The Trans-Caspian Corridor: Geopolitics of Transportation in Central Eurasia

Azad Garibov*

Having reliable and effective transportation networks for easy access to global markets is vital for modern economic development and security, particularly for landlocked states with disadvantageous geographical locations. Thus, the creation of efficient transportation corridors is very important for Azerbaijan and its Central Asian neighbors Kazakhstan, Uzbekistan Turkmenistan, Kyrgyzstan and Tajikistan in terms of obtaining secure and cost effective access to the major export and import markets, and in order to overcome the trade bottlenecks created by the geography. Consequently, ensuring the reliable export of hydrocarbon resources to world markets and establishing cargo transport corridors have been a shared goal for Azerbaijan and the former Soviet republics of Central Asia since the restoration of independence in 1991. Currently, Baku-Tbilisi-Ceyhan oil pipeline, together with Azerbaijani railways, serve as an important export route for Central Asian oil to international markets. The Trans-Caspian partnership for the delivery of Central Asian energy resources to world markets is not limited to oil. There are also ongoing talks about the possibility of transporting Turkmen gas via Azerbaijan as part of the Southern Gas Corridor project. The other priority in regard to the creation of the geopolitically and geo-economically strategic Trans-Caspian corridor is the establishment of a South Caucasus-Central Asia cargo transit route between Asia and Europe. Attracting part of multi-billion EU-China trade to transit through Central Asia and South Caucasus offers a significant revenue source for all of the regional countries, as well as promises to create an effective corridor for their own trade relations with Asian and European countries.

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Introduction

Historically, the Central Asian and South Caucasus regions were located along what was once the single most important trade artery in the world – the Silk Road, running from China to Europe. This route played a significant role in their history; trade via the Silk Road was vital for the region's economic development. Major cities that later became political centers of the ancient and medieval states of the region emerged along this major trade artery. But later, starting from the 'age of discoveries' in the 16th century, international trade gradually shifted to the open seas, leaving the South Caucasus and Central Asia behind major international economic developments. This problem is still relevant for the both regions, creating serious impediments to international trade of the regional countries and, to a certain degree, leaving them vulnerable to external influences over their supply routes.

Given that the problem is the consequence of geographical location, this paper analyzes the transit networks of the Caspian region from the perspective of geopolitics. As an approach to the study of international politics, geopolitics emphasizes the importance of geographical factors in influencing relations among nations. Historical experience demonstrates close correlation between the geopolitical objectives of a state and the establishment of a reliable transport networks.1 Having reliable and effective transportation networks for easy access to global markets is vital for modern economic development and security, particularly for landlocked states with disadvantageous geographical locations. Coastal countries enjoy more advantageous positions in this sense, since they have direct and secure access to the maritime routes through which the major part of modern international trade is conducted. Accordingly they are not dependent on the development of costly land transit networks. The creation of efficient transportation corridors is much more important for landlocked states including Azerbaijan and its Central Asian neighbors Kazakhstan, Uzbekistan Turkmenistan, Kyrgyzstan and Tajikistan in terms of obtaining secure and cost effective access to the major export and import markets, and in order to overcome the trade bottlenecks created by geography.

Building an East-West Trans-Caspian transportation corridor passing through the South Caucasus and Central Asia to

1 Voronkov (2009) Geopolitical Dimensions of Transport and Logistics Development in the Barents EuroArctic Transport Area, Moscow State Institute of International Relations (University) of the Russian Ministry of Foreign Affairs, p.2

connect Europe to Asia entails building and upgrading railways, highways and pipelines, as well as tanker and ferry transport facilities. This corridor sits right at the intersection of politics and economics. Economically, it connects the countries to world markets and stimulates economic development by fostering integration with the global economy. In political terms, it strengthens sovereignty of the regional states by opening up new supply routes, and limiting the ability of external parties to block foreign ties. The leaders of the landlocked states listed above have repeatedly expressed their will to cooperate on transportation initiatives, with the aim of creating East-West transportation routes through the Caspian Sea corridor. With this goal in mind, numerous projects have been completed to date, or are under realization or consideration by regional states.

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The first section of this article sheds light on the importance of transport corridors for landlocked countries, with particular focus on advantages and disadvantages of the Caspian and Central Asian regions. The second section examines the major energy transportation projects of the region, aimed at carrying oil and gas across the Caspian to Western markets. The third, final section focuses on the creation of an effective East-West cargo transportation corridor in the Caspian region, and the region's potential to become a trade facilitator between Asia and Europe.

Importance of transportation networks for landlocked states

Globalization implies increasing flows of people and goods across international borders. Thus, an increasing proportion of passenger and freight transportation operations face borders as impediments to movement.[2] The tradition of highly regionalized trade is becoming outmoded as the world becomes increasingly interdependent and globalized. International commerce is moving toward a globalized system in which continental trade between Europe and Asia is bound to gain significance.[3]

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Currently, maritime routes are responsible for a major part of

2 William Anderson and Jean-Paul Rodrigue (2013) Transborder / Crossborder Transportation, The Geography of Transportation Systems, at http://people.hofstra.edu/geotrans/eng/ch5en/conc5en/ch5c1en.html (accessed: August 02, 2013)

3 Ziyadov

international trade. Therefore, countries with direct access to the open seas are more advantageously located in the sense that they encounter fewer borders and related restrictions. In general, they have more percentage of their GDP traded than landlocked countries.

The situation for landlocked countries is very different. In spite of technological improvements in transport, landlocked countries continue to face structural challenges in terms of accessing world markets.[4] Without direct access to the open seas, international trade opportunities are limited. Competitiveness is directly linked to free access to the sea, along with the question of transit.[5] Due to their remoteness, landlocked countries are dependent on neighboring transit countries for external trade, which leads to high trade transaction costs. Goods exported to the international markets via the ports, or those imported to land-locked countries via the sea, must traverse the territories of bordering countries. Passing through these territories overland is generally more expensive and can entail unnecessary delays and costs. Calculations show that landlocked countries pay about 50% more in transport costs than coastal countries, with trade volumes up to 60% lower.[6] Lengthy customs and transit procedures together with expensive transportation costs are the obstacles to trade for land-locked countries, considered greater challenges than the tariffs themselves. As Anderson and Rodrigue have stated, huge transport costs, inadequate infrastructure, and bottlenecks associated with import and export requirements can collectively constitute a "serious stumbling block to their integration into the global economy, impairing export competitiveness or the inflow of foreign investment."[7] As a result, the delivery costs of imports are higher, exports are less competitive, and the appeal for foreign direct investment is weaker. Thus, effective transit is vital for the economic development of landlocked countries.

As mentioned previously, the creation of transit corridors is not

4 Michael Faye et al. (2004) The Challenges Facing Landlocked Developing Countries, Journal of Human Development, Vol. 5, No. 1, March 2004, p.31, at http://dspace.cigilibrary.org/jspui/bitstream/123456789/17540/1/The%20Challenges%20Facing%20Landlocked%20Developing%20Countries.pdf?1 (accessed: August 05, 2013)

5 Kishor Uprety (2003) From Barcelona to Montego Bay and Thereafter: A Search for Landlocked States' Rights to Trade through Access to the Sea –A Retrospective Review, Singapore Journal of International & Comparative Law, 7 pp 201–235, http://law.nus.edu.sg/sybil/downloads/articles/SJICL-2003-1/SJICL-2003-201.pdf (accessed: August 07, 2013)

6 The Global Facilitation Partnership for Transportation and Trade, The problems of landlocked countries, at http://www.gfptt.org/node/44 (accessed: August 08, 2013)

7 William Anderson and Jean-Paul Rodrigue (2013) Transborder / Crossborder Transportation, The Geography of Transportation Systems, at http://people.hofstra.edu/geotrans/eng/ch5en/conc5en/ch5c1en.html (accessed: August 02, 2013)

merely an economic development issue; requirements of modern security demand diversified access to the international arena too. Dependency on a single route makes a country vulnerable to potential blockades by other states, or at the very least, dependent on the goodwill of the transit country. For the landlocked countries, problems of distance are substantially compounded by the need to cross international borders. Landlocked countries not only face the challenge of distance, but also the difficulties stemming from dependency on transit country's will to reach international shipping markets.[8] The state that controls the transportation routes can block the flow of oil or other goods, or impose high transit fees. Routes can and have become points of leverage in times of political disagreement.

Landlocked countries not only face the challenge of distance, but also the difficulties stemming from dependency on transit country's will to reach international shipping markets.

There are 37 landlocked states in the world, three of which - Azerbaijan, Kazakhstan and Turkmenistan - are located on the shore of the Caspian Sea, which is a landlocked body of water. For the other three Central Asian states in question – Uzbekistan, Tajikistan and Kyrgyzstan - the Caspian corridor is the shortest route to the open seas. In fact, the distances between these six landlocked countries and the nearest seaports are among the longest in the world, ranging from 870 km for Azerbaijan to 2950 km for Uzbekistan.[9] Uzbekistan is doubly landlocked, because it has to go through at least two countries in any direction to reach the sea. There exists a clear and immediate need for cooperation both among these countries and with their neighbors for the benefit of all. Efforts in this direction have already been made through bilateral agreements, but an effective regional transport network can only be achieved through the development and implementation of more comprehensive regional transit corridors.[10]

8 Michael Faye et al. (2004) The Challenges Facing Landlocked Developing Countries, Journal of Human Development, Vol. 5, No. 1, March 2004, p.32, at http://dspace.cigilibrary.org/jspui/bitstream/123456789/17540/1/The%20Challenges%20Facing%20Landlocked%20Developing%20Countries.pdf?1 (accessed: August 05, 2013)

9 Susanna Lööf and Roel Janssens (June-July 2007) Transport, transit and transactions Easing trading bottlenecks in landlocked States, OSCE Magazine, p.30, at http://www.osce.org/secretariat/25780 (accessed: August 08, 2013)

10 Anwarul K. Chowdhury and Sandagdorj Erdenebileg (2006) Geography against Development: A Case for Landlocked Developing Countries, United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS), p. 80, at http://www.unohrlls.org/UserFiles/File/Publications/LLDC/05-33151_geography_sm.pdf (accessed: August 10, 2013)

№	Name of the country	Shortest distance from the sea (km)
1	Azerbaijan	870
2	Kazakhstan	3,750
3	Kyrgyzstan	3,600
4	Tajikistan	3,100
5	Turkmenistan	1,700
6	Uzbekistan	2,950

Source: OSCE at http://www.osce.org/secretariat/25780

At the same time, Central Asia has tremendous potential as a transit region itself, linking Europe with China and other Asian countries. Located in between Asia and Europe, the Trans-Caspian Corridor has every chance to become the shortest and competitive route for trade between the rising economies of Asia and developed European economies.[11]

Pipeline politics and trans-Caspian corridor

Since the collapse of communism, the former Soviet republics of Central Asia and Azerbaijan have been trying to exploit their natural resources, as they consider oil and gas to be the primary means of securing economic and political independence. Ensuring the reliable export of hydrocarbon resources to world markets has been a shared goal since the restoration of independence in 1991. However, Azerbaijan and the Central Asian countries, notably Kazakhstan and Turkmenistan have pursued their own export strategies – which have sometimes coincided, and sometimes diverged. Kazakhstan has been interested in joining the Baku-Tbilisi-Ceyhan pipeline project (BTC) - an alternative export route - since it was first proposed by Azerbaijan in mid-1990s. However, "Kazakhstan's first priority during 1990s was construction oil pipeline from Tengiz Field on the northern Caspian to the Russian Black Sea port Novorossiysk."[12] The first sign of serious progress in Azerbaijan-Kazakhstan cooperation in cross-Caspian oil transportation came in October 1998, when

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11 Anwarul K. Chowdhury and Sandagdorj Erdenebileg (2006) Geography against Development: A Case for Landlocked Developing Countries, United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS), p. 80, at http://www.unohrlls.org/UserFiles/File/Publications/LLDC/05-33151_geography_sm.pdf (accessed: August 10, 2013)

12 ShirinAkiner (Spring 2012) Kazakhstan's relations with the South Caucasus states, Caucasus International, Vol: 2 No: 1,pp: 157-175

with strong U.S. backing, Azerbaijan, Turkey, Georgia and Kazakhstan signed the Ankara Declaration on the construction of a pipeline from Baku to the Turkish Mediterranean cost. This was later named the BTC pipeline. BTC became operational in May 2005, becoming the first large-scale pipeline to break the Russian monopoly over export routes for Caspian energy resources. Since then, the pipeline has delivered over 2.1 billion barrels of crude oil (280 million tons) to the world market, the overwhelming majority of which is Azerbaijani oil, along with millions of tons of Kazakh and Turkmen oil.[13]

Kazakhstan started to export its oil through BTC in October 2008. However, in early 2010 Astana suspended its crude exports via BTC after the pipeline's shareholders raised transit fees.[14] In 2013 Kazakhstan resumed oil exports via the pipeline. According to available data, in the first two months of 2014, about half a million tons of Kazak oil were transported through the pipeline.[15] Altogether, Kazakhstan exports about 5 million tons of crude via Azerbaijan annually[16], the majority of which is transported via Azerbaijani railways to the Kazak-owned oil terminal on the Georgian Black Sea cost.

Currently, BTC serves as a single most important export route for Turkmen oil to international markets. Turkmenistan's current annual oil production is about 11.8 million tons per year, and the BTC pipeline serves as an important export route.[17] BTC transported 5.6 million tons of Turkmen oil in 2014, compared to 3.3 million metric tons in 2013. In the first seven months of 2015 (January-July) the pipeline transported 3.7 million metric tons of Turkmen oil to Ceyhan port.[18]

Trans-Caspian oil transportation is expected to grow in the near future, largely thanks to resumption of production in Kazakhstan's giant offshore Kashagan field. Kashagan is one of the largest oil fields in the world, located in the north of the Caspian Sea.

13 Report.az (February 19, 2015) Oil exports via BTC increased by 6%, available at: http://report.az/en/energy/oil-export-via-btc-increased-by-6/ (accessed April 03, 2015)

14 Azerinews (JANUARY 25, 2011) KAZAKHSTAN SEEKS TO RESUME BTC OIL EXPORTS, AT HTTP://WWW.AZERNEWS.AZ/OIL_AND_GAS/29002.HTML (ACCESSED: AUGUST 09, 2013)

15 ABC (March 13, 2014) Almost 489,500 tons of Kazakh oil already carried via BTC pipeline in 2014, http://abc.az/eng/news_12_03_2014_80007.html (accessed April 03, 2015)

16 ibid

17 BP (2015) Statistical Review of World Energy, at http://www.bp.com/content/dam/bp/pdf/energy-economics/statistical-review-2015/bp-statistical-review-of-world-energy-2015-full-report.pdf (accessed: March 10, 2016)

18 Maksim Tsurkov (August 18, 2015) Turkmen oil transportation via BTC increases, Trend, available at: http://en.trend.az/azerbaijan/business/2424933.html (accessed April 03, 2015)

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It holds an estimated 30 billion barrels of oil-in-place, of which 8-12 billion are potentially recoverable.[19] Not surprisingly, Kazakh oil minister Sauat Mynbayev stated at the energy forum in Astana in October 2012 that Kazakhstan would be interested in transporting Kashagan oil via the Baku-Tbilisi-Ceyhan oil pipeline (BTC), if there is spare capacity and on favorable commercial terms.[20] Production at Kashagan will be resumed at the end of 2016 and by 2020 it is expected to reach 13 million tons.[21] If transit fee issue is completely and successfully solved, the BTC offers a very favorable option for Kazakhstan, both economically and with security considerations in mind.

It is also worth mentioning that Baku and Astana already have a project under consideration to facilitate efficient shipment of large volumes of Kazakh oil across the Caspian to be pumped into BTC: the Trans-Caspian Oil Transportation System (TCOTS). The state energy companies of Azerbaijan (SOCAR) and Kazakhstan (KazMunaiGas) signed an agreement on the basic principles of creating TCOTS back in 2008.[22] As part of the project, new infrastructure will be built on the Kazakh coast of the Caspian Sea. Specifically, the Eskene-Kuryk oil pipeline will be constructed; the Kuryk seaport expanded, and new tankers with a loading capacity of over 60,000 tons purchased in order to ferry oil some 700 km across the Caspian Sea to importing facilities south of Baku.[23] Initially it had been planned that the system would be operational by 2012-2013, however delays in starting production at the Kashagan field delayed the timeline.

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19 Kosolapova (25 December 2012) Azerbaijan, Kazakhstan negotiate to create infrastructure to transport Kashagan oil, Equites.com, at http://www.equities.com/news/headline-story?dt=2012-12-25&val=860983&cat=energy (accessed: August 11, 2013)

20 Russia & CIS Business and Financial Newswire (2 October 2012) Kazakhstan may pump oil through BTC pipeline on certain conditions – minister, at http://business.highbeam.com/407705/article-1G1-304155888/kazakhstan-may-pump-oil-through-btc-pipeline-certain (accessed: August 13, 2013)

21 CaspianBarrel (December 09, 2015) By 2020 oil production on Kashagan field to reach 13 million tons, available at: http://caspianbarrel.org/?p=37174 (accessed April 03, 2015)

22 Azernews (November 19, 2008) AZERBAIJAN, KAZAKHSTAN BOOST EFFORT ON TRANS-CASPIAN PROJECT, AT HTTP://WWW.AZERNEWS.AZ/OIL_AND_GAS/8724.HTML (ACCESSED: AUGUST 13, 2013)

23 Invest in Kazakhstan (2009) The Caspian Corridor, Kazakhstan Chamber of Commerce in the USA , at http://kazcham.com/the-caspian-corridor/ (accessed: August 20, 2013)

via Azerbaijan as part of the Southern Gas Corridor project. Turkmenistan has announced that it is ready to provide about 40 bcm of natural gas per year for delivery to Europe (30 bcm from onshore and another 10 bcm from offshore deposits), once all the technical details of the project have been agreed and the undersea pipeline has been constructed.[24] The cost of constructing the pipeline across the sea to Turkey was calculated at $3 billion at the beginning of the 2000s, but prices have now increased.[25] Azerbaijan is ready to guarantee delivery of this gas to Europe through its existing and planned pipeline systems.[26] The main export route for Turkmen gas from Turkish-Azerbaijani border to Europe would be via the Trans-Anatolian Pipeline (TANAP) pipeline, which is to be jointly built by Turkey and Azerbaijan, and is expected to be commissioned in 2018-2019. While the initial export capacity of the TANAP is projected at about 16 bcm per year, this volume will be doubled by 2026[27]. Gas exported via TANAP will later flow into Trans-Adriatic Pipeline (TAP), and go onwards to European customers via Italy and Greece.

In 2011 the European Commission was mandated to negotiate a treaty between the EU, Azerbaijan and Turkmenistan for the construction of Trans-Caspian Pipeline (TCP) to transport natural gas to Europe within the framework of the Southern Gas Corridor project. It was the first time that the European Commission had been granted such powers with regard to an infrastructure project. In September 2012, the EU Energy Commissioner Guenther Oettinger, Turkish Energy and Natural Resources Minister Taner Yildiz, and Azerbaijani delegates held talks with President Gurbanguly Berdimuhammedov and other Turkmen officials in Ashgabat on the possibility of transporting Turkmen gas to Europe via Azerbaijan. Later that year, Azerbaijan and EU reaffirmed their commitments to cooperate closely with Turkmenistan in drafting an Azerbaijani-Turkmen-EU agreement on the planned pipeline.[28] The construction by Turkmenistan of a 773 km long

24 Keith Weber (15 November 2012) Azerbaijan & Turkmenistan Disputes and The Tragedy of the Commons,CSIS blog, at http://csis.org/blog/azerbaijan-turkmenistan-disputes-and-tragedy-commons(accessed: August 18, 2013)

25 Russia & CIS Business and Financial Newswire (2 October 2012) Kazakhstan may pump oil through BTC pipeline on certain conditions – minister, at http://business.highbeam.com/407705/article-1G1-304155888/kazakhstan-may-pump-oil-through-btc-pipeline-certain (accessed: August 13, 2013)

26 Jafar Aghadadashev (February 06, 2013) Turkmenistan Is Ready to Transport 30 bcm gas to the EU Countries –Minister (In Russian: Туркменистанготовтранспортироватьвстраны ЕС 30 млрд. кубометровгазаМинистр), 1news, at http://www.1news.az/economy/oil_n_gas/20130206024454845.html (accessed: August 20, 2013)

27 Azernews (May 12, 2014) TANAP capacity to hit 31 bcm in 2026: SOCAR, available at: http://www.azernews.az/oil_and_gas/66922.html (June 13, 2016)

28 Contact.az, (December 22, 2012) EU, Turkmenistan and Azerbaijan continue cooperation on trans-

and 30 bcm capacity pipeline in 2015, to connect its largest gas fields in the East and West of the country, has strengthened hopes for the realization of the TCP project.[29] Currently, Azerbaijan, Turkmenistan, Turkey, and EU are continuing negotiations on the Trans-Caspian gas pipeline. While this option remains on the table, the realization of the project still seems a distant and challenging goal.

Establishing the East – West trans-Caspian cargo corridor

The other priority in regard to the creation of the geopolitically and geo-economically strategic Trans-Caspian corridor is the establishment of a South Caucasus-Central Asia cargo transit route between Asia and Europe. Trade between China and Europe is now worth well over $1 billion a day; in 2014 annual trade turnover reached $526.3 billion (excluding trade in services).[30] The volume of inland transportation, especially container trade, has doubled from 65 million tons in 2002 to 135 million tons in 2015.[31] The volume of goods and products shipped by container also increased, reaching 40% of total traded cargo by 2015. Currently 95% of this trade takes place via maritime routes, chiefly the Suez Canal.

Attracting part of this trade volume to transit through Central Asia and South Caucasus offers a significant revenue source for all of the regional countries, as well as promises to create an effective corridor for their own trade relations with Asian and European countries.

Attracting part of this trade volume to transit through Central Asia and South Caucasus offers a significant revenue source for all of the regional countries, as well as promises to create an effective corridor for their own trade relations with Asian and European countries. Currently this trade is realized via ocean routes, and, partly, via the Trans-Siberian and Trans-Kazakhstan railways. Though ocean shipments are comparatively cheaper than rail or highways, it is calculated that a railway passing through Trans-Caspian corridor will deliver goods from Europe to China and vice-versa much faster than by sea. According to the Bloomberg agency, it takes 40 days for a container ship to travel from China to Europe, while to carry a

caspian gas pipeline, at http://www.contact.az/docs/2012/Economics&Finance/121800021795en.htm#.UadQ7dLwZ_4(accessed: August 17, 2013)

29 Theaustralian.com (June 10, 2016) Turkmenistan completes gas line, available at: http://www.theaustralian.com.au/news/latest-news/turkmenistan-completes-gas-line/news-story/ce151adc-c27f87ff2126e7c16d709857 (accessed: June 13, 2016)

30 EUROSTAT (June 26, 2015) EU trade with China significantly up in 2014 for both goods and services, http://ec.europa.eu/eurostat/documents/2995521/6893875/6-26062015-AP-EN.pdf/44d4c87c-98dd-4061-bdf6-b292884a5073 (accessed: August 13, 2013)

31 Brief history of Silk Road, available at: http://fileserver.net-texts.com/asset.aspx?dl=no&id=4560 (accessed April 03, 2015)

container from Europe to China via the Trans-Siberian railway takes about 20 days.[32] It is calculated that the same trip from Europe to China will take about 15 days via the proposed South Caucasus – Caspian Sea - Central Asia route. The total length of the corridor, which starts in Korea and China's northeastern provinces and continues via Vladivostok, Khabarovsk, and from Samara to Brest via the Trans-Siberian railroad, is 10800km. Meanwhile, a corridor starting from the same point in China, running through Almaty, Tukmenbashi port, across the Caspian Sea to Baku and then through Tbilisi to the Black Sea port of Poti, and onwards to the the Ukrainian port of Odessa or Bulgarian Varna, is only 6900km.[33] Thus if the regional countries can cooperate and utilize this 'distance and time advantage' versus the cost advantage of maritime routes, they can become significant transit countries for the growing Asia-Europe trade.

Thus if the regional countries can cooperate and utilize this 'distance and time advantage' versus the cost advantage of maritime routes, they can become significant transit countries for the growing Asia-Europe trade.

Moreover, certain goods, most notably, mechanical and electro-technical products such as laptops, LCD screens, and auto parts are less suitable for sea transportation due to the high probability of damage under these transportation conditions. These products constitute an important part of EU-China trade.[34] This is generating new opportunities for Central Eurasian countries to increase their role as a transit corridor.

Transport Corridor Europe-Caucasus-Asia. The first initiative to launch the Trans-Eurasian Caucasus-Central Asia trade corridor was put forth in May 1993, at the Brussels conference between three South Caucasian and five Central Asian countries, when the participants signed the EU-backed Transport Corridor Europe-Caucasus-Asia (TRACECA) agreement. This agreement represented a commitment to join forces to create an effective link between Europe and Asia by improving transport infrastructure. In accordance with the project, regional countries have considerably improved the highways that will be used for East-West transport links. Between 2000 and 2010, the cargo trade along the Azerbaijani section of TRACECA has increased

32 Bloomberg Businesses Week (December 20, 2012) The New Silk Road, at http://www.business-week.com/articles/2012-12-20/the-new-silk-road (accessed: August 20, 2013)

33 Rovshan Ibrahimov (2008), European Union – South Caucasus Relations (In Turkish: Avrupa Birliyi-Güney Kafkasya Devletleri İlişkileri), PhD thesis, Ankara University, Ankara, p. 133

34 Bao Chang (December 06, 2012) Trade across Central Asia boosted by railway landbridge to Europe, at http://www.chinadaily.com.cn/cndy/2012-12/06/content_15990626.htm (accessed: August 13, 2013)

by 78%.[35] In 2010, it stood at 51.7 million tons,[36] and reached 40 million tons in the first 9 months of 2015.[37]

Baku-Tbilisi-Kars railway. To fully realize the potential of the Trans-Caspian corridor there is need for direct - and accordingly more efficient - railway system that will allow for the transportation of larger volumes of goods in a relatively shorter period of time. In recent years, several important steps have been taken in this direction. In 2016 the opening of the Baku-Tbilisi-Kars (BTK) railway is planned; this will link the railway systems of Azerbaijan, Georgia and Turkey, creating a direct rail link between Asia and Europe. The project is a strategically important project for Azerbaijan, since the existing railway linking Azerbaijan with Turkey remains closed due to Armenia's occupation of Nagorno-Karabakh and seven other adjacent regions – roughly 20% of internationally recognized territories of Azerbaijan. Aiming to become a regional transport hub, Azerbaijan was the key proponent of the project, and in 2007 Baku allocated a $200 million loan to Georgia for 25 years, with an interest rate of one percent, to finance the construction and rehabilitation of the Georgian section of the railway. An agreement to allocate an additional $575 million to the Georgian side, over 25 years at a rate of five percent, was signed in July 2011.[38] The completion of the project will, as mentioned, establish a direct rail route between Europe and China through the South Caucasus and Central Asia and with the capacity to transport large volumes of cargo as well as passengers. BTK's throughput capacity will initially be 6.5 million tons of cargo and will peak at 17 million tons of cargo and 1 million passengers per year.[39]

To fully realize the potential of the Trans-Caspian corridor there is need for direct - and accordingly more efficient - railway system that will allow for the transportation of larger volumes of goods in a relatively shorter period of time.

Development of ports facilities. In order to facilitate these various initiatives, Azerbaijan, Kazakhstan and Turkmenistan have made significant investments in developing the capacities

35 Taleh Ziyadov (June 2011) Azerbaijan as a Regional Hub in Central Eurasia, Strategic Assessment of Euro-Asian Trade & Transportation, Azerbaijan Diplomatic, p. 31, at https://www.wikileaks.org/gifiles/attach/37/37202_Azerbaijan%20as%20a%20Regional%20Hub%20in%20Central%20Eurasia_TZiyadov_new.pdf (accessed: August 15, 2013)

36 Ibid

37 Azvision.az (May 12, 2014) Cargo transportation via TRACECA corridor reduced, available at: http://en.azvision.az/news.php?id=22532 (June 13, 2016)

38 Nigar Orujova (January 30, 2013) PROGRESS IN BUILDING REGIONAL RAILWAY'S GEORGIAN SECTION IN FOCUS, AZERNEWS, AT HTTP://WWW.AZERNEWS.AZ/BUSINESS/49102.HTML (ACCESSED: AUGUST 20 2013)

39 Nigar Orujova (October 24, 2012*)* Kazakhstan to transport goods via regional railway, Azernews, at http://www.azernews.az/business/45001.html (accessed: August 20 2013)

of their Caspian ports. Turkmenistan has reconstructed the port in Turkmenbashi, while Kazakhstan and Azerbaijan are building new seaports and renovating the older ones in Aktau, Atyrau and Alyat. The Maritime Transport Development Program for 2006–2012 and other national transport development strategy documents have been adopted by Kazakhstan.[40] A new major port in Azerbaijan, Alyat, south of Baku, became operational in 2015. The Alyat port is located on a 400-hectare plot, of which 100 have been allocated to the Alyat International Logistics Center and further 50-100 hectares for the development of a Free Economic Zone.[41] Rail and road access to the country's transport network will be built, along with ferry, cargo and container terminals and different types of berths in the port complex. The estimated cost of the port is $760 million, though this figure will likely rise.[42] Currently, after the completion of the first phase, the port's overall capacity is 10 million tons of cargo and 50,000 containers per year. When all three phases of construction are complete, the annual operational capacity of Alyat port will reach to 25 million tons of dry cargo and one million TEU - making it one of the largest non-oil cargo ports on the Caspian coast.[43]

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Kazakhstan has also completed the construction of two railway routes to the Chinese border, establishing a direct railway link between Azerbaijan and China across the Caspian Sea and Kazakhstan. In addition to the Alashankao line, which passes through Kazakhstan, China wants to build a new railway to Central Asia. The China-Kyrgyzstan-Uzbekistan will be linked to Turkmenbashi and Baku through the existing routes. When completed, the railway line will go from Kashgar in Xinjiang through Torugart and Kara-Suu in Kyrgyzstan, onto Andijan in Uzbekistan, and then across Afghanistan, Iran, the Caspian Sea, Azerbaijan, and Turkey - as far as Europe. The cargo transit capacity of the line is planned at approximately 15 million tons; it is expected to cost China $2 billion.[44] In a joint statement

40 Oil and Gas Eurasia (March 24, 2012) The Caspian Sea: Ports, Tankers and Shipments, at http://www.oilandgaseurasia.com/en/tech_trend/caspian-sea-ports-tankers-and-shipments (accessed: August 26 2013)

41 Taleh Ziyadov (June 2011) Azerbaijan as a Regional Hub in Central Eurasia, Strategic Assessment of Euro-Asian Trade & Transportation, Azerbaijan Diplomatic, p. 31, at https://www.wikileaks.org/gifiles/attach/37/37202_Azerbaijan%20as%20a%20Regional%20Hub%20in%20Central%20Eurasia_TZiyadov_new.pdf (accessed: August 15, 2013) p. 169,

42 Ibid, p. 170,

43 Ibid, p. 169

44 Roman Muzalevski (2012) China-Kyrgyzstan-Uzbekistan Railway Scheme: Fears, Hopes and Prospects, Eurasia Daily Monitor Volume: 9 Issue: 102, Jamestown Foundation,

issued by Presidents Gurbanguly Berdimukhamedov and Islam Karimov during the Uzbek leader's visit to Ashgabat on October 2012, Turkmenistan and Uzbekistan voiced their interest in the Baku-Tbilisi-Kars railway project via the implementation of the Navoi-Turkmenbashi transport corridor project.[45] The Navoi-Turkmenbashi route, which would be connected to the Baku-Tbilisi-Kars (BTK) railway, will further increase the effectiveness of rail links between Azerbaijan and Central Asia. It will allow Uzbek, Turkmen and Afghan goods to be exported to westward via the BTK, as well as through Georgian and Turkish ports.[46]

The Trans-Caspian International Transport Route (TITR). A new impetus for the creation of the East-West Caspian transport corridor came with the signing of an agreement to create a coordinating committee for the development of a Trans-Caspian International Transport Route (TITR) by Kazakhstan, Georgia and Azerbaijan in November 2013. TITR is a 4766km-long multimodal route connecting China, Kazakhstan, Azerbaijan, Georgia and Turkey, reaching Europe as its final destination. After signing the agreement, representatives of railway and shipping companies from each of the three countries as well as representatives of Baku, Aktau and Batumi seaports has several times met in order to elaborate upon the details of cooperation and assess progress. Topics reviewed during the meeting included fixing competitive tariffs for cargo shipment, and the formulation of a comprehensive tariff rate for container trains along the TITR. Participants estimate that during its initial stages of operation, TITR will be able to transport up to 5.5 million tons of cargo annually, rising to 13.5 million tons of goods and 300,000 TEU per year by 2020.[47]

The project is steadily moving forward. In August 2015, delegates from member states welcomed the 'Nomad Express', the first container train to complete a journey leg of over 4,000km along the TITR corridor. Loaded with 82 containers, the train departed

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at http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=39434 (accessed: August 30, 2013)

45 Nigar Orujova (October 24, 2012) Kazakhstan to transport goods via regional railway, Azernews, http://www.azernews.az/business/45001.html (accessed: May 21, 2013)

46 Anvar Mamedov (December 01, 2012) Ride with the wind-Azerbaijan gained the status of a hub of a new railway ferry route -Silk Wind (In Russian: Проехатьсясветерком- Азербайджан обретает статус узлового центрного железнодорожно-паромного маршрута SilkWind), RegionPlus, No 123, pp. 57-59.

47 John Daly (February 18, 2015) Azerbaijan Invests in Upgrading Its Transport Infrastructure, The Central Asia-Caucasus Analyst, available at: http://www.cacianalyst.org/publications/analytical-articles/item/13139-azerbaijan-invests-in-upgrading-its-transport-infrastructure.html (accessed: May 13, 2016)

from the city of Shihezi, northern China, and six days later arrived at Baku International Sea Trade Port in Alyat, Azerbaijan, with a stop at Aktau, Kazakhstan, along the way.[48] The same year, Alyat port also welcomed a Turkmen Ro-Pax type ferry 'Berkarar' for the first time.

Russia's conflicts with Ukraine and Turkey have prompted Moscow to close its borders to outbound transit from these countries. Ukraine and Turkey have, thus, been forced to redirect their exports to China and Central Asia, which has further increased interest in the TITR route. Since the beginning of 2016, transit of Ukrainian goods through Russian territory has been banned, on the pretext that sanctioned EU goods might enter Russia under Ukrainian labels. This pushed Ukraine to search for alternative routes for its $1.3 billion in annual exports to Central Asia and China and the country proposed using the TITR as the most viable option.[49] The first container train loaded with Ukrainian goods departed from the port of Illichivsk along the TITR route on January 15.[50]

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Before Turkey's downing of a Russian warplane on November 24, 2015, which had violated Turkish airspace, Russian territory served as the major transit route for Turkey's multi-billion-dollar trade with Central Asia. But after Moscow imposed sanctions on Ankara, including a transit ban, Azerbaijan offered its transport infrastructure to Turkish truck traffic as an alternative route to Russia and signed a protocol with Turkey on international transit, reducing tariffs for cargo transportation via the Baku port to Aktau and Turkmenbashi and by extending multiple visas for Turkish drivers for a year.[51]

Even though ferry transit is still a weak link in the TITR chain, and only 5 ferries and a 'ro-ro' ship are operating between Baku

48 Eva Grey (November 11, 2011) Can the Trans-Caspian Route deliver the next freight revolution?, Railway Technology, available at: http://www.railway-technology.com/features/featurecan-the-trans-caspian-route-deliver-the-next-freight-revolution-4684339/ (accessed: May 13, 2016)

49 Daniyar Sabitov, Паромщик ТРАСЕКА: один у переправы, IWEP, available at: http://iwep.kz/ru/kommentariy-eksperta/2016-03-02/paromshchik-traseka-odin-u-perepravy (accessed: May 14, 2016)

50 Maksim Tsurkov (January 22, 2016) First container train from Ukraine to China arrives at Baku port, TREND, available at: http://en.trend.az/azerbaijan/business/2484304.html (accessed: March 16, 2016)

51 Daily Sabah (December 8, 2015) Caspian Transit Corridor to offer new markets to Turkey, available at: http://www.dailysabah.com/money/2015/12/09/caspian-transit-corridor-to-offer-new-markets-to-turkey (accessed: March 16, 2016); Ipek Velioglu (February 8, 2016) How the Russian-Turkish crisis affects Central Asia and the Caucasus, CACI Analyst, available at: http://www.cacianalyst.org/publications/analytical-articles/item/13328-how-the-russian-turkish-crisis-affects-central-asia-and-the-caucasus.html (accessed: March 16, 2016)

and Aktau (the same number of ships are also engaged in transit of goods between Baku and Turkmenbashi), in January 2016 transit of goods between the two ports increased by 10 times in comparison with the same period in 2015.[52]

Conclusion

Modern economic development requires effective access to world markets. Modern security necessitates diversified supply routes. Landlocked countries are at a disadvantage because they lack direct - and thus secure - access to the open seas, through which the major part of international trade is realized. For landlocked countries to deliver their products to international markets and to import the commodities from abroad, they must transit the territory of at least one neighbor. This makes their foreign trade both costlier, more time consuming and vulnerable. Therefore it is vital to focus on the establishment of cost- and time-effective and reliable transit routes in cooperation with their neighbors, in order to ensure smooth and secure access to import and export markets, as well as the open seas.

In light of this, the five landlocked Central Asian states and Azerbaijan are destined to cooperate in the field of transportation - both to deliver their energy resources to the world markets as well as to gain access to the major international markets to meet their import and export needs. A number of oil and gas transportation projects have been realized or are under consideration. Ports, railways, and highways have all been upgraded in recent years in order to open up the transportation potential of this landlocked region. Currently, the Baku-Tbilisi-Ceyhan oil pipeline is the important export routes for Turkmen oil, and Kazakhstan has recently resumed its oil exports via this route. Azerbaijan, Turkey, and the EU are also conducting negotiations with Turkmenistan, which has expressed interest in joining the Southern Gas Corridor via Azerbaijan.

The other key priority is to become an important transit route for trade between Asia and Europe, by establishing the South Caucasus-Central Asia trade corridor across the Caspian Sea. This process was launched in 1993 with the signing of the TRACECA agreement. Now, with the completion of the Baku-Tbilisi-Kars railway connecting Azerbaijan with Turkey, and Alyat seaport

52 Daniyar Sabitov, Паромщик ТРАСЕКА: один у переправы, IWEP, available at: http://iwep.kz/ru/kommentariy-eksperta/2016-03-02/paromshchik-traseka-odin-u-perepravy (accessed: May 14, 2016)

connecting Azerbaijan with the Central Asian ports, as well as the upgrading of Aktau and Turkmenbashi ports on the eastern coast of the Caspian, a competitive transit route is expected to emerge in this regard. The initiation of the TITR framework by Azerbaijan, Kazakhstan, and Georgia also adds new impetus to the development of trans-Eurasian inland transportation.

It would also be highly beneficial to further develop the institutional framework for establishing regional schemes of cooperation and lifting the barriers to economic activities, particularly transnational transportation. Although the improvement of infrastructure is taking place throughout the region, differences in transport legislation and weak coordination among the respective national entities reduces the effectiveness of the regional transport corridor, and causes unnecessary delays in cargo shipments. The approximation and harmonization of legislation along with improved communication and coordination among participant countries will increase the speed of this route - one of the crucial advantages of any transport corridor. Reducing fees for transportation services throughout the corridor and achieving a maximum degree of standardization across all participant states will also make the route more attractive. Revenue losses due to reducing fees will be compensated in the future via increased volumes of transported goods.