

TRANSIT CAPACITIES OF THE SOUTH CAUCASUS TRANSPORT CORRIDOR

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Abstract: *The volume of trade between East and West of the Eurasian continent takes place on the numerous routes. However, the Europe-Caucasus-Asia (TRACECA) transport corridor is most known to the world community.*

The TRACECA program projects involve the integrated development of sea, railway and road transport. As the consolidating measures, the central concern is the unification of transport legislation of the participating countries, the liberalization of regulation of shared services, the solution of common market and social problems in the area of the environment, security and international integration.

Time of delivery, as well as transportation costs through the Europe-Caucasus-Asia corridor depend upon the successful solution of these challenges.

KEY WORDS: RAIL FERRY CROSSING, MULTIMODAL TRANSPORTATION, LOGISTICAL SUPPORT.

1. Introduction

All transit routes that provide traffic flows by land, maritime and in the mixed form, play a crucial role in trade and economic relations between Europe and Asia. Over 50% of world traffic flows goes to the carriage of goods between West and East.

Georgia is located in the most important and sensitive geopolitical regions of the world, in key location of the Great Silk Road that historically played a high role in the development and relations of Europe and Asia. Since late last century, due to its own geographical space, historical past, political significance and economic capacity, Georgia has become a new geo-economic center between Europe and Asia, as well as between Russia and the Middle East. Consequently, a growing interest has emerged in Georgia as a new center of geo-economic attractiveness in regional and international arenas. The main geopolitical task of the country is integration into the European structures. Thus, the geopolitical strategy is clearly declared, and for the creation a niche for itself in the world economy, of utmost importance is to formulate and implement a well-constructed geo-economic strategy in relevant cooperation with local and international allies in the region. Thus, Georgia's geo-economic positions are influenced by: the intraregional level players (Armenia, Azerbaijan); in the case of the interregional level - Russia, Turkey, Iran, Central Asia countries; and such international level players as the EU, the United States and China.

At the current stage, in the context of globalization, the geo-economic role of Georgia, as a significant transit artery linking the west and the east, north and south, becomes all the more relevant and takes place in the geo-economic interests of big countries, such as the USA, EU member states, China and neighboring states. This transit artery is also important for the economic interests of Central Asia countries. Thus, the geo-economic positioning of Georgia has turned Georgia into a global interest. The developed countries have started to actively cooperate with Georgia in order to maximize their advantageous geo-economic significance.

In the center of the Caucasus transport corridor, the railway line running through the territory of Azerbaijan and Georgia connects the port of Baku in the Caspian Sea with the Black Sea harbors in Batumi and Poti. Not so long ago, this line could pass 40 pairs of trains per day, was considered well-equipped and electrified. However, the modernity has demanded reconstruction of this and other rail routes. For example, Azerbaijan, on the basis of free technical and financial assistance from Europeans, was able to repair and reconstruct two large bridges on the state railway, carry out major repairs of the track in some sections, as well as to buy boiler installations for steam cleaning oil tankers, purchase spare parts and so on. Within a short period, the country also succeeded in creating its own base for major repairs of locomotives, freight and passenger stocks.

Some projects are based on foreign loans. In Azerbaijan, over \$ 20 million from funds at the European Bank for Reconstruction and Development was used for reconstruction of the railway infrastructure, and in Georgia, the refurbishment of railways and roads was carried out within the World Bank project (\$ 11 million).

In order to ensure the reliable transmission of information on the transportation of goods, the fiber-optic cable was laid along the Baku-Tbilisi-Poti-Batumi railway. The work was carried out under the TRACECA program, and \$ 15 million was spent on it.

2. Preconditions and means for resolving the problem

On the Caspian, one of the most important transport hubs of the route is the Baku International Sea Port. It has several mechanized berths that specialize in working the cargo and tank vessels, as well as ferries and high-capacity containers. With the aid of the grant, the port has purchased the modern cargo-handling equipment. Rehabilitation of port using foreign investment is under way.

In the east, within the TRACECA projects, the great bulk of the cargo from Baku was to be transported by ferry across the Caspian Sea to the far bank into the port of Turkmenbashi. Then, the goods were to be transported through Turkmenistan by rail or motor road. In recent years, humanitarian aid and goods have gone on this route for economic recovery of Afghanistan. However, the peculiar position of the leadership of this country in relation to the transportation of goods, and the unpredictability of its position have generally forced to search for alternative routes. This has become the route of the north-east direction towards a new and rapidly developing Kazakh port of Aktau. It was rehabilitated in a short time with funds from EU, and this made it possible to significantly increase the volume of cargo and passenger traffic through the territory of Kazakhstan.

In the west, the Caucasian transport corridor is also divided into the separate directions. The railway ferry service linked the Georgian port of Poti to the Ukrainian port of Ilyichevsk and the Bulgarian port of Varna. The European Union had to spend The European Union had to spend more than 13 million euros on the creation of a triple railway ferry link Varna-Ilyichevsk-Poti / Batumi.

With increased cargo traffic, it is possible to open railway ferry link to another Bulgarian port - Bourgas. Both Bulgarian ports are well equipped, and they can receive and store the increasing volumes of cargo, are linked by rail and motor roads to the most important business centers of Europe.

According to the tripartite agreement between Bulgaria, Georgia and Ukraine, the goods passing through their ports were dispensed from paying the state duty.

The absence of a railway line to the east from Batumi and Poti through Iran increases the importance of the motor road going in the same direction and not crossing Azerbaijan and Turkey. A project was proposed to transform the Armenian section of this road into a highway. Thanks to flattening, the length of the road will be noticeably reduced.

Azerbaijan and Georgia are also engaged in improving their roads. The idea was put forward to build a toll Transcaucasian highway Tbilisi-Baku, which will allow for reducing significantly travel times from the Black Sea coast to the Caspian Sea.



Fig.1. The Eurasian central transit routes

Georgia has access to Europe by land and sea routes. The land route is part of the Trans-Caspian international transport route (the middle corridor in Fig.1.). This route combines the Baku-Tbilisi-Kars railway with the Yavuz Sultan Selim bridge over the Bosphorus Strait. The Baku-Tbilisi-Kars railway is a transport corridor linking the railway networks of Azerbaijan, Georgia and Turkey. It was opened on October 30, 2017. The projected traffic for this route is 10 million tons, with a possible (theoretical) increase up to 20 million tons [1]. The sea route can serve as a way out to Europe through the Black Sea ports in Batumi, Poti and Anaklia. Currently, there are three ports in Georgia: Batumi, Poti and Kulevi. There is also a cargo terminal with liquid in Supsa. However, the depth of the existing ports is insufficient to receive medium-sized cargo ships or large carriers of crude oil. To deal this constraint, the government of Georgia has decided to build a deep-water port on the Black Sea coast in Anaklia. The depth of the seaport is 20.5 meters (in Batumi - 14 meters, in Poti - 8.5 meters). The port of Anaklia will be able to receive large-sized ships of the Panamax and Postpanamax classes with a loading capacity of 50–150 thousand tons [2]. It is expected that the new port will become one of the main logistics centers in the South Caucasus and one of the main sea gateways for Georgia. The expected throughput of the port should reach 100 million tons per year [2].

Petroleum pipelines Baku-Tbilisi-Ceyhan and Baku-Tbilisi-Supsa, as well as gas pipeline Baku-Tbilisi-Erzurum are routed via Georgia, and Georgia is active in TRACECA (Transport Corridor Europe Caucasus Asia) and INOGATE (Interstate Oil and Gas Transportation to Europe) projects.

TRACECA is a program of international cooperation between the European Union and the partner countries on the organization of the Europe-Caucasus-Asia transport corridor. An important role in TRACECA is played by Georgian Railway JSC, which transports both liquid and dry cargo. Liquid cargo, consisting of crude oil and petroleum products, amounted to 46% of total goods traffic in 2016, while transit shipment - about 52% [3]. INOGATE is a program of international cooperation in the energy sector between the European Union, the Black Sea and Caspian states, as well as with their neighboring countries. The program was founded in 1996, and it is being implemented on behalf of the European Union [4]. For these pipelines and programs, an appropriate infrastructure has already been created, which can be used for the Belt and Road initiative.

Georgia has the free trade agreements with both EU and China. The Free Trade Agreement, signed in May 2015 in Beijing, entered into force on January 1, 2018. Prior to that, in 2014, the Deep and Comprehensive Free Trade Agreement (DCFTA) was signed between the European Union and Georgia, which has been entered into force since 2016 [14]. Georgia has also signed a Free Trade Agreement with Hong Kong. This Agreement was mutually agreed in 2016, and it has several standard components, particularly: elimination or reduction of tariffs; liberalization of non-tariff barriers; flexibility regarding the rules of origin to facilitate bilateral trade; procedures for simplifying customs procedures; investment liberalization, promotion and protection; liberalization of trade in services and the dispute settlement mechanism for a free-zone trade [5].

In recent years, the bilateral relations between Georgia and China have made rapid progress and obtained the positive results. Georgia positively considers the Belt and Road initiative, and wants to strengthen the cooperation with China in various fields.

3. Conclusion

The analysis of the main challenges and development opportunities of transport and logistics in Georgia indicate the need for developing a single state strategy and a single legal regulatory mechanism in this field, within which, it will be possible to demonstrate the capacities of the overall transport logistics system. In addition, full implementation of the transport and logistics potential of Georgia is associated with the analysis of the following issues in a common format: raising the quality of coordination between the individual government agencies; contribution to the development of a competitive environment among the carrier business operators; facilitating the implementation of a common tariff policy on cargo traffic; amendments to be implemented in the tax and free industrial zones regulatory legislation in Georgia; activating economic diplomacy; improving the administrative, technological and information space of transport and logistics infrastructure and services.

The Belt and Road initiative contributes to the economic development of many countries. Georgia expects that this initiative will lead to an increase in transit shipments and a remarkable recovery of the national economy. In general, the Belt and Road initiative is beneficial both to Georgia and China. In this context, the governments of both countries should make every effort to further deepen their cooperation. Georgia has a chance to serve as a

link between Europe and Asia and benefit from its geographical and geopolitical position.

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This work was supported by Shota Rustaveli National Science Foundation (SRNSF) [DP 2016_5. Organization and management of transport processes]