

Azerbaijan: A Linchpin for Eurasian Transportation and Transit Routes

Colloquy with Eugene Seah,
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1) What was the reason behind selecting Alat region of Azerbaijan as a new location for the port?

Azerbaijan is located in the crossroads of international trade and is a potential hub for the international transportation routes, as well as region it is located. Its location, abundance of natural resources and dynamic new generation will help to realize hub vision. Strategic location and new infrastructure will allow Port of Baku to become a transit and logistics hub in Eurasia within One Belt, One Road project.

According to the order of the President of the Republic of Azerbaijan Mr. Ilham Aliyev on the “Construction of the New Baku International Sea Trade Port Complex” signed on 18 March of 2007, the design and, aftermath, the construction of the new port started 70 kilometers away from Baku in the Alat settlement. The construction of the Port of Baku complies with “Azerbaijan 2020: LOOK INTO THE FUTURE vision” concept for the country’s holistic development strategy. The new port will promote Azerbaijan as a hub destination between major markets such as China, Turkey, Iran and Russia and dramatically reduce product transit times. In total, cargo will be able to be transported from China to Europe, via the Port of Baku, in less than two weeks. This is the shortest and fastest trade route available today between China and Europe.

The main reason behind constructing the new port in Alat is its exceptional location. The new Baku International Sea Trade Port (Port of Baku) is situated 70 km south of Baku at the crossroads of two major transportation corridors, East-West and North-South, along the Central Corridor of the Modern Silk Road - One Belt, One Road initiative. This is the location where major railways and highway routes of Azerbaijan converge, what in turn increases the connectivity of the Port to the inland regions of the country and the region at large. There are three international rail routes into Azerbaijan, which all intersect in Alat:

- To the west, passing through Georgia to the shores of the Black Sea and Turkey through Baku-Tbilisi-Kars railway;
- To the northwest, passing through Baku to Russia;
- To the south and to the border area with Iran.

In addition, the proximity of Alat to the capital Baku, the main economic center of the country, also plays a crucial role. The fact that the majority of private companies and human resources

are concentrated in the capital, means that the new Port will yield significant benefits in terms of employment and expansion activities for entrepreneurs.

By taking into consideration these factors, we perceive Alat to be the most advantageous and convenient location for our new port for facilitating the implementation of the Port's grand hub vision – becoming a key hub in the regional and global supply chains.

2) What is the current situation in the port? Can you tell us about its infrastructure, potential, capacity etc.?

Port of Baku at Alat is being constructed over an area of 400 ha projected in two phases. The 1st development phase of Port of Baku which comprised the construction of 2 ferry berths, 2 Ro-Ro berths, 7 general cargo berths, and 1 service berth has been already finished. Additionally, the 1st phase involved railway lines, an operation building, customs holding area, an open storage yard, warehouses, a container yard, rail and road access to berths, Ro-Ro ramps, a heavy lift landing area and a truck amenities area. Overall, the initial phase was supposed to enhance throughput capacity of the Port to 15 million tons of cargo, including 100,000 TEU in containers.

First phase

| Berth Type | Number of Berths | Total Throughput |
|---------------------|------------------|------------------|
| Ferry Berth | 2 | 6.2 mln tons |
| Ro-Ro Berth | 2 | 1.8 mln tons |
| General Cargo Berth | 7 | 7 mln tons |
| Service Berth | 1 | --- |

With the realization of the second development phase in the forthcoming years, the total throughput capacity of the Port of Baku will be increased to 25 million tons of general cargo, including the addition of 10 million tons of container berth capacity.

3) What is the role of the port in development of transportation and logistics potential and, in general, non-oil sector of Azerbaijan?

On May 18th, the Azerbaijani Parliament (Milli Majlis) passed “Law on Free Economic Zone of Alat”. This law is the most progressive legal framework in the support of global trade. The free zone will be located just outside the city in the rapidly

expanding Alat, which sits at the juncture of the main highways and railways connecting the capital with eastern Europe and China. Alat Free Economic Zone (AFEZ) is expected to play a crucial role in post-oil era dependency of Azerbaijan. The port will transform Azerbaijan into a major state-of-the-art transport hub and become an indispensable part of international supply chain. It will act as a major logistics hub in Central Eurasia, serving both European and Asian markets, as well as being part of an extensive international logistics network linking Europe and Asia. In particular, Port of Baku will trade and become the major centre for consolidation, concentration and distribution, providing a wide range of value-added services, tax and customs exemptions, One-Stop-Shop for the products, such as pharmaceuticals, fertilizers etc. in the region to the markets of the South Caucasus, Central Asia, Iran, southern Russia and Turkey. These, in turn, will contribute to the diversification of the economy of the country, which has been heavily dependent on the oil sector.

4) What can you tell us about the port's relations with ports of other Caspian littoral states?

As an international port that aims to become a regional transport and logistics hub for Eurasia, Port of Baku engages actively in cooperating with various international organizations and foreign port authorities, including the ports of littoral states. Port of Baku has signed Memorandums of Understanding with different port authorities, such as Aktau Port and Batumi Sea Port. On 24th of July 2015, the trilateral Memorandum of Understanding between Port of Baku, Batumi Sea Port and Aktau Port was signed, which aimed to implement the establishment of a Coordination Committee for Trans-Caspian International Transport Route (TCITR) and to attract additional freight flow through the Trans-Caspian Corridor.

The volume of passenger transportation in two directions (Turkmenistan and Kazakhstan) increased by 45.2 percent and reached 34,470 people for January-September 2018 period. On 7th of August, 2018, the President of the Republic of Azerbaijan Mr. Ilham Aliyev has signed an order for the construction of a new state-of-the-art passenger terminal on port's territory.

In addition, Baku has hosted several meetings and conferences for ports of littoral states. For instance, official delegation led by then Kazakh First Deputy Prime Minister Bakytzhan Sagintayev paid a visit to Baku, Azerbaijan on 16th February of 2016 with an aim to get acquainted with the Baku International Sea Trade Port's experience in its operations. Sagintayev suggested learning from the Baku International Sea Trade Port's experience in handling cargo that goes to Central Asia to eliminate delays in the port of Aktau.

To further develop the ties with major ports in the region and beyond, we hosted in Baku, May 2018, the International Association of Ports and Harbours' (IAPH) conference. The event brought together more than 400 representatives of international ports, business communities, shipping and logistics companies from over 65 countries including USA, China, India, Indonesia, Philippines, Japan, Germany, France, Spain were among many other states. Port of Baku was the first port in Central Eurasia to host the IAPH conference. The main theme of the conference was "Ports of Future: building hubs, accelerating connectivity" with focus on emerging transport corridors around the world that contribute to domestic economies in free trade zones and neighbouring countries. Among other subjects, mainstream trends such as "Smart Ports", "Green Ports" as well as marine tourism were discussed. This event enabled us to showcase our infrastructure facilities to create possibilities for trade along the Silk Road and Maritime Silk Road.

5) What possible impact do you think Caspian Convention on the legal status of the Caspian Sea could have on trade?

Compromises on the status of the Caspian Sea have been persisted for 20 years, and now the ambiguities have been resolved. As a result of the signing of the Caspian Convention, a solid legal foundation for various economic development projects in the Caspian region has been formed. This may in turn have a huge impact on the boost of trade in the Caspian Sea and hence, comply with Azerbaijan 2020: Look into the future vision set by President Ilham Aliyev.

The most crucial aspect behind the ratification of Caspian

Convention is that it determines the sovereign and exclusive rights of the littoral states to use the rich natural resources of the sea. As a result, the Convention promotes a safe environment for endurance of various projects held in the oil and gas industry, as well as other offshore activities.

The Convention also defines sea borders under the sovereignty and exclusive rights of the coastal states. This ensures freedom of navigation and security, which plays an exceptional role in the development of trade and the economic development of countries in the Caspian region.

6) What are the future plans and prospects?

Serving as a major intermodal distribution hub in the heart of Eurasia, the vision is to become the largest industrial and logistics zone in the Caspian region, to offer comprehensive services to its residents and international clients, and directly contribute to the sustainable growth of Azerbaijan's non-oil economy. In addition, the New Port at Alat is designed to achieve the status of Green Port by employing various efficient technologies to reduce its carbon footprint and will have a program to reduce waste from port operations through material reuse, recycling and composting. It will be designed to allow the management, treatment, and disposal of all wastes generated during the port's operations. In the long-term, a Green Port strategic plan will be developed to achieve continuous environmental, social and economic benefits through resource conservation, waste reduction and pollution prevention.

In addition, for the ongoing Phase One, the Government of Azerbaijan is financing the project. For future phases, the project may be funded through a public-private partnership (PPP) model adopted by the government through turning to the private sector as an alternative or additional source of funding. Utilizing the PPP model is a way of developing local port and logistics private sector capabilities through joint ventures with large international firms. This has a crucial impact on diversification of the economy and the boost in its competitiveness.

The Port of Baku operates a passenger terminal that offers its services to tourists and offshore oil platform workers. In addition to that, the Port is currently testing an online ticket-

selling application for the Baku – Aktau/Kuryk and Baku – Turkmenbashi routes.

The Port of Baku's development plans to include automation of services and operations to benefit its customers and employees. The Port Management Information System (PMIS) of the Port of Baku operations demonstrates the Port of Baku commitment to new era of growing importance of automation and advanced technologies in large infrastructure projects. These systems are an open electronic platform enabling intelligent and secure exchange of information between public and private stakeholders in order to improve the competitive position of the seaport communities. In other words, these systems will enable the Port to cut down the documentation time and track the operations productivity digitally and the customers can track their cargo online.

7) What is the role of Alat Port in One Belt One Road project?

The Alat Port plays a significant role in One Belt One Road project due to opportunities at stake. Due to its outstanding location, the new Port plays a decisive role in its long-term success. Located in the centre of the new Silk Route, with no land frontier with the countries in Central Asia, Azerbaijan will serve not only as a commercial bridge between the two continents but also as a major distribution hub in Eurasia within the “One Belt, One Road” project. It is expected to create ample opportunities for international cargo transportation industry and thus, facilitate the regional trade.

Azerbaijan was one of the first countries to support “One Belt, One Road” initiative put forward by Chinese President Xi Jinping in 2013. Numerous agreements regarding the development of comprehensive cooperation between the two countries have been signed so far. There is no doubt that “One Belt, One Road” initiative creates new development opportunities for Azerbaijan.

8) Can you tell us about the importance of the middle corridor between East and West?

The middle corridor aims to revive the ancient Silk Road and to create economic corridors between Turkey, China, Azerbaijan,

Georgia, Turkmenistan, Kazakhstan, Afghanistan, India and Pakistan. The revival of the corridor is most likely to benefit all the countries involved in the project in terms of international relations, trade and hence, financial gains. The launch of the railway opens up the way for expansion of trade ties in the region. Having a free trade zone located in Alat will increase the importance of the middle corridor.

Furthermore, as trade develops, we can even trade connectivity between the North South and Middle corridor as these corridors intersect in Alat where the new port and free zone is located. The Rasht-Astara railway is part of the North-South transport corridor, which is designed to connect Northern Europe with South-East Asia, including the unification of the railways of Azerbaijan, Iran and Russia. At the first stage, it is planned to transport six million tons of cargo per year along the "North-South" corridor, and later 15-20 million tons of cargo. The cargo will pass through the territory of India and further through the Persian Gulf, Iran, Azerbaijan, and Russia towards the Scandinavian states and Northern Europe in just 14 days.

9) Azerbaijani President Ilham Aliyev has paid an official visit to Turkmenistan on 22nd of November. How would that visit contribute to the overall trade between the two countries, and particularly, the transit through Port of Baku?

The Azerbaijani-Turkmen relations are developing in various spheres, and one of the most significant directions of this cooperation is the transport-transit sector. Indeed, the summit that took place in Ashgabat was devoted to the issues of cooperation of Azerbaijan and Turkmenistan in the field of transportation of goods with an aim of enhancing bilateral trade and economic relations.

In order to enhance the current relations, a number of agreements have been prepared for signing by the presidents and members of the governments of both countries. Among the documents signed afterwards, two documents relate to the operation of the new Port of Baku. Those include “The Agreement on Automated Exchange of Information” and “The Agreement on Increasing Trans-shipment” between the ports.

The bilateral relations between Azerbaijan and Turkmenistan have already been positioned at a good level. For instance, according to the official port statistics, in 2018 around 40000 passengers used the Port of Baku's services and most of these passengers arrived from Turkmenistan. Taking this into account, the Port of Baku now has developed an online ticket system that will alleviate further passenger transportation in general, and particularly from Turkmenistan. During the official visit to Turkmenistan, it was also agreed to simplify visa regime for truck drivers from Turkmenistan which will result in enduring increase in wheeled-cargo throughput. Also by the decree of the President Ilham Aliyev new passenger terminal will be built soon in the new Port making the conditions for passengers even more comfortable and pleasant.