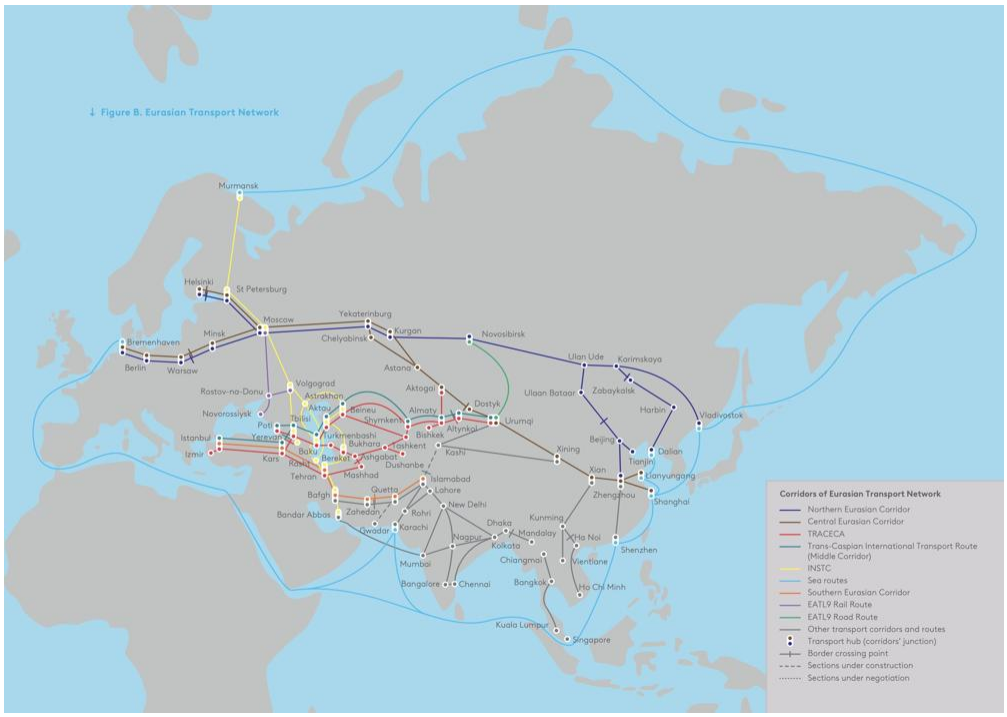
Shifting Transit Corridors: Economic Implications

Benyamin Boroujeni / 10/7/2025

The South Caucasus is rapidly evolving into a crossroads of new East-West and North-South trade routes. Foremost is the U.S.-brokered **Zangezur Corridor (TRIPP)** through Armenia's Syunik region: a 20-km highway/rail link granting Azerbaijan access to its Nakhchivan exclave[1]. Yerevan has agreed to grant the U.S. exclusive development rights to the so-called "Trump Route for International Peace and Prosperity" (TRIPP). Supporters project TRIPP will **triple freight volumes** on the Middle Corridor to ~57 million tons by 2030, while halving transit times and cutting transport costs ~15–20%. The Caspian-Alpine study forecasts tens of thousands of jobs in logistics, and modern dry ports and special zones attracting manufacturers along this route. Equally transformative could be revived **North–South connections** via Iran. India, Iran, and Armenia are negotiating a **"Crossroads of Peace"** trilateral project linking Mumbai to Varna (Bulgaria) via Chabahar and Armenia. Under India's revived INSTC, goods would sail from Mumbai to Iran's Chabahar/Anzali ports and then rail through the Caucasus to Russia or Europe. Armenia formally joined the INSTC in 2002 and sees itself as the "missing link" between INSTC and Eurasian corridors.



Major Eurasian corridors (Northern, Middle, INSTC) link Europe, Asia and the Middle East[2].

Beyond these, Armenia's own proposal envisions opening **multi-modal routes** through its territory (roads, rails, pipelines, power lines) in all directions. For example, Yerevan proposed a Mumbai–Varna corridor via Armenia that would bypass hostile Azerbaijan, echoing Iran's Persian Gulf–Black Sea corridor idea. In sum, analysts note that integrating East–West and North–South flows could turn the Caucasus into a logistics hub linking India, Iran, Russia, Europe, and Türkiye. For Armenia, access to these corridors promises new trade links and investment: even routine re-opening of South Caucasus borders could vastly expand its markets and FDI.

However, outcomes will vary. If TRIPP and the Middle Corridor draw most Eurasian freight (the Biden–Trump scenario), Armenia risks being traversed as a conduit with limited control. Conversely, if Armenia emphasizes the INSTC and "Crossroads" vision, flows could be more reciprocal. Either way, the **competition between routes** – e.g., INSTC via Iran vs. Middle Corridor via Türkiye – will reshape regional trade. Crucially, even supporters of the Zangezur concept concede that a US-run corridor through Armenia **bypasses traditional southern routes through Iran**. A high-capacity Armenia–Iran highway/rail (the ongoing Meghri–Bavra project) could restore a North–South axis if pursued aggressively. In practice, **vehicle and freight flows** will depend on how quickly these corridors are built and integrated. The World Bank has modeled a surge to ~57 million tons by 2030 on the Middle Corridor if infrastructure (including Zangezur) is upgraded. Yet even with such gains, the map of trade remains in flux: rail ferries across the Caspian and the Rasht–Astara link in Iran are still unfinished chokepoints[3].

A transcontinental freight train crossing Central Asia – similar corridors crisscross Eurasia[4].

In the meantime, Armenia's geography still disadvantages it. It lacks open rail to Türkiye/Azerbaijan and awaits key projects to join the ISTC (north-south) or Middle (east-west)

axes. Nevertheless, by negotiating full access for its own exports and building border infrastructure (dry ports, customs zones) at junctions, Armenia could capture transit profits instead of being bypassed. For now, economic data hint at the stakes: Azerbaijan's early 2025 FDI of $1.5 billion highlights confidence amid reopening, whereas Armenia's FDI has been constrained by its closed borders. Opening corridors is expected to "stimulate cross-border economic cooperation" and unlock markets on both sides.

Energy Infrastructure and Supply Chains

Armenia's energy network intersects these transit debates in multiple ways. Its sole large pipeline from Iran (100 km from Tabriz to southern Armenia) was built in 2006 with capacity ~1.1 bcm/year (expanded to 2.3 bcm by 2019). In practice, this pipeline operates on a "gas-for-electricity" swap: Armenia returns 3 kWh of power for each cubic meter of Iranian gas. (A second pipeline has been discussed). The South Caucasus grid is also low in interconnects: Armenia's grid currently synchronizes with Iran's only, whereas neighboring Georgia's aligns with Russia[5]. A new 400 kV line under construction will raise Armenia–Iran transfer capacity from 350 to 1,200 MW[6], enabling substantial spring–summer exports north and winter imports south[7][6]. In December 2015, Armenia, Iran, Georgia and Russia even signed a memorandum to study full synchronous integration, envisioning a "Russia–Georgia–Armenia–Iran" electricity corridor capable of 1,000–1,200 MW[8][9]. If completed, such a North–South energy corridor would allow Armenia to tap Georgian/Turkish grids and solidify Iran's transit role[8].

With one small nuclear plant (Metsamor, ~407 MWe) and some hydropower, Armenia's generation mix is still dominated by gas-fired plants. In 2022 roughly 43.5% of its electricity came from fossil gas (mainly sourced from Russia), 32% from nuclear, and only 24.5% from renewables (21.8% hydro, 2.7% solar)[10]. The European Parliament has urged Yerevan to "accelerate" renewables and diversify from Russian gas (which accounts for over 80% of its imports). Armenia's 2021–2040 energy strategy mirrors this: it prioritizes solar power, aiming for ~1,000 MW solar (generating ~1,800 GWh/yr, ~15% of output) by 2030. Several large solar farms are underway (Saudi- and Emirati-funded) adding 255 MW capacity, but wind remains almost negligible and faces terrain/logistics challenges. The state targets ~15% renewables by 2030, up from ~8% today[11]. In the short term, however, Armenia must still rely on regional grids or imports to balance. In drought years or winter peaks, it imports electricity from Iran and sometimes Georgia, and expects to do more via the 400 kV line[6][5].

In summary, Armenia is poised at an energy crossroads. Its **pipeline access** is currently confined to Russia (via Georgia) and Iran (via Meghri). If transit corridors shift, Iran might lose some leverage. For example, a fully functional TRIPP route could divert transport away from Iran, shrinking Tehran's transit income. Conversely, if Armenia deepens its Gas-for-Electricity program with Iran (supported by the new power line[6]), it could strengthen an independent southern energy supply and reduce Gazprom's stranglehold. Armenia must also manage its nuclear and hydro plants wisely to minimize fossil burn. In all cases, emerging continental grids and renewables could help Armenia move toward *energy sovereignty* by exploiting its renewable potential and multiple neighbors[5].

Balancing Geopolitics: Russia, West, Iran, and China

Strategically, Armenia faces a complex balancing act.

Russia remains its guarantor of security (CSTO membership, military bases) and main supplier of gas and many goods. Yet Yerevan's recent Western turn has provoked pushback: in summer 2025 Gazprom imposed short-notice gas shutdowns (purported "repairs") three times. These cutoffs—seen by analysts as political pressure—forced Armenia to draw down reserves and surge Iranian imports. By 2025 **Gazprom owned Armenia's entire gas network**, and Armenia "is heavily dependent on Gazprom for gas supplies". This vulnerability has driven the government to seek alternatives: Pashinyan has downgraded a 20-year "strategic partnership" with Russia while rapidly building ties with the United States and EU. In short, Moscow has begun using energy leverage against Yerevan, but these risks pushing Armenia closer to the West.

The West and India have newly entered this matrix. The US, beyond brokering TRIPP, now sees Armenia as a strategic partner: Yerevan's agreement to grant US development rights in Syunik indicates a deep US role in regional transit. Brussels and Washington are examining new energy and trade ties with Yerevan.

Separately, **India** has quietly cultivated Armenia through defense and commercial deals; for instance, arms sales and military exercises underline a growing partnership. New Delhi's interest is both economic and strategic: it seeks reliable access to Russia and Europe, and views Armenia as a pro-India foothold in the Caucasus absent the "geopolitical baggage" of Azerbaijan/Türkiye. India formally joined INSTC and in recent trilateral talks Yerevan has pushed to include Chabahar port and INSTC routes in a Mumbai–Varna plan. Moscow's relationship with India may cushion some Armenian Western drift, but the pattern is clear: Armenia is hedging beyond Russia.

Iran remains Armenia's southern anchor. Both share a friendly history, and a closed land border is Armenia's only direct link to Asia. Tehran has long opposed any *extraterritorial* Zangezur route, seeing TRIPP as a Western encroachment. Indeed, by insisting TRIPP operate under Armenian law, Yerevan denies Iran the "sovereignty" pretext it used to block a corridor. For now, Iran seems resigned but uneasy: it fears losing the premium on south–north transit. As an analyst noted, "a functioning TRIPP route diverts attention and investment toward the Middle Corridor … lowering the premium shippers pay for transit through Iran." Thus, Iran will try to strengthen Armenia–Iran ties (in energy and rail) to remain relevant – for example, by expanding the Meghri–Julfa railway and gas cooperation. Armenia can leverage this: by deepening gas and electricity exchanges, it secures an alternative supplier and destabilizes no single dependency.

China looms as another great power, though its footprint in Armenia is currently small. Unlike Azerbaijan/Georgia (key nodes of China's Belt & Road), Armenia's closed Turkish border and Russian ties have kept it marginal to China's main corridors. A 2018 study concluded that Chinese interest in Armenia was "more geo-political than economic," focused on the North–South link to the Persian Gulf and on soft-power initiatives. Chinese firms have done feasibility studies on a southern Armenia railway connecting Iran and Georgia, and China has invested in Armenian solar farms (e.g. Masrik-1) as part of renewable projects. Going forward, Beijing's interest will hinge on how Armenia fits into broader Eurasian routes: if Yerevan manages to bridge the INSTC with other corridors without alienating Russia, China could see Armenia as a complementary route (e.g. by rail to Iran/Persian Gulf). For now, Armenia can use China's focus on infrastructure and energy to seek funding (for mines, renewables, digital projects) while remaining wary of over-reliance on any single partner.

Scenario Analysis: Futures for Armenia's Connectivity

1. **"TRIPP Complete, Armenia Transit Hub"**: By 2030, Armenia formally opens the TRIPP corridor. Azerbaijan and Türkiye redirect much east–west trade through Nakhchivan–Syunik, integrating Armenia (and the US consortium) into the Middle Corridor. World Bank models (cited by Azerbaijani analysts) suggest freight could triple to ~57 Mt by 2030. Armenia benefits from transit fees and new investment in Syunik (special economic zones, logistics parks). Cross-border trade booms: goods that once skirted Armenia (e.g. Türkiye–Central Asia) now pass through, boosting border commerce. However, Armenia becomes heavily traversed: if customs are fully open, Armenian firms could export more easily to Azerbaijan and Türkiye. If not, local resentment could arise. Energy-wise, TRIPP shifts pipeline politics: east–west gas flows (e.g. planned Turkmenistan–Pakistan–India pipelines) may favor Azerbaijan and bypass Iran/Armenia. Armenia would, in this scenario, press for linking its North–South Road (Meghri highway) to TRIPP to maximize synergy. It might deepen INSTC ties (e.g. finalizing Rasht–Astara rail to connect to the Azerbaijan hub). The US presence would limit Russia's and Iran's sway in Armenia but might also require Armenian guarantees of security along TRIPP. This scenario yields high transport revenues for Armenia, but with the risk of dependency on corridor traffic controlled by others.

2. **"Eastern Pivot, Iran+India Corridor"**: Suppose Western momentum stalls (e.g. due to US election change) and TRIPP is delayed. Armenia then doubles down on the India-Iran-Armenia axis. It completes a direct road/rail link from Meghri (Iran border) north to Georgia and maybe to Türkiye via rail upgrade. Iran speeds up Rasht–Astara rail and synchronizes electricity with Armenia[8][6], making Armenia Iran's key bridge to the Black Sea. Goods from India or Iran bound for Europe flow north through Armenia–Georgia, or west via a reopened Turkish rail link (if Kars-Gyumri can be negotiated). Armenia markets itself as an **alternative route**: for example, India ships via Chabahar to Tehran, then Iranian trucks/rail through Armenia to Georgia and EU. Airlines and pipelines might also extend: an Iranian oil pipeline spur to Armenia could be built. In this scenario, Armenia cements energy ties with Iran (securing more gas, and possibly LNG via Iran) and hosts joint Armenian-Indian industrial projects in the Meghri Free Zone. Russia remains a military ally, but Armenia grows economically with South Asia. The downside is that Azerbaijan/Türkiye remain partly outside these links (except for Georgia route), and Armenia would not fully benefit from the booming Türkiye-Azerbaijan corridor.

3. **"Balanced Hedging, Multi-Corridor Play"**: Armenia manages to keep all options open. It opens TRIPP under carefully negotiated terms (e.g. Armenian customs control, transit fees). Simultaneously, it finalizes domestic projects: the new 4-lane Meghri-Vardenis highway and rail upgrades to Georgia. One part of Armenia-Azerbaijan border opens (Zangazur) with peace, but Armenia also insists on opening the west (Gyumri-Kars) and Iranian borders at a customs union level. In this blended world, freight flows from Türkiye to Nakhchivan coexist with flows from Iran to Georgia. Armenia's economic plan focuses on becoming a **logistics hub** for value-added activities (not just transit): for example, establishing processing zones at "junctions" where road, rail and power converge. Energy strategy is similarly diversified: Armenia invests in renewables (solar

and hydro as planned), expands nuclear cooperation, and maintains multiple import lines (Russian, Iranian gas; grid links north and south). It cultivates all partners: it joins Chinese initiatives (maybe via EAEU-EU's connectivity projects) to attract BRI finance, while staying in the Russian military fold. This scenario yields moderate transit volumes on all corridors and highest autonomy for Armenia but requires deft diplomacy. Armenia's leverage is maximized by being indispensable (as a needed link) on each front. The risk is complexity: multiple infrastructure projects to build and coordinate across jurisdictions.

4. **"Status Quo Stall, Growing Isolation"**: If neither TRIPP nor new corridors materialize (e.g. renewed conflict or geopolitical deadlock), Armenia risks economic stagnation. Under this pessimistic scenario, closed routes persist. Armenia remains reliant on the old Soviet-era East–West link via Georgia, which is slow and costly. Trade with Azerbaijan stays minimal. China's Middle Corridor bypasses it entirely. Armenia continues importing gas from Russia under opaque terms, and its power grid stays walled off. In this case Armenia must eke outgrowth by deepening integration with the EEU (if Moscow retains interest) and by domestic reforms to attract investment in non-transit sectors (IT, education). This outcome would undermine Yerevan's connectivity goals and exacerbate dependency - exactly what recent policy shifts aim to avoid.

These scenarios illustrate trade-offs: Armenia's **economic sovereignty** grows with successful multi-route integration but is threatened if any single corridor becomes dominant or if conflict reignites. International forecasts support cautious optimism: for example, transit volumes on the Middle Corridor have already grown fourfold in 2021–23 (to ~2.3 Mt)[12]. But full integration will hinge on completing Iran and Armenia links and managing regional rivalries[3].

Policy Recommendations

- **Negotiate Corridor Terms Carefully:** If the TRIPP/Zangezur route is established, Armenia should insist on maintaining full Armenian jurisdiction over its section, including customs, tariffs, and security. Yerevan should seek joint US-Armenian operation models (rather than an extraterritorial road) so that transit revenues and jobs accrue locally. Armenian law and oversight must govern the corridor to assuage sovereignty concerns.

- **Accelerate North–South Links:** Prioritize completing the Meghri-Yerevan highway and railway. These connect Iran to Georgia via Armenia, creating a true North-South corridor. Expedite land and rail infrastructure at the Meghri (Julfa) and Bavra (Georgia) crossings. Coordinate with Iran and Georgia on timely border-processing upgrades. This expands Armenia's role as a transit nexus between the Persian Gulf and Black Sea[8].

- **Enhance Energy Diversification:** Expand renewable and grid projects to cut gas dependency. Finish the 400 kV Armenia-Iran line and build a high-voltage link to Georgia (with DC converter)[6][5], enabling real-time power trade and emergency supplies. Accelerate utility-scale solar and small hydro under development to replace imported fuel. Maintain and modernize the Metsamor nuclear plant (ensuring fuel security). Negotiate a second Iranian gas pipeline or LNG options to reduce Gazprom leverage.

- **Leverage Transit for Industry:** Develop special economic zones (SEZs) and logistics centers along transit axes (e.g. near Kajaran, Sisian, Meghri). Encourage foreign firms to set up regional distribution or processing hubs, using transit flows as customers. For example, Armenia could market a logistics hub at Meghri for Central-Asian bound goods via Iran. Use multilateral initiatives (like "Crossroads of Peace" and INSTC) to attract investment into these zones.

- **Balance Partnerships:** Continue security cooperation with Russia (e.g. through CSTO), while deepening selective Western and Indian ties to avoid over-reliance on any one ally. Engage Russia on mutually beneficial projects (e.g. Armenian transmission lines into Georgia or East-West rail links) to keep Moscow invested in stability. Simultaneously, invite Western participation in economic projects to lock in their interest (e.g. EU green energy funding, U.S.-EU backing for INSTC). Use India and Iran as counterweights: their investment interest raises Armenia's value as a partner.

- **Secure Energy Sovereignty:** Protect the domestic market by securing **strategic reserves** of gas and electricity. Build enough storage (or contract interruptible supplies) to weather external cutoffs. Maintain bilateral swap agreements (as with Iran) as hedges. Implement transparent pricing and fiscal policies so energy infrastructure (pipelines, power lines) is maintained for long-term resilience.

- **Maximize Chinese Engagement Opportunistically:** Seek targeted Chinese investment in large projects that align with Armenia's goals (e.g. renewables, rail, digital infrastructure) while staying within EU/EAEU legal frameworks. For example, offer SEZ participation to Chinese companies building solar farms or IT parks, leveraging the 2015 Armenia-China OBOR memorandum. However, ensure that any Chinese-built transit infrastructure (rail, road, ports) includes Armenian or EU oversight to prevent dependence.

- **Advocate Regional Integration:** Work with Georgia and Iran to integrate customs and regulations, easing transit delays. Propose trilateral frameworks (Armenia-Georgia-Iran, Armenia-EU-Iran, etc.) to institutionalize cooperation on roads, rails, and energy. For example, revive talks on synchronizing the four-country power grid[8]. Use Armenia's recent peace deal as momentum to resolve lingering transit disputes and open new border checkpoints (e.g. Gyumri–Kars rail).

Each recommendation aims to **diversify Armenia's options**. By improving its own infrastructure and negotiating from a position of multiple partnerships, Armenia can turn regional shifts into net gains rather than vulnerabilities. The goal is clear: transform Armenia from a geostrategic bottleneck into a resilient bridge linking multiple markets and energy networks.

Sources: Authoritative reports, news and analyses on South Caucasus corridors, including recent coverage of the U.S.-mediated "TRIPP" Zangezur corridor[1], India-Iran-Armenia connectivity initiatives, regional energy projects[6][10], and expert commentaries on Armenia's geopolitics. These inform the scenarios and recommendations above, emphasizing Armenia's economic and energy sovereignty.

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