

TRANSPORTATION CORRIDORS

**THE NORTH-SOUTH INTERNATIONAL
TRANSPORTATION CORRIDOR:
PROBLEMS AND PROSPECTS****Alexander MUKHIN**

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The idea of linking Europe and Asia along the Volga and across the Caspian Sea is an old one. Back in the 17th century Peter the Great never lost sight of the Volga while making his thrust toward Europe: the river route started at St. Petersburg and went all the way to the Caspian. It was his ambition to turn Russia into a great naval power; the Caspian had an important role to play in his plans: through it he hoped to establish trade contacts with India.

The Astrakhan Local Lore Museum provides information on Caspian navigation and fishing; Iranian and Indian merchants crossed the sea to settle in Astrakhan. Their houses can still be seen in the city's center. The isolationism that came with Soviet power in 1917 closed the route to Europe across the sea and along the Volga. Until the early 1990s about 2 million tons of international freight did cross the sea and reach Baku from Iran.¹ In the wake of the Soviet Union's disintegration land transit along the formerly safe routes became hazardous because of the geopolitical changes that crippled Russia's interests in the region, the long-drawn-out attempts to settle the Caspian's legal status, and the political instability and conflicts raging in the Northern and Southern Caucasus.

¹ See: V. Arsenov, "Mezhdunarodniy transportniy koridor 'Sever-Iug'," *Iran segodnia*, No. 2, 2003, p. 8.

The rapid economic development of the East and Southeast Asian countries in the last quarter of the 20th century increased trade turnover with Europe and required new faster and cheaper trade routes. Early in the 1990s trade turnover between the two continents accounted for over a third of the world's total. This coincided with the radical political changes in Eastern Europe, Russia, Central Asia, and the Caucasus, which produced new independent states and new markets.

In view of this, the ESCAP, aided by the U.N., drew up several projects for possible transportation corridors to Europe across the Russian Federation, Central Asia, the Caspian, Northern Iran, the Caucasus, the Black Sea ports, Turkey, and Bulgaria. Some of the routes are now in use while freight turnover along them is still much lower than along the traditional routes across the Indian Ocean, the Persian Gulf, and the Mediterranean.

In the mid-1990s, Governor of the Astrakhan Region Anatoli Guzhvin and then Ambassador of Iran to Moscow Mehdi Safari formulated an idea regarding a transportation corridor from India via Iran (from the Gulf ports to the Caspian) up the Volga and along its banks by railway to St. Petersburg and on to Europe.

They managed to sell the project to their own and several other governments. On 12 September, 2000 in Petersburg, the ministers of transport of Russia, the Islamic Republic of Iran, and India signed an agreement on an international transportation corridor (ITC) known as the North-South Corridor. Early in 2002, the three countries ratified the agreement, which then came into force. Tehran and Moscow, the two most interested sides, focused greater attention on the transport infrastructure along the North-South route and concentrated on improving their Caspian ports. The project was developed by the NOSTRAC International Consortium and the Russian Transkontinental'nye linii company.²

The agreement describes the corridor as the sum total of the already functioning and newly created communication lines in the Caspian area. In Russia the routes start at the Transcaspian sea route, go along the Caspian-Volga-Baltic system, branch off to the Volga-Don canal, and include highways and railways. The corridor will be used for freight traffic from India, Pakistan, and the Persian Gulf area via Iran (to its Caspian ports) and on either by ferries to Russian railways or by river-sea boats along Russian water routes to Central and Eastern Europe and Scandinavia. The Volga regions of Russia can also be used as transit and transshipment territories for moving cargoes to the Urals and Siberia and to handle freights arriving from these areas.³ Containers moved along this route from Bombay to Moscow will cover the whole distance in 30 days, whereas it takes 45 days on average to cross the Suez Canal, bypass Europe, and reach St. Petersburg. There is the opinion that if delivery time is reduced by 15 days, the price will also go down by \$1,000 per ton. Potentially, the ITC will be able to handle about 15-16 million tons, thus cutting transport expenses by \$1.5-2 billion a year. It will make it possible to exploit the economic advantages in the Caspian area created by oil production and the mining of other mineral resources. The new economic trends and the new market conditions will be thus tapped. This is true of this area and the Gulf countries.

Belarus, Kazakhstan, and Armenia have already expressed a desire to join the agreement; Turkmenistan, Saudi Arabia, Kuwait, the UAE, Indonesia, Malaysia, Sri Lanka, and several European countries are potential members. To realize all the possibilities offered by the corridor, Russia and Iran should develop their infrastructure and create appropriate conditions at the railway, highway, and marine terminals.

In Russia, the corridor is considered an important Eurasian geopolitical project.⁴ Iurtaev regarded the cross-Iranian route as Russia's only chance to reach the southern seas. If extended to Singapore it will offer a more expedient route linking the APR and Southeast Asia with Europe. Today, the freight flow from Singapore, the key transshipment point for Southeast Asia and APR, reaches Europe via the Suez Canal bypassing Russia. "Once Russia acquires the 'Iran-Singapore' sea route it will become not only a

² S.B. Druzhilovskiy, V.V. Khutorskaia, "Politika Irana i Turtsii v Tsentral'noy Azii i Zakavkaz'e," in: *Iran i SNG*, Moscow, 2003, p. 63.

³ See: V.V. Blizniuk, "Aspekty regional'nogo sotrudnichestva Saratovskoy oblasti i Islamskoy Respubliki Iran," in: *Iran i SNG*, p. 121.

⁴ See: V.I. Iurtaev, "Shans Rossii: liderstvo v evraziiskoi integratsii," *Vostok-Oreins*, No. 3, 2003, p. 122.

transit country for the APR, Southeast Asia, and Europe. It will also be actively involved in international trade.”⁵ V. Maksimenko is convinced that the North-South transportation corridor will add to Central Asia’s importance ten years after the Soviet Union fell apart. This route “promises the largest revolution in world trade since the Age of Geographic Discoveries by connecting Northern Europe and the Persian Gulf across European Russia, the Caspian, and Iran, and the countries of South and East Asia across Afghanistan.”⁶

Not everybody agrees with this: Belokrinitskiy doubts that Iran can tap all the potential of the transportation corridor. He believes that so far no positive developments can be seen and says that the route “from the Varangians to the Greeks” offers no attractions and will not play any special role in Eurasian geopolitics.⁷

Meanwhile, in the past two or three years the Astrakhan transport junction, one of the key points, has been attracting particular attention. The rapidly developing Olia port acquired two new berths and the first of the planned terminals for handling up to 400 thousand tons in freight containers. This is the third year it has been connected to the Iranian port of Anzali and the Kazakhstani port of Aktau by the Caspian Tracker Line. Four Ro-Ro container carriers carry trailers, containers, cars, and packaged cargoes. Trade turnover is obviously increasing: by 2003 the annual volume of freight flow handled by the Astrakhan consolidated port topped 3 million tons compared to about 1 million tons in 2000. Construction of a railway designed to connect the Olia port with Russia’s railway network started in October 2003. As soon as the port reaches its planned capacity, it will be able to handle about 8 million tons of dry cargo, while the volume of container traffic via Astrakhan could reach 15 million tons in the next 2 to 3 years.

Makhachkala in Daghestan is another strategically important Caspian port of the North-South corridor; it is currently being modernized to handle up to 8.5 million tons of oil and dry cargo by 2005; in 2002, the port obtained a train ferry crossing.

It is commonly believed in the Astrakhan regional administration that the infrastructure of the Russian stretch of the North-South corridor lags behind the region’s growing requirements: today, the Russian Caspian ports have some catching up to do in terms of carrying capacity. If they do not, they will inevitably fail to cope with the freight flow and will lose business to the ports of neighboring states. In fact, stiff competition is unfolding in the area, therefore Russia will have to pour a lot of money into its Caspian ports. In the last few years, all Russian ports on the Caspian (Astrakhan, Olia, Makhachkala) received up to \$29 million, while the Iranian ports on the North-South route got over \$150 million.

Iran has already surpassed Russia in terms of equipping its part of the international corridor; the country is eager to use all the advantages offered by a smoothly functioning corridor and by the foreign investments it may attract. In fact, the city of Anzali, the port’s neighbor, received the status of a special economic zone with large international trade and commercial centers and enterprises. In September 2003, it became a free economic zone with corresponding customs and tax privileges. It was in September 2003 that a delegation of the Astrakhan Region met for talks with the heads of the IRISL and Hazar Shipping companies. They set up a working group that included members of the Astrakhan regional administration, the consulate general of Iran in Astrakhan, and shipping companies to look into the Caspian transit problems. Ali Afkhani, IRISL general director, informed everyone that late in September the first of the company’s container ships able to carry up to 140 twenty-foot containers would go into operation on the Amirabad-Olia line. IRISL’s general director reported on the construction of a container terminal now underway in the Iranian port of Bandar Abbas (designed to handle 2.5 million tons of container cargo a year), the most important event of recent times. Together with its German partners the company will invest \$150 million in the project supported by the Ministry of Transport of Iran.⁸ Iranian companies and those based in the Astrakhan Region are ready to cooperate in realizing the North-South

⁵ Ibid., p. 123.

⁶ See: V.I. Maksimenko, “Rasshirennye tezisy k diskussii,” *Vostok-Oriens*, No. 3, 2003, p. 65.

⁷ See: V.Ia. Belokrinitskiy, “Kakie korrektyvny nuzhny vneshney politike Rossii,” *Vostok-Oriens*, No. 3, 2003, p. 115.

⁸ See: *Astrakhanskii izvestia*, 18 September, 2003.

corridor project. Hazar Shipping, an IRISL subsidiary enterprise, drew up an investment plan for the ports of the Astrakhan Region. According to Hazar Shipping Executive Director Mohammed Kamal, initial investments will amount to \$6 million. In 2004, Hazar Shipping plans to start moving 1 million tons of cargo in this sector.⁹

Kazakhstan is closely following the developments; it has radically modernized the port of Aktau, which now has state-of-the-art terminals.

It is also possible that transit from Pakistan, India, and other Asian countries may reach Europe along the so-called latitudinal routes (such as TRACECA), bypassing Russia. This explains why the highly mobile Astrakhan governor, who is brimming with initiatives, is somewhat concerned. His administration regularly organizes international meetings to discuss Caspian problems and regional economic developments and insistently demands that the federal government mobilize all resources so that the corridor could be used to restore Russia's domination in the Caspian and attract more freight flows. The local ports' carrying capacity should be boosted, and technological systems for moving ship crews, other transportation means, people, and cargos across the RF border should be improved.

These problems were discussed at the Third International Eurasian Transportation Conference held early in the fall of 2003 in St. Petersburg; much was said about the North-South corridor's successful development; the conference recommended actively developing the ports' infrastructure, bringing national transport-related laws into closer harmony with each other, and simplifying customs procedures. RF Transport Minister Sergei Frank called the development of the ferry Caspian system and bringing the port of Olia up to its designed capacity the two key Eurasian projects. He said that by 2005 a fleet of hi-tech ferries would be created to connect Astrakhan and Makhachkala with the ports of Kazakhstan, Turkmenistan, and Iran. It was officially announced at the conference that Belarus and Kazakhstan had decided to join the North-South corridor project.¹⁰

Customs privileges should be granted to make the project commercially more attractive to freight handling companies, ship owners, and other interested companies of the Gulf and Southeast Asian countries, India, Russia, and Europe; competitive railway tariffs are needed, as well as streamlined interaction among all transportation means; all relevant documents should be standardized, etc.

Finally, in 2003 the RF government responded to the local initiative by putting Astrakhan on the list of future free economic zones, which means that the corridor project is being supported. Today, Astrakhan is one of the major regional centers of Russia's relations with Iran. In fact, the interests of both countries are almost identical, while the Caspian is the only connecting link between them.¹¹ An international conference, *The Caspian in the 21st Century: From Politics to Business Relationships*, held in Astrakhan in May 2002 confirmed that this city has an important role to play in the Russian-Iranian economic dialog. Several dozen Iranian firms have opened their offices in Astrakhan, and in 2001, the Islamic Republic of Iran opened its consulate general there. Since 2001, the local university has been offering courses in Oriental studies and the Persian language. Tehran has been actively involved in supplying the newly established department with literature and software. Recently the Astrakhan Region and the coastal provinces of Gilyan and Mazandaran have been actively cooperating. Gilyan, in particular, organized an exhibition on the Astrakhan Region.¹² During the 2003/2004 academic year, a group of Russian students from Astrakhan has been studying at Gilyan University. The two regions are exchanging delegations and are extending their contacts to other spheres.

⁹ See: *Astrakhanskije izvestia*, 18 September, 2003.

¹⁰ See: *Ibid.*, 11 September, 2003.

¹¹ For more detail, see, for example: E.V. Dunaeva, "Kaspiiskiy region i Iran," in: *Islamskaia revoliutsia v Irane: proshloe, nastoiashchee, budushchee*, Moscow, 1999, pp. 129-137.

¹² See: N.M. Mamedova, "Rossiisko-Iranskije ekonomicheskie otnosheniya," in: *Rossia i Iran. Iranistika v Tatarstane*, Moscow, 2001, p. 141.