OPPORTUNITIES TO INCREASE THE CAPACITY OF AZERBAIJAN'S LOGISTICS INFRASTRUCTURE AND EXISTING PROBLEMS IN THE SILK ROAD PROJECT

RESEARCH DOCUMENT

Demokratik Təşəbbüslər İnstitutu

IDI

Institute for Democratic Initiatives

BAKU 2021

Opportunities to increase the capacity of Azerbaijan's logistics infrastructure and existing problems in the Silk Road project

RESEARCH DOCUMENT

Author: Parvin Bilalzade

Expert: Rovshan Aghayev and Azer Mehtiyev

Baku 2021

Table of contents

Summary

The purpose of this research is to study the level of readiness of Azerbaijan's logistics infrastructure in the Silk Road project, to compare its competitiveness with other alternative routes on the basis of price and time (time spent transporting goods from the first destination to the final destination) and o identify recommended steps to offer competitive services..

The data and information by reputable international financial institutions such as the World Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the State Statistical Committee of the Azerbaijan, the Port of Baku and Azerbaijan Railways were used during the preparation of the paper.

The first section of the document provides information on the proposed transport corridors for the Silk Road Project and the East-West Transport Corridor over Azerbaijan, the development of Azerbaijan's trade, logistics and economic opportunities, and the role of logistics quality improvement in GDP and welfare growth. .

The second section of the study provides information on the initiatives and infrastructure implemented by Azerbaijan within the Silk Road project (Baku-Tbilisi-Kars railway, The Port of Bak etc.).

The third section compares the goals set in the Strategic Roadmap for the development of logistics infrastructure adopted in 2016 until 2020 and the current statistical situation.

The last section presents the main results of the study and recommendations for the development of logistics capabilities.

The main results of the research in this direction are as follows:

- Although the East-West corridor over Azerbaijan is shorter than other alternative corridors, it faces stiff competition.

- Despite the Roadmap for the Development of Logistics adopted in 2016 aims to rapidly increase the potential of Azerbaijan as a transit country, the results for the current period are unsatisfactory.

- There are also technical factors that affect the competitive advantage of both routes.

- The East-West Corridor provides transportation at a higher cost than the New Eurasia route.

- The one-day savings in trade between the countries along the Silk Road corridor means an average increase of 5.2 percent in exports.

- Despite the fact that Kazakhstan, Georgia and Turkey, located on the East-West corridor and they have trade and customs agreements with the European Union and China, Azerbaijan does not have existing agreements with these organizations and countries.

- The potential of the new seaport has not yet been fully used.

- Although Azerbaijan's position on the foreign trade indicator in the World Bank's Doing Business report has improved significantly in recent years, it is still far behind the corresponding indicators of developed countries.

Introduction

The quality of logistics infrastructure plays an important role in the economic development of any country. However, if an arbitrary country claims to be a transit country or transport hub among the countries of the region to which it belongs, or among different countries or territories belonging to different regions in ensuring global trade, the importance of logistics infrastructure increases.

Logistics is a network of services that provides a continuous physical flow of products from producer to end consumer in international and domestic trade. This includes transportation, warehousing, storage, terminal services (mainly at airports and seaports), express delivery, customs brokerage services, the use of a combination of several types of transport (e.g. sea-air, sea-rail), information management, and so on.

Given the above, the country's logistics performance is the key to its productivity and a very important factor in attracting foreign investment. Poor quality logistics services increase trade costs, especially in developing countries, and reduce the potential for international and domestic market integration. If a low-income country brings the level of its logistics performance to the level of the same indicator of a middle-income country, this will increase its trade turnover by 15% or more.[1]

At the same time, better logistics services mean more market access and trade development.

A one-day delay at border crossings means a 1% reduction in trade.[2]

In many countries, logistics service costs affect trade costs more than tariffs and customs duties. A 10% reduction in logistics costs means a 25% increase in trade.[3]

The transportation costs of the landlocked countries are 50% higher than countries with a maritime border. According to a study of the United Nations Conference on Trade and Development (UNCTAD, 2010), during foreign trade, landlocked developing countries spend twice as much in transport costs compared to countries at the same income group with a maritime border, and three times as much as compared to developed countries.

Over the past 15 years, the growth of global initiatives to restore the ancient trade route connecting Europe and Asia, the Silk Road, has significantly increased the international interest in Azerbaijan as a transit country. Taking into account this interest, Azerbaijan has also mobilized its logistics capabilities over the past period and has launched numerous projects to build the necessary infrastructure in this area. The construction of a new port around the Caspian Sea, the role of Azerbaijan as one of the main initiators in the construction of the Baku-Tbilisi-Kars railway, the construction of a high-speed highway to the Georgian border, etc. are among those initiatives.

---

[1] Qureshi, Zia, 2011: "The G-2 and Global Development" In World Bank (2011): Postcrises growth and development. Postcrisis Growth and Development: A Development Agenda for the G-20 (worldbank.org)

[2] (Djankov, S., Freund C., Pham C., (2006) Trading on Time" World Bank Policy Research Working Paper,3909. World Bank Document

[3] (Limão and Venables (2001), Limao and Venables 2000 study examined the cost of transporting a 40 foot | Course Hero

Undoubtedly, the infrastructure is not limited to the construction of roads and ports, the state of legal regulation of customs checkpoints, warehouses, customs procedures, transit fees is also a decisive factor.

1. Economic opportunities created for Azerbaijan by the Silk Road transport corridor

China, one of the world's largest economies and the fastest growing economy in the world for many years, launched the Belt and Road Initiative in 2013 to improve and develop intercontinental ties. This idea consists of two directions: the Silk Road Economic Belt (overland route) and the 21st Century Maritime Silk Road (maritime route). The overland route connects China with Central and South Asia and Europe. The maritime route connects China with Southeast Asia, the Gulf countries, East and North Africa, as well as Europe.

The Silk Road Economic Belt project has six directions:

(I) China-Mongolia-Russia Corridor;
(II) New Eurasian Land Bridge;
(III) China–Central Asia–West Asia Corridor;
(IV) China–Indochina Peninsula Corridor;
(V) China–Pakistan Economic Corridor;
(VI) Bangladesh-China-India-Myanmar Corridor.

Prior to the transit of goods from China to Europe by sea, the Silk Road, which passed through Central Asia, the Caspian Sea, and the South Caucasus, developed trade relations between the countries along the trade route and provided them with opportunities to export their products to new markets. After China's redevelopment of the territories in its southwestern part, as well as the expansion of trade relations, the increase in trade volume, and the idea of actively use of the Silk Road again due to geopolitical interests, the countries along the proposed corridor are trying to take an active part in this project. Expenditures on transport projects in 71 countries (excluding China) along the corridors are estimated at $ 144-304 billion.

According to the assessments of the World Bank, there are 71 countries on all routes, including China, and if this initiative is implemented effectively, trade in transit countries will increase by 2.8-9.7 percent, and foreign direct investment for low-income countries will increase by 7.6 percent. According to assessments, due to the low quality of the infrastructure, the lack or ineffectiveness of intergovernmental customs and trade agreements, and a large amount of time spent at border crossing points, countries lose 30% of potential trade and 70% of foreign direct investment.[4]

In this project, Azerbaijan is located on the China-Central Asia-West Asia (hereinafter East-West) Corridor. In the last few years, it has started to participate in a number of investment projects, intergovernmental agreements and associations to become an active participant in the project. According to the World Bank, the volume of foreign direct investment in Azerbaijan in 2019 amounted to $ 1.5 billion.[5] According to the bank's research, if the East-West Corridor, where Azerbaijan is located, is actively used in the project, Azerbaijan may have the opportunity to increase foreign investment, to develop trade and transport relations with countries along the corridor, to improve the quality of logistics infrastructure, and to develop other sectors of the

[4] Belt and road economics Opportunities and Risks of Transport Corridors, World Bank Group, 2019, https://openknowledge.worldbank.org/handle/10986/31878
[5] https://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD?locations=AZ

economy directly and indirectly. But for this, the country must have a high-quality logistics infrastructure.

According to the World Bank, saving one day in trade among the countries along the Silk Road corridor means an average increase in exports by 5.2 percent.[6] Express delivery of goods during the trade is also especially important for perishable products. The existence of intergovernmental trade agreements means a reduction of time spent at border crossings and further reduction of time spent on trading as a result of the country's improved transport infrastructure, and increased access to new markets. In general, the development of trade will be most seen in Central and West Asian countries as a result of the improvement of the infrastructure of the countries along this corridor, reconstruction, signing of intergovernmental trade agreements, reduction of time spent and tariffs at border crossings. It is estimated that there will be a 7.3% increase in trade and a 16.6% decrease in time spent at border crossings due to improved infrastructure. According to estimates, in Azerbaijan alone, the trade will increase by 6-8% as a result of infrastructure development, and time spent at border crossings will decrease by 16-18%. In general, Azerbaijan's access to trade and new markets is expected to increase by 5-6%. This figure is projected to be 9-10% for Kazakhstan, 8-9% for Turkmenistan, 3-4% for Georgia, and 20-25% for Turkey.

To assess the potential benefits of Azerbaijan's location on this corridor, it is necessary to look at the volume of trade flows between the countries along the Trans-Caspian route (Russia, Turkey, Azerbaijan, Georgia, Iran, Kazakhstan) and large economies such as China and India.

Trade turnover between countries along the Trans-Caspian route and China and India, 2019[7]

	Iran	Turkey	China	Central Asia	India
Russia	$ 2,102,727,200	$ 26,128,437,882			$ 11,230,605,759
Turkey			$ 22,879,686,362	$ 6,639,882,835	$ 7,801,745,123
Georgia	$ 2,907,817,220		$ 1,258,813,314	$ 609,763,189	
Azerbaijan	$ 493,759,059	$ 2,199,493,520	$ 1,534,930,099	$ 545,824,030	$ 1,092,520,328

As can be seen from the information provided, in 2019, the trade turnover between Russia and Iran was $ 2.1 billion, between Turkey and Russia - $ 26.1 billion, between Turkey and China - $ 22.9 billion, between Turkey and Central Asia - $ 6.6 billion, and between Azerbaijan and mentioned countries - about $ 6 billion. This means that the current figures show that the potential transit volume of the Trans-Caspian Silk Road exceeds $ 60 billion. However, after the lifting of sanctions on Iran, India's use of the North-South transport corridor for trade with Europe can increase the turnover of this route, as well as revenues of Azerbaijan from transit transport

[6] Suprabha Baniya, Nadia Rocha, Michele Ruta: "Trade Effects of the New Silk Road: A Gravity Analysis" Policy Research Working Paper 8694, World Bank Group, January 2019, https://openknowledge.worldbank.org/bitstream/handle/10986/31138/WPS8694.pdf?sequence=5&isAllowed=y
[7] https://comtrade.un.org/data/

services. In 2019, India's trade turnover with Russia was $ 11.2 billion, with Turkey - $ 7.8 billion, and with the European Union - $ 101.3 billion.

As the Silk Road project is implemented on very different and alternative routes, there is fierce competition between the routes. In this regard, countries and regions that claim to be transit countries must be able to overcome obstacles to increase their logistics potential. According to a study conducted by the World Bank on quantitative models and probabilities within the Belt and Road Initiative, Azerbaijan's benefits have been calculated in different scenarios (based on low and high indicators), while being able to provide favorable competition. For example, possible changes in the amount of value-added in the economy and in the overall welfare of the country as a result of improved infrastructure, changes in tariff policy, and reduced time spent at border crossings were assessed.[8]

Assessment of the possible overall economic impact of improving the quality of logistics on Azerbaijan

	Infrastructure, reduction of tariffs, reduction of time spent at border crossings	Infrastructure, reduction of time spent at border crossings	Infrastructure	Infrastructure, reduction of tariffs, reduction of time spent at border crossings	Infrastructure, reduction of time spent at border crossings	Infrastructure
	Upper bound			Lower bound		
GDP	21.10	17.07	6.01	18.27	14.22	5.16
Welfare level	1.94	-1.29	-4.06	0.85	-2.33	-4.13

As can be seen from the table, three factors - the improvement of infrastructure, the reduction of tariffs, and the reduction of time spent at border crossings - together play a crucial role in increasing the country's GDP and welfare.

[8] De Soyres, F., A. Mulabdic, and M. Ruta. 2019. "Common Transport Infrastructure: A Quantitative Model and Estimates from the Belt and Road Initiative." Policy Research Working Paper WPS 8801, World Bank, Washington, DC, https://openknowledge.worldbank.org/bitstream/handle/10986/31496/WPS8801.pdf?sequence=6&isAllowed=y

2. Initiatives and projects implemented by Azerbaijan to strengthen its logistics capacity over the Silk Road transport corridor

Azerbaijan approved the **"Azerbaijan 2020: Look into the Future" Concept** in 2012 and the **"Strategic Roadmap for the Development of Logistics and Trade"** in 2016 to take more systematic and comprehensive activities to increase its logistics capacity within the new Silk Road project. These documents envisage the implementation of a number of measures and plans to improve the logistics infrastructure. Developing the country's non-oil sector, improving infrastructure in the field of logistics, transport, and trade covering the period up to 2025 and beyond, turning Azerbaijan into a regional transit center, launching Alat Port, creating special economic zones, completing railway projects over Baku-Tbilisi-Kars and North-South transport corridors, improving logistics services, establishing logistics centers in Baku and regions have been identified as the main priorities of the Strategic Roadmap. Because it is clear to the government that it is impossible to deliver products to new markets faster and cheaper without a series of steps. This includes a wide range of areas, such as improving transport infrastructure, providing incentive mechanisms in the legislation (tax, customs), digitalizing processes at border crossings, signing free trade agreements with other countries and institutions, creating special economic zones, increasing the productivity of state-owned companies operating in the logistics sector, or entrusting many services to private companies.

In order to make wider and more effective use of the country's potential in the field of transit transportation, the Coordinating Council on Transit Freight was established by the Decree of the President of the Republic of Azerbaijan No. 655 dated October 25, 2015. The main tasks of the Council are to determine uniform principles and conditions of transportation, to optimize tariff, to coordinate the activities of state bodies with carriers, to ensure transparency, to facilitate and improve transit procedures, to reduce their number and duration, to implement a fully affordable system in the field of transit cargo transportation, to expand cooperation between the countries where cargo is transported and relevant agencies, and to apply them to transport corridors passing through the territory of the country. But, of course, the real practical activity of the Azerbaijani government to strengthen the logistics capacity as a transit country goes back to the years before the adoption of these documents or the establishment of the Council. In this regard, it is important to consider the steps taken in the infrastructure, customs, border crossings, and cooperation with other countries to take an active role in the Silk Road project for at least the last 20 years, as well as to become a regional transit center.

Along with China's Belt and Road Initiative, different programs are also offered for countries and regions by different projects such as European Union's TRACECA, which combines the production, trade, and transport networks of Eurasia, Asian Development Bank's Central Asia Regional Economic Cooperation Program (CAREC), Russia's Eurasian Economic Union (EAEU), the US's New Silk Road Initiative, and Turkey's Middle Corridor.

Azerbaijan became a member of the Transport Corridor Europe-Caucasus-Asia (TRACECA) in 1993 at the initiative of the European Union. According to the signed document, it was decided to restore the ancient East-West Silk Road, reconstruct and develop transport and communication infrastructure. Armenia, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan, Ukraine, Moldova, Mongolia, Bulgaria, Romania, and Turkey have also joined this initiative, along with Azerbaijan. In other words, prior to the project proposed by China in 2013, an

agreement has already been signed and an organization has already been established between the countries located on the corridor to revive the ancient Silk Road.

Founded in 2001, the CAREC program covers 11 countries, including Azerbaijan, Afghanistan, China, Kazakhstan, Kyrgyzstan, Mongolia, Tajikistan, Uzbekistan, Pakistan, Turkmenistan, and Georgia. The program is supported by six multilateral financial institutions (Asian Development Bank, European Bank for Reconstruction and Development, International Monetary Fund, Islamic Development Bank, United Nations Development Program, and World Bank). The CAREC program aims to facilitate transport and trade and to develop cooperation in the foreign trade and energy sectors.

Turkey's Middle Corridor project is similar to the European Union's TRACECA and connects Turkey with China via Georgia, Azerbaijan, and Central Asia. On the basis of this project, in 2008, the customs authorities of Turkey, Azerbaijan, Georgia, Kazakhstan, and Kyrgyzstan signed the Caravanserai Project to reduce the time spent at border crossings, to reduce customs procedures, and to harmonize them with uniform procedures.

In 2016, the railway and seaport leaders of Azerbaijan, Kazakhstan, and Georgia signed an agreement on the development of the Trans-Caspian International Transport Route Association. The main goal of the association is to coordinate cargo transportation with the Trans-Caspian corridor. The adoption of a number of bilateral and multilateral cooperation schemes to achieve efficiency in tariff policy and to reduce barriers and administrative costs at customs and border crossings was among the measures planned at the time. The map prepared for the implementation of the agreement shows the Trans-Caspian International Transport Route from Southeast Asia and China to Kazakhstan, the Caspian Sea, Azerbaijan, Georgia, Turkey, and then to European countries. The Trans-Caspian International Transport Route is in line with the EU's TRACECA and Turkey's Middle Corridor visions to connect China to Europe. The trade route includes highways and railways from China to western Kazakhstan, then the sea route to Azerbaijan via ships across the Caspian Sea, then highways and railways from Azerbaijan to Georgia, Turkey, and Europe. This line allows efficient use of the ports of Baku, Aktau, and Turkmenbashi for maritime transport and connects them with intermodal transport. The Trans-Caspian International Transport Route (TITR) is intended for the supply of goods from China to Europe and vice versa through the territories of Kazakhstan, Azerbaijan, and Georgia, as well as Turkey. The management and development of the route are supported by a consortium created by the participating countries: China Railway (China), KTZ Express (Kazakhstan), Azerbaijan Caspian Shipping Company, ADY Express (Azerbaijan Railways), and Trans Caucasus Terminals (Georgia). In addition, Azerbaijan, Kazakhstan, Georgia, and Ukraine have introduced competitive entry tariffs for cargo transportation on the route since June 1, 2016.

In 2017, a memorandum of cooperation was signed with the Chinese Communications and Transport Association at a meeting attended by 80 representatives of railway departments, seaport, shipping, and logistics companies of Kazakhstan, China, Ukraine, Poland, Turkey, and Azerbaijan, which are the members of the International TITR Association.[9]

On November 21, 2017, the countries of the European Union and Azerbaijan, Armenia, Belarus, Georgia, Moldova, and Ukraine within the Eastern Partnership program have joined the investment action plan to expand the Trans-European Transport Network (TEN-T). The main

[9] https://middlecorridor.com/en

purpose of this investment action plan, supported by the World Bank, is to assist decision-makers in identifying strategic investment priorities in transport infrastructure. The investment plan, which is expected to be completed by 2030 and has a budget of $ 12.8 billion, aims to implement projects to improve the highways, railways, seaports, aviation, logistics, and smart transport systems of the Eastern Partnership countries. Within the framework of this plan, projects were developed for Azerbaijan, worth 360 million euros to establish five logistics centers (Khachmaz, Astara, Ganja, Nakhchivan, Tovuz), worth 410 million euros to establish the Alat Free Economic and Logistics Zone, worth 328 million euros to provide the East-West railway with signaling, telecommunications, and electrification. The total investment in Azerbaijan in this project is 2.078 billion euros, including 613 million euros for highway infrastructure (2 projects, 613 km), 663 million euros for railway infrastructure (2 projects), and 802 million euros for logistics centers.[10]

As recently as 2001, tax legislation has been amended to provide for value-added tax at a zero interest rate during all international and transit cargo and passenger transportation, except for international postal services, as well as cargo handling services directly related to transit cargo transportation, and carrying out work directly related to international and transit flights.

At the next stage, the work became more extensive and intensive. Undoubtedly, the construction of the new Baku-Tbilisi-Kars railway has a special place in this direction.

Map of the Baku-Tbilisi-Kars railway[11]

[10] ten-t_iap_web-dec13.pdf (europa.eu)

[11] https://azertag.az/en/xeber/German_Press_The_Baku_Tbilisi_Kars_railway_is_a_bridge_between_Europe_and_Asia-1108245

On February 7, 2007, at the trilateral regional cooperation summit held in Georgia with the participation of Azerbaijan, Georgia, and Turkey, a tripartite agreement on the new Baku-Tbilisi-Kars railway was signed. Furthermore, a bilateral agreement was signed between the governments of Azerbaijan and Georgia on the same day. This agreement defined the principles and conditions of financing, design, construction, rehabilitation, reconstruction, and operation of the Marabda-Kartsakhi (up to the Turkish border) railway section within the implementation of the new Baku-Tbilisi-Kars (BTK) railway project. In order to finance the project, the Ministry of Transport of Azerbaijan and the Marabda-Kartsakhi Railway LLC of Georgia signed a Loan Agreement on the terms of financing the Marabda-Kartsakhi Railway as part of the BTK. The total length of the railway is 846 km, of which 504 km fell to Azerbaijan, 263 km to Georgia, and 79 km to Turkey. The BTK railway is expected to connect China and Central Asia to Europe from the Bosphorus via the Marmara railway. In the future, the involvement of European and Asian cargo on this railway is planned to increase the volume of multimodal transport in both directions. Thus, the capacity of the line is expected to be 3-5 million tons of cargo in the third year of operation, 6-8 million tons of cargo in the fifth year of operation, then 3 million passengers and 17 million tons of cargo. According to preliminary estimates, the BTK project is expected to increase GDP by 300-400 million manats.

Azerbaijan has allocated a loan of 200 million manats at 1% per annum and 575 million manats at 5% per annum to finance the Georgian section of the BTK railway and also provided loans and assistance for the development of transport infrastructure in Serbia, Montenegro, Ukraine, and other countries. According to the reports of the State Oil Fund, the amount of investment allocated for the Baku-Tbilisi-Kars railway was 748.6 million manats. Finally, Azerbaijan has provided a $ 500 million loan to Iran at 2.5% per annum for the construction of the Rasht-Astara railway for the development of the North-South Transport Corridor. The Rasht-Astara railway is aimed at becoming part of the International North-South Transport Corridor and connecting the railways of Azerbaijan and Iran. The North-South Transport Corridor is designed to connect Northern Europe with Southeast Asia through the connection of the railways of Azerbaijan, Iran, and Russia. In the first phase, it is planned to transport five million tons of cargo per year along the corridor, and then it is expected to increase to more than 10 million tons.[12]

On December 19, 2017, the Republic of Azerbaijan and the Asian Development Bank (ADB) signed a Loan Agreement on the Railway Sector Development Project, which was approved by the Board of Directors of the Asian Development Bank on December 6, 2017, within the framework of the Railway Sector Development Program. Following the implementation of internal procedures, the Loan Agreement entered into force on January 16, 2018, by the Asian Development Bank. Along with the Asian Development Bank, the French Development Agency is also involved in financing the project. Loan agreements worth $ 400 million were signed with ADB and worth $ 75 million with the French Development Agency for the reconstruction of 165.5 km (331 km on the bilateral line) section of the Sumgayit-Yalama railway line, which is a part of the North-South Transport Corridor route through Azerbaijan. From the loan allocated by the ADB, $ 250 million was allocated for carrying out reforms to improve the management of the Azerbaijan Railways CJSC (innovations in corporate governance, finance, and accounting, knowledge and skills development, financial control and accountability), and $ 160 million for the reconstruction of the Sumgayit-Yalama line.

[12] https://www.railwaypro.com/wp/iran-agrees-loan-rasht-astara-railway-project/

According to the report of the ADB's Railway Sector Development Program dated December 2020, the reconstruction and rehabilitation of the Sumgayit-Yalama railway are expected to be completed in the second quarter of 2022.[13] Within the credit line for the improvement of management, the Draft Law on Railway Transport was developed and submitted to the relevant state body, the business plan was prepared for 5 years, debt liabilities were restructured, and operational efficiency was improved. Moreover, steps have been taken for effective corporate restructuring - the automation of the development of train schedules and the procurement of its software, application of the management system of rolling stock and freight and the procurement of its software.[14]

In parallel with the reconstruction and rehabilitation of the BTK railway line, the Baku International Sea Trade Port was launched in 2018. The seaport is located on the North-South and East-West corridor, as well as at the intersection of highways and in Alat settlement, where the Baku Shipyard is also located. Work on the first phase of Alat Port, of which total area is 400 hectares, open warehouse area is 35,000 square meters, and closed warehouse area is 9,400 square meters, was completed in 2019. It has a transshipment capacity of 15 million tons of cargo and 100,000 TEU containers, three terminals, including a Ro-Ro, ferry, and cargo terminal, and 13 bridges.

The capacity of the ferry terminal is 6.2 million tons per year. Wagons entering the seaport directly by railway are loaded onto a train ferry without the need to unload from one vehicle to another. This terminal has two bridges, each 155 meters long.

The Ro-Ro terminal has a carrying capacity of 1.8 million tons per year and a transshipment capacity of 60,000 wheeled vehicles. The terminal also has a hydraulic bridge with a total length of 185 meters and a side bridge with a length of 222 meters. The Ro-Ro terminal handles the loading of various types of self-propelled vehicles on Ro-Ro (Roll-in-Roll-out) vessels without the loading and unloading process.

The main cargo terminal has an annual transshipment capacity of 7 million tons and a total of 7 bridges. 4 bridges are equipped with railways and 6 new portal cranes with different specifications and 2 modernized mobile cranes. Here, cargo transported in various unified containers (including those placed in containers) and cargo in the form of piles can be unloaded and loaded from various means of transport (ship, wagon, truck).

The cost of the first phase of the project was $ 760 million.[15]

At the next stage, it is planned to further expand the capabilities of the seaport with the completion of the second and third stages of its construction.

Along with the Alat Port, the settlement is planned to become a special economic zone. The necessary legal framework has already been created for this. However, the Alat Free Economic Zone has not yet become fully operational. It is very important to study international experience in this field to increase the potential of the Alat Free Economic Zone. For example, since the 1970s, China has been successfully using the free economic zone (FEZ) to accelerate its economic development by attracting foreign investment. According to the 2019 report, there are

[13] https://www.adb.org/sites/default/files/project-documents/48386/48386-004-pam-en_1.pdf
[14] https://ady.az/az/content/index/75/73
[15] https://portofbaku.com/Ourport/Terminals

5,383 special economic zones in 147 countries, of which 88.60% are in developing countries. It is true that the Agreement on Subsidies and Regulatory Steps for FEZ in developing countries has not yet been signed with the World Trade Organization (WTO). However, special free economic zones are currently being used in Kazakhstan, Georgia, and Turkey, which are currently members of the WTO.[16]

Furthermore, Sumgayit Technology Park, Balakhani Eco-Industrial Park, Mingachevir Industrial Park, Neftchala Industrial District have been established along the routes through the transport corridors. Turkmenistan, one of the countries in the Caspian Sea basin, also plans to turn Turkmenbashi port into a special economic zone (SEZ). Iran's Anzali and Amirabad ports and Kazakhstan's Aktau port, as well as Georgia's Poti port, already have the status of a special free economic zone. At the same time, Azerbaijan must meet the legal and legislative requirements of the WTO through the application of special free economic zones. Successfully established special free economic zones can give a great impetus to the development of the country's economy. Such that according to a World Bank study, the application of special economic zones has increased China's GDP by 22%, foreign direct investment by 45%, and exports by 60%, and created new jobs for 30 million people.[17]

Finally, it is important to mention joint cooperation projects between Kazakh and Azerbaijani companies as one of the important initiatives in this direction. In August 2014, a memorandum was signed in Baku between AZPROMO, Azersun Holding (both from Azerbaijan), Aktau Sea Port Special Economic Zone, and Aktau Center for Production and Logistics (both from Kazakhstan). According to the memorandum, it has been planned to establish a logistics center at the Aktau Sea Port SEZ, the project will be implemented by Azersun Holding, as well as supported by AZPROMO. The aim is to develop the non-oil sector by expanding transit and export opportunities in both countries through the logistics center.[18]

[16] WTO ¦ Members and Observers

[17] https://www.worldbank.org/content/dam/Worldbank/Event/Africa/Investing%20in%20Africa%20Forum/2015/investing-in-africa-forum-chinas-special-economic-zone.pdf

[18] http://www.azpromo.az/en/news/view/azerbaijan-to-establish-logistics-centre-in-aktau

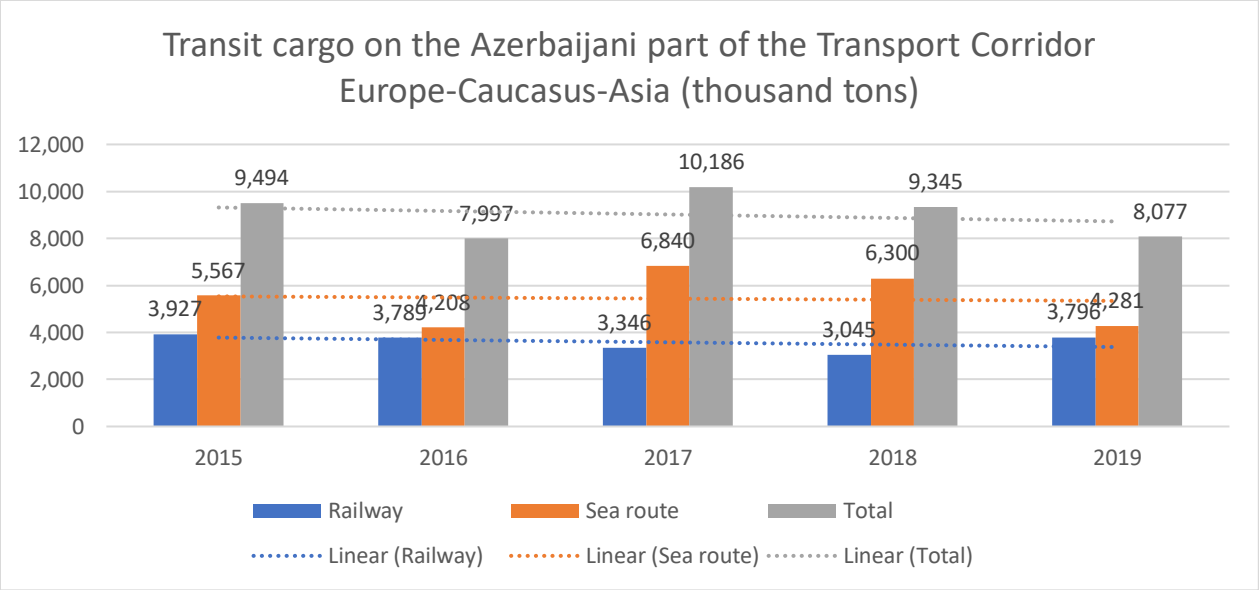
3. Current state of the use of transit opportunities by Azerbaijan

The Strategic Roadmap for the Development of Logistics and Trade, adopted in 2016, states that this segment until 2025 aims to increase Azerbaijan's real GDP by 605 million manats (400 million manats directly and 205 million manats indirectly) and to create 18.9 thousand new jobs. However, during the period covering 2015-2019, the number of salaried employees in the transport sector increased by 3,500, which is 32.11 percent of the target in the field of transport.

In addition, the Roadmap aims to increase the volume of Azerbaijan's transit trade in the region to achieve the following relevant share indicators:

- **40 percent on Central Asia and the Black Sea route;**
- **25 percent on Central Asia and Europe route;**
- **3 percent on China and Europe route;**
- **40 percent on Russia and Iran route;**
- **25 percent on Iran and the Black Sea route.**

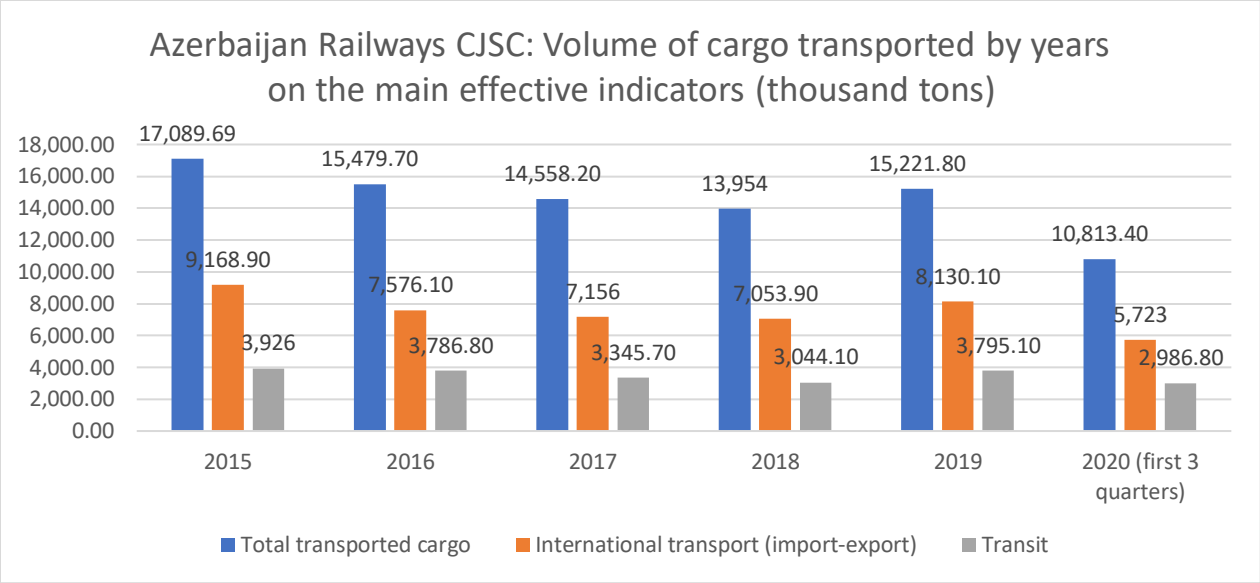
In the five years since the adoption of the Roadmap, there has not been any progress in approaching these targets, but rather there has been a decline in transit traffic, as can be seen from the official statistics.



(Source: State Statistical Committee)

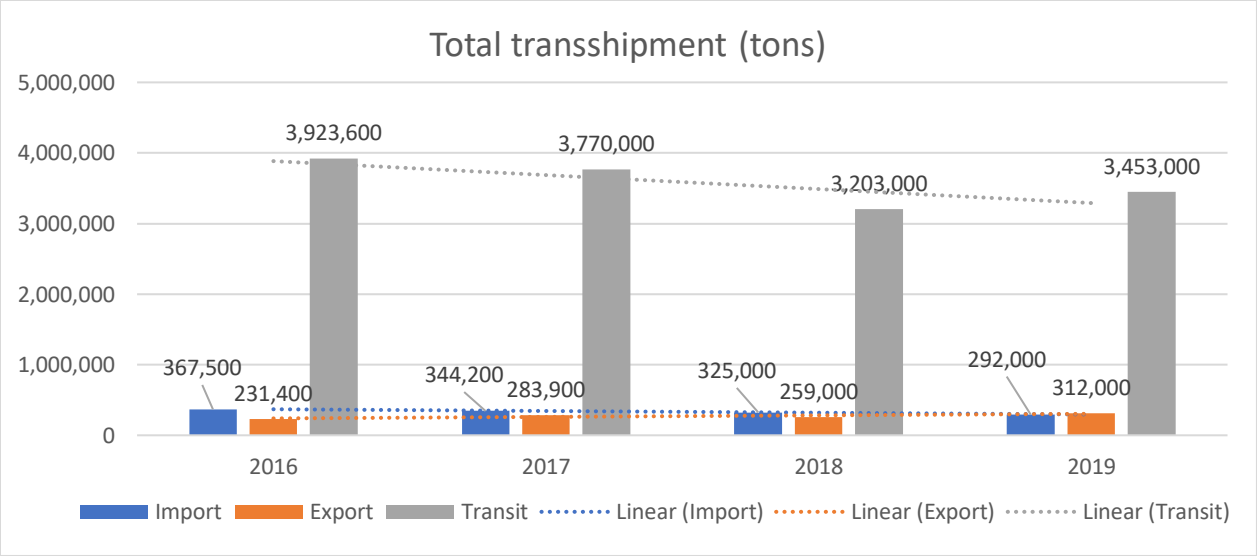
As can be seen from the data presented in the figure above, there was a 14.9 percent decrease in transit traffic on the Azerbaijani part of the Transport Corridor Europe-Caucasus-Asia in 2019 compared to 2015. A similar decrease was also reflected in the indicators of the Azerbaijan Railways CJSC, and this can be seen from the data released by the company.[19]

[19] https://ady.az/az/content/index/66/42



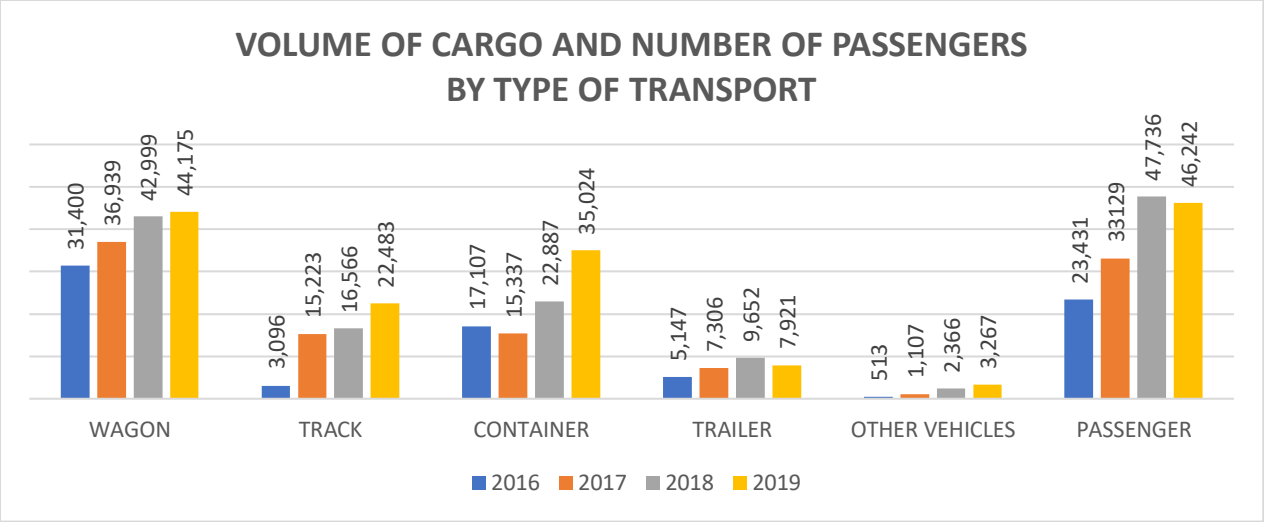
As can be seen from the figure above, there was a significant decrease in the company's cargo transport in 2019 compared to 2015. During the mentioned period, there was a decrease of 11.1% in general transportation and 3.3% in transit transportation. However, despite the decrease in cargo turnover, the number of containers used by Azerbaijan Railways CJSC increased by about 3.5 times during the analyzed period (from 10,638 to 36,118 pieces).[20]

There has also been a decline in shipping, which is evidenced by figures released by the Port.[21]



Compared to 2016, the figure for transit cargo transport in 2019 decreased by 12%. Although the total volume of cargo transportation by sea decreased, the number of transporting wagons and containers increased significantly.[22]

[20] https://ady.az/az/content/index/66/42
[21] https://portofbaku.com/OurPort/Facts
[22] https://portofbaku.com/OurPort/Facts



In general, according to the indicators of 2019, the Baku International Trade Port used 27% of the available capacity regarding container transshipment and 35.02% regarding total transshipment.

Finally, the Roadmap aimed to organize the activities of the free trade zone, including logistics and port services, to establish at least 5 logistics and trade centers in Azerbaijan, and to ensure that the direct impact of these centers is 20 percent of the total impact of the regional logistics and trade hub. According to studies, there are currently only 3 logistics centers in Azerbaijan, two of which (Absheron Logistics Center and Baku Logistics Center) are located on the Silk Road, and the Grand Logistics Center is located near the Heydar Aliyev International Airport. Measures to establish a free trade zone are still underway.

4. Factors limiting Azerbaijan's competitiveness in the Silk Road project

Ensuring a competitive advantage in the presence of multiple and alternative routes requires considerable work, professional approaches, and serious market reforms from governments. Because there are such objective factors that ensure this advantage that not only a single country but also the joint efforts of many allied countries covering the entire region are not able to eliminate the negative effects of this factor. For example, the New Eurasian Corridor, which connects the Chinese city of Xi'an with the Polish city of Slavkov via Russia, has a natural advantage over the Trans-Caspian route, which connects the Turkish city of Istanbul with the Chinese city of Xi'an through Azerbaijan, Georgia, and Kazakhstan. Such that the Trans-Caspian route provides transportation of goods based on the change of different types of transport (railway-sea route, sea route-railway). Therefore, every time factors such as changes in the relevant documents, too much time spent at border crossings lead to an increase in transportation costs. However, there is no sea crossing on the Polish-Chinese route and it is a direct railway. Therefore, there is no loss of time and, accordingly, no cost increase during transportation, unlike the transitions on the Trans-Caspian route. At the same time, due to weather conditions, there are delays in the delivery of cargo by ships in the Caspian Sea for 90 days a year. Undoubtedly, this advantage stems from objective (natural) factors. The result is that a 40-foot container from the Polish city of Slavkow to the Chinese city of Xi'an on the New Eurasian Corridor costs between $ 3,600-4,200, and a 40-foot container on the East-West Corridor costs between $ 5,000-5,500.

Another example of the high cost of container transportation is also obvious in comparison with Georgia. Tariffs for 40-foot and 20-foot containers on the Baku-Aktau route are $ 1,200 and $ 600, respectively, and on the Baku-Turkmenbashi route, $ 1,000 and $ 500, respectively. When transporting a 40-foot container between Baku and Turkmenbashi, the cost of transporting 1 nautical mile or 1.852 km is $ 5.59 (the distance between Baku and Turkmenbashi seaports is 179 nautical miles). However, when transporting a 40-foot container on the Batumi-Constanta route as the same type, i.e. a short sea transport, the cost of 1 nautical mile or 1.852 km is $ 1.75 (the distance between Batumi and Constanta seaports is 628 nautical miles).

There are two main reasons for such a sharp difference between transportation costs on the two routes:

(I) As the Caspian Sea has no access to the international ocean, transit between ports in the Caspian Sea is considered a short sea transport, but not in the Black Sea;

(II) Low cargo volume leads to high transportation tariffs. Of course, the route is not very attractive when the tariffs are high. Studies show that, for example, if the Azerbaijan Caspian Shipping Company reaches 300-400 TEU per shipment, it is possible to reduce the cost of transporting a 20-foot container on the Baku-Aktau route by 40%.[23]

However, there are also technical factors that affect the competitive advantage of both routes. Such that the standard size of railway rails in Europe and China is 1435 mm, and the size of railway rails in the countries of the former USSR is 1520 mm. Therefore, a station (Khorgos) has been built on the Kazakh-Chinese border to transfer rails from standard to large scale. Also, on the Baku-Tbilisi-Kars railway project, the process of changing rails from standard to large scale

[23] Agshin Mukhtarov: A case study: feasibility analysis of container feeder vessel as a short sea shipping services in the Caspian Sea, 2018, World Maritime University
https://commons.wmu.se/cgi/viewcontent.cgi?article=1622&context=all_dissertations

occurs at the Akhalkalaki terminal on the Georgian-Turkish border. Due to the non-change of rails on the Belarusian-Polish border on the first route, trains can enter Poland without delay. But on the East-West corridor, the change of rails on the China-Kazakhstan, Georgia-Turkey, and Turkey-Poland borders leads to changes in the relevant documents every time at the crossings, increasing the time spent at border crossings and customs checkpoints. It should be taken into account that price and timely delivery are important factors for competition. In fact, the competitive advantage of this technical factor in the alternative route is also a problem that the Trans-Caspian countries will not be able to solve in the short term, even in the medium term. Because the creation of unified lines with European and Chinese railway routes requires huge resources and time.

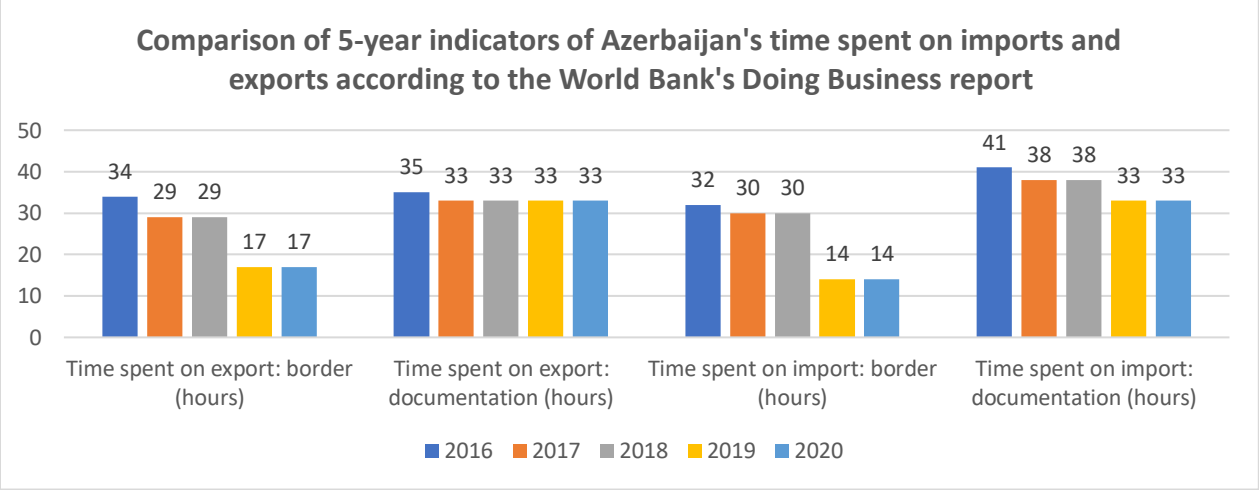
There is only one way to reduce the negative impact of these barriers (natural and technical conditions) that reduce the competitiveness of the Trans-Caspian route: the logistics potential of all Trans-Caspian route countries, including Azerbaijan, should be provided in the highest quality, customs and transit conditions, logistics infrastructure service conditions should be extremely favorable. As a first condition, users must compensate for the relatively unfavorable situation they face with the most favorable conditions of logistics capabilities and services. For example, customs clearance procedures should be as simple and short as possible (away from bureaucracy), transit tariffs and logistics infrastructure (warehousing and other storage places) should be maximized, and shipping costs per container should be as low as possible. But now, when assessing these indicators, is it possible to say that Azerbaijan has a competitive advantage as a transit country? For this purpose, the World Bank's Doing Business report provides an opportunity to make a real comparison when making an assessment in terms of 2 important indicators - time spent on import and export operations and cost (trading across borders). According to the relevant annual reports of the Bank, Azerbaijan's performance cannot be compared not only with other Trans-Caspian countries but also with other countries around the world. By the way, according to the latest report, Azerbaijan ranks 83rd out of 190 countries in terms of trading across borders. The comparison of the indicator of a number of countries with the indicator of Azerbaijan is reflected in the following table:

The comparison of indicators on the efficiency of foreign trade operations among the countries in the World Bank's Doing Business report

	Azerbaijan	Georgia	Turkey	Kazakhstan	Russia	Europe and Central Asia	Developed countries
Time spent on export: border (hours)	17	6	10	105	66	16.1	12.7
Export costs: border ($)	214	112	338	470	580	150	136.8
Time spent on export: documentation (hours)	33	2	4	128	26	25.1	2.3
Export costs: documentation ($)	250	0	55	200	80	87.6	33.4
Time spent on import: border	14	15	7	2	12	20.4	8.5

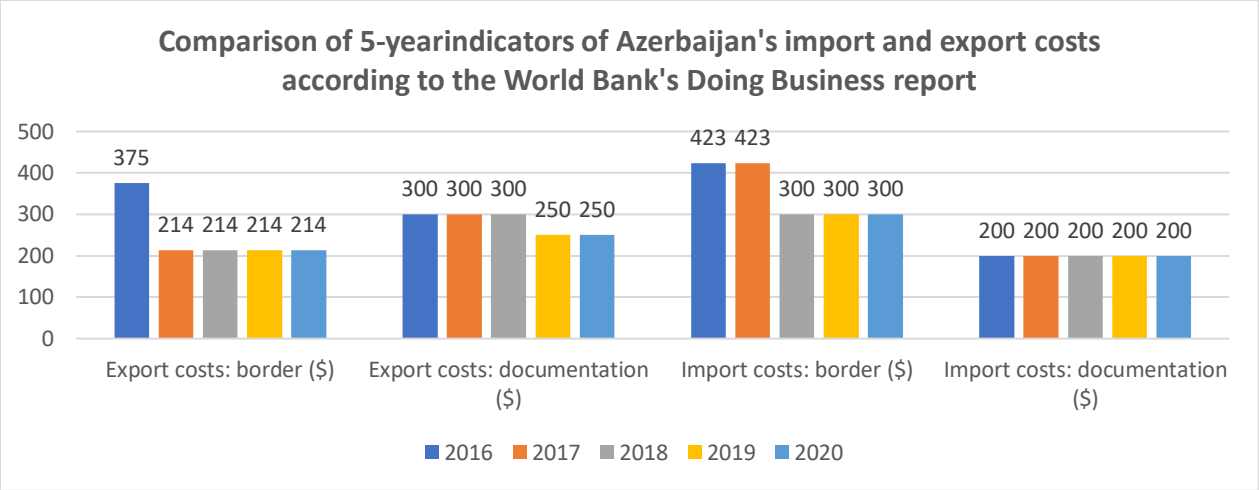
(hours)							
Import costs: border ($)	300	396	46	0	400	158.8	98.1
Time spent on import: documentation (hours)	33	2	2	6	43	23.4	3.4
Import costs: documentation ($)	200	189	55	0	160	85.9	23.5

According to the methodology of the Doing Business index, when it comes to import costs, for example, it takes as its basis the payments made when the country imports 15 cubic meters of car parts (HS code: 8708) from the country where it buys the most products of this type. And when it comes to export costs, it means the cost of exporting a product worth $ 50,000 to the country with the highest sales. For Azerbaijan's imports, Russia was used as an example for automobile parts, and for Azerbaijan's exports, Iraq was used as an example for sugar and confectionery.



As can be seen from the figure above, there is a significant improvement in the time spent on customs clearance. Such that in 2016-2020, the time spent at border crossings for export operations was reduced by more than 2 times, from 34 to 17 hours. The time spent at border crossings for import operations was reduced by 2.3 times from 32 to 14 hours. However, although there was no significant change in the time spent on documentation for export operations, the time spent on documentation for import operations was reduced by about 1.2 times (from 41 to 33 hours).

Some positive changes are also recorded for another indicator - the volume of costs on import-export operations.



It can be seen from the figure above that during the analyzed period, there was a 43% decrease in export costs at border crossings, a 16.7% decrease in export costs for documentation, and a 29% decrease in import costs at border crossings, but import costs for documentation remained stable. The indicators of time spent and costs incurred in Azerbaijan's import and export operations are as follows. According to this report, compared to 2016, the time spent at border crossings for export operations decreased by 50%, the time spent on documentation for export operations decreased by 5.7%, the time spent at border crossings for import operations decreased by 57%, and the time spent on documentation for import operations decreased by 20%.

Despite all these positive dynamics, Azerbaijan loses to some countries in the region and developed countries on both indicators. For example, in comparison with developed countries, in Azerbaijan:

- **Time spent at border crossings is at least 30% more for exports and almost twice as much for imports;**
- **Time spent on documentation is almost 15 times more for exports and 10 times more for imports;**
- **Costs at border crossing are about 50% higher for exports and almost 3 times more for imports;**
- **Costs for documentation are 8 times higher for exports and 9 times higher for imports.**

In other countries on the Trans-Caspian route, especially Russia and Kazakhstan, these indicators are worse than in Azerbaijan; as a result; this factor further limits the competitiveness of the route against other alternatives. In fact, the World Bank's Logistics Performance Index (LPI), published every two years, is an important source of information in assessing the real state of the quality of the logistics potential of countries around the world in terms of identifying gaps in this area. Unfortunately, after 2014, for some reason, Azerbaijan is excluded from the calculation of this index. 160 countries took part in the 2018 assessment. Azerbaijan was one of the few countries excluded from the calculation of this index. By the way, all the countries of the former USSR are included in the ranking of the LPI.

LPI is an interactive comparison tool that allows countries to see opportunities and challenges in the field of logistics and to improve their performance. The country's transit logistics capabilities are assessed in terms of quantity and quality by trade partners located abroad, and the internal

logistics situation is assessed in terms of quantity and quality by professionals working in the field of local logistics. The assessment is based on the following 6 factors:

- **Efficiency of the clearance process (i.e., speed, simplicity and predictability of formalities) by border control agencies, including customs - Customs;**
- **Quality of trade and transport related infrastructure (e.g., ports, railroads, roads, information technology) - Infrustructure;**
- **Ease of arranging competitively priced shipments - International shipments;**
- **Competence and quality of logistics services (e.g., transport operators, customs brokers) - Logistics competence;**
- **Ability to track and trace consignments - Tracking & tracing;**
- **Timeliness of shipments in reaching destination within the scheduled or expected delivery time - Timeliness.**

LPI results range from 1 to 5 as very low, low, medium, high, and very high. The LPI is calculated based on the responses of respondents from a maximum of 8 countries according to the geographical location and income level of the countries. During the last assessment of Azerbaijan, two criteria were not taken into account when selecting the respondent country: the country's lack of access to the world's oceans and its inclusion in the World Bank's classification as a middle-income group. According to these criteria, 3 countries were taken with the largest export operation with Azerbaijan, 1 country with the largest import operation with Azerbaijan, 2 countries with land borders, and 2 countries were randomly selected from Africa, Asia, and Europe.

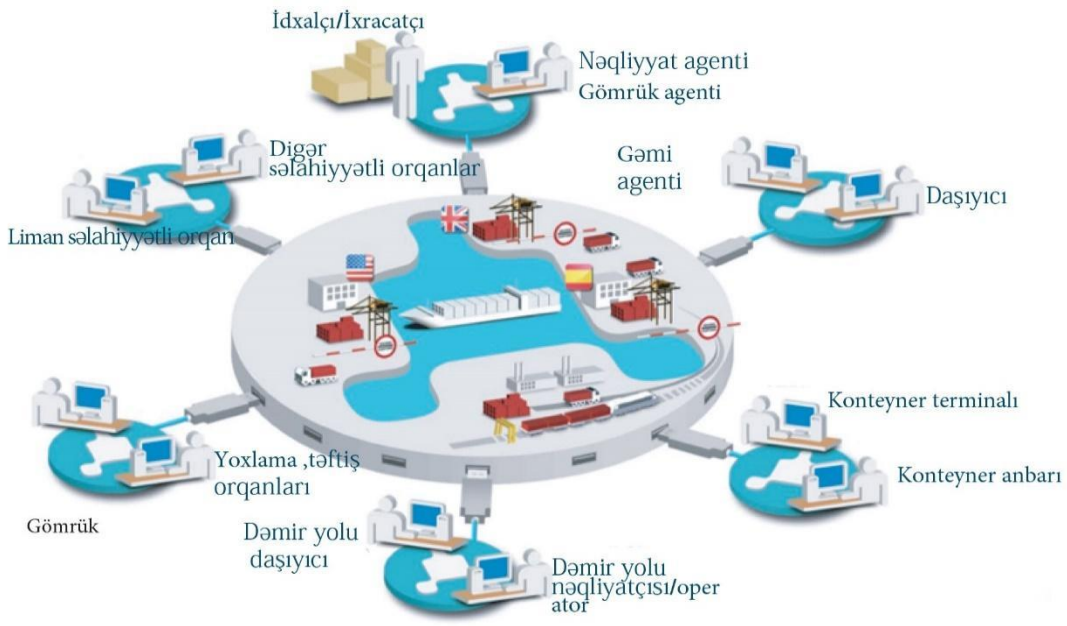
In 2014, according to the assessment[24], Azerbaijan's position among 167 countries was as follows: 82nd place in terms of customs (2.57 points), 68th place in terms of infrastructure (2.71 points), 113th place in terms of international shipments (2.57 points), 149th place in terms of logistics competence (2.14 points), 148th place in terms of tracking & tracing (2.14 points), and 143rd place in terms of timeliness (2.57 points).

In this assessment, Azerbaijan's overall result in terms of international logistics performance was 125th out of 167 countries, and the LPI score was 2.45.

As can be seen, in the logistics performance index published six years ago, the World Bank assessed the quality of Azerbaijan's logistics infrastructure as quite low. In fact, many positive changes have taken place in this direction since then, and by participating in the new index calculations, the Azerbaijani government may be able to clarify the changes (as well as the unresolved issues).

By the way, in order to increase the efficiency of the Alat Port, the experience of the port community system, which is widely used in the world practice for the timely delivery of goods, should be studied and applied.

[24] https://lpi.worldbank.org



Source: ValenciaportPCS.net

The algorithm and scheme of operation mentioned above allow you to save the costs and create value-added in the port operations and supply chain. For example, the port of Valencia has saved 23 million euros a year by using this system, and the system, which was applied in Singapore, has reduced the costs of institutions and companies in the port community by $ 80 million over three years, according to a 2012 report. It should be noted that very different players are involved in the daily activities of the ports. In this case, government agencies and representatives of private companies form a "port community", and each player can be seen as a separate department of a virtual company. The effective coordination and cooperation of these various departments are important both for the functionality of the supply chain and for the timely and more competitive delivery of goods to their final destination. It is extremely important to establish an automated, neutral, and open system to prevent cases such as unnecessary and repetitive processes as a result of poor digital transformation, repeated processing of the same data, change of data during data transmission, failure to obtain information in a timely manner, or lack of accessibility. Not only the flow of information and control over operations between the public and private sectors but also the flow of information between government agencies is established here. The advantages of this system include the reduction of delivery time due to the simplification of registration-tracking-documentation processes, the ability to track the entire door-to-door delivery process, and the harmonization of the process of preparation of customs declarations and documents for different types of transportation. Thanks to this system, transport and cargo carriers have the opportunity to build their plans more productively, to reduce process and document turnover, and to process large amounts of information in a short time. Successful implementation of this system, along with increasing the country's logistics performance, can have a significant impact on the country's logistics-oriented development. Currently, the port community system is used in the ports of Hamburg, Valencia, Antwerp, Felixstowe, Rotterdam. But, of course, increasing the potential of the Silk Road as a whole depends on the joint initiatives of all countries in the region. For example, the exchange of customs information and the harmonization of customs procedures

are critical to the supply chain, and electronic information exchange systems can help implement regional integration initiatives. For example, the International Transit of Goods (TIM) system in Central America adapts previously difficult procedures to ensure the rapid movement of goods between 9 countries on the basis of a single document. In some borders, this system has reduced the time required for customs clearance of transit goods by up to 90%. It is true that in 2008, the Turkish Customs Administration launched the Silk Road Customs Initiative, which was joined by Turkey, Azerbaijan, Georgia, Kazakhstan, and Kyrgyzstan. The initiative was further developed as the Caravanserai Project, and the parties agreed to work together to facilitate border crossings, to harmonize and simplify customs procedures, and to reduce the time required for border crossing on the way through the ancient Silk Road to the Chinese border. However, it has not yet been possible to ensure the establishment of a single customs documentation mechanism in accordance with the TIM system of the Central American model.

Main results of the study and recommendations

As one of the transit countries on the Silk Road, Azerbaijan has done a lot to increase its logistics capabilities over the past 20 years and has become a participant in various international and regional projects. The government has mobilized a large amount of resources for the construction of transport and logistics infrastructure. And all this happened at a time when alternative routes were competing with each other. From this point of view, it is very important to assess the opportunities created for Azerbaijan by the East-West corridor within the Silk Road project, the work done in this field, the successes achieved, and the problems that need to be solved. The main results of the study in this direction are as follows:

- **The East-West Corridor, on which Azerbaijan is located, faces stiff competition although it is shorter than other alternative corridors.** Although the shortness seems to increase the attractiveness of this route, it faces stiff competition from the new Eurasian line, which extends from Poland to Xi'an, China. Because there is no sea crossing on the Polish-Chinese route and it is a direct railway. It should be noted that the width of the train to the Euro Terminal in Slavkov, Poland, is 1520 mm, and cargo is received from China on the route Kazakhstan-Russia-Belarus or the shorter route Kazakhstan-Russia-Ukraine. Slavkov is already becoming one of the logistics centers for cargo transportation between Europe and China. The cargo arriving here is easily delivered to European countries by switching to trucks or other railway rails. However, the East-West corridor provides cargo transportation on the basis of crossings for different types of transport (railway-sea route, sea route-railway). Moreover, due to weather conditions, there are delays in the delivery of cargo by ships in the Caspian Sea for about 90 days during the cold months of the year.
- **There are also technical factors that affect the competitive advantage of both routes.** Such that the standard size of railway rails in Europe and China is 1435 mm, and the size of railway rails in the former USSR is 1520 mm. Therefore, rails on the Kazakh-Chinese and Turkish-Georgian borders are changed from standard to large sizes. Such that during the delivery between Xi'an and Slavkov cities, railway rails are changed only once on the Chinese-Kazakh border.
- **The East-West Corridor provides transportation at a higher cost than the New Eurasia route.** Such that the cost of delivery of a 40-foot container from the Polish city of Slavkov to the Chinese city of Xi'an on the New Eurasian Corridor varies between $ 3,600-4,200, and the cost of delivery of a 40-foot container on the East-West corridor varies between $ 5,000-5,500.
- **The one-day savings in trade between the countries along the Silk Road corridor means an average increase of 5.2 percent in exports.** Short-term delivery of goods, especially during trade, is especially important for perishable products.
- **Although Kazakhstan, Georgia, and Turkey, which are located on the East-West corridor, have trade and customs agreements with the European Union and China, Azerbaijan does not have existing agreements with mentioned organizations and countries.** However, the existence of international trade agreements means a reduction in the time spent at border crossings and the country's improved transport infrastructure, which further reduces the time spent on trade and increases access to new markets.
- **Although the Strategic Roadmap for the Development of Logistics and Trade, adopted in 2016, aims to rapidly increase the potential of Azerbaijan as a transit country, the**

results for the current period are unsatisfactory. Such that compared to 2015, transit traffic on the Europe-Caucasus-Asia corridor decreased by 14.9 percent in 2019.

- **The potential of the new seaport has not yet been fully used.** According to 2019 indicators, the Baku International Trade Port used 27% of the available capacity for container cargo and 35.02% for total cargo.
- **Therefore, although Azerbaijan's position on the foreign trade indicator in the World Bank's Doing Business report has significantly improved in recent years, it is still far behind the corresponding indicators of developed countries.** According to the latest report, Azerbaijan ranks 83rd out of 190 countries in terms of the indicator of trading across borders. However, compared to developed countries, in Azerbaijan, time spent at border crossings is at least 30% more for exports and almost twice as much for imports, time spent on documentation is almost 15 times more for exports and 10 times more for imports, costs at border crossing are about 50% higher for exports and almost 3 times more for imports, and costs for documentation are 8 times higher for exports and 9 times higher for imports.

Taking into account the above-mentioned problems, it is considered expedient to take the following steps to increase the attractiveness of Azerbaijan as a transit country within the Silk Road route:

- **There is a need to increase Azerbaijan's initiatives to sign free trade agreements with the European Union and China;**
- **It is necessary to apply the port community system, which is widely used in the world practice, for the timely delivery of cargo;**
- **The participation of private logistics companies in transport and logistics services should be increased, the quality of their services should be improved, and the necessary incentive mechanisms should be developed to reduce costs;**
- **In order to increase the competitiveness of logistics companies and organize their active participation in the value chain, there is a need to take incentive measures in the areas of information management technologies, creation of cloud systems and cargo tracking systems, professional development of staff, and fleet renewal;**
- **It is more expedient to transfer logistics services created within the Azerbaijan Caspian Shipping Company, as well as railway transportation services established within the Azerbaijan Railways CJSC to private companies, as in the world practice;**
- **The Azerbaijani government should participate in the World Bank's Logistics Performance Index (LPI) to periodically assess the country's logistics potential, identify problems in this area, and provide international benchmarking;**
- **The growth of Azerbaijan's logistics potential also depends on its rapid integration into the world economy, as well as its ability to attract foreign direct investment, for which membership in the World Trade Organization must be completed;**
- **Countries on the East-West route need to mobilize all possible mechanisms to further accelerate the process of customs procedures related to transit cargo.**

References

1. BELT AND ROAD ECONOMICS Opportunities and Risks of Transport Corridors , World Bank Group ,2019
2. (https://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD?locations=AZ).
3. Qureshi , Zia 2011 :"The The G-2 and Global Development" In World Bank (2011):Postcrises growth and development .
4. (Djankov,S.Freund C.,Pham C (2006) Trading on Time" World Bank Policy Research Working Paper,3909
5. (Limão and Venables (2001).
6. .Suprabha Baniya,Nadia Rocha , Michele Ruta : "Trade Effects of the New Silk Road :A Gravity Analysis|" Policy Research Working Paper 8694, World Bank Group,January 2019
7. ten-t_iap_web-dec13.pdf (europa.eu)
8. https://www.railwaypro.com/wp/iran-agrees-loan-rasht-astara-railway-project/
9. https://www.adb.org/sites/default/files/project-documents/48386/48386-004-pam-en_1.pdf
10. https://ady.az/az/content/index/75/73
11. https://portofbaku.com/Ourport/Terminals
12. https://reconnectingasia.csis.org/database/projects/baku-international-sea-trade-port-alyat/6ec7c9cd-697d-4af4-9855-3feac7bf7eac/
13. http://www.azpromo.az/en/news/view/azerbaijan-to-establish-logistics-centre-in-aktau
14. https://middlecorridor.com/en
15. https://www.worldbank.org/content/dam/Worldbank/Event/Africa/Investing%20in%20Africa%20Forum/2015/investing-in-africa-forum-chinas-special-economic-zone.pdf
16. (https://data.worldbank.org/country/AZ)
17. De Soyres, F., A. Mulabdic, and M. Ruta. 2019. "Common Transport Infrastructure: A Quantitative Model and Estimates from the Belt and Road Initiative." Policy Research Working Paper WPS 8801, World Bank, Washington, DC
18. A case study: feasibility analysis of container feeder vessel as a short sea shipping services in the Caspian Sea, Agshin Mukhtarov ,
19. Azerbaijan in the Silk Road Economic Belt: A Chinese Perspective Bai Lianlei

20. Baku-Tbilisi-Kars: Regional Implications and Perspectives Victoria Ariel Bittner Minavvar Ibrahimli
21. International case studies and good practices for implementing Port Community Systems Jonas Mendes Constante Coordinators: Krista Lucenti Sergio Deambrosi
22. Azərbaycan Respublikasında logistika və ticarətin inkişafına dair Strateji Yol Xəritəsi
23. New Economic Corridors in the South Caucasus and the Chinese One Belt One Road Feride Inan and Diana Yayloyan The Economic Policy Research Foundation of Turkey (TEPAV)
24. BAKU-TBILISI-KARS RAILROAD THE IRON GROUND FOR THE SILK ROAD FUTURE OPPORTUNITIES & PROSPECTS , Evaldas Klimas Mahir Humbatov , MYKOLAS ROMERIS UNIVERSITY
25. https://aric.adb.org/database/fta

This paper is based on the study conducted by the Institute for Democratic Initiatives (IDI).

IDI would like to express its deep gratitude to everyone who contributed to the study and the development of the paper.

Contact information:

Phone: +99450 435 95 42

Web: www.idi-aze.org

Email: idi.azerbaijan@gmail.com

Facebook: www.facebook.com/DTI.IDI