be the main reason for the almost unanimous consent, or at least a tacit approval, to the DRP by many domestic actors in Iraq.[37] Highways, railways, logistical centers, business facilities, and possibly oil and gas pipelines promise to contribute to the prosperity of several actors and communities at both local and national levels. The economic promises of the DRP are expected to function as the common material interest of many disparate domestic actors and as a force to mitigate tensions among them, paving the way for Iraq's long-term stability.

Deepening and Leveraging Interdependence

Türkiye-Iraq bilateral relations have been marred by a series of complications since the 2003 U.S. invasion of Iraq.[38] Despite the bright spots of trade and energy as areas of cooperation, differences between Ankara and Baghdad over several issues have arguably weighed more, or at least cast a shadow over, the full potential of bilateral relations.

There is already a considerable level of interdependence between Türkiye and Iraq and a deep-felt appreciation of each other's significance as neighbors; however, the DRP is poised to elevate the existing interdependence to a whole new strategic level and become so crucial and central to the bilateral relations that it would render all differences secondary and trivial.[39] Thus, one of the

expected benefits of the DRP is its role in overcoming the disagreements between Ankara and Baghdad.

For Türkiye, one of the greatest expected benefits of the DRP is its intended function in ensuring the territorial integrity of Iraq. Aside from being a century-long normative and consistent foreign policy position, the territorial integrity of Türkiye's neighbors has always been an essential priority for Ankara as its lack would have real and direct implications for Türkiye's territorial integrity. Türkiye has been fighting a secessionist terror group, the PKK, since 1984, and the dissolution of the central state structures in Iraq and Syria has triggered a "territorial anxiety" for Türkiye.[40]

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The activities of Syria's YPG-led Syrian Democratic Forces (SDF), considered by Ankara the PKK's Syria offshoot, have given Ankara reason to be concerned.[41] Although Türkiye sporadically targets YPG/SDF figures and elements in northern Syria, mostly through covert drone strikes, it has a narrow area of maneuver in northern Syria against the unilateral aspirations of the YPG/SDF.[42] Partly because of this limitation, Türkiye has concentrated its counterterrorism operations against the PKK in northern Iraq. However, Ankara is aware that eliminating PKK members through counterterrorism operations alone cannot ensure the end of the PKK's secessionist agenda. Baghdad's political determination to maintain Iraq's territorial integrity and the solidarity between Ankara and Baghdad in the face of a common enemy is crucial to preclude the PKK's secessionist aspirations. The DRP is set to transform the solidarity between the two capitals and promises to generate a positive dimension for solidarity by introducing a pull factor (an incentive) as opposed to the existing push factor, which is exclusively negative.

Logistical Convenience and Advantages

Connectivity projects are not only about logistical convenience. As showcased by the most high-profile connectivity project, the BRI, they envision a new geopolitical design and architecture, and they have transformative power over the regions they traverse, the regions they connect, and over the nature of relations and interactions among the partners of such projects. The DRP also arguably entails transforming the regions of Türkiye and Iraq, at the very

minimum; the regions they connect, namely Türkiye, the Gulf, Asia, and Europe; and, expectedly, the nature of interactions among these regions. Meanwhile the interconnectedness of these regions inevitably invites the partners to view each other through a different lens.[43] The integration of regions and countries with each other through connectivity projects entails envisioning a common future among the partners, which also means a new geopolitical reality.[44]

The motivation and interest of both Ankara and Baghdad in launching the DRP is not only about logistics; however, if this had been the case, the DRP still makes perfect sense. The existing routes in international trade and shipment between Asia and Europe are mainly the Suez Route through the Red Sea and the Suez Canal or the Cape Route via the Cape of Good Hope. The latter has already substituted the former to a great extent due to the ongoing Red Sea crisis brought about by the disruptive attacks of Ansar Allah, or Houthis, in Yemen. However, the average time of shipment via the Cape Route is 45 days, a considerable leap from the average time of shipment via the Suez Route which is 35 days. The DRP with an estimated 25 days promises to shorten even the average time of shipment via the Suez Route.[45] Indeed, the ongoing regional conflict and instability surrounding the Israeli-Palestinian conflict have caused what is probably a temporary disruption of the usual route and volume of international trade. However, even at the best of times and based on the assumption of peace and stability, both the Suez and Cape routes offer transportation that is both longer and comes at a higher cost.

On the other hand, no matter how temporary, the forced diversion of international trade from the Suez to the Cape Route has already taken a huge toll.[46] The volume of maritime traffic through the Red Sea and the Suez Canal dropped by 80% from the pre-crisis level. The fleets from the carriers which preferred diversion accounted for 62% of the global shipping capacity.[47] This crisis and the affiliated toll provide a conducive environment for boosting the DRP by giving additional impetus to Baghdad and Ankara.

The conducive environment for making the case for the DRP is not only created by the temporary and contextual Red Sea and Gaza crises. In the greater scheme of global economic activity both in terms of global trade and global GDP growth, there has been an economic slowdown since 2010, which has not recuperated yet and has worsened since the COVID-19 pandemic.[48] Under these circumstances, every penny matters for both individual countries and the global economy. Hence, the marginal significance of cutting costs and transportation distance in international trade has dramatically increased.

The Gulf Dimension

It is natural for both Ankara and Baghdad to court funds and investment from outside as they would struggle to find the necessary investment, which is estimated to be around US$17 billion, for such an ambitious project, especially during a time of economic and financial hardship for both.[49]

There are two natural and desired hinterlands for the DRP: the Gulf and the Middle East as the immediate inner circle, and East Asia as the desired outer circle. These circles signify both the DRP's main beneficiaries and stakeholders, but also its desired funders. As the capital powerhouse of the region, the Gulf is the most logical and immediate candidate to invest and, later, benefit from the project in the short and medium terms. And within the Gulf, particularly the UAE and Qatar come to the forefront among other Gulf countries with their huge financial capital but more importantly, their long-time ambition for a greater role in regional and global geopolitics. Furthermore, especially the UAE is known to be extremely interested and involved in the logistics sector and several connectivity projects. As the UAE has long positioned itself as a hub between Asia, Africa, and Europe, another connectivity project in which the UAE will be a significant stakeholder offers the value of strategic diversification.[50] The UAE's AD Ports Group already signed a preliminary agreement with the General Company for Ports of Iraq to develop Al-Faw Grand Port and its economic zone.[51]

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Potential Problems for the DRP

Despite all the DRP's promises and expected benefits for many domestic, regional, and international actors, the project is not without risks and questions of sustainability. From a financial perspective, potential investors and stakeholders can always question the project's feasibility. However, as long as there is strong political will on the part of key stakeholders and financial stakeholders, financial issues can be considered secondary. Yet, the DRP could face political and military challenges.

First, outsiders, i.e. regional countries that are not intended as part or partners of the DRP, could take steps to undermine the DRP in various ways, depending

on their respective capacities or the instruments at their disposal. The DRP's main regional outsiders appear to be Iran, and Israel. With close ties to many Iraqi religious, political, and military actors, Iran's potential to undermine the DRP is arguably greater than that of Israel. The latter has a vested interest in seeing the IMEC come to fruition rather than the DRP.

Second, major powers such as the U.S. and China are likely to see the DRP as a rival and take steps to undermine its prospects. One of the ways in which they could undermine it could be by discouraging their respective allies and partners from participating in the DRP, thereby undermining the viability of the project from the outset.

Finally, Iraq's existing fault lines and vulnerabilities pose a significant risk to the DRP's realization. Ethnic and sectarian fault lines, coupled with the plethora of military and political formations are the main static risk factors in Iraq. In addition, the entanglement of Iraq's complex internal map of actors with external actors, such as Iran, further increases Iraq's vulnerability to instability. Regional tensions and conflicts such as the Israeli-Palestinian conflict proved capable of threatening Iraq's stability, as Iraq was caught between Iran and the U.S., on the one hand, and Iran and Israel, on the other, in the context of the ongoing Israeli invasion of Gaza.

Conclusion

The DRP represents a transformative initiative that could redefine Turkish-Iraqi relations, fostering deeper economic, political, and security ties between the two nations. Creating a strategic trade corridor connecting the Basra Gulf to Europe via Türkiye aligns with Iraq's long-term economic diversification goals beyond oil and Türkiye's aspiration to reinforce its role as a regional hub. This ambitious infrastructure project, which involves cooperation between Ankara and Baghdad and with the UAE and Qatar, signals a significant shift in regional connectivity and diplomacy. It promises to enhance the strategic importance of Türkiye and Iraq in regional and global geopolitics, while generating substantial economic benefits, including job creation, increased trade, and improved living standards.

In addition to the economic benefits, the DRP has significant implications for regional stability and security. By addressing the shared concerns regarding the presence of the PKK in northern Iraq, Ankara and Baghdad are positioned to enhance their security cooperation. Iraq's better comprehension of the PKK

threat and its designation of the group as a "banned organization" represents a significant advancement in the resolution of a long-standing source of discord between the two countries. The DRP provides both countries with a framework for transforming their relationship from one characterized by security concerns to one centered on mutual economic and strategic benefits. Furthermore, the involvement of numerous regional stakeholders in the project, including affluent Gulf states such as the UAE and Qatar, introduces an additional dimension of international collaboration that could safeguard the project from geopolitical disruptions and contribute to a more stable Middle East.

On a broader scale, the DRP exemplifies the capacity of regional connectivity projects to reshape relations among nations by fostering interdependence and shared interests. Similarly with the Belt and Road Initiative (BRI) which has reoriented global trade routes, the DRP promises to create new linkages between Asia, the Middle East, and Europe, thereby challenging existing routes such as the Suez Canal and the Cape of Good Hope. The reduction in transportation costs and time that will result from this initiative will not only benefit Iraq and Türkiye, but will also encourage global investors and traders to consider this route as a viable alternative to current options. The DRP will transform Iraq and Türkiye from mere transit points to indispensable actors in global supply chains, affording them greater leverage in regional and international geopolitics.

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It is also important to note that the DRP has the potential to act as a stabilizing force within Iraq. By facilitating the provision of infrastructure, development, and economic opportunities in regions that have historically been affected by sectarian and political divisions, the project has the potential to serve as a unifying force for the country. In this context, the DRP's promise of broad-based development is not merely an economic benefit, but a catalyst for long-term stability in Iraq, which, in turn, enhances regional security.

In conclusion, the DRP is both an infrastructure project and a pivotal strategic transition in Turkish-Iraqi relations, regional geopolitics, and global trade. By fostering economic interdependence, improving security cooperation, and

promoting regionalism, the DRP has the potential to transform the relationship between Türkiye and Iraq, and the broader Middle East. The project offers a unique opportunity for regional actors to invest in stability, prosperity, and cooperation, thereby laying the foundation for a new era of diplomatic and economic partnerships. As the project progresses, its success will likely depend on the ability of all stakeholders, both regional and global, to navigate the complex political and security dynamics of the region while maintaining their commitment to the shared vision of connectivity, development, and peace.

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