



PROSPECTS FOR THE CASPIAN PORTS INFRASTRUCTURE DEVELOPMENT IN IRAN

Maritime transport plays a crucial role in facilitating international trade and boosting economic development. Being placed in an advantageous geographical position, namely, between the Caspian Sea, Persian Gulf and Gulf of Oman, Iran is strongly interested in the expansion of its maritime transportation network benefiting from the transit advantages. In fact, Iran considers itself as a key element in the transport chains under the International North-South Transport Corridor (INSTC), East West Transport Corridor, which is also called modern Silk Road, South Asia Corridor and Transport Corridor Europe-Caucasus-Asia (TRACECA). However, the maritime transportation industry like many other sectors of Iran's economy has experienced challenging sanctions, which drove major foreign shipping lines away from the Iranian seaports forcing the Ports and Maritime Organization (PMO), which is the sole maritime administration affiliated to the Ministry of Roads and Urban Development of Iran, to be concerned about its possible bankruptcy. Nevertheless, the signing of the 2015 Iranian Nuclear Agreement made it possible to lift the sanctions on the shipping and maritime sector. As a result, according to the Managing Director of PMO, Mohammad Saednejad, the cargo throughput of the Iranian ports grew by 4.2% from 135.4 million tons in 2015 to 141 million tons in 2016. Moreover, in January-August 2017 the total cargo turnover of the Iranian ports increased by 6% to 100.6 million tons compared to 94.5 million tons during the same period of last year.

Due to the country's natural and geographical conditions Iran's largest port facilities are located in the south of the country. The share of the Persian Gulf and Gulf of Oman in total throughput of the Iranian ports reached 95%, or 134.5 million tons, in 2016, while the Caspian basin's share accounted for the remaining 5%, or 6.4 million tons. Despite the fact that this number represents a 2% increase compared to the Caspian ports' total cargo turnover in 2015, it is 15% less than their throughput in 2014, which amounted to 7.6 million tons.

In fact, Iran is a leader among other littoral states in the number of port facilities on the Caspian shore. There are three coastal provinces in northern Iran, namely, Gilan, Mazandaran and Golestan, which have a large number of state and private seaports along the 400 km long Caspian coastline. The northern seaports include ports of Amirabad, Anzali, Astara, Chamkhaleh, Gyaz, Fereidounkenar, Khajeh Nafas, Neka, Noshahr and Torkaman. Of these, the major ports serving the Caspian Sea are Anzali, Amirabad and Noshahr, which account for 96.8% of total cargo flows via the

Iranian ports in the region in 2016. The activities of the Caspian ports are mostly focused on trade with Russia, the key trading partner of Iran in the region, and, to a lesser extent, with other littoral states, as well as on the handling of transit shipments. In contrast to the southern ports, which focus on liquid bulk cargo transportation, the northern ports specialize in dry bulk cargo (essential goods, grain and ferrous metals) transshipment, which accounts for 86%, or 2.6 million tons for Anzali, 98%, or 2.3 million tons for Amirabad, and 99.9%, or 0.7 million tons for Noshahr, of their total cargo throughput in 2016. It should be noted that in 2016 a 45% increase of dry bulk cargo transportation was recorded at Anzali, while Amirabad and Noshahr experienced a 17% and 4% decrease, respectively.

As for the liquid bulk cargo traffic (oil and oil products), its share in the total cargo throughput of the Iranian Caspian ports decreased from 8%, or 0.5 million tons, in 2015 to 2.6%, or 0.1 million tons, in 2016. However, there is a chance that the volume of liquid bulk cargo transshipments via the Caspian ports will increase in the near future. For instance, in August 2017, oil and gas explorer Dragon Oil shipped a cargo of oil produced from an offshore development in Turkmenistan to Iran. The Russian-flagged oil tanker discharged around 6,000 tons of crude oil at the terminal in the Caspian port of Neka, which specializes exclusively in oil transshipment and was built in 2003 in order to handle oil imports under swap agreements with the Caspian states. The Iranian side did not issue any official statement confirming the resumption of crude oil swaps via Neka, which were halted in 2010. However, following the completion of the port's capacity expansion in June 2016, which allowed the Neka terminal to berth large oil tankers of up to 14,000-ton capacity and transship 500,000 barrels of oil per day (bpd) compared to 120,000 bpd in 2015, it became clear that the Iranian authorities are serious in their intention to resume the swap scheme with Russia, Kazakhstan, Turkmenistan and Azerbaijan.

The recent discovery of proven oil and gas fields in the Iranian sector of the Caspian Sea has increased the need to enhance the coastal infrastructure in order to support the oil operations on the Sardar Jangal and Sardar Milli fields. Since Anzali is in close proximity to the Caspian hydrocarbon deposits, it makes the port a vital terminal for Iran's offshore oil exploration activities in the region. To date, Anzali with a nominal cargo capacity of 11 million tons per year is Iran's largest port on the Caspian coast and third largest in general after the Imam Khomeini and Shahid Rajaei

ports in terms of loading and unloading tonnage. In 2016, the Anzali port's total cargo traffic amounted to only 3 million tons, which is a 43% increase compared to 2015. According to the port development project, it is planned to increase the number of berths from 10 to 24, a total annual throughput capacity of which is planned to reach 17 million tons. After the implementation of development project, the Caspian Port Complex of the Anzali port could significantly increase the containerized cargo traffic, which is an important component of the INSTC development. In fact, the share of the containerized cargo turnover in total throughput of the Caspian ports amounted to a negligible level of 0.9%, or 0.05 million tons, in 2016. In contrast to Amirabad and Noshahr, which experienced a reduction of the twenty-foot equivalent units (TEU) transshipment, there is an upward trend in the TEU traffic via Anzali. For instance, the volume of TEU handled through Anzali increased from 3,990 in 2015 to 4,046 in 2016, while in Amirabad and Noshahr the numbers decreased from 632 and 701 in 2015 to 385 and 401 in 2016, respectively.

It is worth noting that the aforementioned decrease in the container throughput caused the cargo traffic decline via Amirabad by 20% from 2.9 million tons in 2015 to 2.35 million tons in 2016. However, the Iranian officials clearly showed their intention to improve the port infrastructure transforming the port into the largest port in the Caspian region. According to the announced plan of the port development, it is projected to modernize the railway terminal, Ro-Ro facilities, as well as to increase grain handling facilities. For instance, it is planned to boost the capacity of grain shipments from 7.5 million tons to 18 million tons by 2030, while the grain and oil storage capacities will also be expanded from 170,000 tons to 500,000 tons and from 16,000 cubic meters to 70,000 cubic meters, respectively.

It could be concluded that it is in the interest of Tehran to continue the implementation of the strategy aimed at the development of the Caspian ports' facilities. The nuclear deal with the P5+1 Group and the gradual lifting of economic sanctions against Iran have prepared the ground for the intensification of the port infrastructure development activity. However, it is highly unlikely that Tehran will prioritize the northern ports' capacity enlargement over the southern ports' development since Iran still has a developing oil export based economy, which is demanding for direct access to international sea communication originating from the Persian Gulf and Gulf of Oman.

Politics, Foreign Affairs and Security

- During his official visit to Sochi, President of Kyrgyzstan Almazbek Atambayev discussed with his Russian counterpart Vladimir Putin intensification of economic ties between the two countries and further prospects for strengthening regional security. In addition, the parties exchanged opinions on the further development of cooperation within the framework of the Eurasian Economic Union.
- During his official visit to Tashkent, President of Kazakhstan Nursultan Nazarbayev discussed with his Uzbek counterpart Shavkat Mirziyoyev key aspects of the regional agenda and issues of expanding the Kazakh-Uzbek relations focusing on the implementation of new joint trade and investment projects.
- During his three-day official visit to Astana, President of Turkey Recep Tayyip Erdogan discussed with President of Kazakhstan Nursultan Nazarbayev prospects for ensuring peace and stability in the region focusing on the resolution of the Syrian crisis.
- During his official visit to Baku, the Parliamentary Vice-Minister for Foreign Affairs of Japan, Manabu Horii, exchanged views with President of Azerbaijan Ilham Aliyev on strengthening economic ties, with both parties calling to increase mutual investment in the pharmaceutical and tea growing industries, agriculture, and petrochemistry.
- During the sixth round of the Astana talks for the resolution of the Syrian crisis, Russia, Turkey and Iran, the three guarantor states, announced the creation of the de-escalation zones in Eastern Ghouta, the provinces of Idlib, Homs, Latakia, Aleppo and Hama for six months, which may be extended in the future.
- During his official visit to Astana, the Deputy Chairman of the State Military and Industrial Committee of Belarus, Dmitry Pantus, discussed with the Deputy Defense Minister of Kazakhstan, Mayor General Talgat Zhanzhumenov, the current state and prospects of military-technical cooperation between the two countries and signed a protocol that formalized bilateral decisions and intentions.
- According to the announcement of the Defense Ministry of Azerbaijan, the aircrews, engineering and technical staff of the Turkish Air Force arrived in the country to participate in the joint military exercise dubbed TurAz Qartal 2017. The exercise will involve up to

30 aircraft of the Azerbaijani and Turkish air forces, including MiG-29, F-16, Su-25, C-130 Hercules, CASA CN-235 planes, as well as Mi-35, Mi-17 and Sikorsky S-70 helicopters.

- The Presidential Aide for Military and Technical Cooperation of Russia, Vladimir Kozhin, announced the signing of the contract with Kazakhstan for the delivery of 12 Su-30SM fighter jets. It is noted that the terms of the contract stipulate its gradual implementation within three years since the first delivery.

Economy, Finance and Energy

- According to the Head of the Department of Monetary Policy of the Central Bank of Uzbekistan, Ilkhom Norkulov, the inflation rate in 2017 is expected at the level of 11-12%, while at the beginning of the year the inflation rate was forecasted within 5.7-6.7% level. According to official statistics, inflation in Uzbekistan amounted to 5.7% in 2016, compared to 5.6% in 2015.
- President of Azerbaijan Ilham Aliyev signed a decree on a number of measures to provide state support to entrepreneurs for expansion of their access to financial resources. The decree provides for the establishment of the Credit Guarantee Fund of Azerbaijan (CGFA) tasked with providing guarantees for entrepreneurs' loan applications.
- President of Uzbekistan Shavkat Mirziyoyev signed a decree on measures to further streamline foreign economic activities of Uzbekistan, which was adopted to optimize the rates of customs payments and prevent the growth of domestic prices for certain types of food products.
- According to Minister of National Economy of Kazakhstan Timur Suleimenov, the government approved the new draft Tax Code aimed at boosting SMEs and strengthening the financial sector. It was noted that the new Tax Code focuses on protecting good taxpayers, stimulating different sectors of the economy and simplifying administration processes.
- Deputy Economy Minister of Azerbaijan Sahil Babayev announced that in January-August 2017 the country increased non-oil exports by 30% compared to the same period of 2016. In particular, the exports of agricultural products increased by 37%, while the exports of industrial products grew by 25.4%.
- The Central Bank of Russia announced that its Board of Directors decreased the key interest rate by 0.5% points to

8.5% per annum. It was also noted that the bank could possibly reduce the key rate further in the next two quarters. The decision will proceed from the assessment of the country's inflation risks and economic activity. In order to maintain inflation close to 4%, the bank will continue to conduct a moderately tight monetary policy.

- Prime Minister of Russia Dmitry Medvedev reported that the budget deficit in the first half of 2017 amounted to about 400 billion rubles (\$6.9 billion), or about 1% of GDP, while during the same period of 2016 the deficit reached 3.6% of GDP. It was also noted that over the past six months, the gross domestic product grew by 1.7% totaling 42 trillion rubles (\$725 billion).

Society and Culture

- The World Bank announced its intention to launch a \$50 million project dubbed Strengthening Critical Infrastructure against Natural Hazards together with the government of Tajikistan. The project aims to reconstruct and upgrade critical bridges in the Gorno-Badakhshan Autonomous Region to improve their resistance to impact from flooding and mudflows.
- The Russian space agency, Roscosmos, announced that the Soyuz-FG carrier rocket with the Soyuz MS-06 spacecraft carrying three international crew members to the International Space Station, namely, Russia's Aleksandr Misurkin, and NASA's Mark Vande Hei and Joseph Acaba, was launched from the Baikonur space center in Kazakhstan.
- As a result of the high-level talks between President of Kazakhstan Nursultan Nazarbayev and his Uzbek counterpart Shavkat Mirziyoyev, the parties agreed to hold the Year of Uzbekistan in Kazakhstan in 2018. It was also noted that in 2019, the Year of Kazakhstan will take place in Uzbekistan. Within the framework of these initiatives, various events will be held that will bring the two Central Asian nations closer together.
- The 2017 Asian Indoor and Martial Arts Games (AIMAG) opened in Ashgabat. The ceremony was attended by a number of heads of state and government, including the presidents of Afghanistan, Armenia, Kazakhstan, Pakistan, Tajikistan, and Uzbekistan. Over the 12 days of competition at Ashgabat, 4,500 athletes from 65 delegations will compete in 347 medal events across 21 sports.