

Enhancing Economic Cooperation between Kazakhstan and Azerbaijan

Building on an Anchor Partnership in the Silk Road Region

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Foreword

From the Director of the Institute for Development and Diplomacy at ADA University

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This paper is the first joint publication of the Institute for Development and Diplomacy (IDD) at ADA University and the Astana International Financial Centre (AIFC). Focusing on the geoeconomic dimension of the strategic partnership between two brotherly countries, the Republic of Azerbaijan and the Republic of Kazakhstan, this landmark publication is an outcome of the Memorandum of Understanding signed between our two institutions in October 2024.

As this paper explains, Azerbaijan and Kazakhstan are both “keystone states” of the Silk Road region and play virtually indispensable roles in advancing the quest to make this part of the world into one of the most important, reliable, stable, secure, rapid, and cost-effective global drivers of a new form of connectivity—one that enables our countries and our neighbors to achieve the collective bargaining power necessary to set the terms of the Silk Road region’s agenda and, ultimately, achieve independent agency. In doing so, our two countries have opted to focus on geoeconomics and are prioritizing bilateral projects. Ranging from energy (both conventional and renewable), transport, and logistics to financial services, telecommunications, and agricultural trade, our two countries embrace common values, share a common development vision, and embrace a common strategic outlook.

As directed by our respective leaders and in line with their shared priorities, Azerbaijan and Kazakhstan are fully committed to fulfilling their public commitments to each other. IDD, like AIFC, can and, I believe, will play complementary yet distinct roles in this vital endeavor. This paper points the way forward by examining how Baku and Astana can deepen what the paper’s subtitle calls an “anchor partnership.” It does so by identifying “strategic potential and mutual benefits of enhancing economic cooperation” between our two countries and outlining “measures aimed at fostering long-term economic ties, ensuring mutual growth and resilience amid evolving global dynamics.” It also examines how “Kazakhstan’s mineral wealth and Azerbaijan’s growing regional connectivity infrastructure establish natural synergies,” and underscores the importance of encouraging homegrown financing mechanisms and joint ventures between Azerbaijani and Kazakh companies.

Each in our own way, IDD and AIFC are thought leaders in our respective countries and are increasingly recognized as such in the Silk Road region and neighboring regions. Our participation in various conferences and strategic dialogues speaks to this point. So does IDD’s decision to conduct a part of our flagship Baku

Summer Energy School in the Kazakh port of Aktau, which will involve a return maritime journal across the Caspian.

In the time ahead, IDD and AIFC will produce additional papers, organize joint events, and, in various other concrete ways, contribute to synergizing the worlds of diplomacy and finance in our two countries. I am confident that it will bring many new opportunities for collaboration, knowledge-sharing, and strategic dialogue among various sectors. Lastly, I believe that the work IDD and AIFC will do together will help ensure that the bilateral economic relationship between our two countries becomes an indispensable and unavoidable component of the Middle Corridor—the geography where the Belt and Road Initiative blends into Global Gateway, the International North-South Transport Corridor, and various other projects championed by extra-regional partners as well as—perhaps even more importantly—those states belonging to the Silk Road region itself.

Dr. Fariz Ismailzade

Director of the IDD at ADA University

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Foreword

From the Governor of the Astana International Financial Centre

Amid growing global uncertainty and evolving geopolitical dynamics, Kazakhstan and Azerbaijan continue to pursue closer cooperation based on mutual interests and shared regional priorities. This approach reflects a common commitment to constructive engagement and the long-term goal of fostering a more connected, resilient, and forward-looking regional framework.

Our joint policy paper, prepared by the Astana International Financial Centre (AIFC) and the Institute for Development and Diplomacy (IDD) at ADA University, aims to contribute to the ongoing dialogue on how our two countries can strengthen economic cooperation in practical and forward-looking ways. Its core message is clear: economic integration must be proactive, intentional, and inclusive if it is to generate long-term value.

The AIFC is uniquely positioned to support this process. As a regional hub for capital formation and financial innovation, we provide a trusted platform for structuring investments, financing cross-border infrastructure, and fostering sustainable finance. Our collaboration with Azerbaijani stakeholders continues to grow, and we are fully committed to expanding this partnership in the years ahead.

But the strength of any partnership lies not only in its economic logic, but in its political will. The cooperation between Kazakhstan and Azerbaijan is underpinned by strategic alignment at the highest levels, by a mutual understanding of regional realities, and by the belief that we must lead from within. This report embodies that belief and offers a constructive framework for turning shared vision into measurable impact.

I wish to thank our colleagues at IDD, for their intellectual input and collaborative spirit. As we continue to advance our strategic partnership, I hope this paper will serve as a policy touchstone and a practical guide for deeper regional integration.

Renat Bekturov

AIFC Governor

STRATEGIC OVERVIEW

The most direct, efficient, secure, and well-financed sanctions-free connectivity route between China and Europe passes through Kazakhstan and Azerbaijan, whose successive leaderships have shared a common vision, strengthened strategic relations, and deepened alliance cooperation over three decades.

Moreover, each of these two countries is a “keystone state”¹ of the Silk Road region;² each has grown in renown, independent agency, and convening power in the past 30 years; and each has developed enough strength to embrace the transformative agenda of a “project state.”³ The combined centripetal weight of the two allies has been a major factor in providing an increasing sense of stability and ownership for the South Caucasus and Central Asian states whilst also setting the tone, pace, and scope of this region’s overall agenda.

Driven by a shared narrative emphasizing the transition to a distinct, autonomous, and emancipated subject of international order, the Silk Road region is coming into its own.

Integral to this strategic enterprise is a furtherance of the burgeoning bilateral relationship between Astana and Baku. In anchoring this increasingly important part of the world, the overall geopolitical and geoeconomic posture that Kazakhstan and Azerbaijan have adopted can be characterized as one in which “the preferred mathematical operations are addition and multiplication, not subtraction and division.”⁴ This, in turn, is generating a rising conviction that they and their neighboring Silk Road states know the region’s challenges best and are capable of taking the lead in facing them head-on.

Within this strategic context, this short paper, prepared by the Astana International Financial Centre (AIFC) and the Institute for Development and Diplomacy (IDD) at ADA University, has been written. It focuses on the geoeconomic dimension of their strategic partnership, leaving detailed geopolitical considerations for another occasion. The paper identifies the strategic potential and mutual benefits of enhancing economic cooperation between Kazakhstan and Azerbaijan and also outlines measures aimed at fostering long-term economic ties, ensuring mutual growth and resilience amid evolving global dynamics.

Key sectors for heightened geoeconomic cooperation include oil and gas, renewable energy, transport and logistics, financial services, telecommunications, and agricultural trade, all of which present significant opportunities for deepening economic ties. Looking ahead, collaboration in the extraction and processing of rare-earth and critical minerals could become a strategic pillar, especially as global demand for these resources intensifies. Kazakhstan’s mineral wealth and

Azerbaijan's growing regional connectivity infrastructure establish natural synergies, particularly if paired with financing mechanisms available through the AIFC and future joint ventures.

In the oil and gas sector, Kazakhstan and Azerbaijan are enhancing cooperation through alternative oil export routes, particularly via the Baku-Tbilisi-Ceyhan (BTC) pipeline, which remains underutilized despite its 60 million tons annual capacity. Expanding Kazakhstan's oil exports through the BTC could reduce geopolitical risks and transit dependency, ensuring greater energy security. Additionally, joint oil exploration initiatives can benefit from Azerbaijan's extensive expertise in offshore energy development.

In the renewable energy sector, Kazakhstan, Azerbaijan, and Uzbekistan are advancing the Caspian Green Energy Corridor—a strategic project to export Central Asian renewable electricity to Europe via an HVDC submarine cable across the Caspian Sea. By integrating national grids, the corridor aims to enhance regional energy security, diversify export routes, and position the region as a renewable energy supplier aligned with global decarbonization goals.

In transport and logistics, both states are leveraging their strategic locations along the Middle Corridor, which has witnessed significant growth in cargo volumes, reducing transit times and increasing trade efficiency. Investing in logistics optimization, digitalization, and infrastructure improvements will further enhance the corridor's competitiveness as a key trade route between China and Europe.

The financial services sector offers substantial potential for collaboration, particularly through the AIFC, which provides an advanced capital market, green finance solutions, and investment structuring mechanisms. With \$14.8 billion in investments already attracted through the AIFC, Kazakhstan and Azerbaijan can leverage their capabilities to mobilize cross-border investments and promote joint initiatives.

In telecommunications, the planned fiber-optic communication line (FOCL) across the Caspian Sea will be a game-changer, enhancing digital connectivity, data security, and economic integration. With a 380 km cable and 400 terabits per second capacity, this project will significantly strengthen Kazakhstan and Azerbaijan's roles as regional digital hubs.

Finally, agricultural trade remains a pillar of economic cooperation, with Kazakhstan exporting wheat and other grains to Azerbaijan, and Azerbaijan supplying fruits and vegetables to Kazakhstan. Storage, logistics, and food processing infrastructure investments will further streamline trade and contribute to regional food security.

To unlock the full potential of their partnership, we believe that Kazakhstan and Azerbaijan should implement coordinated strategies, including infrastructure investments, regulatory harmonization, digital transformation, and enhanced financial collaboration. Strengthening economic ties will accelerate national growth and position both countries as leaders in regional trade and investment.

KEY SECTORS FOR COOPERATION

Economic cooperation between Kazakhstan and Azerbaijan is pivotal for both countries, contributing to their national growth and the stability and prosperity of the Silk Road region. Enhanced economic ties can position Kazakhstan and Azerbaijan as leading players in the region.

Kazakhstan and Azerbaijan exhibit over-reliance on hydrocarbon energy exports, making their economies vulnerable to global commodity price volatility. In 2024, energy exports accounted for more than 50% of Kazakhstan's total exports and over 85% of Azerbaijan's exports.

Kazakhstan and Azerbaijan have experienced consistent growth in their bilateral trade, with total trade reaching \$533.4 million in 2024.⁵ Kazakhstan ranks as Azerbaijan's third-largest trading partner among the CIS countries.⁶ In 2024, Kazakhstan mainly exported non-ferrous metals, crude oil, petroleum products, and grain to Azerbaijan, while Azerbaijan supplied tubes, aluminum bars, and agricultural and food products to Kazakhstan.

In 2023, the two countries set an ambitious goal to boost mutual trade to \$1 billion in 2024.⁷ However, this target was not achieved. Bilateral trade turnover between Kazakhstan and Azerbaijan reached approximately \$533 million, which still represents a marked increase compared to the previous year. Substantial opportunities remain untapped, as current trade volumes represent only a small portion of their economic potential. Since 2005, gross FDI from Azerbaijan to Kazakhstan was \$410 million; from Kazakhstan to Azerbaijan, the figure was \$149.7 million.⁸ To date, over 1,700 companies with participation from Azerbaijani capital operate in Kazakhstan. Also, six companies with Azerbaijani capital are registered at the AIFC, mainly in information technology and transport and logistics.

TRADITIONAL ENERGY

Kazakhstan and Azerbaijan are energy-rich countries that position themselves as key players in regional energy markets. Collaboration in the oil and gas sector is strategically important, as it can maximize resource utilization, improve energy security, and increase competitiveness in global markets.

In 2024, Kazakhstan produced around 88 million tons of crude oil⁹ while Azerbaijan's production was estimated at 29 million tons.¹⁰ Thus, the two countries collectively produced approximately 117 million tons of crude oil in 2024, significantly contributing to global supply.

Kazakhstan relies heavily on the Caspian Pipeline Consortium (CPC), which passes through Russia, for exporting its crude oil to international markets. Kazakhstan exports around 70% of its total oil production, and the CPC accounts for two-thirds of Kazakhstan's exported oil. Also, it is worth noting that the CPC is the cheapest option for Kazakhstan.¹¹

However, given the strategic importance of crude oil for Kazakhstan's economy, diversifying export routes via collaboration with Azerbaijan can help reduce geopolitical risks and transit dependency. Azerbaijan's Baku-Tbilisi-Ceyhan (BTC) pipeline is a proven model of reliable energy export infrastructure. Kazakhstan and Azerbaijan have already started working on this.

In 2024, Kazakhstan shipped over 1.4 million tons of oil through the BTC pipeline, showcasing the viability of shared infrastructure.¹² Despite this, the BTC pipeline remains significantly underutilized: in 2024, it transported approximately 29.47 million tons¹³ of oil—less than 50% of its 60 million ton annual capacity.¹⁴ According to official projections, Kazakhstan plans to increase its BTC exports to 2.2 million tons annually in the short term,¹⁵ with a long-term target of up to 20 million tons per year as production and infrastructure coordination improve.¹⁶

It is also worth noting that an AIFC-registered company, Caspian Integrated Maritime Solutions (CIMS), owns and operates a tanker fleet to transport oil via the Trans-Caspian route for further transport via the BTC.¹⁷ CIMS is a joint venture of KazMunayGaz and Abu Dhabi Ports Group. In addition to CIMS, an Azerbaijani company also owns and operates a tanker fleet for oil transportation via the Trans-Caspian route: the Azerbaijan Caspian Shipping Company (ASCO). The company plays a significant role in transporting oil across the Caspian Sea, facilitating the movement of oil from Central Asia to Azerbaijan for onward transportation via pipelines like the BTC pipeline.

There are several conditions for the reliable transport of Kazakh oil via the BTC. These include (1) relatively higher oil prices, which makes oil transport and investments in the Aktau port's infrastructure (current annual capacity is 5-6 million tons) feasible, (2) a greater number of storage and loading terminals, and (3) an operational tanker fleet.¹⁸

Apart from oil transport, the two countries can collaborate and share expertise in oil and gas exploration and extraction. For instance, Azerbaijan has developed world-class expertise in exploration by developing major oil and gas fields, such as

the Azeri-Chirag-Gunashli (ACG) oil and Shah Deniz gas fields. Shared expertise can also help accelerate Kazakhstan's exploration of oil and gas projects.

RENEWABLE ENERGY

Kazakhstan and Azerbaijan are laying the groundwork for a transformative collaboration in renewable energy, centered around the development of a Cross-Caspian electricity cable. This high-voltage subsea transmission line is intended to connect Kazakhstan's and Azerbaijan's power grids, feeding into the broader Black Sea Submarine Cable project that links the South Caucasus with Europe. Once operational, this infrastructure will enable the export of clean, renewable electricity (primarily solar and wind) from Central Asia to the European Union, contributing to regional energy diversification and the EU's decarbonization goals.

The economic rationale for this project is underpinned by both countries' ambitious renewable energy agendas. By leveraging its solar potential and wind corridors, Kazakhstan has committed to increasing the share of renewables in its power mix to 15% by 2030.

Azerbaijan's offshore renewables potential is one of the world's largest and most promising,¹⁹ and the country is also expanding onshore solar and wind generation, particularly in the Karabakh and East Zangezur regions, with backing from foreign investors such as ACWA Power and Masdar. The Cross-Caspian cable will facilitate renewable electricity exports and improve investment economics for utility-scale renewable projects by providing a guaranteed external offtake channel.

Beyond bilateral cooperation, broader regional integration efforts in the energy field are underway. Countries across Central Asia and the South Caucasus—including Georgia, Uzbekistan, and Kyrgyzstan—are pursuing a unified electricity market aimed at harmonizing technical and regulatory standards, facilitating intraregional trade, and strengthening grid resilience. These efforts, supported by the EU, World Bank, and EBRD, are significant for smoothing out supply fluctuations inherent in renewable energy and enabling a more liquid regional power market.

The investment requirements for the Cross-Caspian and Black Sea interconnectors are substantial, particularly given their subsea components and cross-border nature. A combination of concessional finance, sovereign-backed loans, and blended financing structures will be necessary. Institutions such as the European Investment Bank, EBRD, and green climate funds are expected to play a central role. In addition, public-private partnerships and green bond issuances by state utilities could mobilize further capital. Given the project's alignment with European energy security and climate goals, the EU's Global Gateway initiative may serve as a key vehicle for strategic funding.

In macroeconomic terms, the project reflects a shift in Kazakhstan-Azerbaijan cooperation from hydrocarbons to electricity as a tradeable commodity. It offers both countries an opportunity to reposition themselves as exporters of low-carbon energy, while catalyzing regional grid modernization and economic diversification. If realized, this renewable electricity corridor will significantly enhance the resilience and competitiveness of the Silk Road region's energy architecture.

TRANSPORT AND LOGISTICS

Transport and logistics are important for collaboration between Kazakhstan and Azerbaijan, leveraging their strategic locations along the Middle Corridor to connect China with Europe. Although the Middle Corridor has been operating for many years, it has experienced growing importance given the current geopolitical environment that has enabled the diversification of land corridors between China and Europe. The corridor is also critical for the development of trade and economic ties between Kazakhstan and Azerbaijan.

The Middle Corridor is a strategically important multimodal corridor that passes through Kazakhstan, Azerbaijan, Georgia, and Türkiye and is indispensable to the actualization of the EU's Global Gateway strategy as well as the optimization of China's Belt and Road Initiative. The corridor's annual throughput capacity is 6 million tons, including 100,000 TEU.²⁰ Over the last years, transportation time along the corridor has been significantly reduced from 38-53 days to 19-23 days. The goal is to reduce it further to 15 days.²¹ To compare, the maritime transportation of freight between China and Europe takes 30-45 days²², although the maritime route has experienced disruptions in the Red Sea, leading to an increased transportation time.²³

Compared to the Northern Corridor, which routes through Russia, the Middle Corridor offers distinct advantages. The Northern Corridor's transit times have been adversely affected by geopolitical tensions and sanctions, leading to increased scrutiny and potential delays. Moreover, reliance on a single transit country poses risks to supply chain stability. In contrast, the Middle Corridor provides a more diversified and resilient route, mitigating the risks associated with geopolitical uncertainties.

The Middle Corridor has experienced rapid growth in cargo volumes, underscoring its increasing strategic importance along the modern Silk Road. In 2021, the corridor facilitated the transport of approximately 840,000 tons of cargo.²⁴ By 2024, this figure had surged to 4.5 million tons, representing a 435% increase over just three years. Compared to 2023 alone, which saw around 2.78 million tons, the 2024 figure reflects a 62% year-on-year increase²⁵

Stakeholders aim to increase annual cargo throughput to 10 million tons by 2030, supported by continued investment in infrastructure, customs harmonization, and logistics coordination across Kazakhstan, Azerbaijan, Georgia, and Türkiye.²⁶

In just four years, the Middle Corridor has achieved more than a fivefold increase in cargo traffic—a growth trajectory highlighting its potential to become a core land bridge in Eurasian trade, especially amid shifting global supply chains and geopolitical realignments.

As a recent IDD Analytical Policy Brief put it, “Growing trade along the corridor stimulates industrial growth, job creation, and infrastructure development in the countries working together on the project, thereby strengthening regional economies, reinforcing positions along the global supply chain, and contributing to the formation of a community of shared destiny.”²⁷

There are various estimates of the expected traffic along the Middle Corridor. According to the EBRD, transit container volume via the Central Trans-Caspian Network is forecast to increase from 18,000 TEU in 2022 to 130,000 TEU by 2040 under a business-as-usual scenario. Suppose seven soft connectivity measures and 33 hard infrastructure needs for Kazakhstan and Central Asia, worth €18.5 billion (approximately USD 20.2 billion), are implemented to achieve a transit time of 13 days. In that case, the transit volume can increase to 865,000 TEU (48 times increase).²⁸ It is also important to consider the Middle Corridor as an economic and connectivity corridor, which facilitates trade and investment cooperation between the countries in the region and maximizes their economic development by connecting them better with each other.²⁹

The EBRD offers seven soft connectivity measures: the “digitalization of transport documents, increased interoperability, enhanced PPP environment, trade facilitation, market liberalization, improvements to tariff setting mechanism, and increased funding.”³⁰

According to the World Bank, traffic along the Middle Corridor can triple between 2021 and 2030 and reach 11 million tons per year, primarily due to the economic growth of Central Asia and the South Caucasus rather than due to the expansion of transit cargo. The Middle Corridor will remain mostly a regional route, with intercontinental trade representing under 40% of its volumes by 2030, although the recent flurry of diplomatic activity between China and the EU could result in projections being revised upward. In 2023, exports and imports from and to Kazakhstan and Azerbaijan were forecasted to account for 62% of the traffic along the Middle Corridor.³¹ Again, recent geopolitical locomotions could see these numbers change, leading to it assuming even greater strategic importance.

The World Bank offers five steps to unlock the potential of the Middle Corridor: “reimagine the corridor as an economic corridor, offer corridor length logistics solutions, reform and simplify procedures, leverage the potential of digital data

flows, continue to improve infrastructure and equipment following a robust prioritization plan.”³²

Both Azerbaijan and Kazakhstan have been actively working on promoting the Middle Corridor, with the AIFC’s role acknowledged as increasing in importance. Currently, several companies registered at the AIFC are dedicated to working on their development, which speaks to their commitment to structure and finance deals that enhance the Middle Corridor’s growing economic and connectivity role.

For example, Middle Corridor Multimodal Ltd, a joint venture of the railway companies of Kazakhstan, Azerbaijan, and Georgia, is aimed at providing and implementing a coordinated policy between those three countries for the development of multimodal services in the China-Europe/Türkiye-China direction.³³ The company is focused on digitizing and optimizing transport operations, such as border crossings and terminal procedures.³⁴

Another example is KPMC, a joint venture between Kazakhstan Railways and PSA International. The company aims to develop the Middle Corridor by, inter alia, offering digital solutions.³⁵

FINANCIAL SERVICES AND INVESTMENT

The AIFC is already a major homegrown financial hub of the Silk Road region, providing distinct opportunities for businesses and investors. Its adoption of English law, independent regulatory framework, world-class exchange for capital market development, and emphasis on innovative sectors like green and Islamic finance, as well as digital assets, make it an appealing destination for international companies, including those from Azerbaijan.

Numbers and external assessments demonstrate the AIFC’s growing importance:

- According to the Global Financial Centres Index 37, the AIFC ranks first among Eastern Europe and Central Asia financial centers.
- Since the establishment of the AIFC, \$14.8 billion of investments have been attracted via the center.
- Over 4000 companies from more than 80 countries are registered as participants at the AIFC.

Kazakhstan and Azerbaijan have started using the AIFC’s potential to benefit the two countries. They can harness the AIFC’s expertise in green finance to drive sustainable growth. The AIFC offers a robust framework for green bonds, renewable energy funding, and sustainable projects, which both countries could use to attract international investors focused on sustainability, especially in the context of the aforementioned renewable electricity cables projects. Working more closely with the AIFC would help Kazakhstan and Azerbaijan reduce their

reliance on hydrocarbon exports while aligning with political commitments undertaken through the UNFCCC process, including those agreed during Azerbaijan's COP29 presidency, which would in turn boost their respective profiles as regional leaders in green finance.

For example, recently, one of Azerbaijan's largest private banks, Unibank, issued the country's first-ever green bonds, valued at AZN 20 million (equivalent to \$11.8 million), in alignment with the Green Bond Principles of the International Capital Market Association (ICMA)—a milestone that preceded COP29, which was held in Baku in November 2024. The green bond issuance was evaluated and approved by the AIFC Green Finance Centre. The Centre provided a Second Party Opinion, certifying the green credentials of the bonds and providing Unibank with an “excellent” rating for its comprehensive environmental strategy and alignment with existing green finance standards.³⁶

Another example is the establishment of the SK-AIH Investment Fund at the AIFC. Samruk-Kazyna and Azerbaijan Investment Holding jointly established this \$300 million fund.³⁷ The fund aims to mobilize further cross-border investments in projects that contribute to the development of the two countries' economies.³⁸ The fund will also focus on enhancing the port infrastructure of both countries.³⁹ It is important for this practice to gain traction, with more joint funds being established to support economic growth in both countries.

Despite the progress made, it is worth noting that there is significant untapped potential in using the AIFC platform for joint initiatives between Kazakhstan and Azerbaijan. As stated above, over 1,700 companies with Azerbaijani capital operate in Kazakhstan, while only six are registered at the AIFC (they work in information services and transport).

Actively promoting the use of the AIFC platform to implement joint investment projects, raise capital, and structure deals is in the interest of both countries and, more broadly, the Silk Road region. As Azerbaijani businesses become more aware of AIFC's opportunities and advantages, the number of participants from that country should increase significantly and thus further strengthen the economic cooperation between the two countries.

TELECOMMUNICATIONS

As part of the Digital Silk Road, the development of a fiber-optic communication line (FOCL) across the Caspian Sea⁴⁰ is a critical infrastructure project that aligns with the economic modernization and digital transformation agendas of both Azerbaijan and Kazakhstan.

Given the increasing demand for secure, high-speed data transmission, this project represents a strategic investment aimed at diversifying telecommunications routes to ensure redundancy and resilience, reducing latency and increasing bandwidth capacity to support the growing digital economies of Kazakhstan and Azerbaijan, and positioning both countries as regional digital hubs, facilitating the expansion of fintech, cloud computing, and AI-driven industries. Azerbaijan's Alat Free Economic Zone (AFEZ), which is located in the immediate vicinity of the Baku International Sea Trade Port at Alat (now merged with Azerbaijan's railway company⁴¹), should play a leading role in such endeavors, as could Kazakhstan's free zones.

Recently, an announcement was made that the construction of the FOCL will start in 2025. The fiber-optic cable will span 380 kilometers, with a transmission capacity of up to 400 terabits per second. The total investment in the project is expected to surpass \$50 million.⁴² It is critical to ensure that the project is implemented promptly, given that it has been delayed several times in the past. The successful implementation of the project will have a multiplier effect on both countries' economic growth and other joint initiatives.

AGRICULTURAL TRADE

Agricultural trade between Kazakhstan and Azerbaijan plays a crucial role in their economic cooperation, leveraging the two countries' complementary agricultural production capacities, with this sector becoming an important contributor to the significant growth of bilateral trade in 2024.⁴³

Kazakhstan, one of the world's largest producers and exporters of grain (8.1 million tons in 2024⁴⁴), significantly contributes to regional food security. Kazakhstan exports significant volumes of these commodities to Azerbaijan, which relies on imports to meet domestic demand. For example, Azerbaijan's self-sufficiency in wheat is around 34%.⁴⁵ The grain supplies from Kazakhstan to Azerbaijan through the Baku Grain Terminal have reached 1.5 million tons.⁴⁶ In return, Azerbaijan supplies Kazakhstan with fruits and vegetables.⁴⁷ Due to this, the two countries are critical partners in the agricultural supply chain.

Since Kazakhstan and Azerbaijan are not agriculturally self-sufficient, both countries are working to expand their agri-food trade and investment partnerships, with joint initiatives in agricultural logistics, food processing, and supply chain efficiency. Doubling down on these efforts to ensure the secure and uninterrupted supply of agricultural and food products is in the interests of both countries.

Additionally, mutual investments in storage and transport infrastructure, including the Middle Corridor, can further streamline the trade of agricultural products.

CONCLUSION

The rapidly expanding economic partnership between Azerbaijan and Kazakhstan rests on a firm foundation of strategic relations and deepening alliance cooperation fully supported by the leaders of these two states. As keystone anchors of the Silk Road region, Astana and Baku share a strategic geoeconomic vision that includes goals such as economic diversification, trade expansion, and regional connectivity. While bilateral trade has experienced steady growth, substantial untapped potential remains across key industries, including traditional and renewable energy, logistics, finance, telecommunications, and agriculture.

Both countries should expand infrastructure investments, leverage digital innovation, and capitalize on the AIFC's financial ecosystem to further enhance economic cooperation. The development of the Middle Corridor and the Caspian fiber-optic communication network will further cement their roles as critical transit hubs connecting Asia and Europe. Additionally, increasing Kazakhstan's oil exports through Azerbaijan, kickstarting the renewable electricity cable projects, improving agricultural trade efficiency, and strengthening financial cooperation will contribute to long-term economic resilience.

By further adopting a strategic, forward-looking approach, Kazakhstan and Azerbaijan can maximize their geoeconomic potential, attract more foreign investment, and reinforce their leadership in the Silk Road region. Their continued collaboration will benefit the two national economies and play a pivotal role in the drive to enhance regional security, prosperity, and emancipation while deepening cooperation with external stakeholders, near and far.

ENDNOTES

¹ The “keystone state” concept was first developed in Nikolas K. Gvosdev, “Keystone States: A New Category of Power,” *Horizons* no. 5 (Autumn 2015), pp. 104-120, <https://www.cirsd.org/en/horizons/horizons-autumn-2015--issue-no5/keystone-states---a-new-category-of-power>. See also Damjan Krnjević Mišković, “Superseding Middle Power Theory with the Keystone Concept: The Persuasive Case of Azerbaijan and the Silk Road Region,” *Caucasus Strategic Perspectives*, Special issue no. 1 (February 2024), pp. 31-65, <https://tinyurl.com/krnjevic-keystone>. See also Nikolas K. Gvosdev, “Geopolitical Keystone: Azerbaijan and the Global Position of the Silk Road Region,” *Baku Dialogues* vol. 4, no. 1 (Fall 2020), pp. 26, 27, <https://bakudialogues.ada.edu.az/media/2020/08/27/bd-1-gvosdev.pdf>.

² In terms of geography, the Silk Road region comprises that part of the world that looks west past Anatolia to the warm seas beyond; north across the Caspian towards the Great Steppe; east to the peaks of the Altai and the arid sands of the Taklamakan; and south towards the Hindu Kush and the Indus valley; and then looping around down to the Persian Gulf and back up across the Fertile Crescent and onward to the Black Sea littoral. This definition was first presented in “Editorial Statement,” *Baku Dialogues* vol. 4, no. 1 (Fall 2020), p. 7, <https://bakudialogues.ada.edu.az/editorial-statement>. Other terms to describe the Silk Road region include ‘Trans-Caspian region,’ ‘Caspian Basin,’ ‘Caspian Sea Region,’ ‘Inner Asia,’ ‘Middle Asia,’ the pedestrian ‘South Caucasus and Central Asia,’ and, of course, ‘central Eurasia’ (or simply ‘Eurasia’). For more on this, see Damjan Krnjević Mišković, “On Some Conceptual Advantages of the Term ‘Silk Road Region’: Heraldng Geopolitical and Geo-Economic Emancipation,” *Baku Dialogues* vol. 6, no. 4 (Summer 2023), pp. 20-27, https://bakudialogues.idd.az/media/2023/07/12/bd-v6-n4_miskovic.pdf. See also https://idd.az/media/2025/03/19/idd_policy_brief_-_arasli_-_19_march_2025.pdf?v=1.1, which characterizes the Silk Road region as “the geoeconomic and geocultural amalgam of Central Asia, the Caspian Sea, and the South Caucasus, which stretches along the ancient East-West trade route.”

³ Charles S. Maier, *The Project-State and Its Rivals: A New History of the Twentieth and Twenty-First Centuries* (Cambridge: Harvard University Press, 2023). One of the prerequisites of a project state is having both the ambition and the power to mobilize the entirety of the regime—in the Greek sense of *politeia*—to get behind and execute successfully larger, aspirational goals. For instance, Azerbaijan and Kazakhstan understand industrial policy to be an integral part of national security policy. Conceptually, the project state raises up whilst reshaping; it does not merely govern or administer.

⁴ Feigenbaum, Evan (@EvanFeigenbaum), Twitter, 20 June 2024, 9pm, <https://x.com/EvanFeigenbaum/status/1803835202734592107>.

⁵ <https://astanatimes.com/2025/03/kazakhstan-azerbaijan-strengthen-multifaceted-interstate-ties/>

⁶ <https://caspiantpost.com/politics/azerbaijan-kazakhstan-see-growth-in-mutual-trade-turnover-in-2024>

⁷ <https://astanatimes.com/2024/12/kazakhstans-trade-turnover-with-azerbaijan-increases-by-nearly-40/>

⁸ National Bank of Kazakhstan.

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The views and opinions expressed herein are solely those of the authors.