



Centre for Analysis of Economic Reforms and  
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**THE ECONOMIC IMPACT  
OF ZANGEZUR CORRIDOR  
ON THE CAREC REGION AND  
THE PERSPECTIVES OF ECONOMIC RELATIONS  
BETWEEN THE CAREC REGION AND EU**

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# INTRODUCTION

1

Historically, Central Asia and South Caucasus have been playing a key role for establishing and strengthening the economic relations between Europe and Asia

2

On 10 November 2020, the trilateral agreement amongst Azerbaijan, Russia and Armenia has changed the geo-economic condition in Eurasia

3

The new reality has emerged with the opportunity of reshaping the international transport and logistic system

4

The development projects have been immediately started to restore the historical corridor called Zangezur Corridor

5

Having a great geopolitical importance and economic benefit for the region countries, there is a tremendous need for analyzing the impact of the Zangezur Corridor on CAREC region

- Additional supply for diversification of CAREC region's trade routes
- Connectivity of the West and East and North and South etc.



# METHODOLOGY

1

## INTERDISCIPLINARY METHODOLOGY

- Employing economic, social and political factors
- Involving cross-country analysis

2

## DATA COLLECTION PROCESS IS DEPENDENT ON BOTH QUALITATIVE AND QUANTITATIVE METHODS

- Secondary data collection process
- Desk research

3

## IN-DEPTH INTERVIEWS WITH PUBLIC OFFICIALS

4

## USE OF DESCRIPTIVE STATISTICAL DATA FROM WORLD BANK DATA, UN TRADE STATISTICS, EUROSTAT STATISTICS AND SO ON

# METHODOLOGY

## 1<sup>ST</sup> PHASE

- Relevant statistical data is collected from the above-mentioned sources;
- Trade volumes between Europe, Central Asia and PRC are descriptively projected;
- Respective data for CAREC region Corridors and their potential linkage with Zangezur Corridor is carried out.

## 2<sup>ND</sup> STAGE

- Through the help of in-depth interview with public officials, the potentials of Zangezur Corridor are analyzed;
- Research questions for the interviews are as following:
  - What are the key prospects of the implementation of Zangezur Corridor in CAREC region?
  - To what extent the implementation of Zangezur Corridor will be successful in increasing the connectivity of CAREC region?  
What are the economic impacts of
  - Zangezur Corridor between CAREC region and EU?

# METHODOLOGY

## 3<sup>RD</sup> STAGE

Each OECD DAC evaluation criterion is applied in the evaluation of Zangezur Corridor. These criteria include relevance, effectiveness, efficiency, impact, and sustainability:

- **Relevance** – the objectives of the project are scaled in accordance with priorities and policies of relevant stakeholders;
- **Effectiveness** – to what extent the objectives of the project are addressed?
- **Impact** – whether the implementation of the project produces positive or negative results based on the intended effects (including direct or indirect impact);
- **Efficiency** – outputs – inputs of the project are scaled in qualitative and quantitative terms in terms of cost efficiency, timing and alternatives;
- **Sustainability** – whether the intended project might produce further net benefit and is likely to sustain.

# EX-ANTE EVALUATION OF ZANGEZUR CORRIDOR

## OBJECTIVES OF THE PROJECT

- to establish the multi-modal connectivity in the region
- to make added-value to the chain of global trade connecting West and East, North and South
- to become transit hub between Europe and Asia
- to contribute to the Belt and Road Initiative (BRI) and become transport and logistics corridor of the BRI project

## PROJECT SITE

- Eastern Zangezur economic zone of Azerbaijan, and Zangezur territory of Armenia

## PROJECT PERIOD

- 2020 -2023

## CONSTRAINTS ON EVALUATION

- At the time of ex-ante evaluation, there is a lack of information available to deep dive into the analysis of the Zangezur Corridor and its impact for the region



# EX-ANTE EVALUATION OF ZANGEZUR CORRIDOR

## RELEVANCE - HIGH

- Consistency with the development policies of Azerbaijan
- Consistency with the development needs of Turkey and Armenia
- Consistency with CAREC program's infrastructure and economic connectivity operational cluster
- Consistency with the Belt and Road Initiative (BRI) by China

## EFFECTIVENESS/IMPACT - FAIR/SATISFACTORY

- Ongoing development status of the project and potential future benefits  
Construction of railway lines, roads, special economic zones, residences etc.  
Increasing connectivity in Karabakh region in Azerbaijan

## EFFICIENCY - MODERATE

- The implementation of customs is a matter of question

## SUSTAINABILITY - MODERATELY RISKY

- Policy Aspect
- Institutional Aspect: Collaboration with local and international companies

## FINANCIAL ASPECT

# SWOT ANALYSIS OF ZANGEZUR CORRIDOR

STRENGTH	WEAKNESSES
<ul style="list-style-type: none"><li>■ Shortest route between Europe and Asia</li><li>■ Current infrastructural opportunities (railway and road)</li><li>■ Abundant energy resources along the corridor</li><li>■ Available information on technical specification of corridor railway lines</li></ul>	<ul style="list-style-type: none"><li>■ Information deficiency for stakeholders in the region</li><li>■ The level of transport infrastructure in the countries along the corridor is unequal and needs to be upgraded</li></ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"><li>■ Special economic zones in region countries on the way</li><li>■ New corridor is a useful supplement to the Belt and Road initiative (BRI)</li><li>■ Along with highways and railways, potential for oil and gas, optical cable channels opportunities in future</li><li>■ Achieving regional cooperation strategic goals</li><li>■ Promoting economic and cultural exchanges and cooperation between countries along the corridor</li><li>■ Favorable economic growth of countries included in CAREC and European regions resulting in increase of import /export</li><li>■ Improving mutual cooperation inter/intra CAREC corridors</li></ul>	<ul style="list-style-type: none"><li>■ Ethnic and religious contradictions are complex in the region</li><li>■ Political environment is unstable</li><li>■ Due to pandemic, restoration costs of infrastructural preparedness can take longer time than expected</li><li>■ Lack of qualified personnel in operation</li><li>■ Insufficient coordination in infrastructure development work</li></ul>



# CONCEPTUAL FRAMEWORK: ZANGEZUR CORRIDOR'S IMPACT ON CAREC REGION AND ADDING CHAINS TO THE CAREC CORRIDORS

## ■ Zangezur Corridor will be means for regional cooperation and security in the CAREC region

- The CAREC countries will benefit in terms of access to technological innovations and economic benefits through developed European countries
- European countries will benefit in terms of gaining new economic partners and safe transport channels

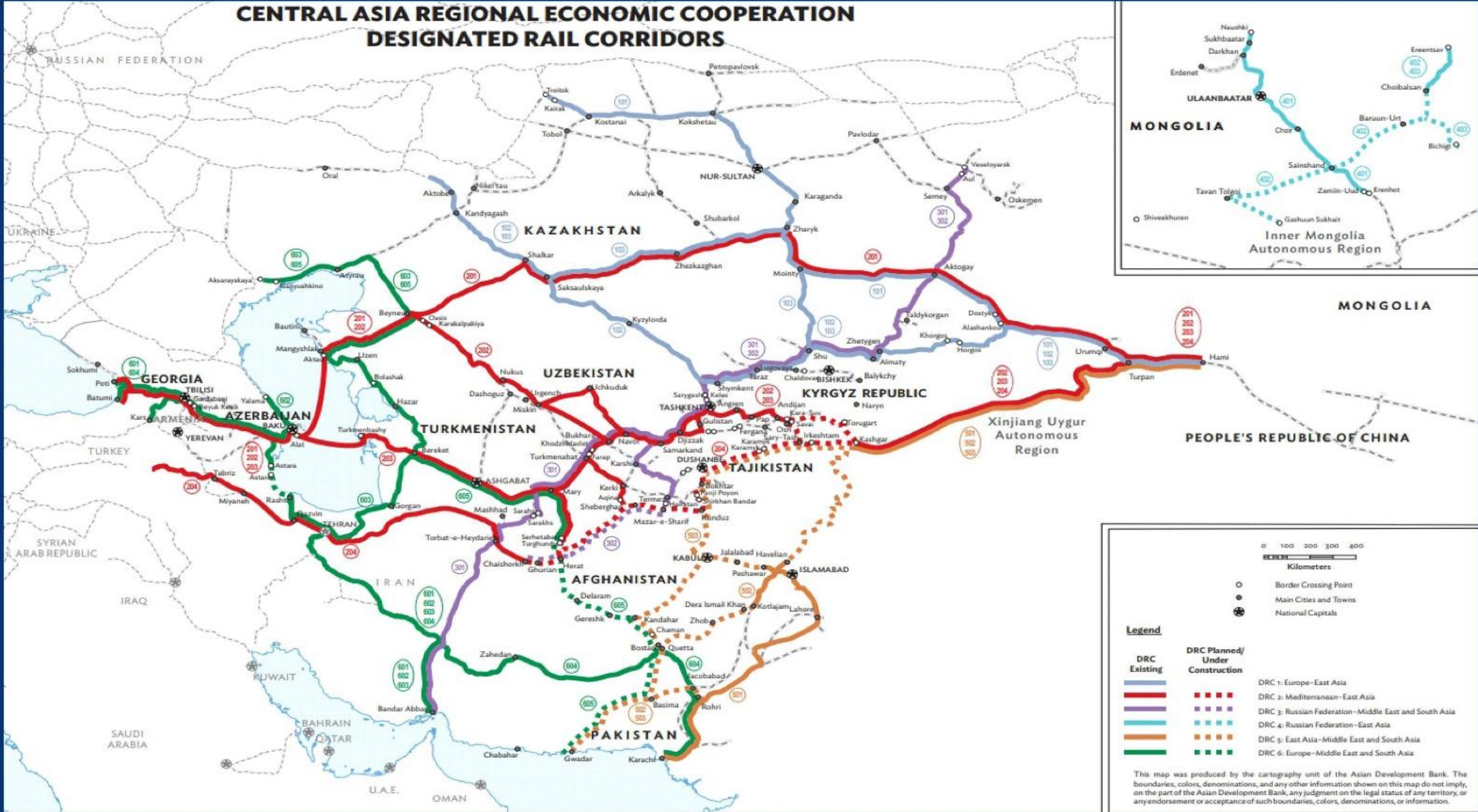
## ■ It opens the connection of the Caspian and Mediterranean basins as a whole, and in a broader sense, of Southeast and Central Asia with Europe

- The Evergreen shipwreck in the Suez Canal - a total of 9.6 billion US dollars in damage, stop of about 12 percent of world trade
- The Zangezur Corridor is new prospects of integration to Europe created by party countries to Ashgabat agreement

## ■ Zangezur Corridor is an additional chain to other six CAREC Corridors

- CAREC Corridor 1 is aimed at increasing the economic cooperation in Central Asia region and connect East Asia and Europe
- CAREC Corridor 2 is aimed at increasing connectivity between Europe, Mediterranean and East Asia
- CAREC Corridor 3 goes through Russian Federation, Middle East and South Asia and includes Afghanistan, Kyrgyz Republic, Kazakhstan and Tajikistan
- CAREC Corridor 4 passes from Russia, Mongolia and PRC
- CAREC Corridor 5 is aimed at connecting East Asia, Middle East and South Asia and increase the economic cooperation
- CAREC Corridor 6 connects Europe, Middle East and South Asia

# CENTRAL ASIA REGIONAL ECONOMIC COOPERATION DESIGNATED RAIL CORRIDORS



# CONCEPTUAL FRAMEWORK: ZANGEZUR CORRIDOR'S IMPACT ON CAREC REGION AND ADDING CHAINS TO THE CAREC CORRIDORS

## ■ Zangezur Corridor also adds value to International North-South Transportation Corridor

- Astara (Azerbaijan) – Astara (Iran) 8.3 km Qazvin-Rasht-Astara railway project

## ■ Istanbul-Tehran-Islamabad (ITI) planned project and Zangezur as an alternative connection

- 1,850 km in Turkey, 2,603 km in Iran, 1,990 km in Pakistan long railways and 14 days of transportation
- Potential connection of International North-South Transportation Corridor with ITI will also join with Zangezur Corridor
- Zangezur corridor as hub in the middle of diverse range of available and potential transportation projects

## ■ Trans-Caspian International Transport Route or Middle Corridor connects East and West starting from Southeast Asia, China passing through Kazakhstan, Caspian Sea, Azerbaijan, Georgia and lastly to Europe

- More than 120 million tons of goods in 2018
- Potential of the rail carries for Middle Corridor is more than 80 million tons
- Increasing connectivity among region countries would increase the competitive advantage of Middle Corridor
- Opportunities provided by Zangezur Corridor will diversify the trade route and artery, and add another link to the Middle Corridor leading to comprehensive connectivity in the region



# AZERBAIJAN - IRAN RAILWAY ROUTES



# ISTANBUL-TEHRAN-ISLAMABAD PROJECT



# THE TRANS-CASPIAN INTERNATIONAL TRANSPORT ROUTE (MIDDLE CORRIDOR)



# FINDINGS: STRATEGIC IMPORTANCE OF ZANGEZUR CORRIDOR



**Azerbaijan is located in a particularly favorable geographical position—adjacent to Russia, Turkey, Iran and the Central Asian region, all of which have large internal markets**

- The total size of the economies of these countries – more than \$3 trillion dollars
- At the crossroads of East-West and North-South international cargo flows
- Sitting along one of the main branches of the modern “Silk Road” between China and Europe



**The Zangezur Corridor could further decrease the costs associated with West and East trade relations**

- Development of the Rasht–Astara railway, between Iran and Azerbaijan because railroad is part of the transcontinental International North-South Transport Corridor (NSTC)
- PRC and the port of Aktau was connected with the Trans Kazakhstan railway route and increases the importance of the Zangezur Corridor



**Trade Statistics between the West and East**

- Trade turnover between EU and China in goods has reached almost to 600 billion euro in 2020
- Even during the outbreak of Covid-19 pandemic, there was an increasing trend in trade
- EU and Central Asia has trade relations ranging 20-30 billion euros
- The volume of the transportation of twenty-foot equivalent containers (TEUs) have multiplied during the last 6 years and reached to 652.2 thousand TEUs



# RECOMMENDATIONS



**Development initiatives and reform policies with unified actions and common approaches from CAREC region in the field of new transport are expected**



Implementation of these reforms will facilitate the new business practices, increase regional trade and lead to the enhanced connectivity



**Involvement of other global and regional entities can be achieved through the proper communication and coordination process designed and carried out by the CAREC**



**Successful implementation of the Zangezur Corridor requires the involvement of various stakeholders**



Main parties – the Republic of Azerbaijan and Armenia



Other parties - Turkey, Russia, PRC, the European Council, Iran and others interested countries





**THANK YOU FOR YOUR ATTENTION**

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