

AZERBAIJAN AS AN ENABLER OF REGIONAL TRANSPORT CONNECTIVITY

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Abstract

The very article aims to explore the role of Azerbaijan in initiating and implementing regional transport projects and strengthening trans-regional connectivity. Taking into account the significant role of transport in the achievement of sustainable economic development, Azerbaijan's major goal is to build a properly integrated and technically compatible infrastructure that will be able to serve all modes of transport.

Key words: transport facilitation, transit measures, connectivity, trade flows, international cooperation.

JEL classification Codes: L91-92; N7; O18; R41-42

1. Introduction

Today's world is becoming more and more aware of superiority of sustainable and inclusive development. Technological achievements in many areas are overcoming the barriers of geographic isolation. The globalization, hastened by the advent of increasingly sophisticated and rapid information-communication technologies, has become the main trend of the global economy. The most tangible characteristics of this

process are the rapid and complex internationalization and interdependence between world economies. In the coming decades, successful economies will need to understand the challenges and opportunities that result from severe competition within increasingly interdependent and culturally diverse market places.

Azerbaijan successfully implements its national development strategy entitled “Azerbaijan 2020: look into the future” that builds on the country’s latest socio-economic achievements and provides a framework for its transition from a carbon to a knowledge-based, competitive and diversified economy.

Azerbaijan’s impressive economic achievements are highly appreciated by the leading international organizations. For instance, according to the “Global Competitiveness Report 2014-2015” of the World Economic Forum (WEF), Azerbaijan scored very high on macroeconomic environment (rank: 9) and number of procedures to start a business (rank: 10) [pages: 118-119]. Moreover, according to the “Global Innovation Index 2015 report: effective innovation policies for development” of the World Intellectual Property Organization (WIPO), Azerbaijan was a top performer on ease of starting a business (12), microfinance gross loans (18) and investment (10) [page: 169]. Besides, according to the World Bank “Doing Business Report 2015: going beyond efficiency”, Azerbaijan received high scores on starting a business (12) and registering property (10) [page: 170]. Azerbaijan’s macroeconomic indicators will retain its dynamics next year as well. According to the “World Economic Outlook 2015 report: adjusting to lower commodity prices” of the International Monetary Fund (IMF),

the real GDP growth rate and current account balance of Azerbaijan is forecasted to be 2.5% and 8.2% respectively in 2016 [page: 35].

The factors such as economic stability, FDI-friendly laws, low taxes, highly qualified and motivated labor pool, abundant natural resources, emergence as a regional information-communication technologies and transport hub, fast developing infrastructure and ease of doing business make Azerbaijan very attractive for foreign investors. Azerbaijan continues to promote free competition, implements trade facilitation measures, carries out economic reforms, creates more favorable investment and business climate by offering competitive environment for investors. Azerbaijan's foreign trade regime is liberal and country continues to further liberalize its foreign trade, diversify export structure, efficiently utilize export potential, increase the share of non-oil products in exports and promote export-led growth, as well as "Made in Azerbaijan" brand. Azerbaijan notifies the WTO (World Trade Organization) Secretariat twice a year about trade and trade-related measures taken in the country, despite being an observer. Besides, the country have established SPS (Sanitary and Phytosanitary Measures), TBT (Technical Barriers to Trade) and services contact points at the relevant government agencies to deal with enquires from the WTO members.

2. State Programmes

In order to develop rural areas, eliminate discrepancy between the capital and regions, diversify the economy, ensure socio-economic development and economic stability, a number of State Programmes such as, State Programme on reliable food supply of population in the Republic of Azerbaijan (2008-2015), State Programme

on poverty reduction and sustainable development in the Republic of Azerbaijan (2008-2015), State Programme on socio-economic development of regions of the Republic of Azerbaijan (2014-2018), State Programme for the development of industry in the Republic of Azerbaijan (2015-2020) were adopted.

3. UN Millennium Development Goals (MDGs) and Azerbaijan

Since the adoption of the UN MDGs in September 2000, Azerbaijan has made a significant progress in achieving many of MDGs. In this context, Azerbaijan has already shared its national progress report on MDGs with the UN Secretariat.

MDG 1 – Eradicating extreme poverty and hunger:

- Population below national poverty line: 49% in 2001; 5.3% in 2013.

- In June 2013, Azerbaijan was awarded a diploma of the UN Food and Agriculture Organizations (FAO) for having made outstanding progress in fighting hunger and reaching the 1996 World Food Summit Goal ahead of time.

- Azerbaijan has reduced the number of undernourished people from 1.8 million in 1990-1992 to 0.2 million in 2014.

MDG 2 – Achieving universal primary education:

- Literacy rate in Azerbaijan in 2013 was 100%.

MDG 3 – Promoting gender equality and empower women:

- Proportion of seats held by women in national parliament: 10.7% in 2000; 15.6% in 2013.

With regard to MDG 4 (Reduce child mortality), MDG 5 (Improve maternal health) and MDG 6 (Combat HIV/AIDS, malaria and other diseases), serious results

were achieved on reducing child mortality, improving maternal health and combating diseases. Concerning MDG 7 (Ensure environmental sustainability), protected areas in Azerbaijan increased twice.

Regarding MDG 8 (Develop a global partnership for development), Azerbaijan has become an emerging donor of international aid and continues to provide financial, humanitarian and technical assistance, as a donor country, through the Azerbaijan International Development Agency to other developing countries and international organizations. Only for the last period of time, Azerbaijan made one million USD pledge to the UN Fund to fight Ebola, as well as contributed to alleviate the consequences of the humanitarian crisis in Gaza, assist internally displaced persons in Serbia, and provide post-disaster response in Philippines, Pakistan and quite recently in Nepal.

As part of Azerbaijan's global development vision, the country welcomes the recently adopted 17 UN Sustainable Development Goals (SDGs) and is committed to their achievement in a timely and efficient manner.

4. South-South cooperation

Azerbaijan steps up the South-South cooperation and the UN is partnering with Azerbaijan in sharing country's knowledge and expertise on development of conventional energy resources, pension reforms, good governance, e-governance, and single window in tax and customs with developing countries who are seeking solutions to challenges similar to those which Azerbaijan has been successfully tackling over last decades.

During last several years, students and government officials of various developing countries and least developed countries have participated at training courses and academic programmes organized ADA University, Azerbaijan State University of Economics (ASUE) and Azerbaijan State Oil and Industry University. In recognition of Azerbaijan's outstanding commitment, determination and continuous efforts towards implementation of the UN MDGs, in September 2015, Azerbaijan was a recipient of South-South Award 2015.

5. Trans-regional transport projects

Effective integration of the landlocked Azerbaijan into the global economy also requires building efficient transport links. Azerbaijan is blessed not only with the natural resources, but also with a favorable geostrategic location. Being situated at the crossroad of major international and regional transport corridors such as North-South and East-West, Azerbaijan has strong transit potential and offers multitude of transport opportunities as the shortest routes for connecting Europe and Asia. Due to Azerbaijan's advantageous geostrategic location, the country contributes to the global and regional trade by offering very favorable transport and transit opportunities.

The project on the restoration of the historic Great Silk Way plays an important role in the development of economic ties within UNESCAP (UN Economic and Social Commission for Asia and the Pacific) region. Azerbaijan pioneers in creating the shortest transport corridor within Eurasian region and emerges as the transport hub in the East-West transport corridor. Azerbaijan is interested in further strengthening the trans-regional connectivity in transport field.

In this regard, Baku-Tbilisi-Kars (BTK) railway link will be fully operational in 2016, connecting Azerbaijan, Georgia and Turkey with a new railway connection, have a strategic importance for the Central Asian region and provide competitive link for the passenger and container shipping, increase the volume of multimodal transportation across Eurasia and cargo flows from Asia to Europe and vice-versa. BTK railway that was included in the list of priority projects of the UNESCAP Trans-Asian railway networks and UNECE (UN Economic Commission for Europe) Trans-European Railway master plan, and the new Baku International Sea Trade Port, creating an intersection of rail, road and sea routes passing through the territory of Azerbaijan, will lead to increasing regional trade.

The new Port Complex will play a key role in transportation of goods both by North-South and East-West transport corridors, act as a vital transit point in TRACECA project and lead to expanding inter and intra-regional trade and can accommodate the transit cargo deliveries from Central Asia and vice-versa. The estimated transshipment of the new Port Complex is up to 10 million tonnes of cargo at the first stage, 17 million tonnes at the second stage and 25 million tonnes at the final stage. The first test container has arrived at the new Port from China across the Caspian in August 2015.

In general, thanks to the BTK and the new Port transit along the historic Silk Road would become reliable, safe and economically efficient for carriers. As a result, cargo deliveries from Aktau to Baku will likely increase and make China-Kazakhstan-Azerbaijan-Georgia-Europe route more viable. Also, particular focus is also made on regional initiatives for developing transit cooperation between partner

countries, with the participation of the countries of the region, including the transportation route Afghanistan-Turkmenistan-Azerbaijan-Georgia-Turkey, for the purpose of facilitating trade on international transport corridors. Above-mentioned is a clear sign of the efforts undertaken by Azerbaijan to strengthen Trans-Asian transport network and Euro-Asian transport links.

6. International cooperation

Azerbaijan closely cooperation, in the field of transport matters, with the UNESCAP, UNECE, Intergovernmental Organization for International Carriage by Rail (OTIF), International Transport Forum (ITF), Organization for Cooperation between Railways (OSJD), International Road Transport Union (IRU), World Road Association (PIARC) and other organizations. Azerbaijan became a member of OTIF in 2015. OTIF will provide a uniform framework for the international carriage of passengers and freight by rail between Asia and Europe and ensure a legal framework for the entire BTK.

7. International reports: transport dimension

According to the UNESCAP report [Bridging information-communication technologies, transport and energy infrastructure gaps for seamless regional connectivity, 2014; page: 27], among the landlocked developing countries Azerbaijan has the most robust cross-border connectivity. Azerbaijan's ranking of infrastructure components of the logistics performance indicator for 2010, 2012 and 2014, was 2.23, 2.42 and 2.71 respectively. Azerbaijan's infrastructure ranking was 68 in 2014. Azerbaijan fares at or above the mean value for land transport infrastructure. Number of

dry ports of international importance earmarked for development in Azerbaijan equals to 21. Baku – Istanbul corridor with possible extension into southern Europe will be of benefit to LLDCs in the Caucasus region with the completion and commissioning in 2015 of the Kars – Akhalkalaki section between Turkey and Georgia. On the western side of the Caspian Sea, the railways of the Islamic Republic of Iran have been working for a number of years on completing the 372-km Qazvin-Rasht-Astara link. As of June 2012, 75% of the 205 km section between Qazvin and Rasht had been completed, while work had started on the 167 km section from Rasht to Astara at the border with Azerbaijan. The construction of this line section will eventually complete a North-South international corridor along the western side of the Caspian Sea, which is being promoted by a tripartite joint venture of the Azerbaijan, Iranian and Russian railways. Access to sea ports for Azerbaijan is also be improved with the completion of the 105-km line section between Kars (Turkey) and Akhalkalaki (Georgia) that will provide Azerbaijan with access to Turkey's Mediterranean ports of Iskenderun and Mersin, and to the Aegean port of Izmir. The project, which will enable continuation of container block-train services from China, will eventually offer a new route from Asia to Eastern and Southern Europe when the Marmaray project of an undersea tube tunnel through the Bosphorus Straits is fully commissioned.

According to the UNESCAP report [The development economics of landlockedness: understanding the development costs of being landlocked, 2013; page: 65], Azerbaijan's development cost of being landlocked equals to 11.24%.

According to UNESCAP report [Asia-Pacific Trade and Investment Report 2015: supporting participation in value chains, 2015; page: 65], Azerbaijan has improved its connectivity level by more than 30%. Azerbaijan's ISCCI (International Supply Chain Connectivity Index), TAB (Trading Across Border) and LSCI (Liner Shipping Connectivity Index) ranks, for 2015, have been 98, 166 and 32 respectively.

According UNESCAP report [Trade facilitation and paperless trade implementation survey 2015, page: 14], Azerbaijan is implementing these advance ruling on tariff classification and advance publication/notification of new regulation before their implementation on a pilot basis.

According to the OSJD report on activities in 2014 [page: 5], "Azerbaijan Railways" has been carrying out a considerable amount of work to improve the infrastructure of the main lines of OSJD railway transport corridor No. 10 in section Baku – Boyuk-Kesik where, in 2014, 10 traction substations were constructed, allowing to provide AC traction by the electrical locomotives. The second railway bridge over the Kura River has been constructed on the 73rd km, 317 km of tracks have been modernized.

8. Conclusion

Today, the projects especially on transport initiated and carried out by Azerbaijan not only serves to the development of Azerbaijan, but also contributes to the development of the region and beyond. Considering that the significance of the East-West transport corridor is increasing day by day and Azerbaijan has been pioneering a number of initiatives to contribute the development aspirations of the

region. Azerbaijan is entering one of the most exciting periods of its history, setting on a development path that will further make it a leading player in the region.

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