

# *The New Iron Silk Road:* *The Baku-Tbilisi-Kars Railway*

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## **Abstract**

*The article examines the role of the railways in the transforming landscape of Eurasia, and argues that the Baku-Tbilisi-Kars (BTK) railway, which has a projected completion date of 2013, symbolically illustrates the end of Russia's traditional domination of railway transportation in the Caucasus. Pursuant to this, the author argues that for Azerbaijan, the BTK railway connecting Georgia, Azerbaijan and Turkey as part of a future Caucasus common market will solidify Baku's importance as a Caspian trade hub, and strengthen its relations with Central Asian countries.*

*Further, the author emphasizes that the BTK railway has attracted the interest of Central Asian states interested in using the Baku railhead as an "iron gateway" for the export of their commodities and products destined for European markets. Of these, Kazakhstan is taking the biggest steps to enhance its own energy export economy, and is interested in the project serving as a trans-Caspian linkup for its oil exports. The railway will provide Kazakhstan with direct access to the European Union for its oil and agricultural exports for the first time.*

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Railways have historically transformed the strategic landscape of Eurasia. From the Caucasus to Central Asia, railways in the 19<sup>th</sup> century were seen as the spearheads for competition and influence between Russia and Britain in the rivalry known as the Great Game. The Baku-Tbilisi-Kars (BTK) railway is no different. The transcontinental railway is speeding toward completion and will be fully operational sometime in 2013, ending the century-long Soviet and then Russian domination of regional rail transportation. Once built, the BTK railway will be the first region-wide East-West railway from the Caucasus to Turkey, and promises to revolutionize trade and transportation ties between the Caucasus and Europe. In short, it will become Azerbaijan's "Iron Silk Road", securing greater commercial ties with wider Europe.

Geopolitically, the railway is significant because it marks the end of Russia's domination of the railway network across the Caucasus. For nearly a century, Kremlin planners developed the Caucasus railway network along a North-South axis, aimed at integrating Georgia, Armenia and Azerbaijan into a Russian/Soviet economic sphere of influence. By building a railway that runs along an East-West axis that also partially adopts a European standard rail gauge line, Azerbaijan and Georgia are signaling that their

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economic future lies with the Euro-Atlantic community. The BTK railway will become a key artery for exports from the oil-rich Caspian Sea region and shorten the transport time and distance for Chinese goods routed through Turkey toward European markets. Moreover, with the completion of Turkey's Marmara rail tunnel underneath the Bosphorus, from 2013, trains leaving Baku will be able to reach London and Paris, which is truly a revolutionary development in land transportation engineering on par with the Baku-Tbilisi-Ceyhan pipeline.

For Azerbaijan and Georgia, a railway connecting Georgia, Azerbaijan and Turkey as part of a future Caucasus common market will solidify Baku's importance as a Caspian trade hub, and further strengthen its relations with Central Asia. The railway will form the nexus for a regional rail network, transporting cargo from China to European markets, serving as Azerbaijan and Georgia's window into Europe. It will also complement the existing Russia-linked Trans-Siberian railway that serves as an important overland corridor for trade between East Asia and Europe.

For Turkey, the new Iron Silk Road plays a key role in revitalizing its eastern city of Kars, its eastern gateway to the Caucasus. The arrival of the BTK is revitalizing Kars with a commercial vibrancy not seen since the days of the ancient Silk Road when it was used by Central Asia caravans as a transit point for overland trade routes to Europe and the Mediterranean. Directly south of Kars is the ancient Silk Road city of Ani, a staging post and banking center known as the city of “1001 churches.” Kars has long been an imperial outpost delineating the frontiers between Tsarist Russia and Ottoman Turkey. Subjected to numerous Russian sieges and battles during the 19<sup>th</sup> century, Kars is now looking to restore its commercial prominence with the construction of the BTK railway. The mayor of Kars told *National Geographic* magazine that the railway would transform Kars into a city “important in the world’s eyes.”<sup>1</sup>

For Azerbaijan and Georgia, the railway represents their common effort to work together to build closer transportation links to Turkey, and step-by-step chip away at the economic isolation of the Caucasus. Oil-rich Azerbaijan is using its growing economic and financial clout to fund the bulk of the costs of the \$850 million project. The BTK railway project further signifies Azerbaijan’s

<sup>1</sup> Brett Forest, “The New Silk Road,” *National Geographic*, August 2010.

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aspiration to see the South Caucasus integrated with European markets – it will be able to transport 17 million tons of cargo per year, as well as two million passengers. Writing in the Jamestown publication *Eurasia Daily Monitor*, Azerbaijani analyst Yashar Aliyev, quoting Azerbaijan’s former Ambassador to the United Nations, noted that “the BTK project is an important part of the East-West transport corridor that will be a guarantor of sustainable development and security in the South Caucasus and Eurasia as a whole.”<sup>2</sup>

Meanwhile, Armenia’s annexation of the Azerbaijani territory of Karabakh has blocked the traditional rail route that gave Baku access to Turkey and European markets, which has only reinforced Azerbaijan’s determination to establish an alternate rail link, bypassing Armenia to reach neighboring Turkey. After investing over \$2 billion dollars in its own rail system, Azerbaijan is now bankrolling regional railway development, eyeing the lucrative markets of Europe.<sup>3</sup>

<sup>2</sup> *Eurasia Daily Monitor*, December 15, 2005.

<sup>3</sup> Paul Goble, “Railroads Again Becoming a Factor in the Geopolitics of the South Caucasus,” *Azerbaijan Diplomatic Academy Bulletin*, November 21, 2009.

The BTK railway also holds enormous strategic importance for Georgia. Georgian President Mikheil Saakashvili has called the project “Georgia’s window to Europe” and hailed the project as a “geopolitical revolution” that “will allow Azerbaijan and Georgia to ensure direct rail communication with Europe, while Turkey will be linked with Central Asia.”<sup>4</sup> Indeed, Ankara has its own strategic vision for the project. Turkish Prime Minister Tayip Erdogan has championed the project, describing it as part of a Europe-China nexus that will come into play once a new 1.4-kilometer underground tunnel, known as the Marmaray project, is built underneath the Bosphorus.<sup>5</sup> Turkish Prime Minister Erdogan has described the railway as the “project of the century”, noting that the tunnel underneath the Bosphorus will become an integral part of the BTK project. The Marmaray project is the second trans-continental leg of the rail project that will further integrate Turkey and the South Caucasus into wider Europe, particularly once a high-speed railway between Ankara and Istanbul is finished in 2013, enabling passengers to travel from the capital to Istanbul in under three hours.

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<sup>4</sup> ITAR-TASS, July 24, 2008.

<sup>5</sup> John Daly, “Turkey Completes a Major Step in the Marmaray Project,” *Eurasia Daily Monitor*, October 15, 2008.

## Strategic Impact of the Railway

The BTK railway is not the first construction project to revolutionize regional transportation and development, but it will join the list of major engineering feats in the Caucasus since the breakup of the Soviet Union. The first ‘project of the century’ was the 1,768-km Baku-Tbilisi-Ceyhan pipeline, which commenced operation in May 2005. This mammoth project was followed by the Shah Deniz gas pipeline from Baku to Erzurum, which began supplying gas to Turkey a year later. Operating along the same corridor, the BTK railway will join the oil and gas pipelines that have elevated Azerbaijan to the ranks of major oil producing states.

One of the notable accomplishments of the BTK railway is that it will replace the Soviet backed North-South Kars-Gyumri-Tbilisi railway which dominated the transportation landscape of the South Caucasus until the collapse of the USSR in 1991. The Kars-Gyumri-Tbilisi railway was first built in 1899 by Tsarist Russia, and was purposely routed through Armenia as part of Moscow’s Armenia-centric policy in the South Caucasus, aimed at making Yerevan the bulwark of its forward policy against Ottoman-Turkey. The railway was used by the Russian military in its military campaign in Anatolia during World War I to

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supply Russian forces.<sup>6</sup> The chief drawback to the railway is that it uses narrow gauge rail, which meant that cargo had to be transferred by crane to trains destined for Turkey, creating traffic jams and delays at the border. The railway ceased operating in 1994 after Turkey closed its border with Armenia in response to the Armenian seizure of Karabakh. Since the closure of this railway, strategic planners in Tbilisi and Baku have been working to rebuild regional transportation links that would bypass landlocked Armenia, due to the diplomatic deadlock between Yerevan and Baku over Karabakh.

The idea for the BTK railway emerged in the 1990s during bilateral discussions between Azerbaijan, Georgia and Turkey, but the project lacked the necessary financing to get off the ground. Plans for the railway were put on hold as the three neighbors focused their attention on finishing the Baku-Tbilisi-Ceyhan pipeline project. In May 2005 when the BTC pipeline was near completion, the railway project was brought back on the agenda.<sup>7</sup> In December 2005, planners from Azerbaijan,

Georgia and Turkey resumed their discussions. BTK finally got off the ground in January 2007 as a result of Azerbaijan's increased economic strength via its energy exports, and over the past ten years, Azerbaijan's growing economic power has been staggering. Azerbaijani President Ilham Aliyev recently stated that Azerbaijan now provides as much as 80 percent of the investment in projects in the South Caucasus.<sup>8</sup>

By far the biggest obstacle facing the BTK project was the financing of the Georgian section of the rail line to Kars. In early 2007, Georgian officials managed to get their section of the railway started thanks to a \$220 million loan from Azerbaijan. This funding finally gave the Georgian government the resources it needed to begin work on several challenging rail tunnels from its side of the border to Turkey.<sup>9</sup>

The bulk of the 258 km long railway system was already in place when work first started, but key parts of the railway needed to be built before the project could be connected with the Turkish rail line in Kars. The most challenging technical aspect of the project was the Kars-Tbilisi leg. Soviet planners deliberately avoided linking Georgia directly to Turkey by rail due to military considerations during the Cold War, because it

<sup>6</sup> [http://en.wikipedia.org/wiki/Kars-Gyumri-Tbilisi\\_railway](http://en.wikipedia.org/wiki/Kars-Gyumri-Tbilisi_railway).

<sup>7</sup> Taleh Ziyadov, "Officials Meet to Discuss Caucasus Rail System," *Eurasia Daily Monitor*, December 14, 2005.

<sup>8</sup> <http://en.president.az/articles/5119>

<sup>9</sup> *Ibid.*

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preferred to rely on the rail line through Armenia, and also because of the mountainous terrain between Georgia and Turkey that acted as a deterrent to a possible NATO attack. Because of this, the Tbilisi-Kars leg of the railway had to be built from scratch with Turkish engineers involved in building a series of underground tunnels for much of the 98 km section from Kars to Tbilisi (with 68 km in Turkey and 30km in Georgia), including a underground tunnel of nearly 5 km between Turkey and Georgia. Turkish engineers have been busy for the past two years blasting tunnels into the mountains south of Kars, creating one of the longest underground tunnels ever built in Turkey.<sup>10</sup>

The railway has attracted the interest of Central Asian states interested in using the Baku railhead as an iron gateway for the export of their commodities and products destined for European markets. Of these, Kazakhstan is taking the biggest steps to enhance its own energy export economy and is interested in the project serving as a trans-Caspian

10 National Geographic, op. cit.

linkup for its oil exports. The railway will provide Kazakhstan with direct access to the European Union for its oil and agricultural exports for the first time. Strategic planners in Kazakhstan believe that the railway will enable a large increase in Kazakh commodity exports to Europe, particularly in the area of grain exports. In anticipation of the opening of the railway, Kazakhstan is finishing construction of an 800,000 ton grain terminal near Baku for the transshipment from barges to the strategic railroad.<sup>11</sup> Officials in Kazakhstan are planning to raise the capacity of the grain terminal to 5 million tons per year in the hope that it will become a key shipment center for grain exports to Europe.<sup>12</sup>

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### **Armenian Opposition to BTK**

Armenia's role as a key transportation node in the South Caucasus has historically been attributed to its dominant position as a transit point along the Kars-Gyumri railway. Starting in 1899,

11 Vladimir Socor, *Eurasia Daily Monitor*, July 25, 2008.

12 [www.energyresearches.org](http://www.energyresearches.org), October 31, 2009.

Tsarist planners deliberately gave Armenia an important role in rail construction in the South Caucasus as part of Moscow's occupation of Turkish city Kars, made possible by Russia's victory over Turkey in the 1877-78 war. During that war, the Russian General Staff experienced major delays in troop mobilization in the South Caucasus due to the underdeveloped rail network. In fact, it took a major logistical effort by the Russian military just to move troops from the Caspian to Tiflis (modern day Tbilisi) to undertake military operations against Ottoman forces based in Batumi.<sup>13</sup> Embarrassed by the delays in troop transfers, the Russian General Staff launched a major effort to modernize the rail network in the South Caucasus following the war. The bulk of this rail modernization was aimed at improving mobility in order to reinforce Russian-occupied Kars, which became Moscow's bridgehead into Ottoman Anatolia following that war. Following the Russo-Turkish war Moscow began to resettle large numbers of Armenian refugees from the Middle East, who were then relocated to Karabakh.<sup>14</sup>

Following the breakup of the Soviet Union, Armenia retained a key role in the South Caucasus rail network by virtue of its rail lines to Turkey.

<sup>13</sup> John P. McCay, *Baku Oil and Transcaucasian Pipelines, 1883-1891: A Study of Tsarist Economic*, *Slavic Review*, 43 (4) (Winter 1984), p. 609.

<sup>14</sup> Tadeusz Swietochowski, *Russia and Azerbaijan: A Borderland in Transition*, New York, Columbia University Press, p. 11.

However, following Armenia's occupation of the Azerbaijani territory of Karabakh, Ankara proclaimed an embargo against Yerevan, closing the border and ending its unique role as a rail bridge to Turkey. Armenia's diplomatic standoff with Azerbaijan over the future of Karabakh has only deepened Yerevan's growing regional isolation as the BTK rail project bypasses this land-locked country, leaving it more dependent than ever on Moscow for its economic lifeline. In light of this Armenia has grown weary of the economic repercussions of the BTK railway, which will further deprive Yerevan of whatever leverage it may have with its two neighbors. Two of the biggest challenges to the BTK railway project stem from Armenian-related issues. Dissent within Georgia's Armenian populated enclave of Javakheti and from the Armenian government in Yerevan as well as its powerful overseas diaspora have proven to be an irritating, but manageable problem for Tbilisi in its efforts to build the Georgian section of the BTK railway. Javakheti has traditionally been one of the most underdeveloped regions of Georgia where the biggest source of local employment had been the Soviet/Russian military base in Akhalkalaki.

Following the Soviet collapse in 1991, the Russian military desperately sought to maintain a foothold in the Armenian enclave of Javakheti through the deployment of its 62<sup>nd</sup>

division. Due to U.S. diplomatic pressure Moscow eventually evacuated the military base in Akhalkalaki in 2007. However, the Russian withdrawal was a mixed blessing for Tbilisi as the base had been a key source of regional employment for the local Armenian community. The closure of the base led to further economic problems as the regional Armenian community in Javakheti strove to cope with the worsening situation. When plans to open the BTK railway were first announced, Georgia's Armenian population in Javakheti opposed its construction, citing the railway's intention of bypassing Armenia.

Georgian officials have sought to reassure the local Armenian community in Javakheti that the railway will help inject economic life into the poorly developed region, and has undertaken major steps to improve the local economy in Javakheti despite the economic obstacles. For example, Georgian officials built a major transit point in Akhalkalaki where railway trains will be moved from the narrow gauge Russian sized track to European-size track for cargo shipments to Europe. In the long term, Georgian officials believe that the railway will help them to enhance political stability in the region. Over time, however, local attitudes toward the railway have changed due to increased expectations that the local economy should benefit significantly once the railroad becomes operational by 2013.

Meanwhile, the government of Armenia and its highly influential diaspora organizations in the United States have utilized their lobbying prowess in Washington to hinder the railway's progress. These groups have mounted several successful lobbying efforts to prevent the railway project from receiving U.S. financing.<sup>15</sup> In mid-2005, for example, the powerful Armenian lobbying diaspora mounted an effort to block U.S. financial support for the railroad, which later extended to Europe; consequently the EU halted its efforts to support the project.

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In July 2005 the two co-chairs of the Congressional Armenian Caucus, Representative Frank Pallone (D-NJ) and Representative Joe Knollenberg (R-Michigan), introduced the "South Caucasus Integration and Open Railroads Act of 2005 (HR 3361) which sought to block U.S. financing of any rail connections or railway-related connections that do not traverse or connect with Armenia.<sup>16</sup>

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<sup>15</sup> Vladimir Socor, "Kars-Akhalkalaki-Tbilisi-Baku Rail Project Soon to Roll Forward," *Eurasia Daily Monitor*, January 19, 2007.

<sup>16</sup> Ziyadov, *op. cit.*



A year later *Radio Free Europe* reported that Armenian lobbying organizations in Washington had used their influence to force the U.S. House Financial Services Committee to prevent any U.S. government funding for the BTK railway project because of Azerbaijan's involvement in the project. The House Committee argued that the railway would add to Armenia's existing economic isolation. The House legislation also made it impossible for the U.S. Export-Import Bank to develop or promote any rail connections connecting Baku to the railway.<sup>17</sup> This came at a time when Congressional officials failed to recognize that Yerevan had built a flourishing trade relationship with Iran and according to Wikileaks had also developed an arms relationship with neighboring Iran that led to the deaths of American soldiers in Iraq.<sup>18</sup>

Aside from Washington, representatives of the Armenian Javakheti community in Russia have also obstructed development of the railway by mounting an effort to speak out against the railway's construction. On the eve of the Georgian foreign minister's visit to Armenia in 2011, the Javakheti expatriate community issued a press release stating that the opening of the railway line would lead to an influx of cheap and low quality products. Other Armenian organiza-

tions went a step further, expressing concern that the railway construction was leading to an influx of workers from Turkey which threatened to alter the region's ethnic balance, and then issued a further call demanding that the region seek autonomy from Georgia. The issue of Javakheti's autonomy within a federal Georgia was even raised with members of the Council of Europe by local Armenian representatives.<sup>19</sup>

At the same time, officials in Yerevan have long insisted that Turkey should abandon the project and instead use the existing Kars-Gyumri railroad link that was closed by Ankara after Armenian forces seized Karabakh. As Jamestown Senior Fellow Vladimir Socor has noted, the two are basically incomparable – with the Kars-Gyumri rail line being a local project and the BTK railway being a project of transcontinental proportions, referring to the BTK railway's importance in trade with the European Union and as a link to China. With talks over the future of Karabakh in deadlock, such a development is inconceivable until Yerevan decides to return Karabakh to Azerbaijani control.<sup>20</sup>

Despite its opposition to the railway, Yerevan appears to understand that its demands for a re-routing of the railway are unrealistic, particularly

<sup>17</sup> *Radio Free Europe*, June 15, 2006.

<sup>18</sup> *Guardian*, November 28, 2010; *Washington Times*, November 29, 2010.

<sup>19</sup> Kristine Aghalaryan, "Javakh representatives Call for Autonomy to Stem Turkish Tide," *www.hetq.am*, March 19, 2012.

<sup>20</sup> Vladimir Socor, *Eurasia Daily Monitor*, February 9, 2012.

in light of the fact that Armenia is so vulnerable in terms of how far it can go with Tbilisi in its demands. First and foremost is the glaring fact that Armenia remains highly dependent on Georgia for its external trade, as more than 80 percent of its foreign trade is carried out through Georgian territory, notably the Black Sea ports of Poti and Batumi.<sup>21</sup>

During the Russo-Georgian war of August 2008, officials in Yerevan discovered the true extent of their transportation dependence on Georgia. The five-day war caused a closure of Georgia's ports and railways, which led to a suspension of exports. One of Georgia's most astute experts on the region recalls that the suspension in transportation was so severe that one more week of fighting would have led to a collapse of the Armenian economy.<sup>22</sup> In retrospect, Armenia's efforts to block the BTK railway project, just as it tried in the 1990s to prevent the BTC pipeline to Turkey from being built, only threaten to deepen Yerevan's economic isolation in the South Caucasus. Georgia and Azerbaijan are well on the path to creating a new transportation corridor that bypasses Armenia and will leave it even more isolated than before.

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<sup>21</sup> Emil Danielyan, April 7, 2005, *Eurasia Daily Monitor*.

<sup>22</sup> Conversation with Alex Rondelli, September 25, 2008.

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### **Conclusion: NATO's Iron Silk Road?**

As the BTK railway races toward completion in 2013, an underexplored issue is the impact of the railway on NATO. The completion of the BTK railway next year will come at an opportune time as the United States and its NATO allies will begin the "reverse transit" of American and NATO forces from Afghanistan by the end of 2014. The massive military withdrawal will involve the exodus of more than 130,000 men and 70,000 armored vehicles, supplies, and troops from Afghanistan. The bulk of these forces will be withdrawn from the region using the Northern Distribution Network (NDN), the alternate supply network for U.S. and NATO forces in Afghanistan that was created after the closure of Pakistan's Khyber Pass through which 70 percent of U.S. and NATO supplies to Afghanistan were transported. Created in 2010, NDN accounts for 35 percent of supplies which already go through the Caucasus (the remainder goes through the Baltic port of Riga,

through Russia to Central Asia).<sup>23</sup>

In the past two years Baku has emerged as the Eurasian hub of NATO transit to and from Afghanistan. Speaking in Baku on June 6, 2010, former Secretary of Defense Robert Gates referred to Azerbaijan as an integral part of the South Caucasus spur of NATO's supply line to Afghanistan. One U.S. official noted that in 2010 alone Azerbaijani airspace hosted the transit of over 100,000 American troops.<sup>24</sup> In light of Azerbaijan's important logistical role in supporting NATO troops in Afghanistan, its new Iron Silk Road will likely become a key reverse transit route for the U.S. military. Once operational sometime in 2013, the BTK railway should provide the United States and NATO with a route for the reverse transit of personnel and equipment directly from Afghanistan to Europe.

The BTK railway promises to have an enormous geopolitical impact on Azerbaijan's growing importance as a direct East-West transportation hub. Azerbaijan has already strengthened its role as an important transportation center for Caspian energy, first by becoming a major energy provider to U.S. and western energy security with the construction of the 1 million barrel per day Baku-Tbilisi-Ceyhan pipeline in the 1990s, and again in the 2000s by building the Shakh Deniz gas pipeline to Turkey. With the completion of

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the BTK railway sometime in 2013, Azerbaijan will not only have completed its strategic goal of becoming an energy provider, but will also have established a transportation link to Europe that will simultaneously strengthen its role with both the EU member states and NATO. In addition, it will have further cemented its role as part of a wider Europe-China trade corridor. The BTK railway will also enhance Azerbaijan's importance to China as part of a new Iron Silk Road for Chinese exports, and encourage Beijing to look upon Baku as a vital transit link to Europe.

In sum, the BTK railway project marks a transportation revolution in the South Caucasus, which promises to bring Azerbaijan and Europe closer. These factors, combined with Baku's bid to host the 2020 Olympics, will enable Azerbaijan to pursue its goal of becoming a major hub of commerce between East and West and further deepen its strategic importance to the Euro-Atlantic community.

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<sup>23</sup> *The Moscow Times*, April 16, 2012.

<sup>24</sup> <http://www.defense.gov/news/newsarticle.aspx?id=59508>