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*The Baku-Tbilisi-Kars railway connection as
an important section of the
Trans-European Railway network*

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Dear Heads of the International Organizations!
Dear participants of the Conference!
Ladies and Gentlemen!

Firstly I would like to extend gratitude on behalf of the Ministry of Transport of the Republic of Azerbaijan and Azerbaijan State Railway to the seminar organizers and to thank you for giving me an opportunity to make a presentation of extremely important regional project and wish the success to all participants.

Historical background of Baku-Tbilisi-Kars railway

The ideas and discussions about Kars - Akhalkalaki new railway connection was started since the 1993.

The historical Declaration on “Baku-Tbilisi Kars new railway connection” project between the Republic of Azerbaijan, Georgia and the Republic of Turkey was signed on 25th May 2005 in Baku by the presidents of Azerbaijan – Ilham Aliyev, Georgia – Mikheil Saakashvili and Turkey – Ahmet Necdet Sezer.

The presidents of Azerbaijan, Georgia and Turkey,

Emphasizing the importance of the establishment of the regional transport network for close cooperation in the field of trade-economic relations aimed at ensuring sustainable development and security within the South Caucasus region, as well as Eurasia as a whole,

Expressing mutual interest in the development of the Europe-Caucasus-Asia transport corridor for the improvement of the transport infrastructure within TRACECA on the basis of the revival of the Historic Silk Route,

Realizing the new railway connection project, being implemented in the context of the European Neighbourhood Policy, is the key link of the East-West energy transport corridor, and along with the Baku-Tbilisi-Ceyhan oil pipeline and the Baku-Tbilisi-Erzurum gas pipeline, will promote the economic growth, stability and welfare increase in the region,

The presidents have agreed to:

Undertake the necessary measures for realization of the new railway connection project, which will promote more efficient functioning of the environmentally sustainable, reliable and commercially viable transport corridor in the framework of the development of the Europe-Caucasus-Asia corridor, promoting integration with Trans-European Railway Network.

In November 21, 2007 the presidents of Azerbaijan - Ilham Aliyev, Georgia - Mikheil Saakashvili, and Turkey - Abdullah Gul inaugurated the construction of the Baku-Tbilisi-Kars (B.T.K.) railway in Marabda, South Georgia. Linking Baku in Azerbaijan with Kars in eastern Turkey via Tbilisi in Georgia, the railway is scheduled to be completed by the end 2011 and will transport goods, especially oil and passengers. There are plans to extend the railway corridor to Europe under the Marmaris project once a tunnel under the Istanbul strait becomes operational around 2012.

The B.T.K. project includes construction of a 29-kilometer segment in Georgia and a 76-kilometer segment in Turkey. Moreover, 160 km section of Akhalkalaki-Marabda-Tbilisi railway will be also reconstructed to improve the carrying capacity to 15mln tons of cargo per year. It is planned to build in Akhalkalaki station a special place for the transition of trains from the track gauges existing in Georgia and also in other post-soviet countries (1520 mm) to the European one (1435 mm). The project is estimated at \$422mln and taking into consideration the accompanying infrastructure its cost will comprise \$600mln.

It is important to indicate there have been several attempts in the past to develop a railway corridor between Asia and Europe, they led to limited results. The European Union backed the Transport Corridor Europe-Caucasus-Asia (TRACECA), founded in 1993, with the goal of providing support to the development of transport infrastructure in South Caucasus and Central Asian countries. Other railway transportation projects are included in the European Neighborhood Policy (ENP) and are supported by Georgia, Ukraine, Azerbaijan and Moldova (GUAM) members. A much older initiative is the Trans-Asian

Railway (TAR) established in 1960 by the United Nations with the goal of creating an integrated freight railway network across Europe and Asia.

The UNECE Inland Transport Committee 67th Session, given to the importance of the Baku-Tbilisi-Kars new railway line connection project connecting the Trans-European railways with the Trans-Asian ones, the Committee has assessed this project as the first priority one with 4.0 scores out of the available 5.0 scores.

The participants of the Southern Corridor Summit (the EU, Azerbaijan, Georgia, Turkey and Egypt) recently held in Prague on the 8th of May 2009 declared to implement the extension of transport Trans European Networks to Turkey and South Caucasus and beyond to Central Asia along the Southern corridor, including connections to the Middle East. The B.T.K. new railway has a high importance on implementation of the Prague Summit's steps on transport.

It seems that Baku-Tbilisi-Kars renewed interest in the revival of the old projects, in addition to new transnational initiatives backed by a complex mesh of geopolitical, national and economic interests that are emerging throughout the Central Asian and Caspian regions.

The Baku-Tbilisi-Kars railway political context

It was clear from the early stages of the project that Yerevan would oppose a transportation corridor that continues to isolate Armenia, consequently reinforcing its transport dependence on Georgia and Islamic Republic of Iran.

Armenia insisted that the existing railway between Kars and Gyumri in northeast Armenia would offer the best option. The Kars-Gyumri railway has not been functioned since 1993 due of the Nagorno-Karabakh conflict and Armenian occupation of 20% of the territory of Azerbaijan, Turkey closed its border with Armenia.

Due to the occupation of the Azeri lands by the Republic of Armenia resulted to the entire destruction of the C-E-693 index Gazakh-Barkhudarli-Yerevan railway line and the C-E-694 index South route (Baku-Alat-Julfa-Masis-Gyumri-Kars), the Republic of Armenia is caused to its entire isolation and blockage of

Nakhchivan, an integral territory of the Republic of Azerbaijan (the length of the railway travelling along the occupied by the Republic of Armenia territory of the Republic of Azerbaijan is 240.4 km, and 4,498 km of the motor roads).

Due to the long-term non-operation of the Baku-Alat-Julfa-Masis-Gyumri-Kars railway line the Republic of Armenia has cut its and Azerbaijan's route to the West and European countries.

Azerbaijan and Turkey are strongly opposed to Armenia's participation in regional projects and asked Yerevan to withdraw its troops from Azerbaijan as a precondition for joining the projects. But, despite of ceasing hostilities since 1994, four UN Resolution on liberation of occupied territories by Armenian forces, meetings and discussions on high political levels has not yet solved this problem. Meantime, it makes no possible to set up any relation with the Republic of Armenia before the territories of the Republic of Azerbaijan have not been liberated. Therefore, Azerbaijan has not any transport communication with Armenia and Azerbaijan does not allow its territory for any transit for Armenia.

Given its role in the region, Azerbaijan wants the railway to become a catalyst for increased regional integration and to foster trade and foreign direct investment. The B.T.K railway, estimated to bring US\$50 million annually, is part of Azerbaijan's strategy of becoming a key segment of the transportation corridors on both the east-west and north-south axis. As the way westward through Armenia is closed for an undeterminable period of time, Azerbaijan is maximizing the access to transport corridors via Georgia.

Moreover, the new railway will allow Central Asian, Azerbaijan, Georgia and Iran to connect with Europe.

The perspective of Baku-Tbilisi-Kars railway

The implementation of Baku-Tbilisi-Kars new railway connection line project and meantime, construction of under Bosphorus railway under the Marmara project that connect the Trans-European and Trans-Asian railway networks along the construction of the new Sea Trade Port at Alat settlement (Azerbaijan) in line with

the advanced technologies would create the fast, safe and shortest railway connection to transport the goods to Europe and vice versa.

In July 2006 in Astana during the meeting of Ministers of Transport on further development of transport links between Europe and Asia the Kazakhstani and the Chinese sides welcomed information on planned new infrastructural projects including construction of a new railway line B.T.K. that connects the European and Asian rail road networks. The Kazakhstani side agrees to attract 10 millions tones of cargo of the Kazakhstan and transit origin annually, including dry cargo and containers under the condition that the project on construction of a new line B.T.K will be realized. China, major consignor of goods to Asia, and this country has also expressed its interest in transportation of cargo through B.T.K. route.

The construction of the Kars (Turkey) – Akhalkalaki (Georgia) railway branch in accordance with the advanced standards within the B.T.K. new railway connection project in the context of the implementation of the other transport projects, as the North-South international transport corridor and construction of new railway connection from Astara (Azerbaijan) to Rasht (Iran), upgrading of Baku – Boyuk-Kesik (Azerbaijan-Georgian border) railway branch of Azerbaijan segment, construction of the New Sea Trade Port at Alat settlement (Azerbaijan) will be caused to significantly raising of the role and competitiveness the Trans-European and Trans-Asian railway networks and should ensure the fast operation of the freight and passenger trains between Europe and Asia.

According to forecast of experts, at the initial stage Baku-Tbilisi-Kars will convey about 1mln passengers and 6.5mln tons of cargo. By 2030, this indicator will increase to 3mln passengers and 17mln tons of cargo.

The Baku-Tbilisi-Kars railway and CIM/SMGS legal regimes

For international trade business, the consignor or consignee of goods will always decide which transport mode to use based on a multitude of parameters. Along with these decision-making criteria, rail transport has several structural disadvantages:

1. there are two different legal systems governing liability, CIM and SMGS;
2. rolling stock travels on different track gauges;
3. the technical standard of rolling stock, the power and signalling systems and the requirements for train drivers and other railway staff;
4. time wasting controls at borders.

The common CIM/SMGS consignment note is the first definite step of OTIF and OSJD towards safeguarding the competitiveness of rail transport. It's very important to indicate the role of ECO in the regional aspect, which also deals with issues relating to cross-border rail transport.

Azerbaijan is member of OSJD and use SMGS consignment note. Azerbaijan has on several occasions expressed its interest in acceding to the Convention on International Carriage by Rail (COTIF). These considerations are now being intensified in the context of implementation and soon finalizing the construction of the new B.T.K. railway connection. The new railway network B.T.K., which is currently being developed, will provide new perspectives for rail transport. A new perspective might also arise with regard to legal certainty for the transport of goods between European States, Turkey, Iran (members of COTIF) with Azerbaijan and Georgia. It would be of benefit to the trade connections developing between Europe and the Caucasus region if Azerbaijan and Georgia accede to COTIF. This would then mean that the international transport of goods by rail would be possible under a irrespective of the possibility of an accession to COTIF, the possibility exists of carrying goods via Azerbaijan and Georgia using a single transport document (CIM/SMGS consignment note). Even this solution would speed up and improve the quality of transport, as it would no longer be necessary to rewrite the consignment notes at the interface between the CIM and SMGS legal regimes, which can be a source of errors and delays.

Azerbaijan now is in process of internal state procedure on acceding to COTIF. We consider the importance of coordination the COTIF/OTIF membership issues with the Georgia for the benefits of the countries and B.T.K. project which

was also discussed during a joint seminar on “Rail Conventions – OTIF membership and COTIF regimes” on December 2008, in Baku with the OTIF in cooperation with my Ministry.

Conclusion

The B.T.K. railway is a small, but key segment of the emerging transcontinental corridor that be resulted to significantly racing of the competitiveness of the international transport corridor and transit capacity of countries in a region and also support on creating an integrated freight railway network between Europe and Asia.
