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Tel: +48 226 0 227 03
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AUTHOR(S)	Nuray Farman gizi Rustamova
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THE CURRENT STATE OF LOGISTICS DEVELOPMENT IN AZERBAIJAN

Nuray Farman gizi Rustamova, Doctoral student of the Azerbaijan Tourism and Management University

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ABSTRACT

The main purpose of the study is to analyze the current state and level of development of the logistics sector in Azerbaijan. The research was based on research methods such as comparative analysis and logical generalization. The article reflects the ongoing development with the establishment of logistics centers and junctions in the "Strategic Roadmap for the development of logistics and trade in the Republic of Azerbaijan", which began with the signing of the Contract of the Century. As a result of the study, the reasons and indicators of Azerbaijan's transformation into a global logistics hub were noted. The limitations of the study are that it requires more practical information. The practical significance of the study is to emphasize that the establishment of logistics centers will make Azerbaijan a center that can meet the needs of international freight.

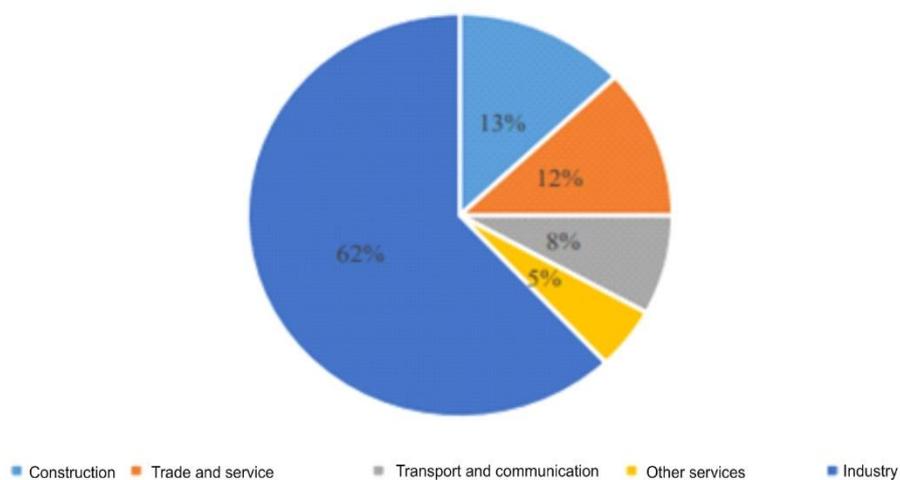
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Introduction. Logistics has forced countries to understand the growing global competition and competition strategies since the 1980s and to formulate new methods, new competitive strategies. At the same time, consumers are now demanding that their wishes and needs be met correctly and in a timely manner. Delivering products that meet the needs of consumers in different regions of the world is one of the main challenges facing logistics. This leads to increased costs. Rising costs are pushing companies and countries to find new effective and efficient ways. The Strategic Roadmap for the Development of Logistics and Trade in the Republic of Azerbaijan identifies perspective directions, goals, as well as priorities and measures in the field of logistics for the period until 2020, 2025 and beyond. The importance of investment and the growth rate to ensure the development of the logistics sector in line with expectations have also been estimated. In recent years, Azerbaijan's economic development has fundamentally changed the priorities and direction of the country's economic reforms before the pandemic. In this regard, changing economic priorities, or rather diversifying the economy and eliminating the country's budget's dependence on energy revenues, is proposed as the most optimal mechanism. The Strategic Roadmap for the Development of Logistics and Trade in the Republic of Azerbaijan offers the most efficient economic sectors as alternative sources of income. Establishment of logistics centers and junctions among the mentioned areas is a priority. Such attention to the development of logistics and increasing the functionality of the state has a special basis. The growing logistics sector, based on its regional and geographical location, creates conditions for Azerbaijan to become a global logistics hub. Calculations show that the developed logistics system provides a direct increase in GDP of up to 3%. [2]

The main factors influencing the formation of developed and global port hubs in the world are ensuring the efficiency of port operations through hubs in accordance with best practices, expanding contacts with remote areas of the country and the availability of value-added services in ports. As international trade has developed, transportation by all modes of transport has also increased significantly.

Main part. Given that logistics is based on the timely preparation of needs at any time of the day, logistics is indispensable for the effectiveness of international relations in the production, sales and transportation processes. Those who plan properly in this area get the best results. Proper organization of logistics activities has a significant impact on reducing distribution costs, ensuring consistency between production and sales, and increasing sales. Thus, due to the development of logistics, it allows to reduce transportation times, reduce inventories, minimize costs, increase efficiency and effectiveness, maintain sustainability, increase quality and track the product at any time of the day. Global, regional and national projects, which began with the signing of the oil contract of the century, face various economic problems, or rather infrastructure features. Reforms in transport infrastructure, food and recreation, as well as the creation of a logistics center that will ensure a continuous flow of goods to different countries around the world, will make Azerbaijan a regional logistics center in the global supply chain. When we look at the share of logistics in GDP, we can see a steady increase in indicators and an increase in the share. Thus, according to statistics, its share was only 13% by the end of 2021, and is projected to increase by 10-12% in the future. [4]



Source: State Statistics Committee, "Azerbaijan by numbers". Statistical summary. 2019. p. 44
Fig. 1. (Bulletin stat.gov.az)

In the table below, we see growth in the transport sector over the last 5 years. This is primarily due to the implementation of state-level and international programs for the establishment of transport centers, logistics centers and junctions. The implementation of global projects in which Azerbaijan participates requires the timely provision of cargo flows and various goods needed for these sectors of the economy. Logistics companies operating in the market were generally represented as transport companies engaged in the transportation and delivery of goods. The lack of warehousing logistics and centers created certain difficulties in the uninterrupted supply of various industrial and national goods. Analyzing this situation, it can be concluded that the activities of logistics enterprises are inefficient. Thus, the lack of necessary conditions for most of the goods stored in different terminals made it impossible to plan the warehouse system in the long run, and thus did not provide the required level of cargo flow. Despite the steady increase in freight traffic, the flow of goods by air transport systems could not cope with the flow of goods due to the presence of only one air terminal. Separately, cargo transportation amounted to 458.8 thousand tons in 2020 and 183.4 thousand tons in 2019, which is an increase of 250.2 percent.

As can be seen from the table below, the rapid growth of freight traffic has stimulated investment in this area and led to the expansion of terminal and central areas to increase freight flows (2015-2019).

Table 1. Table of macroeconomic indicators of transport (Table compiled by the author based on official data stat.gov.az/source/transport/)

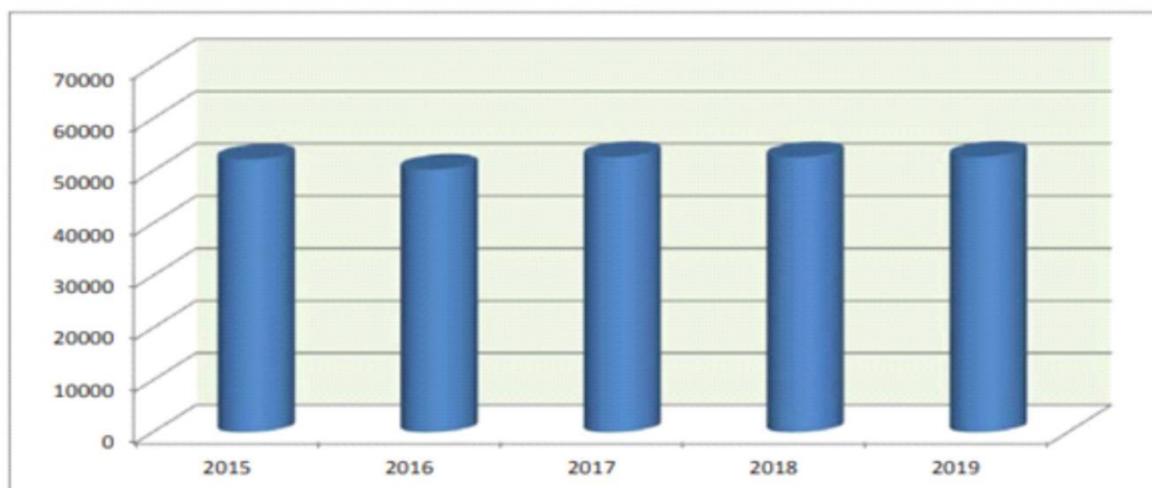
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Value added (at current prices), million manat	2369	2659	2694	2569	2656	3242	4076	4719	4928	4940
Gross profit (in current prices), million manat	1961	2238	2156	1903	1963	2523	3281	3860	3959	3997
Net profit (at current prices), million manat	1576	1813	1724	1466	1386	1860	2162	2935	3137	3165
Average annual number of employees, thousand people	112,2	113,4	117,3	122,3	120,2	127,3	123,8	126,1	126,8	130,8
Average monthly nominal salary, manat	395	447	512	536	530	576	649	734	807	856
Fixed assets (end of year), million manat	5700	6581	8156	8958	9124	10301	11582	12404	15175	15541
Fixed capital investments, million manat	2435	2509	2610	3560	2432	2195	1391	1774	1923	2189

Table 2. Cargo terminal cargo flow chart in 2015-2019. (The table was compiled by the author based on official stat.gov.az data)

	2015	2016	2017	2018	2019
Cargo transported, thousand tons	129	160	173	208	183
international	127	158	171	206	181
Local	2	2	2	2	2
Freight turnover, million ton-km	582	683	738	919	947
international	581	682	737	918	945
Local	1	1	1	1	2
Average transportation distance of one ton of cargo, km	4511,6	4268,8	4265,9	4418,3	5174,9
Revenue from transportation, thousand manats	828058	1053949	1647341	2066918	2396355
from cargo transportation	531151	717528	1185343	1538459	1378157
international	530771	717118	1184862	1537867	1377538
Local	381	410	481	592	619
Transportation costs, thousand pounds	810422	975035	1626498	2187832	2272215
cargo transportation	448755	601140	992168	1451140	1273033
Average annual number of employees, people	12451	12150	12409	12623	12812
Average monthly nominal salary, manat	819,4	846,8	1038,2	1167,6	1160,5
Fixed capital investments, thousand manats	397157	10226	402197	39410	33678
Commissioning of fixed assets, thousand manat	399262,0	10104,2	397374,0	39410,0	33678

Every year, the indicators of the highway are constantly growing. One of the reasons for this is a significant increase in the share of transportation (transport) along the Europe-Caucasus-Asia transport corridor.

Freight transportation in the Europe-Caucasus-Asia transport corridor
(in the Azerbaijan part), 1000 tons



The structure of cargo transportation in the Europe-Caucasus-Asia transport corridor in 2019, in percentage relative to the total

Fig. 2. (Bulletin stat.gov.az)

As can be seen from the figure below, in 2019 there will be a significant increase in indicators. The share of modes of transport for the transport of goods along the Europe-Caucasus-Asia transport corridor is distributed as follows: a large part belongs to road transport, then to rail transport, and finally to water transport:

In 2019, as a percentage of total cargo transportation in the Europe-Caucasus-Asia transport corridor

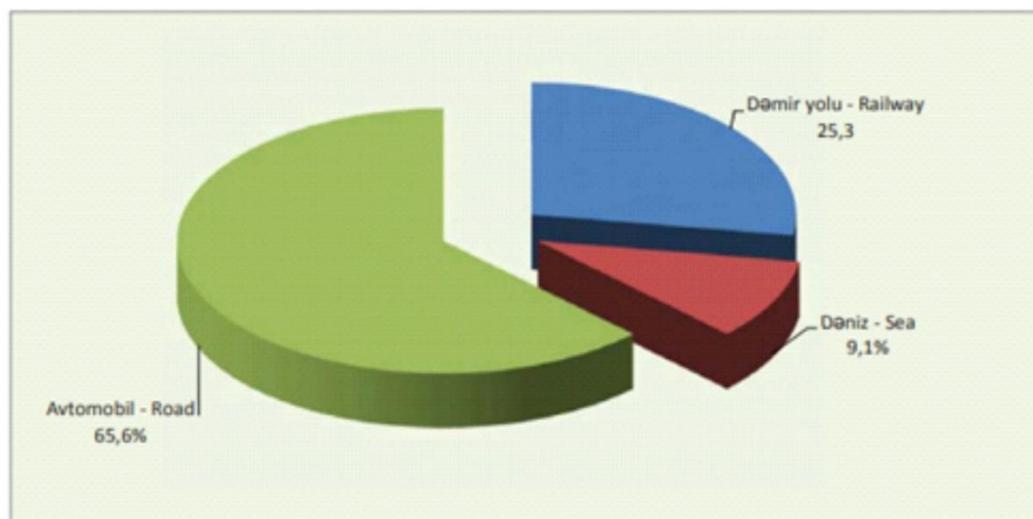


Fig. 3. (Bulletin stat.gov.az)

Azerbaijan's location at the crossroads of transport and transit lines makes its logistics attractive and profitable in terms of investment and financing. This has made it important to build important transport and logistics infrastructure for the implementation of domestic, regional and global projects in the country. Establishment of different types of logistics centers creates conditions for different types of transportation. Analyzing the positive trends in the implementation of various government programs and projects, we can conclude that there is significant regional development in

the field of logistics. Of course, along with these achievements, there are factors that hinder the development of this area. Currently, the most acute problem is the problems caused by the conflict, which has lasted for more than 30 years, which leads to the freezing of various logistics projects, rising prices and the implementation of sustainable cargo transportation through the territory of the neighboring state. Azerbaijan's participation in various international projects makes it an attractive point of economic relations in terms of investment and financing. The construction of a Ro-Ro logistics center in the Alat settlement has made Azerbaijan the most convenient freight route in terms of a logistics center for the flow of goods from the Far East and Central Asia to Europe. The rapid establishment of logistics centers in Azerbaijan makes it an important part of a large-scale global center that can meet the transportation needs of different countries and regions. It is necessary to take into account the main priorities of the regional logistics center and the logistics routes that connect them. The North-South route connects logistics flows from the Middle East to Russia, Ukraine, Georgia and other countries. To solve this problem in Azerbaijan, various state agreements were signed with Russia on the supply of railway cars.

The lack of vehicles, especially wagons and ships, significantly reduces the capacity of logistics centers. Asian countries are interested in the operation of an integrated logistics hub as the most optimal route, which significantly reduces logistics costs in the transportation and delivery of goods along the North-South route. Recently, the activity of logistics terminals has increased significantly due to the arrival of a consignment of goods from Kazakhstan in the amount of 159 containers at the international port of Baku. [3]

The East-West logistics direction is designed to stimulate sustainable supply of goods from Asia and Russia to Europe. In this direction of the logistics route, there are temporary difficulties in opening transport communications through the Zangazur corridor, which connects the flow of goods from Armenia, especially Turkey, to Europe. It should be noted that, with the exception of the Zangazur transport corridor, regional projects that have been virtually completed are unable to operate at full capacity due to the Covid-19 pandemic. [1]

The following figure shows the promising transport communications passing through the territory of Azerbaijan, and the implementation of most projects already brings significant income to the country and provides a gradual return of investment [6]:



Fig. 4: Transport arteries connecting Azerbaijan and Asia with the European market

Azerbaijan and Georgia demonstrate the highest pace of modernization. It should be noted that Azerbaijan has not only fully modernized the entire transport infrastructure, but also continues to develop transport communications in the territories liberated from Armenian occupation. It is planned to build logistics centers in Ganja and Krasny Most customs post. In addition to the above, the "One Belt, One Road" logistics route is expected to be implemented, which will allow our country to connect China with Europe through the flow of logistics. [7]

Modern marine terminals allow to receive larger cargo with a total capacity of 15 million tons of dry cargo and 100,000 containers. [5]

Conclusion. As a result of the analysis, it should be noted that the terminals designed to provide direct traffic were not available in previous years, and the collection of various goods in different types of customs warehouses led to long delays. This, of course, increased the logistics costs of storing goods. If we look at the statistics for 1995-2019 and assess the effectiveness of these terminals, we encounter various problems in the operation of these structures. The performance of the highway is constantly growing, and this is not only due to the modernization of existing highways and the construction of new ones in the liberated territories of Karabakh. The share of transportation (transport) along the Europe-Caucasus-Asia transport corridor is growing significantly. The tendency and prospects of Azerbaijan to become a major logistics center, a global hub, a link between Europe and Asia, a link between the flow of goods from all groups, including Russia and Africa, is not only relevant, but also a reality.

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