



## Debating on Transport Corridors of Azerbaijan in the Context of Globalization

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**Abstract:** This paper investigates the impact of globalization on transportation corridors in Azerbaijan, which are strategically located to serve as hubs for crossroads between north-south and east-west trade. The main hypothesis is that globalization has had a significant impact on transportation corridors in Azerbaijan, resulting in greater connectivity and trade flows within the region. The recent triumph over Armenia has resulted in significant changes in the region, enhancing Azerbaijan's reputation. Alongside the ongoing conflict in Ukraine and the imposition of sanctions on Russia and Iran, Azerbaijan has emerged as a secure passage between these influential powers. Furthermore, the rising demands for major international trade routes have created a pressing need for Azerbaijan to enhance its capabilities to effectively meet these growing requirements. According to the World Systems Theory, semi-periphery countries play the role of bridges between core and periphery states. Globalization has led to Azerbaijan's integration into the global economic system as a semi-peripheral country. This has resulted in increased trade and investment, which in turn has led to the development of transportation infrastructure and the expansion of transportation networks.

**Keywords:** Air transportation, Globalization, Highways, Railways, Water transportation, World systems theory, Zangazur Corridor

### 1. Introduction

Historically, the South Caucasus region has been an important trade crossroads, linking Europe, Asia, Russia, and Iran. Azerbaijan and other nations in the Caucasus region became important global transportation hubs after the Soviet Union broke up. With this shift came a new era in which having a strong transportation network was essential to enabling cross-border trade in products and services.

In today's era of globalization, the strategic importance of the South Caucasus region has only heightened, with both Eastern and Western powers investing significantly in its transportation networks. Recognizing this significance, the Asian Development Bank's report on should be like that "Azerbaijan: Trade Facilitation and Logistics Development Strategy" (2009) underscores the pivotal role of transportation corridors in Azerbaijan not only in increasing the volume of goods traversing the country but also

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in catalysing growth across various sectors, including shipbuilding and railway manufacturing, while concurrently creating employment opportunities.

The modernization of public transportation, the electrification of railroads, and the introduction of new laws have facilitated the transition of Azerbaijan's transportation system to a more environmentally friendly environment (International Transport Forum, 2020, pp. 19-20). After the Second Karabakh War (2020), literature shows that Azerbaijan has attracted multinational investments to make the Zangazur corridor operational, and there has been a focus on developing better transportation infrastructure in the Karabakh region (Baghirov, 2021). Particularly as the Houthi attacks on Western ships increased, those powers were forced to think of other options (Jamalov, 2024), and they are left with just 3:

1. The traditional overland route for trade between Asia and Europe historically ran through Iran or Russia, both of which currently have hostile relations with the West and the West are reluctant to utilize this route. However, between these nations, attention is increasingly turning to an Azerbaijani route, which lacks significant threats and is gaining prominence due to recent developments after the war.
2. Another frequently used route is the Vasco De Gama route, which, while longer, is also more cost-effective. However, during this time-sensitive period, there is limited interest from freighters in utilizing it.
3. In addition to the primary routes, air travel should also be considered, as it offers faster transit times compared to shipping, albeit with less efficiency in terms of volume and cost.

The presence of established infrastructure such as the Alat terminal along the Caspian shore, the Baku-Tbilisi-Kars railway, and ongoing developments in road infrastructure across Azerbaijan have played a pivotal role in shaping transportation decisions in the region.

The Zangazur Corridor is considered a significant development that will put an end to the 30-year blockade of Nakhchivan, a landlocked exclave of Azerbaijan (Baghirov, 2021, pp. 7-8). The corridor will also create a land connection between Central Asian Turkic states and Türkiye, bridging Asia and Europe (Dönmez & Rehimov, 2021). This will provide new opportunities for trade, economic development, and cultural exchange in the region (Chedia, 2024, pp. 197-198). The opening of the Zangazur Corridor is expected to facilitate the movement of goods, people, and services, thus boosting economic cooperation and integration among the countries in the region. The former US Ambassador to Azerbaijan Matthew

Bryza emphasized that the corridor would enhance connectivity and contribute to regional stability by encouraging collaboration among nations, particularly Turkiye, Azerbaijan, and Armenia (Kirenci, 2023). Additionally, the roads that are planned to be built as part of the Zangazur Corridor project are expected to meet the latest requirements and standards for modern road systems. This will include using advanced technologies, materials, and engineering practices to ensure the highest level of safety and efficiency for users. The modern road system is expected to facilitate the smooth and fast movement of goods and people, which will benefit trade and economic growth in the region. Furthermore, the use of modern road technologies is expected to improve road sustainability, reduce maintenance costs, and minimize the environmental impact of transportation.

Azerbaijan's strategic location at the crossroads of east-west and north-south trade routes has driven the development of its transportation infrastructure. Immanuel Wallerstein argued that a country's integration into the global capitalist economy determines whether it falls into the core, periphery, or semi-periphery category (Wallerstein, 2011). According to statistical data from the IMF, Azerbaijan is classified as a middle-income, semi-peripheral state that benefits from profitable trade connections with both core and other types of states (International Monetary Fund, 2023). According to K.C. De Mares and S. Caro-Vargas (2023) Azerbaijan is a significant regional power, aligning their analysis with Detlef Nolte's definition of a regional power (De Mares & Caro-Vargas, 2023, pp. 149-150). In accordance with his definition, a regional power must fulfil three main criteria:

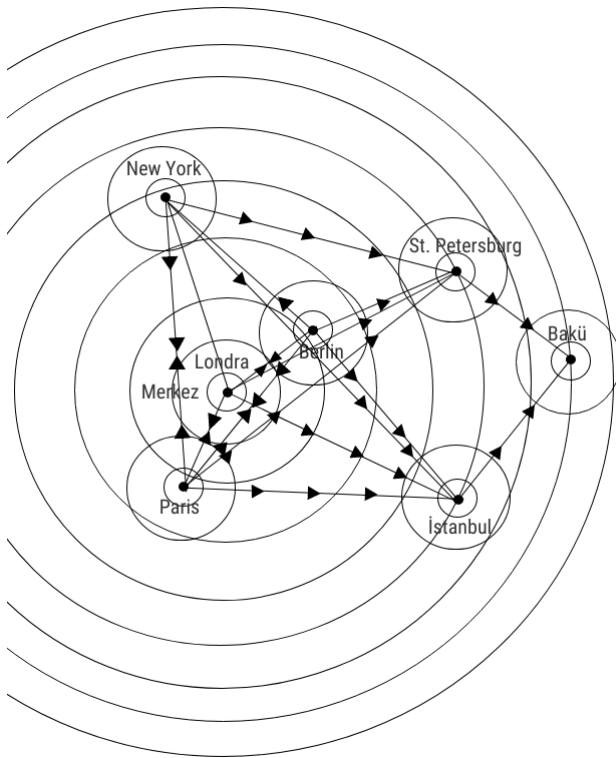
1. Self-conception of leadership: It should perceive itself as a leading actor within a clearly defined region.
2. Possession of resources for projection: This includes material (such as military capabilities), political, and ideological resources that enable it to project power within its region.
3. Significant influence in regional affairs: The regional power should wield substantial influence over political, economic, and social dynamics within its designated region.

Applying this framework, De Mares and Caro-Mares argue that Azerbaijan has swiftly evolved from a militarily weak state to a significant regional power, particularly in the Caucasus and Caspian Sea regions, meeting the criteria outlined by Nolte. Parallel to that Valiyev (2023) found out that due to the long-term colonial background modern story of Azerbaijan started as a small nation rather than a fully-fledged nation (pp). However, the Second Karabakh War changed Azerbaijan's position from a small

power (nation) to a fully-fledged regional power. During the colonial time Azerbaijan did not have direct communication with the modern centers. In contrast, Azerbaijan has started to have direct communication with the contemporary centers in a globalized time in the post-conflict period (See Figures).

**Figure 1**

*The Periphery of Periphery*

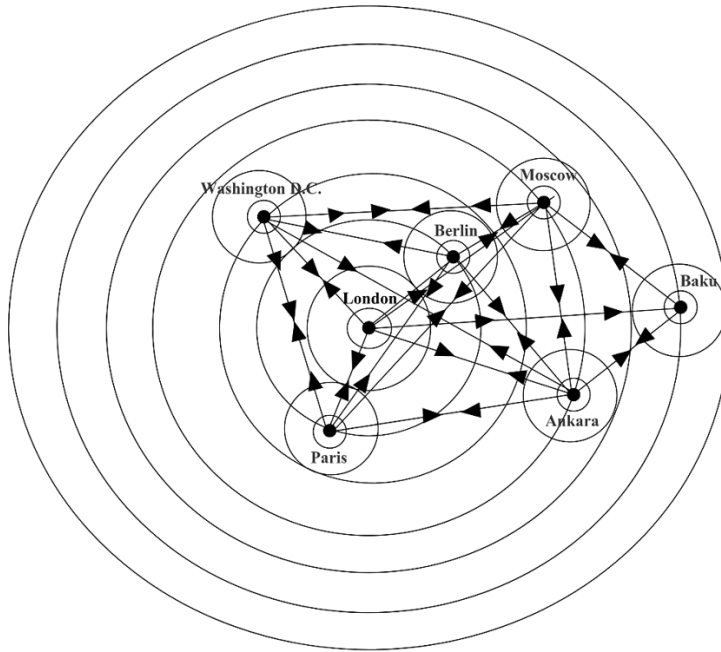


Source: Valiyev, O. (2023). *Azerbaycan Milliyetçiliği*, 2nd ed. Ankara: Nobel Akademik Yayıncılık. p. 181.

This paper argues that globalization has contributed to the formation of numerous trade and transportation agreements between states, including Azerbaijan, which has subsequently led to an increase in transportation across various modes of transportation. Here we will answer the question how has globalization influenced the development and utilization of transportation corridors in Azerbaijan and what are the implications of these changes for Azerbaijan’s economic growth and integration into the global economy? This study hypothesizes that globalization has led to a significant impact on transportation corridors in Azerbaijan, resulting in greater connectivity and trade flows within the region. The focus of this paper is on the four distinct transportation modes of Azerbaijan and adopts a mixed research approach, mainly relying on primary and secondary data including official statistics, reports from international

**Figure 2**

*Regional Power*



*Source:* The graph. was developed by Orkhan Valiyev.

organizations, and existing literature to provide comprehensive insights into the impact of globalization on transportation corridors in Azerbaijan. The independent variable in the study is globalization, while the dependent variable is transportation corridors. To explore the relationship between these variables, statistical data provided by the state committee is being utilized. The aim is to use statistical analysis to measure the impact of globalization on transportation corridors in relation to the four transportation modes in Azerbaijan. By using this data, the study aims to provide valuable insights into the relationship between these variables and to draw robust conclusions about their impact on transportation modes in Azerbaijan. The research question will focus on how globalization has affected the development and utilization of transport corridors in Azerbaijan and the implications of these changes for the country's economic growth and integration into the global economy. This paper aims to bridge the existing gap in understanding the true impact of globalization by providing a comprehensive overview of the overall changes brought about by it.

In light of the foregoing, this paper seeks to bridge existing gaps in understanding the multifaceted impact of globalization on Azerbaijan's transportation landscape.

## 2. Discussion and Findings

### 2.1 Theory Framing

The distribution of resources around the world is uneven, with some countries having significant resources while being underdeveloped, while others lack resources but are well-developed. This uneven distribution is primarily based on the global capitalist economy, which operates on a hierarchical system with unequal distribution of wealth and resources. This hierarchy is based on the concentration of capitalist production in certain regions with a history of capital accumulation, leading to a system of inequality that is deeply embedded in the global economy (Asad, 2022, p. 158).

In his book, Immanuel Wallerstein proposed a new theory-World Systems Theory. In a world system, there is a geographical division of labour which magnifies the ability of some groups to exploit the labour of others and receive a larger share of the surplus. This division is a consequence of the social organization of work, which is not evenly distributed throughout the world system (Wallerstein, 2011, p. 349). He also created a new concept of categorizing countries into three distinct groups: core, periphery, and semi-periphery (Wallerstein, 2011, p. 63). This classification system is based on the level of economic development and the degree of integration into the global economy. The core countries are those that are highly developed and industrialized, with advanced technology and high levels of productivity. They are typically the wealthiest and most powerful nations, and they dominate the global economic system. The periphery countries, on the other hand, are less developed and often rely on the export of raw materials and cheap labor to the core countries. They are usually located on the margins of the global economy and have limited access to capital and technology. The semi-periphery countries are those that are in a transitional state between the core and periphery. They have some industrialization and development, but they are not as advanced or wealthy as the core countries. They often serve as a buffer zone between the core and periphery, and they can either be exploited by the core countries or serve as a source of competition (Christofis, 2019, p. 5). The World Systems Theory proposes that this categorization is particularly relevant for former colonies that have recently gained independence and are attempting to progress economically. It's important to note that the classification of a country as core, semi-periphery, or periphery can change over time as their economies and political systems evolve (See Table 1).

**Table 1**

*Comparative Characteristics of Core, Semi-Periphery, and Periphery Countries*

Core countries	Semi-periphery countries	Periphery countries
Highly developed economies with high levels of industrialization and technology.	Developing economies with some level of industrialization and technological advancement.	Least developed economies with low levels of industrialization and technology.
High levels of wealth and income per capita.	Tend to be middle-income countries with moderate levels of wealth and income per capita.	Tend to have low levels of wealth and income per capita.
Dominate global trade and investment.	Have some level of participation in global trade and investment, but often in a subordinate role to core countries.	Are often dependent on primary resource extraction and agriculture for their economies.
Tend to have more political power and influence in the world system.	Examples include China, Brazil, India, and South Africa.	Have limited participation in global trade and investment, often in a subordinate role to core and semi-periphery countries.
Examples include the United States, Japan, Germany, and the United Kingdom.		Examples include many countries in sub-Saharan Africa, Central, and South America, and parts of Asia.

*Source:* Analysis and findings from Wallerstein, Immanuel. *The Modern World System / Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century*. 2nd. Vol. 1. Berkeley and Los Angeles, California: University of California Press, 2011.

Transportation corridors are essential in linking the core, periphery, and semi-periphery states within the world system. They facilitate the movement of natural resources from periphery countries to the core and semi-periphery regions. The integration of road systems into global transportation corridors is crucial for this purpose, especially with the aid of technological advancements and globalization, which have increased the demand for efficient, low-cost, and reliable transportation corridors to facilitate the supply of production in developed countries.

Azerbaijan’s nominal GDP per capita for 2023 is estimated to be \$6,800, which is within the range of middle-income countries according to the World Bank’s classification. As such, Azerbaijan can be considered a semi-periphery country based on the World Systems Theory’s classification of countries into core, semi-periphery, and periphery based on their economic development and global position.



(International Monetary Fund, 2023). As mentioned earlier, states can easily shift their position in the world-system classification. Azerbaijan, for instance, was able to achieve economic growth and progress to become a middle-income country after the dissolution of the USSR.

To be integrated into the global market, the development of all forms of transportation is crucial. This means that transportation infrastructure, including air, sea, and land transport, must be improved, and expanded. The aim is to facilitate the transportation of goods and people, resulting in increased economic growth and trade. For example, upgraded roads, railways, and ports can make it easier to transport goods to and from markets, while improved air transportation can enhance the movement of people and goods. Azerbaijan has got all for transportation means.

### **3. The Impact of Globalization on the Development of Railways and Highways**

The South Caucasus region has been bestowed with a strategic location as a crossroads for the east-west and north-south trade routes, thereby presenting immense opportunities. After the disintegration of the Soviet Union, this region emerged as a significant point of interest for global economic powers such as China, the European Union, and the United States. However, the revival of free trade in the region necessitated the restoration of transport infrastructure, which was a daunting task given the precarious economic conditions prevalent during the period of fragile independence. Thus, foreign investment was deemed essential for the reconstruction of transport routes. In this regard, the TRACECA initiative was launched in May 1993 in Brussels, aimed at fostering commerce between Central Asia and Europe through the South Caucasus (Ekinci, 2014, p. 20). This initiative was a significant milestone in the resurrection of the region's economy, marking the inception of a new era of prosperity and growth.

Azerbaijan has signed and is planning to sign free trade and preferential trade agreements with several countries, including Azerbaijan-China Free Trade Agreement in 2015 (Sputnik Azerbaijan, 2015), the Azerbaijan-Iran Preferential Trade Agreement in 2016 (IRNA, 2020), Azerbaijan- Mongolia Agreement on trade and economic cooperation in 2021 (Azemedia, 2021), Azerbaijan-Georgia Free Trade Agreement (Ministry of Foreign Affairs of Georgia, 1996), Turkiye-Azerbaijan Preferential Trade Agreement in 2020 (Daily Sabah, 2021) and many other countries. These agreements aim to increase trade and economic cooperation between Azerbaijan and these countries and to facilitate the flow of goods and services across international borders. By establishing these trade agreements, Azerbaijan has demonstrated its commitment to integrating into the global economy and to promoting regional economic growth and development. All these agreements were established to boost trade between countries, given that Azerbaijan's main exports



are oil and oil-based products. It is therefore logical to increase transportation capacity to generate more revenue and diversify the economy. As a result, significant transportation agreements have been signed, some of which have already been completed, while others are still in progress or will be implemented in the future. Two of them have special importance which are the Baku-Tbilisi-Kars railway agreement between Azerbaijan, Turkiye, and Georgia was signed in 2017 to open a new railway line that connects Baku, Tbilisi, and Kars. The railway line is expected to enhance the transportation of goods between Asia and Europe (Öğütçü, 2017) and the “Agreement on the International North-South Transport Corridor” in 2016, between Azerbaijan, Russia, and Iran was signed to develop the International North-South Transport Corridor, which is a multi-modal transportation route connecting India and Russia via Iran and Azerbaijan (Sarma, 2018, p. 131).

### **3.1 Railways**

Railways are considered to be the most economical mode of transportation for goods, and Azerbaijan is a significant player in this type of transportation. Azerbaijan Railways, which is a state-owned corporation, operates both domestically and internationally. The country has five major railway routes that cover various directions for cargo transportation, namely the North-South, East-West, North-West, South-West, and Lapis-Lazuli routes (ADY, 2023) These railway routes have contributed significantly to the transportation of goods across the country and beyond its borders, bolstering Azerbaijan’s position as a major hub for regional trade and commerce. Moreover the high-speed rails Ganja-Baku, Baku-Sumgait, and Baku-Gabala currently serve the population.

#### **A. The North-South corridors**

The transportation of goods from India and South Asia to Europe has historically been a difficult task due to the great distance involved and the many obstacles that need to be overcome. However, the utilization of North-South corridors has emerged as a practical solution that allows for quicker transportation of commodities compared to other alternatives. Azerbaijan has also become a participant in this transportation network through the completion of the Astara-Rasht railway lines, which will link Azerbaijan’s railway system to that of Iran. The purpose of this initiative is to connect the railway systems of Iran and Azerbaijan, with the construction of the section between Astara in Iran and Astara in Azerbaijan already completed. The next objective is to finalize the 167 km Astara-Rasht section of the project, which is expected to facilitate the connection between Scandinavian and Iranian railways, allowing for the transportation of goods from the Persian Gulf to Scandinavian countries. The North-South

international transportation corridor was established through an agreement signed on September 12, 2000, by the governments of Russia, Iran, and India. Azerbaijan became a part of this agreement on September 20, 2005, through the adoption of a corresponding law (ADY, 2023).

### **B. The East-West corridors**

The Middle Corridor, also known as the Trans-Caspian International Transport Route (TITR), serves to increase cargo transportation from China to Turkiye and European Union countries. The management and development of the transportation corridor is carried out by the Consortium created by member countries. Cargo transported via the Middle Corridor takes an average of 10-12 days from China to Europe, which is one of its main advantages. Cargo transported via the Middle Corridor reaches Europe in two directions, one via Georgia's Poti and Batumi ports, and the other via the Baku-Tbilisi-Kars railway line, which was realized by Azerbaijan's initiative, reducing transit operation costs and increasing the volume of transit operations. The Middle Corridor was created in 2014 with the participation of the railway, maritime, and port administrations of Azerbaijan, Georgia, Kazakhstan, Ukraine, and Turkiye (ADY, 2023).

### **C. The North-West corridor**

This route became a reality after the Baku-Tbilisi-Kars railways were opened, and it is primarily used to transport goods from Russia to Turkiye (ADY, 2023).

### **D. The South-West corridor**

Azerbaijan started this route in 2016. This traffic route includes Georgian, Ukrainian, Bulgarian, Turkish, Iranian, and Indian seaports. If maritime freight takes 35-37 days, railway freight can cut that time in half. Combining the AstaraRasht and Rasht-Qazvin railroads will make it simpler to connect India and Iran (ADY, 2023).

### **E. Lazurit corridor**

Since 2017, the Lazurit corridor has been operational, connecting Afghanistan to Europe through Turkmenistan, the Caspian Sea, and Azerbaijan. This transportation route has played a significant role in promoting economic development in Central Asia (Eletek, 2021).

Following the implementation of all the agreed-upon agreements and the opening of all the transportation corridors, freight transportation through railways has increased significantly. However, in Table 2, we

can observe a decline in the figures for 2020 due to the restrictions imposed as a result of the Covid-19 pandemic. Nevertheless, in 2021, freight transportation managed to recover from the previous decline and even showed a slight increase.

**Table 2**

*The Total Volume of Freight Transportation by Railways (in Tons)*

	2018	2019	2020	2021	2022
I quarter	3 263 107	3 540 815	3 521 614	3 769 592	3 810 144
II quarter	3 512 010	3 440 833	3 673 624	3 454 083	4 767 342
III quarter	3 566 727	4 020 004	3 618 186	3 746 001	5 008 776
IV quarter	3 612 163	4 220 254	3 818 091	4 087 974	5 144 260
Overall	13 954 007	15 221 906	14 631 515	15 057 650	18 730 522

*Source:* State Statistical Committee. Transportation in Azerbaijan. Baku: State Statistical Committee, 2023.

The recent developments in the Zangezur corridor suggest that there will be a notable rise in revenue for all the nations that are involved in the project. This corridor is expected to provide a new route for transporting commodities from Asia to Europe, bypassing the Caspian Sea. During an online meeting of CIS nations on October 15, 2021, Nikol Pashinian announced that Armenia is prepared to construct railways and roads to connect the two countries, and this announcement helped instill confidence among politicians regarding the prospects of the Zangezur corridor (Huseynov, 2021). The significance of this corridor extends beyond its economic benefits, as it holds sentimental value for Turkiye. It will offer Turkiye direct land access to Central Asian countries through another Turkic-speaking nation. The railway line will connect Armenia's railway system to those of Iran and Russia via Nakhchivan and mainland Azerbaijan.

### 3.2 Highways

The State Statistical Committee of the Republic of Azerbaijan reported that in 2022 cargo transportation on Azerbaijan side of the Europe-Caucasus-Asia Transport Corridor was 51420,6 thousand tons and cargo turnover 12648,9 million ton-km, 29,8 % and 31,9 % more compared to the corresponding period of the previous year. 27966,8 thousand tons or 54,4 % of the cargo was transported by automobile transport, 16841,2 thousand tons or 32,7 % by railway transport, and 6612,6 thousand tons or 12,9 % by sea transport. 26,5 % or 13634,6 thousand tons of cargo transportation by corridor was transit cargo (State Statistical Committee, 2023). Based on this data, it is apparent that slightly over 50 % of the total freight

transportation relied on highways. Based on Table 3, it is evident that the transportation figures experienced a decline once again due to Covid-19 restrictions.

**Table 3**

*Goods Transportation in the Road System, One Thousand Tonnes*

	2015	2016	2017	2018	2019	2020	2021
Overall	222,373	222,461	226,419	230,144	235,288	188,629	193,903
Road	137,605	141,459	144,854	149,344	155,318	111,518	112,522

*Source:* State Statistical Committee. Transportation in Azerbaijan. Baku: State Statistical Committee, 2023.

Notably, land transportation is crucial for moving passengers, and this route has a significant role in facilitating north-south and east-west transit. Over the past few years, Azerbaijan has completed the construction of 50 new highways and several bridges. Among these bridges is the country’s first and only suspension bridge over Aghsucay in the Aghsu district on the Mughanli-Ismaili-Gabala route, which aims to reduce the overall road length by 76.8 kilometers (İsmayılov, 2021).

Azerbaijan’s road network system is ranked first in the Commonwealth of Independent States (CIS), 10th in Asia, and 24th in the world. From 2012 to 2021, it has shown a growth in the range of 4.02-5.20, with Singapore having the highest road quality index at 6.50 (Global Economy, 2019). With the implementation of China’s new ”Belt and Road” program, Azerbaijan is considered a potential hub. The Azerbaijani government has made significant efforts to reintegrate the country’s war-torn territories into the economy, with one of the primary objectives being the rehabilitation of damaged railway links and the development of new lines. The utilization of the transportation capacity of Karabakh and East Zangazur regions is expected to boost Azerbaijan’s role in implementing the North-South and East-West transport corridors, as well as the Transport Corridor Europe-Caucasus-Asia (TRACECA). On October 26, 2021, President İlham Aliyev of Azerbaijan and his Turkish counterpart R.T Erdogan launched the Horadiz-Aghband-Zangilan motorway, which will be extended to Nakhchivan through the proposed Zangazur corridor. Following the 44-day conflict, a new road network is being constructed in the liberated regions (President.az, 2021). The Zafar highway, which will connect Shusha to the rest of the country, is expected to be the shortest road to Shusha. Additionally, several tunnels and bridges are being built in the Kalbajar area.

### 3.3 Air Transportation

Azerbaijan has a rich history of civil aviation that dates back to 1923 when the first civil aviation flight named ZAKAVIA took place (ARRINN, 2023). The country has a total of 27 airports, including both military and public ones. Major cities such as Baku, Gabala, Ganja, Lankaran, and Fuzuli have airports with global recognition. The largest and most developed airport in Azerbaijan is the Haydar Aliyev International Airport (GYD), which handles the majority of daily flights, passengers, and cargo. According to the State Statistical Committee, the country's air cargo transportation freight in 2020 was 458,000 tons, of which 95

The H. Aliyev airport was opened in 1998 after a \$60 million investment and its international freight terminal was constructed in 2005. Azerbaijan's airports have gained more significance as the country's economic and political power has grown since 1999, with H. Aliyev Airport being an important partner for international airlines. Azerbaijan offered its airports to the US during the war in Afghanistan.

AZAL, a state-owned enterprise, owns a fleet of 31 planes, most of which are from major manufacturers such as Boeing, Airbus, and Embraer (Dahan, 2021). Silk Way Airlines operates as a cargo transporter out of H. Aliyev Airport with a fleet of five planes. There are also other airports in Azerbaijan, mostly serving domestic and CIS destinations, with minimal capacity compared to H. Aliyev Airport. After the recent conflict, the government is focusing on aviation to accelerate economic growth in the freed regions. Turkish and local companies have started constructing Fuzuli international airport, which was inaugurated during President Erdogan's visit to the region. Two more airports, Zangilan and Lachin, are also planned. In 2016, the country planned to launch a low-cost airline called AZALJet, which was later renamed Buta Airways in 2017. Buta Airways has seven Embraer planes and flies to 18 destinations, including Bahrain, Saudi Arabia, Bulgaria, Turkiye, and Kazakhstan. Table 4 shows the proportion of air transportation in total goods transportation.

**Table 4**

*Goods Transportation in the Transport Sectors, One Thousand Tonnes and Goods Transportation in the Transport Sectors, by the Last Year in %*

	2015	2016	2017	2018	2019	2020	2021
Overall	222,373	222,461	226,419	230,144	235,288	188,629	193,903
Air	129	160	173	208	183	458	557
Increase in percent	-	124.0	108.1	120.2	88.0	250.3	121.6

*Source:* State Statistical Committee. Transportation in Azerbaijan. Baku: State Statistical Committee, 2023.

### 3.4 Water Transportation

Throughout history, the Caspian Sea has played a crucial role in connecting neighboring countries through maritime routes. However, until the invention of steamships and the Russian invasion in the 19th century, maritime trade was limited to coastal commerce. The invasion of Russia and the advent of steamships enhanced sea trade. Even during Tsar Peter's reign, Russia was interested in building a port city in what is now Neftchala, Azerbaijan. This mission was led by Prince Bekovitch-Cherkassky, who travelled to the region and established contacts with local rulers (Kazemzadeh, 1968).

After Azerbaijan regained its independence, it took advantage of the opportunity to expand east-west trade. Today, Russia, Azerbaijan, Iran, and Kazakhstan control the major ports of the Caspian Sea. One of the drawbacks of the sea is that ice drafts make it difficult for ships to operate during the winter (Institute of Geography, 2020).

The Baku International Sea Port is one of the most significant transportation terminals on the Caspian route, featuring several automated berths dedicated to cargo and tank boats, as well as ferries and high-capacity containers. The port has acquired sophisticated cargo-handling equipment with the help of grants and international funding for renovation. The Baku-Turkmenbashi sea-route has been used to transport US assistance to Afghanistan by ferry. The Caucasian transport corridor is also divided into two routes towards the west. The railway ferry service connects the Georgian port of Poti with Ilyichevsk, Ukraine, and Varna, Bulgaria, and the European Union has invested over 13 million euros in building the Varna-Ilyichevsk-Poti/Batumi triple railway ferry link. Azerbaijan and Georgia are also working to improve their highways, and a proposal has been made to develop a toll Transcaucasian highway between Tbilisi and Baku, which would significantly reduce travel times from the Black Sea coast to the Caspian Sea. The Baku International Sea Trade Port (CSJC) was established by a decree from President Ilham

Aliyev in 2015, and in 2018, the president personally attended the opening ceremony in Alat (Port of Baku, n.d.). The port's construction has allowed for the connection of ferry travel between the North and South, as well as the West and East. The initial phase of the port can store 15,000,000 tons of goods and over 100,000 containers annually. When the port is fully operational, it is anticipated to manage 25 million tons of cargo and more than one million containers (TRACECA, 2020). Azerbaijan has the largest fleet in the Caspian Sea with over 270 vessels. This fleet includes the Caspian Shipping Company CJSC, which operates within the Caspian Sea ports. According to TRACECA, the company has a fleet of 51 ships, including 20 tankers, 13 ferries, 15 universal bulk carriers, 2 Ro-Ro vessels, as well as 1 technical vessel and 1 repair ship. In addition to these, the specialized fleet includes 204 vessels, such as 22 cranes, 18 tow trucks, 25 passenger ships, 2 pipelines, 6 firefighters, 5 geological engineers, 10 divers, and 116 service and auxiliary vessels (TRACECA, 2020).

Baku Shipyard is a modern shipbuilding and ship repair facility located in the Bay of Baku, Azerbaijan. It was established in 2013 as a joint venture between Azerbaijan Investment Company (AIC), the State Oil Company of Azerbaijan Republic (SOCAR), and Keppel Offshore & Marine Ltd (Baku Shipyard LLC, 2023). The shipyard has a production capacity of 25,000 tons of steel annually and is capable of building and repairing a wide range of vessels, including offshore support vessels, tankers, cargo ships, and passenger ferries.

According to its website, Baku Shipyard can produce up to four ships and four tankers per year. The shipyard has state-of-the-art facilities, including a 300-meter-long quay wall, a 1200-ton Goliath crane, a 50-ton gantry crane, and several workshops for steel fabrication, piping, and electrical work. The shipyard also has a dry dock with a capacity of up to 30,000 tons. The ownership structure of Baku Shipyard is as follows: Azerbaijan Investment Company owns 25%, Keppel Corporation owns 10%, and State Oil Company of Azerbaijan Republic (SOCAR) owns the remaining 65% (TRACECA, 2019). There are additional seaports that cater to both local and international vessels, including Zigh Seaport, Sangachal Seaport, and Baku Hovsan International Seaport.

## 4. Conclusion

Azerbaijan has developed an extensive road network that connects even the most mountainous regions to trade centers and neighboring countries. This road network serves as an important and widely used mode of transportation for the country. The railway system in Azerbaijan, while noteworthy, lags behind that of developed European countries. Nevertheless, it connects Russia to Iran and Europe to Asia, providing



opportunities for the country to utilize railway transportation to connect ferry boats and train containers.

Following its independence, Azerbaijan opted to integrate into the global market economy and become a part of the globalized world by entering into multilateral and bilateral agreements. As a result, foreign investment flowed into the country, which helped to rebuild world-standard roads, and modernize ports, airlines, and railways.

This paper has examined the official data from the State Statistical Committee annually and found a positive correlation between international agreements and the increase in freight transportation. Further research is needed to understand the potential side effects and the impact of different government types on the effects of international agreements. Nonetheless, the findings suggest that Azerbaijan's efforts to embrace globalization and establish international agreements have been successful in promoting economic growth and increasing freight transportation in the country.

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