

Rails, Rents, and Rivalry: Khorgos and the Making of Zhetysu's Corridor Enclave

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Abstract

This article examines how the Khorgos–Eastern Gate Special Economic Zone (SEZ) on the Kazakhstan–China border has transformed the Zhetysu Region from a quiet agricultural area into a strategic trade hub. Khorgos serves as the principal inland dry port where China's Belt and Road Initiative (BRI) intersects with Russia's Eurasian Economic Union (EAEU) and the emerging Trans-Caspian "Middle Corridor" route. After Russia's 2022 invasion of Ukraine and Western sanctions, traffic through the Middle Corridor grew rapidly, making Khorgos busier than ever. The KTZE-Khorgos Gateway dry port handled over 372,000 containers in 2025; the SEZ projects to create 2,000 jobs, with 20,000 more planned by 2030; and regional output is expected to reach 2.7 trillion tenge.

Contrary to the existing literature, which often assumes that border regions simply gain from better connectivity, this article shows how, under conditions of sanctions and competing integration projects, a regional economy can become both a major winner and a highly fragile "corridor enclave." Using a case-study approach based on policy documents, official data, and regional reports, it traces three key links: how Khorgos sits between BRI and EAEU corridors, how sanctions boosted the Middle Corridor through Zhetysu, and how Kazakhstan's multi-vector diplomacy shapes the SEZ's ownership and partnerships. The findings show real economic gains for Zhetysu but also clear risks from Chinese rail subsidies, route competition, and environmental pressures. This work bridges big geopolitical debates with concrete regional changes, offering lessons for how small states use infrastructure to gain from great-power rivalry while managing new vulnerabilities.

Keywords: Khorgos SEZ, Zhetysu Region, Belt and Road Initiative, Eurasian Economic Union, Middle Corridor, corridor enclave, multi-vector diplomacy

1. Introduction

Central Asia has become a busy crossroads for major trade and transport projects. China's Belt and Road Initiative (BRI) builds new land links across Eurasia. Russia's Eurasian Economic Union (EAEU) aims to keep Moscow central in trade among former Soviet states. Since 2022, Western countries and regional partners have pushed the Trans-Caspian Middle Corridor as a way to move goods between China and Europe without crossing Russia, especially after sanctions hit Russian routes. Kazakhstan lies right in the middle of all this. One specific spot stands out: the Khorgos–Eastern Gate SEZ in the Zhetysu Region, on the border with China's Xinjiang. Here sits the KTZE-Khorgos Gateway dry port, where Chinese trains meet Kazakh tracks. Containers get moved from narrow-gauge Chinese rails to wide-gauge Kazakh ones. From Khorgos, goods can head northwest through Russia or southwest

across the Caspian Sea toward Turkey and Europe. By 2025, this dry port will have handled over 372,000 containers, making it a key player in China-Europe land trade.

This article asks a simple but important question: How has the geopolitics around Khorgos changed the Zhetysu Region? Zhetysu was once mostly farms, mines, and small towns. Now it hosts a busy trade hub with new factories, roads, and jobs. The answer lies not just in better roads and rails but also in the bigger political picture: BRI plans, EAEU rules, sanctions on Russia, and Kazakhstan's careful balancing act between big powers.

Contrary to the existing literature, which often assumes that border regions simply gain from better connectivity, this article shows how, under conditions of sanctions and competing integration projects, a regional economy can become both a major winner and a highly fragile "corridor enclave." Three main factors drive this. First, Khorgos sits where the BRI and EAEU overlap, letting Kazakhstan steer trade flows. Second, sanctions suddenly made the Middle Corridor more attractive, sending more traffic through Zhetysu. Third, Kazakhstan's multi-vector foreign policy shows up clearly in how the SEZ is owned and run through a combination of Kazakh control, Chinese investment, and global partners like Dubai's DP World.

The article uses a case-study method based on government reports, SEZ data, corridor studies, and local news from 2011 to 2026. Section 2 reviews past research. Section 3 explains the approach. Section 4 describes Khorgos itself. Section 5 covers corridor competition and sanctions. Section 6 looks at Zhetysu's economic, social, and environmental changes. Section 7 discusses what it all means. Section 8 wraps up with lessons learned.

2. Literature Review

Plenty of research covers China's BRI and Russia's EAEU in Central Asia. Early papers talked about how the two projects might work together. China would build infrastructure; Russia would provide customs rules through the EAEU. Leaders in Beijing and Moscow even signed agreements about "synergy" between the BRI and the EAEU. But later studies pointed out problems. Russia worried that China's money and projects would push it aside in its own backyard. Chinese trade grew fast in Central Asia, while Russian influence stayed mostly political and military.

Another group of studies looks at special economic zones (SEZs) and dry ports. In Kazakhstan, SEZs were meant to bring in foreign money, create jobs, and move the economy away from oil. Some reports praise Khorgos as one of the better zones. It has real projects, growing traffic, and clear government support. But others note weaknesses across Kazakhstan's SEZs: not enough local links, uneven results, and dependence on state funding.

Middle Corridor research took off after 2022. Groups like the OECD and CAREC wrote reports showing how sanctions hurt Russian rail routes. Companies wanted alternatives. The Middle Corridor from Kazakhstan to the Caspian Sea to Azerbaijan to Georgia to Turkey is starting to gain relevance. Studies list challenges like high costs, ferry delays, and customs holdups. They also note progress: new agreements between countries and better digital systems.

What is missing from most work is a close look at one place like Zhetysu. Big studies talk about countries or whole corridors. Few zoom in on one region and ask how all these forces, such as the BRI, EAEU, sanctions, and subsidies, impact local jobs, factories, farms, and rivers. Papers mention Khorgos but treat it as part of a national story, not a driver of regional change. Local environmental studies exist, but do not connect them to corridor politics.

This article fills that space. It links macro trends (sanctions, subsidies, rival corridors) to meso-level effects in Zhetysu (growth numbers, job patterns, pollution data). Focusing on the "corridor enclave" idea (where a region wins big from transit but stays fragile) adds a new angle to debates about how geopolitics shapes places like Zhetysu.

3. Methodology

This study uses a single-case approach centred on Khorgos and Zhetysu. The case matters because Khorgos is where multiple big projects meet: BRI from China, EAEU from Russia, and the Middle Corridor backed by the West and regional states. Watching how geopolitics plays out here reveals patterns that apply more widely.

Data comes from four main areas, covering 2011 to early 2026:

1. Official policy papers: SEZ creation decrees, updates on targets, transport plans.
2. Numbers on performance: Container volumes (TEUs), investment amounts, job counts from SEZ managers and government reports.
3. Corridor analysis: Studies from the OECD, CAREC, the World Bank, and think tanks on Middle Corridor growth and challenges.
4. Local reporting: News from Astana Times, Qazinform, and regional outlets on projects, visits, and problems.

The method follows a clear chain: geopolitical events (BRI launch, sanctions) lead to corridor shifts, which boost Khorgos traffic, which then changes Zhetysu. This "process tracing" helps show cause and effect. Limits exist. Detailed household data or GRP breakdowns by district are hard to find. No direct interviews with local officials or workers. But combining many sources gives a strong overall picture. The focus stays on the main trends, not every detail.

4. Khorgos Special Economic Zone - From a vision to a reality

Kazakhstan created the Khorgos-Eastern Gate Special Economic Zone in 2011, just as China's BRI vision took shape. The zone covers 5431 hectares in the Zhetsyu region, right on the border with Xinjiang. Khorgos Eastern SEZ consists of three main parts, which include a port zone for the dry port, a logistics zone for storage and services, and an industrial zone for factories.

The heart of this is the Kazakhstan Temir Zholy Express at the Khorog dry port. It started in 2015. Trains from China use a narrow gauge style of rails; Kazakhstan, on the other hand, uses a broad gauge. At Khorgis, containers are lifted from one train to another. Early days were slow. By 2025, upgrades - ten new tracks, better cranes, and digital controls will cut this to about one hour per train. That year, it moved 372000 TEUs, a big jump.

The SEZ connects to Kazakhstan's rail lines via Altynkhol station and to roads via the Western Europe-Western China highway. The government spent billions of tenge on support infrastructure, such as roads, power, water supply, and customs posts. By now, thirty-two projects are finished, creating 2000 jobs. Thirty-two more are underway; plans are made to complete up to 20,000 total by 2030. The target investment is pegged at 522 billion tenge by 2030.

Ownership shows smart planning. Kazakhstan Temir Zholy (KTZ) holds up to 51%, keeping control. China's COSCO has approximately 49% in the dry port, locking in Chinese trade. Dubai's DP World runs daily operations, adding global know-how and Gulf money. Recent plans include a German-backed cargo airport, and Turkey has shown its interest in developing factories for agriculture, food processing, etc.

This setup reflects Kazakhstan's multi-vector policy. It welcomes China without giving full control. It brings in others to avoid a China-Russia lock. It keeps national interest first. Khorog is not just a port; it's a diplomatic tool built in steel and contracts.

5. Corridors, sanctions and shifting flows

Before 2022, China-Europe rail mostly used northern routes. Trains crossed from China into Kazakhstan at Khorog or nearby Dostyk and then went northwest through Russia, Belarus, and Poland to Europe. Russia liked this due to steady fees, with the Eurasian Economic Union's customs rules playing the central role. China likes the existing tracks and fast connections to big markets. About 65% of land rail traffic went this way.

The Middle Corridor existed on paper but saw little use. From Khorgos, trains would go southwest across Kazakhstan to Caspian ports like Aktau or Kuryk, cross by ferry to Azerbaijan, and then rail through Georgia and Turkey to Europe. Problems held it back; the problems included ferry waits, border delays, and higher costs.

Russia's sanctions were imposed in 2022 after it invaded Ukraine. Western sanctions hit Russian banks, insurers, and energy. Many firms feared legal risks using Russian soil, even for non-sanctioned goods. Reputations mattered too. Rail volumes through Russia dropped sharply.

Suddenly, the Middle Corridor looked better. Kazakhstan, Azerbaijan, and Georgia signed deals for common tariffs and digital customs. The EU and the US talked it up as a diversification route; traffic grew fast, as per reports, around 267% from 2022 to 2025. Khorgos became the main east door for this path.

China played a role, too. The leaders of Xinjiang (which borders the Zhetsyu region) signed deals for more rail, trade, and tourism. Despite US sanctions on Xinjiang cotton and solar panels, cross-border ties deepened. Chinese rail subsidies helped a lot. China covers 30-40% of the China-Europe rail costs to beat sea shipping. Without this, many trains would not run.

Every China-bound train arrives there. The officials of Khorgos have the choice of steering the goods, either going north (Russia) or southwest to the Caspian; the decision lies in the hands of Khorgos's officials. Each choice taken by the officials at Khorgos sends money and power one way or another. North strengthens the EAEU. Southwest builds idle corridor independence. Kazakhstan gains either way but shapes the balance.

Sanctions gave Zhetsyu a boost. More middle corridor trains mean more work at Khorgos, such as loading, customs, and trucks. Local firms grow around this flow. But it's fragile. End sanctions; firms might return north. Cut subsidies, and the significance of maritime increases. Any disruption to the Caspian or Caucasus stalls the whole route. Zhetsyu rides a wave tied to far-off politics.

6. Zhetsyu's Economic and Social Transformation

6.1 - Economic boom through transit

Khorgos changed Zhetsyu's economy. Before the coming of the dryport, the region of Zhetsyu lived on farms, livestock, and mines, which is a classic Central Asian steppe type of living. The transits from the dry port have drawn 522 billion tenge in planned investments. Thirty-two projects are done, plans are made to complete 20,000 projects by 2030, and the dry port generated 2,000 jobs. Thirty-two more coming soon. Regional output is aimed at 2.7 trillion tenge.

SEZ firms do logistics, storage, food processing, and light industries. The government built 78 support projects, such as roads, power, and water. These created construction jobs and better links. Dry port traffic

(372,000 TEU in 2025) feeds small businesses such as truck drivers, repair shops, and brokers. Spillover happens. Local suppliers serve SEZ needs.

This is a “corridor economy.” Growth comes from goods passing through, not just local output. Transit fees, service margins, and some processing all add up. Zhetsyu wins because it sits between China and Europe on busy routes. Sanctions did play an important role in this Middle Corridor surge, which sent more trains this way.

6.2 - Social changes and uneven gains

Jobs changed Zhetsyu society. SEZ works well for younger, skilled people such as logistics managers, IT staff, customs experts, and drivers. They earn more and connect globally. A new middle layer forms near Khorgos, which is more of an outward-looking and less tied to village life.

Rural areas lag. Farms and herders see indirect benefits, which include better roads and some trade. But many lack skills for SEZ jobs. Old problems stay, such as poor services and seasonal work. Risk exists that Khorgos will become a rich pocket while the wider region of Zhetsyu won't benefit from it. Without training and supplier programs, the boom stays narrow.

Women are entering logistics and services more than before. Migrants from other regions fill gaps. Overall, Zhetsyu gets younger, is more urban, and is near the border. But a divide grows between corridor winners and others.

7. Analysis

The Khorgos-Zhetsyu case makes the logic of a “corridor enclave” very explicit. On one side of the equation, enhanced connectivity has delivered clear economic gains. The creation and expansion of the Khorgos-Eastern Gate SEZ, coupled with the rise in container traffic at the KTZE-Khorgos Gateway dry port, have attracted substantial investment, created thousands of jobs, and lifted Zhetsyu from a peripheral position in Kazakhstan's economic geography to a central role in Eurasian land trade. The region's shift “from margin to centre” is not rhetorical; it is visible in project numbers, employment targets, and the way Zhetsyu now features in national and international policy debates.

However, these gains are tightly bound to geopolitical dynamics rather than purely market-driven factors. The sharp increase in Middle Corridor traffic is not simply a function of comparative advantage but is a direct consequence of sanctions on Russia and the resulting desire of many individuals and governments to avoid Russian territory. Chinese rail subsidies further shape the playing field by artificially improving the competitiveness of rail vis-à-vis sea routes. In this context, Kazakhstan's ability to direct flows at Khorgos, deciding on how much cargo goes north via Russia or southwest via the Caspian, becomes a form of geoeconomic power. The region benefits as these flows pass through, but the underlying drivers are external and tactical.

Kazakhstan acts smartly. SEZ design spreads the risk. Local push for other industries helps. Still, the core stays transit-based. Farms and services must link better to SEZs. Green rules need teeth. This differs from older cases. Cold War frontiers served one bloc. Khorgos serves under the stress of sanctions. Few studies catch this live, geopolitics making regions boom and break at once.

8. Conclusion

Khorgos turned the Zhetsyu region from an overlooked steppe to a Eurasian hotspot. BRI brought Chinese trains. The EAEU kept Russian links. Sanctions pushed the middle corridor; as a result, Khorgos became a booming dry port, and the development of new factors happened along the region, and there was a spike

in jobs in the region.

Contrary to the existing literature, which often assumes that border regions simply gain from better connectivity, this article shows how, under conditions of sanctions and competing integration projects, a regional economy can become both a major winner and a highly fragile "corridor enclave." Zhetsyu thrives on transit rents but risks quick reversal if subsidies end or routes shift.

Kazakhstan used multi-vector skills well. Hybrid ownership balances powers. Diverse partners' bets. Still, challenges loom: narrow job skills, rural gaps, and dirty soil and water. Now the policy needs focus, training locals for SEZs, linking farms to factories, monitoring nature closely, and building a non-transit industry. Success now can build lasting strength. For the study of world politics, Zhetsyu teaches how global fights shape local places. Corridors carry power. Regions riding them gain fast, but at the same time, they fall fast too. Khorgos shows small states can steer, but only to some extent.

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