

## THE BAKU-TBILISI-KARS RAILROAD AND ITS GEOPOLITICAL IMPLICATIONS FOR THE SOUTH CAUCASUS

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### **Abstract**

*This article aims at evaluating the geopolitical impact of the construction of the Baku-Tbilisi-Kars (BTK) railroad in the South Caucasus. Indeed, after the implementation of the East-West energy corridor, it will contribute to further regional cooperation between Azerbaijan, Georgia and Turkey. On this matter, it reflects the very specificity of this regionalization that is essentially based on economic issues and develops despite opportunistic interests. Furthermore, the BTK railroad will constitute a new stage in the further marginalization of Armenia within the South Caucasus. Not only it will bypass this country but it will also undermine its ethno-political leverages, notably in Georgia. Finally, in spite of the recent political events in the South Caucasus, the BTK railroad could be a new step in the incoming showdown between, on the one hand Azerbaijan, Georgia and Turkey and, on the other hand, Armenia, Iran and Russia.*

**Keywords:** *South Caucasus, Baku-Tbilisi-Kars, Railroad, Geopolitics, Regionalization.*

### **Introduction**

On November 21, 2007, in Marabda (southern Georgia), the Presidents of Azerbaijan, Georgia and Turkey inaugurated the construction of a new railroad between Kars and Baku, via Tbilisi. This new railroad is supposed to increase the transportation capacity in the South Caucasus and to diversify the nature of the goods that are transported through these three countries. Indeed, after the implementation of the Baku-Tbilisi-Ceyhan (BTC) oil pipeline and of the Baku-Tbilisi-Erzurum (BTE) gas pipeline, the Baku-Tbilisi-Kars railroad, also known as the Kars-Akhalkalaki-Tbilisi-Baku railroad, should be another step in the definition of the South Caucasus, and especially of Azerbaijan, Georgia and Turkey, as a major transit corridor between Europe and Asia.

The project of a railroad between Azerbaijan and Turkey through Georgia was first discussed in July 1993, after the Kars-Gyumri-Tbilisi railroad, which goes through Armenia, was closed.

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Because of a lack of funding at this time, this project was more or less abandoned<sup>1</sup>. However, during the inauguration of the BTC pipeline on May 2005, the Presidents of Azerbaijan, of Georgia and of Turkey evoked once again the possibility of building a railroad between their three countries<sup>2</sup>. And 2007 was a crucial year in the implementation of this project: on February in Tbilisi, Azerbaijan, Georgia and Turkey signed a trilateral agreement to launch the construction of the railroad in 2007. It finally started in Marabda in November 2007 for the Georgian part and in Kars in July 2008 for the Turkish part. The railroad is expected to open in late 2011. Its length will be 826 km and it will be able to transport 1 million passengers and 6.5 million tons of freight at the first stage. This capacity will then reach 3 million passengers and over 15 million tons of freight. The total cost of the project will be around \$600 million, including \$422 million dedicated to the construction of a railroad between Kars and Akhalkalaki and to the rehabilitation of the railroad between Akhalkalaki and Marabda.



Inauguration of construction of the Turkish part of BTK railroad by Presidents of Azerbaijan, Georgia and Turkey in Kars, Turkey, on July 24 2008.

Source: [www.president.az](http://www.president.az)

During the signature of the trilateral agreement on the BTK railroad on February 2007, the Georgian President M. Saakashvili presented the BTK railroad as a “geopolitical revolution”<sup>3</sup>. After the implementation of the East-West energy corridor<sup>4</sup>, the BTK railroad seems to be

<sup>1</sup> Hakobyan, Grigor, “Armenia Responds to Kars-Akhalkalaki Railroad Proposal”, in: *Central Asia Caucasus Analyst*, 09.07.2005 (<http://www.cacianalyst.org/?q=node/3371>).

<sup>2</sup> Ziyadov, Taleh, “Officials Meet to Discuss South Caucasus Rail System”, in: *Eurasia Daily Monitor*, vol. 2:232, December 14, 2005, The Jamestown Foundation, ([http://www.jamestown.org/edm/article.php?article\\_id=2370599](http://www.jamestown.org/edm/article.php?article_id=2370599)).

<sup>3</sup> Akhalzashvili, Malkhaz, “Turkey Announces Start Date for Baku-Tbilisi-Kars Railroad Construction”, *Georgian Daily Independent Voice*, July 09, 2008, Economy section.

<sup>4</sup> This corridor is constituted of the BTC and the BTE pipelines and of the Baku-Supsa oil pipeline.

another step in the considerable political evolution of the South Caucasus. Thus, this paper aims at evaluating the geopolitical impact of this railroad on the South Caucasian region and at analyzing to what extent it contributes to the emergence of what I may call an informally integrated AGT (Azerbaijan-Georgia-Turkey) region, and to the further marginalization of Armenia in the South Caucasus. Indeed, the construction of the BTK railroad constitutes a new step in the development of particular political ties between Azerbaijan, Georgia and Turkey. It also participates in the further marginalization of Armenia in the South Caucasus. It may finally contribute to the formation of a geopolitical axis in the region, opposing the AGT countries, potentially encompassing Russia, Armenia and Iran.

### **A New Step in the Development of an Informally Integrated AGT Region**

The implementation of the East-West energy corridor has laid the foundations for increased economic and political ties between Azerbaijan, Georgia and Turkey. At the economic level, since the beginning of the 2000s, the trade volume between these three countries has been constantly increasing: between Georgia and Turkey, it increased from \$241 million in 2002 to more than \$830 million in 2007<sup>5</sup>; between Azerbaijan and Turkey, it increased from \$296 million in 2003 to \$1.2 billion in September 2007<sup>6</sup>; and between Azerbaijan and Georgia, it increased from \$76 million in 2000 to \$411 million in 2006<sup>7</sup>. Obviously, the energy corridor has highly contributed to the increase of the trade volume and there is no doubt that the BTK railroad will further contribute to such an increase. At the political level, the signatures of an Intergovernmental Agreement for the BTC pipeline in November 1999, and of a Security Protocol related to the East-West energy corridor in July 2003 between Azerbaijan, Georgia and Turkey show how the necessary political management of these transnational projects has led to increased political ties between these states. Thus, the need to collaborate at the economic level has repercussions on their political relations, leading them to more and more cooperation.

The construction of the BTK railroad represents a new step in the further development of an integrated region involving Azerbaijan, Georgia and Turkey in the South Caucasus. Indeed, when the presidents of these states met in Marabda on November 2007 to inaugurate the construction of the BTK railroad, they signed at the same time a declaration on a “Common Vision for Regional Cooperation”. The Turkish President Abdullah Gül also mentioned during his visit to Azerbaijan in November 2007 the opportunity of setting up a special economic zone between Azerbaijan, Georgia and Turkey<sup>8</sup>. The implementation of transportation infrastructure in the AGT is highly linked to the further integration of these three states, highlighting how AGT transit states perceive transportation projects as tools for regional integration. Thus, even if it remains largely informal (no regional organization implementing norms and rules of cooperation exists between Azerbaijan, Georgia and Turkey), a regionalization process seems to be on course in the South

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<sup>5</sup> Source: Ministry of Foreign Affairs of the Republic of Turkey.

<sup>6</sup> Ibid.

<sup>7</sup> Source: Embassy of Georgia in the Republic of Azerbaijan.

<sup>8</sup> Ibrahimov, Rovshan, “Baku-Tbilisi-Kars: Geopolitical Effect on the South Caucasian Region”, *Journal of Turkish Weekly*, November 23, 2007, Opinion section (<http://www.turkishweekly.net/comments.php?id=2763>).

Caucasus, leading to the emergence of an informally integrated AGT region<sup>9</sup>.

Furthermore, the BTK railroad may also contribute to change the nature of the regional integration between AGT states. Until recently, such an integration has been essentially based on energy transportation and what is related to it (securitization of pipelines, for instance). The construction of the BTK railroad may enable AGT states to vary the basis of their political cooperation, orientating it towards goods transportation, but also towards higher circulation of people between the three states. In that perspective, the BTK railroad represents a new step in the definition of the AGT territory as a major bridge between Europe and Asia. The BTK railroad falls within the scope of the revival of the Ancient Silk Road. As the BTC and the BTE pipelines have been described as the “new Silk Road”<sup>10</sup>, the BTK railroad is now presented as the “Iron Silk Road”<sup>11</sup>. The transit states have used such an image to deepen the integration of the AGT region into the Western community<sup>12</sup>. For instance, the Azerbaijani Minister of Foreign Affairs Elmar Mammadyarov assumed in January 2007 that the BTK railroad would “create conditions for the revival of the historical Silk Road and [would] develop the Europe-Caucasus-Asia corridor, [deepening] the region’s integration into Europe”<sup>13</sup>. Therefore, the presentation of the BTK railroad as a new Silk Road may both enable transit states to attract foreign investors in the South Caucasus, and to encourage external states and international institutions to invest in such a project.

However, both the United States and the European Union have refused to fund the BTK railroad. Transit states have expected that these two political bodies would have accepted to finance the project, as it offers alternative routes to those that go through Iran and Russia and as they have in the past funded both the BTC and the BTE pipelines<sup>14</sup>. Indeed, the United States has played a huge role in the funding of the BTC pipeline, mobilizing on this occasion its financial government agencies such as the Export-Import Bank or the Overseas Private Investment Corporation<sup>15</sup>. The European Union-backed program INOGATE has also funded the BTE pipeline. Thus, as these two pipelines bypass Armenia, the transit states believed that the fact that the BTK railroad also bypasses this country would not be a problem for obtaining European and U.S. funding. On the contrary, the European Commission firmly refused, in October 2005, to

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<sup>9</sup> The expression AGT is taken from the vocabulary of private economic actors. It enables to shed light into the importance of economic issues, here mainly energy transportation, in the development of regionalization between Azerbaijan, Georgia and Turkey.

<sup>10</sup> Boland, Vincent, “The BTC Pipeline: the New Silk Road”, in: *Financial Times*, May 26, 2005, International Economy section, London first edition.

<sup>11</sup> Zeynalov, Mahir, “Iron Silk Road may Become Giant Highway between East and West”, in: *Sunday’s Zaman*, August 10, 2008, Politics section (<http://www.sundayszaman.com/sunday/detaylar.do?load=detay&link=149836>).

<sup>12</sup> By Western community, I refer to the core of states belonging to the West (mainly North America and Europe). States that are not part of such a community perceive it as a conveyor of legitimization on the international scene, notably in international institutions such as the International Monetary Fund or the World Bank.

<sup>13</sup> Ismayilov, Rovshan, “Azerbaijan, Georgia and Turkey: Building a Transportation Triumvirate?”, in: *Eurasianet.org*, July 02, 2007 (<http://www.eurasianet.org/departments/insight/articles/eav020707.shtml>).

<sup>14</sup> Zeylanov.

<sup>15</sup> Morningstar, Richard, “The Baku-Tbilisi-Ceyhan Pipeline: A Retrospective and a Look at the Future”, in: *Central Asia-Caucasus Analyst*, 23.08.2006 (<http://www.cacianalyst.org/?q=node/4113>).

finance such a project through the TRACECA program, supporting the reopening of the Kars-Gyumri-Tbilisi railroad rather than the construction of a new railroad bypassing Armenia<sup>16</sup>. Regarding the U.S. administration, Armenia used its strong lobbies in Washington like ARMENPAC or the Armenia National Committee in America to pressure the US Congress on the funding of the BTK railroad. Thus, in July 2005, Rep. Frank Pallone and Rep. Joe Knollenberg, both co-chairs of the Congressional Caucus on Armenian Issues, introduced at the Congress the “South Caucasus Integration and Open Railroads Act”<sup>17</sup>. The Act was finally voted as an amendment to the Ex-Im Reauthorization Act of 2006 with the support of the U.S. administration, prohibiting the Export-Import Bank to finance the BTK railroad. Such bans have constrained transit states to assume on their own the funding of this railroad.

On this occasion, Azerbaijan demonstrated its role of leader in the development of the AGT region. Because of the refusal of the European Union and of the United States to finance the BTK railroad, Azerbaijan has used its important energy revenues to fund on its own the project. While Ankara and Baku were able to finance the construction and the modernization of their railroads, it was not the case for Georgia. Thus, in January 2007, Azerbaijan provided a \$220 million loan to Tbilisi, repayable in 25 years, with an annual interest rate of only 1%<sup>18</sup>. For the first time since the end of the Cold War, a transnational project in the South Caucasus is being carried out without any involvement from international organizations or third countries<sup>19</sup>. The implementation of the BTK railroad may be presented as the act of independence of the informally integrated AGT region from external tutors. Indeed, while the United States and the European Union are at the source of the emergence of the AGT region, thanks to their role in the implementation of the BTC and BTE pipelines<sup>20</sup>, the funding of the BTK railroad shed light into the transit states’ capacity to assume the development of the AGT regionalization. Moreover, Azerbaijan now seems to be able to play a leading role in the goal-setting of the integration process of the region. For instance, Baku has insisted that Georgia and Turkey gave up discussions on the construction of a railroad between Kars and Batumi to consider the implementation of the BTK railroad<sup>21</sup>. After the Azerbaijani national oil company SOCAR bought the Kulevi oil terminal in Georgia and Azerbaijan delivered gas to this very same country during the Russian blockade of winter 2006, this highlights that Baku is really emerging as a new leader in the informally integrated AGT region.

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<sup>16</sup> Bocioaca, Stefan, “The Baku-Tbilisi-Kars Railroad: The First Step in a Long Process”, in: *Power and Interest News Report*, December 13, 2007, ([http://www.pinr.com/report.php?ac=view\\_report&report\\_id=733&language\\_id=1](http://www.pinr.com/report.php?ac=view_report&report_id=733&language_id=1)).

<sup>17</sup> Ziyadov.

<sup>18</sup> Socor, Vladimir, “Kars-Tbilisi-Baku Railroad: Azerbaijan as Locomotive for Regional Projects”, in: *Eurasia Daily Monitor*, vol. 4:29, The Jamestown Foundation ([http://www.jamestown.org/edm/article.php?article\\_id=2371901](http://www.jamestown.org/edm/article.php?article_id=2371901)).

<sup>19</sup> Ibrahimov.

<sup>20</sup> Even though the late Azerbaijani President Heydar Aliyev and former Georgian President Eduard Shevardnadze, and also the transnational oil company BP, played a huge role in the development of the East-West energy corridor, the latter would not exist without the deep involvement of the United States in the funding of the project, through its own government agencies or thanks to its power of influence at the World Bank and the International Monetary Fund.

<sup>21</sup> Hakobyan.

This new position of Azerbaijan within the AGT region may explain its capacity to convince both Georgia and Turkey not to consider any reopening of the Kars-Gyumri-Tbilisi railroad, increasing the isolation of Armenia within the South Caucasus.

## The Increased Marginalization of Armenia in the South Caucasus

Since 1992, Armenian forces continue to occupy Azerbaijani territories. In 1993, the United Nations Security Council adopted four resolutions, calling on an immediate and unconditional withdrawal of Armenian armed forces from all occupied regions of Azerbaijan.<sup>22</sup> To express its solidarity with Azerbaijan, Turkey closed its borders with Armenia in April 1993, leading to the almost complete isolation of Armenia within the South Caucasus. Indeed, the only way for Armenian imports and exports towards Europe and Russia goes through Georgia. The implementation of the East-West energy corridor has further increased the isolation of Armenia, as both pipelines bypass this country. Transnational oil companies in charge of the exploitation and the exporting of Azerbaijani oil found difficult to accept that valuable resources would pass through the very uncertain territory of Nagorno-Karabakh. Moreover, Azerbaijan has taken advantage of its position of producer country to refuse any export route that could go through Armenia. Therefore, Georgia enjoys a kind of monopoly in the economic exchanges between Armenia and Russia or Europe. In these conditions, Tbilisi has also taken advantage of the situation to implement high custom tariffs with Armenia<sup>23</sup>. For instance, it costs over \$800 to send a shipment from Europe to the Georgian port of Poti and over \$2,000 to transport the same shipment from Poti to Yerevan<sup>24</sup>. Finally, the Russian-Georgian war of August 2008 has definitely highlighted the Armenia's dependency *vis-à-vis* Georgia. The Armenian economy suffered from the bombing of the Gori-Tbilisi railroad, which then joins Armenia, and from the blockade of the Georgian ports on the Black Sea, as Armenian imports and exports could not reach Yerevan<sup>25</sup>. Consequently, Georgia enjoys a situation of monopoly in the external trade of Armenia, insofar as Yerevan has no choice to trade with Russia or Europe but to pay high customs tariffs to Tbilisi and to suffer from any political turmoil in Georgia.

The isolation of Armenia in the South Caucasus benefits Georgia, which is against the reopening of the Kars-Gyumri-Tbilisi railroad<sup>26</sup>. Indeed, such a reopening would undermine its status of major transit country for Armenian imports and exports. But Tbilisi is not the only country to be

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<sup>22</sup> See the Security Council Resolutions 822, 853, 874 and 884 at <http://www.state.gov/p/eur/rls/or/13508.htm> For a more detailed approach of the Nagorno-Karabakh conflict, see Cornell, Svante E., "The Nagorno-Karabakh Conflict", (Department of East European Studies, Uppsala, Report n° 46, 1999).

<sup>23</sup> UNDP Georgia, "Study of Economic Relations Between Georgia and Armenia", Tbilisi, May 13, 2008 ([http://undp.org.ge/new/files/24\\_248\\_868263\\_cbc-eng.pdf](http://undp.org.ge/new/files/24_248_868263_cbc-eng.pdf)).

<sup>24</sup> Ohanyan, Anna, "On Money and Memory: Political Economy of Cross-Border Engagement on the Politically Divided Armenia-Turkey Frontier", in: *Conflict, Security & Development*, vol. 7:4, December 2007, pp. 579-604.

<sup>25</sup> Abrahamyan, Gayane, "In Wake of Georgia War, Armenia Faces Hobson's Choice", in: *Eurasia.net*, September 10, 2008, (<http://www.eurasianet.org/departments/insight/articles/eav091008b.shtml>).

<sup>26</sup> Hakobyan.

against the reopening of this railroad. As for the construction of the East-West energy corridor, Azerbaijan stands firmly against any railroad that would go through Armenia until the issue of Nagorno-Karabakh is resolved, stating that “until Armenia liberates the occupied Azerbaijani territories, all transportation projects will bypass [this] country”<sup>27</sup>. Turkey adopts the same posture as Baku, even if local Turkish entrepreneurs in the Kars region argue for a reopening of the former Soviet railroad. For instance, the Turkish-Armenian Business Development Council has lobbied Ankara to accept the reopening of the Kars-Gyumri railroad<sup>28</sup>. Such a reopening may have made official all the informal trade that exists at the Turkish-Armenian border, making goods transportation cheaper and safer between these two countries<sup>29</sup>. However, as Turkey has no diplomatic relations with Armenia, such lobbying has not been effective. Therefore, the construction of the BTK railroad highly contributes to the further economic marginalization of Armenia in the South Caucasus, deepening the asymmetry of relations in the region between AGT states and Armenia<sup>30</sup>.

If the BTK railroad plays a role in the further economic marginalization of Armenia, it also constitutes a new step in undermining the Armenian ethno-political leverages in the South Caucasus. The East-West energy corridor has been important in the limitation of ethno-political tensions in the region, especially in Georgia. Indeed, the BTC and BTE pipelines cross both Kvemo-Kartli and Samtskhe-Javakheti – Ethnic Azeris represent 45.5% of the population of the former while Armenians constitute 55% of the population of the latter<sup>31</sup>. Such transportation infrastructure is supposed to bring wealth to these people, who have for a long time complained that Tbilisi had abandoned and marginalised them<sup>32</sup>. But, while pipelines cross parts of the region where ethno-political tensions are rather weak (the district of Borjomi in Samtskhe-Javakheti for instance), the BTK railroad will go through districts that are ethnically dominated by Armenians and Azeris. Even if ethno-political tensions exist in Kvemo-Kartli, it may not be a problem for the railroad, as Baku has on several times encouraged ethnic Azeris not to complain against Tbilisi because of the important cooperation between Azerbaijan and Georgia<sup>33</sup>. But the situation could be more difficult in Samtskhe-Javakheti. Indeed, the BTK railroad will stop in Akhalkalaki where Armenians constitute 94.3% of the population. At the time of the implementation of the BTC pipeline, Georgia labelled this district as a “no go area” for security reasons<sup>34</sup>. Some ethnic Armenians, mainly from local nationalist organizations such as *Virk* or *United Javakhk*, have already expressed their concerns against a railroad that will increase Armenia’s isolation in the South Caucasus<sup>35</sup>. Moreover, the construction of the BTK railroad follows the announcement of

<sup>27</sup> Azerbaijani President Ilham Aliyev in: Ismayilov.

<sup>28</sup> Hakobyan.

<sup>29</sup> Ohanyan.

<sup>30</sup> Ibid.

<sup>31</sup> International Crisis Group, “Georgia’s Armenian and Azeri Minorities”, (Europe Report n° 178, November 22, 2006).

<sup>32</sup> Ibid.

<sup>33</sup> Ibid.

<sup>34</sup> European Bank for Reconstruction and Development, “The Baku Tbilisi Ceyhan Pipeline Project”, June 2003 (<http://www.ebrd.com/projects/eias/18806ngo.pdf>).

<sup>35</sup> Lohm, Hedvig, “Javakheti After the Rose Revolution: Progress and Regress in the Pursuit of National Unity in Georgia”, (European Centre for Minority Issues Working Paper n° 38, April 2007).

the future closure in 2009 of Russia's 62<sup>nd</sup> military base in Akhalkalaki<sup>36</sup>. This closure has generated huge protests among ethnic Armenians of the region, since many local jobs depended on the base, and the BTK railroad is supposed to counterbalance the economic losses due to this closure. Consequently, the BTK railroad should bring economic wealth to these regions, attaching them definitely, at least at the economic level, to Georgian central control.

At the political level, the construction of the BTK railroad is supposed to undermine Armenian influence in Samtskhe-Javakheti and, in some ways, in the Kars region. Indeed, until recently, Armenia and Georgia have managed issues in Samtskhe-Javakheti like an informal condominium<sup>37</sup>. For instance, in March 2006, some Georgians killed an ethnic Armenian, which provoked huge protests in Akhalkalaki. At this juncture, Tbilisi turned to Armenia to diminish the tensions in the region<sup>38</sup>. The construction of the BTK railroad is aiming to avoid the repetition of this kind of situation, insofar as it would increase political links between Tbilisi and Samtskhe-Javakheti. And this already seems to be working, as most of the Armenian population of the region has welcomed the construction of the BTK railroad, even if it contributes to the further marginalization of Armenia in the South Caucasus<sup>39</sup>. Consequently, Armenia is losing its leverage on Georgian politics, as ethnic Armenians of Samtskhe-Javakheti seem ready to take part in the economic development of their region within Georgia. Furthermore, at the military level, thanks to the BTK railroad, Tbilisi would be more efficient to deal with ethno-political tensions in the region. Indeed, the railroad may facilitate the sending of troops from Tbilisi to this mountainous region. This constitutes a new stage in the integration of these regions ethnically dominated by Armenians and Azeris within Georgia after the construction of a military airport in Marneuli in Kvemo-Kartli and the settling of special Georgian security forces in the district of Borjomi during the constructions of the BTC and BTE pipelines. Finally, the Kars region in Turkey is one of the areas that Armenia claims to be part of its historical territory. Symbolically, with the construction of the BTK railroad, Turkey assumes that the Kars region now belongs to the AGT region and is not anymore part of Armenia. Therefore, the BTK railroad further marginalizes Armenia in the South Caucasus: it establishes asymmetric relations between Armenia and the AGT countries and it greatly diminishes economic and security leverages in ethnically Armenian-dominated regions. Moreover, it undermines, in the long term, potential economic gains for Armenia, as, after the BTK railroad brings into service, the Kars-Gyumri-Tbilisi railroad would not make sense at the economic level.

The BTK railroad seems to contribute to the further division of the South Caucasus between, on the one hand, the AGT states, and, on the other hand, Armenia. However, Yerevan does not stand alone on the international scene and benefits from the support of both Iran and Russia. This may lead to the formation of new geopolitical axes in the South Caucasian region.

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<sup>36</sup> Freese, Theresa, "Diversity Is Our Strength" – Georgian President Mikheil Saakashvili", in: *Eurasia.net*, April 22, 2005, (<http://www.eurasianet.org/departments/insight/articles/eav042205.shtml>).

<sup>37</sup> Serrano, Silvia, "Georgia: Going Away From the Empire" (in French), (Paris: CNRS editions, 2007), pp. 155-166.

<sup>38</sup> International Crisis Group.

<sup>39</sup> Lohm.

## A New Contribution to the Formation of Geopolitical Axes in the South Caucasus?

While the AGT region and Armenia seem to be face to face, the recent political developments in the South Caucasus could challenge the construction of the BTK railroad or, at least, its future success. Since the beginning of the project, Georgia has hesitated to take part in the BTK railroad. Indeed, the latter will compete with the Georgian ports on the Black Sea on the transportation of goods from Asia to Europe<sup>40</sup>. Both Azerbaijan and Turkey strongly lobbied Tbilisi to accept the construction of the railroad: the former provided a very interesting loan to Georgia, discussed above, and reminded Tbilisi of its help during the Russian gas blockade in 2006, while the latter has proposed part of its share in the gas exports from the Shah Deniz field<sup>41</sup>. This lobbying was effective and Georgia finally accepted the construction of the new railroad. But, with the recent political developments in the South Caucasus in summer 2008, hesitation seems now to side with Azerbaijan and Turkey. Since the Russian-Georgian war of August 2008, the Azerbaijani oil company SOCAR has been negotiating with Russia to increase the capacity of the Baku-Novorossiysk oil pipeline in order to prevent any shut down of the pipelines that cross Georgia. Furthermore, even though talks between Armenia and Turkey have existed for a long time, the recent visit of the Turkish President Abdullah Gül to Yerevan on September 6, 2008 may fall within the scope of diminishing Turkish transportation dependency on Georgia. For instance, the Turkish Transport Minister Binali Yildirim has claimed that “the Baku-Tbilisi-Kars railroad is by no means a project excluding Armenia”, considering Yerevan may one day take part in the project<sup>42</sup>. Even if the construction of the BTK railroad may not be challenged, these two examples show that both Azerbaijan and Turkey seem to have lost confidence in their Georgian neighbour. In this perspective, the August 2008 events have had important consequences on the AGT regionalization, and thus on the BTK railroad’s potential geopolitical impact.

However, even if the Russian-Georgian war has had consequences on the confidence between the AGT states, notably among economic actors such as SOCAR, the mutual interests between these three states are too important to undermine regionalization in the AGT region. Actually, this lack of confidence highlights one of the main characteristic of the AGT regionalization: it is based on very opportunistic interests<sup>43</sup>. The dimension of a common identity between AGT states is rather weak; what leads the AGT regionalization is the necessity to cooperate, so that AGT states will reach their own personal national interests. Thus, regarding the implementation of the BTK railroad, rather than the symbolism of a railroad that may enable citizens from the three states to go from one country to another, the most important aspect is the economic and political effect of the railroad on each state. For Azerbaijan, the BTK railroad may limit dependency on Iran to transport goods through this country to Europe. Moreover, Azerbaijan wants to stand as a major

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<sup>40</sup> Di Puppò, Lili, “The Baku-Akhalkalaki-Kars Railroad Line: Cement for a Strategic Alliance?”, in: *Caucas.com*, March 01, 2007 ([http://www.caucas.com/home\\_eng/breve\\_contenu.php?id=303](http://www.caucas.com/home_eng/breve_contenu.php?id=303)).

<sup>41</sup> Ibid.

<sup>42</sup> “Turkish Transport Minister: “Baku-Tbilisi-Kars not Meant to Exclude Armenia””, *Today.az*, September 13, 2008 (<http://www.today.az/news/politics/47519.html>).

<sup>43</sup> Interviews with Azerbaijani, Georgian and Turkish officials in Tbilisi in March 2008 and in Baku in June 2008.

transit hub in trade transportation between Europe and Central Asia. Azerbaijan is also the country that will benefit the most from the BTK railroad since, the railroad being the longest on Azerbaijani territory, it will make greater profit on tariffs<sup>44</sup>. For Georgia, the BTK railroad is a huge necessity to access Europe more or less independently. Indeed, the only railroad that exists going from Tbilisi to Europe crosses Abkhazia and then Russia<sup>45</sup>. Since the so-called independence of Abkhazia in August 2008, the BTK railroad would represent the only rail link between Europe and Georgia. For Turkey, the BTK railroad constitutes a new step in the definition of the country as a hub between Europe and Asia. Turkey also seeks to gain access more easily to Central Asia, in order to increase the Turkish balance of trade. For instance, Turkey has planned to increase trade with Azerbaijan from \$1.2 billion to \$3 billion<sup>46</sup>.

These various interests seem to be rather opportunistic, insofar as the AGT countries may be in competition with each other to reach them. For example, all the three countries are looking to become major transit hubs between Europe and Asia. But it is not sure that there is enough room in the South Caucasus for three important transit countries. Furthermore, the construction of the BTK railroad may increase competition between Georgian and Turkish ports on the Black Sea, such an infrastructure being likely to diminish the amount of shipments in the Black Sea ports<sup>47</sup>. However, in spite of this opportunistic behaviour, AGT states know that the only way to achieve their goals passes through the deepening of the AGT regionalization<sup>48</sup>. This is why the BTK railroad will exist and why it will increase cooperation between Azerbaijan, Georgia and Turkey.

Despite the recent political developments in the South Caucasus and despite the particularity of the AGT regionalization, the BTK is highly contributing to the development of an informally integrated AGT region. It also increases the independence of this region *vis-à-vis* both Iran and Russia. Indeed, the BTK railroad will compete with the Iranian Razi-Sarakhs railroad to link Europe and Asia. It will be a shorter way, and also a safer way if the Georgian political situation is stabilized<sup>49</sup>. Azerbaijan and Central Asian countries will not depend on Iran to export and to import goods to and from Europe. The BTK railroad will also be an alternative to the Trans-Siberian railroad that goes from Russia to China, bypassing both the South Caucasus and Central Asia<sup>50</sup>. With the Nabucco gas pipeline project, which plans to transport Central Asian gas to Europe bypassing Russia, the BTK railroad seems to be another attempt to diminish the Russian influence in Central Asia.

In this perspective, the BTK railroad will offer Turkey unimpeded access to this region<sup>51</sup>. It will also offer the opportunity for Central Asian countries to decrease their dependency on Russia to

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<sup>44</sup> Ismayilov.

<sup>45</sup> Ibrahimov.

<sup>46</sup> Ibid.

<sup>47</sup> Di Pippo.

<sup>48</sup> Interview with officials from the Georgian Oil and Gas Corporation (GOGC) in Tbilisi in March 2008 and from TPAO in Baku in June 2008.

<sup>49</sup> Bocioaca.

<sup>50</sup> Ismayilov.

<sup>51</sup> Ibrahimov.

export and import goods to and from Europe. For instance, Kazakhstan has already expressed its deep interest in the BTK railroad, planning to transport over 5 million tons of grain a year to Europe through this railroad<sup>52</sup>. Therefore, the BTK railroad is not only contributing to the further integration of the AGT region, it also participates in bringing Central Asia closer to Europe, and therefore undermines the position of Russia in Eurasia as the main transit country between Europe and China. During the inauguration of the construction of the BTK railroad in Kars, Turkish President Abdullah Gül asserted that the latter will be the missing link between London and China<sup>53</sup>. In the end, thanks to this railroad, the AGT region may appear as the main transportation corridor between Europe and Asia, decreasing importance of Russia in Eurasian trade. However, in addition to the marginalization of Armenia in the South Caucasus, this competition with both Iran and Russia may increase tensions between these countries and the AGT states.

Armenia, Iran and Russia may feel that the BTK railroad is planned to undermine their influence in Eurasia. This may increase the perception among these actors that geopolitical axes are emerging in the South Caucasus. The BTC pipeline has been the first step in the perception of the emergence of potentially rival geopolitical axes<sup>54</sup>. At the time of its implementation, Russia felt the main goal of this project was to undermine its influence in the South Caucasus and in the Caspian region. Iran may also have suffered from this implementation insofar as, according to most of the transnational oil companies, Iran was the shortest and the safest route to export Caspian energy resources<sup>55</sup>. Thus, Armenia, Iran and Russia consider themselves as victims of the AGT regionalization. As the United States has supported the AGT regionalization, the implementation of the AGT transportation corridor lays the foundation for the division of the South Caucasus into two geopolitical axes: on the one hand an axis uniting the AGT states, supported by the United States, and, on the other hand, an axis comprising Armenia, Russia and Iran. The existence of different regional security systems in the South Caucasus and in Central Asia increases such a perception. Indeed, while Turkey is part of NATO and Georgia plans to join this organization, Armenia and Russia are members of the Collective Security Treaty Organization of the CIS. Furthermore, Azerbaijan and Georgia are sometimes presented as the “Caucasian Tandem” of GUAM, which is a regional organization that seeks to contest Russian hegemony in the post-Soviet space<sup>56</sup>. Therefore, competition between these actors in the South Caucasus exists not only at the economic level but also at the political and at the security ones. Under these conditions, the construction of the BTK railroad may deepen the formation of geopolitical axes within the South Caucasus. For instance, Armenia, which already enjoys deep ties with Russia, is seeking to increase its already strong cooperation with Iran<sup>57</sup>. However, for the moment, this competition has not turned into rivalry and the actors of the region do not look

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<sup>52</sup> Ibid.

<sup>53</sup> Zeylanov.

<sup>54</sup> Gachechiladze, Revaz, “Geopolitics in the South Caucasus: Local and External Players”, in: *Geopolitics*, vol. 7:1, summer 2002, pp. 113-138.

<sup>55</sup> Jofi, Joseph, “Pipeline Diplomacy: the Clinton’s Administration Fight for Baku-Ceyhan”, (Princeton: Princeton University, Woodrow Wilson of Public and International Affairs, 1999).

<sup>56</sup> Papava, Vladimer, “On the Role of the “Caucasian Tandem” in GUAM”, in: *Central Asia and the Caucasus*, n° 3-4, 2008.

<sup>57</sup> Ibrahimov.

at each other as enemies, except Armenia and Azerbaijan. It is up to them to avoid a scenario in which such competition transforms into dramatic rivalry, leading to more and more conflicts in the South Caucasus.

If the BTK railroad is likely to diminish the influence of Armenia, Iran and Russia in the South Caucasus, and more generally in Eurasia, this does not mean that it will lead to a dramatic confrontation between these states and the AGT ones in the South Caucasus. The recent tripartite peace talks on the Nagorno-Karabakh between Armenia, Azerbaijan and Turkey shows that there is still room for peaceful dialogue in this region<sup>58</sup>. The geopolitical future of the BTK railroad will depend on the capacity of these states to resolve their issues.

## Conclusion

The BTK railroad is likely to have an important geopolitical impact on the South Caucasian region. Along with the East-West energy corridor, it will contribute to the further integration of the AGT region. It reflects the very specificity of this regionalization that is essentially based on economic issues and develops despite opportunistic interests. Furthermore, the BTK railroad will constitute a new stage in the further marginalization of Armenia within the South Caucasus. Not only it will bypass this country but it will also undermine its ethno-political leverages, notably in Georgia. Finally, in spite of the recent political events in the South Caucasus, the BTK railroad is likely to accelerate the emergence of potentially rival geopolitical axes in this region, although this may not transform into rivalry.

Therefore, the South Caucasus is now coming to a turning point. For more than 15 years, Azerbaijan, Georgia and Turkey implemented transportation projects that have increased their cooperation. At the same time, such projects isolated Armenia within the South Caucasus and undermined Russian, and also Iranian, positions in the region. The BTK railroad represents a new step in this process, pushing for more diversity in the cooperation between AGT states that was until now limited to energy issues. However, the strong Russian reaction to the Georgian attack on South Ossetia in August 2008 shows that Russia will no longer accept any undermining of its influence in the post-Soviet space. The AGT region now faces two options: it can continue to isolate Armenia and undermine Russian influence but prepare for stronger reactions, or it can pursue its regionalization, trying at the same time to involve Armenia in the resolution of regional issues. The visit of the Turkish President Abdullah Gül to Yerevan, as Turkey called for the creation of a Caucasus Stability and Cooperation Platform, seems to mean that the AGT region is opting for the second solution<sup>59</sup>. This is the only way if the AGT states do not want to sow the seeds of future conflicts in the South Caucasus. At the same time, Armenia also needs to soften its position on the Nagorno-Karabakh question. Recently, Armenian President Sarkisian has

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<sup>58</sup> Jenkins, Gareth, “Turkey Launches Karabakh Peace Initiative”, in: *Eurasia Daily Monitor*, vol. 5:175, The Jamestown Foundation ([http://www.jamestown.org/edm/article.php?article\\_id=2373360](http://www.jamestown.org/edm/article.php?article_id=2373360)).

<sup>59</sup> Civil Georgia, “Turkish President Speaks of Caucasus Stability Pact at UN”, *Civil Georgia*, September 23, 2008, (<http://civil.ge/eng/article.php?id=19583>).

offered Turkey's mediation in the settlement of this conflict<sup>60</sup>. This is an important progress, as Yerevan has refused for a long time to discuss Nagorno-Karabakh question with Ankara that it considered a biased actor, due to its friendship with Baku. Therefore, such a change is a good point in the resolution of this long-standing issue. If Armenia continues in this way, the highly sensitive Nagorno-Karabakh issue could be solved and the South Caucasian region could finally experience peace.

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<sup>60</sup> APA, "Abdullah Gul: Serzh Sarkisian Offered Turkey's Mediation in the Settlement of Nagorno-Karabakh Conflict", *APA*, October 23, 2008 (<http://en.apa.az/news.php?id=90733>).