

“REGIONAL INTEGRATED TRANSPORT CORRIDORS PROJECT”

(BÖLGESEL ENTEGRE ULAŞTIRMA KORİDORLARI PROJESİ)

**May 2, 2013
Ankara Palace**

**“Laying a Solid Ground for Partnership, Prosperity and Peace in
South Caucasus”**

**Presented by
H. E. Ambassador Fatih CEYLAN
Deputy Undersecretary of the MFA of Turkey**

AVİM Director Ret. Ambassador Alev Kılıç:

Esteemed guests, ladies and gentlemen. On behalf of the Eurasian Research Center (AVİM), honored and pleased to welcome you to a presentation on the transport and energy corridors of Turkey to the East, to Caucasus, Central Asia and beyond. Eurasian Research Center (AVİM) is a think-tank which currently focuses on the role of Turkey at the masses of Eurasia, at an era when we start to witness the shift of gravity of global economy and politics from the West to the East. In this context, today's presentations by Ambassador, Deputy Undersecretary of the MFA of Turkey, H. E. Fatih Ceylan is highly significant. The title, the topic sounds technical. However, the essence is very much economic and political. It is another testimony to the role Turkey's getting ready presumes describing the Balkans and the Caucasus establishing the nexus of Eurasia. We appreciate deeply the presence of Deputy Undersecretary Ambassador Fatih Ceylan and also Ms. Berris Ekinci the Director General for Energy Issues of MFA to make a complementary presentation to clear the picture. The energy corridors that Turkey will come to the life. As regards the logistics, what we envisage is the presentation by Ambassador Fatih Ceylan for approximately half an hour to be followed by a presentation by Ms. Ekinci for another fifteen minutes. And then we'll have a coffee break and after fifteen minutes we'll have a Q&A session. I thank you very much for being here and it is a pleasure to invite Deputy Undersecretary Ambassador of MFA Ambassador Fatih Ceylan and his presentation on the Regional Integrated Transport Corridors Project.

Ambassador H. E. Fatih Ceylan:

I will try to present you a holistic concept which based on the railroads and highways and the transportation of energy resources which Ms. Ekinçi will concentrate on. Let me give you a background of you why we initiate such a project. Back in 2010, there was a SEKA summit meeting in Istanbul, in June 2010, whereby we had undertaken the presidency of SEKA which we will hand over to China, next year, in 2014. There President Gul had a meeting with President Aliyev, President Nazarbayev and President Putin. And he connected the idea of generating a Caucasus Development Fund to enhance the infrastructure in South Caucasia. The genesis of this concept was very ambiguous, but what we try to do is to integrate this Caucasian Development Fund with this transportation links in the region. I will not develop on the importance of this region, which is gaining importance day by day, in almost all spheres the geopolitical, geo-economics, and what have you. So, it is a very important region in strategic terms. And then we will look at the instant developments particularly in terms of energy and transport routes. And you can see the challenges associated with this strategic importance. The region, in our opinion is, extremely important for the region's stability and peace as well as Eurasia. But of course there are challenges in this region which we must all face. The first challenge that we confront with when we look at the region is, the Nagorno-Karabakh conflict. I will not see enough the Nagorno-Karabakh Conflict, because we have to have a holistic view of these protracted conflicts or frozen conflicts, which is the old terminology.

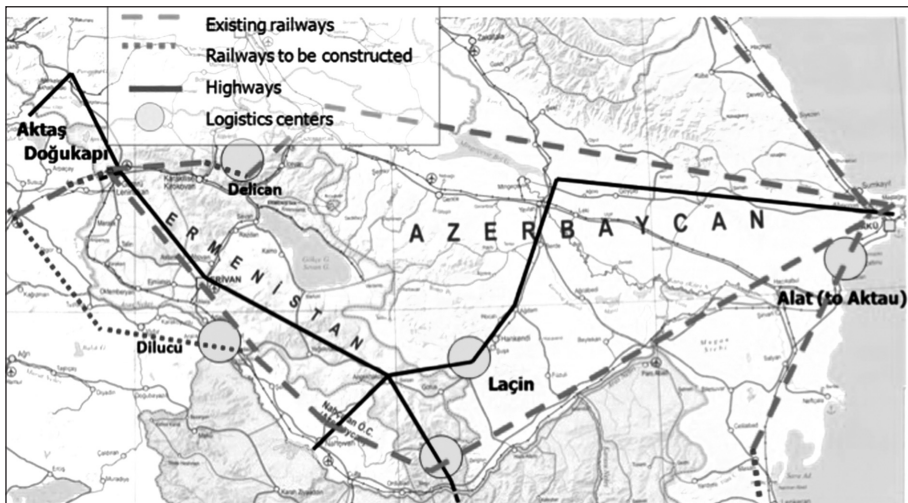
Starting with Nagorno-Karabakh, Abkhazia, South Ossetia and its history, but today, we will focus on the region, against the background of Nagorno-Karabakh. First of all, what you would like to achieve in the region is, regionally owned and regionally driven peace stability. We started our elaboration in September 2010. When this idea of Caucasus Development Fund was floated in SEKA meeting, trying to get into the terrain of how we can connect first and foremost regional countries. Taking account of the implications of the Nagorno-Karabakh Conflict certainly. And the first fundamental principle that we adopted was, the current status quo in Nagorno-Karabakh is neither sustainable nor acceptable. So no war, no peace, is not an option for Turkey. Therefore we have for a country which is sustainable normalization throughout the region. Let me clarify what we mean by full and sustainable normalization. This full normalization, should cover both trends. That is the normalization track between Turkey and Armenia. And also the normalization track between Armenia and Azerbaijan. These are reinforcing processes and it would be artificial to divide these processes to compartmentalize these processes. Otherwise, it would be impossible to reach a sustainable normalization. Normalization in one track does not mean

normalization the other track. So there must be reinforcing processes and interlocking processes, which we hope to generate a sustainable result covering the whole region. We are all aware of the fact I believe that always seen, has been concentrating on this issue for almost two decades. But we have no results which is unfortunate. What we are trying to do of course, throughout efforts by introducing such, solid projects. Not only confined to the region, but beyond, is to reinvigorate The Minsk process and tried to lay a solid ground for what we call peace prosperity and partnership in the region. This would be regionally owned and regionally driven effort. Which we believe should include Turkey, Russia, Azerbaijan, Armenia and Georgia certainly when we talk about South Caucasia. So what we need is some innovative ideas to prepare the grounds for full and sustainable normalization. So, we started thinking in terms of connecting the region through railroads and highways to change the status quo. (See Map 1) The status quo is unacceptable. That's what we have been saying for many years. But it is not only Turkey saying that the status quo is unacceptable or unsustainable. When we look at the close past focusing on the Nagorno-Karabakh Conflict, The Minsk Group projects at the high sense, set it in very cut terms that the status quo is unacceptable. And they are still saying the same thing. But the fundamental question here is, if this is set at the highest levels, what should we do about it? To solve this protracted conflict. Our idea is, to introduce projects which would prepare the

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ground for a sustainable peace. When we look at the landscape now, we already have some projects, like Baku-Tbilisi-Ceyhan; Baku-Tbilisi-Erzurum. And now there is another one coming, which I will elaborate more at the later stage in my presentation. And that is Baku-Tbilisi-Kars. So what we need at the very beginning of this project, is to concentrate on the region first and foremost. The critical component that is off concern from Turkey to Azerbaijan, Armenia and Russia. So we carried out an inductive approach focusing on how we can connect these three countries. Certainly, with a direct link to Russia and also including Georgia. And then, onwards, we found out that, it would not be sufficient to focus solely on this local context. And further, we elaborated this concept, the better the understanding is that, this goes far beyond its local vision. And it has connections with the Far East, starting from the Far East, going out to London the Western direction and going to the politics in the Northern direction. Our Foreign Minister, in September 2010, in a speech at Harvard Kennedy School, that he had a dream, he would like to go by car

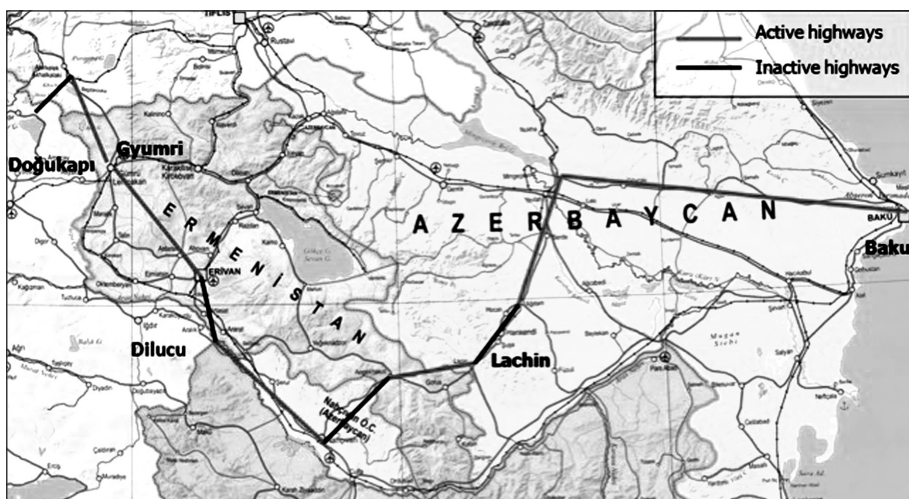
**Map 1:
Proposed Corridors and Logistics Centers**



from Kars to Yerevan and from Yerevan to Baku. The need for overcoming the barriers, that to have a peace in the region. So we doubt this partnership, prosperity, peace; 3P+ which we will talk about. What we are trying to do through this concept is, to encourage first and foremost regional cooperation. We would like to suit as a regionally owned, initiative in having vital and vibrant connectivity. Starting among Turkey, Armenia, Azerbaijan and Russia, an extending in the East world and the West world bounds. We concentrated on this transportation part and then when we look at the transportation of course, again it will not be sufficient to concentrate on the railroads. But one must have a holistic view. Railroads reinforced by highways and also seaports. So you must have an integrated project. But of course the first step should enhance the efforts to upgrade the existing transportation infrastructure projects coupled with highways that passes through this East-West corridor what we call. That requires certainly regionalized partnerships. I'd not need to elaborate more on the prosperity side of it. Because, once you increase the economies of scale, like connecting countries, starting from Caucasia including the European dimension and Eastern dimension, there is certainly a revival of economic and commercial links and interests. Throughout this past era, so what we will encourage is people to people contacts, at a proper stage, and conditions are right, opening all closed doors, there by overcoming the current barriers. That certainly requires, regional ownership, but we need to have a gained game changer of course bring about such a result. So now, I can more comfortably going to my subject, which is the Modern Silk Road. That connects Seoul, Beijing to London, and also Seoul, Beijing to Nordics, Scandinavian countries

through the vital project. As I told you before, we started from the South Caucasus, trying to contribute towards the solution of this protracted conflict and the Nagorno-Karabakh and they ended up in China, Seoul and London. Let's have a look at this railway and highway connections in the South Caucasus in the context of the Nagorno-Karabakh conflict. What we did is, to introduce the idea of having transportation link between Turkey, Armenia and Azerbaijan if you look at the map. The upper part is the Northern, let's call it the mini-Northern corridor and lower part is the mini-Southern Corridor. One railroad, one highway and the mini-Southern corridor, below. Again one railroad and highway connection. The mini-Northern corridor in the region, in the regional context is Dogukapi-Kirkovan-Delican-Baku; that is the railway and the lower one, the Southern one, Dogukapi, Yerevan, Nakhchivan, Baku. The highway as a concept we have a highway connection between Dogukapi, Gyumri, Yerevan, Dilucu, Nakhchivan, Lachin, Agdam and Baku. (See Map 2) Of course, it's not a comprehensive concept as far as the linkages I concerned and I am giving you this piece of information, assuming that one day we will achieve full mobilization on all tracks, Turkey-Armenia and Armenia-Azerbaijan tracks. So, this is a kind of post-peace project that we are proposing. But we have to start now. Think about what we could all do through such solid projects. Once we achieve peace, sustainable peace in the region. And we also thought that it would be a wise idea to have logistics centers along these routes in Turkey, in Azerbaijan, in Armenia supporting this connectivity. Thereby increasing the economies of scale and making people believe that it's in their interests to have peace in the region. We did discuss this project with different partners last year. When we have this contexts, we always received positive

Map 2:
Corridor 3: Highway Between Dogukapi & Baku



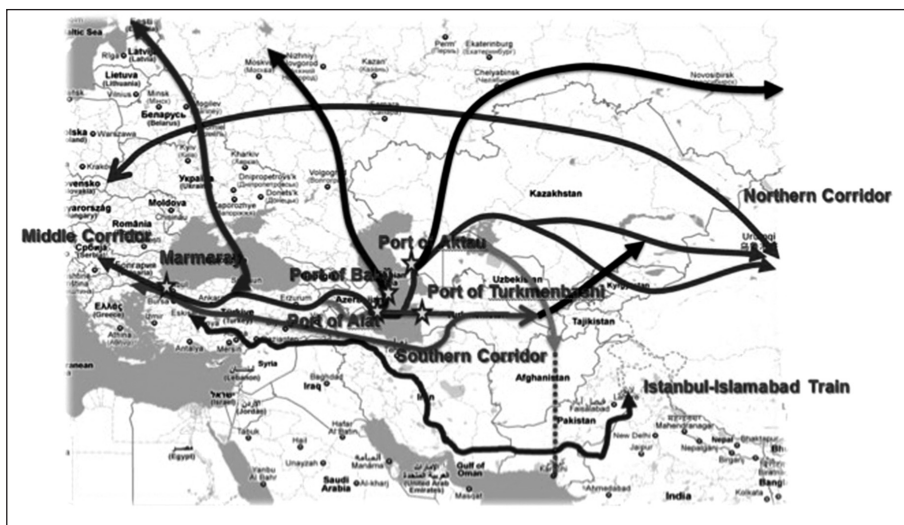
feedbacks. Of course, I did present this concept to the European Union in July 2012 to different European countries. I urged to develop similar projects in order to contribute towards the settlement of this long-lasting Nagorno-Karabakh conflict. Now, let's come to the bigger picture. The bigger picture is Modern Silk Road, which connects Seoul, Beijing, Kazakhstan to Azerbaijan, from Azerbaijan to Turkey and to London. And starting from Samsun going up to the Nordics. This is not a TRACECA by the way. This far beyond the TRACECA. The critical component of this project, currently is Baku-Tbilisi-Kars and Marmaray. These critical components will be finalized this year. Baku-Tbilisi-Kars towards the end of 2030 there will be an experimental train transportation on this route. And Marmaray we expect, is to be inaugurated on the 29 October, this year. Kazakhs are building airports, China is investing

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starting from Beijing. They will come to Ürümqi, from Ürümqi to Kazakhstan, From Kazakhstan to Akdag Airport. And from Akdag to Alat port in Azerbaijan. Alat is very close to Baku. From Baku to Kars; when you come to Kars, you are in Europe. We are also investing ourselves. Tremendously enhancing modernizing our own railroad systems. Baku also proposed this to have a connection with the North. That is the classical route of transportation. Which is unfortunately one thousand five hundred kilometers longer than the middle corridor. Of course, there are different climatic conditions in the Northern

Corridor which impedes transportation for certain periods throughout the year. Whereas in the middle corridor, you don't have such a climatic barrier and this middle corridor will be much safer. Parallel to that, we also elaborated how we can connect the subcontinent including Afghanistan to Turkey which we call the Southern Corridor. We are running experimental trains starting from Istanbul going up to Lahore. We are trying to reduce the length of this journey. There are three or four experimental trains in this Southern Corridor, what we have as an idea, of course, depending on the evolution of relations between Pakistan and India. This link could be extended from Lahore to Amritsar. And once you reach Amritsar, you can reach Mumbai. So, while we are concentrating on this Middle Corridor, on this Modern Silk Road, we are not ignoring the Southern part of it which could connect Turkey through Iran to Lahore, to the subcontinent, which means, have a connection with South East Asia. Certainly, we have been having a series of intensive consultations with our counterparts in Central Asia and trying to integrate our Central-Asian partners including Afghanistan to this Middle Corridor. We did talk to Kyrgyz authorities, cause there will be a connection between Kyrgyzstan and Kashgar

**Map 3:
MODERN SILK ROAD – MIDDLE CORRIDOR**

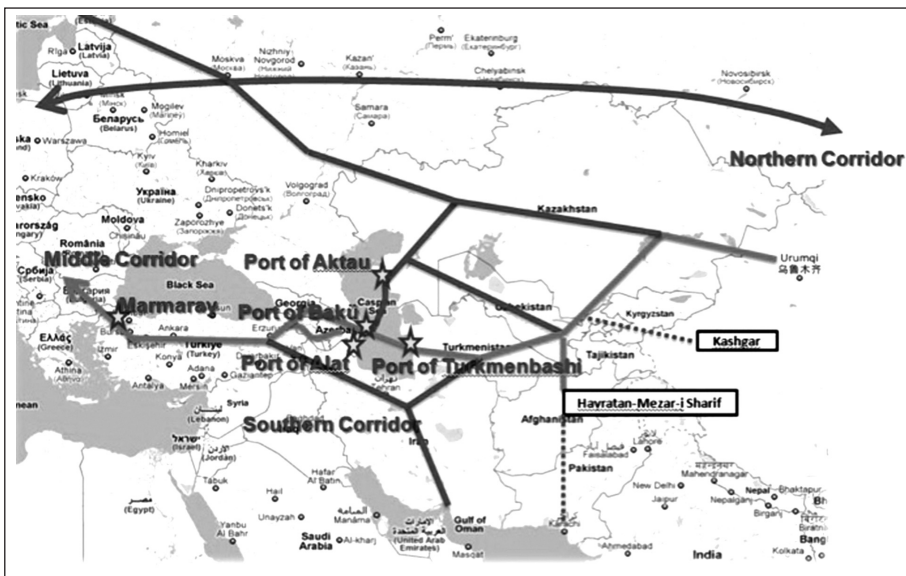


in China. We have a consultation period with our Turkmen friends. Cause there is another port, Turkmenbashi port, which is also critical, which we are trying to integrate in this Middle Corridor. (See Map 3) We will continue with our efforts to finalization of this route is not enough in itself. You have to have customs harmonization, tariff harmonization and what have you to make it feasible. We are also deploying efforts, towards its, harmonization in customs, in tariffs, transit passages and what have you. So, we are not neglecting the other critical component in making transportation through this road much more feasible. Now let's concentrate on the opportunities, challenges. This is certainly an alternative route, which one thousand five hundred kilometers shorter than the Northern Corridor. And then we look at the climatic conditions comparatively to Amritsar much better. Because of the current atmosphere in the region, talking about this Southern Corridor to Istanbul, going through Iran and to Pakistan, there are less political risks in the short-term if we make use of this Middle Corridor. We did not neglect to have connections between this Middle Corridor with the Northern Corridor and also the Southern Corridor, so we did not act selfishly by introducing ideas which would affect connectivity between this Middle Corridor and the Northern and Southern Corridors. I'll talk about Marmaray, of course, this is very important. Our aim is to make it up rational in October 2013 and Baku-Tbilisi-Kars towards the end of this year. That is the ultimate goal. I think that would change the landscape in this region, in many terms. Now, let's look at the benefits that it would bring to the regional countries first and to our partners in the West. For Turkey, of course, by

introducing these linkages, this connectivity among various countries. We will benefit from the economies of scale that will be generated as a result of the finalization of this transportation link. We hope that it would present a solid framework for a final and sustainable settlement. Particularly, in Nagorno-Karabakh and we will get Armenia. Armenia, you know, it is out of all regional projects. If it takes concrete steps towards the normalization of its relations with Azerbaijan, there is a probability that Armenia will also be included in this regional and beyond regional connectivity. Which means an opportunity to enhance the living conditions of its own people to benefit from economies of scale. We will not exclude a link between Armenia and Russia. We talked about this with the Russians. They found it extremely interesting, this project. But said that this has political aspects and we said "Yes it has political aspects, certainly." and political aspect is to have full and sustainable normalization in the region and Russia should also deploy its efforts during the process. This is regionally driven and regionally owned project with wider ramifications for many countries. When we look at Azerbaijan, my dear friend here, Faik Bey is here, from our perspective, what Azerbaijan would benefit, we are trying to have a connection, a direct connection between Nakhchivan and Azerbaijan. A short connection between Turkey and the West. Increasing the prospects of Azerbaijan becoming a transit hub on the East-West Corridor and the North-South Corridor again, economies of scale. And certainly, helping Azerbaijan efforts to diversify its economy, non-oil exports. But above all, to have sustainable peace, with the Nagorno-Karabakh conflict left behind it. When we look at Russia, these are our constrictions of course. The countries concerned should make their own assessments and analysis. But this is our perception. Russia has huge investments in Armenia. Armenian economy is dependent on Russia. But there is no return from these investments. So, that would provide Russia an opportunity to have reinvestments. From its investments that it has in Armenia. It will also open the door for further aspects in North Caucasia by making this North-South Corridor an active reinforce by logistics centers. So, that would also Russian efforts in North Caucasia. Russia is too logistics bottlenecks: One is Abkhazia and the other one is Armenia-Azerbaijan. By the completion of Baku-Tbilisi-Kars, I think, it would be in the interest of Russia. To overcome this bottleneck that it is facing in South Caucasus. If we can achieve these connectivity between Turkey, Armenia, Azerbaijan and Russia. Our friends in the EU, are trying to increase the feasibility in the region, to have this Eastern partnership policy. I hope they will achieve progress in implementation of this Eastern partnership policy. But I am not sure if there any solid projects like the one that I am sharing with you today. Unfortunately they don't. OSCE, I think it's extremely important for OSCE to find the solution for overcoming at least one protracted conflict which I believe to have positive repercussions on the other protracted conflicts in the region. That's Abkhazia, South Ossetia. Although they have their own intrinsic

mechanisms. It's important for OSCE to implement its conflict prevention mechanism to demonstrate that this is off-use. At this mechanism is important and its functional. I talked about our, potential gains. As I told you before, we are certainly having extensive consultations on making it a real project with our Kazakh and Afghan friends. China is doing its role. We also talked about the project with the United States. They were impressed. They think that this would be a “game changer” in the region. Of course, we do believe that it is a “game changer” in the region. So let's see, I think their main pre-occupation for how we can connect Afghanistan to the outside world. This is also our pre-occupation. We talked it with our Uzbek friends, there is an available connection between Hayratan-Mazar-i Sharif and its operation. (See Map 4) So we are also keeping Uzbekistan in contributing this connectivity. But we are also talking with Kyrgyz and Tajiks. Tonight I have a flight to Tajikistan and I will talk about this project. How we can connect Afghanistan to Tajikistan and Kyrgyzstan to this Middle Corridor. This is one of the agenda that I will talk to my Tajik friends, tomorrow. We have regular context with the European representatives on Lefort. We have numberless meetings. One or two years ago we had talks with Switzerland in the context of this confidence building measures. So, we will continue with our efforts to implement and to revive the Modern Silk Road connecting it to the North, to the South, to Western Europe, to the Nordics and to Scandinavia. So, as a conclusion, what we are trying to do by introducing such solid concepts and projects and we will continue to

Map 4:
CENTRAL ASIA



such projects and the other fields. We will share it with our partners and friends. We are encouraging first and foremost regionalized partnerships. Starting from South Caucasus we are contributing towards the settlement of the Nagorno-Karabakh conflict which should be based on full normalization and sustainable peace and prosperity. And for this reason, we have given our priority to infrastructure regional transportation projects. It is our aim to create prosperity in this region by promoting economic gravitation and integration. People to people contexts are very important and we do believe that once there is economies of scale that will also help people come together and enhance their living conditions.