MASTER THESIS

Azerbaijan's Strategic Position in the 'One Belt, One Road' Initiative: The Role of Baku Port, Alat Free Economic Zone and BTK Railway in Trade, Transport and Investment Relations with China

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Chapter1

1. Introduction

Azerbaijan is a country rich in natural resources. Since gaining independence, the pace of national development has significantly accelerated. The country's oil and gas reserves have attracted substantial foreign direct investment (FDI), particularly in the energy sector. The exploration and extraction of hydrocarbon resources have strengthened Azerbaijan's financial capacity and enhanced its standing both domestically and internationally.[1] To maintain balanced political relations with neighbouring countries and to mitigate potential obstacles in exporting oil and gas, Azerbaijan has diversified its export routes through the construction of multiple pipeline projects. These include the Baku-Novorossiysk Oil Pipeline, Baku-Supsa Oil Pipeline, Baku-Tbilisi-Ceyhan Oil Pipeline, Baku-Tbilisi-Erzurum Gas Pipeline, TANAP, and TAP. These pipelines have not only facilitated energy exports but also created opportunities to develop new infrastructure that supports the diversification of the economy and the growth of non-oil sectors[2]. Azerbaijan's strategic geographic position—located at the crossroads of East–West and North–South corridors—adds significant value to its involvement in regional and global transportation initiatives. The country actively participates in major projects such as the Middle Corridor, the Trans-Caspian International Transport Route (TITR), the Transport Corridor Europe-Caucasus-Asia (TRACECA), the Trans-Caucasus Trade and Transit Corridor (TCTC), and the Belt and Road Initiative (BRI). These trade routes play a vital role in enhancing economic connectivity, particularly between distant markets, and offer important opportunities to strengthen various sectors of the national economy[3].

Owing to its modern infrastructure, Azerbaijan contributes substantially to the implementation of these corridors by facilitating trade and attracting foreign investment. The Baku-Tbilisi-Kars (BTK) railway planned in 2007—six years before the announcement of the BRI—reflects Azerbaijan's early commitment to regional integration however, launched in 2017[4]. The country's upgraded infrastructure has become an integral part of the Middle Corridor, also known as TITR. Currently, there are three primary international trade routes: the northern route, which begins in China and passes through Kazakhstan, Russia, and Belarus to reach Europe; the southern route, mainly maritime, which connects China to Europe but is considerably longer and slower; and the central route, which starts in China and crosses Kazakhstan or Turkmenistan, then the Caspian Sea, the Port of Baku, and via BTK reaches Georgia and Türkiye. This central corridor is shorter, safer, and more efficient, playing a critical role in connecting East and West. In an effort to modernize infrastructure and improve the competitiveness of trade corridors, regional countries have invested heavily in seaports, railways, and highways. While China has invested significantly in infrastructure in Kazakhstan and Turkmenistan under BRI projects, it is important to note that Azerbaijan's major infrastructure developments have largely been financed by the State Oil Fund of Azerbaijan

[1] Modern Diplomacy. (2023). Azerbaijan's Favorable Climate for Foreign Investments.
[2] Suleymanov, E., Aras, O. N., & Huseynov, R. (2013). The importance of Azerbaijan's energy revenues in Its exports volume and the effects on the national economy.
[3] Guliyev, V. (2023). *Middle Corridor: From Western-initiated TRACECA to China's Belt and Road Initiative*. Baku Research Institute.
[4] Eurasian Research Institute. (2017). Recent Developments in the Baku-Tbilisi-Kars Railway Project.

(SOFAZ)[5]. Through these investments, Azerbaijan has implemented major projects—including BTK, the Port of Baku, and the Alat Free Economic Zone—intended to boost the non-oil sector and position the country as a vital transit hub. These initiatives aim to generate economic profit and diversify the economy by facilitating trade, logistics, and production. The Alat Free Economic Zone exemplifies this strategy. Designed to attract foreign investment, it offers incentives such as tax exemptions, customs privileges, and special regulations that create a competitive business environment. At the same time, bilateral relations between Azerbaijan and China have advanced considerably in recent years. The most recent visit of President Ilham Aliyev to China in April 2025 marked a new stage in the partnership. Finally, a significant development in 2023 was the restoration of Azerbaijan's full territorial integrity. This achievement has paved the way for the potential realization of the Zangezur Corridor, which would further strengthen the East–West connectivity of the region[6].

The purpose of this research is to highlight the significant role of Azerbaijan in the Belt and Road Initiative and demonstrate the opportunities of Azerbaijan's geographical location and the importance of avoiding challenges on this route. The study aims to demonstrate how to reinforce China-Azerbaijan relations to diversify the non-oil economic sectors. This study mostly looked at the importance of Azerbaijan's participation in regional routes and evaluated the effectiveness of vital infrastructure projects—such as the Baku–Tbilisi–Kars (BTK) railway, Baku Port, and the Alat Free Economic Zone (AFEZ)—through identifying current shortcomings and strengthening bilateral trade and investment ties with China.

This research aims to explore the economic and financial benefits of Azerbaijan's participation in China's Belt and Road Initiative (BRI), identify the main challenges, and examine potential strategies to address existing gaps. It also investigates how key infrastructure projects influence Azerbaijan–China bilateral trade and investment relations[7].

The economic benefits and the main challenges of Azerbaijan's participation in China's Belt and Road Initiative (BRI), besides the address to existing gaps of Baku Port, Alat Free Economic Zone (AFEZ), and Baku–Tbilisi–Kars (BTK) railway and their impacts to bilateral trade and investment relations with China

1.1 Methodology

This paper will use a qualitative methodology to conduct this research, collecting primary data through semi-structured face-to-face interviews. The research adopts a theme-based qualitative approach to gather objective insights from key stakeholders involved in Azerbaijan's infrastructure and transport development. Interviews will be conducted with representatives from the Baku–Tbilisi–Kars (BTK) railway, Baku Port, the Alat Free Economic Zone (AFEZ), the Ministry of Economy, and the Ministry of Digital Development and Transport. These interviews aim to gather in-depth information on the current challenges facing Azerbaijan's participation in regional transport routes under the Belt and Road Initiative (BRI), as well as proposed solutions to overcome these obstacles. Given their institutional roles and direct

[5] Azerbaijan.az. (n.d.). *State Oil Fund*.
[6] Guliyev, V. (2025). Azerbaijan's Contribution to Regional Connectivity. Caspian Alpine.
7 Zhang, Z. (2025). Bridging Eurasia: China–Azerbaijan Relations, the Middle Corridor, and the Belt and Road Initiative. The Hague Research Institute for Eastern Europe, the South Caucasus & Central Asia.

involvement in pertinent infrastructure projects, the chosen participants are anticipated to offer knowledgeable and experience-based viewpoints.

2. History and Middle Corridor

The Silk Road emerged in China, crossed Central Asia, and extended to the Mediterranean coastal regions. Azerbaijan has always been crucial in this road, participating both physically and culturally while also reaping its benefits. “Silk” symbolized all the commodities traded over this route. Started in the II century BC, the trading route linking East Asian countries with the Mediterranean was used mainly for the shipment of silk from China to Persia, Europe, and Africa. Initially invented in China, silk was highly demanded after by global civilizations and became extremely profitable goods for Chinese trade. Therefore, in the 19th century, the German researcher and scientist Ferdinand von Richthofen designated this route as the Great Silk Road. In the past, the Silk Road crossed the territory of Azerbaijan. The Temple Ateshgah and Saraies (motels) in the village of Surakhani, which have kept to this day, stand as a reminder of the historic Silk Road connecting China, India, and Azerbaijan, where merchants rested on their long journeys.[8]

Before starting on the importance of the Belt and Road Initiative and its relationship with Azerbaijan, it is necessary to emphasize the routes opportunities implemented by Azerbaijan and its stakeholders. One of the most cited routes is the middle corridor. The Middle Corridor shows Türkiye's interest in connecting China to Europe via Central Asia and the South Caucasus. Türkiye and China signed a memorandum of agreement in 2015 that matched Türkiye's Middle Corridor Initiative with the One Belt One Road Initiative, including transportation and logistical cooperation as well as joint organizations including interpersonal exchanges. The Middle Corridor is a trade route project beginning in Türkiye, passing through Georgia and Azerbaijan in the South Caucasus, crossing the Caspian Sea to connect with Turkmenistan, Kazakhstan, and Uzbekistan, and finally reaching China while incorporating Afghanistan and Pakistan[9]. The Middle Corridor originated from the Silk Road Customs Initiative created by the Turkish Customs Administration in 2008, which included Türkiye, Azerbaijan, Georgia, Kazakhstan, and Kyrgyzstan[10].

Transport volume over the Middle Corridor has greatly evolved, reaching 2.76 million tons in 2023—a 65% increase over 2022. This new record for freight traffic along the corridor demonstrates its capacity to meet the growing demands of international trade. The capacity of the corridor is now estimated to be 5.8 million tons yearly, but by 2027, it is expected to rise to 10 million tons[11]. With transit times ranging from 14 to 18 days, this route is becoming more popular due to continuous infrastructure improvements and the unpredictability of other lines like the Northern Corridor. A paper titled "The Middle Trade and Transport Corridor: Policies and Investments to Triple Freight Volumes and Halve Travel Time by 2030" was published by the World Bank in November 2023. The Middle Corridor, which gained attention after Russia's

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[8] Sharma, B., Kundu, N. (2017). China’s One Belt One Road. New Delhi.
[9] Erdogan, R. T. (2017). “A New Era will be Heralded in Our Region Based on Stability and Prosperity”, Speech at the Belt and Road Forum for International Cooperation in Beijing, Presidency of the Republic of Turkey.
[10] China Daily. (2017, June 1). *Belt and Road will make Turkey-China cooperation a success*.
[11] The Astana Times. (2024, February 2). *Cargo transportation through Middle Corridor soars 147% in January.*

invasion of Ukraine, is emphasized in the report as a vital transportation route connecting China and Europe. The analysis emphasizes the need for massive efficiency improvements to fully achieve the corridor's potential as a major global trade route, even as it highlights the rising traffic along the corridor. According to World Bank estimates, freight volumes might increase to 11 million tons by 2030 and transit times between China and the western border of Europe could be cut in half. During 2024, 7,980.6 thousand tons of freight were transported by the Middle Corridor[12]. Out of this, 31.7% was transported by road, 45.2% by rail, and 23.1% was transported by sea. Regarding the volume, transit cargo accounted for 60.2%.

Also, it is crucial to mention that Azerbaijan participates in the China–Central Asia–West Asia Economic Corridor, precisely the Trans-Caucasus Trade and Transit Corridor (TCTC), which links China to Europe through a network of seaports, railways, highways, and potentially pipelines for oil and gas. China considers this corridor as an alternative to the New Eurasian Land Bridge, although it is a more expensive choice compared to a completely ocean route[13]. On an annual basis, China ships over 10 million TEU (twenty-foot equivalent units) of commodities by sea and over 400 thousand TEU along the New Eurasian Land Bridge. However, the TCTC cargo volume was around 500 TEUs in 2018[14]. The TCTC has the potential to be used as an alternative to the China-Russia-Belarus route. It would connect Azerbaijan to Europe, specifically Southern Europe, through Georgia and Türkiye, and to China via the Caspian Sea and Kazakhstan. The TCTC began at the Baku-Alat port in Azerbaijan. To the east, the port is connected by a ferry along the Caspian Sea to Kazakhstan's port of Aktau, and then through railways to China. The TCTC route extends 511 kilometers westward from Baku-Alat port to the Georgian border via railway. In Georgia, the road divides in Samtredia into two branches: one continuing to the Georgian ports of Batumi and Poti, and the other going to Kars in Türkiye and to the west to the EU. Cargo can be carried from the Black Sea ports in Georgia to Ukraine and Romania and thereafter via rail or road to final destinations within the EU. The distance from Beijing, China, to Warsaw, Poland, by the first option is approximately 9,500 km, while the path through the Trans-Siberian Railway equals about 9,000 km. Via the war between Russia and Ukraine, the TCTC has gained many more advantages to act as the main route that connects East and West as an alternative to the marine route[15].

2.1 Overview of Belt and Road Inititative

In 2013, Chinese President Xi Jinping introduced the "One Belt – One Road" (OBOR) initiative at Nazarbayev University in Kazakhstan. China's One Belt, One Road strategy is a significant turning point in Asian industry, representing an economic and diplomatic dedication that has the potential to transform trade. The implementation of the Chinese project is expected to boost trade and investment in different countries along the Belt and Road. The Belt and Road connects the continents of Asia, Europe, and Africa, linking the East Asian economic realm to the developed European commercial a circle, while embracing nations with substantial

[12] APA. (2025). Middle Corridor: The Modern link of Azerbaijan-China relations -COMMENTARY
[13] Lianlei, B. (2016). Azerbaijan in the Silk Road Economic Belt: A Chinese Perspective. Caucasus International
[14] CPCS, (2019). Current Conditions in the Trans-Caucasus Transit Corridor and Gap Analysis Report.
[15] World Bank. (2023). *Belt and Road Initiative Azerbaijan Country Case Study*.

opportunities for growth. “One Belt – One Road” is the initial ambitious megaproject that connects the peoples of Asia with Europe and Africa through economic trade and cultural ties, an unprecedented phenomenon in the history of mankind. “We can use the innovative partnership model to jointly construct the New Silk Road economic belt, which will reinforce economic connections between Europe and Asia and improving our partnership for greater improvement. This significant project benefits all individuals along in this route[16]. The significance of the Central Asian region for the Belt-Road Project is demonstrated by the fact that it was announced in Kazakhstan and was created by the China Ministry of Foreign Affairs' Europe-Central Asia and Asia Departments[17]. Official statistics demonstrate that around 65 countries globally participate in the "One Belt—One Road" initiative, comprising new economies, developing nations, and developed countries. «One Belt - One Road» covers 30% of global economic capacity, 55% of world GDP, around 70% of the global population, and around 75% of the world’s energy resources. By December 2023, 150 nations had signed a memorandum of understanding with China to join the initiative, including Iran and all eight Central Asian and Southern Caucasus nations[18]. After being first announced in 2013, the Belt and Road Project started to take shape in 2015[19]. In May 2017, a worldwide summit for "One Belt – One Road" was held in Beijing, addressed by the leaders of 30 states and governments and more than 1,200 delegates from various countries across Asia, Europe, North America, Latin America, and Africa. The parties discussed on effective strategies for advancing the "One Belt - One Road" initiative. "One Belt – One Road" emphasizes the mutual advantages of international collaboration and the growth of global partnerships. During the “One Belt – One Road” Summit in Beijing, Xi Jinping stated that, in the past years, Chinese investments in the countries that are part of the initiative equalled over $50 billion. In the forthcoming years, there are goals for raising this sum to $150 billion. The "One Belt – One Road" initiative comprises around 900 various infrastructure projects, including highways, trains, ports, power stations, and bridges across over 60 nations. For the execution of this project, the expert estimates costs range from $2 trillion to $3.5 trillion[20]. The Chinese "One Belt – One Road" initiative aligns itself with the heritage of the old "Silk Road," portraying the project as one focused on equal treatment, mutual benefit, tolerance, and the exchange of cultural knowledge and traditions. The goal of the "One Belt, One Road" project reaches across the balanced interactions of products, services, and ideas. The idea is to establish new markets and channels for Chinese products in Asia, mainly due to declining demand in Europe and the United States. Moreover, the Chinese government supports initiatives that foster trade, integration, and investment with countries that are partners. It is distinguished by its substantial institutional architecture. The Asian Infrastructure Investment Bank, Silk Road Fund, and the University Alliance of the Silk Road have been created for the implementation of the project. The project emphasises "five connectivity": the core connections, policy communication, easy economic and commercial

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[16] Ferdinand, P. (2016). Westward ho—the China dream and ‘one belt, one road’: Chinese foreign policy under Xi Jinping. *International Affairs*, *92*(4), 941–957.
[17] Li, M. (2020). The Belt and Road Initiative: Geo-Economics and Indo-Pacific Security Competition. International Affairs
[18] Nedopil, C. (2023). Countries of the Belt and Road Initiative. Green Finance & Development Centre.
[19] Garlick, J. (2020). The Impact of China’s Belt and Road Initiative: From Asia to Europe. London: Routledge.
[20] Imomov, I. (2018). Impact of «One Belt, One Road» initiatives to the economy of Central Asian countries. *International Journal of Business and Economic Development.*

exchanges, financial integration, and infrastructural integration. It also introduces "three communities": common interests, destiny, and duties. "One Belt, One Road" covers six key economic trading corridors: 1. New Eurasian Land Bridge - connects China to Europe via Kazakhstan, Russia, Belarus, and Poland; 2. China-Mongolia Economic Corridor - transports goods from Mongolia to Belt and Road countries; 3. China-Central Asia-West Asia Economic Corridor - facilitates trade between Central Asia and West Asia;4. China-Pakistan Economic Corridor - connects China to the port of Gwadar in Pakistan. 5. Indochina Peninsula Corridor—Improves Southeast Asian connectivity. 6. ESA-SSA The Trade Corridor runs from Bangladesh to China, India, and Myanmar. The New Eurasian Land Bridge and China-Mongolia Economic Corridor have reached the EU, demonstrating the Belt and Road Initiative's commercial connectivity improvements[21]. Moreover, three corridors provide communication between China and CEE on the Eurasian continent. These encompass the China-Mongolia-Russia corridor, the China-Central Asia-West Asia economic corridor, which travels through Iran and Türkiye before reaching in CEE, and the New Eurasian Land Bridge, which connects China to Eastern Europe via Kazakhstan and Russia[22]. Geopolitically, the Central Asian and South Caucasian countries that make up this economic corridor are positioned in a key transitional location on the land belt that connects China and Europe. Together with South Asia, the Middle East, and Eastern Europe, these nations—which have achieved significant prominence since the Russian-Ukrainian War—make up one of the project's critical regions. In addition to other nations in the China-Central Asia-West Asia Corridor, it provides an alternate route to Russia[23]. Particularly among these areas, Central Asia acts as a "strategic gateway" to Eurasia.

Despite China's representation of the Belt and Road Initiative (BRI) as a win-win project, some analysts argue that it has made developing and underdeveloped nations more dependent on China by linking their economic growth to the nation and possibly binding them in debt[24] . The BRI initiative was created to address a number of China's interests and demands. According to research, the Belt and Road Initiative will help boost China's exports[25]. The Chinese government released its 'Vision and Actions of the Belt and Road,' which indicates the objectives of China's extensive plan[26]. Nevertheless, the majority of scholars assert that the Belt and Road Initiative reflects China's global ambitions[27]. The BRI was designed to promote economic growth by investing in infrastructure across multiple countries, as mentioned in a

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[21] Qi, Z. (2019). Analysis of the Causes of the China-U.S. Trade War from a Geoeconomics Perspective. Nanjing University

[22] Garlick, Jeremy. (2020). The Impact of China's Belt and Road Initiative: From Asia to Europe. London: Routledge

[23] Horak, S. (2023). Turkmenistan in Eurasian Railway Geopolitics." Central Asian Survey.
Uygun and Ahsan, Jahanzeb, A. (2021). "Analyzing the Railway Network of the Belt and Road Initiative." Cogent Business & Management

[24] Chellaney, B. (2017). "China's Creditor Imperialism." Project Syndicate. ; Sutter, R. (2023). Why America Opposes the Belt and Road Initiative (BRI)." In The Palgrave Handbook of Globalization with Chinese Characteristics.

[25] Wang, J. and Xi, T. (2022)."Impacts of the Belt and Road Initiative on China's Bilateral Trade." Journal of the Asia Pacific Economy; Wang, M. L., Qian Q., and Chang H. C. (2019). "How Will the Belt and Road Initiative Advance China's Exports?" Asia Pacific Business Review

[26] Zeng, D. Z. (2016). Special economic zones: Lessons from the global experience. PEDL Synthesis Paper

[27] Du, M., (2016). "China's "One Belt, One Road" Initiative: Context, Focus, Institutions, and Implications", the Chinese Journal of Global Governance

variety of research publications. By October 2023, when the project celebrated its tenth anniversary, an estimated $1 trillion had already been invested in the BRI.

2.2 Azerbaijan's Strategic Role Related to the Belt and Road Initiative

The BRI project aligns with Azerbaijan's objectives to reduce reliance on hydrocarbon incomes and develop non-oil sectors. Thus, this project has been welcomed in Azerbaijan. Azerbaijan aims to reduce Russian influence[28]. Valiyev (2016) states that, considering Azerbaijani policy designed to balance the interests of various actors, China is not seen as significant a threat to the EU's position in the region in comparison with the EAEU or Russian presence. Chinese observers see Azerbaijan's attempts to balance the interests of different regional actors favorably[29]. The Trans-Caspian route and other east-west and north-south corridors intersect strategically with Azerbaijan[30]. Compared to other South Caucasus countries, China has an older and broader history of relations with Azerbaijan. Azerbaijan seeks Chinese investments in various economic sectors. Chinese investments started in 2002 and reached USD 300 million in 2016, according to Yu Chunchi, a Chinese Embassy official in Azerbaijan[31]. Azerbaijan's involvement in the Belt and Road Initiative began with the signing of the "Memorandum of Understanding on Joint Encouragement of the Establishment of Silk Way Economic Belt" after President Ilham Aliyev's visit to China in 2015[32]. Ilham Aliyev highlighted Azerbaijan's full endorsement of China's effort during President Aliyev's participation in the second BRI Forum; approximately 10 agreements were executed, including a Strategic Partnership Agreement between ADY Container, a subsidiary of Azerbaijan Railways Company, and Xi'an Continental Bridge International Logistics Co., Ltd, as well as a Strategic Memorandum of Cooperation between China Telecom and AzerTelecom, the major internet provider providing Azerbaijan's connection to the global network, regarding the development of the Asia-Europe telecommunications corridor and the transmission of China's internet traffic via Azerbaijan[33]. Following a meeting with Chairman Xi Jinping of the People's Republic of China in Beijing on April 24, 2019, President Aliyev emphasized his clear support for the Belt and Road Initiative and characterized the political relations between China and Azerbaijan to be of "high-level" importance[34]. Moreover, the President noted in his speech that "this project offers more than just transport connections." It builds up relationships among nations, promotes conversation and collaboration, and generates new prospects for global trade[35]. This visit of the President of Azerbaijan to China concluded with a mutual commitment to enhancing existing partnerships. The trade turnover between Azerbaijan and China has been growing rapidly,

[28] Valiyev, A. (2016). "Azerbaijan: Perspectives on Eurasian integration", European Council on Foreign Relations (ECFR)
[29] World Bank (2020). South Caucasus and Central Asia: Belt and Road Initiative Azerbaijan Country Case Study
[30] World Bank (2020). South Caucasus and Central Asia: Belt and Road Initiative Azerbaijan Country Case Study
[31] Shahbazov, F. (2016). "Baku-Beijing Relations and China's Growing Interest in the South Caucasus", Jamestown Foundation.
[32] Azertag (2019). "Azerbaijani President Ilham Aliyev gave an interview to the Chinese Xinhua"
[33] World Bank (2020). South Caucasus and Central Asia: Belt and Road Initiative Azerbaijan Country Case Study
[34] President.az (2019). "Ilham Aliyev met with Chairman of People's Republic of China Xi Jinping in Beijing"
[35] President.az (2019). Speech by Ilham Aliyev at the 2nd "One Belt One Road" Forum in Beijing

reaching $1.3 billion in 2019. From a Chinese point of view, Azerbaijan provides several partnership opportunities for the implementation of this project, considering its strategic location connecting European and Asian trade routes, the existing transportation infrastructure from the Caspian Sea to the West, reinforced by Azerbaijan's support, and its significant interest in fostering cooperation on transportation corridors, interconnectedness, and trade between the East and the West[36]. Additionally, it is essential to emphasize that the shortest convenient railway route between China and European nations passes through Azerbaijan. With its active collaboration in the EU's regional transport and energy projects, such as the Baku-Tbilisi-Ceyhan oil pipeline, TRACECA, TAP, TANAP, and others, Azerbaijan is a reliable political counterpart for China, having substantially contributed to European energy security.

Since the 1990s, the development of the oil and gas sector has significantly contributed to expanding Azerbaijan's financial strength, promoting economic growth, encouraging political stability, and facilitating active involvement in infrastructural projects. Azerbaijan is seeking to establish itself as a transit centre as part of its diversification strategy, utilizing its oil resources to invest in the development of contemporary transportation infrastructure to diversify its economy. From an Azerbaijani point of view, the BRI is a beneficial initiative that might enable Azerbaijan to address its finance gap[37]. Azerbaijan's main goal is to establish itself as a logistical hub between Europe and Asia, so empowering the country to make a profit on transportation and transit income. Azerbaijan perceives China's Belt and Road Initiative as a means to diversify its oil-dependent economy. During his participation in the session titled "Advancing the Belt and Road Initiative: China's Trillion-Dollar Vision" at Davos on January 22, 2019, President Ilham Aliyev declared, "We are investing in domestic infrastructure to build roads, highways, and airports, and to enhance gasification and power generation." We have additionally invested in transportation infrastructure. This will facilitate freight transportation from the East to the West, from the North to the South, and from the South to the North"[38].

Azerbaijan became no longer just a distant friend but instead a new and immediately significant partner of China as the BRI progressed from conception to reality. Azerbaijan is turning into the new hub between the East Asian and European economic cycles[39]. The former countries have seen a change in their external business relationships since the Soviet Union split up. The Central Asian countries and Azerbaijan are located exactly where Europe, Russia, and China intersect. While Central Asian countries seek to achieve a balance between Russia and China, Azerbaijan is working to achieve a balance between its relationships with the EU and Russia. With China's consistent economic growth, Russia's recession, and Europe's stagnating economy, the geoeconomics structure is still evolving. As a result, the EU and Russia circle will remain the same or even shrink, while the East Asian circle will grow. In this situation, the three circles' areas of intersection will shift towards the west, establishing a new combined area that involves Azerbaijan and the Caspian Sea's western coastline. The major country in the

[36] World Bank (2020). South Caucasus and Central Asia: Belt and Road Initiative Azerbaijan Country Case Study

[37] Valiyev, A (2019). "Azerbaijan through the Prism of BRI: China's Mounting Interests and Influence in the Region"

[38] President.az (2019). Ilham Aliyev attends 2nd 'One Belt and One Road' Forum in Beijing

[39] China Daily. (2025). China–Azerbaijan relations: A model of strategic partnership.

China-Central Asia-West Asia economic corridor (CCW corridor) is Azerbaijan. The Saudi Arabian Peninsula, Iran and the Persian Gulf, Transcaucasia and Türkiye, and five central Asian nations are all represented in this corridor, which is one of the six economic routes of the Belt and Road. The CCW corridor is a land-based alternative for the traditional maritime routes that are usually utilized for transportation between China and West Asia. Baku is the quickest way to get from China to West Asia. The railways that connect the ports of Aktau and Turkmenbashi are open, and goods may be shipped by ferry to the Baku International Sea Trade Port, from where they may proceed westward to Türkiye and Europe. The Nomad Express, which was carrying goods manufactured in China (Shihezi), crossed through the port of Aktau and reached Baku in August 2015, announcing the official launch of the Trans-Caspian International Transport Route (TITR). Moreover, the port of Turkmenbashi in Turkmenistan, which links to a railway that starts in Kazakhstan, offers another route and serves as an alternative to the Aktau options. Baku's position as an important hub for transportation has surely been strengthened by the competition between these two ports on the Caspian Sea's eastern shore. To give Indian Ocean countries land-based access to Europe and Central Asia, the North-South Transport Corridor (NSTC), which is presently being developed, uses Azerbaijan as the point of intersection connecting Russia and Iran[40].
In the regions east of the Caspian Sea, China has started and promoted the integration of routes. Azerbaijan fulfils a comparable position to the west of the Caspian Sea. In this framework, China and Azerbaijan are logical partners. Azerbaijan's efforts for interconnection cover oil and gas transportation as well as railway expansion. Since gaining independence, Azerbaijan has overwhelmingly aimed its worldwide transport infrastructure programs towards Europe. The Baku-Tbilisi-Ceyhan pipeline (BTC), a route for transferring Caspian oil to European markets, began operations in 2006[41]. Simultaneously, the South Caucasus Pipeline, also known as the Baku–Tbilisi–Erzurum Pipeline, launched operations, transferring Caspian gas to European consumers[42]. Azerbaijan has signed multiple trans-Caspian international transport agreements with Kazakhstan and Georgia and started the Trans-Caspian transport consortium to facilitate the operations of the TITR from China to Europe[43]. The BTK railway is the most advantageous corridor from the South Caucasus to Europe; nonetheless, both Turkmenbashi and Aktau could facilitate a connection to Baku. Kazakhstan aims to enhance its strategic position and recognizes the possibility of a trans-Caspian route, thereby initiating the Aktau-Baku route[44].
As mentioned above, China has emerged as a significant economic player in the global market, and Azerbaijan undoubtedly holds importance for Chinese international initiatives with its development of a modernized transportation system, including trains, seaports, airports, and roadways. The Baku–Tbilisi–Kars railway, completed in 2017, seeks to create a regional trade corridor from Azerbaijan to Türkiye, enhancing transport from Central Asia and China to Europe. This route allows the shipment of 6.5 million tons of cargo annually. The goal is to

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[40] Lianlei, B. (2016). Azerbaijan in the Silk Road Economic Belt: A Chinese Perspective. Caucasus International
[41] British Petroleum (n.d.) Baku-Tbilisi-Ceyhan pipeline, British Petroleum (BP) Azerbaijan
[42] British Petroleum. (n.d.). *South Caucasus Pipeline (SCP)*.
[43] Caspian Policy Center. (2017, April 17). *Azerbaijan, Kazakhstan, Georgia ink protocol on Trans-Caspian transport route*.
[44] The Astana Times. (2024, May 15). *Kazakhstan's role in shaping Trans-Caspian Transport Route*.

boost freight volume to 17 million tons in the long run[45]. The Alat Free Economic Zone, built within the Alat International Sea Trade Port, will make possible the transit of products ranging from 15 million to 25 million tons annually[46]. These improvements, in addition to a stable political environment and geo-economic factors, strengthened the country's viability and established it as a transportation position on the China-Europe trade route. The creation of the transport hub will enable Azerbaijan to emerge as an essential transit hub in the international logistical routes "East-West" and "North-South." Azerbaijan has developed seven international airports. The established shipyard enables the production of various vessel types for improving freight transit in the Caspian Sea while also facilitating connection with Central Asian and European nations. The efficiency index of Azerbaijan's Rail Service, as per the Global Competitiveness Report 2019, is 70.8. An efficiency index can be calculated by combining the following indicators: frequency, punctuality, speed, and price. Azerbaijan got 11th place among 141 countries in this metric[47]. Azerbaijan's geo-economic significance in executing substantial logistical initiatives, like the Baku-Tbilisi-Kars railway and the establishment of the Alat free economic zone at the Alat international sea trade port, is extremely attractive for many different nations. These developments expanded the region's potential to serve as a hub on the China-Europe trade route. 96 % of the trade between China and Europe is carried through maritime lines. The modernized transport infrastructure will strengthen the potential for multimodal transport in Azerbaijan and facilitate the increase of cargo flows. The Caspian countries are more inclined to use Azerbaijan as a transit channel. Kazakhstan intends to enhance the transportation capabilities of Azerbaijan. In 2013, Kazakhstan conveyed around 3.5 million tons of oil, predominantly via railways. As Kazakhstan owns its own terminal at the Black Sea Port of Batumi, it must transit oil via Azerbaijan to access the terminal[48]. The Azerbaijani logistics sector is aligned for a unified system of transit and logistics hub for enhanced comprehensiveness. Azerbaijan must continually seek cargo to establish itself as the transport and transit hub in the area. To mitigate these processes and enhance the relations, the national railways of Kazakhstan, Georgia, and Azerbaijan signed a joint venture agreement on October 26 in Tbilisi to develop multimodal service on the Trans-Caspian International Transport Route (TITR), also known as the Middle Corridor, according to the company's press service[49]. According to this joint venture that will consolidate their customs and electronic systems so that commodities from China can across through a unified checkpoint. Moreover, China encourages Azerbaijan to a multilateral trading system run by the World Trade Organization (WTO). This could inspire Azerbaijan to speed up the prolonged application processes for membership in the organization, which were postponed in 1997 due to Baku's desire to protect its non-oil and agricultural industries. The influence of China might end up being the deciding factor[50].

[45] Parkhomchik, L. (n.d.). *Recent developments in the Baku–Tbilisi–Kars railway project*. Eurasian Research Institute.
[46] Alat Free Economic Zone. (n.d.). *Transportation and Logistics*.
[47] Schwab, K. (2019). The Global Competitiveness Report 2019 (Insight Report). Switzerland: World Economic Forum.
[48] AzerNews. (2014). Kazakhstan increases oil transportation through Azerbaijan.
[49] The Astana Times (2025). Azerbaijan, Georgia, Kazakhstan Create Joint Venture to Develop Middle Corridor's Multimodal Service
[50] Zaur, S. (2024). What Can Azerbaijan Expect from Its New Partnership with China?. CARNEGIE politika

2.3 Azerbaijan Logistical Infrastructure: Baku Port, BTK Railway, AFEZ, Zangezur Corridor

After Azerbaijan acquired independence, the development of transportation infrastructure was one of the main interests of government authorities. The exploration of oil and gas wells, the attraction of FDI, and the flow of income to the country pave the road to investing in infrastructure projects and developing international routes. As a result, Azerbaijan developed Baku Port, BTK Railway, AFEZ, and intended to develop Zangezur Corridor. Besides these infrastructure projects, the oil and gas pipelines are crucial as well. The BTK, Baku Port, Baku Cargo terminal, and other existing infrastructure can provide advantages to both China and Azerbaijan in the short and long future. The latest developments between Azerbaijan and China indicate a mutual interest in enhanced collaboration[51].

One of Azerbaijan's main infrastructure projects that backs the regional infrastructure is the Baku-Tbilisi-Kars railway. The Baku-Tbilisi-Kars railway connection started in 2007 with the signing of an agreement between Türkiye, Georgia, and Azerbaijan. Azerbaijan is a principal investor in this railway project, providing a loan of $770 million to Georgia for the building of the missing connection on the Akhalkalaki – Kars route and for the reconstruction of the existing route through Georgia[52]. This loan has not been issued with the purpose of earning income, and the interest rates are symbolic. The railway connects to the Trans-Caspian route, expanding to markets in Turkmenistan and Kazakhstan, as well as further into Asia towards China. The current capacity is 1 million people and 6.5 million tons of cargo annually; by 2034, it expects to reach 3 million passengers and 17 million tons of cargo per year[53]. The Baku-Tbilisi-Kars railway started functioning in 2017, integrating Azerbaijan into Europe through Georgia and Türkiye. The railway's present capacity is anticipated to triple overtime. The route spans 826 kilometers; however, it gets cut off by a break-of-gauge at the Turkish border, as Turkish railways use the European standard gauge, while Azerbaijan and Georgia use the Russian standard gauge[54]. Azerbaijan Railways and Stadler have concluded a contract for the acquisition of 30 new passenger railcars. In 2016, the initial shipment of 10 cars was launched into service. A key aspect of the new carriages is their ability to automatically adjust the pair of wheels for compatibility with the European railway track. This is essential because the railway track width in the post-Soviet region measures 1520 mm, while the standard width in most other parts of the world, including neighbouring Iran and Türkiye, is 1435 mm. Transitioning quickly between different types of tracks will increase speed and facilitate the integration of the Azerbaijani railway with international rail networks[55]. The route can decrease cargo shipment duration between Asia and Europe to two weeks from one month by rail and 40-45 days by sea. The railway is operated by Azerbaijan Railways, a state-owned

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[51] Babayev, B., & Ismailzade, F. (2020). *Azerbaijan's contribution to the Chinese Belt Road Initiative* (MPRA Paper No. 100574). Munich Personal RePEc Archive.

[52] Valiyev, A. (2016) "Azerbaijan: Perspectives on Eurasian integration", European Council on Foreign Relations (ECFR)

[53] Ministry of Transport, Maritime Affairs and Communications of the Republic of Turkey. (2016). Ulaşan ve Erişen Türkiye, Demiryolu Sektörü, Ministry Publications.

[54] World Bank (2020). South Caucasus and Central Asia: Belt and Road Initiative Azerbaijan Country Case Study

[55] Ibrahimov, R. (2016). The development of the transport sector in Azerbaijan: The implementation and challenges. *Caucasus International.*

corporation[56]. The company aims to diversify its cargo offerings through container freight and associated logistics services. Azerbaijan has regularly backed and promoted the Transport Corridor Europe-Caucasus-Asia (TRACECA) project, proposed by the EU, which is intended as a cornerstone of the Great Silk Road. Thanks to the Marmaray tunnel in Türkiye, the Baku–Tbilisi–Kars (BTK) railway has gained access to the European railway system, thereby enhancing the integration of the South Caucasus into the European economic sphere. The BTK project extends the transportation infrastructure northward and southward from Baku, therefore linking Russia with Europe and the Middle East with the Indian Ocean. The opening of the Qazvin-Rasht-Astara (Iran)-Astara (Azerbaijan) railway line and the combination of transit corridors between the two nations, as part of the international North-South transport corridor, will enhance the efficiency of cargo transportation from India to Europe[57].

Azerbaijan has constructed Alat Port is on the Caspian Sea, approximately 65 km south of Baku[58]. The new port will take Baku (Alat) as Azerbaijan's main economic and industrial port, acting as a centre for international logistics and including a Free Economic Zone. The port construction consists of three phases; the estimated cost is approximately USD 544.74 million, and the first phase was completed in 2018. The modern port of Baku, Alat, has replaced the former port in the city centre and serves as the nation's main marine gateway on the Caspian Sea, benefiting from a strategic geographic position south of the Absheron Peninsula, shielded from northern winds. The construction of the port started in 2012. The port consists of of a ferry terminal and three berths assigned for general cargo, roll-on/roll-off, and ancillary services. The port presently possesses a capacity of 15 million tons per annum (MTPA) for bulk cargo and 100 thousand TEU. Upon the conclusion of phases two and three, potentially incorporating private investors, the port's capacity would almost double. The Alat port is connected to the Baku-Ganja-Tbilisi rail and road transport network. It is also intended to be incorporated into the projected free trade zone and logistics hub. The Baku International Sea Trade Port Corporation manages Alat port, while the Azerbaijan Caspian Shipping Corporation oversees maritime shipments; both are closed joint-stock companies owned by the Government of Azerbaijan[59]. Alat is known as the largest port in the Caspian Sea and possesses significant capacity for expansion. So, the implementation of the law regarding the free economic zone "Alat" in 2018 and the completion of the initial phase of Baku International Trade Port's construction emerged as strategic advantages for Azerbaijan from transportation initiatives. According to its capacity, Alat Trade Port is the primary hub in regional supply chains by providing comprehensive logistics, customs services, temporary storage facilities, and value-added services and functioning as a regional international distribution centre. Eighty percent of the total transit cargo transported by rail from Kazakhstan and Turkmenistan is processed at the ferry terminal of the port of Baku before it is shipped to Europe. The Port of Baku links to four main international railways: 1) The railway connecting Baku to Southern Russia and subsequently to the Northwest; 2) the Baku-Tbilisi-Kars railway (BTK); 3) the railway

[56] World Bank (2020). South Caucasus and Central Asia: Belt and Road Initiative Azerbaijan Country Case Study

[57] Lianlei, B. (2016). Azerbaijan in the Silk Road Economic Belt: A Chinese Perspective. Caucasus International

[58] Ibrahimov, R. (2016). The development of the transport sector in Azerbaijan: The implementation and challenges. *Caucasus International.*

[59] World Bank (2020). South Caucasus and Central Asia: Belt and Road Initiative Azerbaijan Country Case Study

traversing from the Southwest to Iran and subsequently to Türkiye; 4) the railway stretching from the South to Astara at the Azerbaijan-Iran border. The Baku-Tbilisi-Kars railway is economically viable, reliable, and secure and adheres to global environmental standards. This railway line will enhance multimodal transport options in Azerbaijan and facilitate the increase of passenger and freight traffic. If goods from China to Europe now take 40-45 days by sea, then cargo via the port of Alat will take 12-14 days. This corridor is the shortest existing route, surpassing the Northern corridor by 4.5 thousand km and the Southern corridor by 1.2 thousand km[60]. The improvement of maritime transport and a boost in transit cargo turnover are seen as significant contributions to the sustainable development and diversification of Azerbaijan's economy.

Regarding the war between Russia and Ukraine, the sanctions restricting transportation directions across Russia, rising costs for transportation, and the worldwide food crisis have driven countries in the area to look for different transportation paths connecting Europe and Asia[61]. The Middle Corridor has attracted more significant attention due to revealing the route's importance[62]. After the second Karabakh War ceasefire was signed in November 2020, clause 9 of this agreement states that Armenia has promised to consent to a crossing being built on its land connecting the mainland of the Republic of Azerbaijan to its exclave Nakhchivan along the present Armenian Iranian border[63]. The Republic of Azerbaijan views this corridor, which it calls the 'Zangezur Corridor,' as a larger transit corridor of the 'Middle Corridor,' which extends from east to west and crosses Turkmenistan, the Caspian Sea, Azerbaijan, Nakhchivan, and Türkiye to reach Europe. Thus, the importance of the Zangezur Corridor, which is a short and crucial part of the Middle Corridor, is a well-known but recently emerging opportunity for the states in the area. The Zangezur Corridor promises significant opportunities and peace in the region as a result of the Second Karabakh War and has the potential to develop the geo-economic value in the region. It is thought that the Zangezur Corridor will contribute to the development of regional transport infrastructure, encouraging cooperation between the countries of the region and ensuring regional development, as well as increasing the importance of the region in terms of the existing Euroasia corridors[64]. With this route, road and rail transport will be provided between Türkiye and Azerbaijan and then access to Central Asian countries and China will be provided through the Caspian Sea[65]. The Zangezur corridor will be the connection point of the North–South and East–West routes as well as the shortest land transport route between the Pacific and Atlantic oceans. It will greatly increase the operation

[60] Khalilova, T., Khalilov E., Renying, L. (2017/2019). The great Eurasian bridge across the Caspian Sea. Insbruck: SWB.

[61] GMK Center. (2022). *How the Russia–Ukraine war has impacted logistics routes and supply chains*.

[62] European Institute for Asian Studies (EIAS). (2024). *The Middle Corridor Initiative: Where Europe and Asia meet* (Briefing Paper).

[63] Ministry of Foreign Affairs of the Republic of Azerbaijan. (2020). *Trilateral statement of the leaders of Azerbaijan, Russian Federation, and Armenia of November 10, 2020*.

[64] Gulahmadov, M., and Huseyn, R. (2023). The Zangazur Corridor as A Stimulator of The Regional Cooperation and Economic Development in Eurasia Region, Turan: Strategic Research Centre,

[65] Jabbarov, A., Abbasova, S., and Tanrıverdi, H. (2022). Zəngəzur-Naxcivan-Istanbul Marşrutu Üzrə Regional Əməkdaşlıq Perspectivləri. International Journal of Tourism, Economics and Business Sciences

of land transport routes combining Europe and Asia[66]. To connect geographically separated Turkic-speaking nations via the execution of the Middle Corridor is a significant feature of the Zangezur Corridor[67]. Türkiye serves as an essential connection on trade routes from Asia to Eastern Europe under the TRACECA initiative, established by the EU in 1993. Chinese products are shipped across Central Asia, across the Caspian Sea to the port of Alat, and subsequently to Türkiye via the Baku-Tbilisi-Kars railway within two weeks. Subsequently, they arrive to Europe via different routes[68]. The Zangezur corridor, which came under Azerbaijani administration in 2020, represents a significant transportation alternative inside the main corridor. The research carried out by Sacar and Özdemir (2022) compares the northern and southern routes with the central corridor. This comparison demonstrates that, despite the severe weather circumstances of the northern corridor, the central corridor offers favorable regional conditions and is shorter and faster in distance. In comparison to the southern corridor, it claims that the transportation duration will be reduced by approximately 1/3. It will also be effective when developing new alternative routes[69]. Gawliczek and Iskandarov (2023), citing Blank (2022), claim that the Zangezur corridor is shorter and more dependable than the current route, particularly for Moscow-Tbilisi relations[70]. The routes were constructed under the Trans-Caspian and Belt and Road Initiative. The Zangezur corridor bypasses the current infrastructure, in particular that of Georgia, and provides a more favorable connection to the Turkic countries regarding transit times and costs. The transportation route starting from China and across Central Asia, the Caspian Sea, the South Caucasus, and Türkiye to Europe is among the shortest, most secure, and reliable connections between East and West[71]. The northern route through Russia, which crosses Central Asia, is over 13,000 kilometers and takes approximately 16 days to reach its destination. As a result, the shortest way from China to Europe lowers the total distance by at least 3,000 kilometers and, more significantly, diminishes Russia's influence in Europe by crossing Kazakhstan, Uzbekistan, Turkmenistan, the Caspian Sea, Azerbaijan, Armenia, and Türkiye. This demonstrates once more how crucial it is to open the land connection from Armenia to Nakhchivan. The Zangezur corridor has also been associated with the TRACECA and Middle Corridor[72] initiatives to connect China and Europe.

In the last few years, Azerbaijan has increasingly transitioned to a diversified economic development model. The country is developing its oil and gas sector while also promoting growth in non-oil areas, including the digital economy, renewable energy, agriculture, transport, and tourism. Alat Free Economic Zone is one such project, situated close to the new Baku port. The legal framework regulating the operation, development, and management of

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[66] Aze.Media (2022). Zangezur corridor: new transport route to connect Europe and Asia

[67] Ketanci, A. (2022). Importance of Zangezur Corridor for the region explained. Anadolu Agency,

[68] Gawliczek, P., and Iskandarov, K. (2023). The Zangezur corridor is part of the global transport route (against the backdrop of power games in the South Caucasus region). Security and Defence Quarterly.

[69] Bayramov, R., Ch, R., Sharifov, A., and Hamidov, N. (2022). Conceptual Approaches To Regional Transportation Planning In Occupied Territories. Norwegian Journal Of Development Of The International Science.

[70] Gawliczek, P., and Iskandarov, K. (2023). The Zangezur corridor is part of the global transport route (against the backdrop of power games in the South Caucasus region). Security and Defence Quarterly.

[71] Iskandarov, Kh., Mahammadali, V. and Gardashkhan, A. (2020). 'Caspian region: Geopolitical arena. Clash of interests and energy security',

[72] Papatolios, N. (2022). Middle corridor unable to absorb northern volumes, opportunities still there.

the Alat Free Economic Zone is defined by the Law of the Republic of Azerbaijan dated May 18, 2018, No. 1143-VQ, entitled "On the Alat Free Economic Zone"[73]. Article 1.0.1. of the Law of the Republic of Azerbaijan "On the Alat Free Economic Zone" declares the Alat Free Economic Zone as an established region formed by the President of the Republic of Azerbaijan to promote entrepreneurial and investment activities in accordance with this Law[74]. The economic zone, located in the Garadagh district of Baku, covers about 858 hectares and combines light industry, standard manufacturing, logistics, and warehousing, as well as heavy industry. The main goal is to involve high-value-added, export-oriented firms, requiring that a minimum of 75% of their production be exported, and Türkiye, Russia, Central Asia, and Europe are among the targeted states for expanding exports. Except for forbidden items such as guns and narcotics, there are no restrictions to accessing industries inside the economic zone. Concessions such as value-added tax, income tax, and other corporate levies, in addition to import and export tariffs on goods and services, are the main incentives provided by the economic zone. Personal income tax is excluded for monthly earnings below 8,000 manat (about 4,700 US dollars), but a 14% tax is imposed on amounts above that limit. Foreign ownership of companies is unrestricted, permitting 100% foreign ownership without the requirement of cooperating with local entities. The zone imposes no restrictions on foreign exchange transactions or profit repatriation, and it simplifies visa applications for foreign employees, providing it a desirable location for international business[75]. The protection of investors' rights in the Free Zone is reflected in Article 24. Regarding Article 24.1 legal entities of the Free Zone that have obtained the right to operate in the Free Zone pursuant to may not be subject to any nationalization, confiscation measures, or any other restrictions on private property, except for the cases stipulated in the internal regulations adopted by the authorized body of the Free Zone. According to Article 24.2. legal entities of the Free Zone, their investors, and shareholders, as well as residents of the Free Zone in cases stipulated in the internal regulations adopted by the authorized body of the Free Zone, have the right to invest in the Free Zone and transfer funds received from their activities in the Free Zone abroad without restrictions. Article 24.3. also states that legal entities of the Free Zone, their employees, investors, and shareholders, as well as residents of the Free Zone in cases stipulated in the regulations adopted by the authorized body of the Free Zone, have the right to work and conduct transactions in any foreign currency without any restrictions. Articles 25, 26, 27, 28 are intended for the resolution of disputes arising in the Free Economic Zone. Article 27.3. The enforcement of decisions made by a foreign court, tribunal, other judicial authorities or arbitration in connection with a dispute arising from activities in the territory of the Free Zone is limited to the activities carried out in the Free Zone or the property and assets located there. These decisions are implemented on the basis of international treaties to which the Republic of Azerbaijan is a party, and in the absence of international treaties, by the decision of the authorized body of the Free Zone. The goals of the Alat Free Economic Zone highlight Azerbaijan's comprehensive objectives to establish itself as a significant worldwide trade center and a proactive leader in commercial endeavors. It seeks to function as a premier

[73] Law of the Republic of Azerbaijan. (2018). No. 1143-VQ "On the Alat Free Economic Zone"
[74] Republic of Azerbaijan. (2016). *Law of the Republic of Azerbaijan "On the Alat Free Economic Zone"* [Law No. 1060-IVQD].
[75] Alat Free Economic Zone. (n.d.). *Transportation and Logistics*.

platform for a varied, export-driven economy, providing improved assistance in energy, transportation, and logistics services to augment the value-added of products within the extensive free economic zone.[76]

The infrastructure projects associated with BRI generally are financed by the Chinese government but exclude projects that Azerbaijan implements. Azerbaijan's project is financed by Azerbaijan’s State Oil Fund, a sovereign wealth fund, and international financial institutions, such as the World Bank Group, the European Bank for Reconstruction and Development, the Asian Infrastructure Investment Bank, and the European Investment Bank[77]. Azerbaijan has constructed the most efficient railway connection between China and Europe shortly. The Baku Cargo Terminal, Azerbaijan's six international airports, the Alat trade port, the Caspian fleet, the free economic zone, contemporary cargo vessels on the Caspian Sea, and the Baku-Tbilisi-Kars (BTK) railway, established in 2017, represent Azerbaijan's significant contribution to trade routes connecting the East and the West[78]. Former Deputy Assistant Secretary of the US State for European and Eurasian Affairs, David A. Merkel, appropriately described Azerbaijan as “the beating heart of the BRI” during a panel titled “China's Development and Opportunities for the World” at the VII Global Baku Forum[79]. Azerbaijan possesses the technological and financial resources, as well as the political resolve, to further China's project. The nation's advantageous location, along with a robust road and transport infrastructure, enables its participation in international projects.

2.4 Azerbaijan’s Oil & Gas Pipelines

Türkiye, Azerbaijan, and Georgia are enhancing their partnership, especially via large-scale projects in the transportation and energy sectors, which also engage Central Asian Republics such as the Baku-Tbilisi-Ceyhan (BTC) oil pipeline, the Baku-Tbilisi-Erzurum (BTE) or South Caucasus Pipeline (SCP), and the Baku-Tbilisi-Kars railway. The BTC pipeline, supported by Western firms including BP, started operations in 2005[80]. It operates as Azerbaijan's main export pipeline, exceeding the Baku-Supsa (through Georgia) and Baku-Novorossiysk (through Russia) pipelines. Crude oil from Kazakhstan and Turkmenistan, significant energy suppliers in Central Asia, is transported through the BTC pipeline[81]. Passing through Georgia the Baku-Tbilisi-Erzurum (BTE) or South Caucasus Pipeline (SCP) transports gas from the Azerbaijani Shah Deniz fields to Erzurum in Türkiye[82]. The European Union proposed the Trans-Caspian gas pipeline to connect the Baku-Tbilisi-Erzurum (BTE) pipeline with producers in Turkmenistan and Kazakhstan[83]. One of the collaborative projects between

[76] Law of the Republic of Azerbaijan. (2018). No. 1143-VQ "On the Alat Free Economic Zone"
[77] World Bank (2020). South Caucasus and Central Asia: Belt and Road Initiative Azerbaijan Country Case Study
[78] Babayev, B., & Ismailzade, F. (2020). *Azerbaijan’s contribution to the Chinese Belt Road Initiative* (MPRA Paper No. 100574). Munich Personal RePEc Archive.
[79] Ona Online News Agency (2019). “American diplomat: “Azerbaijan is the beating heart of the "One Belt, One Road project”
[80] British Petroleum (n.d.) Baku-Tbilisi-Ceyhan pipeline, British Petroleum (BP) Azerbaijan
[81] British Petroleum (n.d.) Baku-Tbilisi-Ceyhan pipeline, British Petroleum (BP) Azerbaijan
[82] British Petroleum. (n.d.). *South Caucasus Pipeline (SCP)*.
[83] Denoon, D. B.H. (2015) China, The United States, and the Future of Central Asia: U.S.-China Relations, Vol. I., New York University Press.

Türkiye and Azerbaijan is TANAP[84] and TAP. Türkiye has facilitated the construction of the Trans-Anatolian Pipeline (TANAP) to transport Azerbaijani gas to Europe. The Trans-Anatolian Natural Gas Pipeline (TANAP)[85] started the annual delivery of 6 billion cubic meters (bcm) of Azerbaijani gas to Türkiye in 2018. It launched the supply of 10 bcm to Europe through the Trans Adriatic Pipeline (TAP) in late 2020[86]. Türkiye aimed to reduce its major dependence on Russian gas through its transregional cooperation with the South Caucasus. Over 50% of Azerbaijan's energy exports are directed towards the European Union. Azerbaijan endorses the European Union's proposal for a trans-Caspian gas pipeline to connect the Baku-Tbilisi-Erzurum (BTE) pipeline with gas producers in Turkmenistan and Kazakhstan[87]. Azerbaijan's transportation infrastructure enables the transit of its own energy resources as well as oil from Central Asia, thus establishing it as a transit state. As a result, Kazakh and Turkmen oil is sent through the Baku-Tbilisi-Ceyhan pipeline. In 2015, the total volume of Turkmen and Kazakh oil transported through BTC was 5.2 million tons[88].
As mentioned above after independence, Azerbaijan prioritized the construction of essential infrastructure for the export of its oil and later natural gas. The established pipeline infrastructure aimed to facilitate access to global markets. for mitigating political and economic risks and avoid be dependent only one singular route Azerbaijan has developed diversified oil and gas infrastructure. Transit countries may use this as an advantage. Whenever a conflict arises between the energy producer and the transit state, the transit country could block the border or place regulatory limitations on cross-border trade. Azerbaijan considered it important to avoid such events.

Below, the oil and gas pipeline infrastructure of Azerbaijan has been presented

The Baku-Novorossiysk Oil Pipeline was developed in 1997. The pipeline connects the Sangachal terminal with a Russian port on the Black Sea to facilitate the transportation of "early oil" from the Chirag field. The distance measures 1330 kilometres with a capacity of 6 million tons. The transportation fee accounted for $16 per ton. It was established to prevent undesirable issues in relations with Russia, which sought to dominate the transit of Azerbaijani oil. After 2 years, the Baku-Supsa Oil Pipeline was launched to facilitate the transportation of 'early oil' from the Chirag field. However, this connection was implemented by bypassing Russia and going from the Sangachal terminal to the Georgian port on the Black Sea. Although the distance was 833 kilometers and the capacity remained the same at 6 million tons, the transportation fee was low; it accounted for $3.14 per ton, with Georgia receiving $1.20. The importance of this project was the first time in the post-Soviet region that a country had accessed global markets without engaging Russia[89]. In 2006, two projects were launched to expand the oil and gas capacity of Azerbaijan. These projects portray the participation of Türkiye in Azerbaijan’s oil and gas projects. The Baku-Tbilisi-Ceyhan Oil Pipeline has initiated its operations through a

[84] Enterdata (2018). Turkey's 16 bcm/year TANAP gas pipeline comes onstream.
[85] Global Energy Monitor WIKI (2024). Trans-Anatolian Gas Pipeline
[86] Global Energy Monitor WIKI (2024). Trans-Adriatic Gas Pipeline.
[87] Denoon, D. B.H. (2015) China, The United States, and the Future of Central Asia: U.S.-China Relations, Vol. I., New York University Press.
[88] Ibrahimov, R. (2016). The development of the transport sector in Azerbaijan: The implementation and challenges. *Caucasus International.*
[89] Ministry of Energy of Azerbaijan Republic. (n.d.). *The transportation of oil*.

key export path for the Azeri-Chirag-Guneshli oil field that links the Sangachal terminal to a Turkish port on the Mediterranean Sea. The measurement is 1768 kilometers with 50 million tons of capacity. The project considers the geopolitical situations of the region[90]. Consequently, this pipeline crosses the regions of Georgia and Türkiye, both of which have friendly ties with Azerbaijan. The other project and gas pipeline project is the Baku-Tbilisi-Erzurum Gas Pipeline, which connects the Sangachal terminal to the Turkish gas network in Erzurum. The measurement is 692 kilometers with 8.8 billion cubic meters of capacity. With this pathway, Azerbaijani natural gas is exported from the Shah Deniz offshore field to the Turkish and Georgian markets[91]. The last completed natural gas projects are TANAP and TAP, aimed at transporting Azerbaijani gas to Europe through Turkey, Georgia, Greece, and Albania and joining Italian gas pipelines. The Trans-Anatolian Natural Gas Pipeline (TANAP) was completed and became fully operational on 1 July 2019[92]. SOCAR is the principal investor, possessing a 58% stake in the project, and the Turkish BOTAŞ and BP stake accounted for 30% and 12%, respectively. The length is 1841 kilometers, traversing Turkish territory from the eastern border with Georgia to the western border with Greece. This pipeline serves to export Azerbaijani natural gas from the Shah Deniz offshore field to the Turkish (10 billion tons) and Southern European markets (6 billion tons). One year after the launch of the TANAP, the Trans Adriatic Pipeline (TAP) was completed in October 2020 and commenced commercial operations on 16 November 2020. The share of SOCAR is 20%. TAP will extend from the Greek border, via Greece and Albania, and ultimately link to the Italian gas network in Italy, serving as the continuation of TANAP. This pipeline promotes the export of Azerbaijani natural gas from the Shah Deniz offshore field to Southern European markets (6 billion tons). This project will facilitate transportation to the Western Balkans[93].

Azerbaijan's transportation infrastructure inside international transit corridors Azerbaijan's transport infrastructure is facilitating regional projects in Eurasia, including the EU TRACECA program, China's 'One Belt, One Road,' and Türkiye’s TITR. All these regional projects are supported by the requisite infrastructural and logistical assistance.

3. Special Economic Zone (SEZ)

The main goal of free zones is to attract foreign direct investments (FDIs) due to their potential to integrate domestic firms into the global economy via connections to a broader market, enhance competition, introduce advanced technology, facilitate spill over effects through the transfer of technology and expertise, generate foreign exchange earnings, and create new employment opportunities. Also, it is important to emphasize that investigating joint ventures in Special Economic Zone development, whether through public-private or public-public partnerships, may draw varied investment sources and mitigate financial pressures on the government. Moreover, it is recommended to reform SEZ legislation to provide long-term incentives and address the requirements of larger firms. The first Special Economic Zone (SEZ)

[90] British Petroleum (n.d.) Baku-Tbilisi-Ceyhan pipeline, British Petroleum (BP) Azerbaijan
[91] British Petroleum. (n.d.). *South Caucasus Pipeline (SCP)*.
[92] Global Energy Monitor WIKI (2024). Trans-Anatolian Gas Pipeline
[93] Global Energy Monitor WIKI (2024). Trans-Adriatic Gas Pipeline.

launched in New York, USA, in 1937. Since then, Special Economic Zones (SEZs) have spread over the world to attract in foreign investment and grow businesses other than oil[94]. There are rules and regulations in Special Economic Zones (SEZs) that are good for the economy and the government[95]. SEZs are completely separate from each other, yet they still have to respect international law. These regulations encompass WTO standards related to discrimination and subsidies, as well as bilateral investment treaties that protect foreign investors. Host governments must ensure that Special Economic Zones comply with the International Labour Organization's standards for foreign workers. Special Economic Zones are restricted regions that were supported by governments' promotions, such as industrial activity through fiscal and regulatory incentives and infrastructure encouragement, as stated by the United Nations Conference on Trade and Development (UNCTAD) in 2019[96]. In Azerbaijan, SEZs are described as "an assigned area within the territory of the Republic of Azerbaijan where a specific legal framework is generated for conducting business activities." These two definitions indicate that the primary objective of the SEZ is to enhance and promote manufacturing through specialized administrative regulations and incentives. While selecting a site, the proximity to significant transportation corridors, ideally situated in rural regions, and the role in facilitating the future expansion of the SEZ are essential aspects that the government should consider[97]. After delineating the geographical zone, the government must implement economic and legislative incentives inside that area to promote production. These incentives are mainly tax reductions or exemptions, advantageous credit conditions, and facilitated administrative processes. Such initiatives are crucial for enticing enterprises to establish and broaden their activities within the SEZ[98]. The development of infrastructural support and communal services represents the final need for an operating SEZ. The government has to provide essential facilities, including warehouses, offices, utilities, energy sources, and communal services such as internet connectivity and transportation. Although various countries can consider this condition unimportant, it is essential for facilitating the smooth operation of industrial and import-export activities within the SEZ[99]. Moreover, the growing number of enterprises within SEZs results in reduced unemployment rates and promotes deurbanization. This tendency encourages persons to migrate from metropolitan areas to regions housing SEZs to work and foster regional development[100].

[94] Zeng, D. Z. (2016). Special economic zones: Lessons from the global experience.
[95] Aggarwal, A. (2007). Impact of Special Economic Zones on Employment, Poverty and Human Development.
[96] United Nations Conference on Trade and Development. (2019). Special economic zones. UNCTAD, World Investment Report 2019)
[97] United Nations Conference on Trade and Development. (2019). Special economic zones. UNCTAD, World Investment Report 2019
[98] United Nations Conference on Trade and Development. (2019). Special economic zones. UNCTAD, World Investment Report 2019
[99], United Nations Conference on Trade and Development. (2019). Special economic zones. UNCTAD, World Investment Report 2019
[100] **Special economic zone types are as follows:**

Free Trade Economic Zone: The biggest and most costly category of Special Economic Zone (SEZ). Free trade zones provide ideal incentives for residents. In the majority of cases, it is a tax-free zone within the SEZ. It promotes all enterprises engaged in production and import-export activities through a tax-free framework and regulations.

Besides the benefits of the free zones, there are disadvantages such as tax loss for periods that vary from 5 to 30 years, unequal allocation of investments, unemployment, and a greater decrease in social welfare.

3.1 Opportunities in AFEZ

The Alat Free Economic Zone is one of Azerbaijan's principal SEZs. AFEZ was determined to be the most important SEZ in Azerbaijan due to its proximity to Baku Port and its strategic location at the intersection of several routes. Taleh Ziyadov, Director General of the Baku International Sea Trade Port CJSC, emphasized that Azerbaijan's goals for the Silk Road's development strengthen the nation's competitiveness and create additional value in commodities. When a cargo container arrives from Europe, the goal is to process it within Alat's Free Trade Zone, boost its value, and later export it." In conclusion, the Azerbaijani Silk Road strategy is more creative and strives to expand the value of non-oil industries[101]. Before writing about incentives provided by the Alat Free Economic Zone, it is vital to emphasize that the Alat Free Economic Zone is regulated by its own legislative framework, while criminal law remains under the jurisdiction of Azerbaijani national law Investors benefit from AFEZ's business-friendly support and gain access to broad global markets facilitated through its multi-modal location[102]. The AFEZ Authority will provide a variety of financial and non-financial benefits to key customers associated with global reference locations. The absence of taxation on an enterprise within an AFEZ is a fundamental benefit. In the AFEZ, a qualified business is exempt from VAT, tax withholding, or any other fiscal obligations. Under AFEZ legislation, foreign skilled individuals are exempt from personal income tax, social security payments, and other similar taxes and charges. All goods and services imported from abroad, as well as exported to foreign countries, are free from customs duties and taxes, including value-added taxes. There are no restrictions on foreign ownership. Shares of an AFEZ enterprise may be completely held by a foreign parent company. A foreign corporation can effectively engage in commerce without requiring a local partner. The energy, light, and heavy industrial sectors of Azerbaijan encouraged the growth of qualified workers and highly skilled workers. Moreover, Azerbaijan's educational framework and its broad economic environment have compelled individuals to acquire the necessary qualifications for employment. In summary, the Alat Free

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Export Processing Zone: It possesses similar features to the Free Trade Zones. However, the primary difference between export processing zones and free trade zones is that EPZs offer advantages in export operations. Residents who conduct operations with domestic enterprises are responsible for specific taxes.

Single Manufacturing Zones: Single Factory Zones are established according to their significance. For example, certain enterprises are essential for the government and its operations, which are crucial for the development of specific sectors.

Free Trade Zones: Free ports play a vital role in logistics and transportation. It comprises not just seaports but also airports, railway travel, and other modes of transportation. The inhabitants of these regions benefit from tariffs. However, certain taxes are imposed according to standard rules and regulations.

Specialized Zones (Industrial and Technological Parks): Specialized zones represent the most popular form of SEZ globally. Various countries in development utilize such SEZs to industrialize specific sectors of their economies.

Enterprise Zones (Industrial Estates): These zones are smaller versions of specialized zones, and their primary objective is to develop specific areas of the territory.

[101] Ziyadov, T. (2017). *Azerbaijan's Free Trade Zone to Start Work in 2017*. Caspian Policy Center.

[102] Alat Free Economic Zone Authority. (n.d.). *Legal Basis*.

Economic Zone (AFEZ) provides a very good place for investment, with trade-friendly customs rules, strong protection for investor property rights, free use of foreign money, and easy visa processes. There is no restriction on foreign ownership for AFEZ legal entities. A foreign legal entity/foreign citizen can own 100% of the shares in an AFEZ legal entity. A foreign legal entity/foreign citizen can successfully carry-on business without a requirement for a local partner. AFEZ aims to create a clear, efficient, and streamlined regulatory framework, fostering a favourable climate for investment, business, and entrepreneurship. It enhances investor trust, minimizes bureaucracy, and integrates online and technological solutions as needed[103]. The licenses, conflict settlement, and regulatory oversight are executed in accordance with international regulations. Health, safety, labour, and others are aligned with global norms as well. These advantages will be extended to foreign commercial enterprises that choose to establish operations in the AFEZ. They will also be prepared to facilitate the expansion and development of these enterprises in the future. AFEZ maintains a fundamental principle of being investor-centric in our approach, applicable to all staff members, from the most junior to the most senior.

4. Gaps & challenges in Azerbaijan's Logistical Infrastructure

The provided information portrayed that to become a logistical hub, Azerbaijan developed huge infrastructural projects to accelerate its opportunities. However, to benefit from these projects, another thing is to exploit these projects by efficiency and obtain maximum profit. Therefore, we stressed the gaps in this research that slow the integration of this project into the international mega-projects. To utilize BRI benefits, describing gaps and finding solutions to accelerate the process are essential activities. Physical and non-physical issues should be considered. Institutional settings, logistics, and regulatory policies can be widely classified as physical and non-physical gaps[104]. The institutional environment and logistical services within the corridor are the non-physical barriers. If we compare this route with alternative routes, especially those by sea, we can see that the related costs of doing business are extremely expensive[105]. Standardizing and increasing the transparency of transportation tariffs among the corridor nations requires more regional integration. The most cited gap is the cost of the route by the Caspian crossing between the Aktau port in Azerbaijan and ports in Kazakhstan and Turkmenistan. The Baku to Aktau route costs USD 1,200 one way; from Baku to Turkmenbashi it costs USD 1,100, totalling USD 4 and USD 6.5 per nautical mile, respectively. According to the official website of the Azerbaijan Caspian Shipping Company (ASCO), in 2023 the transportation tariffs were changed. One-way transportation for a standard truck with a trailer (TIR length 16.5 meters) is now $1,000, reduced from the previous $1,072. A round-trip ticket costs $1,600, decreased from $1,716. Passenger vehicles are transported at a reduced rate of $200, previously $325. Comparing Mersin in southern Türkiye to Italy's Trieste, the Ro-Ro freight costs 1 USD per nautical mile[106]. All of this results into a prominently low capacity for trade volume via the Middle Corridor—estimated at just about 5% of the Northern

[103] Alat Free Economic Zone Authority. (2018). Law of the Republic of Azerbaijan on the Alat Free Economic Zone.
[104] Canadian Pacific Consulting Services. (2019). Current Conditions in the Trans-Caucasus Transit Corridor and Gap
[105] World Bank (2020). South Caucasus and Central Asia: Belt and Road Initiative Azerbaijan Country Case Study
[106] Asian Development Bank. (2019). Ports and logistics scoping study in CAREC countries.

Corridor's capacity—and increased traffic has, at times, prolonged transit times to as long as 40 days. The Middle Corridor is also a lot more expensive than the Northern Corridor and, especially, regular marine routes. Transportation expenses for a 40-foot container run from $3,500 to $4,500 in the Middle Corridor, compared to $2,800 to $3,200 in the Northern Corridor. On the other hand, prices for maritime routes are considerably cheaper, ranging from $1,500 to $2,000 per container. The substantial cost disparity frequently offsets the extended transit duration, especially when vessels are capable of transporting increasing quantities of cargo[107]. The lack of container-focused infrastructure, which is crucial to integration into Chinese trade routes, is the main physical barrier related to the Belt and Road Initiative and regional trade integration. The development of ferries, container terminals, and other related infrastructure to mitigate useful container operations across different modes of transportation requires additional and inevitable investment. In addition, the region lacks the contemporary logistical infrastructure crucial for promoting efficient freight transit across its borders. Insufficient containerization, which is expected to accelerate the process, leads to cost. Ferries transport the cargo coming through Aktau across the Caspian Sea. The procedure by which this happens is inefficient; rail wagons and trucks are loaded into ferries and chained away to the deck to be transported across the sea, where they are unchained and proceed[108]. Moreover, ferry timetables are irregular because of weather (on average, 90 days a year vessel cannot run because of large waves) and because of low trade volumes on the route, which causes long waits for ships to be filled before departure. This leads to more expenses. Moreover, the gauge variability (rail spacing) along the Trans-Caspian line. The standard gauge that China, Türkiye, and the EU use is 1.435 mm. However, the 1.520 mm gauge, which Central Asian and South Caucasian countries utilize, is a remnant of the Soviet era[109]. Trains arriving from China and later entering Türkiye and Europe have to change gauge, which increases expenses and delays. The gauge changes in Akhalkalaki in Georgia along the Baku-Tbilisi-Kars line. The other issue is related to tariffs, border crossing regulations, national law/legislation, and other trade software features, all of which contribute to economic expenses[110]. This last aspect necessitates international collaboration between public and private sector entities. Furthermore, it is required to standardize and organize border management operations. All parties would gain from and trade would be facilitated by a clear legal international framework developed jointly by the BRI countries. Although logistical bottlenecks persist as a significant obstacle, resolving the absence of coordinated legislative frameworks across corridor nations is as crucial for enhancing trade integration. Harmonizing national legislation with international trade principles, particularly those specified in Article V of GATT 1994 regarding freedom of transit, can facilitate more efficient border crossings, lower expenses, and foster a more stable legal environment for investors[111]. More improvements are required for border crossing management and customs inspections, such as the implementation of modern scanners and an integrated ITC system for client tracking of the transported cargo along with services and customs checking. Moreover, monitoring of the transit goods (and associated services) through

[107] Geopolitical Monitor. (2025). The Middle Corridor: A Route Born of the New Eurasian Geopolitics.
[108] World Bank. (2023). Middle Trade and Transport Corridor: Policies and Investments to Triple Freight Volumes and Halve Travel Time by 2030.
[109] World Bank. (2023). Middle Trade and Transport Corridor: Policies and Investments to Triple Freight Volumes and Halve Travel Time by 2030.
[110] Canadian Pacific Consulting Services. (2019). Current Conditions in the Trans-Caucasus Transit Corridor and Gap
[111] World Trade Organization. (1994). *General Agreement on Tariffs and Trade (GATT 1994)*.

the corridor and customs needs an integrated information and telecommunication system[112]. Reducing the state monopoly on corridor operations and opening the corridor to the private sector is essential. An open private market along the route could be an opportunity for local communities to expand economically and support the growth of local transit-related services like logistics. For long-term investment in infrastructure corridors, there needs to be legal stability and coordinated customs clearance processes. This is because distinctions in domestic trade regulations and how they are applied can make private enterprises hesitant to get involved and decrease the start of projects[113]. Moreover, for infrastructure projects to be long-term useful, there must be a greater level of private sector involvement. Diversifying Azerbaijan's exports away from hydrocarbons requires a favourable business environment. Since economic and transportation corridors frequently connect to greater urbanization, Azerbaijan ought to think about resolving the territorial inequality between the Baku metropolitan area and the rest of the country as well as potential labour migration brought on by the acceleration of trade associated with the BRI.

Chapter 2

1. The History of Azerbaijan China Relationships and Bilateral Relations

Azerbaijan regained its independence on 18th October 1991[114], and on 27th December 1991, the People’s Republic of China recognized the independence of the Republic of Azerbaijan. China and Azerbaijan established bilateral diplomatic relations on April 2, 1992. The Embassy of the People’s Republic of China in Azerbaijan opened in August 1992, and on 3rd September 1993, Azerbaijan opened its embassy in the People’s Republic of China. In order to strengthen development and partnership between the two countries, Heydar Aliyev, the president of the Republic of Azerbaijan, and İlham Aliyev have visited China on official visits, attended high-level meetings and appointments, and interacted with ministers of foreign affairs, inter-parliamentary relations, and economic and humanitarian cooperation. As mentioned above in 1994, President Heydar Aliyev of Azerbaijan made his first official visit to China, marking the commencement of high-level visits. President Ilham Aliyev travelled three times to attend international events and made two official trips to China in 2005, 2015, 2019, and 2025. Four visits to Azerbaijan were made by the Chinese Foreign Minister in 1996, 2004, 2010, and 2019. Significant political, social, and economic agreements have been negotiated between China and Azerbaijan since 1991[115]. The "Silk Road Economic Belt" plays a significant role in promoting the development of China-Azerbaijan bilateral trade. Being the intersection of important transportation routes between the East and West and the North and South, as well as a transit corridor for vital global resources like oil and natural gas, Azerbaijan has enormous geostrategic significance.

[112] Canadian Pacific Consulting Services. (2019). Current Conditions in the Trans-Caucasus Transit Corridor and Gap

[113] United Nations Conference on Trade and Development. (2020). *World Investment Report 2020: International Production Beyond the Pandemic*.

[114] Arastu H, (2017). “Reconsidering Azerbaijan’s Foreign Policy on the 25th Anniversary of Restored Independence”

[115] Embassy of the Republic of Azerbaijan in the People's Republic of China. (n.d.). *Bilateral relations*.

As previously stated, China was among the first nations to recognize the independence of the Republic of Azerbaijan. Moreover, President Ilham Aliyev has participated in important events in China, engaged with Chinese officials, and signed numerous cooperation agreements. At the national and personal levels, the two governments often hold high-level interactions that contribute to the strengthening of their long-standing partnership. Azerbaijan and China have repeatedly reaffirmed their respect for each other's territorial integrity and sovereignty in high-level meetings[116]. In 2005, during President Ilham Aliyev's official visit to China, he and President Hu Jintao signed a declaration affirming Azerbaijan's support for the "One China" policy and China's support for Azerbaijan's territorial integrity. A similar commitment was reiterated in 2015 during Aliyev's visit to Beijing, where he and President Xi Jinping underscored continued support for each other's independence, sovereignty, and non-interference in internal affairs. Moreover, Chairman Xi Jinping and President Ilham Aliyev spoke in June 2021 and met in Samarkand in September of the same year at the Shanghai Cooperation Organization (SCO) summit. During the SCO Summit held in Astana on July 3, 2024, a "Joint Declaration on the Establishment of a Strategic Partnership between the Republic of Azerbaijan and the People's Republic of China" was adopted[117]. In paragraph 1.1 of the declaration, both parties affirm their dedication to peaceful coexistence, mutual equality, non-aggression, non-interference in internal affairs, and respect for each other's sovereignty and territorial integrity. The Azerbaijani side strongly endorses the "One China" principle, recognizing that there is only one China, that the People's Republic of China is the sole legitimate government of all of China, and that Taiwan is an inseparable part of Chinese territory. Moreover, they strongly oppose "Taiwan independence" in any form and support the peaceful development of relations between the two sides of the Taiwan Strait as well as the Chinese government's efforts to unite China[118]. On April 23, 2025, the "Joint Statement on the Establishment of a Comprehensive Strategic Partnership between the Republic of Azerbaijan and the People's Republic of China" was signed in Beijing during the state visit of President of the Republic of Azerbaijan Ilham Aliyev to China. According to this statement, the parties agreed to strengthen the alignment of the Belt and Road Initiative with Azerbaijan's national development strategies, namely, the 'Revival of the Silk Road' and the 2030 Socio-Economic Development Strategy, to jointly advance modernization and create new pathways for high-quality, resilient, and sustainable development. The parties expressed the intention to further expand the coordinating and directing function of the Intergovernmental Commission on Economic and Trade Cooperation mechanism. A decision was reached to form a working group on investment cooperation to improve involvement in trade, investment, green energy, and the digital economy, thus facilitating the high-quality advancement of bilateral economic and trade relations. The parties express their readiness to actively engage in collaboration on renewable energy sources and to cooperatively foster the establishment of a global clean energy alliance by facilitating the energy transition and fostering sustainable socio-economic development in both nations. The parties greatly appreciate the collaboration between the two nations in

[116] Embassy of the Republic of Azerbaijan in the People's Republic of China. (n.d.). *Bilateral relations*.
[117] APA. (2024). A Joint Declaration of the Republic of Azerbaijan and the People's Republic of China on the establishment of a strategic partnership was adopted as part of the Summit of the Shanghai Cooperation Organization in Astana.
[118] president.az. (2024). Joint Declaration of the Republic of Azerbaijan and the People's Republic of China on the establishment of a strategic partnership was adopted in Astana.

transportation and, while enhancing regional connectivity, confirm their commitment to furthering the development of transport infrastructure and optimizing logistics and transportation efficiency. China promotes Azerbaijan's early membership in the World Trade Organization (WTO). The parties advocate for the reform of the international financial architecture to more effectively correspond with shifts in the global economic environment and endorse an intergovernmental agreement on mutual visa exemption for holders of ordinary passports, which will facilitate increased interactions and collaboration across multiple fields[119].

2. Azerbaijan-China Bilateral Relations & Investment

After the diplomatic relation has been established, the People's Republic of China is a significant commercial trading partner of the Republic of Azerbaijan. In March 1994, the Republic of Azerbaijan and the People's Republic of China signed the Agreement Concerning the Encouragement and Reciprocal Protection of Investments, commonly known as a Bilateral Investment Treaty (BIT), boosting their economic relations. The foundation for durable, steady, and profitable investment ties between the two nations was established by this treaty, which came into force on April 1, 1995. Azerbaijan was strongly looking for foreign investment to support the expansion of its economy at the time, as it was still navigating the early years of its post-Soviet independence. By establishing globally recognized guidelines for the treatment of foreign investments, the BIT aimed to establish a secure and friendly environment for investors from both nations. Clear definitions of "investment" and "investor" were included in the agreement to ensure the protection of various economic assets, including corporate shares, movable and immovable property, intellectual property rights, and contractual rights. For Azerbaijan, which was making great efforts to develop its institutions and economy in order to attract in foreign investment, this was particularly crucial. The guarantee of equal and fair treatment was one of the agreement's key components. Investors from both nations were assured that they would be safe and secure in the host nation and that their investments would not be treated arbitrarily or unfairly. In order to ensure that foreign investors receive the same treatment as local or third-country investors, the agreement further emphasized that there would be no discrimination. The BIT's policy on compensation and expropriation was crucial. The agreement stated clearly that investments could not be nationalized or taken over by the government for any reason other than serving the public interest. Even then, it could only be accomplished legally, without discrimination, and with prompt, equal, and efficient compensation. This statement provided a great deal of comfort to investors who were concerned about political or economic instability, particularly in the 1990s when the Azerbaijani economy was undergoing significant turmoil. The agreement includes rules for resolving disputes between investors and states (ISDS). The agreement stated that there were alternative means of resolving disputes between an investor and the host state, including international arbitration, host state courts, and discussion. This strategy aims to increase

[119] Azertag. (2025). Azerbaijan and China signed Joint Statement on Establishment of Comprehensive Strategic Partnership

investor trust by providing them with equitable, transparent, and legally binding dispute resolution procedures. Beijing and Baku were serious about expanding their economic relations, as seen by the 1994 BIT. The agreement facilitated Azerbaijan's access to foreign direct investment (FDI) from a large international corporation, thereby enhancing the nation's economic integration with the rest of the world. It provided China with a solid foundation in the South Caucasus, which is strategically significant for China's expanding economic diplomacy around the world, particularly in light of the Belt and Road Initiative decades later[120].

Since 2002, Chinese energy companies have been participating in drilling and development projects in Azerbaijan. Despite limited cooperation in oil and gas, $500 million in engineering contracts were awarded to Chinese companies by the end of 2007. Chinese entrepreneurs operate in Azerbaijan in industries including health and food. Between 2004 and 2011, 16 Azerbaijani companies were founded in China, and 40 Chinese companies were registered in Azerbaijan. Before the pandemic, trade between China and Azerbaijan surged gradually. Bilateral trade increased to $1.165 billion (8 billion yuan) in 2018 from $960 million (7 billion yuan) in 2017. Due to COVID-19, trade fell to $1.3 billion in 2020, with exports from Azerbaijan reducing and imports from China marginally increasing. Trade decreased substantially in 2021, reaching $1.2 billion, with Azerbaijani imports declining to $205 million while Chinese exports increased to $990 million. China was the third-largest import source and the fourth-largest trade partner of Azerbaijan[121]. The following are the main areas of Chinese investment and collaboration in Azerbaijan. China National Petroleum Corporation and Sichuan Honghua are involved in the oil industry. Businesses like Chongqing Lifan, China Electric, and China National Materials Group make investments in cement, aluminum, power plants, and autos. ZTE, Huawei, and XCMG are involved in telecommunication, business, logistics, and industrial trade. The amount of trade between Azerbaijan and China reached 1.96 billion US dollars between January and August 2023, up 45.2% from the previous year and making up 5.5% of Azerbaijan's overall foreign trade. Azerbaijan's total exports to China reached 70 million US dollars, up 75% year over year and making up 0.3% of total exports, while its total imports from China reached 1.89 billion US dollars, up 44.3% year over year and making up 17% of total imports[122]. Even though China-Azerbaijan economic relations have improved due to high-level meetings and increased trade and investment, there are still issues that need to be resolved to guarantee long-term growth. China-Azerbaijan bilateral trade reached $3.1 billion in 2023, up 43.5 percent compared to the previous year, with significant increases in both imports and exports, according to data from Azerbaijan's State Customs Committee. China remains to be the fourth-largest trading partner of Azerbaijan. Furthermore, China surpassed Türkiye as Azerbaijan's second-largest import source for the first time, making up 17.5% of all imports into the nation[123]. During Ilham Aliyev's interview with China’s Xinhua News Agency in 2024, the president stated that the trade volume between Azerbaijan

[120] UNCTAD (1994). Azerbaijan-China BIT

[121] Gafarova, K. (2024).The Current Issues of Economic Relations between the Republic of Azerbaijan and the People's Republic of China: The Realities of the Present Time.

[122] Gafarova, K. (2024).The Current Issues of Economic Relations between the Republic of Azerbaijan and the People's Republic of China: The Realities of the Present Time.

[123] Global Times. (2024). China-Azerbaijan trade hits record high of $3.1 billion in 2023, showcasing growing cooperation**.** *Global Times*.

and China increased by 20.7 percent compared to the previous year, totaling 3.744 billion US dollars. China has become Azerbaijan's fourth-largest trading partner, with its share in the country's foreign trade reaching 7.9 percent. Additionally, China leads in imports, accounting for 17.69 percent of Azerbaijan’s total imports. Currently, a total of 375 companies have registered in Azerbaijan with Chinese capital, out of which 298 operate actively in the country. He also stated that the transit traffic volume between China and Azerbaijan reached 378,000 tons in 2024, and compared with 2023 statistics, it increased 86 percent[124].

3. China’s Role in Azerbaijan’s Economy

Azerbaijan has emerged as an essential location for the implementation of the "one belt, one road" concept proposed in the People's Republic of China's (PRC) 2010-year plan for the joint Silk Road Economic Belt. By the end of 2017, the real turnover exceeded 1.2 billion dollars, a 43% increase over 2016[125]. The "One Belt, One Road" initiative has provided immense opportunities for collaboration between China and Azerbaijan to come closer together. Azerbaijan has established a trade representative office in Beijing. Promotion of the Made in Azerbaijan brand, attracting Chinese investment into the country's economy, and defending the rights of Azerbaijani companies are all related to the trade mission[126]. Significant infrastructure such as the Baku-Tbilisi-Kars railway and the Baku international sea trade route projects are crucial to the "One Belt, One Road" Initiative. Azerbaijan demonstrated its support for the Silk Road Economic Belt plan by signing a Memorandum of Understanding to jointly follow its development during President Ilham Aliyev's visit to China in December 2015[127]. Through the successful alignment of this initiative with Azerbaijan's national development policy, bilateral practical cooperation in trade, economics, transportation, energy, and other areas is continuously producing positive results. Many of the cooperation agreements between China and Azerbaijan are designated as Memoranda of Understanding (MoUs), but their legal importance is that their bodies define precedent for future binding agreements. Most of the time, these MoUs demonstrate an intent to work together, spell out how to settle disputes, and give investors legal assurance[128]. Moreover, in April 2015, Azerbaijan joined the Asian Infrastructure Investment Bank as a founding member, and in July, it participated in the Shanghai Cooperation Organization as a conversation partner. A memorandum of agreement on mutually beneficial growth of the "Silk Road" economic corridor was signed by the parties in December 2015, while President Ilham Aliyev was in China. The Azerbaijani President Ilham Aliyev attended the second international meeting, "One Belt, One Road," in Beijing from April 26–27, 2019, demonstrating Baku's growing interest in this global format. Additionally, Ilham Aliyev met with members of China's economic elite and the country's political leadership, led by Xi Jinping, and he arrived two days before the opening of this worldwide event. A total of 821 million dollars amounted to ten agreements that were signed by Azerbaijani and Chinese businesses as part of the forum, indicating promising prospects for bilateral economic and trade relations between the two countries, especially collaboration

[124] President.az. (2025). Ilham Aliyev was interviewed by China’s Xinhua News Agency
[125] Putz, C**.** (2018). China to Europe by way of Azerbaijan’s Trans-Caspian Gateway. The Diplomat.
[126] Caspian-Alpine Society. (2024). Azerbaijan's Investments in China.
[127] China.org.cn. (2015, December 11). China, Azerbaijan sign deals on Silk Road cooperation.
[128] Kingsbury, B., Krisch, N., & Stewart, R. B. (2005). The Emergence of Global Administrative Law. Law and Contemporary Problems,

under the "One Belt, One Road" initiative[129]. The China-Azerbaijan Bilateral Investment Treaty (BIT) protects Chinese assets in Azerbaijan. It guarantees that investments won't be taken out, that investors will be treated fairly, and that disputes between investors and the government can be settled according to UNCITRAL rules[130]. Moreover, the Azerbaijani State Oil Fund (SOFAZ) invested approximately 400 million dollars of securities in the Central Bank of the People's Republic of China[131]. The agreement to transit 2.5 thousand containers annually through Azerbaijani territory via the TRANS-Caspian transport route was an important success for Baku. Although this was just a small overall, regular transportation has been created from the "Silk Road's" eastern endpoint. Azerbaijan is not yet a member of the WTO and has held observer status since 1997, the year it applied for accession; however, its trade policies associated with the BRI have grown more like those adopted by the WTO. For example, customs procedures are becoming easier, and there are more transparency requirements. This is in preparation for future conformity with multilateral trade law[132]. The agreement to export Azerbaijani wines to the Chinese market was another important one for the nation. This can be viewed as a success for Baku, which is striving to diversify its trading operations and lessen its reliance on oil sales. The establishment of the Azerbaijan Trade House in Chengdu, which the parties mutually agreed about in an official memorandum, undoubtedly will be beneficial to promote Azerbaijani exports. Contracts were specifically signed for the construction of a 300-hectare greenhouse complex in Azerbaijan's Kurdamir region, agricultural logistics industrial parks in the northern districts of Guba, Goychay, and Khachmaz, where good conditions exist for the expansion of agriculture, and a Sumgait chemical industrial park plant for the manufacture of car tires. Moreover, as part of the "Azerbaijan Digital HUB" initiative, the parties signed agreements to create a telecommunications corridor connecting Asia and Europe[133]. Thus, Azerbaijan Railways Company and Chinese Continental Bridge International Logistics Company signed a Strategic Partnership Agreement, while AzerTelecom and China Telecom signed a Strategic Memorandum of Cooperation on ICT infrastructure development.

4. Key trade Commodities and investment

It is obvious that Azerbaijan possesses rich oil and gas resources thus, the key trade commodities that are exported to China are oil-related products. Azerbaijan mostly exports petrochemicals and crude oil, whereas China's exports consist of a wide range of goods, such as fragrances and electrical appliances, vehicles and spare parts, clothing and parts, ceramic products and household items[134]. The investment amount shows an imbalance between the two nations: while Chinese companies invest more than 800 million USD in Azerbaijan, the much smaller Azerbaijan invests 1,700 billion USD in the Chinese economy. As of late 2024, there are 256 companies with Chinese investments functioning in Azerbaijan that work in the fields

[129] World Bank (2020). South Caucasus and Central Asia: Belt and Road Initiative Azerbaijan Country Case Study
[130] UNCTAD. (2024). Investment Policy Hub: Azerbaijan–China BIT (1994).
[131] Central Banking Newsdesk. (2015). Azerbaijan SWF looks to Chinese equities after foray into renminbi. Central Banking.
[132] World Trade Organization (WTO). (2023). Trade Policy Review: Observer Reports – Azerbaijan.
[133] SAMENA Telecommunications Council. (2019). AzerTelecom, China Telecom sign strategic MoU within Digital HUB program.
[134] World Bank. (2018). Azerbaijan Product Imports from China 2018.

of construction, agriculture, communications, services, trade, and others[135]. There is an Intergovernmental Commission on Trade and Economic Cooperation between Azerbaijan and China, and the 7th meeting of the commission was in 2019 in Beijing; subsequently, the 9th meeting took place in Shanghai on November 6, 2023. Chinese companies are keen to invest in the oil sector, the engine of the Azerbaijani economy. In 2018, SOCAR and BGP Inc., a subsidiary of the China National Petroleum Corporation (CNPC), signed an agreement on the establishment of a joint venture. The main activities of BGP include producing seismic equipment, offering related information and communication technology (ICT) services, conducting onshore, transition zone, and offshore exploration, and acquiring, processing, and interpreting seismic data through intricate procedures. Additionally, in 2016, CNPC and SOCAR signed a memorandum of understanding on CNPC's possible involvement as a shareholder in the Oil and Gas Processing and Petrochemical Complex (OGPC) in Baku's Garadagh region. In 2018, BGP and SOCAR established a joint venture to carry out seismic exploration in the Caspian Sea and Azerbaijan[136]. Thus, this process demonstrates that the BRI has the potential to boost Azerbaijan's overall income, draw in foreign investment, and improve trade. When compared to the region, these benefits could be more significant. In addition, BRI has the potential to boost the nation's GDP in the long run when paired with important institutional and regulatory changes for trade facilitation and business climate improvements as measures that boost local firms' comparative advantage. In addition to infrastructure investment, complementary policies must be put in place for the welfare impacts to be favourable. Hikmat Hajiyev, the head of the Foreign Policy Affairs department and assistant to the president of Azerbaijan, stated in an interview with Global Times that the country's major national priority is digital transformation, which is in line with its sustainable development goals. He noticed ongoing imports of electric buses along with equipment from China; he recognized China as a crucial partner in Azerbaijan's green transition. Hajiyev also expressed that Azerbaijan is interested in expanding this collaboration by partnering with Chinese companies to build local production facilities for electric vehicles and renewable energy[137]. Chinese companies are already present in Azerbaijan and participating in the production of green energy. The largest power plant in Azerbaijan is being modernized, and the 230 MW Garadagh solar power plant is being built by China's company Dongfang[138]. Additionally, China Gezhouba Group Overseas Investment develops 2 GW of renewable energy projects, such as the manufacturing of green hydrogen. Besides green energy, China’s giant electric manufacturer BYD intends to begin producing electric vehicles in Sumgayit[139]. In the same spirit, NIO, another prominent Chinese EV manufacturer, is partnering with Azerbaijani companies to provide intelligent EV solutions. Through tax incentives and foreign investment regulations, Azerbaijan hopes to achieve 30% of its electricity from renewable energy sources by 2030. These agreements are aligned with the "Azerbaijan 2030" strategy[140].

[135] ABC.AZ. (2024). 256 commercial organizations with Chinese investments operate in Azerbaijan.
[136] News.Az. (2018, October 2). SOCAR, Chinese corporation BGP create joint venture.
[137] Report. (2024.) Hikmat Hajiyev: Development of relations with China - one of priorities for Azerbaijan.
[138] Dongfang Electric Corporation**.** (2023). *Dongfang Electric selects bluebee for Garadagh solar PV plant in Azerbaijan*. Siveco China.
[139] Topchubashov Center. (2024). China moment in Azerbaijan’s foreign policy?
[140] News.az. (2024). Upgrading China-Azerbaijan strategic partnership in the era of global changes

Chapter 3

1. Findings

Regarding the conducted research, this paper portrays the available opportunities, benefits, chances, and challenges of Azerbaijan's strategic position in the Belt and Road Initiative with generated infrastructure and the institutional reforms. According to the research to identify the roles of the Baku-Tbilisi-Kars Railway (BTK), the Port of Baku, and the Alat Free Economic Zone (AFEZ) in BRI and at the same time their impact on bilateral relations between Azerbaijan and China, the interviews were conducted with Azerbaijan Railways, AFEZ, the Port of Baku, the Ministry of Economy, and the Ministry of Digital Development and Transport. Regarding the illustrated gap and challenges in the first chapter, the interview questions were prepared, and interviews were held accordingly. While transporting through this route, the lack of container-focused infrastructure, insufficient containerization, and the absence of contemporary logistical infrastructure in the region have been highlighted among the challenges encountered[141]. According to the interview held with the Port of Baku, the Ministry of Digital Development and Transport, and the Azerbaijan Railways authorities, serious steps have been taken to eliminate the problem of container overloading in the corridor. Baku International Trade Port can transport up to 15 million tons of cargo and 100 thousand TEU per year. In 2024, more than 76 thousand TEU containers were handled at the Baku Port, which is 73.4% more than the corresponding indicator in 2023. With the increase in the number of containers from China, it is expected that there will be more than 100 thousand TEU containers at the Baku Port in the near future. Regarding the development of this area, it should be noted that the container handling capacity of the Baku Port has been increased to 135 thousand TEU by placing 2 mobile portal cranes at the heavy cargo terminal. Currently, work is underway on the construction of the second phase of the Baku International Sea Trade Port, and a result of this project is planned to increase the annual cargo handling capacity of the port to 25 million tons and 500 thousand TEU. The second phase of the port's construction is intended to increase not only the cranes and equipment but also the ship-handling capacity on the coastline. Regarding the role of the Port of Baku in the Belt and Road Initiative, the authorities stated that only in 2024 the number of containers arriving from China exceed 30 thousand TEU containers; most of them were imported into the country, and this means 300 block trains. For this year, a double growth is expected in the number of block trains. The "Middle Corridor" plays a crucial role in the "One Belt, One Road, and significant investments are being made by the Chinese government. For instance, it should be noted that the Chinese government provided Baku Port with port handling equipment worth more than $2 million in 2018 as a grant. The increase in the share of Chinese cargo in port transit routes in 2024 accounted for 41% of the port's total container turnover. It is expected that in 2025, 600 block trains will be transported from China to the Port of Baku. Nowadays, the work is being carried out through this direction, within the context of the Trans-Caspian International Transport Corridor route association. Concerning the opportunities and challenges of their organization

[141] World Bank. (2023). Middle Trade and Transport Corridor: Policies and Investments to Triple Freight Volumes and Halve Travel Time by 2030.

in the context of Azerbaijan-China relations for nowadays the authority emphasized that, Baku Port is one of the largest ports in the Caspian Sea, with an annual 15 million tons of capacity for handling cargo, including 135 thousand TEU containers. The new Baku Port, located in the Alat settlement, has 3 terminals, which allow for the handling of containers, wheeled equipment, wagons, and dry cargo. It should be noted that in the context of Azerbaijan-China relations, nowadays no difficulties are observed in the Baku Port in the direction of cargo handling. At the initial stage, Baku Port has the infrastructure facilities that allow for the handling of containers following the growing demand. Soon, with the implementation of the second phase, the potential of Baku Port would be 25 million tons, including 500 thousand TEU containers, which would completely meet the current demand on the Middle Corridor. Currently, several difficulties are observed in the adaptation of infrastructure in transport entities located on the Middle Corridor, which are anticipated to be resolved by the execution of new projects.

Concerning the role of Ministry of Digital Development and Transport supporting the Azerbaijan position in BRI also regulate the relation among the route countries and to strength the China Azerbaijan relations significant steps has been implemented. The Ministry authority stated that two transport corridors pass through our country. East-West and North-South corridors. East-West starts from China, passes through Kazakhstan and reaches Azerbaijan, and from Azerbaijan extends to Georgia and Turkey. A number of projects have been implemented in the country to strengthen Azerbaijan's transit role between Europe and Asia. The Middle Corridor is a multi-modal corridor. Several forms of transport are used when using the corridor. The “Joint Declaration on the Establishment of Strategic Partnership between the Republic of Azerbaijan and the People's Republic of China” and the “Joint Declaration on the Establishment of Comprehensive Strategic Partnership between the Republic of Azerbaijan and the People's Republic of China” were signed, which envisage the development of the Middle Corridor in 2024 and 2025. At the same time, a Memorandum of Understanding on the Development of Trans-Caspian International Transport Routes for the China-Europe Railway Express was signed between the Government of the Republic of Azerbaijan and the Government of the People's Republic of China. It is planned to sign an agreement on the implementation of road freight transportation between China and Azerbaijan. This project will support the elimination of the problem in road freight transportation. Last year, the first road freight transportation from China to Azerbaijan took place and the cars successfully arrived at the Baku Port. Also, last year, for the first time, the exchange of permit forms with the People's Republic of China in the field of road freight transportation and the "China-Europe Direct High-Speed Transit - Trans-Caspian Trial Transportation" pilot project was implemented. Along with the shipment of cargo from China to Azerbaijan, cargo transportation in the opposite direction has also begun. Thus, on November 24 of last year, for the first time, export cargo was sent from Baku to China by rail. At the same time, cooperation agreements are being signed with other neighbouring countries. In 2022, a Roadmap for the development of the “Middle Corridor” was signed between Azerbaijan, Kazakhstan, and Turkey for the period 2022-2027. The main goal of the roadmap is to implement measures to eliminate bottlenecks along the Middle Corridor. In October 2023, the Middle Corridor Multimodal joint venture was established between the railways of Georgia, Azerbaijan, and Kazakhstan. Regular monitoring is carried out and work is underway to eliminate the shortcomings that have arisen[142]. Moreover, the authority of the Ministry of Digital Development and Transport informed that concerning the standardizing and organizing of border management operations, and, at the same time, facilitating border crossing regulations, important steps are also being taken toward the digitalization of the transport sector. In this regard, a Digital Transport Logistics Platform is currently being created. The project in question covers the integration between the information systems of the country's railways, maritime transport institutions, seaports, and relevant state bodies (institutions). The Track & Trace system implements the process of tracking cargo electronically. At the same time, within the framework of the project, it will be possible for international trade participants to electronically obtain documents, licenses, and permits required by commercial, transport, and customs legislation and obtain documents and information required for transporting goods and vehicles electronically. Also, border crossing procedures, rules, and conditions of transportation for cargo transportation, including the provision of information on contract terms and the procedure for their conclusion, electronic signatures, and reliable digital payments will be implemented. It is planned to integrate the digital platform to be created into existing international platforms along the corridor in the future. At the same time, both internal and external meetings are held regularly to eliminate emerging problems[143]. Discussions are being held with stakeholders to resolve the emerging problems. Relevant work is being carried out within the framework of the Coordination Council for Transit Freight Transportation to make wider and more efficient use of the country's potential in the field of transit freight transportation and to eliminate emerging problems in this field promptly. Moreover, regarding this issue, the representative of Azerbaijan Railways also stated that integrating Baku Port into Azerbaijani railways will increase transit cargo, provide full control over the process, and eliminate several obstacles. At the same time, work is underway to digitalize the Middle Corridor. The global DTC company is working on the digitalization of the corridor. The goal is to accelerate document-free transit without bottlenecks at customs and ensure that cargo is sent from China to Europe with one invoice and document. This process is being implemented in stages along the corridor, and certain successes have been achieved. Currently, cargo leaving Siam Gru Port is delivered to Azerbaijan by rail within 8-10 days, with further acceleration expected. Infrastructure innovations are also being introduced for this. Azerbaijan Railways is generally carrying out work on the electrification of lines within Azerbaijan. These projects are primarily implemented with state-supported investments in the railway and loans from some large institutions.

Concerning non-physical barriers, the tariffs have been mentioned among the gaps[144]. According to the Ministry of Digital Development and Transport authority, the cost of the Caspian Sea was determined considering the world market prices. Because the organization carrying out the transportation has certain expenses to cover its costs, it is reported that the proposed price is not expensive compared to those expenses. Additionally, in 2024, the construction and reconstruction work in the Georgian section of the Baku-Tbilisi-Kars railway

[142] Canadian Pacific Consulting Services. (2019). Current Conditions in the Trans-Caucasus Transit Corridor and Gap

[143] Canadian Pacific Consulting Services. (2019). Current Conditions in the Trans-Caucasus Transit Corridor and Gap

[144] World Bank (2020). South Caucasus and Central Asia: Belt and Road Initiative Azerbaijan Country Case Study

line, which plays an important role in increasing the functionality of the Middle Corridor, have been completed to increase the carrying capacity to 5 million tons. Considering the high tariffs due to the aforementioned non-physical challenges, the representative of Azerbaijan Railways stated that these prices are competitive. On the official website of the railways, there is a section titled Tariff Calculations related to tariffs, allowing any entrepreneur or transport and logistics company to explore tariff information and determine the prices of railway transportation. Prices for railway transportation have already been standardized. Since the process of merging Baku Port with Azerbaijan Railways occurs under the same umbrella, tariffs will be reviewed, financial analyses will be conducted, and new tariffs will be established. Factors in setting tariffs include the rates of alternative corridors and competing transport routes, in addition to costs. The pricing is determined according to this model. The cargo of Azerbaijan Railways is consistently increasing. Over the past three years, more than 18 million tons of freight have been transported each year. The expansion of cargo transportation began following the epidemic period. In 2024, 18.5 million tons of cargo were moved, nearly 7 million of which were transit shipments. Container transportation has surged in recent years. In 2024, 106,000 TEUs of containers were transported, exceeding the figures from the previous year. In the first quarter of 2025, the number of containers transported is 50% greater than that transported in the first quarter of 2024. Furthermore, an 8% increase in container shipping was reported for 2024 compared to 2022.

In addition, the Ministry of Digital Development and Transport representative stated that the project implemented within the framework of the “Azerbaijan Digital Hub” program consists of two routes Azerbaijan-Kazakhstan and Azerbaijan-Turkmenistan. With the implementation of the project, Azerbaijan will also be added to the list of countries with underwater internet cable infrastructure in the world. The Trans-Caspian Fibre Optic cable lines to be laid along the bottom of the Caspian Sea between Azerbaijan and the Central Asian countries (Kazakhstan and Turkmenistan) will connect not only the states located on the Eastern and Western shores of the Caspian Sea, but also Europe and Asia in general through Azerbaijan and will form the “Digital Silk Road” through Azerbaijan on the historical Silk Road. This will allow the growing needs of Asian countries for the Internet to be met through Azerbaijan, and will create conditions for Azerbaijan to become the digital centre (Digital Hub) of the region. Currently, as part of the “Digital Silk Road” project, a joint venture has been established between “Kazakh telecom” (the national telecommunications company of Kazakhstan) and “AzerTelecom” LLC to implement the Trans-Caspian Fibre Optic Cable Line project along the bottom of the Caspian Sea, and relevant work is being carried out on the design and construction of the submarine fibre-optic line. The length of the cable line is planned to be 370 kilometres along the bottom of the Caspian Sea. The submarine fibre-optic communication line will pass along the Aktau-Sumgait route. The maximum throughput is expected to reach 400 Tbit per second. The implementation of the project is important in terms of creating international corridors and digital infrastructure related to cross-border data flows, and will have a positive impact on the continued active development of telecommunications networks and data centres, and the implementation of global cybersecurity standards. At the same time, in accordance with the Protocol of the 10th meeting of the Intergovernmental Commission on Trade and Economic Cooperation between the Republic of Azerbaijan and the People's Republic of China dated April 16, 2025, it is planned to hold discussions between the Ministry of Digital Development and Transport and the China National Space Administration (CNSA) of the People's Republic of China on cooperation in space and the use of space for peaceful purposes. In addition, it is planned to explore opportunities for expanding cooperation in the field of ICT and digital development.

The gauge variability (rail spacing) along the Trans-Caspian line, the time loss has been minimized through special technologies in the field of eliminating differences in dimensions on railways[145]. In the Akhalkalaki region of Georgia, wheel pairs are being replaced, and trains continue to operate. In Azerbaijan, the dimensions are the same as those of the Soviet era and are 1520 mm. However, in European countries, it is 1435 mm. Replacing all the railways is a very difficult and expensive process. The interviewer of Azerbaijan Railways has stated that it does not foresee a new project to change the size of the gauges, as neighbouring countries continue to use the same sizes. There are several innovative solutions available, such as equipping the wagons with more universal wheels or implementing a system that allows for switching directly over the track. The gauges can be adjusted with specific technological capabilities, and changing the axle between these wheels takes time. Delays occur during the transition between platforms. This situation also arises on the route from China to Kazakhstan and then to Europe. To streamline this process, locomotives and wagons should be changed; however, there is currently no such project, as this is a global issue. For instance, the Baku-Tbilisi-Kars railway spans over 800 kilometres, and reconstruction work has just been completed. This system is adjusted to post-Soviet dimensions.

This research reveals that Azerbaijan and China have historical ties related to the ancient Silk Road. Those historical ties pave the way to expand and strengthen bilateral relations between the two nations. To illustrate the current opportunities and challenges of this relationship, the interview held with the Azerbaijan Ministry of Economy authorities, which plays a leading coordinating role in strengthening Azerbaijan's status as a regional logistics centre on the One Belt One Road, not only in infrastructure but also in areas such as legislation, investment promotion, and digital transition. As a result of the ministry's efforts, transit times on the Middle Corridor have been shortened, and cargo volumes are increasing. Chinese capital is involved in the Alat-Azad Free Economic Zone and other industrial parks. E-customs and Authorized Economic Operator (AEO) mechanisms align with international standards. The appropriate pilot projects have been launched in the direction of the Digital Silk Road and green energy. Thus, the ministry is integrating the One Belt One Road project into the country's non-oil strategy, expanding access to new markets and accelerating the diversification of the national economy. Currently, economic cooperation between Azerbaijan and China, especially against the backdrop of the One Belt One Road initiative, creates both important opportunities and serious challenges for the Ministry of Economy.

Regarding the opportunities, the greatest potential is offered by the trans-Caspian middle corridor. The number of block trains departing from China has increased sharply in the last two years. As the route stabilizes, the Baku port, the Baku-Tbilisi-Kars line, and the surrounding logistics zones can bring millions of dollars in transit revenue to the country. The ministry believes that by harmonizing tariffs, integrating e-customs, and organizing new logistics parks, this flow can be turned into a sustainable source of income. The second major opportunity is

[145] World Bank. (2023). Middle Trade and Transport Corridor: Policies and Investments to Triple Freight Volumes and Halve Travel Time by 2030.

Chinese investment in the Alat Free Economic Zone. Projects such as tire manufacturing and green battery production were discussed in the initial phase. Thanks to the free regime, rapid licensing, and protection of intellectual property, the Alat Free Economic Zone can become a centre of high-value-added production. The third is cooperation through green energy. Chinese companies are conducting feasibility studies for the first offshore wind park and hydrogen export in the Caspian. Azerbaijan, as the host of COP29, will be able to expand its access to climate finance, and the ministry can use this opportunity to decarbonize local industry. The fourth direction is the digital Silk Road. Recent memorandums signed in Beijing accelerate the online exchange of electronic customs data and smart border solutions. This gives the Azerbaijani start-up ecosystem direct access to the Chinese market, increasing its e-commerce potential. Finally, agricultural exports are expanding. There is a growing demand in China for products such as pomegranates, wine, hazelnuts, and chickpeas. Harmonization of phytosanitary standards creates a real opportunity for the ministry to grow its non-oil export portfolio. As for the challenges, the most serious is the chronic trade balance deficit. Import volumes exceed exports many times over, and this asymmetry creates a weak position in economic relations with China. The narrowness of the export basket, mainly consisting of a few petrochemical products and a diversification of crude oil. The second problem is the limitations of infrastructure and border crossings along the middle corridor. Numerous border crossings, tariff differences, and a shortage of ships on the Caspian cause delays, reducing the competitiveness of the route. The third risk is caution regarding Chinese investments in strategic sectors. Fears of weakening state control in sensitive areas such as ports, railways, and telecommunications sometimes lead to delays in decisions. The ministry must ensure transparency and carefully monitor debt sustainability. The fourth challenge is quality and certification barriers. Additional investment in laboratories, traceability systems, and digital certification infrastructure is needed to meet the strict sanitary and phytosanitary requirements of the Chinese market. Otherwise, the growth of agricultural exports may remain limited. The fifth factor is geopolitical balance. The US and Chinese competition, technology sanctions, and the interests of other players in the region add additional uncertainty to projects. The ministry must manage cybersecurity and technology transfer risks as they seek to maintain access to both Western and Chinese markets. Consequently, the Ministry of Economy's greatest opportunity is to increase transit revenues and high-value production through the Middle Corridor and the free trade zone. The most serious risk is that economic dependence on China may deepen if infrastructure and trade balance problems are not addressed on time. The optimal approach is to accelerate digitalization and fiscal reforms, build hybrid financial models, create export clusters in agriculture and green energy, and ensure debt sustainability at the institutional level.

An authorized representative of the Ministry of Economy stated that there are no legal problems with the institutional and border-crossing difficulties[146] and barriers identified as gaps in the study. There could not be any issues with the cargo documented following standards and regulations. However, if there is a discrepancy in the documents, this can lead to delays at customs in the first country of departure. The logistics companies, which specialize in this area and know the rules, prepare the documents correctly in advance. In such cases, there should

[146] World Bank (2020). South Caucasus and Central Asia: Belt and Road Initiative Azerbaijan Country Case Study

not be delays at customs. Another important gap is the lack of sufficient containers to ship from Kazakhstan to Baku, which has been presented as a challenge and caused the delay of ships in the Caspian Sea. Regarding this challenge, the authority of the Ministry of Economy endorsed that the number of trains that previously operated in pilot mode and departed from Shanghai and travelled along the Baku and Istanbul routes has been insufficient. However, currently, the number of containers has been increased and the delay of ships has been reduced. One of the main reasons for this increase is the frequent usage of the middle corridor due to several difficulties in alternative routes. Due to the rapid accumulation of cargo, the waiting time has been reduced, which has accelerated the transportation process. Furthermore, the Ministry of Economy also has noted that in the last two years, significant steps have been taken in this area towards the creation of an electronic data exchange network. This process is considered a component of the Middle Corridor. Through the electronic system, information about the cargo is received before it reaches our customs. This system also speeds up the transit process even further. The importance of the Zangezur corridor has also been discussed with the representative of the Ministry of Economy. The Zangezur corridor would be a significant part of the Middle Corridor due to shortening the route, increasing the capacity of the corridor, and the smooth relief in comparison with Georgia. Regarding authority, the transport corridors create a certain amount of economic benefit. Such corridors stimulate the development of infrastructure in the areas they pass through and lead to the revival of the local economy. As a result, this has a positive impact on the social well-being of the population living in these regions, both directly and indirectly. A simple but effective example is the railway. The economic potential is higher in regions where the railway line passes. In such areas, logistics, trade, and service sectors are developing rapidly, as a result of which the income of the population reaches a higher level than in other regions. The opening of the Zangezur corridor brings new opportunities, such as the railway between Iran and Russia that would pass through Azerbaijan. Moreover, another gain of this corridor is that Nakhchivan will be released from the blockade. In conclusion, the increase in the number of cargoes in this corridor will increase the potential of the corridor and reduce prices.

When considering a free economic zone, the first things that need to be evaluated are the absence of customs duties and tax obligations, the liberalization of the business environment, and the creation of favourable conditions for investors. However, this concept is not limited to tax breaks. The experience of successful free zones shows that, for real results, more extensive, systematic, and preventive steps must be taken. To learn the role of the Alat Free Economic Zone concerning Azerbaijan-China trade and investment ties, an interview was held with AFEZ representatives. The representative of AFEZ stated that the experiences indicate that a free zone cannot succeed with tax and customs concessions alone. The primary conditions for success include the establishment of pre-planned industrial areas and infrastructure. Legal independence and an effective management system are also crucial. Additionally, accessible and efficient services should be provided, and an environment must be created that promptly responds to the needs of entrepreneurs. Furthermore, the operation of free zones without interference from the primary economy, known as the externality principle, guarantees the successful functioning of these zones.

The official launch of the AFEZ took place in June 2023. During this period, all the main infrastructure, administrative office buildings, customs posts, water, gas, communications, sewage, lighting, and roads were completed on the first 60 hectares of land. This ensured the presentation of the infrastructure in a ready state for investors and increased their confidence. Due to the great investor interest, construction work on an additional 138 hectares of land is planned to be completed by September 2025. In parallel, the development of infrastructure on an area of 364 hectares intended for heavy industry has already begun. One of the main advantages of the AFEZ is its geostrategic position. The zone is located at the intersection of the north-south and east-west international transport corridors, which makes it a regional logistics centre. The area's proximity to the Baku International Sea Trade Port, as well as its completion with an airport on a planned 750-hectare area in the future, will provide access to air transportation, which is essential for companies operating in the high-tech sector. The fact that such products (for example, chips, medical devices, etc.) can only be transported by air makes this infrastructure particularly important. Moreover, the additional 3,400-hectare area planned around the area will play a strategic role in attracting high-tech manufacturing enterprises around the airport. In addition, the renovation of the Baku-Tbilisi-Kars railway will facilitate the access of products to the Mediterranean and Black Seas and provide rapid access to international markets. The representative of AFEZ articulated that the annual transportation of raw materials and products of the enterprises already envisaged in the zone will amount to 2.2 million tons of cargo. This cargo flow will add significant value to the transport system of Azerbaijan and ensure the maximum efficiency of the existing infrastructure.

Moreover, the representative stated that the development of the AZFEZ, and especially cooperation with Chinese companies, is an important part of this process. The fact that Chinese companies have chosen the AFEZ to export their products to Western markets is a result of Azerbaijan's strategic position and the opportunity to produce cheaper and higher-quality products using concessions. The main issue that concerns Chinese enterprises investing in Azerbaijan in AFEZ is the lack of logistical infrastructure in the region. Although Azerbaijan has the contemporary logistical infrastructure, through the route from China to Azerbaijan there are neighbouring countries that lack logistical infrastructure. For production in AFEZ, the establishment of a supply chain and the flow of raw materials from other regions are crucial parts of the process. Thus, the lack of logistical infrastructure in regional countries would be a challenge for investors. One of the factors that further increase the potential of the AFEZ is that Chinese companies have already registered to operate in this zone. As this cooperation continues, it is expected that more Chinese companies will be located in this zone. Currently, two more Chinese companies are planned to start operating in the newly developed areas of the AFEZ, which have already been operating on 60 hectares of land and have an area of 138 hectares. One of these companies will produce on 50 hectares, and the other on 23 hectares. Infrastructure work related to the implementation of these projects will be fully completed in August-September. The construction of infrastructure plays a very important role in the development of the AFEZ. Today, due to the high demand, it is important to develop infrastructure rapidly. Azerbaijan is taking important steps in this area and taking serious measures to ensure the development of infrastructure in the region. The high demand from Chinese companies and other foreign investors requires the rapid construction of infrastructure in the region. The lack of infrastructure prevents investors from fully trusting and investing in the region.

Eventually, the AFEZ representative emphasized the importance of alternative energy for Azerbaijan and that the recent developments in electricity generation in Azerbaijan have led to significant progress. The transportation of towers of wind turbines poses particular challenges. For example, the blade of a 16 MW station turbine is 123 meters long and weighs 54 tons. Transportation and installation of these components cause great difficulties. Therefore, the establishment of production areas here in Azerbaijan results in a reduction in transportation and construction costs. This, in turn, leads to a decrease in the cost of the electricity produced and increases the profit from sales. For this reason, negotiations are ongoing with Chinese companies, and it is planned to open a solar panel manufacturing plant soon. This plant will begin to produce large volumes of solar panels, and at the same time, cooperation will expand in the field of wind energy production.

In the end, the findings reveal that the emphasized gaps are available on this route, and with preventive steps, the Azerbaijani government strives to eliminate these gaps. The government's strategy to expand the non-oil sectors is shown in the government authorities' responses to the questions. The overview of findings portrays the Azerbaijani government as having reduced the gaps, and the benefits from this route would develop the non-oil sectors.

2. Discussion

The research on Azerbaijan's strategic position in the Belt and Road Initiative and the role of established infrastructure projects that impact the relationship between China and Azerbaijan has been conducted and supported by interviews. The gaps that have been indicated in the paper, such as the institutional environment and logistical services barriers, the lack of container-focused infrastructure, the lack of contemporary logistical infrastructure in the region, ferry timetables because of weather, trade volumes on the route, gauge variability (rail spacing), tariffs, border crossing regulations, national law/legislation, organized border management operations, customs inspections, telecommunication systems, and involvement of the private sector, have been studied with interviews held with government organizations. The container, container-focused infrastructure, the lack of contemporary logistical infrastructure in the region, and the number of ferries have been among the gaps that were questioned during the interviews[147]. Regarding the information provided by the Port of Baku, the Ministry of Digital Development and Transport, and the Azerbaijan Railways authorities to eliminate the problems in these areas, serious work has been done. During 2024 the port handled 73.4% more container than 2023. In 2024, more than 76 thousand TEU containers were transported through the Port of Baku. The development of trade relations between China and Azerbaijan has been shown by the increase in container numbers in the middle corridor. In 2024, 300 block trains were imported from China, and for the following year, the forecasted number of imported trains is 600 blocks. For next year, the port of Baku is expected to receive more than 100 thousand TEU containers. Through this growth, the port could encounter challenges in managing such flows of containers. To prevent being overloaded and unable to respond to the huge flows of containers, the Port of Baku already placed 2 mobile portal cranes at the heavy cargo terminal and increased the capacity to 15 million tons, which accounted for 135 thousand containers. The above chapters emphasize that the port would be built in three phases. The start of the second phase is the preventive step that the Port of Baku is implementing to solve the overload of containers. By construction of the second phase, the capacity of Port Baku will reach to 25 million tons and 500 thousand TEU. During the construction of the second phase, the enlargement of ship-handling capacity on the coastline would pave the way to increase the capacity of the coastline to receive a large number of ferries. Moreover, the transported containers through the Azerbaijan railway, through the Baku-Tbilisi-Kars, have shown an increase in past years. Although these figures are below the Baku-Tbilisi-Kars railway's

[147] Canadian Pacific Consulting Services. (2019). Current Conditions in the Trans-Caucasus Transit Corridor and Gap

capacity, the volume of containers transported in 2024 surpassed that of the previous year, totalling 106,000 TEUs. The quantity of containers handled in the first quarter of 2025 was 50% higher than that of the first part of 2024. Furthermore, container shipping reported an 8% increase in 2024 compared to 2022. Another positive development is the relation between shipped containers and the delay of ferries in the Caspian Sea. Previously the smaller number of containers transported with the Caspian Sea compelled a wait for ferries. Because they could not leave the ports before being fully loaded. Currently, the growing importance of this route has been experienced with an increase in containers, the timetable of ferries has become regular, and delays have been reduced. The impact of weather conditions on ferries' timetables has been studied during the interviews. Although the weather has an impact on changes in the timetable, these changes do not significantly impact the delays. However, it is important to emphasize that the shortage of ships on the Caspian Sea causes delays, reducing the importance of this route to become an alternative for north and south routes. The lack of logistical infrastructure still has influence over this route. Although Azerbaijan has established contemporary infrastructure and also supported several neighbours with loans to develop their railways, the lack of logistical infrastructure in neighbouring countries generates challenges for trade and investment with China’s investors.

Regarding the challenges such as institutional environment and logistical services barriers, border crossing regulations, national law/legislation, organized border management operations, customs inspections, and telecommunication systems, progress has been observed during interviews[148]. The execution of BRI through the Middle Corridor, which consists of several countries along the route, brings some challenges besides the opportunities. The number of countries alongside this route means the same amount of national law/legislation, institutions, border management, customs inspection, etc. The information collected during the interviews from government organizations helped to articulate that collaboration with neighbouring countries and intergovernmental cooperation shed light on overcoming these challenges. A Memorandum of Understanding about the Development of Trans-Caspian International Transport Routes for the China-Europe Railway Express was signed jointly by the Government of the Republic of Azerbaijan and the Government of the People's Republic of China. To support the reduction of the problem in road freight transportation, they planned to sign an agreement on the implementation of road freight transportation between China and Azerbaijan. Road freight transportation from China to Azerbaijan has been experienced, and the cars successfully arrived at the Baku Port. Moreover, the execution of the "China-Europe Direct High-Speed Transit - Trans-Caspian Trial Transportation" pilot project provided the exchange of permit forms last year for the first time. Azerbaijan, Kazakhstan, and Turkey agreed on a 2022–2027 “Middle Corridor” development roadmap in 2022. The roadmap's major objective is to eliminate Middle Corridor bottlenecks. Georgia, Azerbaijan, and Kazakhstan railways launched the Middle Corridor Multimodal joint venture in October 2023 for regular monitoring and solution of issues that are occurring. A trilateral cooperative venture between the railways of Azerbaijan, Georgia, and Kazakhstan, which provides harmonized tariffs and integrated services. In addition, the countries along the route are promoting close collaboration, acknowledging that a strong political will is a critical factor in the development of the Middle Corridor. This integration of infrastructure, trade policies, and transit procedures ensures effective collaboration. Azerbaijan is currently engaged in the development of a Digital Transport-Logistics Information System to facilitate the streamlining of activities and the

[148] World Bank. (2023). Middle Trade and Transport Corridor: Policies and Investments to Triple Freight Volumes and Halve Travel Time by 2030.

preservation of transparency in the transport and logistics sector. This system is intended to optimize logistics, guarantee complete transparency, and offer real-time insights throughout the entire corridor. It also entails the establishment of a fully digital environment for transport and logistics operations, which will integrate the information systems of the country's railways, seaports, maritime agencies, and pertinent state bodies involved in transit processes. This platform will provide international trade participants with a unified platform for the management of all processes, such as the acquisition of comprehensive trade-related information, the comprehension of import-export and transit procedures, the submission of applications for administrative procedures at state borders, and the reservation of multimodal transportation services. And of course, this system will be incorporated with other pertinent systems along the corridor in the future. The established Track & Trace system will ease the process of tracking cargo electronically. Thus, international logistics companies and users would electronically get information about transportation, documents, licenses, and permits required by commercial, transport, and customs legislation. This progress also important to emphasize that the creation of Coordination Council for Transit Freight Transportation to arrange the both internal and external meetings country's potential in the field of transit freight transportation, determine the emerging problems and immediately acting to solve the arisen problems through the route. These will serve to accelerate the growth of the country's potential in the field of transit freight transportation. Moreover, the combination of the Port of Baku with Azerbaijan Railways will enhance Azerbaijan's role in this route. When seen as two distinct organizations, communication issues arise during the handling of containers. The containers were dispatched to the Port of Baku and then transported through the Baku-Tbilisi-Kars Railway. However, all these transport modes are complementary parts of each other. By merging these two activities, the Azerbaijan government facilitates unified management of receiving the container in port and transporting it accordingly with the Baku-Tbilisi-Kars railway. This achievement serves to consider these two processes as a unified process.

Several features reveal the route's significance. These features are security, destination, distance, geographical conditions, time, tariffs, and modality of routes. One of the most cited features is tariffs, which were studied while conducting interviews with government organizations[149]. Tariffs are one of the most important features when selecting transportation routes. The worth of tariffs directly impacts the decision of transportation participants. In addition, the route tariffs are among the expenses that formulate the value of goods at the last destination. Regarding the tariffs for ferries and railway transportation while passing through Azerbaijan, the government authorities stated that the current tariffs align with global market prices. To carry out the transportation of goods by railway or by ferry or handle the containers in port, some costs are incurred, and these organizations have to cover these expenses and make a profit by reflecting these costs to customers. Regarding the tariffs on railways, the logistics companies, importers, and exporters could reach the prices on the official website of Azerbaijan Railways according to selected routes. Although the prices for railway and ferry transportation already have been standardized and open to customers, the prices for the port services are formulated due to the merging of the Port of Baku with Azerbaijan Railways. These prices are competitive compared to alternative routes. Moreover, the growth of transported goods via this route passing through the Caspian Sea and conveyed by the Baku-Tbilisi-Kars railways illustrated the price alignment with customer expectations. Contemporary infrastructure, acceleration of the prompt crossing of borders, tracking the movement of goods, and the

[149] World Bank. (2023). Middle Trade and Transport Corridor: Policies and Investments to Triple Freight Volumes and Halve Travel Time by 2030.

electronic integration of processes portray the quality of services. Thus, all these conditions and facilities align with tariffs and serve to satisfy customers.

Another important issue is the gauge variability through the route among the neighbouring countries[150]. The frequently spoken challenge is that while crossing from the border of one country to another, the axles of the wheels of trains show differentiation. The frequency of this variability causes the loss of time while crossing the borders. Currently, Azerbaijan has finished the construction of 800 km of the Baku-Tbilisi-Kars Railway project, in which the gauges of wheels align with post-Soviet countries. A representative from Azerbaijan Railways verified that Azerbaijan's gauge is 1520 mm, a standard utilized by most post-Soviet governments, while European countries utilize the 1435 mm standard gauge. The resulting inconsistency requires technical modifications at border crossings, such wheelset replacement or wheel exchange, especially in Akhalkalaki, Georgia, where trains switch between systems. The interviewee asserted that replacing the entire railway system would be both excessively costly and mostly unnecessary, given that the neighbouring regional infrastructure remains dependent on the same standard. Currently, the time loss according to the differences during crossing border have been reduced. As the interviewee stated, the gauges can be modified with particular technological features, and changing the axle between these wheels requires time. However, another government authority emphasized that currently, the change of a wheel axle does not take a long time. Numerous innovative options exist, such as providing the wagons with flexible wheels or developing a system that facilitates direct transferring over the track. Although they confirmed these processes as challenging and time-consuming, several technological and contemporary ways have reduced the time loss. Nowadays, government authorities do not consider this challenge as a gap that can have a huge impact on the route. The reason is that dimension differentiation does not occur only in the Azerbaijan part. The process is reiterated throughout the route. Thus, as the best choice, the Azerbaijan government decided to retain the wheel gauges and consider technological changes as the solution.

The bilateral trade and investment between Azerbaijan and China have an important role in the development of the non-oil sector of Azerbaijan's economy. All these implemented logistical infrastructure projects serve to eliminate Azerbaijan's economy’s dependence on oil and gas. Thus, the relationship with China is very crucial for Azerbaijan. The growth of container flow alongside Azerbaijan would bring millions of USD to the Azerbaijani economy. During the interview with government authorities, they declare the importance of China to accelerate trade and investment in Azerbaijan. However, the government has some concerns about this relationship. The incorporation of the One Belt One Road initiative into the nation's non-oil strategy expands market access and promotes the diversification of the national economy. The discussion to make investments in tire and green battery production by China’s enterprises strengthens positive relations between the two nations. The growth of agricultural exports such as pomegranates, wine, hazelnuts, and chickpeas enhance the export opportunities of Azerbaijan. Although Azerbaijan has exports of agricultural and oil and gas products, the trade balance deficit is noticed in favor of China between the two countries. Another concern of the Azerbaijan government is the debt politics of the Chinese government. The Azerbaijan government has fears about the loss of state control in the strategic sector due to Chinese investment in sensitive areas such as ports, railways, and telecommunications. To ensure transparency and estimate the risks, the government carefully monitors debt sustainability.

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Currently, Chinese investors are keen on investing in the Alat Free Economic Zone due to the privileges offered by AFEZ. The negotiations are continuing concerning this investment. The main challenge is the infrastructure of AFEZ in the second phase of the project. The Chinese immediate investment desire does not coincide with the current infrastructure of AFEZ in the second phase. The subsequent phase will be completed in a few months. The AFEZ authority's engagement of Chinese investors regarding producing in Azerbaijan due to its proximity to Western markets is a very smart initiative. Investors could get tax advantages and minimize logistical costs. However, the main challenge in this instance could be the deficiency of regional logistical infrastructure that prevents Chinese investors from investing in AFEZ.

Limitation

According to this research, the strategic role of Azerbaijan in BRI and the impact of the Port of Baku, Baku-Tbilisi-Kars, and Alat Free Economic Zone on China-Azerbaijan relations have been conducted through the study of different articles and the interviews that were held with government authorities. Regarding gaps in finding the government approach to the solution, the interviews were conducted with 5 government organizations. Some limitations have been revealed during the research. However, although official emails were sent and many calls were made to the Azerbaijan Caspian Shipping" Closed Joint-Stock Company, an interview could not be conducted. In this research, there are several open questions related to a sufficient number of ferries and this organization's price and tariff policy for future research. At the same time, when this research was planned, one of the goals was to conduct cost-benefit, gravity model in trade, and structural general equilibrium (SGE) model analyses to employ some figures to measure the trade and investment extent. However, the lack of some statistics, such as Azerbaijan's CAPEX and OPEX for the created facilities and the benefit and profit these projects have involved for Azerbaijan's non-oil economy sector, compelled us not to consider this analysis. Overall, these limitations portray that this topic could be researched once more, and the new findings could be useful for researchers, investors, and students. Overall, these limitations suggest that the topic requires additional investigation. Future studies with more complete data and greater institutional collaboration may provide significant insights for researchers, investors, and politicians interested in Azerbaijan's expanding involvement in the Belt and Road Initiative.

Conclusion

In summary, the strategic role of Azerbaijan in the Belt and Road Initiative and the impact of government organizations on transport, trade, and investment have been deemed one of the directions to develop the non-oil sector. Azerbaijan was part of the ancient Silk Way, and over history, the infrastructure has been developed to transport goods, and guest houses have served the route users. The geographical placement of Azerbaijan, being at the center of the intersection of variable routes, allows it to shift these opportunities or privileges into economic benefits. At the same time, after Azerbaijan gained its independence, the oil and gas pipelines were implemented, and these projects expanded the nation's income and paved the way to become a logistical hub. To strengthen its strategic roles and enhance transportation opportunities in Azerbaijan in the Middle Corridor, and also to attract BRI to cross these lands, several projects have been implemented in Azerbaijan. The Port of Baku and Baku-Tbilisi-Kars railway projects shed light on enhancing Azerbaijan's strategic partnerships with regional countries through the use of different modes of transport. Currently, the Port of Baku and Baku-Tbilisi-Kars railway transport capacity has been increased, and this logistical infrastructure allows Azerbaijan to overcome the load of transport from China to the West by crossing Azerbaijan. In addition to investing in infrastructure within the country, the government of Azerbaijan has implemented a loan to Georgia in order to finance the building of the Baku-Tbilisi-Kars railway project. This intention portrays the extent of Azerbaijan’s keenness on the development of regional infrastructure. Nowadays, the plan of launching the Zangezur Corridor will allow the territorial integrity of Azerbaijan and, at the same time, a direct connection of Azerbaijan with Turkey that could shorten the transport time from China and the West and reduce the cost of transportation. Regarding the generated Alat Free Economic Zone, the Azerbaijan government intended to enhance the non-oil sectors by offering several privileges. AFEZ planned to attract investment from foreign countries, which included China among the targeted countries. Moreover, the established bilateral relationship between China and Azerbaijan was fruitful, and Chinese enterprises have registered in the Alat Free Economic Zone. In addition, the registered foreign investment in AFEZ will expand Azerbaijan's transport role. Azerbaijan is among the countries that endorsed the Belt and Road Initiative in the initial years. In light of this project, several governmental visits have been implemented and served to strengthen the reciprocal benefits. In the context of BRI, Azerbaijan believes that this project would bring new economic opportunities for Azerbaijan and would strengthen the relationship between Azerbaijan and China. Overall, Azerbaijan sees the BRI as a platform to create new economic opportunities and to deepen its partnership with China.

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