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INTERNATIONAL NORTH-SOUTH TRANSPORTATION CORRIDOR: AZERBAIJAN AT CROSSROADS

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Summary

At present, the International North-South Transportation Corridor (abbreviated as INSTC) is greatly in academic discourse and international media limelight. This is for the fact on-the-ground activities relating to the corridor project, which connects Northern Europe with South-East Asia, are now moving forward in full swing. Azerbaijan, Iran, Russia and India are major participating states to this project. Azerbaijan due to its geo-strategic centrality in the supra-continent of Europe and Asia (Eurasia) and national economic competitiveness is emerging as a key nodal point along the INSTC. Its 'Strategic Roadmap for Logistics & Trade Development' is guiding the country's transition from a traditional economy to an innovative, technology-rich and knowledge-based economy at the domestic front, and facilitating the establishment of passenger and goods connectivity with other countries at the international front.

However, at present private sector companies from the participating countries to the INSTC and other developed countries are not fully getting involved in the process of its actualization. This, in fact, is an essential requirement for developing sustainable global and regional value chains – which will become the arteries for the corridor project when it starts functioning. Therefore, at this point in time the international community, and particularly the international financial institutions, should actively invest in the project to attract more private participation and public-private partnerships. This will then lead to multifold increase in level of regional/ global trade, which in-turn will ensure prosperity and peaceful co-existence of mankind across the Eurasia and worldwide.

Keywords: INSTC, Azerbaijan, Russia, India, Eurasia, energy, transposition

Background Introduction

History of mankind is a history of trade at various levels, ranging from local to regional and global. In early times, caravan trade led to all-round prosperity of mankind, including but not limited to socio-cultural exchanges, fusion of ideas and spread of

religion. The caravan trade routes around the world, and especially across the broad Eurasian landmass, have played an instrumental role in shaping up the world as it is today. Contrary to the popular notional beliefs of Europe and Asia as distinct continents, many natural-scientific facts point that Europe constitutes a peninsular formation on the western edge of Asia.ⁱ A Austrian geologist Eduard Suess, one of the founders of the theory of plate tectonics and the originator of the concept of Biosphere, coined the term “Eurasia” in his book *Das Antlitz der Erde* Volume 1 (The Face of the Earth, 1881). There he refers to Eurasia as a united, true continent, i.e. a combined European-Asiatic landmass.ⁱⁱ Hence in present context, Eurasia combines the culturally different areas and political different systems of Europe and Asia.

The supercontinent of Eurasia has underwent several waves of integration and disintegration when trade, population movements and communication were flowing freely, although slowly vis-à-vis current standards. The economic connectedness of the different regions within this broad territory depended on the well-functioning of the Silk Road, which were convoluted relay trade routes spanning across Eurasia from North to South and East to West. The entire stretch of the web of routes was never controlled by any single empire/ state at any given point in time. Rather, long-distance trading merchants with support from local communities stood at the forefront of driving up the phenomenon of economic inter-connectedness across Eurasia.ⁱⁱⁱ Other associated activities, like spread of religion, territorial conquests and so on, mostly thrived independently. However, rise in the level of trade and consequent societal prosperity was a major factor of appeal for such activities along the routes. Furthermore, factual evidences point that China remained an important actor in the Silk Road system, alongside with other counterpart empires/ states that existed in any given era. Say for instance, when vast territories of China were ruled by Tang Dynasty (618-907 A.D.) and then Sung dynasty (960-1126), there Umayyad dynasty (661–750 A.D.) followed by Abbasid dynasty (750–1258 A.D.) ruled extensive Islamic caliphates in the Middle-East. Starting from the 16th century onwards, the trade along the Silk Route started decaying as sea trade increased. In the contemporary era, China’s (re)-integration into the world economy in 1980s and India’s market liberalization in 1990s have given a makeover to ancient Silk Route and an impetus to the trade activities happening along its length as well as breadth. The trade between Europe and Asia has increased manifold times in the past two decades with the rise of globalization— the contemporary phenomenon of growing trade and financial integration of the world economy.^{iv}

At present, different powerful states across the world, some from beyond the region, are attempting to be a participating party to the profitable trade happening along the web of routes spread out across Eurasia. Few of them are in process of executing their own corridor projects and have even ascribed names to their respective initiatives with the purpose of evincing special privileges when trade starts flowing on them in the future. E.g. the U.S. has launched New Silk Route,^v while China has launched One-Belt-One-Road (OBOR).^{vi} Condoning the different versions of the emerging Eurasian corridors, it is actually the summation of all of these projects that will re-build the historic Silk Route in the 21st century avatar- incorporating even the sea routes within its ambit.

This paper attempts to examine the nature of the system emerging out of the trade routes connecting Asia with Europe, with particular focus on the International North–South Transport Corridor (INSTC) – a freight transportation corridor connecting

Northern Europe with Southeastern Asia. It takes up the perspective of a transit state, i.e. Azerbaijan, while conducting this study. In essence, it explores the various inter-connected facets and geo-economic components of the INSTC by placing Azerbaijan at the vortex of this system. Further, it factually and analytically attempts to find answers to two main research questions. First, whether the INSTC contributes towards building an inter-connected system in Eurasia, which is truly sustainable in nature? If so, how it contributes in that regard, and if not why so? Second, examine the role of Azerbaijan in building the INSTC and an inter-connected system across Eurasia. Also, gauge whether Azerbaijan has any strategic advantage to offer in the said regard.

The factually informative and insightful analysis of the aforesaid questions will empower various stakeholder parties to better comprehend the wide-ranging dynamics relating to INSTC. This will enable them to contribute in ways that fairly share the profits generated among themselves as well as host societies for the sustainable development of all.

INSTC: redefining the Eurasian landscape

The INSTC is a multi-modal transport corridor – i.e., rail, road and ship routes – for moving freight between India, Russia, Iran and Europe. The conceptualization of this project owes its origin to a Freight Forwarding Agreement that was signed by the freight forwarding companies of Iran, Russia and India in 1999.^{vii} Then the three countries came together to sign an inter-governmental agreement for officially inaugurating the project on 12th September 2000 in St. Petersburg.^{viii} Thereupon, all three signatory states ratified the agreement, and it came into force on May 16, 2002.^{ix} This is a 4,500 mile (7,200 kilometers) route that would bypass the Suez Canal, cutting weeks off of the sea route transit time from the Arabian Sea to the Baltic.

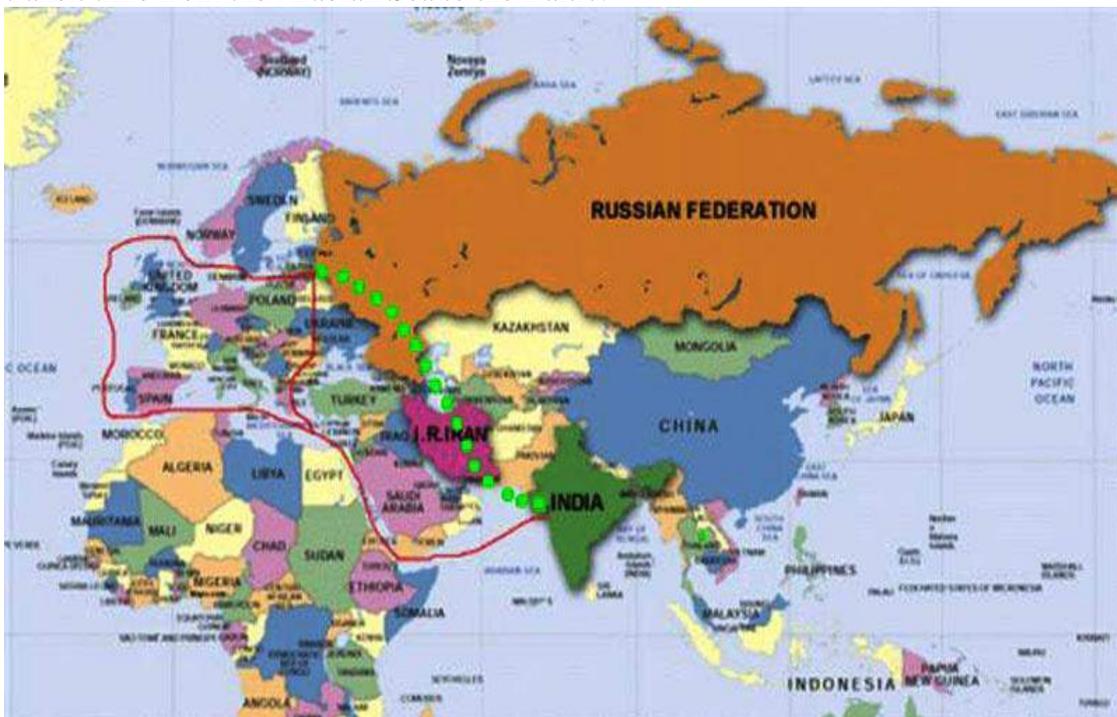


Photo Courtesy: International North South Transportation Corridor
(Source: Pars Today)

The main objectives of the INSTC, as stated in its founding agreement, are: “increasing effectiveness of transport ties in order to organise goods and passenger transport along the International ‘North–South’ transport corridor”; the “promotion of access to the international market through rail, road, sea, river and air transport of the state Parties to this agreement”; and “providing security of travel and safety of goods” and “harmonisation of transport policies as well as law and legislative basis in the field of transport for the purpose of implementing this Agreement.”^x

The practical work on INSTC did not start for many years from the early years of its conceptualization. This was mainly due to the Western (especially the US) imposed sanctions regime against Iran, which got incrementally raised in the 2000s decade.^{xi} Also, other factors contributed in that regard, like non-availability of necessary finances, lack of political will of the participating states, and so on, slowed the development on this project between 2005 and 2012.^{xii} However, during these years the Coordination Council of the INSTC held meetings to discuss various issues pertaining to it and even adopted recommendations made by the Experts Groups of the INSTC.^{xiii}

On January 18, 2012, a meeting of the INSTC member countries was held in New Delhi to discuss modalities for moving forward on the INSTC project. During this meeting, support from other Central Asian countries, like Turkmenistan, Uzbekistan, Kyrgyzstan and Turkey, were sought in order to complete the missing links along the corridor.^{xiv} This meeting provided the momentum to the execution of the project. Around this time an important transit country- Azerbaijan - jumped into the fray as a leader of the project. On June 24-25, 2013, the 5th Coordination Council meeting was held in Baku whereby it was proposed that the Federation of Freight Forwarders' Associations in India (FFFAI) will conduct the dry run study with two containers on the two routes of the corridor, i.e. Mumbai to Baku via Bandar Abbas and the second was Mumbai to Astrakhan via Bandar Abbas, Tehran and Bandar Anzali, in order to envisage the issues faced by the trade. In August 2014, FFFAI successfully conducted a dry run study with 2x20ft containers on the two the INSTC routes.^{xv} The results showed transport costs were reduced by "\$2,500 per 15 tons of cargo".

The current members of this corridor are India, Iran, Russia, Azerbaijan, Kazakhstan, Belarus, Tajikistan, Kyrgyzstan, Oman, Syria, Turkey, Ukraine, and Bulgaria (observer). Turkmenistan, currently not a formal member of the INSTC, is likely to have road connectivity to the corridor after being formally invited by Indian Prime Minister Narendra Modi.^{xvi} Moreover, few other countries, like Uzbekistan and Germany, which are not officially members of the INSTC have also showed interest in participation in completing the missing links along the corridor or in other possible ways.^{xvii} At present official discussions are underway to build a dedicated freight terminal in Kazakhstan and connecting the Kazakhstan– Turkmenistan–Iran (KTI) rail link, which became operational in December 2014, with the INSTC.^{xviii} This is being pursued with the purpose of inter-connecting the South Asian, Central Asian and South Caucasus regions with a web of freight and passenger transportation channels. On 8th August 2016, the INSTC project officially got kicked off during a trilateral summit between heads of state of Azerbaijan, Iran and Russia that was held in Baku.^{xix} It was the first ever tri-lateral summit of its kind that was successfully organized at the initiative of Azeri President Ilham Aliyev. The coming up of the INSTC has given an initial face-lift to the overall outlook of Eurasia. The project is slowly catalyzing a process of establishing integration of Eurasia at all

levels, ranging from local to sub-regional, regional, supra-regional and even global. However, until now most stakeholder parties to it, including the prospective ones, have desisted to dedicatedly work and coordinate their activities to make Eurasia a single functioning market. Hereby a major challenge is to get all of these parties, like states, commercial entities, regional institutions, etc., on a level-playing-field and engage them in ways, which will turn them into active innovators driving the Eurasian integration rather than remaining as a passive audience witnessing the INSTC to gradually grow on its own.

Azerbaijan: a nodal point in Eurasia

Azerbaijan – a country of eastern Transcaucasia with an area of 86,600 km² - is located at the southern flanks of the Caucasus Mountains. Its territories adjoin the western Caspian Sea, and lie right at the entrance of the wide isthmus which makes up the physical land-bridge connecting Europe and Asia. Over the course of history, its territories have been marked by major routes for human migration, conquests, and long-distance trade from east to west and north to south.^{xx} Its capital, Baku, has throughout been the largest port in the Caspian Sea and one of the largest cultural center and business hub in not just of the Caucasus, but also of the entire Muslim East.^{xxi}

Azerbaijan is distinguished for its balanced foreign policy approach. Since gaining independence, it has pursued multi-vector policy as a state strategy in developing relationship both with its neighbours, like Russia, Turkey and, Iran, as well as other great powers, like the US and other Western countries.^{xxii} This has not been easy for the country entwined between many powerful countries and located at a strategically very important region. Armenia, which continues to occupation of Nagorno-Karabakh region of Azerbaijan, has tried to flare-up tensions in the region by offering political allegiance to Russia. Further, the August 2008 Russian invasion of Georgia and Russia's unilateral recognition of the independence of Abkhazia and South Ossetia radically transformed the strategic environment in the South Caucasus. Thereafter, Azerbaijan has been facing a complicating and altered scenario at its neighborhood, but has still been able to maintain friendly and stable relationship with all of its neighbors (save Armenia) until now.

President Ilham Aliyev, while attending "The Fault Lines of Eurasia" panel discussion at the 2017 Munich Security Conference, said, *"Azerbaijan is a reliable partner on international arena. We are a young country. Last year we celebrated 25th anniversary of restoration of our independence. And during this short period of time, I think, today in the world Azerbaijan is a country, which is respected. And the best sign of that was several years ago demonstrated in the United Nations when Azerbaijan was elected with the support of 155 countries as a non-permanent member of United Nations Security Council. So, that was a real appreciation of the absolute majority of international community of our activity. That was a sign of trust and respect."*^{xxiii}

Azerbaijan has viewed developing the East-West Corridor as multi-faceted initiative, and not comprising of a few selected oil and gas pipelines. It has endeavored to design and implement this project for promoting civil and commercial transportation and establishing energy connectivity. While in pursuit, it has developed bi-lateral and multi-lateral cooperation with countries in South Caucasus and across broad Eurasia. As a matter of fact, it has gained assessable success in the process. Following are listed some of its achievements concerning the said corridor project.

Azerbaijan has been able to continually maintain link with the Nakichevan region by road and rail as it refrained from getting into a confrontation mode with Iran, at a time when most of the international community was imposing sanctions against the country.^{xxiv} In 2011, it successfully completed building the East-West Highway Improvement Project, which was supported by Asian Development Bank, European Bank for Reconstruction and Development, World Bank, and other international organizations. The project is meant for promoting domestic and cross-border movements of people and goods on the east-west road corridor in the country. It has four components: (i) reconstruction of a total of 127 km of the two-lane paved road on the Yevlakh-Ganja and the Qazakh-Georgian border sections of Azerbaijan's primary east-west road transport corridor, (ii) improvement of local roads connecting to the east-west road corridor totaling about 65 km, (iii) institutional strengthening for the road sector reform, and (iv) cross-border facilitation at the border with Georgia at Red Bridge.^{xxv} The International Bank of Azerbaijan-Georgia, a subsidiary of the International Bank of Azerbaijan, has helped to finance such large-scale projects as the Baku-Akhalkalaki-Kars railway, and has become a major component part of the banking sector in Georgia.^{xxvi}

Azerbaijan is an important entering point and transit space for the Southern Energy Corridor (SEC). This is an initiative of the European Commission for the natural gas supply from Caspian and Middle Eastern regions to Europe.^{xxvii} SEC aims to diversify gas supplies away from Russian in order to lessen EU's gas dependency on Russia. This accrues additional strategic importance to Azerbaijan's position of a major energy exporting country. The South Caucasus Pipeline (SCP), which became operation in late 2006 for exporting Shah Deniz gas from Azerbaijan to Georgia and Turkey, has remained the main branch of the Southern Energy Corridor with an average throughput was 19.9 million cubic metres of gas per day during 2016.^{xxviii}

In addition to the East-West Corridor, the INSTC- the backbone for establishing goods transportation connectivity between Northern Europe with South-East Asia- goes through the middle of Azerbaijan. This north-to-south corridor allows India-Iran-Azerbaijan-Russia-Kazakhstan transport connectivity. It will reduce the transportation time to about 20 days initially and subsequently to 14 days.^{xxix} Further it is estimated, it will be 30 per cent cheaper as compared to the current sea route.^{xxx} In November 2015, Azerbaijan has completed of the railway line, a 8.3 kilometer long railway segment, which connects Astara up to the border with Iran.^{xxxi} Then on April 20th 2016, it formally launched a 8.25 kilometer railway bridge over the River Astarachay which forms the border Astara in Azerbaijan and Astara in Iran.^{xxxii} It is now supporting Iran in construction of missing link of the Qazvin-Rasht-Astara railway (205 km) in number of ways, like providing loans, assistance in customs issues and even exporting electricity,^{xxxiii} to expedite the completion of latter's section of the INSTC. Azerbaijan, in process, is preparing to integrate its own electric grid into the North-South energy corridor connecting Iran and Russia.^{xxxiv}

Furthermore, Azerbaijan is developing the new Baku International Sea Trade Port complex in Alyat, which lies at the intersection of East-West and North-South corridors. The first stage of its inauguration as a ferry terminal was launched in September 2014,^{xxxv} and currently the second stage of the first phase is underway. The completion of \$750 million Phase One, which is likely to be completed before this end of 2017, will experience an overall cargo throughput of 10–11.5 million tonnes of general cargo and

40,000–50,000 TEU in containers. Further, this will rise to 17 million tons of general cargo and 150,000 TEU at the completion of phase two, and 21–25 million tons of general cargo + up to 1 million TEU at the end of phase two.^{xxxvi} However, the timeline for phases two and three are contingent on cargo volumes on phase one

Once fully developed, it will occupy 20 square kilometers and will be the largest Free Trade Zone in the Caspian region.^{xxxvii} The location of this strategic port is, in fact, in close proximity to Iranian market (200 km), Russian market (250 km), Turkish market (1,000 km), Central Asia (300-400 km), and West China (about 3,000 km).

Azerbaijan has also introduced a number of services, monetary concessions and various other forms of benefit to trading partners and investors in order to emerge as a globally competitive player within the international economy. In 2009, it introduced the "single window" system for clearance of goods and cargoes at the customs border.^{xxxviii} In 2011, it approved a Customs legislation that was drafted as part of a UNDP project in 2006/2007 for aligning the country's custom rules in accordance with EU and international standards.^{xxxix}

In recent times, Azerbaijan has started introducing exemptions on customs duty for an increasing number of imported products, like goods imported with external financing,^{xl} import of digital television receivers (decoders),^{xli} etc. From 1st June 2016, it introduced certain changes to its Tax Code to exempt the vehicles of foreign states from road tax and state fee for three years starting.^{xlii} All of these policy initiatives at the domestic front is further consolidating its position to emerge as a key nodal point along the INSTC.

Building Regional Value chains in INSTC

Michael Porter (1985) introduced the concept of 'value chain' to examine how a firm might gain competitive advantage over rival firms and capture added value by reducing costs by delivering more services for the same price as its competitors, or by concentrating on a niche market. This notion first emerged in the industrialized societies; subsequently it got dissipated and accepted globally. It is a strategic analytical and decision-support framework that can be applied to any type of business regardless of the industry and the size of the business.

Humphery and Schmitz (2000) introduced the 'global' value chain that analyzes the relative value of those activities which are necessary to bring a product or service from conception through the different phases of production (involving a combination of physical transformation and the input of various producer services), delivery to final consumers, and final disposal after use. Humphery and Schmitz (2001) says the concept of 'governance'- i.e., the mechanism through which the inter-firm relationships and institutional mechanisms through which non-market coordination of activities in the chain takes place- is central to the global value chain approach. They argue, in addition to the firms in the value chain, non-firm actors, such as governments and international organizations, play a decisive role for securing competitive advantage for businesses and creating value for their customers across the world.

Then there is also the 'Regional Value Chain' (RVC) concept, which however is not as fully developed as the concept of value chains *per se* or value chains operating at the global level. Jörg Meyer-Stamer (2004) examines the question of why at all we are motivated to run regional value chain initiatives (RVCI). He says RVCs bring in benefits

to primarily two segments, which are: industries with an export potential and in industries that sell locally. The first case applies to local/regional sub-sectors that have potential to get involved in global value chains, but have fallen short of becoming visible for global buyers so far. In such a situation, realization of RVCi will support the upgrading of companies, moving towards internationally acceptable productivity and quality standards, which in-turn will enable the regional value chains to get connected with global value chains in future. The second case applies to producers of goods or services that are exclusively sold on the local or regional market and that have little or no scope of being exported. The purpose of regional value chains in this segment is to elevate the standard of quality of products/ services and overall productivity.^{xliii}

At present, most analysts and academia are viewing the larger picture relating to the INSTC. Whereas, in reality it is actually a sum total of many constituent parts/components, which lie along the passage. This fact should be taken into priority consideration for promoting RVCi across Europe and Asia. The establishment of RVCs will lead towards greater connectedness, both physical and virtual, along the supply chains. They will increase the volume and frequency of economic transactions among stakeholder parties in various trade activities along the INSTC. They will open up prospects of participation to new actors, like institutional and private investors, commodity traders, service providers, etc. The process of establishing RVCs will be accompanied by harmonization of trade rules between different municipal legal regimes, which will further lead towards greater synchronization of legal climate across the broad Eurasian region. The countries will start establishing certain foreign policy adjustments and alignment in order to optimize benefits that would spurt with the intra-and inter-regional trade activities.

However, a big question is how to build RVCs in a way that is highly efficient in terms of productivity, environmentally sustainable and long-lasting. Not enough methodological research has been done in this regard, and especially very limited in context of the Eurasian space. This is a comprehensive topic *per se*, and the scope of this paper allows to analyze just the outlines relating to establishing RVCs in Eurasia.

The primary problem of working towards building RVCs in Eurasia is because even today this geographic area is considered as two separate continents with completely different features, ranging from values to history, culture to politics and so on. The political and economic institutions based in Europe and Asia are primarily working towards achieving integration at the sub-continental and continental level. While in pursuit of that, they exclusively work for increasing the level of trade between their respective member countries. Sometimes they do work for establishing trade linkages with regions and countries located outside of their respective economic zones, especially which are either adjoining or nearby to their peripheries.

In 2004, the European Union established European Neighbourhood Policy (ENP) to bind the countries to the east and south of the European territory to the Union. The EU offers financial assistance to countries within the European Neighbourhood, on condition of meeting stipulated government reforms, economic reforms and approximation to EU standards. In 2014, it established European Neighbourhood Instrument (ENI) as the financial arm of the ENP. The ENPI reflects the EU's foreign policy towards its neighbouring countries that are members within its ambit. It has a budget of €15.433

billion, and as yet it has mostly allocated funds allocated to bilateral programmes that support the implementation of individual plans of each of the neighboring countries.^{xliv}

Such arrangements of regional bodies, like the ones mentioned above, are meant to augment limited trade and other engagements with extra-regional actors, but not at the same level as the intra-regional actors. Regardless, they do bring about palpable mutual benefits to both participating parties. Sometimes, they even create the avenues for greater cooperation or integration between them. On 25 January 2001, Azerbaijan became a full member state of the Council of Europe (CoE), which works for the promotion of human rights. Since becoming a member, it has been actively cooperating with all working institutions of the Council of Europe by upholding the values of human rights, democracy and rule of law within its domestic jurisdiction.^{xlv} In 2010, Azerbaijan entered into the top eight biggest oil suppliers to EU countries.^{xlvi} Moreover, the country has scaled-up its focus on protecting the local and regional environment in the recent years. The 2016 Environmental Performance Index, compiled by researchers from Yale University and Columbia University that evaluates how nations protect their ecosystems and human health, ranks it as 31st among 180 countries.^{xlvii} This marks a commendable improvement in its performance by a jump of 32 ranks as compared to 2014.^{xlviii} This small country is executing array of self-accountable steps to synchronize its national economy and the holistic activities within it to meet the highest international and European standards and rules of international trade.

Azerbaijan has come up with strategic road maps as guiding documents for its national development and global/ regional competitiveness. These road maps have laid the theoretical premise for further development of various tools that can be used for building RVCs. The most relevant for developing RVCs is the “Strategic road maps for the trade and logistics in the Republic of Azerbaijan”, which was one of the 12 roadmap documents that were executed by a Presidential Decree No. 1138 on December 6, 2016. It defines three strategic objectives to be reached in the sphere of logistics and trade, which are - creation of a favorable environment for the increase of trade turnover, getting of higher value added from transit operations, and the introduction of a mechanism for the implementation of measures in the sphere. It says Azerbaijan intends to create 18900 new jobs in logistics and trade by 2020 and ensure a GDP growth for the country by roughly 605 million manats (\$ 342.5 million). Further, it lays out planned actions to tread along the defined roadmap, like improvement of the infrastructure of airports, establishment of a low-cost air Azeri airliner company, participation of private sector in Azerbaijan railways, etc. The government and state agencies have already started working on some of these proposed actions.^{xlix}

Last but not the least, Azerbaijan’s geo-strategic centrality in Eurasia and its position as a major nodal point along the INSTC confers it many natural advantages to build and connect RVCs. Say for instance, facilitate and establish interconnectedness of R&D, increase production, reduce cost of production, improve marketing, embed information and technology, coordinate interrelationships among stakeholders, respond quickly and effectively to market forces, and so on. All of these RVC initiatives there are leading towards value creation and value addition in goods and services that are traded along the INSTC between different parts of Eurasia.

INSTC: current opportunities and challenges

The INSTC is not a mere freight transportation corridor, but it is much more than

that as being elucidated above. The corridor project will be a mechanism for establishing coordination between all kinds of actors and building integration at all levels between Europe and Asia. This is a timely initiative for the contemporary world, which is witnessing increasing disparity, violence and various crisis situations all across Eurasia. E.g. on one hand, Finland- a highly developed nation- is now emerging from a national economic recession that lasted four consecutive years starting in 2011.ⁱ The country is enacting strict austerity measures, like driving down of wages by 5 percent, cutting of sick pay entitlement and slashing of public services and social programmes across the board, etc., which will remain in existence even in the coming years.ⁱⁱ While on the other hand, Ukraine, a developing and transition economy, is shrouded with complex political, economic and ethno-national problems within its territories.ⁱⁱⁱ It is desperately seeking for foreign economic assistance and revitalization of internal sources of revenue generation in order to not to turn as a failed state in future.

The diverse problems for all participating countries along the INSTC further build up a business case for all of them to work in tandem towards the realization of the corridor project as soon as possible. This will then enable them to fairly reap trade benefits, which would come in the form of financial paybacks, social and human development, technology sharing and enhancement, and so on. It is estimated, the corridor will foster a multi-fold increase of goods turnover between all participating countries, including country of origin and destination as well as transit countries.

Likewise to other Eurasian actors, Azerbaijan is also facing many problems currently. Its national economy remains in a shaky state of condition, i.e. volatile to sudden downfall, due to global oil price glut that started in mid-2014 and has continued till now. The Armenian occupation of more than 20% of Azerbaijan territory (Nagorno-Karabakh and surrounding regions) has continued from the time a ceasefire was established between the two countries 1994.^{liii} More than one million the Azerbaijani citizens have become refugees and internally displaced people (IDPs) from this occupation,^{liv} and they remain stranded till today. Even after the 37th round of Geneva International Discussions on Security and Stability in Transcaucasia- a platform where EU, UN and OSCE participate as negotiators between Georgia, Abkhazia, South Ossetia and Russia- no practical progress could be made relating to acceptable solutions between the conflicting parties. Moreover, the country is currently under stress to develop a private entrepreneurship culture and inculcate vocational skills to its populace for excelling in competitive global trade.^{lv}

Presently Azerbaijan is working towards economic diversification away from the oil and gas and increasing privatization of its economy to restore prevailing economic problems and quell social clamor. Hence, INSTC has become a priority project for Azerbaijan as it attempts to emerge as a global and regional transportation hub, which would mark a switch from its position of oil and gas exporting country.

The annual transit through Azerbaijan, when the INSTC starts functioning, will consist of millions of tonnes of freight: initially five million tonnes of goods, but later rising to 10 million tonnes.^{lvi} The currently under-construction Qazvin-Rasht-Astara railroad in Iran when opened will increase the annual profit to Azerbaijan by \$300-400 million from freight transit between Central Asian and European countries and the Persian Gulf and the Indian Ocean. This will equal to Azerbaijan's current income from all types of cargo transportations.^{lvii}

Hence, today there is a need for all agencies within Azerbaijan, including government, private and public-private partnerships, to coordinate their efforts in executing missions listed in the new strategic roadmap. Any major conflict of interest among the parties will be detrimental towards achieving the goals. However, minor differences if dealt in a constructive manner can bring up positive developments, which will be yielding for the international community in general as well as Azerbaijan. As a matter of fact, the same rule applies for the Eurasian community, including the states and their respective local societies. Therefore, the INSTC, which is gradually molding a sustainable system in Eurasia, will rely how efficiently the participating parties will engage between themselves in matters of cooperation and contestation.

INSTC: proposing the way forward

Currently INSTC is positioned at a nascent stage of blossoming to its desired goals as expounded by the participating stakeholders. The corridor is shaping up according to the interests of the participating states, and not by the market actors. The lag of fair participation of private sector in defining its inherent characteristics will manifest as shortcomings when it gets fully operational. In other words, the INSTC in its current form is falling short of accommodating the aspirations and concerns of both the buyers and the sellers who will operate along the corridor when it gets realised.

To be noted, free play of market forces lead to constructive and long-term investments, which is a crucial factor in successful realization of any project.^{lviii} Hence, it becomes obligatory for all participating states to the INSTC, and especially the ones where the national governments has taken up the navigator role, to imminently make way for participation of various non-state actors for jointly building the project. The non-state actors may range from private sector companies (Big Oil Companies, high-tech start-ups, etc.) to international financial organizations (World Bank, IMF, etc.) and civil society organisation (think tanks, universities, etc.), These actors need to be involved at parity in the decision-making process, i.e. as co-partners alongside state agencies, in all aspects of the corridor project.

Azerbaijan, Iran, Russia and India have governments that enjoy popular mandate of their respective countrymen. Now is the right time for their government agencies to build public-private participatory mechanisms for treading in the aforesaid direction. This will catalyse the scaling up of economic and associated activities even while the process of building the corridor continues. The Digital Trade Hub Project of Azerbaijan, which was sanctioned by Presidential Decree on 22nd February 2017, is a right example in this regard.^{lix} It will bring together both local and international participants (like manufacturers, freight forwarders, transport and insurance companies, potential buyers, etc) in trade transactions over a shared technological platform for smooth conduct of international trade.

Furthermore, private sector participation will give the governments a virtual insurance, sometime even real, to protect their endeavours and investments. Also, this will ensure the government proposed schemes and steps relating to the INSTC pass the litmus test of securing accord of market actors, and wherever they fail either annul or make adjustments to them. This will then enable the INSTC to develop as a Eurasian corridor that will be truly functioning based on market dynamics, and not stand as symbolic emblems for the participating states.

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