

Why Is Azerbaijan's Logistics Potential Not Included in International Assessments?

written by BRI Economic Team BAİ İqtisadi Qrupu

For many years, the Azerbaijani government has stated that the country can become an important hub in global logistics. Based on this claim, the government has implemented various large-scale projects that require significant investment. For example, within the framework of the [Belt and Road](#) initiative once led by China, Azerbaijan carried out two major projects. An international seaport was built in Alat on the Caspian coast and its annual cargo capacity is [15 million tons](#). The Baku-Tbilisi-Kars railway route was also established: Its railway line is 850 kilometers long and has an annual cargo capacity of 5 million tons. It was designed to transport goods between Europe and China. At the initial stage of the project, [some sources](#) reported that more than 1 billion dollars could be spent on the construction of the Alat port alone.

In recent times, international interest in the [Middle Corridor](#) that includes Azerbaijan has increased significantly. This shift is due to the Russia-Ukraine war and the international sanctions imposed on Russia. These factors have reduced the importance of Russia's logistics routes between China and Europe. The Middle Corridor, also known as the East West Transport Corridor, covers a distance of about 8,000 to 10,000 kilometers between China and Europe. This distance is about twice as short as the Suez route, which is around 20,000 kilometers. The railway segment of the corridor is approximately 4,256 kilometers long and passes through China, Kazakhstan, Azerbaijan, and Georgia. The maritime segment across the Caspian Sea is about 508 kilometers long and connects the ports of Turkmenbashi, Kuryk, and Aktau with the Port of Baku. The corridor ensures the delivery of goods from

Azerbaijan to European markets either through the Baku-Tbilisi-Kars railway via Georgia and Türkiye or through maritime transport via the Georgian ports of Poti and Batumi.

Official narratives consistently emphasize that the growing role of Azerbaijan in global logistics will bring major benefits. However, detailed feasibility studies for the various projects have not been made publicly available. For this reason, it is not possible to see well-grounded official figures on the long-term economic benefits of the Middle Corridor for the country. Estimating the potential economic dividends of this corridor is a separate research topic. This article focuses on another question: ***Why does a country that aims to become a major player in global logistics and invests large amounts of money not show interest in having its logistics capacity assessed in international evaluations?***

There are institutions in the world that conduct such assessments professionally. They also publish [global indices](#). Moreover, other countries involved in the Middle Corridor, such as Türkiye, China, Kazakhstan, and Georgia, all participate in these assessments. Azerbaijan's participation would be important for two reasons. It would show how transport and infrastructure projects have improved its logistics capacity. It would also allow comparison with other countries in the corridor to identify strengths and weaknesses.

So how is global logistics evaluated and what is the level of potential among Azerbaijan's partner countries within the Middle Corridor? Since 2007, the World Bank has published the Logistics Performance Index. In the past, this index was based entirely on subjective evaluations from global surveys of logistics professionals. In 2023, the index was expanded. It now includes key performance indicators derived from large scale global data on international shipments such as container transport, air cargo, and postal logistics. These new indicators measure the speed and connectivity of international

supply chains. The report also presents the data sources, justification, and methodology used for the indicators.

Experts in the report explain that logistics makes an important contribution to economic activity both within countries and between them. Efficient logistics helps reduce trade costs. It is essential for trade and regional integration. Logistics services include freight organization, customs brokerage, and transportation operations by road, air, and rail. They also include services related to ports, warehouses, and cold storage. Poor logistics infrastructure and low-quality services increase logistics costs. Complex customs procedures also add to these costs. For example, logistics costs account for about 8 percent of GDP in the United States. In many middle-income countries, this figure rises to 15 to 20 percent. In low-income countries, especially those that are landlocked or island states, it can reach up to 30 percent. Logistics is mainly a business sector issue. However, its efficiency depends on government policies.

The World Bank's Logistics Performance Index evaluates countries based on six components. These indicators are as follows:

- Efficiency of customs clearance processes
- Quality of trade and transport infrastructure
- Ease of arranging international shipments at competitive prices
- Quality and competence of logistics services
- Ability to track and trace shipments
- Frequency of shipments reaching the consignee within the scheduled or expected time

The index evaluates country performance on a scale of 1 to 5, where 5 is the highest and 1 is the lowest. In the latest assessment, 139 countries participated. The top three countries are Singapore, Finland, and Denmark with scores between 4,1 and 4,3. The top ten also include highly developed

countries such as Germany, the Netherlands, Switzerland, Austria, Belgium, and Canada.

Among the countries in the Middle Corridor, China has the highest ranking at 20th place with a score of 3,7. Türkiye ranks 41st with 3,4 points. Georgia is 83rd with 2,7 points, and Kazakhstan is 84th with the same score. China's strongest indicator is infrastructure quality with 4 points. Its weakest is customs efficiency with 3,3 points. In Türkiye, the weakest area is also customs with 3 points, while the strongest is the timeliness of deliveries at 3,6 points. In Georgia, infrastructure quality is the weakest at 2,3 points, while timely delivery is the strongest at 3,1 points. Kazakhstan's results are similar to Georgia's.

Why Azerbaijan, as one of the five main countries in the Middle Corridor, shows no interest in having its logistics performance evaluated independently by a reputable international index, is a difficult question to answer definitively. Neither the Azerbaijani government nor the World Bank has provided an official explanation thus far. Therefore, we may only put forth a possible explanation. ***The Azerbaijani government may not be interested in international rankings that cannot be used as tools of political promotion.*** For many years, it actively used the World Bank's [Doing Business](#) index. This was possible because the methodology and indicators of that index placed Azerbaijan near the top in certain areas such as business registration and macroeconomic stability. It seems that the Logistics In natural resource countries, high oil and gas revenues create favorable conditions for macroeconomic stability. This applies especially to exchange rate and inflation stability as well as keeping external debt at a low level. Macroeconomic stability does not always come with socio economic development. However, its positive impact on international rankings gives the government an opportunity to conduct official promotion under the *status of a country with the highest level of development*. For example, this

approach is clearly visible in an article [titled](#) *Rapid development: The realities of Azerbaijan in Doing Business* published by the state's official information agency Azertac. Performance Index does not seem to provide the same opportunities for such manipulation.