Elmi İş Avqust 2026, Cild: 20, Sayı: 5, s. 223−234
Scientific Work August 2026, Volume: 20, Issue: 5, pp. 223−234
DOI: https://doi.org/10.36719/2663-4619/129/223-234

Development Prospects of Azerbaijan as a Regional Logistics Center

Kamran Shirinzade

Abstract. *The purpose of this study is to examine the readiness of Azerbaijan's logistics infrastructure for the Silk Road project, compare its competitiveness with alternative routes in terms of cost and delivery time, and identify the steps required to provide competitive services. The study makes extensive use of research conducted by international financial institutions, such as the World Bank, the Asian Development Bank, and the European Bank for Reconstruction and Development, as well as information published by the State Statistics Committee, the Baku International Trade Port, and Azerbaijan Railways CJSC. The first section provides an overview of the transport corridors proposed under the Silk Road project, particularly the East–West Transport Corridor passing through Azerbaijan, and examines the trade, logistics, and economic opportunities created by the project, as well as the role of logistics quality in increasing GDP and improving welfare. The second section discusses the initiatives and infrastructure implemented by Azerbaijan within the framework of the Silk Road project, including the Baku–Tbilisi–Kars Railway and the Baku International Trade Port. The third section compares the objectives set out in the 2016 Strategic Road Map for the Development of Logistics and Trade with the current statistical situation.*

Keywords: *Land Silk Road, logistics infrastructure, Baku, free trade, seaport, transportation*

Azerbaijan University of Architecture and Construction, PhD student, Baku, Azerbaijan
E-mail: shirinzadekamran@yandex.ru
Received: 3 February 2026; Accepted: 20 June 2026; Published online: 22 August 2026

Azərbaycanın regional logistika mərkəzi kimi inkişaf perspektivləri

Kamran Şirinzadə

Xülasə. *Bu tədqiqatın məqsədi Azərbaycanın logistika infrastrukturunun "İpək Yolu" layihəsinə hazırlığını araşdırmaq, onun rəqabət qabiliyyətini qiymət və çatdırılma müddəti baxımından alternativ marşrutlarla müqayisə etmək və rəqabətqabiliyyətli xidmətlər göstərmək üçün tələb olunan addımları müəyyən etməkdir. Tədqiqatda Dünya Bankı, Asiya İnkişaf Bankı və Avropa Yenidənqurma və İnkişaf Bankı kimi beynəlxalq maliyyə qurumları tərəfindən aparılmış tədqiqatlardan, eləcə də Dövlət Statistika Komitəsi, Bakı Beynəlxalq Ticarət Limanı və "Azərbaycan Dəmir Yolları" QSC tərəfindən dərc olunmuş məlumatlardan geniş istifadə edilmişdir. Birinci bölmədə "İpək Yolu" layihəsi çərçivəsində təklif olunan nəqliyyat dəhlizləri, xüsusən də Azərbaycandan keçən Şərq–Qərb nəqliyyat dəhlizi haqqında məlumat verilir, layihənin yaratdığı ticarət, logistika və iqtisadi imkanlar, eləcə də logistika keyfiyyətinin ÜDM-in və rifahın artırılmasındakı rolu araşdırılır. İkinci bölmədə Azərbaycanın "İpək Yolu" layihəsi çərçivəsində həyata keçirdiyi təşəbbüslər və infrastruktur, o cümlədən Bakı–Tbilisi–Qars dəmir yolu və Bakı Beynəlxalq Ticarət Limanı müzakirə olunur.*

Üçüncü bölmədə logistika infrastrukturunun inkişafı üçün 2016-cı il Strateji Yol Xəritəsində müəyyən edilmiş məqsədlər mövcud statistik vəziyyətlə müqayisə edilir.

Açar sözlər: *Quru İpək Yolu, logistika infrastrukturu, Bakı, azad ticarət, dəniz limanı, nəqliyyat*

Azərbaycan Memarlıq və İnşaat Universiteti, doktorant, Bakı, Azərbaycan
E-poçt: shirinzadekamran@yandex.ru
Daxil oldu: 3 Fevral 2026; Qəbul edildi: 20 İyun 2026; Onlayn dərc edildi: 22 Avqust 2026

Introduction

The quality of logistics infrastructure plays an important role in the economic development of any country. However, if a given country claims to be a transit country, a transport hub between the countries of the region to which it belongs, or between different states or regions in ensuring global trade, the importance of logistics infrastructure increases even more. Logistics is a network of services that ensure the uninterrupted physical flow of products from the manufacturer to the end consumer in intercountry and domestic trade. This includes transportation, warehousing, storage, terminal services (mainly activities at airports and seaports), express delivery, customs brokerage services, the use of a combination of several types of transportation (for example, sea-air, sea-rail), information management, etc.

Taking into account the above, the logistics performance of a country is the key to its productivity and a very important factor in attracting foreign investments. Poor-quality logistics services increase trade costs, especially for developing countries, and reduce the potential for international and domestic market integration. A low-income country can increase its trade turnover by 15% or more if it improves its logistics performance to that of a middle-income country (World Bank, 2019). At the same time, better logistics services mean greater market access and trade development. A one-day delay at border crossings means a 1% reduction in trade (World Bank, n.d.). 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 (Qureshi, 2011). Landlocked countries have transport costs that are 50% higher than those of coastal countries. According to a study by the United Nations Conference on Trade and Development (UNCTAD, 2010), landlocked developing countries incur twice as much transport costs in foreign trade as countries with sea access in the same income group and three times as much as developed countries.

Over the past 15 years, the increase in global initiatives related to the restoration of the ancient trade route connecting Europe and Asia—the Silk Road—has significantly increased international interest in Azerbaijan as a transit country. Taking this interest into account, Azerbaijan has begun to implement numerous projects aimed at developing its logistics capabilities and forming the necessary infrastructure in this area. The construction of a new port on the Caspian Sea, participation in the construction of the Baku–Tbilisi–Kars railway, and the construction of a high-speed highway to the Georgian border are among these initiatives. Undoubtedly, infrastructure is not limited only to the construction of roads and ports; the condition of customs clearance points, storage warehouses, customs procedures, and the legal regulation of transit fees are also decisive factors.

Based on the above-mentioned problems, the study identifies the steps considered appropriate to increase Azerbaijan's attractiveness as a transit country within the framework of the Silk Road route. China, which has one of the world's largest economies and has been among the fastest-growing economies for many years, introduced the Belt and Road Initiative in 2013 to improve and develop intercontinental connections. This initiative consists of two directions: the Land Silk Road and the

New Maritime Silk Road. The land 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 Land Belt project has six directions: I. China–Mongolia–Russia Corridor; II. New Eurasian Land Corridor; III. China–Central Asia–West Asia Economic Corridor; IV. China–Indochina Peninsula Corridor; V. China–Pakistan Corridor; VI. Bangladesh–China–India–Myanmar Corridor.

Before maritime transportation of goods from China to Europe became dominant, the Silk Road, which passed through Central Asia, the Caspian Sea, and the South Caucasus, developed trade relations among the countries located along the route and enabled them to export their products to new markets. Following the redevelopment of southwestern China, the expansion of trade relations, the increase in trade volume, and the renewed geopolitical interest in the Silk Road, the countries located on the proposed corridor have sought to participate actively in this project. It is estimated that the cost of transport projects in the 71 countries located along the corridors (excluding China) will amount to 144–304 billion US dollars. According to World Bank estimates, there are 71 countries, including China, on all routes, and if this initiative is implemented effectively, trade in transit countries is expected to increase by 2.8–9.7%, while foreign direct investment in low-income countries is expected to increase by 7.6%. According to estimates, due to the low quality of infrastructure, the absence or ineffective functioning of interstate customs and trade agreements, and the excessive time spent at border crossings, these countries lose 30% of their potential trade volume and 70% of their potential foreign direct investment (Djankov et al., 2006).

Azerbaijan is located on the China–Central Asia–West Asia (hereinafter East–West) corridor in this project. In the past few years, it has begun to participate in a number of investment projects, intergovernmental agreements, and associations in order to become an active participant in the project. According to the World Bank, the volume of foreign direct investment in Azerbaijan for 2019 was worth 1.5 billion US dollars (Baniya et al., 2019, p. 131). According to the Bank's research, if the East–West corridor, where Azerbaijan is located, is actively used in the project, then it may have the opportunity to increase the volume of foreign investment attracted to the country, develop trade and transport relations with countries located along the corridor, improve the quality of logistics infrastructure, and directly and indirectly develop other sectors of the economy. However, for this, the country must have a high-quality logistics infrastructure. According to World Bank research, saving one day in trade between countries located on the Silk Road corridor means an average increase in exports of 5.2 percent. Also, the short-term delivery of goods during trade is especially important for perishable products.

The presence of inter-country trade agreements, reducing the time spent at border crossings, and the country's improved transport infrastructure mean a further reduction in the time spent during trade and increased access to new markets. In general, as a result of the improvement of the infrastructure of the countries along this corridor, reconstruction, signing of interstate trade agreements, laws on reducing the time spent at border crossings and tariffs, the development of trade will be most pronounced in the countries of Central and West Asia. It is estimated that due to the improvement of the level of infrastructure, there will be a 7.3% increase in trade and a 16.6% decrease in the time spent at border crossings. According to calculations, as a result of the development of infrastructure alone, trade in Azerbaijan is projected to increase by 6–8%, and the time spent at border crossings is projected to decrease by 16–18%. In general, Azerbaijan's opportunities for trade and access to new markets are expected to increase by 5–6%. This indicator is projected to be 9–10% for Kazakhstan, 8–9% for Turkmenistan, 3–4% for Georgia, and 20–25% for Türkiye.

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

Results and Discussion

Assessment of the possible overall economic impacts of improving the quality of logistics on Azerbaijan is vital.

Table 1
Assessment of overall economic impacts

Country / Region	Projected Economic Impacts
Central and West Asia	7.3% increase in trade; 16.6% decrease in time spent at border crossings
Azerbaijan	6-8% increase in trade; 16-18% decrease in time spent at border crossings; 5-6% increase in opportunities for trade and access to new markets
Kazakhstan	9-10% increase in opportunities for trade and access to new markets
Turkmenistan	8-9% increase in opportunities for trade and access to new markets
Georgia	3-4% increase in opportunities for trade and access to new markets
Türkiye	20-25% increase in opportunities for trade and access to new markets

Regulating indicators of economic substance Infrastructure, tariff reduction, extension of time spent at the border Infrastructure, reducing time spent at the border Infrastructure Infrastructure, tariff reduction, reduction of time spent at the border Infrastructure, extension of time spent at the border Infrastructure Upper point Lower dam

GDP 21.10 17.07 6.01 18.27 14.22 5.16
Well-being level 1.94 -1.29 -4.06 0.85 -2.33 -4.13

As can be seen from the table, three factors - improving infrastructure, reducing tar-iffs and time spent at border crossings - together play a decisive role in increasing the country's GDP and welfare. In order to make its activities to increase its logistics capabilities within the frame-work of the new "Silk Road" project more systematic and complex, Azerbaijan ap-proved the "Vision for the Future: 2020 Concept" in 2012 and the "Strategic Road Map for the Development of Logistics and Trade" in 2016. These documents provide for the implementation of a number of measures and plans to improve the logistics infrastructure. The development of the country's non-oil sector, improvement of the logistics, transport and trade infrastructure covering the period up to 2025 and be-yond, Azerbaijan becoming a regional transit center, launching the Alat port, estab-lishing a special economic zone, completing the railway projects on the Baku-Tbilisi-Kars and North-South transport corridors, improving logistics services, and establish-ing logistics centers in Baku and the regions were identified as the main priorities of the Strategic Roadmap. Because it is clear to the government that delivering manu-factured products to new markets faster and cheaper is impossible without taking a number of steps. This includes broad areas such as improving transport infrastruc-ture, providing for incentive mechanisms in legislation (tax, customs), electroniciza-tion of processes at border crossing points, signing free trade agreements with other countries and organizations, establishing special economic zones, increasing the productivity of state-owned companies operating in the logistics sector, or entrusting many services to private companies (Qureshi, 2011, p. 17).

In order to make wider and more efficient use of the country's potential in the field of transit transportation, the Transit Cargo Coordination Council was established by Decree No. 655 of the President of the Republic of Azerbaijan dated October 25, 2015. The main task of the Council is to determine uniform principles and conditions of transportation, optimize tariffs, coordinate the activities of carriers and state bod-ies, ensure transparency, facilitate and improve transit procedures, reduce their num-ber and duration, implement a fully favorable system in the field of transit cargo transportation, expand cooperation between the countries where cargo is transported and relevant agencies, and implement transport corridors passing through the coun-try.

But undoubtedly, the real practical activity of the Azerbaijani government in strengthening its logistics potential as a transit country dates back to the years before the adoption of the aforementioned documents or the establishment of the afore-mentioned Council. In this regard, it is important to consider the steps it has taken in the last 20 years to take an active role in the “Silk Road” project, as well as to be-come a regional transit center, in terms of infrastructure, customs and border crossing points, and cooperation with other states. Along with the One Belt, One Road project proposed by China, the TRACECA project proposed by the European Union, which integrates the production, trade, and transport networks of Eurasia, the Asian Development Bank’s Central Asia Regional Economic Cooperation Program (CAREC), the Eurasian Economic Union (EAEU), the New Silk Road of the United States, and the Middle Corridor of Türkiye each offer different programs for countries and regions.

In 1993, Azerbaijan became a member of the “Europe-Caucasus-Asia-Transcaucasia” Transport Corridor (TRACECA) 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 the transport and communication infra-structure. Along with Azerbaijan, Armenia, Georgia, Kazakhstan, Kyrgyzstan, Tajiki-stan, Turkmenistan, Uzbekistan, Ukraine, Moldova, Mongolia, Bulgaria, Romania and Türkiye also joined this initiative. That is, before the project proposed by China in 2013, an agreement had already been signed and an institution had been estab-lished between the countries located on the aforementioned corridor for the revival of the ancient Silk Road.

The CAREC program, founded in 2001, covers 11 countries: Azerbaijan, Afghani-stan, China, Kazakhstan, Kyrgyzstan, Mongolia, Tajikistan and Uzbekistan, Paki-stan and Turkmenistan, and Georgia. This program is supported by 6 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). CAREC program aims to facilitate transport, trade relations, develop cooperation in foreign trade and energy sectors.

The Middle Corridor project proposed by Türkiye is similar to TRACECA, an initi-ative of the European Union, and connects Türkiye with China through Georgia, Azerbaijan and Central Asia. On the basis of this project, in 2008, the Caravanserai Project was signed between the customs authorities of Türkiye, Azerbaijan, Georgia, Kazakhstan and Kyrgyzstan to reduce the time spent at border crossings, reduce customs procedures and adapt to unified procedures.

In 2016, the railway and port authorities 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 freight transport along the Trans-Caspian corridor. The approval of a number of bilateral and multilateral cooperation schemes to achieve efficiency in tariff policy, reduce barriers and administrative costs at customs and border crossings was among the measures planned at that time. The map prepared for the implementation of the agreement shows the Trans-Caspian International Transport Route, starting from Southeast Asia and China, stretching to Kazakhstan, the Caspian Sea, Azerbaijan, Georgia, Türkiye and then to European countries. The Trans-Caspian International Transport Route is in line with the EU's TRACECA and Türkiye 's vision of the Mid-dle Corridor to connect China to Europe. The trade route includes highways and rail-ways from China to the western part of Kazakhstan, then by ship across the Caspian Sea to Azerbaijan, then to Georgia, Türkiye and Europe. This line allows for the effi-cient 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 designed to deliver goods from China to Europe and vice versa through the territories of Kazakhstan, Azerbaijan and Georgia, as well as Türkiye. The management and development of the route is supported by a consortium creat-ed 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 China Association of Communications and Transport at a meeting attended by members of the International TITR Association, Kazakhstan, China, Ukraine, Po-land, Türkiye, Azerbaijan, 80 representatives of railway administrations, port, ship-ping and logistics companies.

On November 21, 2017, within the framework of the European Union countries and the Eastern Partnership program, Azerbaijan, Armenia, Belarus, Georgia, Moldo-va and Ukraine joined the investment action plan for the expansion of the Trans-European Transport Network (TEN-T). The main objective of this investment action plan, organized with the support of the World Bank, is to assist decision-makers in determining strategic investment priorities in transport infrastructure. This 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 roads, railways and ports, aviation, logis-tics and smart transport systems of the Eastern Partnership countries. Within the framework of this project, projects worth 360 million euros were prepared for the establishment of five logistics centers in Azerbaijan (Khachmaz, Astara, Ganja, Na-khchivan, Tovuz), 410 million euros for the establishment of the Alat Azad Econom-ic and Logistics Zone, and 328 million euros for the signaling, telecommunications and electrification of the East-West railway. The total amount of investment allocat-ed for this project in Azerbaijan is 2.078 billion euros, including 613 million euros for highway infrastructure (2 projects, 613 km), 663 million euros for railway infrastruc-ture (2 projects), and 802 million euros for logistics centers6 (de Soyres, 2019, p. 69).

Back in 2001, an amendment was made to the tax legislation, which provided for the inclusion of zero-interest value-added tax on all international and transit cargo and passenger transportation, with the exception of international postal services, as well as cargo handling services directly related to transit cargo transportation, and operations directly related to international and transit flights, during the provision of services.

At the next stage, the work became more extensive and intensive. Undoubtedly, the construction of the new Baku-Tbilisi-Kars railway line has a special place in this direction. The Strategic Roadmap for the development of logistics infrastructure, adopted in 2016, aimed to increase Azerbaijan's real GDP by 605 million manats (400 million manats directly and 205 million manats indirectly) by 2025, and create 18.9 thou-sand new jobs. However, in the transport sector, the number of employees increased by 3,500 during the period 2015-2019, which is 32.11 percent of the target figure for the transport sector.

In addition, the Map aimed to increase Azerbaijan's transit trade volume in the region and achieve a corresponding share in the following indicators:

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

In the five years since the adoption of the map, not only has there been no pro-gress towards these goals, but on the contrary, there has been a decrease in the vol-ume of transit cargo transportation, and this can be clearly seen from the published official statistics.

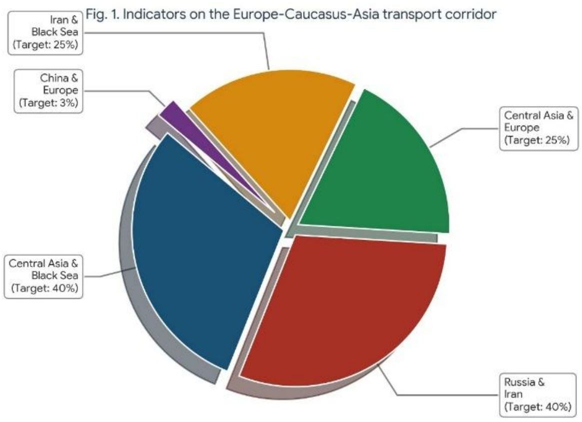

Figure1
Indicators on the Europe-Caucasus-Asia transport corridor

Ensuring competitive advantage in the conditions of numerous and alternative routes requires quite hard work and professional approaches from governments, as well as serious market reforms. Because there are such objective factors that ensure this advantage that not only a single country, but even the joint efforts of a large number of allied countries covering the entire region, cannot eliminate the negative effects of this factor. For example, the Trans-Caspian route of the New Eurasian Corridor, which connects the city of Xi'an, China, with the city of Slavkov, Poland, passing through Russia, connecting the city of Istanbul, Türkiye, with the city of Xi'an, China, passing through Azerbaijan, Georgia and Kazakhstan, has a natural advantage. Thus, the Trans-Caspian route provides for the transportation of goods based on transitions on various types of transport (rail-sea, sea-rail). Therefore, fac-tors such as changes in relevant documents each time, the increase in time spent at border crossings and customs points, lead to an increase in transportation costs. However, the Poland-China route does not have a sea crossing and is a direct railway. Therefore, the time loss and, accordingly, cost increase that are recorded during the crossings on the Trans-Caspian route during transportation do not occur. At the same time, due to weather conditions, 90 days a year, ships in the Caspian Sea experience delays in delivering cargo. Undoubtedly, this advantage is due to objective factors (natural factors). The result is as follows: the cost of delivering a 40-foot container from the Polish city of Slavkov to the Xi'an region of China along the New Eurasian Corridor varies between 3600-4200 US dollars, and the cost of delivering a 40-foot container along the East-West corridor varies between 5000-5500 US dollars.

Another example of the high cost of container transportation is also evident in comparison with Georgia. The transportation tariff for a 40-foot and 20-foot con-tainer on the Baku-Aktau route is \$1,200 and \$600, respectively, and the transporta-tion tariff for a 40-foot and 20-foot container on the Baku-Turkmenbashi route is \$1,000 and \$500, respectively. The amount paid for transportation per nautical mile or 1,852 km when transporting a 40-foot container between Baku and Turkmenbashi is

$5.59 (the distance between the Baku-Turkmenbashi ports is 179 nautical miles). However, the same type of short sea shipping, when transporting a 40-foot container between the ports of Batumi and Constanta, is $1.75 per nautical mile or 1,852 km (the distance between the ports of Batumi and Constanta is 628 nautical miles).

Azerbaijan's growing regional connectivity infrastructure establish natural syner-gies, particularly if paired with financing mechanisms available through the AIFC and future joint ventures. In the oil and gas sector, Kazakhstan and Azerbaijan are enhancing cooperation through alternative oil export routes, particularly via the Ba-ku-Tbilisi-Ceyhan (BTC) pipeline, which remains underutilized despite its 60 million tons annual capacity. Expanding Kazakhstan's oil exports through the BTC could reduce geopolitical risks and transit dependency, ensuring greater energy security. Additionally, joint oil exploration initiatives can benefit from Azerbaijan's extensive expertise in offshore energy development. In the renewable energy sector, Kazakh-stan, Azerbaijan, and Uzbekistan are advancing the Caspian Green Energy Corri-dor—a strategic project to export Central Asian renewable electricity to Europe via an HVDC submarine cable across the Caspian Sea. By integrating national grids, the corridor aims to enhance regional energy security, diversify export routes, and posi-tion the region as a renewable energy supplier aligned with global decarbonization goals. In transport and logistics, both states are leveraging their strategic locations along the Middle Corridor, which has witnessed significant growth in cargo volumes, reducing transit times and increasing trade efficiency. Investing in logistics optimization, digitalization, and infrastructure improvements will further enhance the corri-dor's competitiveness as a key trade route between China and Europe.

The financial services sector offers substantial potential for collaboration, particularly through the AIFC, which provides an advanced capital market, green finance solutions, and investment structuring mechanisms. With $14.8 billion in investments already attracted through the AIFC, Kazakhstan and Azerbaijan can leverage their capabilities to mo-bilize cross-border investments and promote joint initiatives. In telecommunications, the planned fiber-optic communication line (FOCL) across the Caspian Sea will be a game-changer, enhancing digital connectivity, data security, and economic integra-tion. With a 380 km cable and 400 terabits per second capacity, this project will sig-nificantly strengthen Kazakhstan and Azerbaijan's roles as regional digital hubs. Finally, agricultural trade remains a pillar of economic cooperation, with Kazakhstan exporting wheat and other grains to Azerbaijan, and Azerbaijan supplying fruits and vegetables to Kazakhstan. Storage, logistics, and food processing infrastructure in-vestments will further streamline trade and contribute to regional food security.

Onglassov states that Economic cooperation between Kazakhstan and Azerbaijan is pivotal for both countries, contributing to their national growth and the stability and prosperity of the Silk Road region. Enhanced economic ties can position Ka-zakhstan and Azerbaijan as leading players in the region. Kazakhstan and Azerbai-jan exhibit over-reliance on hydrocarbon energy exports, making their economies vulnerable to global commodity price volatility. In 2024, energy exports accounted for more than 50% of Kazakhstan's total exports and over 85% of Azerbaijan's exports. Kazakhstan and Azerbaijan have experienced consistent growth in their bilateral trade, with total trade reaching $533.4 million in 2024.5 Kazakhstan ranks as Azerbaijan's third-largest trading partner among the CIS countries.6 In 2024, Ka-zakhstan mainly exported non-ferrous metals, crude oil, petroleum products, and grain to Azerbaijan, while Azerbaijan supplied tubes, aluminum bars, and agricultural and food products to Kazakhstan. In 2023, the two countries set an ambitious goal to boost mutual trade to $1 billion in 2024.7 However, this target was not achieved. Bilateral trade turnover between Kazakhstan and Azerbaijan reached approximately $533 million, which still represents a marked increase compared to the previous year. Substantial opportunities remain untapped, as current trade volumes represent only a small portion of their economic potential. Since 2005, gross FDI from Azerbaijan to Kazakhstan was $410 million; from Kazakhstan to Azerbaijan, the figure was $149.7

million.8 To date, over 1,700 companies with participation from Azerbaijani capital operate in Kazakhstan. Also, six companies with Azerbaijani capital are regis-tered at the AIFC, mainly in information technology and transport and logistics.

Only a small amount of goods is transported in containers, which discourages the use of intermodal transport. However, analyzing the growth of transport in contain-ers, over the past five years, it can be seen that it has increased by 29 times. In Ka-zakhstan’s general commodity trade the export of raw materials dominates: mineral products (70.2%) as well as metals and metal products (18.9%). Products of animal and vegetable origin account for only 6.3%. Therefore nearly 90% of goods exported by rail are not suitable for container transport. The main import commodities are: machinery, equipment, vehicles (34.7%); mineral products (14.9%); products of the chemical industry (12.5%); metals and metal products (10.7%) and products of ani-mal and vegetable origin (9.3%). The main share of import traffic from European countries was by foreign carriers from Belarus, Ukraine, the Russian Federation and the Baltic countries. In Kazakhstan there are more than 400 companies that work in international road transport. But Kazakhstan carriers are being forced out of the international market for transport services by the inadequate technical condition of their vehicles, as well as due to the creation of artificial barriers to Kazakhstan's carri-ers in other States. Measures taken to increase the competitiveness of domestic carri-ers will lead to an increase in the share of Kazakhstan carriers in the international freight market by 2020 to 50%. One of the important aspects of the increase in the share of domestic carriers in the market for international road transport services is the development of the market for forwarding services. In the future, it will be necessary to take measures to prevent the decline of domestic carriers’ share in international cargo transport as well as the reduction of quotas to/from third countries. This will allow Kazakhstan carriers to take a dominant position when shipping to/from the countries of Central Asia.

To address these important issues, it is necessary to in-crease the number of vehicles that meet international standards. Along with problems of a technical nature, transit through Kazakhstan is faced with challenges of an insti-tutional nature related to unwarranted delays and procedural complexities at cus-toms and border controls. This is something that can be addressed by Kazakhstan. In recent years, China’s economic growth has shifted from its eastern provinces to the western and central provinces, which are well positioned for rail transport across Kazakhstan. In accordance with the development programme “Western China Devel-opment Planning 2011-2015” for the development of the western and central regions of China it was planned to invest up to US$ 1 trillion. The accelerated development of the western provinces of China will contribute to an increase in freight traffic through Kazakhstan. The increase in transit flows and increased demand for high-speed container trains has resulted in the need for simplification of customs control and non-tariff regulations. Customs clearance on the borders of Kazakhstan has the following advantages:

In the conditions of intense international competition, relevant state bodies need to develop flexible transit tariff policies that incentivise the movement of transit cargo through Kazakhstan rather than through neighbouring countries. With the expansion of regional trade and the creation of attractive conditions for transit business, Kazakhstan should expect the arrival of foreign providers of logistics services. Na-tional rules for freight transport in Kazakhstan need to be closer aligned to international standards in order to attract interested partners to take advantage of transit through Kazakhstan. To promote the development of international road transport in the customs union of the Russian Federation, Belarus and Kazakhstan, the permit system was cancelled for all types of transport in 2015. This concerns bilateral transport performed in transit through the territory of the three States by carriers resi-dent in the Union, as well as transport to/from third countries, but within the territory of the EEU. For example, a Kazakhstan carrier can carry goods from Belarus to the Russian Federation without a permit. Within the three States no permit is required for transport. For third countries a phased liberalization has been agreed. Quotas for transport to and from third countries are still in operation. Fixed stages have been set out for the introduction of cabotage in the road transport of goods: x The first stage ended on 31 December 2017. In this stage, carriers registered in the Russian Federa-tion, Belarus, Armenia and Kyrgyzstan, after completion of international carriage of goods by road from a non-member State of the Union, had the right to perform one cabotage operation within the territory of the Union upon return to the State of regis-tration. In this stage, when carrying out cabotage, unloading had to be carried out within three calendar days of the completion of international transport in the member State in which the cabotage was carried out. x In the second stage (1 January 2018 – 31 December 2019), EEU carriers have the same rights as in the first stage. However, when carrying out cabotage in road transport of goods, unloading must be completed not within three calendar days, as in the first stage, but within seven calendar days after the completion of international transport in the member State in which the cab-otage is carried out. x In stage three (1 January 2020 – 31 December 2024), Armenia, Belarus, Kyrgyzstan and the Russian Federation grant the right to carriers registered in the territory of the EEU, after completing the international carriage of goods by road in the territory of another member State, to perform one cabotage operation in road transport of goods between points located in other States of the EEU, upon return to the State of registration. In this stage, when carrying out cabotage, unloading must be completed within seven calendar days of the completion of international transport in the member State in which cabotage is carried out.

There are two main reasons for such a sharp difference in shipping costs between the two routes: (i) Since the Caspian Sea has no access to the international ocean, shipments between ports are considered short sea shipping, but Black Sea shipments are not; (ii) The low cargo volume leads to high shipping tariffs. Naturally, if the tar-iffs are also high, the route is not attractive. Studies show that as a result of the Azer-baijan Caspian Shipping Company reaching a volume of 300-400 TEU per ship-ment, for example, it is possible to reduce the shipping cost of a 20-foot container on the Baku-Aktau route by 40%.

Conclusion

Azerbaijan, as one of the transit countries located on the "Silk Road", has done a lot of work to increase its logistics capabilities over the past 20 years and has become a participant in various international and regional projects. The government has mobi-lized a fairly large amount of resources for the construction of transport and logistics infrastructure. Moreover, all this happened at a time when alternative routes compet-ing with each other were being formed. In this regard, it is very important to evaluate the opportunities opened up for Azerbaijan by the East-West corridor within the framework of the "Silk Road" project to this stage, the work done in this area, the successes achieved, and the problems awaiting solution. The main results revealed by the conducted research in this direction are as follows:

The East-West corridor, which Azerbaijan is located on, is shorter than other alter-native corridors, but it faces serious competition. Although the brevity seems to be a factor that increases the attractiveness of this route, it faces serious competition from the new Eurasian line, which starts from Poland and extends to Xi'an, China. Because the Poland-China route does not have a sea crossing and is a direct rail-way. It should be noted that the width of the train routes to the Euroterminal locat-ed in Slavkov, Poland is 1520 mm and they accept cargo from China via the Ka-zakhstan-Russia-Belarus or the shorter Kazakhstan-Russia-Ukraine route. Slavkov is already becoming one of the logistics centers for cargo between Europe and Chi-na. The cargo arriving here is easily transferred to trucks or other railway routes and delivered to European countries. However, the East-West corridor provides for the transportation of cargo based on transitions on various types of transport (railway-sea, sea-railway). In addition, due to weather conditions, approximately 90 days a year, during the cold months, ships in the Caspian Sea experience delays in deliver-ing cargo.

There are also technical factors that affect the competitive advantage of both routes. Thus, the standard gauge for European and Chinese railways is 1435 mm, while the gauge for railways in the former USSR countries is 1520 mm. Therefore, the transition from standard gauge to wide gauge is carried out at the Kazakhstan-China and Türkiye-Georgia borders. Thus, during deliveries between the cities of Xi'an and Slavkov, railways are changed only once at the China-Kazakhstan border.

- The East-West corridor provides transportation at a higher cost than the New Eura-sian route. Thus, the cost of delivering a 40-foot container from the Xi'an region of China to the Polish city of Slavkov along the New Eurasian Corridor varies between 3600-4200 US dollars, and the cost of delivering a 40-foot container along the East-West Corridor varies between 5000-5500 US dollars.
- Saving 1 day in trade between countries located on the Silk Road corridor means an average increase in exports of 5.2 percent. In particular, the short-term delivery of goods during trade is especially important for perishable products.
- Despite the fact that Kazakhstan, Georgia and Türkiye, which are located on the East-West Corridor, have trade and customs agreements with the European Union and China, Azerbaijan does not currently have any effective agreements with the mentioned institutions and countries. However, the existence of inter-country trade agreements, the reduction of the time spent at border crossings and the country's improved transport infrastructure mean that the time spent during trade is further reduced and access to new markets is increased.
- Although the Roadmap for the development of logistics adopted in 2016 aims to rapidly increase Azerbaijan's capabilities as a transit country, the current results are unsatisfactory. Thus, there was a 14.9 percent decrease in transit traffic on the Eu-rope-Caucasus-Asia corridor in 2019 compared to 2015.
- The capabilities of the new seaport have not yet been fully utilized. According to 2019 figures, Baku International Trade Port used 27% of its existing capacity for container handling and 35.02% for total handling.
- For this reason, although Azerbaijan's position in the World Bank's Doing Business report on foreign trade indicators has improved significantly in recent years, it still lags far behind the corresponding indicators of developed countries. According to the most recently published report, Azerbaijan ranked 83rd among 190 countries on the "trading across borders" indicator. However, compared to developed countries, the time spent on border crossing in Azerbaijan is at least 30% higher for exports and 3 times higher for imports, the time spent on documentation is almost 15 times higher for exports and 10 times higher for imports, the costs spent on border cross-ing are almost 50% higher for exports and almost 2 times higher for imports, and the costs spent on documentation are 8 times higher for exports and 9 times higher for imports.

In view of the above-mentioned problems, it is considered appropriate to take the following steps to increase the attractiveness of Azerbaijan as a transit country within the framework of the “Silk Road” route:

- There is a need to increase the work and initiatives towards signing free trade agreements with the European Union and China in Azerbaijan;
- It is necessary to apply the port community system, widely used in 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 service level should be improved, and nec-essary incentive mechanisms should be developed to reduce their 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, cloud, creation of cargo track-ing systems, increasing the professionalism of personnel, and renewal of the transport fleet;

- It is more appropriate to transfer the logistics services created within the Azerbaijan Caspian Shipping Company, as well as the railway transportation services created within the Azerbaijan Railways CJSC, to private companies, as is the case in world practice;
- The Azerbaijani government should participate in the World Bank's Logistics Per-formance 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 the ability to attract foreign direct investment, for which membership in the World Trade Organization should be completed;
- Countries located on the East-West route need to activate all possible mechanisms to ensure further acceleration of customs procedures related to transit cargo.

References

Atifqızı, Ş. (2019). *Beynəlxalq nəqliyyat dəhlizlərində logistik əməliyyatlar*. Academia.edu. https://www.academia.edu/

Azerbaijan Railways. (n.d.). *Official website*. https://ticket.ady.az/

Baniya, S., Rocha, N., & Ruta, M. (2019, January). *Trade effects of the New Silk Road: A gravity analysis* (Policy Research Working Paper No. 8694). World Bank Group.

de Soyres, F., Mulabdic, A., & Ruta, M. (2019). *Common transport infrastructure: A quantitative model and estimates from the Belt and Road Initiative* (Policy Research Working Paper No. 8801). World Bank.

Djankov, S., Freund, C., & Pham, C. S. (2006). *Trading on time* (Policy Research Working Paper No. 3909). World Bank.

Mukhtarov, A. (2019). *A case study: Feasibility analysis of container feeder vessel as a short sea shipping service in the Caspian Sea*.

Novruzov, N. (2023). *The role of Azerbaijan in the field of global world logistics*.

President of the Republic of Azerbaijan. (2016, December 6). *Strategic roadmap for the development of logistics and trade in the Republic of Azerbaijan*.

Qureshi, Z. (2011). The G-2 and global development. In *Postcrisis growth and development*. World Bank.

State Statistics Committee of the Republic of Azerbaijan. (n.d.). *Statistical materials*. https://www.stat.gov.az/

Talibov, A., Sabziev, E., Pashayev, A., & Hashimov, E. (2023). Optimal placement of logistics centers in the Republic of Azerbaijan. In *Proceedings of the 2nd International Conference on Problems of Logistics, Management and Operation in the East-West Transport Corridor (PLMO 2023)*, 24–26.

Vinokurov, E., Ahunbaev, A., & Zaboev, A. (2022). International North–South Transport Corridor: Boosting Russia's "pivot to the South" and trans-Eurasian connectivity. *Russian Journal of Economics, 8*(2), 159–173.

World Bank. (2019). *Belt and Road economics: Opportunities and risks of transport corridors*. World Bank.

World Bank. (n.d.). *Foreign direct investment, net inflows (BoP, current US$) – Azerbaijan*. https://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD?locations=AZ

Yusifov, E. M., Kulu, T. K. O., & Mammadov, H. P. O. (2019). Logistics sector in Azerbaijan economy: Structural improvements and orientations strategic development. *EUREKA: Social and Humanities, 2*, 29–38.