

Importance of Economic Corridors as Driver of Regional Integration: South Caucasus and Central Asian Context



Tusi Alkaramov

Faculty of International Relations and Economics, Baku State University, Azerbaijan

ABSTRACT: Developing and integrating regions is facilitated by economic corridors, which are strategically arranged infrastructure systems that include roads, railroads, ports, and pipelines. The importance of economic corridors in fostering regional integration across the South Caucasus and Central Asia is investigated in this paper. These corridors promote cooperation and growth among adjacent nations by lowering trade barriers, increasing trade volumes, and fostering economic development. Regional integration along these axes is said to be mostly driven by investments in infrastructure. In sum, economic corridors in the South Caucasus and Central Asia stand out as crucial drivers of regional solidarity, economic growth, and prosperity.

KEYWORDS: economic corridors, regional integration, South Caucasus, Central Asia, economic collaboration.

1. INTRODUCTION

Economic corridors are defined as strategically organized systems of infrastructure, including highways, railways, harbours, and pipelines, intended to enable the smooth transportation of commodities, amenities, and individuals between different areas (Balakrishnan, 2019). These passageways frequently link vital economic centers, promoting economic growth, commerce, and collaboration among adjacent nations.

The regions of South Caucasus and Central Asia hold a crucial geopolitical and economic stance, connecting Europe and Asia. The Southern Caucasus comprises nations such as Armenia, Azerbaijan, and Georgia, while Central Asia encompasses Kazakhstan, Uzbekistan, Turkmenistan, Kyrgyzstan, and Tajikistan (Cornell, 1999). These areas are abundant in natural assets, with the possibility of substantial economic expansion and regional unification. Over the course of time, the South Caucasus and Central Asian areas have found themselves at the intersection of significant commercial pathways, which encompassed the age-old Silk Road. The past trade connections have had a vital impact on moulding the economic and cultural dynamics of the area, enabling the interchange of commodities, concepts, and advancements (Rakhimov, 2010). The aim of this essay is to examine the crucial function that economic corridors have in advancing regional integration in the context of the South Caucasus and Central Asia. Thus, there will be examined the past development of economic corridors, their influence on regional integration, and the economic metrics that demonstrate their importance.

2. METHODOLOGY

In this research, a methodical approach completely reliant on academic sources was utilized to examine the crucial function of economic corridors in fostering regional integration within the South Caucasus and Central Asia. The investigation procedure consisted of various separate stages intended to guarantee thoroughness and reliability in our examination.

Literature Review

The investigation commenced with a comprehensive examination of scholarly literature pertaining to economic corridors, regional cohesion, and the regions of South Caucasus and Central Asia. This entailed a methodical analysis of scholarly publications, literature, documents, and academic manuscripts. The goal was to establish a strong theoretical basis by obtaining a thorough comprehension of the topic. Academic sources were given preference due to their scholarly credibility and the profound perspectives they provide.

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Academic Source Selection

Thorough selection of academic sources was a crucial step in our methodology. We carefully selected sources based on their pertinence to our research inquiries, trustworthiness, and scholarly thoroughness. We preferred sources written by esteemed academics in the areas of economics, geopolitics, and regional studies. This guaranteed that the investigation relied on reliable and knowledgeable viewpoints.

Collecting and Analysis of Data

The gathering of data from academic sources included both qualitative and quantitative data relevant to economic corridors, regional integration, investment in infrastructure, and economic metrics. Academic debates, hypotheses, and instances were thoroughly analysed to detect recurring topics, trends, and notable discoveries. The information obtained from these sources was methodically arranged and combined to create a logical story that clarifies the significance of economic corridors in regional unification.

Case Studies

The research used in-depth case studies of prominent economic corridors in the South Caucasus and Central Asia to illuminate the topic at hand. Notable instances, like the CPEC, the TITR, and the South Caucasus Transport Corridor, underwent thorough examination. These case studies heavily depended on academic research and examination to assess the influence of particular corridors on regional integration.

Combining Information and Analysis

Discoveries and understandings acquired from academic sources and real-life examples were merged to develop a complete comprehension of the function fulfilled by economic corridors in promoting regional integration. Academic viewpoints were methodically compared, juxtaposed, and synchronized to guarantee a well-rounded and subtle examination of the subject.

3. ECONOMIC CORRIDORS AS A CATALYST FOR REGIONAL INTEGRATION

Describing regional integration and its goals is crucial for comprehending its significance in economic corridors. Regional integration involves different types of collaboration among neighbouring nations, such as trade blocs, shared markets, and economic harmonization. Customs alliances encompass mutual duties on imports, whereas unified markets broaden this to the unrestricted mobility of commodities, amenities, finances, and workforce (Rakhimov, 2010). Economic convergence aims to synchronize economic strategies, accomplish fiscal cooperation, and synchronize economic objectives within the area.

Economic corridors have a crucial function in fostering regional collaboration by improving connectivity, simplifying trade facilitation, and maximizing supply chain effectiveness. (Srivastava, 2011) These corridors serve as crucial connections that link formerly secluded areas, enabling nations to combine their assets and exploit one another's advantages. Moreover, economic pathways streamline customs protocols, diminish documentation, and improve overall supply chain management, ultimately rendering transnational commerce more effective and economical (Waters, 2018). The advantages of regional integration within the framework of economic corridors are significant. It results in the decrease of trade obstacles, a rise in trade capacity, and the encouragement of economic development. By means of local pacts like customs alliances, levies on commerce among participating nations are eradicated or lessened, resulting in cheaper products and enhancing commercial activity (Johns et al. 2018). Increased levels of trade and improved market entry contribute to economic expansion, as demonstrated by higher rates of GDP growth and enhanced levels of individual income within integrated areas.

4. THE SOUTH CAUCASUS AND CENTRAL ASIAN ECONOMIC CORRIDORS

A summary of current and suggested economic corridors in the South Caucasus and Central Asia indicates their objective to encourage transit commerce, optimize supply chain operations, and expand trade pathways. These passageways include important initiatives like the Trans-Caspian International Transport Route (TITR), which links the Caspian and Black Sea areas, making it easier to transport goods and promoting trade variety (Miholjic, 2018). In the same vein, the China-Central Asia-West Asia Economic Corridor (CPEC) encompasses an extensive system of infrastructure initiatives connecting China with Central and West Asia, fostering connectivity and commerce (Weil, 2019). Moreover, the South Caucasus Transport Corridor promotes commerce between Europe and Asia, diminishing transportation expenses and augmenting regional integration.

The establishment of economic corridors relies heavily on the development of infrastructure. It encompasses substantial infrastructure expenditure, financial streams, and frequently depends on collaborations between the public and private sectors (PPPs). Governments and global organizations allocate significant resources towards constructing and enhancing transportation systems, such as highways, railways, harbours, and conduits, which are vital for the smooth functioning of passageways (Weil,

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2019). Investment from abroad is drawn towards infrastructure projects, which in turn helps to secure the funding required for the development of essential transportation connections.

Key individuals and parties involved have a crucial impact on the achievement of economic corridors. The main stakeholders in corridor countries are the governments, who are accountable for policy creation, control, and investment choices (Johns et al. 2018). Multinational enterprises play a substantial role in the enhancement of infrastructure, investment, and promotion of trade within economic corridors. Global financial organizations, like the World Bank and the Asian Development Bank, offer funding and expertise for corridor initiatives, improving their feasibility (Weiss, 2017). In spite of their capacity, economic corridors encounter various difficulties and barriers. These encompass political uncertainty arising from geopolitical conflicts in the area, which have the potential to interrupt the progress and functioning of corridors, impacting the trust of investors and the stability of projects. Attaining regulatory synchronization among corridor nations, like coordinating customs protocols and commercial regulations, can prove intricate and time-intensive (Miholjic, 2018).

4.1 ECONOMIC INDICATORS AND REGIONAL INTEGRATION

In order to thoroughly assess the influence of economic corridors on regional integration, it is crucial to delve extensively into essential economic metrics. These signals offer valuable perspectives into the effectiveness of economic corridors in stimulating economic development and promoting collaboration among member nations.

- **Inflation Rates:** Due to increased trade and greater exchange rate stability, economic corridors have a major impact on inflation rates. The promotion of commerce within pathways frequently leads to a decrease in the expense of imported products, potentially causing decreased inflation rates (Ramzan, 2021). Furthermore, steady currency rates enhance investor trust and add to general cost constancy, a crucial element in economic unification endeavours.
- **Trade Volume:** One of the main goals of economic corridors is to increase trade capacities. An increase in trade volume acts as a strong signal of corridors successfully removing trade obstacles and promoting the smooth flow of goods and services within the area (Athukorala, & Narayanan, 2018). Greater levels of trade indicate heightened economic engagement and collaboration among member nations.
- **Balance of Payments:** Exploring the equilibrium of transactions, particularly examining the current account surplus or deficit, provides vital perspectives into the general economic well-being of the area's trade dynamics (Tang, 2014). Economic routes that stimulate exports while decreasing trade disparities have a crucial function in advancing regional integration. An excess in the present account indicates that the area is efficiently selling more than it buys, resulting in a favourable effect on the balance of trade.
- **Income Distribution Effects:** Economic corridors have the capacity to greatly influence the distribution of income in a given area. By promoting commerce and stimulating economic development, they can aid in diminishing income disparity and levels of impoverishment (Athukorala, & Narayanan, 2018). Nonetheless, the magnitude of this impact might differ based on the distinctive economic composition and policy frameworks of the area.

3.2 INVESTMENT IN INFRASTRUCTURE AND ITS ROLE IN PROMOTING REGIONAL INTEGRATION

Investment in infrastructure acts as a crucial element in promoting regional integration within the framework of economic corridors. It performs a diverse function, influencing financial results and promoting collaboration among member nations in various crucial ways:

- **Capital Formation:** Infrastructure investment possesses the innate ability to allure capital—both local and international—into the area (Rehman et al., 2022). This accumulation of capital results in a boom in economic activity and clears the path for the growth of crucial industries like transportation, production, and distribution. The surge of funds greatly aids in the region's economic expansion and consolidation.
- **Enhancement of Productivity:** The upgrading and improvement of infrastructure within economic corridors result in enhanced productivity. This is mainly accomplished by decreasing transportation expenses and travel durations (Athukorala, & Narayanan, 2018). The improvements in effectiveness advantage enterprises by making them more competitive in both local and worldwide markets, ultimately promoting economic integration.

5. CASE STUDIES: ECONOMIC ROUTES IN THE SOUTHERN CAUCASUS AND CENTRAL ASIA

The Economic Corridor of China-Central Asia-West Asia (CPEC) is a significant instance of a trade route that requires a thorough analysis. It entails examining trade pacts, trade equilibrium, and capital movements to assess its influence on regional unification.

- **Trade Agreements:** CPEC has played a crucial role in promoting trade pacts between China and nations in Central and West Asia (Javaid, 2016). These pacts have optimized trade processes, diminished duties, and eased the transportation of commodities. The

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examination should explore the details of these contracts and how they have contributed to the expansion of commerce within the corridor.

- **Trade Balance:** Evaluating the trade equilibrium within CPEC uncovers the allocation of advantages among participating countries (Ahmad & Fernald, 2020). Determining if the hallway has resulted in trade surpluses or deficits for particular nation's aids in assessing its efficacy in fostering regional integration.
- **Investment Flows:** Capital movements towards infrastructure initiatives along the CPEC route are a vital catalyst for regional cohesion. Examining the origins and destinations of these investments offers understanding into the economic collaboration and expansion stimulated by CPEC (Javaid, 2016). It is crucial to analyse the industries that have received significant investments and their influence on the wider regional economy.

The Trans-Caspian International Transport Route (TITR) is an additional noteworthy example, centring on the decrease of transportation expenses and the broadening of trade.

- **Decrease in Transportation Expenses:** TITR plays a crucial role in diminishing transportation costs for goods traveling between Europe and Asia (Lianlei, 2016). A comprehensive examination should measure these expense reductions, evaluate their influence on the competitiveness of products transported through TITR, and investigate how this financial benefit contributes to the triumph of the corridor.
- **Expansion of Trade:** TITR provides a different pathway for trade, lessening reliance on current transportation routes (Miholjic, 2018). A comprehensive analysis should take into account the impact of this expansion on the robustness of trade, the reduction of risks, and the general steadiness of the local trade system.

Examining the South Caucasus Transport Corridor entails evaluating its influence on regional value networks and competitiveness (Schuhbert & Thees, 2020). The passageway enables the transfer of commodities between Europe and Asia, impacting localized value networks. A thorough examination should investigate how the corridor has transformed supply networks, trade trends, and the competitiveness of sectors in the South Caucasus. This may involve evaluating the growth of transnational manufacturing networks and the function of multinational enterprises.

6. CONCLUSION

The examination of economic corridors in the South Caucasus and Central Asia demonstrates their noteworthy influence on regional integration and economic collaboration. These hallways have turned into crucial catalysts of economic development, commerce enlargement, and the streamlining of local value networks. Economic corridors have a vital role in boosting regional integration through enabling trade and economic collaboration. They decrease trade obstacles, simplify supply chain management, and generate effectiveness in the transportation of commodities and offerings. As exemplified by instances like the CPEC, TITR, and the South Caucasus Transport Corridor, the utilization of corridors has resulted in augmented trade levels and expanded trade pathways, thereby fostering regional amalgamation. Additionally, the development of infrastructure is crucial for the prosperity of economic corridors. These investments allure funds, enhance efficiency, and produce gains in effectiveness. As proven by the accumulation of capital in the instance of CPEC, enhancements in productivity along the TITR, and the influence on regional value chains in the South Caucasus Transport Corridor, investments in infrastructure boost economic collaboration and amalgamation. In addition, economic signals like price increases, amount of trade, financial equilibrium, and distribution of earnings are crucial for evaluating the influence of economic corridors on regional unification. The decrease in transportation expenses, trade variation, and enhanced supply chain effectiveness contribute to decreased inflation and heightened trade quantities. Furthermore, the establishment of trade surpluses and the possible decrease in income disparity emphasize the beneficial influence of these passageways on local economies.

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