

# INFRASTRUCTURE POLICY OF THE CASPIAN STATES: DEVELOPMENT STRATEGY AND GEOPOLITICAL AIMS

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## ABSTRACT

**I**n recent years, the Caspian states have been paying increasingly more attention to port infrastructure development. The construction of new facilities and the reconstruction of existing ports received a new impetus. The Caspian states increase their investments in this sphere every year. They have developed national programs that aim to increase the volume of cargo passing through the Caspian states' sea-ports.

The development of port infrastructure, augmented by new railways, was deliberated by the Caspian states in the context of solving geopolitical problems. The advancement of the negotiation process on the Convention on the Legal Status of the Caspian Sea brought the solution of economic issues to the fore, along with the development of transport and related infrastructure. The signing of this document in August 2018 only raised the interest of the regional states in trade and economic cooperation. Accordingly, one of the key tasks that the Caspian states were facing was port infrastructure development. The construction of new ports

was believed to foster achievement of long-term goals. In addition to economic development, first and foremost, of coastal territories, regional countries sought to reinforce their positions in global trade flows. Besides, the facilities constructed by the Caspian countries in recent years have been integrated in large-scale infrastructure projects, which are being actively promoted by non-regional states. China, the EU and Turkey have a stake in their implementation, and the Caspian infrastructure served as a part of regional transportation projects.

The adoption of documents related to the development of transport in the Caspian region by the Caspian states reflected the importance of infrastructure. They formulated long-term tasks and outlined the spheres of cooperation with their regional neighbors.

The expansion of regional cooperation by the Caspian countries is accompanied by the intensified struggle for the flow of goods. The Caspian states are growing increasingly competitive in the transportation sphere. The struggle for container traffic volumes

~~and hydrocarbon resources is pushing the Caspian states to apply various financial~~ | ~~and administrative mechanisms in order to attract cargo.~~

**KEYWORDS:** *Caspian region, convention, infrastructure, ports, shipping.*

## *Introduction*

In recent years, the regional countries' interest in the implementation of infrastructure projects located on the Caspian Sea coast has increased. First and foremost, this concerns the port infrastructure and facilities involved in hydrocarbon extraction.

In addition, the Caspian states support and actively participate in the implementation of international transport projects that allow to attract additional flows of goods. A key aspect of the Caspian states' policy in regard to the Caspian Sea are the increased investments in multimodal transport corridors that traverse the Caspian Sea and coastal territories. The regional countries began to develop ambitious plans to increase transit capabilities, which should lead to the creation of transport hubs in the long term.

The signing of the Convention on the Legal Status of the Caspian Sea in August 2018 opened up a new phase in the development of the regional transport infrastructure. Clarity was achieved in the relations between the regional states, and new opportunities were created for their economic development. Political disagreements on key regional issues gave way to the Caspian states' long-term plans in the sphere of shipping, port infrastructure development, extraction of hydrocarbon resources and their subsequent delivery to the external market.

## **Documents Adopted by the Caspian States**

In recent years, the importance of the transport sector for the Caspian countries manifested in the adoption of a number of documents. They have defined long-term tasks in the sphere of transport infrastructure development and the expansion of shipping.

The growing importance of the transit and logistics factor and the desire to optimize transport processes in the Caspian have prompted Russia to develop the Strategy for the Development of Russian Seaports in the Caspian Basin, and Rail and Road Links to Them until 2030.<sup>1</sup> The document, ratified by the Russian government in November 2017, aims to ensure the sustainable development of the Caspian region and includes infrastructural, legal and economic aspects. The key goal is stated to be the “strengthening of the economic and geopolitical presence of the Russian Federation in the Caspian Sea, expanding and deepening economic and cultural ties with the Caspian regional states, and creating the conditions for fostering the region’s socio-economic development by increasing international cargo flows passing through the Caspian seaports.”<sup>2</sup> The Strategy underscores that “the

<sup>1</sup> See: *Strategy for the Development of Russian Seaports in the Caspian Basin, Rail and Road Links to Them until 2030*, Order of the Government of the Russian Federation of 08.11.2017 No. 2469-p, available in Russian at [http://static.government.ru/media/files/zACqKSgh6AdU2bWZahEb92qpLifBzJr.pdf], 25 August, 2018.

<sup>2</sup> Ibidem.

cargo turnover through Russian ports largely depends on external factors, primarily on the processes in the Iranian economy, as well as the development of new fields and the construction of oil pipelines by oil companies of Kazakhstan and Turkmenistan.<sup>3</sup>

Issues of port infrastructure development and increasing port capacity were repeatedly raised in subsequent years. Meetings of the working group of the Presidium of the State Council of the Russian Federation for the development of transport infrastructure in the Caspian region were held in Moscow and Astrakhan in February and April 2018.

At the end of 2018, the Russian president set the task of creating a Port Special Economic Zone. Then, in April 2019, a meeting was held, where the development of Russian transport infrastructure in the Caspian Sea was discussed.<sup>4</sup> This topic was elaborated at a meeting in the Astrakhan region in May 2019, which was chaired by the Russian president. Vladimir Putin once again stressed the importance of “developing transport infrastructure.”<sup>5</sup> At the same time, the Minister of Economic Development Mikhail Oreshkin proposed to develop the port infrastructure of the Astrakhan region through the port economic zones.<sup>6</sup>

In November 2020, Russia adopted a *Resolution of the Government of the Russian Federation On the Creation of a Port Special Economic Zone and the Caspian Cluster in the territory of the Astrakhan Region*.<sup>7</sup> The document aimed to create a port economic zone in the Limansky District municipal formation of the Astrakhan region. In addition, the document declares the need to “unite a port special economic zone and a special industrial production economic zone in the Narimanov District municipal formation of the Astrakhan region into one Caspian cluster.” In 2021-2022, over 2.5 billion rubles (about \$35 million) will be allocated for these purposes.<sup>8</sup>

Great attention was paid to the development of port infrastructure in Kazakhstan. In December 2019, the country developed Nurly Zhol, a state infrastructure development program for 2020-2025.<sup>9</sup> It replaced the program that operated in 2016-2019. As part of the program, terminals were built in the Aktau port and a ferry complex—in the port of Kuryk.<sup>10</sup> The new program formulates the task of further expanding the country’s transport capabilities, which must correspond to the increasing flows of goods and hydrocarbon production. In 2020, 1,283 ship calls occurred. Kazakhstan expects the number of ship calls to the Kazakhstani sector of the Caspian Sea to double by 2025.<sup>11</sup>

Other Caspian states have limited themselves to the establishment of separate programs aimed at the development of port infrastructure and shipping. For instance, Azerbaijan has approved a shipping development program, aiming “to facilitate shipping and growth of cargo transportation through

<sup>3</sup> Strategy for the Development of Russian Seaports in the Caspian Basin, Rail and Road Links to Them until 2030.

<sup>4</sup> See: “Astrakhan Hosted a Meeting on the Preparation of the Presidium of the State Council of the Russian Federation on the Development of Transport and Energy Infrastructure of the Caspian Region,” 19 April, 2019, available in Russian at [https://www.astrobl.ru/news/111844], 18 January, 2021.

<sup>5</sup> “Soveshchanie po voprosam sotsialno-ekonomicheskogo razvitiia Astrakhanskoy oblasti,” 14 May, 2019, available at [http://www.kremlin.ru/events/president/news/60518], 18 May, 2019.

<sup>6</sup> See: Ibidem.

<sup>7</sup> See: *Resolution of the Government of the Russian Federation On the Creation of a Special Economic Zone and the Caspian Cluster in the Territory of the Astrakhan Region* of 7 November, 2020, No. 1792, available in Russian at [http://docs.cntd.ru/document/566240024], 13 January, 2021.

<sup>8</sup> Ibidem.

<sup>9</sup> See: *Resolution of the Government of the Republic of Kazakhstan On Approval of the State Program for Infrastructure Development “Nurly Zhol” for 2020-2025* of 31 December, 2019 года No. 1055, available in Russian at [http://adilet.zan.kz/rus/docs/P1900001055], 13 January, 2021.

<sup>10</sup> See: N. Sadykhova, “V Kazakhstane realizovan riad proektov po razvitiuu portov,” 18 February, 2020, available at [https://www.trend.az/business/economy/3193362.html], 24 January, 2021.

<sup>11</sup> See: “Kazakhstan ozhidaet dvukratnoe uvelichenie sudozakhodov na Kaspiy k 2025 godu,” 3 February, 2021, available at [https://www.inform.kz/ru/kazakhstan-ozhidaet-dvukratnoe-uvelichenie-sudozakhodov-na-kaspiy-k-2025-godu\_a3748698], 5 February, 2021.

the country.”<sup>12</sup> In 2020, Turkmenistan began to develop a National Maritime Strategy. This issue was discussed at a meeting of the Turkmenistan government.<sup>13</sup>

## Resulting Outcomes

In the previous decades, the Caspian states did not pay due attention to infrastructure development. Government policies have often been ineffective, leading to a reduction in shipments between the Caspian countries. For instance, the total cargo turnover of the Russian ports of Astrakhan, Olya and Makhachkala in 2010-2016 decreased from 10.9 million tons to 6 million tons. About 55% of cargo went through the Makhachkala seaport, of which 87% was crude oil, and 13%—grain supply.<sup>14</sup> The reason for the reduction in volume was the reorientation of oil logistics in the Caspian region to oil pipelines. The transshipment of ferrous metals through the port of Makhachkala decreased from 270,000 to 34,500 tons in 2011-2016. The significant growth in the volume of grain transshipment through Russian ports from 51,000 to 332,000 tons in the same time period was another positive factor. In 2010, 5 million tons of metals (79% of all dry cargo) were shipped through Russian ports, but in 2016 this figure only constituted 18.4% of the cargo turnover.<sup>15</sup> Meanwhile, the Caspian ports of Astrakhan and Olya mainly handled dry cargo, most of which was sent to Iran. Astrakhan was of key importance in the export of certain agricultural products, since over 60% of Russian grain transported to Iran was supplied through it.

In the first half of the 2010s, there was a drop in cargo turnover through Russian ports. This was due to the underdevelopment of the infrastructure, and the current tariff policy, which reduced the interest in deliveries through Russian ports. This situation has pushed other Caspian countries to develop their own port infrastructure, thereby creating conditions for increasing the flow of goods. Russia has made the necessary conclusions as well. As a result, the Caspian countries embarked on large-scale projects to create new port facilities and modernize the previously built ones. This has allowed to increase the throughput of seaports and speed up cargo handling, which had been productive. Almost all the Caspian seaports have improved their performance indicators. Thus, according to the Association of Russian Trade Seaports, the cargo turnover of the Caspian Sea basin ports in 2020 amounted to 8.1 million tons, increasing by 9.1% compared to 2019.<sup>16</sup>

At the end of 2020, Russia decided to build a new port in the city of Lagan, Kalmykia. The construction of a new port with a capacity of 12.5 million tons of cargo is included in the territorial planning program of the Russian Federation approved by the Russian government.<sup>17</sup> The new port will increase the export of grain, container and refrigerated cargo and other products from Kalmykia. The decision to build a new port in Kalmykia will expand the capabilities of all Russian constituent entities on the Caspian Sea, and will open up new prospects for their socio-economic development.

In recent years, Kazakhstan has implemented infrastructure projects in the transportation sphere. In 2016, the new port of Kuryk was commissioned on the Caspian Sea coast, south of the port of

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<sup>12</sup> “Ilkham Aliyev utverdil programmu razvitiya sudokhodstva Azerbaidzhana na 2016-2020 gody,” 8 November, 2016, available at [[https://www.korabel.ru/news/comments/ilham\\_aliev\\_utverdil\\_programmu\\_razvitiya\\_sudokhodstva\\_azerbaydzhana\\_na\\_2016-2020\\_gody.html](https://www.korabel.ru/news/comments/ilham_aliev_utverdil_programmu_razvitiya_sudokhodstva_azerbaydzhana_na_2016-2020_gody.html)], 24 January, 2021.

<sup>13</sup> [<https://turkmenportal.com/blog/30540/v-turkmenistane-razrabatyvaetsya-nacionalnaya-morskaya-strategiya>].

<sup>14</sup> See: *Strategy for the Development of Russian Seaports in the Caspian Basin, Rail and Road Links to Them until 2030*.

<sup>15</sup> See: *Ibidem*.

<sup>16</sup> See: “Gruzooborot morskikh portov Rossii za 12 mesiatsev 2020 goda,” 15 January, 2021, available at [<https://www.morport.com/rus/news/gruzooborot-morskikh-portov-rossii-za-12-mesyacev-2020-goda>], 4 February, 2021.

<sup>17</sup> See: R. Melnikov, “Zernyshko v biudzheth,” *Rossiiskaia gazeta*, 28 December, 2020. C. 2.

Aktau. Since 2017, cargo deliveries have been organized from the port of Kuryk to the Azerbaijani port of Alat, which is the ferry terminal of the Baku port.

In the future, the non-freezing Kuryk should replace Aktau. The modern complex includes a ferry crossing and a railway line along the Borzhakty-Ersai route in the Mangistau region of Kazakhstan. The complex's capacity allows it to handle 5.1 million tons annually. As a result, the port of Kuryk has turned into a multimodal transport hub. Its capacity increased from 2 million tons in 2016 to 6 million tons in 2019. "The port of Kuryk transported 2.2 million tons of oil, 2.5 million tons of dry cargo and 1.4 million tons of ferry cargo."<sup>18</sup> The total annual throughput of Kazakhstani ports has been increased from 19.5 million tons to 27 million tons.<sup>19</sup>

At the end of 2016, Tengizchevroil, which develops the Tengiz and Korolev fields in the Atyrau region of Kazakhstan, began to build a new port, Prorva, near the village of the same name.<sup>20</sup> The new port is to be used for servicing oil fields. In 2019, the Tengiz field produced 29.7 million tons of oil.<sup>21</sup> Kazakhstan expects the volume of production to increase by 12 million tons in the coming years and reach 39 million tons of oil per year.<sup>22</sup>

The Kazakh fleet has been recently augmented with four dry cargo vessels, which are responsible for transporting approximately 10% of dry cargo from the port of Aktau. Kazakh tankers transport oil from Aktau and the Russian port of Makhachkala to the Azerbaijani port of Baku. In 2020, 2.2 million tons of oil were delivered through the port of Aktau.<sup>23</sup> Compared to 2019, the growth constituted 4%. Kazakh oil was exported to the Russian port of Makhachkala and the Azerbaijani port of Baku. In 2021, Kazakhstan plans to open a rail-ferry service to the Russian port of Makhachkala.

A new port complex was opened in Azerbaijan in May 2018 in the village of Alat in Baku's Garadagh region. Its initial annual capacity was up to 15 million tons of cargo.<sup>24</sup> The Azerbaijani side expected to increase the port's capacity to 25 million tons in the future. The future construction of the port may affect the cargo flows in the Caspian region. The port of Alat is regarded as an important link in the Caspian region's transportation system.

In 2019-2020, Iran heeded increased attention to the Caspian Sea coast infrastructure. It actively increased its port capacity and built a merchant fleet. In November 2020, 11 projects were launched in the Caspian port of Anzali, Iran. "It involved the opening of a berth for general cargo and grain, two structured berths for oil cargo, and a grain warehouse with a capacity of 50,000 tons."<sup>25</sup> This port is viewed as a strategic facility that should ensure the growth of supplies to other Caspian states.<sup>26</sup>

<sup>18</sup> "Chetyre konteynernykh terminala planiruyut postroit na stantsii Dostyk k 2025 godu," 21 December, 2020, available at [<https://kaztag.kz/ru/news/chetyre-konteynernykh-terminala-planiruyut-postroit-na-stantsii-dostyk-k-2025-godu/>], 24 January, 2021.

<sup>19</sup> See: *On Approval of the State Program for Infrastructure Development "Nurly Zhol" for 2020-2025*.

<sup>20</sup> See: R. Koilybayev, "Kompaniia TSHO stroit port na Kaspii," 2 November, 2016, available at [<https://atpress.kz/1879-kompaniya-tsho-stroit-port-na-kaspii>], 9 January, 2021.

<sup>21</sup> See: "Godovoy otchet AO «NK «KazMunayGaz» za 2019 god," available at [[https://ar2019.kmg.kz/pdf/ar/ru/strategic-report\\_operating\\_projects.pdf](https://ar2019.kmg.kz/pdf/ar/ru/strategic-report_operating_projects.pdf)], 22 January, 2021.

<sup>22</sup> See: "Boleye 29 mln tonn nefi dobyli na Tengizskom mestorozhdenii v 2019," 18 February, 2020, available at [[https://forbes.kz/news/2020/02/18/newsid\\_219245](https://forbes.kz/news/2020/02/18/newsid_219245)], 18 January, 2021.

<sup>23</sup> See: I. Shaban, "Port Aktau v Kazakhstane narastil ob'emy perevalki nefi v 2020 godu," 10 February, 2021, available at [<http://caspiabarrel.org/ru/2021/02/port-aktau-v-kazakhstane-narastil-obemy-perevalki-nefti-v-2020-godu/>], 12 February, 2021.

<sup>24</sup> See: "Ilkham Aliyev prinial uchastie v otkrytii kompleksa Bakinskogo mezhdunarodnogo morskogo trgovogo porta," 14 May, 2018, available at [<https://ru.president.az/articles/28547>], 24 January, 2021.

<sup>25</sup> "11 Projects Inaugurated in Anzali Port, N Iran," 17 November, 2020, available at [<https://en.mehrnews.com/news/165961/11-projects-inaugurated-in-Anzali-Port-N-Iran>], 17 January, 2021.

<sup>26</sup> See: *Ibidem*.

Iran's efforts to expand port infrastructure have yielded results. The export of goods through Iranian ports on the Caspian Sea increased by 40% in 6 months of 2020.<sup>27</sup> The role of the Iranian port of Astara on the Caspian Sea has increased. It has become a new regional container shipping hub after the launch of new transport services from this port.<sup>28</sup>

The increase in cargo flows through Iranian ports on the Caspian Sea was the result of the changes in Iran's policy. In recent years, the country has stepped up trade and economic cooperation with the countries of the Eurasian Economic Union.<sup>29</sup>

In September 2020, the Ports and Shipping Organization (PMO) of Iran and one of the foreign shipping companies functioning in the Caspian basin signed a memorandum of understanding. One of its main points is "the creation of regular communication between the ports of Iran, Russia, Kazakhstan and Turkmenistan."<sup>30</sup> The document also emphasized the task of "expanding freight traffic."<sup>31</sup>

To strengthen its position in the Caspian, at the beginning of 2021, Iran increased the number of ships in its merchant fleet. As the managing director of the Islamic Republic of Iran Shipping Lines Mohammad Reza Modarres noted, "the main goal is to expand trade with neighboring countries, in particular with Russia."<sup>32</sup>

A large-scale infrastructure project was implemented by Turkmenistan. In May 2018, the new Turkmenbashi international seaport was opened on the Caspian Sea coast. Port construction was carried out in accordance with the Development Strategy of the International Seaport of Turkmenbashi and the Turkmen Sea Merchant Fleet until 2020.<sup>33</sup> The new port is seen as the main sea gate for the national economy. Simultaneously with the completion of port construction, the new shipyard and ship repair plant, Balkan, was put into operation (until 15 April, 2019 it was part of the Turkmenbashi International Seaport). It is designed for the construction and repair of ships and floating structures. Every year, Turkmenistan plans to launch 4-6 large vessels down the slipways and repair between 20 and 30 ships.

Turkmenistan is considering the possibility of increasing supplies through the Turkmenbashi seaport. This issue was constantly in the focus of attention of the Turkmen leadership in 2020-2021. In September 2020, issues of international cooperation in the Caspian region were considered at a meeting of the Turkmenistan government.<sup>34</sup> Subsequently, in October 2020 and January 2021, meetings of the Interdepartmental Commission of Turkmenistan on the Caspian Sea,<sup>35</sup> created by the Decree of the President of the country in October 2020, were held. They pertained to the development of transport communications. In December 2020, during a government meeting, the President of Turkmenistan announced negotiations to expand communications with Kazakhstan, namely, with the

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<sup>27</sup> See: "Ob'em eksporta iz severnykh portov Irana uvelichilsia na 40%," 15 December, 2020, available at [<https://www.trend.az/iran/business/3350555.html>], 23 January, 2021.

<sup>28</sup> See: "Iranskiy port Astara stal novym tsentrom konteynernykh perevozok v regione," 10 December, 2020, available at [<https://www.trend.az/iran/business/3348136.html>], 27 January, 2021.

<sup>29</sup> See: *Ibidem*.

<sup>30</sup> "Iran podpisal Memorandum s tsel'iu razvitiya sudokhodstva na Kaspii," 29 September, 2020, available at [<https://business.com.tm/ru/post/6074/iran-podpisal-memorandum-s-celyu-razvitiya-sudokhodstva-na-kaspii>], 24 January, 2021.

<sup>31</sup> *Ibidem*.

<sup>32</sup> E. Bashyshov, "Iran narashchivaet chislennost sudov na Kaspii," 7 January, 2021, available at [<https://www.trend.az/business/3360967.html>], 19 January, 2021.

<sup>33</sup> See: "Master Plan for the Development of the Turkmenbashi International Seaport and the Marine Merchant Fleet of Turkmenistan until 2020," available in Russian at [[http://www.traceca-org.org/uploads/media/10.Presentation\\_TKM\\_Ru\\_01.pdf](http://www.traceca-org.org/uploads/media/10.Presentation_TKM_Ru_01.pdf)], 17 January, 2021.

<sup>34</sup> [<https://turkmenportal.com/blog/30540/v-turkmenistane-razrabatyvaetsya-nacionalnaya-morskaya-strategiya>].

<sup>35</sup> See: "Sostoyalos ocherednoe zasedanie Mezhhvedomstvennoy komissii Turkmenistana po voprosam Kaspiiskogo moria," 30 January, 2021, available at [<https://www.mfa.gov.tm/ru/news/2462>], 2 February, 2021.



Aktau sea trade port and the Kuryk seaport.<sup>36</sup> In addition, the issue of launching a ferry service with the Russian ports of Olya and Makhachkala was brought up. All of these actions demonstrated that the expansion of communication across the Caspian Sea is one of the key tasks of the Turkmen foreign policy.

## Maritime Cooperation of Caspian States

Along with an increase in port capacity, the Caspian countries have been recently expanding their cooperation on a bilateral basis. This was confirmed by numerous meetings of bilateral commissions formed by the Caspian states. Several intergovernmental commissions of the Caspian states dedicated to cooperation in the transport sector, were held just in the second half of 2020-early 2021.

In November 2020, a meeting of the Intergovernmental Commission on Cooperation between the Russian Federation and the Republic of Kazakhstan was conducted.<sup>37</sup> Among the many questions on the agenda were the problems of cooperation in the transportation sphere.<sup>38</sup> In January 2021, a meeting of the Intergovernmental Commission of Iran and Azerbaijan was held. The parties discussed their interaction within the framework of the North-South international transport corridor. In addition, the first meeting of the Russian-Turkmen working group on the development of shipbuilding projects took place. This meeting was held within the framework of the Memorandum of Cooperation signed in December 2020 between the United Shipbuilding Corporation and the Balkan Shipyard and Ship Repair Plant, which is related to the development of cooperation in the shipbuilding sphere.

Along with an increased interest in expanding cooperation in the transport sector, the Caspian countries have been growing increasingly competitive. In recent years, the struggle for cargo flows in the Caspian region has intensified. This is due to the development of their own fleet by the Caspian countries and the modernization of the port infrastructure. However, cargo volume and the production of hydrocarbon resources are increasing at a slower pace. Countries use various state support mechanisms to defend their interests. Among them are preferential lending rates, subsidies and government co-financing. These measures are actively used by Russia, Azerbaijan, and Turkmenistan. Iran and Turkmenistan use preferential port service.

## Participation of Caspian States in International Projects

The development of coastal infrastructure is closely related to the implementation of international projects in which the Caspian countries are involved. They are of considerable interest to the regional states, since they enhance their involvement in international trade and allow to strengthen their positions as transit states.

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<sup>36</sup> See: "Sotrudnichestvo Turkmenistana s Kazahstanom i RF po transportnomu soobshcheniu vstupit v rabochiy etap," 12 December, 2020, available at [<https://turkmenportal.com/blog/32863/sotrudnichestvo-turkmenistana-s-kazahstanom-i-rf-po-transportnomu-soobshcheniyu-vstupit-v-rabochii-etap>], 23 January, 2021.

<sup>37</sup> See: "Aleksey Overchuk provel zasedanie Mezhravitelstvennoi komissii po sotrudnichestvu mezhdru Rossiiskoi Federatsiei i Respublikoi Kazahstan," 24 November, 2020, available at [<http://government.ru/news/40944/>], 28 January, 2021.

<sup>38</sup> See: *Ibidem*.

To discuss all issues related to the implementation of international infrastructure projects, Caspian states resort to bilateral and trilateral meetings. As a rule, they are conducted by the heads of the respective states.

One of the projects that involves Russia, Azerbaijan, and Iran is the North-South International Transport Corridor (ITC) project. The participation of the Caspian states gives it a “Caspian edge.” In November 2017, the second meeting of the presidents of the three states was held in Tehran. A Joint Statement was signed after the talks, in which the heads of the Caspian states “noted the importance of trilateral interaction and cooperation between the governments and parliaments of the three countries in the regional and international arena.”<sup>39</sup> The document also emphasizes “the importance of cooperation in the field of road, rail and air transport in order to modernize transport infrastructure and develop the ITC.”<sup>40</sup> The parties stressed the need for the earliest possible construction of the Rasht-Astara railway line. Later, Iranian President Hassan Rouhani said that the country’s authorities “plan to complete the construction of a railway from the city of Anzali on the Caspian Sea coast to the city of Rasht by June 2021. Upon completion, this route should become part of the North-South transport corridor.”<sup>41</sup>

Another project involving the Caspian countries is the Trans-Caspian International Transport Route (TITR). It must ensure the transportation of goods from China through the territory of Kazakhstan, Azerbaijan, and Georgia to Turkey, and then to Europe. In October 2016, Azerbaijan, Kazakhstan and Georgia signed an agreement on the establishment of the TITR international association. Its activities are aimed at “attracting transit and foreign trade cargo, as well as the development of integrated logistics products along the TITR.”<sup>42</sup>

In 2017 traffic volumes through the TITR amounted to 1.2 million tons, while only 750 thousand tons were anticipated.<sup>43</sup> Container transportation has played an important role in increasing the TITR turnover. Their share in the total volume is increasing. The April 2018 launch of containerized cargo transport corridor between the ports of Baku and Aktau, which previously served only dry cargo ships, played a role. In addition, container traffic through the port of Kuryk grew, thus rapidly increasing the volume of container traffic through TITR. In 2018, it amounted to 537,000 DFE (twenty-foot equivalent) containers.<sup>44</sup> In 2019, “container traffic on the TITR route increased by 71%” compared to 2018.<sup>45</sup> According to Pavel Sokolov, Deputy Chairman of the Management Board of JSC NC KTZh, Kazakhstan plans to increase the volume of container traffic by 2024 to 1.6 million transit containers.<sup>46</sup>

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<sup>39</sup> *Joint Statement of the President of the Russian Federation, the President of the Republic of Azerbaijan and the President of the Islamic Republic of Iran*, 1 November, 2017, available at [<http://www.kremlin.ru/supplement/5247>], 8 January, 2021.

<sup>40</sup> *Kaspii: mezhdunarodno-pravovye dokumenty*, Compiled by S. Zhiltsov, I. Zonn, A. Kostianoi, A. Semenov, Mezhdunarodnye otnosheniya, Moscow, 2018, 568 pp.

<sup>41</sup> “Iran do iunia 2021 goda soedinit zheleznoi dorogoi gorod Resht i Kaspiiskoe more,” 14 December, 2020, available at [<https://tass.ru/ekonomika/10252167>], 16 January, 2021.

<sup>42</sup> “Kazakhstan, Azerbaidzhan i Gruzia uchredili assotsiatsiiu Transkaspiskogo marshruta,” 10 October, 2016, available at [<https://www.rosbalt.ru/world/2016/10/10/1557319.html>], 23 January, 2021.

<sup>43</sup> See: L. Parkhomchik, “Transkaspiskiy mezhdunarodny transportny marshrut narashchivaet oboroty,” 27 November, 2018, available at [<http://casp-geo.ru/transkaspiskij-mezhdunarodnyj-transportnyj-marshrut-narashchivaet-oboroty/>], 19 January, 2021.

<sup>44</sup> See: N. Butyrina, “Konteynery tranzit cherez Kazakhstan poshel v rost,” available at [<http://casp-geo.ru/konteyneryj-tranzit-cherez-kazahstan-poshel-v-rost/>], 23 January, 2021.

<sup>45</sup> “Po marshrutu TMTM v 2019 godu dostignut istoricheskiy rekord v konteynernykh perevozkakh,” 21 January, 2020, available at [<https://www.adyexpress.az/ru/archives/9379>], 29 January, 2021.

<sup>46</sup> See: I. Zhukov, “Kakovy tranzitnye vozmozhnosti Kazakhstana?” 6 November, 2019, available at [[https://forbes.kz/finances/integration/kakovyj\\_tranzitnyie\\_vozmozhnosti\\_kazahstana/](https://forbes.kz/finances/integration/kakovyj_tranzitnyie_vozmozhnosti_kazahstana/)], 25 January, 2021.



The development of TITR would have been impossible without the development of infrastructure on the western Caspian coast, in Azerbaijan. Much attention is paid to expanding the “capacity of the Baku International Trade Port Complex—up to 17 million tons and 150,000 containers. Completion of the third phase should lead to the creation of a port with a cargo handling capacity of 25 million tons and 500,000 containers.”<sup>47</sup>

The Lapis Lazuli Corridor route is slated to pass to the south of the TITR. The agreement on its establishment was signed in November 2017, and it was opened in December 2018. It will allow to deliver goods from Afghanistan through Turkmenistan, Azerbaijan, Georgia, and Turkey to Europe.<sup>48</sup> The corridor will pass through the Afghan border railway stations of Aqina in the Faryab province and Torgundi in the Herat province, Turkmenbashi in Turkmenistan, Baku in Azerbaijan, Tbilisi and Batumi in Georgia and Istanbul in Turkey. China, the Central Asian republics, India, Pakistan, and Iran may join this transport corridor in the future. To a large extent, the route shadows the TRACECA project.

Afghanistan and Turkmenistan, which are in transport isolation, are the two main beneficiaries of the project. This route will allow these two countries to increase the supply of their products to the European market. For example, Afghanistan’s exports to European countries are \$6 million, while imports from the EU and Turkey through Iran are \$900 million.<sup>49</sup>

The countries are currently working out the issues that will allow to launch this project. On 2 July, 2020, a meeting was held between the presidents of Azerbaijan, Turkmenistan, and Afghanistan, at which issues of the project’s practical implementation were discussed. In January 2021, a meeting of the heads of the three countries’ interagency group took place. The meeting resulted in the adoption of a road map, which should expand the possibilities for interaction in the transportation sphere.<sup>50</sup>

## Hydrocarbon Delivery Infrastructure

In addition to the initiatives to create the infrastructure required for the export of goods, the Caspian countries sought options that would allow them to increase the volume of hydrocarbon export to the external market, including the use of the Caspian coastal infrastructure. This mainly concerned several ports of the Caspian states, which created a window of opportunity for the export or receipt of hydrocarbon resources, primarily oil.

Kazakhstan and Turkmenistan have demonstrated great interest in the formation and subsequent use of the infrastructure required to export oil to the foreign markets. In recent years, crude oil from Kazakhstan and the northern Russian shelf fields has been shipped through Makhachkala to Azerbaijan. Russia has a stake in preserving this scheme. However, Kazakhstan and Turkmenistan still hope to gain direct access to pipelines that will transport their oil westward. At the turn of the 21st century, the Trans-Caspian oil and gas pipeline projects were postponed due to the expansion of oil and gas production in Azerbaijan. They were not, however, completely abandoned, and their construction is still supported by the U.S. and the EU.

<sup>47</sup> N. Butyrina, “Kaspiiskie porty — perezagruzka. K itogam konferentsii ‘Kaspiiskie porty i sudokhodstvo-2019’,” 23 May, 2019, available at [<http://casp-geo.ru/kaspijskie-porty-perezagruzka-k-itogam-konferentsii-kaspijskie-porty-i-sudokhodstvo-2019/>], 14 January, 2021.

<sup>48</sup> See: V. Panfilova, “Lazuritovy koridor sviazal Ashkhabad i Baku,” *Nezavisimaya gazeta*, 22 November, 2018.

<sup>49</sup> See: A. Shustov, “Kuda vedet ‘Lazuritovy koridor’,” 11 August, 2019, available at [<https://www.ritmeurasia.org/news-2019-08-11-kuda-vedet-lazuritovyj-koridor-44278>], 14 January, 2021.

<sup>50</sup> See: V. Kondratiev, “Soglasovana trekhstoronniaia ‘dorozhnaia karta’ sotrudnichestva po Lazuritovomu koridoru,” 21 January, 2021, available at [<http://casp-geo.ru/soglasovana-tryohstoronnyaya-dorozhnaya-karta-sotrudnichestva-po-lazuritovomu-koridoru/>], 5 February, 2021.

In the absence of a Trans-Caspian oil pipeline, Kazakhstan and Turkmenistan use tankers to export their oil, delivering it to Baku. In recent years, the volume of supplies to the Baku-Tbilisi-Ceyhan oil pipeline was insignificant and did not exceed several million tons of oil annually.

If oil production increases in Kazakhstan and Turkmenistan, two ports of equal capacity on the eastern Caspian coast may enter into competition. These are the Kazakh port of Kuryk and the Turkmen port of Turkmenbashi. Kazakhstan and Turkmenistan would like to obtain the priority right to direct their oil to the Azerbaijani pipeline.

The creation of the infrastructure necessary for the export of hydrocarbon resources was more successful in Azerbaijan. In May 2018, the Southern Gas Transportation Corridor (SGC) was launched. It opened up new opportunities for transporting natural gas from the Caspian Shah Deniz field to Europe. The project involves Azerbaijan, Georgia, Turkey, Greece, Bulgaria, Albania and Italy. The corridor is a system of gas pipelines, some of which were built earlier, others—in recent years. In particular, the SGC includes the Baku-Tbilisi-Erzurum gas pipeline, the Trans-Anatolian gas pipeline (TANAP) and the Trans-Adriatic gas pipeline (TAP). Azerbaijani gas will be supplied to Turkey and further, to the countries of Southern Europe—Greece and Italy.

## *Conclusion*

In recent years, the Caspian states have made significant progress in the construction of coastal infrastructure facilities. This allowed them to increase export volumes and the transshipment of transit cargo. In addition, new facilities have become an integral part of international projects in which the Caspian countries play a key role.

The plans announced by all regional states to increase the production of hydrocarbons and further develop the coastal infrastructure and their participation in international transport projects may intensify the competition in the Caspian region. Moreover, infrastructure projects are considered by the Caspian countries as a mechanism for defending their geopolitical interests and solving economic problems.

The explosive interest in the implementation of transport projects in the Caspian establishes a new stage in the development of the Caspian region. The geopolitical rivalry that has been ongoing since the 1990s is being replaced by a period of economic development and regional cooperation, and active involvement in international infrastructure projects.

