
KATB Railroad : Azerbaijan as Locomotive of Regional Projects.

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Eurasia Daily Monitor

9/2/2007

Azerbaijan's President Ilham Aliyev, Georgian President Mikheil Saakashvili, and Turkish Prime Minister Recep Tayyip Erdohan witnessed on February 7 in Tbilisi the signing of a tripartite agreement to launch construction work this year on the railroad connecting their countries. The presidents signed a declaration on a 'Common Vision for Regional Cooperation' on this occasion.

The three countries' regional cooperation far transcends the South Caucasus, as it entails projects of intercontinental scope. These are: the recently inaugurated Baku-Tbilisi-Ceyhan oil pipeline, with a planned trans-Caspian link to Kazakhstan; the now-operational Baku-Tbilisi-Erzurum gas pipeline, which can reach via the Nabucco project into Central Europe; and the Kars-Akhalkalaki-Tbilisi-Baku (KATB) railroad, which will link not only the three countries with each other, but also the South Caucasus directly with Europe in the near term and potentially with Central Asia not long thereafter.

Azerbaijan can be said to function as the locomotive of the railroad project, as well as the path-breaker in initiating the oil and gas extraction projects with their westbound export routes. The KATB railroad is now being turned into reality thanks to Azerbaijan's financing of the project's longest and most challenging sections, both in Georgia: 30 kilometers to be built from scratch from the Turkish border to Akhalkalaki and another 160 kilometers to be repaired and modernized from Akhalkalaki to the Georgia-Azerbaijan border. Azerbaijan will also modernize the railroad on its territory, while Turkey will build a 68-kilometer line from Kars to the Turkish-Georgian border from scratch.

Azerbaijan is providing a \$220 million loan, repayable in 25 years, with an annual interest rate of only 1%, for the construction work on Georgian territory. Georgia plans to repay the loan by using its share of the transit revenue, once the railroad becomes operational. The credit agreement, signed last month, is to be ratified by the two parliaments and to be followed by a bilateral inter-bank agreement and a tender to select the construction companies. This railroad has become vital for Georgia in the wake of Russia's 2006 decision to impose a blockade on Georgia's transport communications.

Azerbaijan's Transport Minister Zia Mamedov, Georgian Economic Development Minister Giorgi Arveladze, and Turkish Transport Minister Binali Ildirim signed in Tbilisi on February 7 the agreement on construction work. The work in Georgia is expected to start in the third quarter of 2007 and to require two-and-a-half years. The railroad's anticipated capacity is 5 million tons per year initially, 10 to 15 million tons annually after the third year of operation, and ultimately up to 20 million tons annually. The KATB railroad will connect Azerbaijan and Georgia via Turkey with the tunnel crossing under the Bosphorus Strait to Europe.

The KATB project was held up for more than a decade by a lack of funding, mainly for its Georgia section. Azerbaijan is now taking the lead in this transport project thanks to revenue from oil projects that Azerbaijan itself had initiated during that past decade. During the signing ceremonies, Saakashvili paid tribute to the late Azerbaijani president Heydar Aliyev for laying the foundations of these integration projects. A section of the Mtkvari River's embankment in central Tbilisi was renamed after Heydar Aliyev in the presence of the three state leaders on this occasion. The Georgian

president also called on his nation to `never forget' Azerbaijan's decisions to supply Georgia with gas during the Russian energy blockade of January 2006 and again this winter, despite Russian cuts in gas and electricity supplies to Azerbaijan in retaliation.

The presidents also inaugurated a state-of-the art terminal at Tbilisi airport, built by a Turkish-Austrian consortium in one year. Concurrently, Turkey is building on its territory a highway that should reach the Georgian border near Batumi by the end of 2007, while Georgia is building a highway from Tbilisi to Batumi. Cumulatively, these developments are rapidly ushering in what Saakashvili called a `new era' in the South Caucasus.

Armenia continues to oppose the KATB project. Yerevan insists that Turkey should instead use the existing Kars-Gyumri (Armenia) railroad link, which Turkey closed in 1994 after Armenian forces had seized extensive territories of Azerbaijan. However, KATB and Kars-Gyumri are in no way comparable. While KATB is a project of transcontinental scope, Kars-Gyumri is merely a local link.

Armenia's opposition to KATB, against the interests of three neighboring countries, looks like a replay of Yerevan's long, ultimately futile resistance to the Baku-Tbilisi-Ceyhan oil pipeline project. In the case of KATB, however, Armenian lobbying groups have succeeded in blocking U.S. loans to the railroad project. Even from Yerevan's own standpoint, this attitude ignores the interests of the ethnic Armenian population in Georgia's deeply impoverished Akhalkalaki area, where this railroad brings hope of economic development. More broadly, Yerevan's opposition to KATB significantly complicates the U.S. administration's efforts to pull Armenia out of its quasi-isolation and into regional integration projects.

(Civil Georgia, Georgian Public Television, ANS, Turan, Anatolia News Agency, February 6-8; see EDM, January 19)
