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**STATEMENT BY
THE REPRESENTATIVE OF THE DELEGATION OF THE
RUSSIAN FEDERATION AT THE FOURTEENTH MEETING OF THE
OSCE ECONOMIC FORUM**

Prague, 24 May 2006

Transport problems in the South Caucasus

I do not want to get into any kind of academic debate as to what should come first — the resolution of political conflicts and then the establishment of mutually beneficial economic ties, including transport links, or the reverse.

We believe it is necessary to be guided by a strictly pragmatic approach, namely that of improving the life of the people who live in the conflict zones. We are of the opinion that efforts to resume use of transportation arteries in the South Caucasus should already be made now rather than waiting for the appropriate political conditions, given that without transportation normal economic activity is impossible for business enterprises of all the States involved in the conflicts, as is economic growth and the resolution of social problems.

In that connection, I should like to recall that progress is being made in this area with the involvement of Russia. In January of last year, an agreement was signed between Russia and Georgia on the organization of a direct ferry and rail link between the ports of Kavkaz in Russia and Poti in Georgia.

Understandings have been reached between the relevant transport structures on the possibility of opening a rail link through Abkhazia. In January of this year, a high-level meeting was held with representatives of the Russian, Armenian and Georgian railways. Specific proposals were discussed in detail at this meeting, on the basis of which a business structure could already be established to carry out this work.

A decision was adopted to set up an international consortium with the involvement of the Russian, Georgian and Armenian railways. This will be a commercial enterprise, and representatives of companies not directly involved in transport but interested in transporting freight from Sochi to Tbilisi through the territory of Abkhazia are also invited to join it.

In our view, the importance of this decision goes beyond a strictly economic framework. It is vital that all the parties to the agreement gain something as soon as possible from the resumption of this railway route. This would not only have a socio-economic impact but would also help to improve the political climate in the region.

Once the project is successfully implemented, it would be useful to extend the railway into Armenia. At the same time, there is a need to resume the rail service between Kars and Gyumri.

Railway services along the Caucasian Black Sea coast would significantly cut delivery times for direct and transit freight and would reduce transport costs. It would be useful if Russian companies were involved in the repair of railways and resumption of rail services linking Russia and the South Caucasus. We are willing to participate in negotiations in any format, including any that might be initiated by the OSCE, to resolve these problems.

Our country supported the accession of Armenia and Azerbaijan to the Agreement on the International North-South Transport Corridor. In our view, the inclusion of these countries in the aforementioned corridor opens up major opportunities for them in terms of access to new markets and involvement in the provision of transit services. However, possibly the most important thing is that involvement in any joint project objectively helps to strengthen stability and security in the region.