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THESIS
GEO-ECONOMIC ASPECTS OF TRANSPORT-NETWORK POTENTIAL OF AZERBAIJAN

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ABBREVIATION LIST

NAFTA-North American Free Trade Agreement

TFP-Total Factor Productivity

SACTRA-Standing Advisory Committee on Trunk Road Assessment

GDP-Gross Domestic Product

BTC-Baku-Tbilisi-Ceyhan

CASPAR- Caspian Shipping Company

TRACECA- Transport Corridor Europe-Caucasus-Asia

ICAO-International Civil Aviation Organization

IATA-International Air Transport Association

ECAC-European Civil Aviation Conference

FTZ-Free Trade zone

EBRD- European Bank for Reconstruction and Development

BTC- Baku Tbilisi Ceyhan

BTK- Baku Tbilisi Kars

MOT- Ministry of Taxes

CIS-Commonwealth of Independent States

TACIS- Technical Assistance to the Commonwealth of Independent States

ABSTRACT

The objective of this study is to analyze the transport potential of Azerbaijan and assess transport's contribution to the geo-economic and geopolitical position of the country. The first part of the research is a theoretical framework that attempts to analyze geo-economic weight of transport at a modern world, as well as the importance of transport in shaping the geo-economic policy.

The second section aims to demonstrate how the transport factor influences geo-economic relations of Azerbaijan, and its impact on economic development. Thus, it describes the formation and development of transport sector in Azerbaijan over the years, the main directions of the country's transport policy and how the transport affects the geoeconomic situation in the region. It also discusses the geopolitical challenges in the context of implemented transnational projects.

In the third chapter, the key directions for improving the geo-economic potential of the transport sector of the country will be elaborated. The transnational projects and their geo-economic importance, as well as potential for increasing transport services and the state regulation in enhancing competitiveness will be discussed. Moreover, those joint economic projects that can strengthen geopolitical status of Azerbaijan in the region will be analysed.

Finally, as an end outcome from the thesis, the SWOT analysis of the transport sector in Azerbaijan will be given. It was analyzed throughout the thesis and suggested that Azerbaijan led many transport system advancement projects since gaining Independence and due to ongoing trends in economy and its current geo-economic location further opportunities can be gained too. In this context, it is suggested to invest on improvements on efficiency of transport infrastructure by new technological means and it is also concluded that government intervention is inevitable to manage those initial capiltalizations.

INTRODUCTION

Transportation and transport system is connected to all dimensions of human life, our natural environment, economic prosperity, and social well being. Accordingly, they could challenge our environmental, social and economic future, as well as the geoeconomic status of our country with its various aspects.

Due to the economic crisis occured in Azerbaijan in 2015-2016, the country needed to take a step for a modest recovery in 2017 to ensure sustained and inclusive growth, strengthen institutions and provide resiliance for the future shocks in major spheres, including transportation.

As developing the infrastructure and transportation system are crucial parts of geoeconomics, the research will examine the case of Azerbaijan in the context of transportation. It will support better understanding of the strenghts, weaknesses, opportunities, threats of the transport sector and improvement areas in the future.

Information is given about the basic grounds of economic aspects of the transport sector based on the historical statitistical data analysis and Azerbaijan's transnational transport policy and its impact on the geo-economic situation of the country, the challenges and development opportunites which it possess by taking into account the views of varying publications. Since transportation and transport systems are considered as one of the main factors in the development of nation, many publications came out in order to evaluate it from economic, political and social aspects.

Accordingly, the research also tries to analyze Azerbaijan as a new transportation hub for the East-West trade with several infrastructure investments.As a former soviet country Azerbaijan is also facing with many problems, such as aging transport facilities, lack of integarated transportation system plans and infrastructures, inadequate and primitive road, rail and waterway networks. However high density and well-connected transport infrastructure increasingly has become one of the vital ways for the economic and social development by providing better access to new markets, smooth in and outflow of investments and employment opportunities.

Today transport sector is viewed as one of the necessary and important requisites for further diversification of Azerbaijan's economy. This sector plays key role in fostering geo-economic strenghten of the country by participating in various geopoliticially important projects in the region due to its favorable geographic locaiton.

Thus, this opens a good research topic to discuss the new challenges and opportunies, understand weaknesses and threats by presenting different point of views, including modern approaches and global trends for further developing the sector.

Research question and aim:

The research aims to provide information about the transport sector in Azerbaijan , also support better understanding the issues it is facing. Specifically, the research question will focus on how the transport potential of Azerbaijan form its geo-economic status. As the outcome, this thesis will provide information about the strenghts, weaknesses, opportunities and threats about the future of the sector and suggestions to improve it.

CHAPTER 1. DISCUSSING GEO-ECONOMIC ASPECTS OF TRANSPORT AT THE MODERN STAGE

1.1. Literature Review

It should be noted that there is a considerable amount of literature and theoretical works on the transport potential of Azerbaijan and its impact on its geopolitical situation during the independence years. The transport potential, and its geo-economic and geopolitical situation of the country was reflected in the studies of foreign and local analysts. Therefore, it can be divided into two following groups: Western scientists, including American reserahcers; and local analysts. Such prominent researchers as Hooman Peimani ("Conflict and security in Central Asia and the Caucasus"), Cynthia Croissant ("Azerbaijan, oil and geopolitics"), Thomas de Waal ("The Caucasus: an introduction") and others were engaged in studying the geopolitical stance of Azerbaijan, whereas Soren Scholvin ("Geo-Economics as Concept and Practice in International Relations"), Julien Mercille ("The Radical Geopolitics: Geopolitical and Geoeconomic Logics of Power"), Mikael Wigell and Antto Vihma ("Geopolitics versus geoeconomics") better analyses the geo-economic understandanding and its impacts in general. Local scholars such as, Rovshan Ibrahimov ("The Development of the Transport Sector in Azerbaijan: The Implementation and Challenges"), Vugar Bayramov ("*Azerbaijan's Economic Development Since Independence"*) has better contributed to the literature of Azerbaijan's transport potential and geo-economic and geopolitical gains from the transport.

One of the main research reports which was crucial to the literature point of this research, belongs to World Bank. It deals with the transport potential of the country and current obstacles to regional cooperation. Furthermore, World Bank published a full study in 2002 in which they sought the ways of facilitation of Azerbaijan's transport and trade. At the end of the last decade, new reports on "Azerbaijan Partnership Program Snapshot", "Enterprise Survey" have been published which mainly discussed Azerbaijan's partnership potential in transport and trade projects, as hese projects has widely impacted on the country's geo-economic and geopolitical stance in the region.

In order to contribute to the literature, first of all, the meaning of geo-economics has been widely analysed in the first part of the research. As a term, geo-economics has been widely analysed by Mikael Wigell and Soren Scholvin in their article – "Geo-economis as a concept and practice in international relations: surveying the state of the art". The article allows to better understand the meaning of geo-economics, as it adds economic

ties of countries which bind them together. In other words, not only security and power as in the classical geopolitical theories, but also economic relations create interconnectivity between states. Anntho Vihma in her research also analyses geo-economics as an analytical approach which applies economic means of power to the objectives of states. Following the tradition of Luttwark, she also relates geo-economics with the geopolicts by stating that the former provides an alternative to the latter in pursuing geostrategic goals. (Vihma, 2016)

Secondly, in order to better understand the transport potential of Azebaijan, the literature which mainly discusses development of transport sector (R. Ibrahimov "The Development of the Transport sector in Azerbaijan: The Implementation and Challenges") , the role of oil and gas resources in the Caspian basin (Effimoff "The oil and gas resource base of the Caspian region") and energy cooperations (Bahgat, G. Prospects for energy cooperation in the Caspian Sea") has been comprehensively discussed throug the thesis. These literature also allowed to draw a detailed picture of geopolitical situation in the region and Azerbaijan's palce in this arena.

Some group of researchers such as, Giorgio Barba ("Azerbaijan Trade and Trade Facilitation Review"), Allison Graham ("U.S. policy on Caspian energy development and exports: mini-case and illustrative paradigm"), Eklind Jonathan ("Economic Implications of the Baku-Tbilisi-Ceyhan Pipline") mainly focused on how newly renovated transport sector and transit services in Azerbaijan has increased the GDP growth, developed domestic and foreign trade, and involved invenstments. This helped to figure out the share of transport in Azerbaijan economy and net income from transportation. The analysis of this literature also helped to find out Azerbaijan's foreign trade turnover from civil aviation, railway, road transport and pipeline projects and to characterize a reasonable increase in the volume of services rendered and investments.

By using the above mentioned literature, the local scholars has mainly focused on the geopolitical effect of transportation. In other words, they emphasize how transport potential of Azerbaijan changed its geopolitical essence and importance in the region during the independence years. These analysts mainly stress Azerbaijan's geographical position which causes rivalry between big powers. For example, new pipeline projects with the EU and USA underminded Russia'a impact on the energy corridor and energy transport, whereas enhanced structuring role of the U.S. In the region Turkey also wants to play an active role by transmitting the pipelines through its territory. All these increase geographic and geopolitical importance of Azerbaijan and causes rivalry in the region, as many local analysts argue.

A considerable amount of literature has been published about the transport analysis of the country and its geopolitical impact, however local literature lacks the information about the geo-economic situation of the country and transport potential's influence on the geo-economic stance. In conclusion, aforementioned scholars studied transport network and geopolitics of Azerbaijan systematically from various angels. The above studies and recent publications on the transport systems, while focusing only renovations and income from the transport systems and a significant rise in geopolitical situation, do not address the main question of which geo-economic aspects have been released by the impact of transport potential.

1.2. Methodology

Methodology relies on the secondary data. Qualified methods are applied through the analysis of the secondary data on which different point of views on issues and challenges, strengthens and opportunities on transport sector in Azerbaijan are synthesized, and the author gives relevant recommendations relying on this synthesis.

In this methodology the variety of the literature from different angels helps to articulate the primary research question of the thesis. In this research Azerbaijan's current geo-economic status and geopolitical situation is dependent variable and Azerbaijan's transport potential and advanced transport systems which in this case, includes airway, marine, oil gas pipelines – is independent variable. Research type is qualitative. Research design is exploratory.

Materials of Azerbaijani and foreign, mostly Russian authors stated in monographs, scientific journals, as well as from annual reports of various international organizations, official internet sites, statistical data regarding the world economy and international trade, statistical data and reports of the State Statistics Committee, the State Customs Committee, the Ministry of Economic Development, State oil company of the Republic of Azerbaijan have been used in the analysis. The data extracted from the officially approved data system of State Statistics Committee of Azerbaijan covers last 20 years between 1999 and 2018.

1.3. Conceptualisation of Geoeconomics

Geo-economics is the scientific discipline that studies the economic situation in a given country, based on the various indicators - its geographical location, historical development, and culture to determine its level of economic development and place in the world politics, originating into account the only level of economic influence. It is closely

connected with other social sciences, therefore it is also in contact with geopolitics, and the study of globalization. (Petsinger, 2016) As a political strategy, geoeconomics is new geopolitics (geopolitical economy), which develops a strategy to increase the influence of the state from the standpoint of its economic power and ensures the achievement of foreign policy goals, global or regional power in an economic way. (Luttwak, 1990)

The first attempts to connect various economic processes and phenomena with spatial factors can be observed in the works of various scientists, starting from the XVIII century. For the first time, the foundations of a geo-economic concept can be found in Fritz Roerig, a German historian who suggested that economic factors are central to the geopolitical alignment of states. He claims that dominance is won precisely by those countries in which the largest number of productive resources and information are concentrated. Italian scientists Jean Carlo and Paolo Savona believed that economics and politics were always closely interconnected. The state, pursuing a certain policy, inevitably took into account economic opportunities and interests, moreover, without economic resources, it could not carry out either foreign or domestic policy in general. (Wigell, 2018)

Also, the foundations of geo-economic theory can be found in the "National System of Political Economy" by Friedrich Liszt, written at the beginning of the XIX century. This book contains allegations that the economic well-being of the state, its influence directly depends on geographical factors and at the first stages of development it is these factors that determine the degree of its demand in the world trade space, since it is from agriculture, agriculture that the production path of any state. (Sheet, 2005) However, almost until the end of the last century, there was neither a separate scientific discipline nor the term "geoeconomics" itself. This concept was introduced in the late 80s of the XX century by Edward Luttwack, political scientist, consultant to the National Security Council of the US Department of State. Scientists attribute such a late appearance of geoeconomics as a separate science to various factors. It was at the end of the 20th century that the process of globalization began, which led to the strengthening of the dependence of states on each other. In addition, geographical boundaries between states have been overcome due to virtualization.information, and subsequently capital, which led to the need to create, in fact, new geography based on the location of the centers of accumulation of information and capital. (Vihma, 2016)

E. G. Kochetov, a Russian scientist, identified four main reasons for the emergence of geoeconomics as an independent display. This is the blurring of borders between states, as a result of which domestic and foreign policies are becoming more and more closely

connected; the growing influence of the economy on the political process both within the state and in its external activities; the emergence of universal economic rules to maintain the global economic balance; the priority of economic development over the political, ideological, and other strategic goals of state policy. (Vihma, 2016)

Geoeconomics in its research methods is based on a number of principles. In the study of any state, it should consider it not in isolation, but as part of the whole, analyze it as a subject of geopolitical and geoeconomic activity, since only by assessing the country's position in the general system of states, one can understand its real level of economic development. In addition, Geoeconomics must take into account the fact that the objects of its study and at the same time the subjects of economic activity are subject to constant changes, they are not static. Any state undergoes constant gradual changes, experiencing ups and crises as part of its historical development. Therefore, geoeconomics as a science in its tools must constantly adapt to the changing objects of its study. (Luttwak, 1990)

Geoeconomic studies are both positive, theoretical, and normative, pragmatic, which is expressed in the formulation of proposals for real measures aimed at adjusting foreign and domestic economic policies, a long-term strategy to improve the geoeconomic positioning of a particular state or supranational block, in particular, to increase their competitiveness.

In geoeconomic studies, other approaches are used to identify supranational (largely hypothetical) blocks. In particular, among the most traditional approaches, the division of the world into a rich North and a poor South stands out; Christian West and non-Christian East; American (NAFTA and South America), European (European Union) and Pacific (China, Japan, South Korea, Taiwan) geo-economic spaces. (Wigell, 2018)

In addition to the above methods of segmenting the world, there are a number of geo-economic systems. In its theory, geoeconomics distinguishes certain supranational entities, based on the concentration in them that are limited in their rules, which have the characteristic features of production and exchange relations, the legal regulation of the economy, and the behavior of economic entities. According to one of these classifications, geoeconomics distinguishes European and American economic centers and Asia-Pacific countries. In addition, there are more detailed classifications of the world economic space, for example, on the basis of the territorial position or the nature of economic relations between entities. (Wigell, 2018)

The range of activities recommended within the framework of geoeconomics includes both defensive (protectionist, mercantilist) and offensive actions related, in particular, to economic (trade, technological, currency wars, economic intelligence (including industrial espionage) and counterintelligence and etc.).

In the modern economic space, there are a number of trends in its development, which suggest the need for a fundamental restructuring of geo-economic strategies, production and exchange technologies of all states, including those that are the centers of the world economy. Such trends include the virtualization of capital (the emergence of cryptocurrencies, evasion of cash payments, etc.), the changing role of the state as a subject of economic activity, the ever-increasing publicity of the political elite and its increasingly open interaction with the people. Under such conditions, developing countries should not only develop geo-economic strategies but also, first of all, engage in the modernization of all areas of production, because without advanced technologies in modern realities it is impossible to achieve economic domination.

Geoeconomics uses a number of different methods in pursuing economic policy in order to increase the competitiveness of the state. Firstly, these are traditional methods, which include, for example, institutional methods - changing the tax system, introducing innovative technologies, developing infrastructure, social support for the population, increasing its well-being. (Scholvin, 2018)

The success of the geo-economic policy chosen by the state in modern realities depends on its continued existence, therefore, the geo-economic strategy of its development should be subject to constant adjustment depending on the global economic situation. (Scholvin, 2018)

As a new scientific discipline, the role of geoeconomics in shaping today's national, regional and international political and economic relations and in explaining the changing world system is increasing day by day. Although economic relations constitute the basis of the behaviors of individuals and firms struggling for the highest profit in the free market economy, geoeconomic relations determine the behavioral structure of the states which cannot be considered independent of their geography in the international arena on the axis of geography-economy-technology.

For the time being, geoeconomics is the last link in the evolution of views that aim to interpret the system of interstate relations and foreign policy practices after the emergence of nation-states. As a method, it gives more importance to economy, technology and

geography than politics. The vital interests of states are determined on an economic basis and strategies are drawn accordingly. (Matthew Sparke, 2000) In general, geoeconomics is handled with three basic approaches; firstly, natural resources in a given region or geography and the policy of controlling and using these resources; secondly, in the form of vital economic discourse, where the global economy is closely tied, and finally, the financial, capital and trade flows in the global world and across borders, and the political reasons behind these movements. (Mercille, 2008) Geoeconomics, in its shortest and general definition, is the strategic use of a region or country in international economic and political relations by taking into consideration the technological elements of geography and economy. (Kochetov, 2008)

1.4. Theories of economic growth and the role of transport

One of the most important features of the transport sector is that an efficient transportation system has an important function to redirect the country's economy. Accordingly economic elements such as investments, trade, industrialization, population, construction are encouraged, starting with the most important, due to the fact that the access roads are well-planned, roads, railways, airports, and ports are significantly accessible and qualitatively both urban infrastructure and urban centers economically advanced as a whole, it favors to the development of social-oriented units, such as universities and hospitals in the area. Developing transportation contributes to increasing profitability of agricultural and industrial production by reducing input costs and improving producer prices and reducing costs due to the continuity of both the frequency and input supply, enlarging capacity and elevating the degree of production technology. Along with expanding productivity, economies of scale is emerging and production capacity is increasing. Thus, increase in production levels boosts the profitability and quality of transportation services by rising demand for transportation services and encouraging greater investment for transportation.

Nowadays, industrialized countries have completed their industrialization and development movements, giving a high importance to the infrastructure investments, and especially to the efficient transport infrastructure. However, transportation is not sufficient and effective for development solely without complementary factors: while there is an efficient nationwide transport system, factors such as net investment, growth in population and technological advancement also influence economic prosperity in the country's development. It creates only one “chance” for industrialization by reducing costs, improving productivity, utilizing natural resources and administrative, social, political, and technical infrastructure of the transportation system is widely spread throughout the

country and other complementary measures such as the establishment of regional centers. It is impossible for developers to be achieved without local resources being linked. When an industrialized region with an efficient transportation system is integrated with an economically abandoned site, it will always be the first to immigrate to the first and polarization will accelerate in the industrialized region. (Crandall, 2006)

This thesis approaches to the issue from two theoretical methods, namely neoclassical theory, and institutional paradigm. Apart from these two main theories, co-evolutionary development approach is also examined. The two main theories have developed in certain ways that their core goals, actors, organizations and in general core elements differ from each other (Hasselgren, 2013).

Neoclassical and endogenous growth theories

The neo-classical theory indicates that increasing labour or capital brings diminishing returns. Thus, increasing capital possess only a limited and temporary effect on fueling the economic growth. As increments of the capital leads the economy to maintain its steady-state rate of economic growth.

According to the Solow/Swan model below dimensions are needed to increase economic growth rate:

- An increase in amount of invested GDP – but, it is limited as bigger proportion of investment is inducing diminishing returns and confluence on the steady rate of growth
- Technological advancement which improves capital/labour productivity
- It proposes poor countries who invest heavily need to see their economic growth intersect with wealthier countries.

Economic output is the factor of the labor and capital resources utilized within the economy along with the effectiveness with which these inputs are implemented. Economic development thus relies on increments in these resources and in total factor productivity. Transport has a direct effect here with capital invested in logistic systems and transport infrastructure, expanding physical capital and indirect effect through comprehensive transport that can cause bigger efficiency which different sectors utilise their own resources.

Neoclassical theory in the context of transport infrastructure deals with finding optimal utilization of available resources and has positive approach to the government intervention

to alter or advance the market outcomes (Hasselgren, 2013). It is believed that this model as well as its application, had a great effect on the historical development of the role of the government and other theories which are associated with them in the economy (Hasselgren, 2013).

As stated above, neoclassical growth theory as an early development model mentioned physical capital and technological development (also human capital). Due to the diminishing returns to capital accumulation, the effects of higher investment on the growth of the capital stock and so on output growth tend to dissipate over time. (Dalziel Saunders, 2014) Thus, greater investment causes output per head to increase, compared a permanent economic growth. Here comes the total factor productivity which affects growth on income per person and also regarded as mirroring the impact of technological change.

Recent attention is to have longer term investment for the economic growth. In this framework below threads of endogenous growth theory have emerged. First theory explains an interpretation for capital to incorporate, such as, with human capital and infrastructure along with physical capital. Due to such wider definition, diminishing returns might be anticipated to come less harsh, thus growth raise from investment leads longer to digest to the economy and it takes more time for growth rates to return to trend too. In detail, motives to invest and invent which is supported by the anticipated retruns trigger economic growth. Hereby, anticipated returns refer to the expected stream of incomes going to the investor.

One of major historical effects of developments in transport infrastructure was to enable long-distance trade and reduce its costs which creates more integrated markets. Thus, transport infrastructure is special that success may be obtained with better transport networks than single transport schemes. Transport and the economy are often said to have a two-way relationship; changes in the supply of transport may affect the level of economic activity and, conversely, the level of economic activity can affect the demand for transport (Dalziel Saunders, 2014)

Economic and social activities are considered main needs for transport provision. For instance, the sale of products to the end users also require resources to be transported to production areas, which triggers need for freight services. The need for passenger transportation coming from people's demand to travel to the education, consumption points and workplaces. Eddington (2006) reports that although it is evident from the academic literature that the transport system can impact on the performance of the economy, these impacts will be of different magnitudes at different times and in different places.

Co-evolutionary approach

The co-evolutionary view is correlated with a dynamic view about organizations (Hasselgren, 2013). In this case scenario, the co-evolutionary approach is connected to institutional theory (Hasselgren, 2013). Three important factors, such as technology, economics, and political systems are believed to form the evolution of social systems and transportation infrastructure consists a huge part of it (Hasselgren, 2013). These are the aspects, which shape the institutional environments (Hasselgren, 2013). They are explained as follows:

Technology encompasses the physical networks of roads and railroads as well as the rolling stock and vehicles (Hasselgren, 2013). The technological development has amended competitive relations between transport modes (Hasselgren, 2013). Traffic management systems, both manual and IT-based, are of paramount importance in this case (Hasselgren, 2013). Currently, Intelligent Transport Systems (ITS) technology is utilized to develop traffic management in dense and crowded cities (Hasselgren, 2013). ITS could be discussed as a part of the technology factor (Hasselgren, 2013).

Economics includes the organizational settings, at the same time economic experience and theoretical factors on economic issues, such as scale effects, transaction costs, competition and the various scrutiny on pricing policies based on marginal and full costs coverage (Hasselgren, 2013).

Politics and socio-culture comprehend on questions about the balance between market and government intervention, the impact of other policy topics like regional policy in the transport infrastructure, in addition to the questions about the economic equality and power distribution among international organizational, national, regional, and local levels (Hasselgren, 2013).

Historically, transport was obviously treated as a essential and initial factor for economic development. It has been specifically the circumstance for developing countries, in this context for Azerbaijan, whereas the transition from an incomplete and immature transport system to even a slightly improved network is of a great significance. In this case, the lack of well-developed transport system functions as a pressing limitation on growth. If country has better transport system built, the focus will be more on slight and additional improvements in the transport infrastructure. Nowadays, the connection between economy and the transport turns to be more comprehensive and power of the different ties inbetween are less clear-cut.

1.5. Transport as a key for determining geo-economic policy

Transport is one of the main service sectors which acts as a catalyst for the country's economic development. It increases the regulative role of the government by strategic investments to the economy of the country and supports clusters and agglomerations, gives access to the new markets, facilitates the international trade by increasing the productivity and the efficiency. Mainly, it divides into five modes, which are a roadway, railway, seaway, airway and pipeline.

Transport is connected with the structure of society and directly affects the living standards of nations. Because of this feature transport can be counted as a vital demonstrator of the economy and standard tool used for the development. Comparing transport infrastructures and networks of developing and developed countries, it can easily be seen how transport systems have an important function in the sustainable development path of the country. (Chufrin, 2001)

Due to the many dimensions of transport such as economic, social, political, it can easily affect development pace of a country. Considering below mentioned functions, it can be seen that transport and economy are closely related.

Economic functions of transport are given below:

- Transport helps to eliminate time and place gaps between producer and buyer by enabling movement of goods and people from one place to another place- where it will reach to its end consumer. Compared to the earlier times, in the modern world trade is not restricted within the borders of the nation, thus it can extend through international markets.
- Facilitiates movement of capital and labor across the world markets. People can immigrate to the other countries where they can be offered better job opportunites that can reduce in its turn the exploitation of the workers. Capital will also be distributed to the places where most needed and can accumulate greater future economic benefits.
- Transportation of goods and people contributes to specialisation and division of labour whereas every country can make its optimum and use national resources efficiently leading to the low cost of the production.
- Enabled large scale industries development for the economies which tend to decrease unit cost of production and boost the economy.

- It has tight connections between agriculture and industry such as, simply with enabling trade between nations it can be counted as an “engine” of country’s economy.
- Transportation of goods occur between places where there is scarcity and products are expensive and where there is surplus and low prices. In the end, this will make the cost of finished good go down and will create price stability, also trigger to equalise the prices of products across the world.
- The different kinds of transport give employment opportunities to the people over the world. The economic prosperity of a nation hugely depends on the developed means of transport meaning that it contributes significantly to the national income of a country.
- Good transport facilities contribute to accumulate the national wealth for the country by speeding up the industry, agriculture, trade and commerce

In addition to the economic advantages, it has huge social and political benefits too :

- Transportation encourages to preserve national unity and internal peace of the nation. It contributes to the national integration. As an example, being a huge country, India cannot be managed without efficient transport facilities. Transport also facilitates political and economic interdependence by creating specialisation and labour divison and this in turn promotes demand for national integration and unity.
- Transport is critical to fortify the national defence of the nation. During the war situation, with the assitancer of the improved means of transport the personnel, equipment and material can be travelled across the border areas.
- Effective ways of transport assist to politically awake the people and the development of civilization.
- Transport contributes to raise the national wealth of the country and also a source of revenue for the Government.

Being a facilitator to the economic prosperity and having own specifics, transport has crucial spatial impacts, such as its effect to the transportation time and costs within the local region and between regions and to the location of businesses and people. Transport sector can offer services owing to its essential part which is transport infrastructure.

The countries that have well-planned transportation infrastructure- roads, railways, airway, ports have investments which encourages economic development entirely. Because

of increased productivity has risen, production capacity has also risen and these explosions increase transport demand and makes investors to invest more on transport sector. Nowadays, developed countries pay more attention to transportation development as a tool of industrialization. But without complementary factors transport is not enough separately. Effective transport system, net investments, increasing population and technological development expedites development of a country.

Development of transportation system has not to be only in big and central cities. If in suburb area, development of transportation sector increases slowly, that means government is not paying essential attention to the out-side areas. It is clear that investment in transport directly effects growth in private investment by increasing social return. Thus agricultural production costs decreased by the help of improvements in rural transport. Improvements in urban transport have led to an increase in labor efficiency and easy accessibility to the facilities, thus making it possible for the shapes of urban agglomerations to diverse. Inter-urban reforms in the transportation have made domestic and international trade favorable and fostered the speed of freight movements, as well as the movement of people.

Transport sector's input to the other activities is a distinctive feature which can be described as companies can pass the goods to distributiors, retailers and firms send the employees to greet with suppliers, customers, co-workers and regulators; people take a journey to work places and to meet their for social needs. Nevertheless, the need for transport is not counted only as a derived demand. Upgraded access is vital ,but still not enough prerequisite for improved productivity, thus economic growth can be supported by the enhancements in transport systems.

Investments into transport infrastructure are aimed at additional transport capacity, increased reliability and a better quality of transport services. This in turn leads to lower transport costs as well as to shorter transit times. Besides, better transport infrastructure is the core element for business expansion. Summarizing the above presented ideas, we have better productivity and competitiveness which is the backbone of economic growth (Figure.1). (Alminas Mačiulis , Aidas Vasilis Vasiliauskas & Gražvydas Jakubauskas,2009)

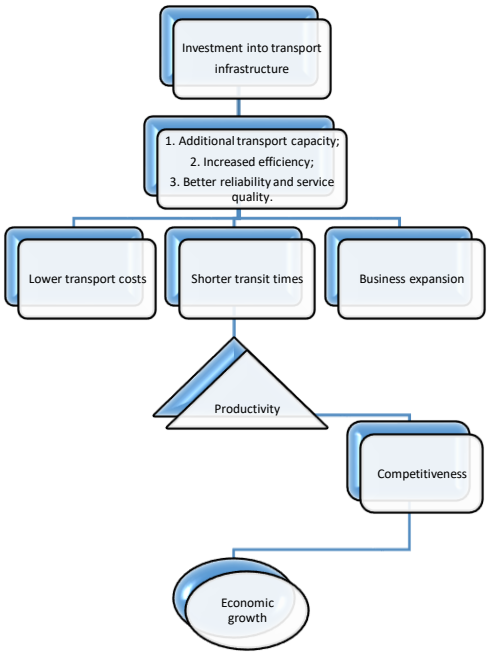


Figure 1. The impact of transport on economic growth

Both types of direct and indirect gains from transport are important to the economy (Table 1). If direct transport advantages can easily be assessed, indirect gains are not that easily evaluated, however these are very significant for the progress of the economy and its sectors.

Table 1. The benefits of transportation to economy

Direct Transport Supply	Direct Transport Demand	Indirect Microeconomic Benefits	Indirect Macroeconomic Benefits
Income from transport operations (fares and salaries)	Improved accessibility	Rent income	Formation of distribution networks
	Time and cost savings		Attraction and accumulation of economic activities
	Productivity gains	Lower price of commodities	
Access to wider distribution markets and niches	Division of labour		Increased competitiveness
	Access to a wider range of suppliers and consumers	Higher supply of commodities	Growth of consumption
	Economies of scale		Fulfilling mobility needs

(Source: Alminas Mačiulis , Aidas Vasilis Vasiliauskas & Gražvydas Jakubauskas,2009)

If we take all above effects and outcomes into account transportation is critical to the government and society. Any deficiency in transportation system can affect country's life significantly. Being a critical aspect for development in case of absence of transportation systems living standards and quality would decline, without access to the jobs, health, education and other facilities, stagnation of economy will occur and poverty cannot be reduced.

CHAPTER 2. TRANSPORT FACTOR OF AZERBAIJAN IN THE SYSTEM OF GEO-ECONOMIC INTERACTIONS

2.1 Development history of transport sector of Azerbaijan

The Republic of Azerbaijan is one of the most important links in the world transport and communication system of the Caspian Sea region and the South Caucasus. Azerbaijan's maritime, road and rail transport has undergone significant reconstruction over the years of independence, and transport and transit infrastructure that connects this country with most foreign countries has been rebuilt or replaced.

The geostrategic and geographical position of the basin and the South Caucasus enable it to act as a bridge between East-West and North-South relations. However, because of the absence of an independent state or independent policy throughout history, this position has not been used in accordance with the general geopolitical and geo-economic interests of the country. Only after regaining independence in 1991, Azerbaijan began to take advantage of its superior geopolitical and geo-economic status and the geographical opportunities of its country (Cornell, 1999).

In early 1990s, taking into account the geographical location of the republic at the crossroads of major international transport and communication lines and corridors, President Heydar Aliyev identified the policy of reconstruction and modernization of this area as one of the main priorities of the country's development strategy and began to mobilize opportunities for its implementation. This strategic geo-economic course has also laid the groundwork for the policy of transnational transport and communication corridors that Azerbaijan has pursued in recent years. (Cynthia, 1998) The Presidential Decree "On Measures for Acceleration of Socio-Economic Development in the Republic of Azerbaijan" signed November 24, 2004 and the State Program on Socio-Economic Development of the Regions of the Republic of Azerbaijan dated February 11, 2004 and special attention was paid to the reconstruction. (Raphael, 2010) Since 2004, the Government of Azerbaijan has implemented major investment projects to develop domestic transport and communications infrastructure, to modernize and reconstruct land, sea, air and rail structures, roads and ports, transport and transportation facilities that connect the country with foreign countries. In 2008 alone over 2 billion manats were allocated for the expansion and reconstruction of road and other infrastructure in the country. (Thomas, 2010)

The basics and tasks of Azerbaijan's local, regional and transnational transport and communication policy are set out in the Law of the Republic of Azerbaijan "On Transport" and the "Transport Sector Development Strategy". These tasks include:

- Creation and improvement of normative legal base in the field of transport safety;
- Identification of threats to the transport sector;
- Categorization of transport infrastructure facilities and vehicles;
- Training of transport safety specialists;
- Control of transport safety;
- Provision of transport safety with information and scientific and technical means. [1]

Property types of transport sector are state, private and municipal. Their all rights are equally distributed. Azerbaijani government has made programmes about this issue such as repair of transport infrastructure, provide safety, accomplishing authorization of transport of passengers and state railway.

Generally transportation law covers most aspects of travel and commerce on the streets and highways, in the air, and on the water - including regulation of vehicles and vessels; implementation of safety standards; and oversight of shipping activity. Legal awareness in this complex area of law, implementation of the right producers and compliance with the regulations can save the business not only the distress, expenses and losses but also can limit the possibility of it happening again in the future. Regulations are indispensable to the proper functioning of economies and societies. They underpin markets, protect the rights and safety of citizens and ensure the delivery of public goods and services. In Azerbaijan relations connected to transport operation are to be regulated by the present Law, codes and charters on certain kinds of transport, other normative and legal acts of the Azerbaijan Republic. Also relations in the field of main pipelines are to be regulated by the corresponding legislation of the Azerbaijan Republic. Terms of transportation and unloading, rules for the use of transportation facilities, ensuring of transportation, labor and fire safety, observance of technical and technological, ecological and sanitary norms are to be regulated by the normative and legal acts on the corresponding kinds of transport, as well as mutual agreement of parties, that shall be obligatory for all participants of transport relations. Turning to the main source of regulations, on the base

[1] Law of the Republic of Azerbaijan on Transport; Transport Sector Development Strategy of the Republic of Azerbaijan http://www.mot.gov.az

of Article 148(I) of the Constitution the legislative system of the Republic of Azerbaijan consists of the following normative-legal Acts:

- The Constitution
- Acts adopted via referendum
- Laws
- Decrees
- Resolutions of the Cabinet (Demir, 2003)

Normative Acts of central executive bodies: International Treaties, of which the Azerbaijan is a party, are constituent part of the Legislative system of the Azerbaijan Republic.

Local Executive bodies within their competence can take decisions and instructions of the normative character, other Acts, which do not contradict Acts included in the Legislation system.

Development Concept of Azerbaijan-2020 states that improving transport infrastructure is the main aim of the government, and it will make the country center of investment and will help the business grow.

Below, each transportation infrastructure in Azerbaijan is reviewed.

Roads: The geographical location of Azerbaijan necessitates the development of the road network in accordance with international standards and the implementation of appropriate measures in this area. The total length of roads currently used in the Republic of Azerbaijan is only 25,021 kilometers of which 4,577 km are national roads and the rest are local roads.

Establishing a network of modern highways that meet international standards, linking highways with international road networks, regulating traffic on public highways, and utilizing modern automated systems in this area is one of the top priorities of Azerbaijan's transport security policy. Today, the market of transport services has been formed in the country, state-owned automobile transport enterprises have been privatized and public administration in the transport sector has been established in accordance with market economy relations. The country's highways network is integrated into a network of subregional highways in Europe and Asia with access to many countries, major ports, transportation nodes and terminals. The length of the mentioned highways of Azerbaijan is 2.1 thousand kilometres. (Peimani, 2009)

Pipeline (oil and gas transport): Azerbaijan is one of the world's oldest oil producers. The first oil well in the world was drilled in Absheron, Bibiheybat in 1847 using

a primitive percussion drilling mechanism. The first oil refinery was also built in Baku in 1878. This refinery was connected to the Balakhani oil fields via a newly constructed pipeline 12 km long. By the end of the 19th century Baku had become a centre for world-scale industrial investment. In the time of the Russian Empire, Baku was the main oil provider, providing 97.7 % of Russia's oil in 1890 and half the world's output in 1901.

After Azerbaijan became independent from the USSR, a successful oil and gas strategy implemented by the Azerbaijan government with the signing of the "Contract of the Century" in 1994 followed by a deal on the Shah Deniz gas field in 1996 led to an extraordinary amount of international investment flowing into the oil and gas sector. To get the oil that is planned to extract from the Azerbaijan section of the Caspian to the world market, two oil pipeline routes were determined on October 19, 1995. The first one is called Northern Route. The total lenght of Baku-Grozny-Tikhoretsk-Novorossiysk oil pipeline is 1346 km, in Azerbaijan 230km as well. On October 25, 1997 the first oil was carried through this pipeline. The second oil pipeline is Western route. This line is 920 kilometers, and 480 kilometers are in Azerbaijan. The pipeline was put into operation on April 17, 1999. Through the pipeline called Baku-Supsa 15 million tons of oil are sent to the Western countries every year.At the same time, the construction of Baku-Tbilisi-Ceyhan oil pipeline has allowed to get Azerbaijan oil to the world market since 2006. 50 million tons of oil are carried to the world market through this pipeline.The total lenght of main pipeline transport in the Republic is equal to 4 600 km.

Azerbaijan has received $ 60 billion in foreign investment in its oil and gas sector over the past 16 years (Aitor Ciarreta and Shahriyar Nasirov, 2011). The country's oil and gas revenues are expected to reach $200 billion by 2024. Another important event took place in 2006 with the construction of the giant Baku –Tbilisi – Ceyhan (BTC) pipeline for transporting oil from Baku to western markets via the cities of Tbilisi and Ceyhan. This project practically put an end to the Russian monopoly on transportation of energy resources from the Caspian Sea.

Sea way: Sea and water cargo transportation is considered as essential for the nation. Azerbaijan has continuous sea links only with other states of the Caspian coast (Iran, Kazakhstan, Russia and Turkmenistan). However, this can lead to the fact that high levels through the Volga-Don Canal or through Georgia on rails or roads to Black Sea and Azerbaijan are also limited by activity of delivery to other directions. The maritime industry of Azerbaijan consists of its own companies with monopolistic behavior. Ports of the Caspian basin have good prospects to increase their turnover in a short time.

Commissioning of the Baku-Tbilisi-Kars railway that took place in October makes way for the Chinese and Central Asian goods to be delivered across the Caspian Sea to Europe. The North-South project - another transport route from India through Iran to Russia and North East Europe - can also contribute. In March of 2018 at the forthcoming summit in Kazakhstan it is expected to sign the final agreement on the legal status of the Caspian Sea. All these factors will help intensify the trade between the coastal states. In the meantime, within the first six months of the current year most of the Caspian ports showed decrease in their total freight turnover. Below information is mentioned about the main shipping company and facilities separately to understand their benefits to our economy.

The Caspian Shipping Company (CASPAR*)* is the largest shipping company owned by the region. The main activity is the transportation of goods with a predominance of products from petroleum and its products. CASPAR develops its usual operations independently and contributes to the government and general funds, such as, taxes and revenues or the funds. The company determines its tariffs for freight and passenger transportation. Navigation directions:

- Caspian Sea
- Black Sea
- Mediterranean sea
- Sea of Marmara (Crandall, 2006)

Baku International Sea Trade Port has been founded in year of 1902 and it was always considered the biggest and vital among the ports of Caspian Sea. It has been contionously progressing throughout the years and nowadays has a key role inter-Caspian trade and is the essential seaway gate to Azerbaijan. Being an important transit point for Asia-Europe trade the port runs throughout whole year. The port activities and linkages also is being supported within Restoration Of The Historic Silk Route project of TRACECA. Only bunkering services are under the control of private companies.

The importance of the port was fortified with the drastic rise in oil trade volumes transported through the Caspian sea and massive imports of different offshore oil equipment to Azerbaijan over the last years. Owing to its whole year accessibility and contemporary amenities the competitiveness and the usage of port by international actors were strongly preserved.

Provided services by the port include below:

- Dry cargo and liquid bulk handling
- General and project cargoes

- Container handler (stuffing/stripping)
- Warehousing and storage

The Port owns the four terminals within it- Main Cargo Terminal, Dubendy Oil Terminal, Ferry Terminal and Passenger Terminal. The capacity of the port has been continously increasing,currently it can allow to transport 15 million tons of liquid bulk and up to 10 million tons of dry cargoes.

Railway: Another important transport type is railway. Azerbaijan Sate Railway was founded on January 20, 1880. The lenght of the first railway in Azerbaijan was equal to 20 km, and served for oil transportation with steam tractive between Baku and Sabunchu. 550 km long Baku-Tbilisi railway and 231 km long Derbend-Bileceri railway were constructed and put into operation on May 8, 1883 and in 1900 respectively. (Smith, 2017)

More intensive parts of the railway, i.e 1277.1 km are electrified, and this part comprises 60% of the total length. ASR carried 26 201 000 tons of freight, 5 509 700 passengers, freight turnover was 9 524 million ton per km, passenger turnover was 881.1 million passenger per km in 2005. The amount of transit freight transportation on the Europe-Caucasus-Asia (TRACECA) corridor has been 7 327 600 tons. (Smith, 2017)

Azerbaijan Railway (ADDY) is now a state owned enterprise that operates under the direction of the Ministry of Transport of the Republic of Azerbaijan. Azerbaijan State Railway includes Transportation Processes Management Union, Passenger Transportation Production Union, "Locomotive Production" Union, "Carriage Service" Production Union, Road Production Union, Power Supply Production Union, Indication and Communication Production Union, Militarised Enforcement Organization, Nakchivan Department and other enterprises.

Currently, express and firm trains of remote purpose travel to Russia (Baku-Moscow, Baku- Saint-Petersburg, Baku-Rostow, Baku-Tumen, Baku- Mahachkala), Ukraine (Babu-Kiev, Baku-Xorkov), Georgia (Baku-Tbilisi), and trains of local purpose travel on Baku-Kocherli-Balaken, Baku-Astara-Horadiz, Baku-Kazakh- Boyuk Kesik, Baku-Agstafa, Baku-Gandja, Baku-Mingechevir, Baku-Astara routes. (Crandall, 2006)

The main routes consist of one of the two main ports of Georgia and from Tbilisi to Baku, which is transit for people living in different cities of Turkey. There is also a connection between North and South, going from Russia to Makhachkala, to Iran, to the border checkpoint in Astra, and, as a result, a few years ago, in the end, there wasn't yet. In addition, there are many lines from different directions, going from the main routes and intensive rail work in the Absheron peninsula surrounding Baku. Designed to be universally recognized, the success of ADDY increased compared to recent years.

Table 2 Railway transport

	2010	2011	2012	2013	2014	2015	2016
Total length of lines operated, km	2 078	2 078	2 067	2 067	2 065	2 067	2 070
Electrified	1 252	1 250	1 239	1 239	1 237	1 232	1 198
Goods transportation, thousand tonnes	22 348	22 202	23 115	23 126	21 794	17 089	15 479
International	18 752	17 830	18 151	17 256	15 562	13 094	11 362
Tranzit	8 253	7 878	7 391	6 631	4 501	3 925	3 786
Local	3 596	4 371	4 963	5 869	6 231	3 994	4 116
Freight turnover, million tonne-km	8 249	7 846	8 211	7 957	7 370	6 209	5 191
International	7 465	6 945	7 051	6 626	5 924	5 195	4 217
Tranzit	4 040	3 806	3 633	3 296	2 329	2 194	1 980
Local	785	898	1 159	1 330	1 445	1 013	973
Passengers transportation, thousand passengers	4 802	3 450	2 667	2 507	2 516	1 882	1 977
International	316	286	304	343	284	166	145
Local	4 485	3 163	2 362	2 163	2 231	1 715	1 831
Passenger turnover, million passenger-km	916	659	590	608	611	494	447
International	82	75	81	89	80	55	45
Local	833	583	508	518	530	438	401
Average transportation distance of goods, km	369,0	353,2	355	344,0	338,2	363,4	335,4
Average transportation distance of passenger, km	190,8	191,1	221,5	242,7	243,1	262,9	226,5
Income from transportation, thousand manats	158 381	196 682	201 854	223 314	236 303	232 077	262 435
from goods transportation	137 993	176 506	186 086	208 179	221 851	219 947	249 277
International	126 120	154 389	171 660	187 851	198 540	190 735	232 582
Tranzit	53 289	62 683	71 498	64 262	49 358	55 320	85 499
Local	11 874	22 115	14 425	20 327	23 311	29 212	16 695
from passenger transportation	20 387	20 173	15 767	15 134	14 452	12 130	13 158
International	15 041	10 067	5 157	5 368	5 061	4 685	5 441
Local	5 345	10 104	10 609	9 765	9 391	7 445	7 717
Expenditure to transportation, thousand manats	167 413	164 338	187 581	146 454	223 751	201 976	327 401
to goods transportation	151 615	125 149	138 146	109 840	167 813	151 482	245 551
to passenger transporation	15 797	39 187	49 433	36 613	55 938	50 494	81 850
Number of employees, persons	12 996	11 558	11 335	11 873	11 761	11 784	7244
Average monthly wages of workers, manat	187,0	197,3	225,4	238,3	275,4	241,1	262,2
İnvestment to fixed capitals, thousand manats	3 371	3 127	2 797	5 892	4 331	1 594	1911

Putting into operation of fixed assets, thousand manats	1 206	3 144	3 696	5 549	504	143	1910
Number of load wagons, unit	18 061	17 960	17 883	17 874	17 859	18 239	9 878
Number of passenger wagons, unit	718	718	668	668	668	668	213
Number of containers, unit	3 035	3 024	3 048	3 084	3 103	3 093	1 091

Source: State Statistical Committee, 2016 [2]

The figures show a significant increase in traffic on domestic and long-distance foreign trips, which doubled in 6 years. On the contrary, local educational institutions on the Absheron Peninsula remained virtually unchanged compared to the same period. This was reflected in the fact that it has a difficult situation, when it experiences a sense of injustice in relation to people who have lost responsibility for their problems. As a rule, there is a lack of support for these services, and losses are covered by surpluses received from other enterprises. It drifts quite far that such cross-subsidization should be eliminated in the future. Despite the fact that in recent years there have been serious losses arising from the overrun of basic expenses, they do not receive long-term support in the future.

Air transport: The air transportation history of Azerbaijan is notable to mention. "Kharkov- Baku- Pahlavi international route was opened in 1929, and a flight was realized to Moscow over the Caucasus that shortened the length of air road for 1 100 kilometers for the first time in 1933. The constant Baku-Moscow route was opened in 1937, and the local "XAI-1" and "Stal-3" planes that served to 15 passengers every day. This was a substantial figure for that period. (Thomas, 2010)

The new high-quality period in the history of Azerbaijan civil air force coincides with the 70-80s of the century. They were capable of receiving "Yakh-40" reactive planes. Now, eleven regions of the Republic have been connected with Baku by air. Airliner park was one of those that bought "Tu-134" and "Tu-154" reactive planes and "Mi-2" and "Mi-8" helicopters in the Soviet Union. In those years, planes became the most famous- fastest, most comfortable and suitable type of transport.

After the collapse of the Soviet Union, independent Azerbaijan Republic invested more than 200 million dollars to the Civil Aviation. This investment allowed to provide the airpark with modern "Boeing-757" planes, to renew flight management systems, to establish the system of preparing up to 20 specialized personnel, and to found an international airplane station in Baku in 1999 that receives aircrafts of more that sixty airline companies. Baku Cargo Terminal was completely constructed in March, 2005 and

[2] The Table has been created by the author by using the source of State Statistical Committee

with this terminal Baku became the unloading point of cargoes that are carried from west to east and from north to south. (Chufrin, 2001)

In the same year, Baku Cargo Terminal became member of International Airline Transport Association on Ground Maintenance and participated in the International Business Partners Program of the International Airports Council.

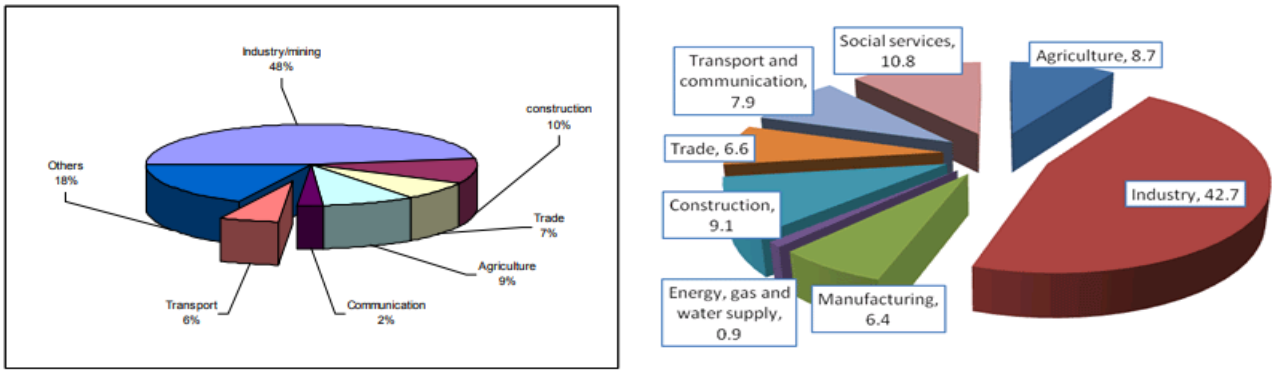
In the coming years, "Nakchivan" international airport, "Gandja" international airport, and a new airport station building in "Zabrat" airport were put into operation. Besides, "Holiday Inn" hotel was opened in Haydar Aliyev International Airport in 2007. Two third of the park intended for the freight planes was renewed with the modern crafts. By the Decree of the President of the Republic of Azerbaijan, the name of "Azerbaijan Airlines" State Concern was changed into "Azerbaijan Airlines" Closed Joint-stock Company on April 16, 2008. (Petsinger, 2016)

Today Azerbaijan civil aviation is relevant to the standards of the International Civil Aviation Organization (ICAO), "Azerbaijan Airlines" Airline Company is member of civil aviation unions, such as ICAO, IATA, ECAC and Interstates Aviation Committee. The greatest share in the Azerbaijan air transport belongs to Azerbaijan Airlines CJC.

2.2. The impact assessment of the different transport means to the country's economy

Essence of the transport sector to the Azerbaijan's developing economy has been steadily growing. Hence, there is an excess room in the transport facilities ageing. Azerbaijan's trucks, buses, railway rolling stock, port handling equipment- are all relatively old; and introduction of new technologies and new type of equipment are still rare and unplanned. In the chart below, you can see the share of transport and communication sector for GDP between the years 2005 and 2015. (Figure 2)

Figure 2 Share of transport and communication sector in GDP



(Source: State Statistical Committee, 2015)

As seen from the pie chart, it was kept steady from 8% to 7,9 % with slight decrease while trade, industry and some other sectors were decreased notably. By time, this percentage is expected to increase more, because Azerbaijan's potential as a transit country is high.

The below table depicts the share of transport in Azerbaijan's economy. Overall, it can be seen that in the last three years there was a downward trend in the average number of employees , main fonds as weel as in the main capital investment. And an upward trend was in the remaining ones. The data provided in percentage term. (Table 3)

Table 3 The share of transport in Azerbaijan's economy

	Added value	*Profit*	*Net profit*	*The average number of the employes*	*The average nominal income*	*Main fonds*	*The investments on main capital*
1998	9.5	8.7	6.6	8.1	172.9	11.2	4.7
1999	8.5	7.3	4.7	7.7	129.1	11.2	8.0
2000	9.7	9.6	8.1	7.0	116.6	11.4	4.4
2001	8.1	8.1	7.1	6.7	114.1	10.2	4.0
2002	7.9	8.0	7.1	6.0	105.0	9.3	4.2
2003	7.7	7.6	7.0	5.5	102.5	8.8	7.9
2004	7.3	6.4	5.8	5.1	103.0	8.6	6.5
2005	5,4	5,2	4.0	6.5	101,7	8,8	8,8
2006	4,8	5,5	4,1	6.8	108,3	8,4	10,0
2007	5,7	5,7	4,6	7.0	108,8	7.0	9.0
2008	5,0	5.2	4.2	7.6	114.4	8.1	19.0
2009	6.7	7.2	6.3	8.0	122.2	8.2	22.0
2010	5,5	5,0	5,1	8,0	119.1	8,5	8,5
2011	5,0	5,4	4,6	8,1	122,6	8,8	8,8
2012	4,8	5.0	4.3	7,8	128,3	9,6	9,6
2013	4.3	4.2	3.5	8,0	126,1	9.3	9.3
2014	4.4	4.4	3.3	7.8	119.2	8.1	13.7
2015	5.0	6.5	5.3	8.3	123.2	8.2	13.7
2016	6.7	6.0	5.4	8.0	129.8	8.0	8.7

(Source: State Statistical Committee, 2016 [3])

A closer inspection of the details reveals that from 1998 to 2006 the percentage of additional value halved and the followings years, mainly, from 2007 to 2016 the numbers

[3] The Table has been created by the author by using the source of State Statistical Committee

were fluctuated significantly. Profit had its highest point in 2000, afterwards the numbers declined gradually till 2014 and from 2015 they increased slightly reaching 7 percent in the end of the year.From the net profit point of view we can see that, through out the years there was a fluctuation in the numbers. There was decrease from 1998 to 1999 and then from 1999 to 2000 net profit doubled. Significant decrease can be seen in 2014 comparing to 2000.

In the number of employes there were not significant chances, just slight fluctuations. In the last years, the number shows downward trend from 2015 to 2016, 8.4 and 8.1 respectively.

The data in the average nominal income shows that there was declined at the offset of the years. Difference between 1998 and 2005 was 70 percentage around. The numbers was level between 2005 and 2006. In the following year, there was a boost in the numbers. From 2014 to 2015, the percentage of nominal income increased by 6.6%.

Main fond decreased slightly, as the years passed. 3.2% decreased from 1998 to 2016. It is important to point out that it had highest point of 11.3 percentage in 1998. (Smith, 2017)

When it comes to investment, overall the numbers doubled, increasing from 4.8 to 8.8 percent. There was a double from 2001 to 2006 and from 2007 and 2008. In 2014 and 2015 the numbers remained unchanged. And in the last year there was a decline by 5 percentage.

Figure 3 **Azerbaijan GDP from Transport.**

Source: tradingeconomics.com

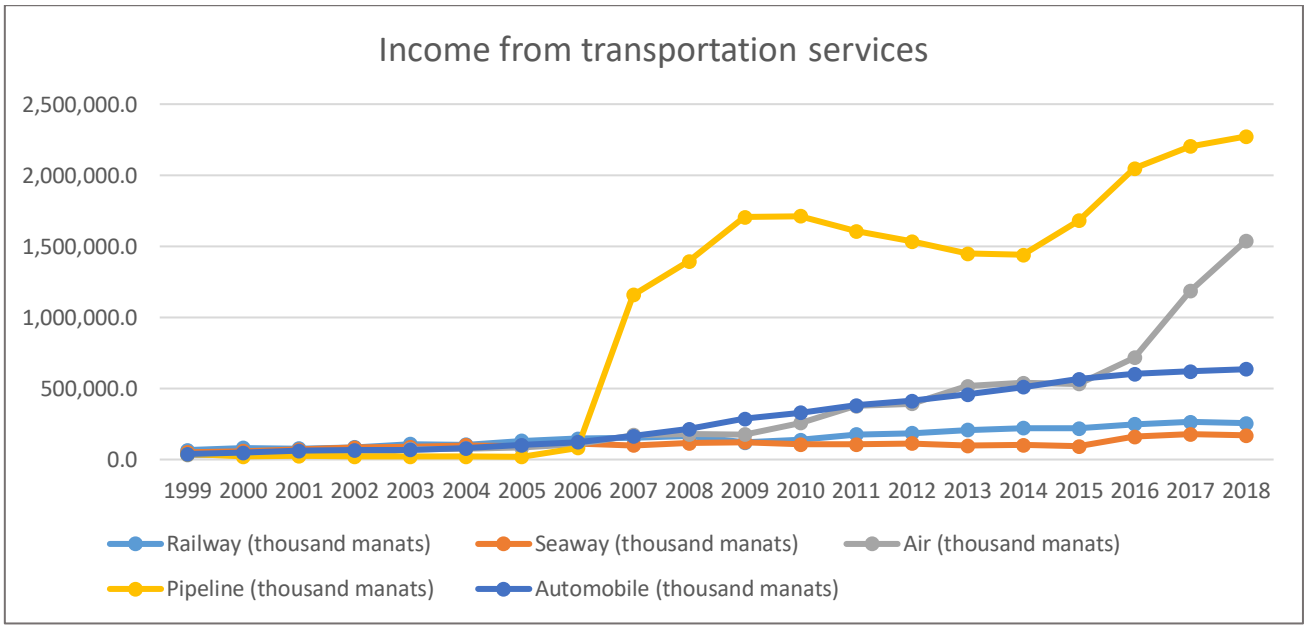
If we look into above table it can be seen that GDP from transport has risen dramatically from 2017 to 2018. According to the data, sharp reductions were observed early 2016 and 2017 which is obviously due to the economic crisis country encountered while experiencing low oil prices in the world market .

Below some statistical analyses regarding how the transport system of the country has developed throughout recent decades have been depicted and explained.

The amount of income. According to the diagram below, all types of transport have switched to increase tendency from early beginning of 2000s. During the given period, the most obvious increase has been noticed in pipeline transportation. The main reason of this quick escalation is start to running of new pipelines and production platforms in early 2000s. The second steepest growth falls into air transport. As Azerbaijan has been making huge investments on the development of air transportation services in recent years, during the last semi-decade, income from air transport has rapidly risen.

Automobile incomes come in the third place and followed by railway and seaway in terms of income amount.

Figure 4 Income from transportation services (thousand manats)



Annual passenger turnover. The next important indicator for analyzing the transport services and their feasibility characteristics is turnover of passengers over a period of time. This indicator is counted based on the number of passengers per kilometers inside the country.

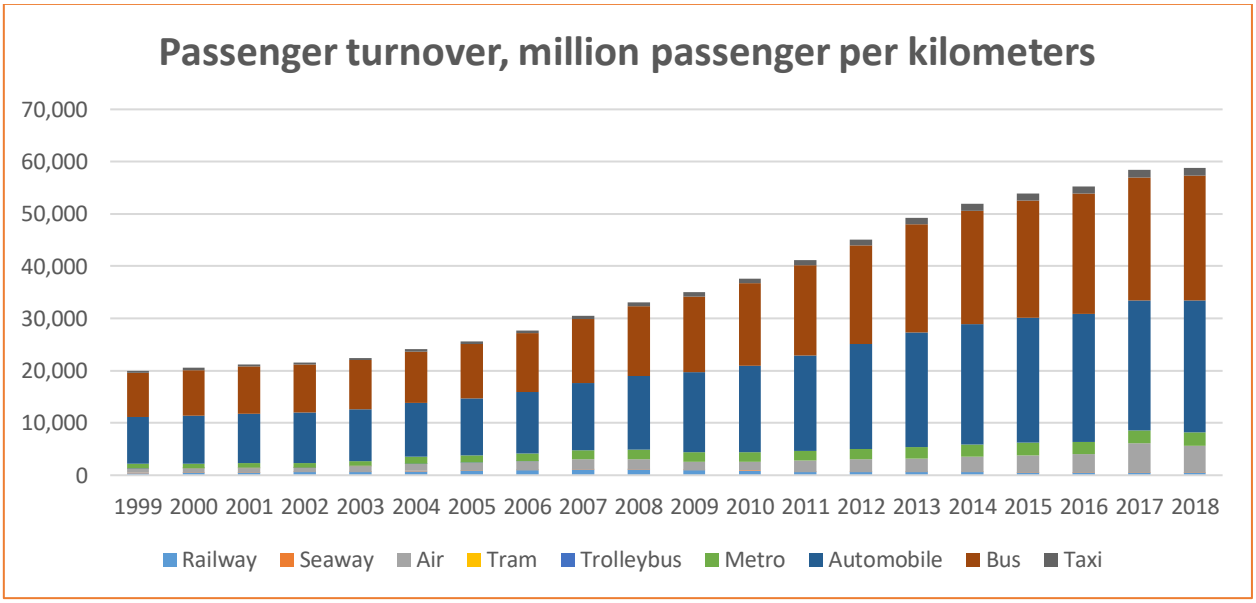
Following the chart below, the areas with the highest ratio of passenger turnover are bus and automobile services. There are some direct and non-direct reasons of this trend.

First and foremost, buses and automobiles are the most flexible and widely-spread ways of tranport across the country.

Secondly, these two types of transport are the cheaper in price. Thirdly, infrastructure for bus and automobile services are fairly developed and meet the defined standards and expectations of the passengers.

Fourth and the last important reason is related to the area of the country. In fact, buses and automobile ways can cover most of the country's area and regions, so there is not significant demand for other ways of tranport in order to carry out passenger transportation.

Figure 5 Passenger turnover, million passenger per kilometers



Employment. Taking the importance of transportation industry for the population of the country into consideration, transport industry must meet the demand of the economy of the country. From this point of view, transport plays a vital role as one of the economic agents which needs employees and takes part in labor market as employer. The diagram below reflects the average number of employees per year.

As it is shown from the diagram, employment rate follows a gradually increasing trend after 2002. In 2018 the industry has employed more than 120,000 people, which is

significant percentage of the working population of the country.

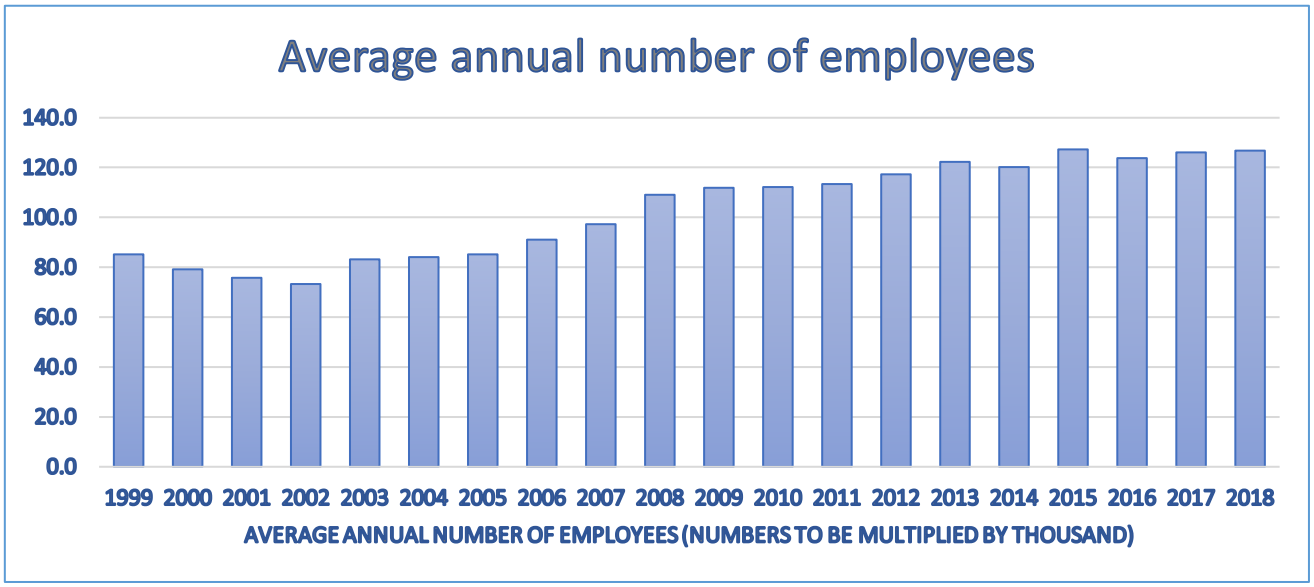
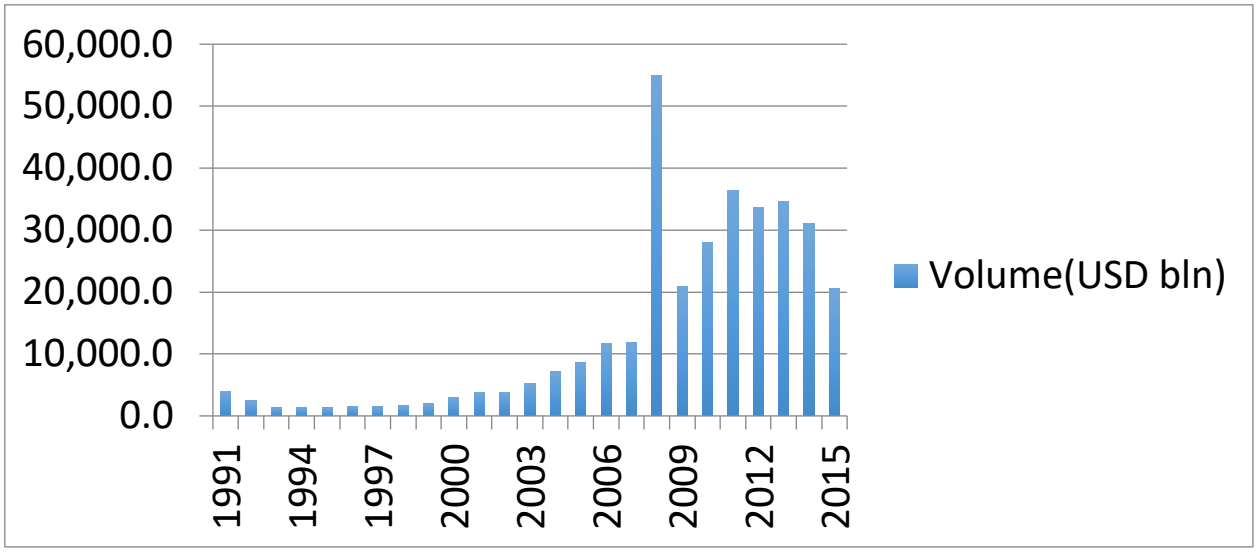


Figure 6 Average annual number of employees

The volume of Azerbaijan's foreign trade turnover has increased seven times since 1991 from 4 billion USD to the 20.64 billion USD in 2015.

Figure 7 Azerbaijan's foreign trade turnover



Source: State Statistics Committee of Azerbaijan, 2016

As seen from the diagram, since 1992, trade turnover decreased sharply and remained low in the immediate following years, increasing by a significant amount (USD 3.6 billion) only in 2005. The major reasons for this overall economic crisis were the collapse of the old planned economic system, the loss of existing economic connections with Soviet trading partners, and the decline in oil production and exports. There was also decline in Azerbaijani industry that worsened this situation and affected foreign trade

negatively. Compared to the 1980s, the volume of industrial production decreased by 10% in 1991, 37% in 1992, and up to 50% in 1993.

2.3. Transnational transport policy of Azerbaijan and its impact on the economy

The position of Azerbaijan in the transport and transit relations of Eurasia is also measured by the fact that this country, as a whole, is also involved in transnational projects and its components, such as TRACECA, TRANSGAFGAZ and so on. It has a spatial characteristics and transport and transit infrastructure to participate in these routes.

Azerbaijan, as the central country of the TRANSGAFGAZ transport infrastructure, is able to provide the same links to China and Southeast Asia through Georgia, the Caspian Sea, Turkmenistan and other Central Asian countries. This is the result of the fact that for the first time the idea of creation came from the leading countries in the Sersa meeting and the signing of the Joint Agreement, where the Presidents of Azerbaijan, Uzbekistan, Turkmenistan, and Georgia, which were put forward in the 90s, raised the issue of the East-West, North-South transport corridors. Has become one of the co-founders of the agreement that joined as one. This project was first proposed in 1992 and approved by an intergovernmental agreement in 96 years. The Black Sea basin countries have also attracted the attention and they have made a statement to join the agreement. Azerbaijan is also located on the nearest and most convenient Trans-Caucasus transport corridor, which has recently been one of the key countries in the railroad linking Kazakhstan and China. (Cohen, 1992)

Countries which have transit potential try to gain benefit from transit traffic too, it can be seen as an example from Azerbaijan's case.This sub-chapter also tries to analyse contribution of transit traffic potential of Azerbaijan to its income. Location and oil and gas resources of Azerbaijan provides great opportunities to participate in many projects. Baku-Tbilisi-Ceyhan (BTC) pipeline built to transfer oil from the Caspian Sea to the Mediterranean rather than utilizing other costly and non-convenient transport means along the Black Sea and Bosporus which have already high density. The estimated costs of the BTC pipeline were roughly $3.7bn, with BP being project executive. The official commencement ceremony of BTC was held at the Sangachal terminal, near Baku on May 25, 2005, by President Ilham Aliyev of the Azerbaijan Republic, President Mikhail Saakashvili of Georgia and President Ahmet Sezer of Turkey, joined by President Nursultan Nazarbayev of Kazakhstan.

Figure 8 Baku Pipelines

Source: news.az

Initial loading of crude oil to the pipeline between Azerbaijan and Turkey's Mediterranean shore also started on 25 May 2005. 30% of the shares belong to the BP in the consortium which is supervising the pipeline. Other members include Azerbaijan's state oil company SOCAR (25%), Amerada Hess (2.36%), ConocoPhillips (2.5%), Eni (5%), Inpex (2.5%), Itochu (3.4%), Statoil (8.71%), Total-FINA-ELF (5%), TPAO (6.53%) and Unocal (8.9%). BTC was built and operated by the Baku-Tbilisi-Ceyhan Pipeline Company (BTC Co). (Raphael, 2010)

Baku–Novorossiysk pipeline also called as the Northern Route Export Pipeline and Northern Early Oil Pipeline operates between the Sangachal Terminal of Azerbaijan and terminal at Novorossiysk at the Black Sea shore of Russia.

Baku–Supsa (by another name, Western Route Export Pipeline and Western Early Oil Pipeline) with being 833 km2 long and operated by BP, transfers crude oil from the Sangachal Terminal near Baku to the Supsa terminal which is located in Georgia. (Raphael, 2010)

Azerbaijan has signed a few contracts to take advantage of economic benefit from free trade zones. Azerbaijan's free trade zone (FTZ) in Alat will commence to work in 2017, said Taleh Ziyadov, the Director General of the Baku International Sea Trade Port CJSC. He marked that Azerbaijan's idea related to the development of the Silk Road has a goal to foster competitiveness and the creation of added value. For example, if a cargo container is sent to Europe, our concept is to process the cargo in the FTZ in Alat, create additional value and export further. In short, the Azerbaijani concept of the Silk Road is more innovative and aims to create added value in the non-oil sector. (Chandler, 2000)

One of the directions of the economic policy carried out in Azerbaijan today is the implementation of large infrastructure projects. Several years ago, the restoration of the historical Silk Road to meet the requirements of the modern era served for this purpose. The East-West transport corridor has begun to operate as a result of the huge work done in the years ahead. Also, the Baku-Tbilisi-Kars railway was reconstructed for this purpose.

The second largest project is the construction of the North-South transport corridor. At present, construction and other technical projects are being implemented in this direction. After the corridor is put into operation, the volume of cargo transported through our country will increase by one million tons . This will give Azerbaijan additional dividends both economically and politically.

Along with international infrastructure projects in Azerbaijan, projects of local significance are also being implemented. The investment program of the current year reflects the repair and reconstruction. At the same time, the program envisages the relocation of the Baku-Astara railway line, especially to the sea.

2.4. Geoeconomic challenges of Azerbaijan as a rich country with carbohydrogen resources

In the early years of independence, Azerbaijan had only external trade relations with Russia and CIS countries; however, this tendency has changed in favor of the EU countries throughout the years. Since the year 2000, Azerbaijan has been conducting trade operations with more than 125 countries. Of these, ten are republics of the Commonwealth of Independent States (CIS) and 110 are more distant countries.

The structure of Azerbaijan's foreign trade has changed over the years, but not so dramatically. It is still heavily depended on oil sector and oil export factor has a tremendous effect on the foreign trade turnover. The Caspian basin, with its lavish natural stocksand pipeline conveys to transport the energy reserves in the region to the receiving countries, is the scene of major struggles among the major power centers in the world. This area could be depicted as a security zone that can completely get rid of several potential dangers arising from West,Russia and China. The watershed, which is a security zone against threats from Western countries and Russia from China and from Russia and Western countries for China, is also threatened by its environment as it is a region where the world forces try to dominate. (Bahgat, 2007)

Energy-oriented experienced in the Caspian Basin to compete with Russia, Iran, Turkey, the United States is directly involved. Russia is a powerful and a dominant country in the region and also an important market. Iran is a neighboring country as well as a historical and cultural tie. China, with its developing and growing economy, whose energy

demand is increasing day by day, is following the policies related to the region as it is influenced by the economical and political establishments in the region. The rich hydrocarbon reserves in the basin and the pipeline routes in energy distribution and the projects carried out in this field increase the competition among countries in the international arena. Being a geopolitical competition area Caspian basin plays a key role in determining the tranport policies of the regional and international players. The USA and Russia competing each other in order to dominate the region. The fact that the United States has turned to the Caspian basin and Central Asia and gained great power in this area of competition is of great importance in terms of protecting its interests. The United States strives to play an active role in the energy structuring in the region. This is vital for the US energy strategy. At the same time, Turkey, as a regional players in the region due to the historical and cultural ties with Azerbaijan, has been involved inthe various projects of the transportation of petroleum and natural gas from Caspian basin. Turkey, where energy resources in the basin have to transmit to the world market due to advantageous geographical position, plays a geopolitical and geostrategic role. Wanting to get involved in important projects in Russia, USA, Turkey, Iran has a great race. This situation sometimes brings these countries closer to each other and sometimes makes them rivals to each other. (Effimoff, 2000)

The Caspian basin is located in a closed area to open seas and oceans. Therefore, it is an important tool to possess reliable pipeline systems at reasonable prices for transporting the energy resources here especially to the Western countries. The USA pursues various policies towards the Caspian with the desire and effort to be the most decisive country in the world energy market. Particularly during the friendly relations between Iran and the US in the recent period, it is thought that the US is planning to take a stronger position in the Caspian basin. The USA, which is the significant key player in the world in energy field, by enabling a great advantage with the Western countries importing Caspian oil and natural gas to the world markets. Europe is a market area where energy demand increases in the medium and long term. Caspian welded pipelines to Pakistan, India, China and Southeast Asia. The safest and most reasonable route exported to Europe passes through Turkey. (Central Asia and the South Caucasus: reorientations, internal transitions, and strategic dynamics: conference report, 2000)

In addition to Azerbaijani oil, the U.S. has been putting huge efforts to transfer Kazakh oil to the West from a non-Russian source. In this context, it is planned that the Baku-Tbilisi-Ceyhan line, which has U.S. support, will be capable of carrying 25 million tons of Azerbaijani oil and 20 million tons of Kazakh oil (approximately 333 million barrels per

year). In September 2002, Turkey, Azerbaijan and Georgia laid the foundation of the BTC pipeline with the participation of heads of state, the first trial in May of 2005 Azerbaijan has been left to the oil pipeline. The BTC has greatly undermined Russia's influence on energy transport and the energy corridor, and has also caused a significant loss of revenue from Russia's oil routes (Thomas, 2010). Russia provides 70% of its exports from oil and natural gas. Therefore, the fact that the route of oil and gas pipelines will come out of Russian guidance will create a great financial burden for Russia. Russia wants to maintain its impact on pipeline transport for economic and security reasons. US policy on pipelines undermines Russia's control over routes and risks losing control over it. (Bahgat, 2007)

As discussed, Azerbaijan has the main transit infrastructure of the South Caucasus with Georgia, and the Caspian basin with Russia, Kazakhstan and Iran. This, in turn, requires that the country's transport, road and transmission infrastructure be brought to a certain standard. Secondly, the fact that it has significant geographical characteristics and international transport and transit opportunities gives it serious geopolitical and geo-economic advantages for its development and pose special problems in ensuring the transport policy. (Central Asia and the South Caucasus: reorientations, internal transitions, and strategic dynamics: conference report, 2000)

The geo-economic policy pursued by the Government of Azerbaijan on the creation and operation of internal and transnational transport corridors and infrastructure envisages the following tasks:

- coordinated development of transport infrastructure in order to provide unimpeded movement of goods and passengers across the country and to integrate European-Asian transport systems;
- increasing the efficiency of transport system management;
- Efficiency of interaction between separate types of transport on the intermodal transport line
- creation of conditions for investment in international transport corridors;
- increasing the load on the national transport network in domestic transportation;
- assistance in the development of international tourism. [4]

Azerbaijan joins and is closely involved with TRANSAVRASIA, TRACECA, TRANSGAFGAZ, North-South international transport and communication corridor, Baku-Tbilisi-Kars railway construction, etc. transnational projects play an important role

[4] Ibid.

in ensuring national interests of the country due to its role in expanding geopolitical, geo-economic and transport-transit links. (Raphael, 2010)

The use of the transit potential of the Republic of Azerbaijan is still an integral part of its sustainable development strategy. Currently, the country's transit and foreign economic relations are pursued on a number of geopolitical axis. These include:

- The first and most important is air, land, rail, maritime transport through Georgia, Turkey, and also pipelines to the Mediterranean and Europe;
- Secondly, the Russian and indirectly to the West and the Far East (this is a very long and economically ineffective way)
- Thirdly, to the Middle East and South Asia through Iran and the Persian Gulf,
- Fourthly, in the opposite direction on all routes to China, Japan and other countries of Southeast Asia through Turkmenistan, Kazakhstan, Uzbekistan.

One of the areas mentioned is the TRANSGAFGAZ corridor, which is still operating at full capacity. In this regard, Azerbaijan also supplies its oil and gas reserves through Georgia through the Baku-Tbilisi-Ceyhan, Baku-Supsa oil and Baku-Tbilisi-Erzurum gas pipelines to the West, via air, land, rail and sea water to the west. (Thomas, 2010)

While Caspian Petroleum is transported to the Western market via Baku-Tbilisi Ceyhan, the products of Central Asia and Far East will be sent to the West via Baku-Tbilisi-Kars railroad and thus the Caucasus will not only be a transit place but a stopover (citation).

China wants to reconstruct the "Silk-Way" project which one of the main corridor lines will cross from Azerbaijan. This line will help to solve two issues:

1. It will increase goods and passenger turnovers
2. İt will create opportunities for production and transport-logistic services.

That will not make Azerbaijan only transit country, but also Azerbaijan will have a chance to strange its position with creating value-added cost. In general, because of transport corridors Azerbaijan can intensify its weight in the global value chain. The strategic road map is made to take advantage of these opportunities.

CHAPTER 3. MAIN DIRECTIONS FOR INCREASING THE REALIZATION OF GEO-ECONOMIC POTENTIAL OF TRANSPORT OF AZERBAIJAN

3.1. Transnational projects and their geo-economic importance for Azerbaijan

From early times of independence Azerbaijan have signed significant agreements and participated in some notable projects regarding transferring oil and gas to Europe through Georgia and Turkey. Involvement to such projects and agreements incited its transport system to restructure and develop and also contributed to the state budget positively by enabling gain new profitable markets for its main products.

Cooperation with China is one of the mechanism for Azerbaijan to integrate world transport system via “Silk Way”. In December 2015, during country level meetings, contracts were signed about partnersip in the transport sector. (Thomas, 2010)

In 1993, the EU, within the TACIS spending plan, built up the TRACECA program which was uniting representatives from the first eight TRACECA nations and consented to execute an EU financed program to build up a transportation hall on the West - East pivot from Europe. EU pointed this program as an improvement of an extra course that would supplement different courses interfacing Central Asia with Europe. The task relates to the worldwide EU technique towards these nations and holds the accompanying targets:

- to help the political and monetary autonomy of the republics by upgrading their ability to get to European and World markets through selective transport courses;
- to empower promotion of provincial co-activity among the accomplied states;
- to progressively utilize TRACECA
- to interface the TRACECA course with the Trans - European Networks (TENs).

TRACECA program has financed yearly:

- 11 Investment extends into Azerbaijan for an aggregate estimation of 18,6mln.
- 44 Technical help ventures including Azerbaijan as a recipient (Chufrin, 2001)

The present Highway I Project (began in 2001 and because of close in 2007) has empowered Azerbaijan to restore parts of the fundamental East-West roadway and began reinforcing and rearranging roads. The involvement of the World Bank could enable the Azerbaijan government to accomplish both high caliber and extensive reserve funds in the plan and contracting of works.

Additionally visualizes the outline and usage of the important basic changes in the sector through partition of administrative and business works in transport and exchange, and physical upgrades, especially the remaking of parkways and recovery of rustic streets; Trans-Caucasus railroad; Baku Sea Port, Nakhichevan air terminal.

The World Bank arranged another alteration loaning task that joins auxiliary changes in the transport sector. Changes include the exchange of administrative capacities at present practiced.

After the Highway II mid 2006, the World Bank is currently demonstrating an enthusiasm for the renewal of the railways and the advancement of the urban transport. Specialized assistance ventures are as of now arranged and connected to the advances. With the help of the EU has actualized a few transport ventures incorporating fitting TAs in all sub divisions. EBRD will cultivate approach exchange on keeping money, concentrating on enhancing aggressiveness, while searching for value interests in the sector. It will look for enhancements in the speculation atmosphere through strategy exchange. EBRD will target changes to the transportation arrange, with a specific spotlight on the advancement of key worldwide transportation passages. (Allison, 2001)

In this regard, EBRD will keep on focusing on speculation openings in the road and rail part. EBRD will look to finish mid 2006, the financing game plan of the Baku-Samur Road venture with MoT. A second railroad undertaking will likewise be considered. State Railways is in talk with EBRD looking for financing for trains that are more proficient and for the ability to keep up and repair trains. Commercialization of such activities will be the focal point of EBRD's Technical Assistance component. (Allison, 2001)

In addition, and after the cancelation of the financing backing to the restoration of the Baku ship terminal (2001), EBRD is indicating readiness to restart examination on conceivable maritime investment projects, in especially Baku port advancement and modernization.

One of the regional transportation projects in which Azerbaijan participates in order to ensure international transportation and transit security is the North-South International Transportation Corridor. The first agreement on this project was made on 12 September 2000 in Saint Petersburg between Russia, Iran and India. The main objective of the project is to bring together the transportation and transit facilities of the participating countries, to provide a favorable environment in freight transport, to support the increase of transit cargo transport, to ensure the safe movement of transport vehicles and to follow a common transport policy. The agreement covers all means of transport, railway, sea and river transport, road and air transport of the aforementioned countries. The passage of an important branch of the North-South Corridor through Azerbaijan has great importance for Azerbaijan's economy and transportation security. The shortness of the railroad passing through Azerbaijan will save time and money in transportation. The fact that Azerbaijan has a developed transportation infrastructure increases the attractiveness and importance

of this route. It is envisaged that international transport will be carried out mostly by railway, which will contribute to the development of railway transportation in Azerbaijan. Azerbaijan's involvement in the North-South Corridor project and its effective participation in international freight and passenger transport will positively affect the increase of national income, the development of domestic transportation infrastructure, the creation of new workplaces and the resolution of other socioeconomic problems. (Crandall, 2006)

Since the independence, hydrocarbon resources have been the main export product of Azerbaijan. The share of crude oil in total exports amounted to 77.61% in 2015 and 84.32% in 2014. In early 1990s, Azerbaijan focused on the necessary infrastructure to export oil and natural gas. It created pipeline systems to access global markets. Preventing the use of a single means of reducing political and economic risks is an important aspect of the development of this infrastructure. Transit countries can use it as leverage. In the event of a conflict between the energy producer and the State of transit, irrespective of the degree of disagreement, the transit country may block the border or impose regulatory restrictions on cross-border trade. It was important that Azerbaijan prevent such a development of events. (Ibrahimov, 2016)

The crucial focus of Azerbaijan is to keep and develop its position as a transit country in the important energy and trade projects. This goal is directly related to its geo-eoconomic location, as Azerbaijan aims to enhance its economy via its geography and transport networs in this geography. In this perspective, one of the important projects for Azerbaijan has been Baku -Tblisi – Kars Railway, considering not only its transport network improvement, but also its geo-economic benefits.

The Baku-Tbilisi-Kars (BTK) Railway Project, which was founded by Baku, Ankara and Tbilisi in 2007, aims to connect Baku to Kars via Tbilisi with the construction of the railway between Kars and Ahilkelek. This project is being implemented with the financial power of these three countries. In this respect, Baku has granted a $ 220 million loan to Tbilisi with a 1% interest rate for 25 years. The total cost of the project is 600 million dollars, 422 million dollars of which is allocated to the 98 km railway line between Kars and Ahilkelek, and the remaining part is allocated for the rehabilitation of Ahilkelek-Marabda line. The total length of this line will be 826 kilometers and is expected to carry 1 million passengers and 6.5 million loads per year, followed by 3 million passengers and 15-17 million tons per year (Kaya, 2016).

Baku -Tblisi – Kars Railway has importance in the context of China’s One Belt, One Road Initiative which defines the revival of the ancient Silk Road as the main goal. It

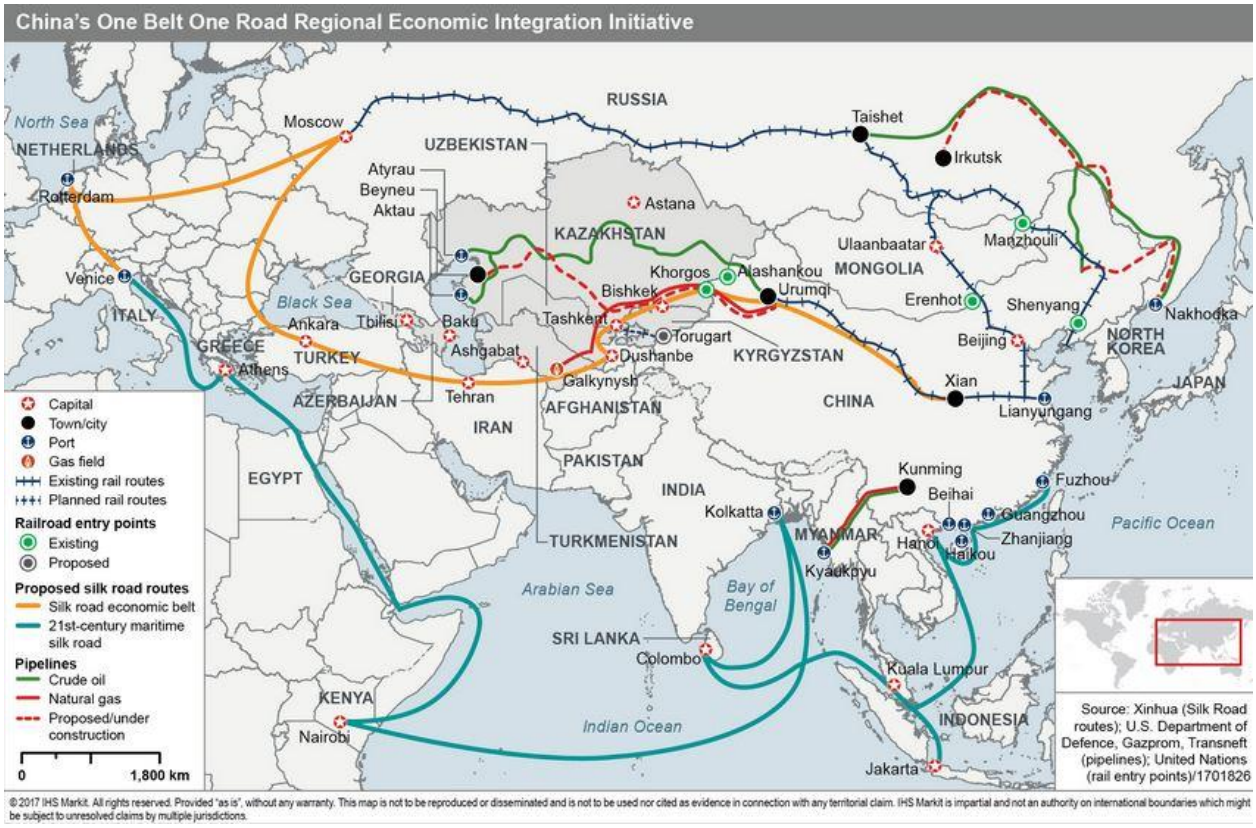
is planned to be completed in 2049, in the centenary of the Chinese Revolution. In this context, the following objectives are set out:

- Political Cooperation
- Establishing a network of structural connections,
- Elimination of commercial barriers,
- Financial integration and
- It is the establishment of bridges between people. (Aybar, 2017)

The geo-economic aspects of the Baku -Tbilisi – Kars Railway in the context of new transport project of Azerbaiajn:

- With the implementation of the project, Europe will be connected to Central Asia, Far East and South Asia through Anatolia and the South Caucasus, and the uninterrupted railway network, which is called “Iron Silk Road” will be formed.
- Thanks to BTK Azerbaijan, Georgia and Turkey will further increase economic integration achieved by the remarkable economic and strategic benefits to this country.
- For Azerbaijan, the country's dependence on Iran in freight transport will be reduced and the country will have more tolls as the most important part of the railway line passes through Azerbaijan. In addition, Baku, which currently carries oil from Kazakhstan and Turkmenistan to the ports of Poti and Batumi of Georgia, will hold remarkable opportunities for shipment of goods from China to the European markets or from Europe to the Chinese market. Finally, it will lead to the development of the transport sector in the country through this line, which is noteworthy for the development of industries other than oil, which are vital for the country.
- With the project that will make Baku and Kars remarkable transportation centers, Yerevan insists on its baseless claims against Baku and Ankara in the region and will reduce the geopolitical and geoeconomic importance of the region and further isolate it in the South Caucasus. (Güder, 2017)

Figure 9 **Baku- Tbilisi – Kars Railway in the context of One Belt One Road Initiative**



Source: joc.com

It is a development that should be emphasized in terms of the value attributed to the Baku-Tbilisi-Kars Railway Line (BTK), which is a high-level participation of the Central Asian states among the bridgehead countries of China's K One Generation, One Road Project. Turkey-Azerbaijan Georgia from Baku-Tbilisi-Ceyhan Crude Oil Pipeline regional cooperation being taken seed in the commissioning, South Caucasus Pipeline and Southern Gas Corridor Anatolia constitute the two main united feet Pass Natural Gas Pipeline Project and the Adriatic Pass Gas. The pipeline will be moved to a much higher level with the commencement of the projects in the next few years. BTK Railway, on the other hand, added a very new dimension to the said tripartite cooperation, enabling Ankara, Baku and Tbilisi to be included in the "One Generation, One Way Project developed by Beijing and helping them to achieve sustainable growth by joining the world economic system through a newly developed network. By creating new economic partnerships with such generation countries such as Eurasia region and will be produced in the future to reach more people and will play a catalyst role in increasing welfare. (Smith, 2017)

Different oil and gas pipelines to the EU through Georgia and Turkey has been vital for geo-economy of Azerbaijan and to diversify its transport routes as income sources.

Some important pipeline projects are analysed in order to better understand and analyse the relation between transport network and geo-economic challenges of Azerbaijan.

Azerbaijan is one of the richest countries in the region in terms of oil and gas resources. After gaining its independence, Azerbaijan prioritized economic development and wanted to market its oil and natural gas reserves to international markets as soon as possible. Therefore, it worked hard to determine the legal status of the Caspian Sea. Seeing that there are obstacles to this, it has decided to make bilateral agreements with Russia and Kazakhstan. Azerbaijan, with the support of the Western countries and Turkey has developed and has implemented the project of Baku-Tbilisi-Ceyhan.

In 1993, Azerbaijan declared that it is open to cooperation with all countries which are interested in oil and natural gas reserves, considering investing in Azerbaijani economy and having advanced technologies to extract oil and natural gas from the bottom of the sea. It has demonstrated the will to use the energy reserves in its national sector in the Caspian Sea not only by itself (it did not already have the material and technological means to do so), but with the participation of developed countries and multinational oil companies from the region and from outside the region. It is not only the extraction of oil and natural gas reserves in the Azerbaijani sector of the Caspian Sea, but also the intention of transporting the oil produced to the world markets via alternative routes. In order to realize the same intention, Azerbaijan started to search for new foreign partners, and within a short period of time, contacts and negotiations were held with all relevant circles, major countries and multinational oil companies of all levels. As a result, the 1994 Agreement of the Century was signed.

Baku-Tbilisi-Ceyhan (BTC) Pipeline Project, Azerbaijan's rich oil resources and an improved project through Turkey to reach the European market. In fact, in the first stage of the Azerbaijani oil to be delivered to Turkey via Armenia, then it planned to be transferred to European markets through Turkey. However, after the Armenian occupation of Nagorno-Karabakh, the Georgian option came into question. One of the main elements of the foreign policy that Georgia pursued after gaining its independence was to develop relations with the West, which caused Georgia to approach this project very warmly. The economic and geostrategic returns were other factors that increased the importance of the BTC Project for Georgia.

Work was started in 1994 for the BTC Oil Pipeline Project. Although there were some political and economic disruptions during the completion of the project, it was loaded on the first oil tankers from Ceyhan in 2006. The line has a total length of 1768 km and cost $ 3.9 billion.

Moreover, Turkey has developed with Azerbaijan Trans-Anatolian Natural Gas Project (TANAP). TANAP, is a project which Azerbaijan will bring gas to Turkey via Georgia as similar to the natural gas project of Nabucco. With the implementation of the project, it is aimed to transport approximately 16 billion cubic meters of gas from the pipeline annually. In the following stages, it is aimed to extend the pipeline towards Greece and Bulgaria and from there to other European countries.

In this period, the most interested countries in Azerbaijan and the Caspian basin oil and natural gas reserves, with the necessary financial and technical facilities, were the United States, Great Britain, France, Italy, Japan, Norway and their public and private companies which were able to to produce modern standards of oil and natural gas from the deep layers of the sea. After the disintegration of the USSR, these countries, which had economic and political influence on a global scale, showed interest in the rich energy reserves of Azerbaijan and the Caspian Basin within the framework of their own energy needs and interests. However, the unstable and unfavorable environment in the region, the opposition of the countries in the region such as Russia and Iran, and the great geopolitical influence they had in the basin prevented external actors from entering here.

Experts believe that multinational projects carried out within the framework of the Agreement of the Century have significantly contributed to Azerbaijan's geopolitical and geoeconomic value compared to other South Caucasus and Caspian basin countries in the international arena, increased the chances of success in regional and global scale, and the positive development of partnership relations with foreign countries. The new geoeconomic line developed by Azerbaijan, which manages to benefit from its natural mineral reserves, and its geographical location which is very convenient in terms of political, military, commercial and other relations on East-West and North-South routes in transportation.

The favorable environment of pipeline projects within the new transport networks gave the Azerbaijani government the opportunity to pursue a dynamic line of social, economic, political and cultural development within the country. Azerbaijan was known as the most problematic country of the South Caucasus and the Caspian basin after the period of independence which was shaken by internal conflicts, ethnic, social and religious strife, soon became the most important country in the region in terms of geopolitics and geoeconomics, and promised a bright future.

Azerbaijan's influence in the international arena has increased rapidly as it continues to successfully implement its new oil strategy and energy security policy. Within the last few years after the first oil agreement, Azerbaijan has signed 20 new oil and gas

agreements with 32 companies of 14 different countries within the framework of the new oil strategy. Under these agreements, the total foreign investments to be made within 30 years in Azerbaijan's oil and gas industry is over 60 billion dollars. Compared to official data, the total foreign investment in the Azerbaijani economy was only over 6 billion manats and the investment in oil industry was around 20 billion manats.[5]

The new oil strategy has greatly influenced Azerbaijan's relations with the US and EU countries. In particular, the United States has consistently supported Azerbaijan's energy policy, new oil and gas export initiatives, as well as many efforts to establish the East-West transport and communication corridor, helping multinational projects to be beneficial not only for Azerbaijan but for the whole region. Today, the US Government supports the process of economic strengthening of Azerbaijan and the Caspian basin, consolidating the independence and sovereignty of the countries of the region and assisting the implementation of multinational projects in the basin. The new oil strategy, multinational energy, transportation, communication and transit projects that it has led to make Azerbaijan a leading country in the South Caucasus with the Caspian Sea. According to the evaluations made by a number of influential Western researchers, Azerbaijan has become the leading country in the South Caucasus that determines the geopolitical orientation of neighboring countries due to its geographic and geoeconomic situation. This, of course, necessitates a special and stable geopolitical activity both in domestic policy and in the Caspian Sea and South Caucasus region.

According to experts, one of the main geoeconomic tasks of Azerbaijan's energy policy in the new century consists of diversification of export routes by searching for new energy export routes, especially favorable natural gas markets, on a regional and global scale. In this respect, thanks to the serious efforts of Azerbaijani President Ilham Aliyev, a number of special and forward-looking studies are being done. As a result of these studies, an investment agreement was signed between Azerbaijan State Oil Company and BP on December 17, 2013 for the second phase of the Shahdeniz project in Baku, while the South Natural Gas Corridor Agreement was signed between Azerbaijan, Albania, Croatia and Montenegro. On June 28, Azerbaijan had officially announced its decision on the selection of the pipeline to transport the natural gas to Europe, which will be extracted under the "Shahdeniz 2" project. In the last two years, the consortium has evaluated several options regarding the pipelines that will transport the future natural gas to Europe and chose the TAP (Trans-Adriatic Natural Gas Pipeline) option. 870 kilometers is expected to be TAP,

[5] At the time time of agreements, the vale of Azerbaijani manat was equal to U.S. dollar.

"Shahdeniz 2" project will be produced in the framework of Azerbaijani gas to Turkey, Greece and Albania out of reach Italy and pipeline project would cost in total about 2.2 billion US dollars is expected.

As it is known, the main oil and gas pipelines and infrastructure of the region in question were formerly owned by the USSR and Russia following the dissolution of the USSR. However, Russia, which has abused its monopolistic position, has frequently confronted the countries of the region with exaggerated prices, geopolitical and geoeconomic pressures, necessitating the need for more favorable and reliable partners in the Post-Soviet geography. On the other hand, the new energy policy pursued by Azerbaijan, unlike Russia, offers more favorable conditions, equal and reliable cooperation to the countries in the region. As a result, these countries had to turn to Azerbaijan in order to avoid being dependent on Russia in terms of energy and to ensure their energy security. In recent years, the contradictions and instability in Russia's relations with Georgia, Ukraine, Belarus, Moldova and the Baltic Republics, have created a favorable environment for Azerbaijan's further entry into the energy market of the post-Soviet geography.

According to the experts, the most promising aspect of Azerbaijan's energy policy towards the post-Soviet geography is that liquid gas is transported to Ukraine via Georgia both from the bottom of the Black Sea and via tankers, and from there to Ukraine and Belarus. As can be understood, the multinational oil and natural gas policy that Azerbaijan is actively following both in its region and on a global scale makes Russia more anxious. According to experts, the main reasons for this situation are the increasing penetration of Azerbaijani oil and natural gas into the geographies that are traditionally monopolized by Russia. Azerbaijan and other energy exporting countries prevent Russia from selling oil and gas at any price in the Post-Soviet region. That is why Russia wants to transfer the region's energy reserves to world markets from a single source by purchasing Azerbaijan's export-oriented energy products in recent times. In order to maintain its own price strategy in the global energy market, Russia plans to buy more and more oil and natural gas products in the hands of Azerbaijan and thus prevent Azerbaijan from entering the world markets.

According to many geopolitical experts, Azerbaijan's attempt to jointly generate energy reserves with multinational actors in order to reach regional and global markets through alternative and independent routes, the partnership ties have been developed with many countries in the field of energy security. Therefore, the current geopolitical and geoeconomic situation in the whole region has radically been changed. The projects initiated by Azerbaijan will have a decisive role in Europe's energy security not only for

the present, but also for the whole of the 21st century. On the other hand, the aim of the development of the Caspian Sea and Black Sea basins and most of the South Caucasus countries is to ensure a stable and prosperous life. These projects, which will continue for hundreds of years, enabling the Caspian Basin and the South Caucasus to integrate rapidly into the multinational world, to connect more closely to the global world, and to be one of the main geo-economic tool and supporter for political stability in the region.

3.2. Potentials for increasing export of transport services in Azerbaijan

Since the gaining independence mainly, Azerbaijan has exported crude oil. At the beginning of independence times, Azerbaijan focused on exporting its oil and gas resources and searching the ways how to increase its transport services with the help of corridors, railways, seaways,airways and pipelines. We'll look how Azerbaijan can increase its productivity and export potensial in region. First we begin with seaways. One of the main terminal- Dubendi Terminal is located on the Caspian Sea shore of Azerbaijan, approximately 50 kilometers northeast from Baku. With its current transshipment capacity of 10 million tons per year, Dubendi terminal acts as a major hub for transit transportation of crude oil and oil products from Caspian Region to world markets. Middle East Petrol, private company is operating the terminal. Dubendi Terminal receives the crude oil and oil products transported by tankers from other Caspian Sea Ports and have a capacity of 12 ml t/year. Dubendi Port is a natural sea port located across Pirallahi Island, which acts as a breakwater. Pirallahi Island protects Dubendi Port from frequent strong wind and high waves of the Caspian Sea and this makes Dubendi Terminal a unique location as the receiving point of transit crude oil and oil products. The distant location of Dubendi Terminal to the city center and populated areas brings other advantages in terms of protection of the ecology and operational safety. 4 vessels can discharge their cargoes simultaneously at Dubendi Port. Dubendi Port can receive 12.000 DWT vessels of Caspian Shipping Company, which are currently the biggest tankers in Caspian Sea. Clean product tank farm was totally refurbished and put in operation in 2002. (Sheet, 2005)

One of the biggest company in the region is CASPAR. The Cargo comes to Caspi Sea from Baltic and the Black Sea Mediterranean basins through the Volga-Baltic and Volgodonsk navigable systems. Another branch of the Caspian Shipping Company, working in the Black Sea-Azov basin. More than 70% of the activities of CASPAR are on Caspian Sea. There is currently hardly any competition in shipping activities on the Caspian Sea. Russia and Iran are carrying out shipping activities on a limited basis. (Sheet, 2005)

The International Sea Trade Port of Baku (ISTPB) is a universal port with facilities and equipment able to handle all major good groups. In the framework of the said EU project one warehouse was completely refurbished and dedicated as a container freight station. The construction of an internal container yard (however without direct connection to berths) as well as the supply of relevant handling equipment, as part of the European Union's Tacis program exceeding USD 3.0 mln was finalized in 2002. The first small container depot for shipping agencies has been established. The port was initially used as a station for switching cargo between the road and rail transport modes. The administrative departments as well as the operational staff of the terminals can now communicate and exchange data via an EDP network. The proposed EBRD financing of the rehabilitation of the ferry terminal of around 20mln USD has been discarded. However, with the assistance of EU TACIS TRACECA budget (1mln USD) ISTPB has refurbished its navigational aids equipment in Baku and Dubendi terminals. Baku port has six shipyards of various capacities (up to 12,300 tdw) and four floating docks. One floating dock can accommodate vessels up to 160m, i.e. the largest vessels at present operating on the Caspian Sea. Generally, the ship yards and floating docks are in working condition. Workers are very skilful are able to produce spare parts thereby overcoming shortages in the supply of original spare parts. However, some of the existing shipyards and floating docks are in need of modernization. The port has seventeen berths, of which: five are dedicated for transport of crude oil and petroleum products, two are used for passengers, and the remaining ten handle timber and other general cargo. The port can accommodate vessels up to 12,000 tons, and its facilities include portal cranes, tugboats, and equipment for handling petroleum and petroleum products. The port area has 10,000 square meters of covered storage and 28,700 square meters of open storage. (Smith, 2017)

Another way of Azerbaijan is increasing railway potential of Azerbaijan. ADDY is in discussion with international banks regarding the provision of capital to fund the purchase of new equipment and repair facilities to allow them to embark on renewals. ADDY's freight carryings have seen similar rises, shown sbove, showing both the total amount of goods carried (million tonnes) and the overall freight transport volume (billion tonne kilometres). The figures demonstrate an overall increase in tonnes , though domestic activity has remained almost static in the same period. Rail traffic is represented by a crude oil size. Rail remains the most significant transportation method. Oil traffic represented 50% of all traffic in 2016. Much of this traffic is imported into Azerbaijan by rail from Georgia and Russia. Figures above that there has been a shift in emphasis between transit and export traffics, and we believe that this is principally accounted for by a change in

statistical treatment of the traffic figures, though we have not yet been able to secure confirmation of this from ADDY. Azerbaijan Railways (ADY) continues capital overhaul of the 600-kilometers Baku-Boyuk Kesik line (Georgian border), a part of the Baku-Tbilisi-Kars (BTK) railway project. The company reported that the work is currently underway in the nine kilometer length Garabujag-Kurdamir section. Dismantlement of the old road has already been launched. Azerbaijani Railway completed the repair of 317 kilometers on the route Baku - Boyuk Kesik. The complete overhaul of the Baku-Boyuk Kesik section was implemented under the State Program on the railway system development in Azerbaijan for 2010-2014. The main purpose of the state program is to provide effective activity of the transport complex by increasing the transit potential of Azerbaijan, increase the level of railway transport services and reduce transport expenditures while transporting passengers and freight. Being constructed under a Georgian-Azerbaijani-Turkish intergovernmental agreement, BTK will have a capacity of 412,000 tons of freight a year. The construction work has already been completed by almost 95 percent. Azerbaijan Railways, aiming to increase the cargo transportation in local and regional terms, plans to transport 1.7-1.8 million tons of cargo within the country. (Scholvin, 2018)

On the other hand, there is also shortcomings in this sector. Head of Azerbaijan Railways Javid Gurbanov expressed his regret that Azerbaijani producers do not manufacture productions for the railroad and this is one of the main reason why railway infrastructure development lags behind (Aybar, 2017).

One of the key to enter service market in the region is airways. Azerbaijan aviation's economic benefits air transport to, from and within Azerbaijan creates three ways of economic benefit. But the economic value created by the industry is more than that. The principal benefits are created for the customer, the passenger or shipper, using the air transport service. In addition, the connections created between cities and markets represent an important infrastructure asset that generates benefits through enabling foreign direct investment, business clusters, specialisation and other spill-over impacts on an economy's productive capacity. The aviation sector – comprising the airlines together with the airports, air navigation and other essential grounds services that make up the air transport infrastructure – carries over 3.1 million passengers1 and 43,000 tonnes of air freight to, from and within Azerbaijan every year. More than 16,000 scheduled international flights depart Azerbaijan annually, destined for 54 airports in 22 countries. Domestically, more than 1,300 flights make over 76,600 seats available to passengers annually, destined for 5 airports.

With its speed, reliability and reach there is no close alternative to air transport for many of its customers. This means that many are likely to value air services. (Zeyno, 2005)

The value of consumer benefit varies because as you fly, the value you attach to each additional flight will generally fall. For this reason the air fares that we are willing-to-pay do not reflect the value we place on air transport so much as the value we place on the last flight we have flown. Much the same applies to the market as a whole. Air expenses reflect the cost placed on the set by the eventual passengers –who would forgo the flight were prices to increase – and not the cost that passengers as a whole place on air transport services. For this reason, valuing the consumer benefits for air passengers and air freight shippers can not be inferred simply from observed fares and shipping charges. In addition to the fares paid, we need an idea of how the passengers and shippers value air transport other than at the margin.

Azerbaijan has a huge potential to gain benefits from air transportation due to its location. As Istanbul, Baku can be main transit spot for connecting destinations from the North to South and the East to West.

After the independence, Azerbaijan took immediate step to join international and regional economic organizations, as part of creating international economic relations with various countries of the world. After announcing its independence country established first co-operative relations with the following international economic organizations.

1) Organization of Islamic Conference (OIC) – December 8, 1991;
2) Economic Cooperation Organization – February, 1992;
3) International Monetary Fund and International Bank for Reconstruction and Development – 1992;
4) The Black Sea Economic Cooperation Organization (BSEC) – 1993;
5) World Trade Organization as an observer – 1993;
6) Commonwealth of Independent States (CIS) – 1993;
7) European Council - January 25, 2001. (Chufrin, 2001)

In recent years, Azerbaijan started to export its gas resources to Europe via Trans Anatolian Pipeline (TANAP) and Trans Adriatic Pipeline (TAP).

Azerbaijan is exporting not only its energy resources, but also oil from Central Asia. In 2015, 5.2 million tons of Turkmen and Kazakh oil was exported via Baku-Tbilisi-Ceyhan. That makes Azerbaijan transit state.

In recent years, Azerbaijan started to export its gas resources to Europe via Trans Anatolian Pipeline (TANAP) and Trans Adriatic Pipeline (TAP).

TANAP- The TANAP (Trans-Anatolian Gas Pipeline) project is already supported by the international community and has become an international project. Main investor of this project is SOCAR. SOCAR has 58% share. Partners of SOCAR are BOTAS and BP. It will be from Azerbaijani territory- Shahdeniz field to Turkey and South European markets. (Raphael, 2010)

TAP- This project is the next step of TANAP. It will pass from Greece, Albania to Italy. Azerbaijani natural gas will be exported to the Western Balkans via TAP.

As a result of the implementation of the project of the Southern Gas Corridor of Azerbaijan, according to forecasts of experts, within 100 years after this will be a very important and indispensable gas exporter country. Energy projects will also help attract additional investment. According to preliminary calculations, the Shah Deniz-2 project and other related projects will lead to the investment of almost 40 billion dollars in Azerbaijan.

Of course, these investments will have a positive impact on other industries close to the oil and gas sector, including the services sector.

In recent years, main purpose of Azerbaijan is modernization of transport system.

In that case, a rail carriage factory is constructed by Swiss company “Stadler” in 2014. Via this factory Azerbaijan will be able to produce different types of carriages.

Development of transport system in Azerbaijan can increase the speed of goods and other way round, it can decrease transport cost in the economy of market. Better road and transport system is the guarentee for development. (Kaya, 2016)

3.3. Improvement of government regulation into transport sector with the aim of increasing its competitiveness

Regulations of government have important role for developing transport sector. In many developed country’s strategies, examples show us government is inseparable part of developing transport system. Transit countries are the countries that passengers cross on their way and goods are transported through to the country of destination. The concept of ‘country of transit’ has nevertheless come to play a key role in today's countries' policy. As Azerbaijan intends to become an even more important transit connection especially between Europe and Central Asia, there are still too much work to deal with in order to diversify its economy well beyond the energy sector. Government of Azerbaijan has been also active in establishing a favourable investment environment for foreign investors, which can be resulted in billions of dollars of foreign direct investments into the Azerbaijan

economy. Main goals are to improve the transport management system of the city, to level up the quality of the passengers transport services to the international standards, to better the monitoring of the rules of the passengers carriage and regulation of traffic management, and to further reforms implementation in transport area. Azerbaijan is one of the safest places in the world according to the World Economic Forum results, also the existing geographical position of the country is suitable for turning to a transit destination.

It is obvious that newly forming weak economies with no specialized sectors try to attract foreign capital inflow by selling its natural resources (if available) or/and to call foreign investments to the local market in order to fostering economic growth of the country. Thus, Azerbaijan began to engage in international trade by offering its most abundant natural resource- oil as a raw material, to the different countries. This process began with the signing and realization of "Contract of the Century", which started a new period in the development of Azerbaijan oil industry and economy in general. That was a contract was signed in 1994 on the development and production sharing of "Azeri", "Chirag", "Guneshli" oil reserves between Azerbaijan and 12 companies (Amoco, BP, McDermott, Unocal, Lukoil, Statoil, Exxon, Turkish petrolium, Penzoil, Itochu, Remko, Delta) from 7 countries (USA, Great Britain, Russia, Turkey, Norway, Japan, Saudi Arabia).

As a result of realizing "Contract of the Century", Azerbaijan took a huge step towards developing its market economy and gained an advantage in the international arena. The production of first oil made Azerbaijan an oil exporting country of the world. As this strategy continued, several billion dollars were invested to the development of oil industry of the country. Signing the contract with international oil companies fostered mutually advantageous co-operation with the countries of the companies participating in the contract and contributed strengthening position of the country in the world economy. So, the country has changed its post-Soviet transition period into a major oil based economy**.** (Crandall, 2006)

Year by year, the globalization of economic opportunities, as well as the continued development of the non-commercial sector have led to a strengthening of domestic and inter-country competition. Providing sustainable and dynamic development, especially in the conditions of the modern market economy, has become one of the strategic directions of the social and economic policy of each country. As a result, the study of the issues of determining the strengthening of competitive environment in the transport-transit system serving the production and the infrastructure of the national economy has important

scientific and practical significance. At the same time, one of the key factors determining the relevance of issues related to increasing the competitiveness of the transport and transit sector is related to the country's joining the international transit network as a result of the successful implementation of the oil strategy in the country in recent years. Thus, the country is at the crossroads of favorable land and water transit transport networks. Increased demand in partner countries requires the development of a trade system that enhances the creation of a competitive transit service network. In such circumstances, it is important to increase the competitiveness of the transport and transit sector and to take appropriate measures in this direction. Because raising competitiveness in the transport sector is linked to the formation of an economically advantageous transport system. This is a key factor determining the choice of effective trade and infrastructure. The practical importance of raising competitiveness is also determined by the need to expand the trade-offs of private companies. Studies have shown that domestic private companies are limited in the implementation of transit transport services. In such circumstances, the results of the research work related to identifying the transit potential of the transport sector as well as its competitiveness can also be used to prepare and justify measures to develop transport-transit networks in the private sector. Thus, it is important to make research in the field of assessment of current potential and economic turnover when raising competitiveness of the transport and transit sector in the country and to make effective decisions related to the development of the transport system. (Bahgat, 2007)

By analyzing economic literature, we have concluded that there is no relevant research on the competitive advantage of domestic transport and transit services. Only authors who have studied logistics services (Tongzon, 2004; Litvinenka, 2005) have been found. In their research, several micro and macro level factors have been identified, which determine international competitiveness in the logistics area. These include production costs, particularly the intensity of production, quality of management, price, quality service, exchange rates, state policy, political stability, investment, etc. These authors have described the quality of services at the company level as the determinants of the competitiveness of the transport sector in their works. Quality of service is the most important prerequisite of competitive advantage.

Government has to regulate transport sector. The aim of regulations has to be:

1) Development of legal principles and target programs
2) Division of resources between the transport types
3) Simplification of multimodal transportation
4) Association of benefits of stakeholders in the transport sector

5) Creating competitive environment in the transport sector (Raphael, 2010)

The regulation of government has to be slightly. The leading subject of the transport sector is not considered the government. It should be financed by the state budget and private investments. Step-by-step privatization also has been considered as the key tool for state regulation.

Government has to regulate security of transport, meeting the requirements of civil defence, as well. Special type of credits can be given for some modes of transport.

Making Azerbaijan as a trade center will bring more opportunities, such as:

1) Attractiveness of country will increase.
2) Investment and employment opportunities will occur. (Raphael, 2010)

On the other hand, while Azerbaijan continues to participate in new regional agreements and projects as discussed above, there are still many more challenges ahead regarding entering to the world transport system. Becoming a part of world transport system country need to specialize locally and regionally at first stage. Below some proposals were given with regards to how to achieve improvement by each mode in transport system of the country.

Sea transport

1) Replacement of expired troughs with new technological ones.
2) Provision of security, management of ports and environmental security.
3) Creation of investment atmosphere for implemantation of main projects

Airway transport

1) İmplemantation of unified legislation to all categories.
2) Increasing a number of flights and directions in Lankaran Airport.
3) Using Heydar Aliyev Airport as a transit airport (directions of Moscow- UAE, from Central Asia to Europe)

Railway transport

1) Realise carriages based on long-term agreements and contracts.
2) Increase competiveness in market economy.
3) One of the main direction of increasing development of railway is to set railway stations near sea ports. This will increase the speed and capacity of carriage. (Bahgat, 2007)

3.4 Strengthing geopolitical ties of Azerbaijan with joint economic projects

This subsection aims to find the exact correlation between geoeconomic potential of Azerbaijan through the new transport newtorks with Turkey. Participation in international economic projects undoubtedly has been a major contribution to Azerbaijan-Turkey strategic partnership in transforming the shape and development of relations of the two countries. The main feature of these projects is that they not only contribute to the cooperation, economic development, strengthening of their geopolitical and geoeconomic positions, but also have serious international and regional economic and political consequences. (Zeyno, 2005)

As mentioned above, one of the most important transport networks is the North-South transport corridor. By joining the North-South transport corridor, Azerbaijan has achieved significant gains in geopolitical and geoeconomic terms. First of all, the project provided a significant geoeconomic advantage by transforming Azerbaijan into the central country of the North-South road and railroad corridor. Secondly, by participating in the project, Azerbaijan succeeded in eliminating tensions with Russia, Iran and other neighbors under the TRACECA program. Thirdly, apart from the geopolitical advantage, transit and customs duties that Azerbaijan will gain from this transportation corridor, Azerbaijan has also gained the opportunity to accomplish an important geostrategic task of rescuing the Nakhchivan Autonomous Republic from the blockade in the future. Today, Azerbaijan is trying to establish a railway connection with Nakhchivan via Iran, but it has not yet succeeded. (Nation, 2008)

Baku-Tbilisi-Ceyhan project also increased the importance of Turkey's geopolitical and geoeconomic and formed the basis of its transformation into one of the world's most important energy corridor. One of the most important advantages that Turkey can benefit from alternative energy to meet the needs of the basin, as it is import-dependent economy of the energy. Turkey is currently dependent on foreign energy with 65 percent and this dependence will rise to 75 percent of this rate over the next 20 years. However, with the realization of BTC, Turkey got the possibility of cheap strategic crude oil output transport costs, and have achieved energy supply security and great importance in maintaining price stability. (Eklind, 2010)

The BTC pipeline formed the basis for transferring Caspian basin energy resources to the world markets through a route beyond the control of Russia and Iran. This is of paramount importance both for the West's energy security and for the consolidation of the economic and political independence of the new independent countries exporting Caspian

Basin energy. It is an undeniable fact that the project has serious economic, political and strategic importance for the US and the EU. According to Muller, the reason for the US support for the BTC project is that it is in perfect harmony with its main political objectives in the region, which he lists as follows: the isolation of Iran; preventing Russia from becoming a monopolist in the region; to promote Turkey to increase its impact in the region; and support US companies to invest in the region. (Friedemann, 2000)

Although the pipeline has been realized with the serious participation of Western countries, it can in fact be considered as the first major step towards establishing an objective basis for the economic integration of the Turkish Republics in the first stage and for the political integration in the following stages. Indeed, the Baku-Tbilisi-Ceyhan pipeline and following projects of Tbilisi-Ceyhan gas pipeline, Kars-Tbilisi-Baku railway, the Trans projects such as Anatolian gas pipeline interconnected two Turkish Republic of Turkey and Azerbaijan with unbreakable ties economically and politically. On the other hand, the creation of links of these projects became crucial from the perspective of the relations with the Central Asian Turkish Republics over the Caspian Sea. (Demir, 2003)

Baku-Tbilisi-Erzurum or South Caucasus natural gas pipeline, which is designed to transfer Azerbaijani natural gas to Western markets, is the second largest pipeline project in the region after the Baku-Tbilisi-Ceyhan pipeline, with a length of 930 km, annual capacity of 30 billion cubic meters and a total cost of 2.3 billion dollars. The main points that determine the strategic importance and regional reflections of the line with similar strategic results with BTC are as follows:

- With the completion of the Baku-Tbilisi-Erzurum project, after the Caspian oil resources, an important opportunity emerged for the transportation of natural gas resources to Western markets via a route other than Russia and Iran.
- With the completion of the project, the Azerbaijani gas has been eased to get more cheaply and decreased the certain level of dependence on Iranian and Russian gas in the region (particularly for Turkey). (Eklind, 2010)

Azerbaijan, in 2007, together with Turkey and Georgia, established Baku-Tbilisi-Kars (BTK) railway project. The BTK railway line, which will have a total length of 826 kilometers, is planned to transport 1 million passengers and 6.5 million tons of cargo in the first stage and 3 million passengers and 15-17 million tons in the following stages. The strategic importance and regional reflections of the project can be grouped under the following headings:

- The project will connect Europe to Central Asia, the Far East and South Asia through Anatolia and the South Caucasus, and will create an uninterrupted railway network which called as iron silk road. (Lussac, 2008)
- BTK project together with the completion of the Trans-European and Trans-Asian Railway networks, will combine the Caspian Sea with cascading train-ferry lines with connection to Kazakhstan and Turkmenistan, Turkey and Europe to Central Asia, Far East and South Asia through the uninterrupted rail access. This will reduce transport costs by ensuring that a significant portion of freight and passenger transport between Asia and Europe is shifted to rail transport, resulting in a significant acceleration in the development of the Silk Road economies.
- BTK railway will deepen the economic integration of Azerbaijan, Georgia and Turkey and will provide them with important economic and strategic advantages. These economies, which were initially connected with the BTC and BTE pipelines after the completion of the BTK railway, will now take a serious step towards regional integration by integrating the railway networks as well.
- The contribution of the project to Azerbaijan will be multifaceted. First, Azerbaijan's dependence on Iran will be reduced in transporting cargo to Europe and the country will receive more tariff income as the largest part of the railway line passes through Azerbaijan. (Lussac, 2008)

Although these economic projects have been dealt with as opposed to the interests of regional powers such as Russia and Iran, it is in fact possible to contribute to a certain extent to these countries. It is very likely that Russia will benefit from the BTK railway line in the freight transportation to be made in the South and East directions at a certain stage. As part of the North-South Transportation Corridor, after the completion of the Gazvin-ReştAstara (Iran) - Astara (Azerbaijan) railway, which will enable the Iranian railway network to be connected to Russia via Azerbaijan, the possibility of Iran to benefit from the BTK railway will emerge. In addition, it is possible for Iran to benefit not only from the BTK railway but also from the East-West Energy Corridor in the future. Because this corridor offers more convenient means of transferring the energy resources of the Caspian and its close regions to the world markets. (Friedemann, 2000)

CHAPTER 4. SWOT ANALYSIS OF AZERBAIJAN TRANSPORT NETWORK

After the analyisis of the transport system of Azerbaijan, its geo-economic impact, as well as a comprehensive SWOT analysis is done to understand ongoing trends of the sector.

Strengths. Considering the abovementioned discussions, it can be conclude that Azerbaijan has a lot of strong points in this sector. First and foremost, its oil and gas resources of Azerbaijan provide exceptional strengthen to participate in transnational projects that Azerbaijan has already achieved. Baku-Tbilisi- Ceyhan (BTC) pipeline built to transmit oil from the Caspian Sea to the Mediterranean rather than utilizing other non-convenient and costly transport means along the Bosporus and Black Sea which already have high density.

Secondly, with the completion of the Baku-Tbilisi-Erzurum project, after the Caspian oil resources, an important opportunity emerged for the transportation of natural gas resources to the Western markets through a route other than Russia and Iran. Now the Azerbaijani gas has been eased to get more cheaply and reduced the certain dependence level on Russian and Iranian gas in the region. (Eklind, 2010). As a result of realizing "Contract of the Century", Azerbaijan took a massive step towards developing its market economy and gained an advantage in the international stage.

Creation of a free economic zone in the Baku International Sea Trade Port and logistics junction in Heydar Aliyev International Airport provided great opportunities to apply modern world experience into the current transport system. Moreover, state support for the development of the logistics sector and involvement of foreign investors in the various projects must be considered strengths of Azerbaijan as these points increase the competitiveness level of the country in the world.

Being rich of human resources, especially the potential young generation makes workability rate of citizens higher, which is good point comparing with the countries lacking the people willing to work. Increasing trade and competition in the region and around the world and proximity to large regional markets, continuity and improvement of infrastructure for entrepreneurial activities, as well as the launch of North-South transport corridor connecting Iran with Russia and Europe, transportation of goods of Iran, Pakistan and India through Azerbaijan through the North-South transport corridor are strong points of Azerbaijan, since these are kind of guarantee for future investments and openness to new projects. Azerbaijan represents one of the most important economic subject in the transport and communication system of the Caspian Sea and the South Caucasus regions.

Azerbaijan's road, maritime and rail transport has undergone significant reconstruction after the regaining of independence. Thus, transport and transit infrastructure that connects this country with most foreign countries has been replaced or replaced. As it has been mentioned in previous chapters, the favorable position of Azerbaijan in the transport and transit relations of Eurasia is also measured by the fact that this country is also involved in TRANSECTION and its components, such as TRANSGAFGAZ, TRACECA. It has an advantageous spatial characteristics and transport and transit infrastructure to participate in these routes.

Moreover, as the central country of the TRANSGAFGAZ infrastructure, Azerbaijan is able to provide the same links to China and Southeast Asia through Georgia, the Caspian Sea, Turkmenistan and other Central Asian countries. This is the result of the fact that for the first time the idea of creation came from the leading countries in the Sersa meeting and the signing of the Joint Agreement, where the Presidents of Azerbaijan, Uzbekistan, Turkmenistan, and Georgia, which were put forward in the 90s, raised the issue of the East-West, North-South transport corridors. The Black Sea basin countries have also attracted the attention and they have made a statement to join the agreement. Azerbaijan is also located on the nearest and most convenient Trans-Caucasus transport corridor, which has recently been one of the key countries in the railroad linking Kazakhstan and China. (Cohen, 1992)

The favorable geostrategic and geographical position of Azerbaijan opens new opportunities for it to act as a bridge between the East-West and the North-South relations. Unfortunately, because of the absence of an independent state or independent policy in the 20th century, this advantageous position has not been used in accordance with the general geopolitical interests of the country. Only after regaining independence, Azerbaijan began to take advantage of its strong geopolitical and geo-economic strengths and the geographical opportunities of itself.

Weaknesses. Given the current relationship level between Azerbaijan and Armenia, some problematic situations happening in neighboring countries, being a post-Soviet country with existing socialist beliefs in a particular group of its citizens etc., Azerbaijan possesses some weak points in its transport system.

Azerbaijan has weak position of intermodal transport systems in acquiring the EU and national funds. There is significant demand for workers with appropriate qualifications in the country and small number of innovative transport projects are being held in recent years. In the development of public-private partnerships for the construction of new trans-shipment points state agencies usually come out with small initiatives which is not

promising in long term. Unfavorable cost structure of intermodal transports and decapitalization of infrastructure fragments are also needed to be addressed as a problem.

Moreover, there is little interest in business entrepreneurships for cooperation and useful research funding and the activities associated with the promotion of intermodal transport are weak. Some transport operators have turned out to lack capitalization of their properties and it makes the utilization of the premises inefficient. Research funding from different sources, different decision-making centers, lack of concentration of resources in the implementation of projects and low level of use of R&D activities are also weak points of Azerbaijan.

Most initiatives coming from state agencies are small scale and short-term projects. However, in order to gain sustained development, strategies should be chosen after comprehensive analyses and targets should be set up for long run periods. For the current period, cost of the intermodal transports in the area of Azerbaijan are mostly disadvantageous, which makes the country less competitive in the regional transportation and transit market.

As the transportation system is mainly under the monopoly of the government, businesses and enterprises are reluctant to make investments to transport systems. Without profit-oriented investments, the improvement of this area within the dedicated periods is almost impossible.

Lack of human capital and institutional problems are another main weakness in transport management sector. Political decisions still determines main investment projects in transport sector since it aims to address the issues and strategies set in the transport policy of the country. However, there is a still traditional management approach in this sector through the public sector operation and regulation which has often failed to make sustainable contribution. This has been partly a human resource problem, since the government lacks relevant skills for planning and monitor the tasks required, and partly an institutional problem as the government continues to depend upon the mechanisms that make unrealistic demands on human resources. Thus, it is very important to work on human resources supports of this sector as well as plan for institutional reforms and to stimulate private sector participation in development of sustainable transport sector.

Opportunities. Considering the geographical location of Azerbaijan, emerging regional needs and current investment competitiveness conditions, Azerbaijan possesses a lot of opportunities in terms of strategic transport system development.

Azerbaijan has already benefited from its favorable geographic location by signing various transnational transport projects to enhance its geo-economic strengthens that are discussed in the thesis.

Economic growth tendency in the region and increasing income level of the population are non-direct supporter factors of the transport system. International conventions and agreements are working for harmonizing the terms for documentation, recording and carriage processes, which will make the management process of transportation easier and controllable.

Global development trend in new technologies is one of the main opportunities for Azerbaijan in order to increase the effectiveness of the work of transport system in the country. Countries often emphasize the importance of infrastructure for transport, therefore, it is likely to happen that, infrastructure will remain in the attention of all region countries, which will help to improve infrastructure systems more swiftly and smoothly.

Researches and application of new technologies are continuing to improve the efficiency in transportation industry, this factor creates a lot of potential opportunities for countries. In addition, international organizations are regularly working with the improvement of conventions and agreements which controls the transportation industry and provides more fair market rules and conditions. Harmonization of inter-country laws and guidelines will trigger the development of transportation relationships between countries.

Taking the current trends in world economy, importance of working policies and strategies is increasing day by day. Implementing well-defined and controllable policies will help to ensure the sustainability of the development of the industry.

In addition to all the factors above, the region has a powerful demographic potential, a large number of residents in the region are mobile and willing to work in the transportation system. Thus, in case of increasing labor demand for transport systems, the country can easily cover the demand in a short time.

It is forecasted to go into standardization and innovation for the future which will enable the quick and fundamental improvement of transportation system.

Threats. As the transportation systems are connected with all areas of human life, the economic prosperity of nations, natural environment and other substantial factors are depending on the transport system and its availability in clean, safe and efficient conditions. As a former Soviet Union country, Azerbaijan experiences many problems, such as lack of integrated transport systems and infrastructures, aging transportation facilities, inadequate transport channels and so on. There are risks of decline in financial markets, decrease in

investment flow as a result of steep changes in oil prices, unstable currency exchange rates. All these factors are potential threats to development of transportation system in Azerbaijan. Moreover, rising importance of sustainable and environment-friendly industries, will make usage of some facilities and application of outmoded methods impossible in future.

Military conflicts and political issues has negative impact on the development of all industries as well as transportation, Azerbaijan's current situation in the region makes some undesirable results in terms of attracting investments, because low trust in security of the economy results in low investment rates and new entrepreneurship initiatives.
Nagorno-Karabakh conflict between Armenia and Azerbaijan is beyond to recognize as a regional conflict, it is indeed a conflict in an international scale to which international players have different interests. Hence, the regional stability depends on not entirely Azerbaijan and Armenia, but Russia, the EU and the U.S. which can be interpreted as support or threat to gain any benefits if the status quo is not benefitial for one or two in future.

The main source of income in the country is oil and gas sector, which makes the economy of the country more vulnerable. Because the natural resources are not endless and it will run out one day or the demand for the energy can mostly alter with green energy (solar, wind energy, etc). From this point of view, the development of non-oil industries and diffeversification of the economy is very important. This is a threat for whole part of the economy, including transportation system. However, as one of the key areas for the development of non-oil sector, transportation plays a vital role as an important factor in linking all the other industries of the economy. Taking the need for improving transportation in terms of overall economic growth and the existing potential into consideration, it should be set as one of the main goals to achieve important targets in this area.

Energy-oriented resources in the Caspian Basin makes big powers to compete one another, such as Russia, Iran, the United States etc. Russia is a dominant and powerful country in the region and also has a significantly huge internal market. Iran is a neighbouring country with some historical and cultural ties as well. China, with its emerging and developing economy, its energy demand is increasing day by day, so China is following its policies related to the region as it is influenced by the political and economic relationships in the region. Being a geopolitical competition area, Caspian basin plays a determinant role in the interests of those big powers in the region. The USA and Russia competing each other in order to dominate the region. It is the obvious fact that the United

States has turned to the Caspian basin and Central Asia and gained significant power in this area of competition in terms of protecting its interests. The United States strives to play the most active role in the energy structuring in the region. While it is vital for the US energy strategy, Turkey, due to its historical and cultural view, wants to bring the various projects implementations to its area and to play an active role in the transportation of petroleum and natural gas lines. Due to favourable geographical position, Turkey plays a geopolitical and geostrategic role transmitting energy resources to the world market. This situation sometimes brings these countries makes some rivals among one another.

To conclude the threats to the development of transport system, various ongoing trends suggest a room for improvement and restructuring in geo-economic strategies and technologies. Such trends also trigger virtualization of capital (evasion of cash payments, the emergence of cryptocurrencies, etc.), the changing role of the government as a vital agent of economic activity, the ever-increasing publicity of the political elite and its increasingly open interaction with the people. For particularly Azerbaijan, these side effects may not be well-managed beforehand, so for a fair amount of time, government must engage in the modernization of all areas of production, because without advanced technologies it is impossible to achieve economic development.

The table below depicts overall picture of SWOT analysis. While the strengths and the weaknesses gives the information about the internal factors, the opportunities and the threats represents internal factors such as impact of government, external relations, business environment etc.

Table 4 SWOT Analysis

Strengths	**Weaknesses**
Enormous potential for transport from Eastern countries to Western countries Possibility of using beneficial practices for international and national promotion of a new systems Gradual launch of innovative potential in the transport sector Formation of the integrated transport structure on the transcontinental scale Research development in the field of energy-efficient technologies in transport solutions	Warfare relationships with Armenia Small and short term initiatives by state agencies Unfavorable cost structure of intermodal transports Decapitalization of infrastructure fragments Low level of use of R&D activities Insufficiency in qualification levels of workers Little interest from businesses for cooperation and

Large trade volume in the transport sector Demand for transport services, considering the export and import volume between Asia and Europe Financing the development of transport from the national and the European Union funds	Lack of thorough activities associated with the promotion of intermodal transport Economic policies, tax rates and terms are not favorable to incentivize investment on transport system
Opportunities	**Threats**
Geographical location and existence of seafront borders Development of new technologies International conventions and agreements in transport, harmonizing the rules for carriage and documentation Economic growth of the region and rising income level of the population Demographic potential: a large number of labor factor in the region Future standardization and innovation tendencies on a global scale Rising importance of sustainable and environment-friendly industries Growing importance of development of policies and strategies in the sector	Lack of integrated transport systems and infrastructures Dependence of investment flows on the situation of oil sector Aging transportation facilities Capital intensity of new transport technologies Inadequate transport channels Probability of military conflicts on Nagorno Karabakh conlifct and its threat for political instability

CONCLUSION

As analysed through the thesis, Azerbaijan is moving towards becoming the main transport and communication corridor and unifying bridge in both the East-West and the North-South relations by using its favorable geographical and geoeconomic position. Azerbaijan's participation in the North-South transport corridor is considered as proof of the independent and forward-looking policy of this country. Thus, by joining the North-South transport corridor, and many pipeline and railway projects, Azerbaijan has achieved significant gains in geopolitical and geoeconomic terms.

In addition to reinforcing its geoeconomic independence, Azerbaijan also participated in two gigantic transportation corridors and many pipeline projects, as well as having the chance to reach European and world markets via alternative transportation routes. As elaborated in the thesis, the use of its transit potential is still an important component of Azerbaijan's durable development strategy. Today, transit relations and foreign economic relations in Azerbaijan are carried out on more than one geopolitical axis. From these axes the followings can be summed up:

- First and most importantly, pipelines through Georgia and Turkey, as well as roads, railways and sea transport pipelines through the Mediterranean Sea to Europe;
- Secondly via Russia to the West and the Far East (this is a very long and economically unfavorable route)
- Thirdly to the Near East and South Asian countries via Iran and the Persian Gulf;
- The fourth is the route to Turkmenistan, Kazakhstan, Uzbekistan, China, Japan and other Southeast Asian countries (and vice versa). (Chufrin, 2001)

Among them, the route, which operates at full capacity for the time being, is only in the East-West direction of the Transcaucasian corridor. Through this corridor Azerbaijan delivers natural gas and oil to Europe through Turkey and Georgia. Azerbaijan also organizes the transit and transport of oil and other transit cargoes sent to the West by air, road, rail and waterway.

As elaborated through the Chapters, both domestic and international transportation roads and corridors and connecting communication lines are considered as living arteries. Because without these, even countries with rich natural resources cannot ensure their economic development and establish healthy economic and commercial relations with foreign countries. For this reason, structuring of transportation and transport systems at

international standards, ensuring their continuous operation, and controlling their impact on foreign trade are considered among the priority geoeconomic tasks all over the world. It is no coincidence that the ongoing international rivalry between the various geopolitical forces focuses not only on natural resources, but also on corridors, roads and means of transport, that is, transport and communication systems, that will transport these resources to world markets. This is the exact strategy that Azerbaijan has followed through the years after the declaration of independence.

Considering the importance of geographical location in terms of transit, Azerbaijan an take huge benefits of international aid (TACIS, TRACECA, etc. within the framework of the European Union, World Bank, Islamic Development Bank, etc.) and the use of its own financial potential in all directions of transit roads and railways, sea ports, freight terminals and other units of the transportation infrastructure.

Through the thesis, Azerbaijan's potential for future geopolitics and geoeconomy in the region and its improvement of transport networks has been examined. However, nowadays, there are other tasks that Azerbaijan has to deal with in the field of integration policy of national and international transport networks which are as follows:

- To make reforms in the transport sector to increase efficiency and competitiveness;
- Enable state control in the transport sector;
- To create a healthy competitive environment in the transportation services market and to improve the tariff system;
- Carrying out projects for the harmonization of transport infrastructure in border regions with modern standards;
- Arranging transport infrastructure and means parks according to modern standards;
- To establish transport infrastructure in Baku and other cities at the level of modern standards;
- Preparing projects for increasing the capacity of highways for the regulation of city traffic in Baku;
- Fully meet the public transportation needs;
- To continue the measures taken in order to use the transit potential more efficiently. (Chandler, 2000)

Its favorable geographical position makes it inevitable that the highway network in Azerbaijan is brought to the level of international standards and the necessary measures are taken. The total length of the highways currently in use within the borders of the Republic of Azerbaijan is 25,021 kilometers. 4.577 kilometers of this is of national importance and the rest is of local importance. The establishment of a modern highway

network in accordance with international standards, the connection of highways to international roads, the regulation of traffic on the roads in general use in accordance with international standards and the use of automatic systems in this regulation constitute the main aspects of Azerbaijan's transport security policy.

The economic basis of the transport system's operation is the competition of independent operators. In Azerbaijan, the state has greatly taken the market as an operator. Whereas the development of the transport infrastructure envisages expanding the involvement of private investors. and gradually privatize of some transport infrastructure in line with the state policy. The state should actually leave the market graduallty as a key operator to alter itself with the independent operators.

All in all, at the crossroads of internationally important transportation and communication lines, Azerbaijan has identified the field of transportation and communication as one of the priorities of its development strategy and started to mobilize all opportunities to improve this field. This strategic geoeconomic line has also been the basis of Azerbaijan's multinational transport and communication policy.

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