



# UBCCE QUARTERLY BULLETIN

April 2007 N°1

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## NEXT ISSUE ON JULY 30

Article on Commercial relations in the Black Sea and Caspian Region

Glance at Region's Economies



Welcome to this very first issue of the Quarterly Bulletin of the first independent and voluntary business organization of the Black Sea and Caspian Region.

I am convinced that our Bulletin will make a significant contribution for creating a platform of effective communication between the member and possible member organizations and it will help increase the visibility of our Organization not only in the eyes of the business community but also in official level in the respective countries of the Region.

I am happy to announce that starting from the next issue in July, news and information regarding major business opportunities in our Region will also be placed which I believe will raise significantly the interest in our Bulletin.

**Arzuhan Doğan Yalçındağ**  
UBCCE President

Bulletin also available on [www.ubcce.org](http://www.ubcce.org)

## FORTHCOMING EVENTS

- ◆ UBCCE First Thematic Committee I Meeting on “Regional Economic Integration” to be held on May 23 in Bucharest, Romania.
- ◆ UBCCE Business Forum on Foreign Direct Investment to be held in Istanbul, Turkey. (Scheduled for September)

## UBCCE Quarterly Bulletin

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# About UBCCE

The region surrounding the Black Sea including the Balkans, Caucasus and the Caspian is becoming an emerging and vital part of the world in the changing global balances. With the aim of having a united voice of business for a dynamic, young and ambitious economic region like the Black Sea and Caspian and basing on its positive experiences acquired due to its membership to BUSINESSEUROPE and to UMCE, TÜSİAD decided to pioneer an initiative to congregate the private business organizations of the Region around a regional confederation of Enterprises.

## ***Uniting 16 business organizations from 12 countries of the Region***

Following almost a year of hard work and effort, representatives of 16 non-governmental, nationally representative, central, voluntary, horizontal and apolitical private business organizations from 12 countries (Albania, Azerbaijan, Bosnia and Herzegovina, Bulgaria, Georgia, Greece, Iran, Kazakhstan, Macedonia FYR, Romania, Serbia, Turkey) met in Istanbul on November 27, 2006 to take the first step for uniting the private sector under one umbrella within an international union called, UBCCE, “The Union of Black Sea and Caspian Confederation of Enterprises” and they agreed in principle to be the Founding Members of the Union.

During the Founding General Assembly held on November 27, 2006 TÜSİAD was elected as the President of UBCCE for the term 2007-2008 whereas ACPR (Romania), KUIE (Kazakhstan), ATIB (Azerbaijan) and FGI (Greece) were elected as the Vice Presidents of UBCCE. ACPR, as the First Vice President of the Union will take over the Presidency from TÜSİAD for the period 2009-2010.

***UBCCE's main strategic task is to become the voice of business in the Black Sea and Caspian***

UBCCE, a non governmental business organization which will soon complete its legal and official foundation as per the Turkish law on the foundation of international unions, is the first and unique example of private sector organizations coming together in this part of the globe. It aims to contribute to the economic and social development of the region by favoring the adoption of policies conducive to the better functioning of a market economy under optimal conditions for member countries. Its strategic goal is to become the counterpart organization of BUSINESSEUROPE in the Black Sea and Caspian Region.

When realizing its activities UBCCE will deal with the respective governments and other international organizations active in economic field and within this perspective it aims to maintain close contacts with other international, european, regional and sectoral organizations to pursue its objectives



*A dinner was held in Sait Halim Pasha Mansion on 26 November, 2006, prior to the FGA.*

## Management Committee I Meeting Almaty, Kazakhstan, 5-6 March 2007



Hosted by Kazakhstan's Union of Industrialists and Entrepreneurs (KUIE) and Kazakhstan Association of Oil-Gas and Energy Sector Organizations (KazEnergy), the first Management Committee Meeting of UBCCE was held on 5-6 March 2007 in Almaty, Kazakhstan with the participation of representatives from member federations in Azerbaijan, Georgia, Greece, Kazakhstan, Iran, Serbia and Turkey.

On March 5, a city tour of Almaty was organized by the host organizations where participants of the meeting had the chance to see the important sights of the city. A cocktail hosted by KazEnergy in InterContinental Almaty Hotel the same night gave the Meeting participants to exchange views before the meeting of the following day.

The meeting on March 6, attended by over 70 people, was held in two sessions. The morning session held as an open session, was attended by the representatives from the mentioned national private sector organizations along with Kazakh officials from Parliament and Ministries of Ecology & Environment, Industry & Trade and Energy & Mineral Resources as well as a delegation of Turkish Businessmen led by the strategic business development unit of

TÜSIAD, TÜSIAD International. Representatives from oil and gas, petrochemical sector (General Manager of Shell company in Kazakhstan, Martin Ferstl was also present to deliver a speech), research institutes and Kazakh mass media also participated in the open session of the meeting. The speakers of the Morning Session concentrated mainly on the necessity to cooperate between the private business organizations of the Region.

Following the speeches, a Press Conference attended by over 30 journalists was held where UBCCE representatives answered questions of Kazakh mass media on the Union.

The afternoon session was held as a close session in which the issues on the Agenda were discussed and decided by the representatives from UBCCE Member organizations. The issues on the agenda were; discussing the detailed planning of 2007 and 2008-Q1 activities, giving information on contacts of UBCCE Secretariat for the promotion of the organization and possibilities of cooperation with other institutions.

In this sense, the application of Montenegrin Union of Employers (UPCG) to UBCCE was welcomed and it was decided to invite the Federation of Austrian Industry (IV) as associate member to the Union.

The Management Committee Meeting produced an effective strategy and working calendar for UBCCE activities in 2007 and 2008-Q1.

After the Meeting, Memorandums of Understanding and Cooperation were signed between KUIE and the participating UBCCE Member Federations. The Event ended with a Gala Diner hosted by KUIE in a traditional Kazakh Restaurant.

## JANUARY 2007

**On January 8,** UBCCE A. Secretary General Murat Zöngür paid a visit to the Confederation of Employers of Republic of Macedonia, CERM in Skopje where Mr. Mile Boskov signed the Statutes of UBCCE for becoming a “full founding member” of the Union. Following the signature a joint press conference was held in CERM Headquarters announcing the membership of CERM to UBCCE.

## FEBRUARY 2007

**On February 7,** UBCCE A. Secretary General Murat Zöngür participated in the External Relations Committee Meeting of BUSINESSEUROPE along with Mr. Ioannis Patsiavos from the Federation of Greek Industries, FGI who made a presentation on UBCCE in the Meeting and answered questions on the Union.

## MARCH 2007

**On March 22,** UBCCE A. Secretary General Murat Zöngür visited Association of Employers of Bosnia and Herzegovina, APBIH in Sarajevo and had the opportunity to exchange views with Mr. Alija Remzo Baksic Director General of APBIH on the possible contributions and a more active involvement of APBIH to UBCCE activities.

**On March 23,** UBCCE A. Secretary General Murat Zöngür and Senior Advisor Seda Köknel met with Gülsema Çerezci, Senior Banker from EBRD London Office in Istanbul and discussed the possibilities of future cooperation between the Union and the Bank in line with the decision of the Management Committee Meeting of Almaty for developing institutional relations with international, European, regional and sectoral organizations and think tanks.

**On March 27,** UBCCE President Mrs. Arzuhan Doğan Yalçındağ and UBCCE A. Secretary General Murat Zöngür met with Bulgarian Ambassador to Turkey, H.E. Branimir Mladenov and exchanged views on bilateral and multilateral cooperation on regional level prior to the visit of President Yalçındağ to Bulgaria on April 5.

**On March 28,** UBCCE President Mrs. Arzuhan Doğan Yalçındağ and UBCCE A. Secretary General Murat Zöngür met with Russian General Consul in Istanbul, H.E. Alexander Krivenko and had the opportunity to inform the Consul on UBCCE and ask for his assistance for a possible membership of Russian Union of Industrialists and Entrepreneurs, RUIE to the Union.

## APRIL 2007

**On April 16,** UBCCE A. Secretary General Murat Zöngür and Legal Advisor Banu Gürmen made the application to the Ministry of Interior Affairs of Turkey for the official foundation of UBCCE as an International Union according to Turkish Law no.3335.

**On April 24,** UBCCE President Mrs. Arzuhan Doğan Yalçındağ met with UBCCE Vice President, Mr. Ahmet Erentok in Istanbul and exchanged ideas on cooperation within the framework of UBCCE.

**On April 24,** Mr. Ioannis Patsiavos, Manager of International Relations Department of FGI and in charge of UBCCE’s relations with European institutions met with Mr. Andreas Herdina, Head of Unit of the European Neighbourhood Policy Sector Coordination at the Directorate General for External Relations of the European Commission along with Ms. Monia Skhiri, Secretary General of Union of Mediterranean Confederation of Enterprises, UMCE. The way for future cooperation between UBCCE and the Commission was discussed during the Meeting.

# BLACK SEA & CASPIAN Agenda

## ENERGY

### **Constanta - Trieste pipeline accord is signed**

Romania, Croatia, Serbia, Slovenia and Italy signed an accord for the construction of a pan-European oil pipeline in Zagreb on April 3. The pipeline will bring Caspian and Central Asian oil to Trieste, Italy via the Romanian city port of Constanta. The 1,856 km-long pipeline will be capable of carrying 40 million tons of oil annually in a first phase, with capacity due to grow to 90 million.

### **Burgas - Alexandropolis pipeline deal is signed**

A Russian delegation led by President Vladimir Putin signed on March 15, a long-delayed agreement with Greece and Bulgaria to build a 900 million \$ pipeline carrying Russian oil from the Black Sea to the Aegean. The agreement brings to an end 14 years of talks on building the 280-kilometer-long pipeline between the Bulgarian port of Burgas and the port of Alexandroupolis in Greece. The project is due to be concluded by 2010, when it will start carrying over 700,000 barrels daily with a maximum capacity of 1 million barrels.

### **Samsun - Ceyhan Pipeline construction started**

Construction of the Samsun - Ceyhan Oil Pipeline, which aims to ease the burden of the Istanbul and Canakkale straits carrying 120 million barrels of oil per year, started on April 24. The 550-km-long Samsun - Ceyhan Oil Pipeline Project was jointly projected by the Turkish Calik Group and Italy's Eni. The project will cost at least \$1.5 billion. The pipeline is scheduled to be operational by 2009. The Samsun - Ceyhan oil pipeline will make the Turkish Mediterranean port of Ceyhan become a strategic oil export hub in the region.

### **Greece and Turkey to inaugurate new pipeline**

The Turkish and Greek Prime Ministers will this summer inaugurate a new pipeline bringing natural gas from Azerbaijan and other Caucasus producers. Stretching over 300 kilometers, the pipeline is due to start bringing natural gas to European countries this summer. It is subsequently planned to extend to southern Italy with work on an additional stretch running 220 kilometers underwater. A tripartite agreement between Turkey, Greece and Italy to extend the pipeline will be signed in the coming months.

### **Bourgas - Vlore Pipeline**

Albania, Bulgaria and Macedonia sealed an agreement on the construction of the regional Bourgas - Vlore oil pipeline on January, 31 in Skopje. The project will be run by the US-based company AMBO, and a tender to select a contractor for the facility's construction will soon be announced. The 912 km pipeline, connecting the Bulgarian port of Bourgas with Albania's Vlora port, via Macedonia, will carry Caspian oil from the Black Sea to the Adriatic, with an expected annual capacity of 35 million tonnes.

### **Latest on Nabucco Pipeline Project**

The Hungarian government is said to be undecided whether to choose the existing Gazprom pipeline Bluestream over the OMV pipeline project Nabucco, planned to ensure gas supply to the European Union from Iran and Azerbaijan via Turkey. This raises the concerns over the construction of Nabucco Pipeline Project as Hungary leaves the door open to Gazprom. Gazprom now plans to extend its Bluestream pipeline, which delivers from the gas fields of West Siberia to Turkey via Moscow, on to Hungary, where it would run parallel to Nabucco in Bulgaria and Romania.

# BLACK SEA & CASPIAN Agenda

## TRANSPORTATION

### **Black Sea Highway is finally in service**

The Black Sea Coastal Highway, which has been under construction for 20 years, was opened to service on April 8 with the participation of Turkish Prime Minister Recep Tayyip Erdoğan along with ministers in the central Black Sea province of Samsun. The road will diminish the distance traveled between the Sarp border gate with Georgia and Samsun from seven to four hours. The highway has 27 kilometers of 263 bridges, 12 “single tube” tunnels 41 kilometers in total length and 20 “double tube” tunnels running for a total of 18,5 kilometers. The highway will revive Black Sea tourism, contribute to the region's development, halt migration and shorten travel durations, experts say.

### **Istanbul - Batum Flights**

Turkish Airlines is starting Istanbul - Batum (Georgia) flights. Basing on Geneva model, the Istanbul - Batum route will serve both domestic and international passengers through a bilateral agreement between Turkey and Georgia enabling domestic passengers from the border provinces to travel without passports. Batumi Airport is only 11 km from the Turkish-Georgian “Sarp” Border.

### **New Terminal of Tbilisi Airport inaugurated**

The new terminal of the International Tbilisi Airport, constructed by Turkish - Austrian consortium TAV, was inaugurated on February 7 by a ceremony attended by Turkish PM Recep Tayyip Erdogan, Georgian President Mikhail Saakashvili and Azerbaijani President Ilham Aliyev.

### **Black Sea Caravan started its journey**

The Black Sea Ring Highway Caravan started its journey of some 7,500 km from Belgrade to Istanbul on April 19. The caravan will travel through the 12 BSEC Member States around the Black Sea Basin. Initiated by the BSEC Organisation and supported by the BSEC Member Governments, the objective of the journey is to promote road transport facilitation across the Region, collect en route data, such as border waiting times, procedures and charges as well as visa requirements and examine the infrastructure all along the official Black Sea Ring Highway routes.

## EUROPEAN UNION

### **The Black Sea Synergy document**

The European Commission presented on April 11, its plans to forge stronger ties with its energy rich neighbours around the Black Sea and to bring stability to the Region. The External Relations Commissioner, Ms. Benita Ferrero Waldner said that it is important to put a particular focus on this region with the accession of Bulgaria and Romania to EU in January 2007. The EU now has an immediate concern in the area's prosperity, stability and security. The new cooperation initiative will focus on areas like good governance, transport, environment and of course energy. The Black Sea Region is a major transit route for oil and gas coming to Europe from Russia and Central Asia. The regional strategy comes in addition to ongoing initiatives, including membership negotiations with Turkey, efforts to negotiate a closer “strategic partnership” with Russia and existing bilateral and trade and aid agreements under the framework of the European Neighbourhood Policy (ENP). In this perspective, a European document called “Black Sea Synergy” will soon be introduced.

# BLACK SEA & CASPIAN Agenda

## BSEC

Black Sea Economic Cooperation, BSEC will mark its 15<sup>th</sup> anniversary on June 25. The anniversary ceremony will be organized under Turkish Presidency which will take over the Presidency of the Organization from Serbia for six months on May 1. A summit of heads of state and governments on the anniversary is expected to take place in Istanbul to mark the occasion. In the meantime a BSEC Business Forum will be held in Istanbul on May 30-31 as a result of which a joint declaration is expected to be announced to BSEC Trade Ministers on June, 1.

## TRADE & INVESTMENT

### Turkey to sign new FTAs

The Undersecretariat of Foreign Trade (DTM) is expected to initiate free trade agreement (FTA) talks with Georgia, Montenegro, Kosovo Autonomous Region and Serbia in the coming months. Meanwhile, the FTA which was signed between Turkey and Albania in December 2006 is expected to be ratified by the Turkish parliament in the coming days. Under the common trade policy with the EU, Turkey signs separate FTAs with countries which previously signed such agreements with the EU. Currently, FTAs with Israel, Macedonia, Croatia, Bosnia-Herzegovina, Egypt, Morocco, Palestine, Syria and Tunisia are in force. The FTAs with Romania and Bulgaria ended after those countries became full members of the EU on January 1st, 2007. Commercial relations of Turkey with Romania and Bulgaria are now being carried out under the Customs Union.

### Turkcell makes offer in Bulgaria telecoms tender

Turkish mobile operator Turkcell has made an offer in the tender of a 65% stake in

Bulgaria's dominant telecoms firm BTC. Iceland's richest man Thor Bjorgolfsson is considering selling his option for 65% in BTC and has appointed Lehman Brothers to shortlist investors interested in the acquisition which experts value at around 1.2 billion euro to 1.3 billion euro. Turkcell signed a \$3 billion syndicated loan last month and its new chief executive, Sureyya Ciliv, said the firm could use it to invest in Eastern Europe, the Middle East and Central Asia.

Media reports have said besides Turkcell, Turkey's leading fixed-line operator Turk Telecom and private equity investment funds Providence Equity Partner, Texas Pacific Group, Warburg Pincus and Mid Europa Partners were also eyeing the deal. The sale is expected to be finalized in June.

### GE Money and Garanti Bank join hands for Romania

GE Money and Garanti Bank of Turkey have planned a common strategy for the Romanian market in order to create a strong financial services platform. In September 2006, GE Money, the consumer-lending unit of General Electric, acquired full control of three specialist financial service businesses in Romania: Motoractive Leasing IFN (auto and equipment leasing), Ralfi (Estima Finance) IFN (consumer finance) and Domenia Credit IFN (mortgage finance). Garanti Bank International Romania operates on the Romanian market as a universal bank, servicing both the consumer and the corporate business sectors. It is part of Garanti Bank International NV, an organization owned by Garanti Bank (the third largest financial institution in Turkey) directly controlled by GE Money and Dogus Group as a result of a partnership sealed in December 2005. Both organizations remain committed to the previously announced development plans for 2007.

# BLACK SEA & CASPIAN Agenda

GE Money will continue the process of integrating its three local businesses (Domenia Credit IFN, Ralfi IFN, and Motoractive Leasing IFN) in the GE Money family while simultaneously investing \$15 million into the expansion of distribution channels, new products, IT systems and re-branding. Garanti Bank International Romania is planning to expand its branch network to 40 by the end of the year while simultaneously investing in technology and retail banking solutions.

## **Sabancı Group of Turkey invests in Romania**

TeknoSA, Turkey's largest retail chain for high-tech products is expanding to Romania as the first step of its regional expansion. "We are planning to invest \$100 million in organic and inorganic ways," Güler Sabancı, CEO of Sabancı Group, said at the opening ceremony of the TeknoSA Pantelimon Mall in Romania's capital, Bucharest indicating that they are ready to splash out on mergers and acquisitions besides normal growth in Romania. The company hopes to make more than 50 million euros of turnover annually and to open new shops in Romania in the next two to three years after improving market conditions.

## **Hellenic Exchanges eyes 44 pct stake in Bulgarian Stock Exchange sources**

Hellenic Exchanges SA, the operator of Athens Stock Exchange (ASE), Athens Derivatives Exchange and Athens Exchange's New Market is interested in acquiring 44 pct of the Bulgarian Stock Exchange within the framework of its strategic goal to expand in Southeastern Europe. Hellenic Exchanges aims to create a joint trading platform with the Cyprus Stock Exchange. The other would-be candidates of the tender include the stock exchanges of Vienna, Warsaw and Prague, the Deutsche

Borse, the Scandinavian Stock exchange operator OMX and Italy's Borsa Italiana.

## **New Trade Law to change Turkish trade guidelines**

After sitting on the Parliament's agenda since 2005, Turkish Trade Law has finally been approved by the commission and is on the plenary committee's agenda. The law is considered to be a modern law, also embraced by the European Union. In spite of the intensity of the political agenda it is expected that the new law will take affect in May. The Turkish Accounting Standards Board (TMSK) is gaining a lot of strength via the new law. This is considered to be very important for the implementation of the international standards. "Audit of an audit" system will be implemented by the Turkish Trade Law used widely in the United States and in some European countries following Enron case. Via the new law, it will be required obligation of all companies to found an internet site and publish their company accounts. Under the new law, it will be possible to hold companies' board meetings in online, in a virtual electronic environment. The new law is also expected to protect the consumer from unfair competition. In order to found and incorporate any other type of company, the Capital Market Board's (SPK) approval will be obligatory.

## **FAIRS AND EXHIBITIONS**

ADG International Trade Fairs is organizing a trade fair for Hotel and Restaurant Equipments in the Black Sea countries between 2-18 June.

For more information please visit:

<http://www.blueexpo.com/EN/index.htm>

# From Members

## ATIB, Azerbaijan

### The General Assembly of ATIB

The General Assembly of ATIB was held in Baku on March, 31. Mr. Ahmet Erentok was reelected as the President of the Association for the next three years.

### “Golden Wheel” award ceremony

The “Golden Wheel” award ceremony and the third anniversary of the establishment of Azerbaijan - Turkey Businessmen Association (ATIB) have been celebrated at the Azerbaijan Public Philharmonic Society on April 17.

It has become a tradition that the “Golden Wheel” award is presented to an individual Government body, Business Organization, the Academics of Arts & Science and the corporate sector for activities that have made a significant contribution and impact to the expansion of relations between Azerbaijan and Turkey.

The realization of Baku – Tbilisi - Ceyhun BTC oil pipeline was identified as the biggest contribution to strengthen comprehensive relations between the two countries for this year.

ATIB Board of Directors awards the “Golden Wheel” under the following three nominations: “The Public Figure of Year,” “The Non-Governmental Organization of Year” and “The Company/Businessman of Year”. In addition, a single-mission “Special Recognition” was established especially for this year by decision of the Board of Directors.

Taking into consideration the contributions, efforts and significant roles in further strengthening of mutual relations between the three countries demonstrated separately by the leaders of Azerbaijan, Turkey and

Georgia, Mr. Ilham Aliyev, President of the Azerbaijan Republic, Mr. Mikhail Saakashvili, President of the Georgian Republic and Mr. Recep Tayyip Erdogan, Prime-Minister of the Turkish Republic were awarded prizes in “The Public Figure of Year” nomination.

The prize in “The Non-Governmental Organization of Year” nomination was awarded to the USA-Azerbaijan Chamber of Commerce (USACC) and Marmara Fund that made special contributions to the expansion of mutual international cooperation through its lobbying and research activities in regard to implementation of BTC oil pipeline.

The contractors for the pipeline construction “BTC Co.” and “BOTAS A.S.” were awarded for “The Company of Year” nomination.

“Special Recognition” was awarded to Mr. Süleyman Demirel, the 9th President of the Turkish Republic and Mr. William J. Clinton, the 42nd President of the USA for their comprehensive and enthusiastic support to the initial activities related to the BTC project.

### “Turkey – Azerbaijan – Russia” business forum to be implemented

Azerbaijan - Turkey Businessmen Association (ATIB) is planning three business forum trips in 2007: Russia, the USA and Brussels. The forums will include a scientific conference on “The role of Turkey, Russia and Azerbaijan in Eurasian geopolitics” to be held in Fall at the Russia Modern Humanitarian Academy with the participation of Azerbaijani and Turkish businessmen. A business forum geared to developing trilateral business relations between the countries and meetings with diaspora organizations, governmental officials and representatives from non-governmental organizations.

# From Members

The first series of ATIB conferences will be held in Moscow, the capital of Russia. Representatives from ATIB were in Moscow, between March 22-25 where they held a series of meetings promoting the conference and arranging details related to the forum and scientific conference.

ATIB meet with Mr. Georgi Petrov, Vice-President of the Russian Chamber of Commerce and Industry, RCCI to discuss the details of the forum. RCCI decided to support the event by becoming its sponsor and agreed to hold the Business Forum at the Russian Chamber of Commerce and Industry Conference Hall.

## APBIH, Bosna and Herzegovina

### «Day of employers of Bosnia and Herzegovina»

The first «Day of employers of Bosnia and Herzegovina» was held on April 18 in Avaz Business Center Radon Plaza Hotel Sarajevo, with the participation of representatives of more than 200 companies from Bosnia and Herzegovina, the members and non members of APBIH. Great numbers of representatives of international organizations that are working in Bosnia and Herzegovina, including ambassadors, were present too.

The US ambassador to B&H addressed to the audience with a words of encouragement and support for association.

The Chairman of Council of Minister of B&H Dr. Nikola Špirić, in his welcome speech, stressed the importance of association and had promised support in APBIH work and establishment of ESC on state level. The event has aroused great interest in public and was covered by all media in the country.

## BIA, Bulgaria

### TÜSİAD visit to Bulgaria

Mrs. Arzuhan Doğan Yalçındağ made her first visit to Bulgaria as the President of UBCCE at the invitation of BIA on April 5. Mrs. Yalçındağ was accompanied by Mr. Haluk R. Tükel, Secretary General of TÜSİAD, Mr. Zafer Gazi, Chief of TÜSİAD's External Relations Department and Mr. Murat Zöngür, UBCCE A. Secretary General. During her visit, Mrs. Yalçındağ had the opportunity to meet with the Vice Chairman of the National Assembly, Yunal Lütfi, the Chairman of the Economic Commission, Mr. Yordan Tsonev, the Minister of Economy and Energy, Mr. Rumen Ovcharov and the Minister of Foreign Affairs and Deputy Prime Minister Mr. Ivailo Kalfin. During the conversations were discussed the possibilities for improving bilateral economical contacts between Bulgaria and Turkey as well as developing cooperation between TÜSİAD and BIA within the framework of UBCCE. Mrs. Yalçındağ also had the opportunity to meet with the Board of BIA and a press conference was also held with the participation of Mrs. Yalçındağ and Mr. Danev, President of BIA where a joint BIA/TÜSİAD declaration was distributed underlining the importance of developing institutional cooperation between the two organizations.

## **TIAD, Romania**

### **The General Assembly of TIAD**

The General Assembly of TIAD was held in Bucharest on March 20. Mr. Halit Öztürkmen replaced Mr. Ismet Ismail Bayındır as the new President of the Association. Mr. Halit Öztürkmen will be the President of the Association for the next two years.

## **TÜSİAD, Turkey**

### **The General Assembly of TÜSİAD**

The General Assembly of TÜSİAD was held in Swissotel Istanbul on January 25. Mrs. Arzuhan Doğan Yalçındağ, Member of TÜSİAD Board in charge of Social Affairs, replaced Mr. Ömer Sabancı who has been assuming the duty since 2004. Mrs. Yalçındağ will be the President of the Association for the next two years.

### **Report on Neighbourhood Policy**

TÜSİAD Report on “The Neighbourhood Policy of Turkey within the accession process to EU - Strategic Perspectives” prepared by the Foreign Trade Policies Working Group of External Relations Commission will be presented on May 2 in Istanbul.

### **Meeting on Russia**

TÜSİAD is organizing a meeting entitled “The possible effects of EU-Russia Relations to Turkey” on May 4 with the participation of Mr. Levent Akpınar, Economic Counselor of Turkish Embassy in Moscow.

### **Business Trip to Serbia and BH**

TÜSİAD International, the strategic business development unit of TÜSİAD is planning to organize a business trip to Serbia and Bosnia and Herzegovina between 13-15 June with

the contribution of International Finance Cooperation, IFC.

### **The Eurasian Economic Summit**

The Eurasian Economic Summit organized annually by the Marmara Group Strategic and Social Research Foundation, aiming to explore ways of enhancing relations between the European Union and the Countries of Central Asia and the Middle East, will be celebrating its Tenth anniversary in 2007. The Summit will be held in Istanbul on 2-4 May at the Conference Hall of the Istanbul Chamber of Commerce. During the summit, TÜSİAD and UBCCE President Mrs. Arzuhan Doğan Yalçındağ will deliver a speech underlining the necessity to cooperate between the private sector organizations of the Region.

## Connection that increases the importance of East – West Passage: Baku – Tbilisi – Kars railway

*A project that Azerbaijan, Georgia and Turkey visualize, to reduce the costs of cargo carriage in the region and will increase delivery speed.*

**By Rashad Rasoullou**, Deputy General Secretary, Azerbaijan Turkey Businessmen Association (ATIB)

On February 7, the President of Azerbaijan, Ilham Aliyev, the President of Georgia, Mikhail Saakashvili and the Prime Minister of Turkey, Recep Tayyip Erdoğan signed a trilateral agreement for the construction of the Baku – Tbilisi – Kars railway in Tbilisi. This began the realization of a project that had been in the negotiations stages for more than ten years.

The realization of the Baku – Tbilisi – Kars project was delayed for many years not only for financial matters, but also for some political concerns due to the exclusion of Armenia from the project.

The project is going to be realized by the own financial resources of the countries of the project, namely Azerbaijan, Georgia and Turkey.

## Financial-technical side of the project

Turkey declared its readiness to finance its part of the project. Azerbaijan agreed to finance the Georgian part from its oil revenues. Azerbaijan will finance the reconstruction and construction work on the Georgian Marabda – Kartsakhi – Akhakalaki part of the project and will give credit to Georgia in the amount of \$ 200 million. The credit is foreseen at 1% per year for 25 years. The resources will be allocated from the International Bank who is appointed as the agent bank by the State Oil Fund of Azerbaijan, which in turn will transfer the funds to the account of the Georgian government. Currently the State Oil Fund has allocated \$ 50 million of credit.

The \$ 200 million credit will be spent on the fundamental reconstruction work and construction of the new rail in Georgia, as well as the restoration of several infrastructure projects in Marabda.



Construction of the 29-kilometer railway in Georgia is included within the expense of the same funds.

Establishment of a Coordination Council is planned in order to ensure that the credit is used for this specific purpose. The Coordination Council will supervise the expenditure of funds and will report every 3 months. A Management Group will also be established on the basis of the credit agreement. The Management Group will constantly familiarize itself with the construction and restoration work and follow the schedule of the performance of the project, quality of work, proper usage of funds, supervising of tenders etc. The duties of the Coordination Council also include the preparation of a mechanism regarding the repayment of credit after the completion of the railroad, supervision over usage rights and matters and approving the budget.

The repayment of the credit will begin after the completion of the project. The credit extended to Georgia will cover the expenses for the new 29-kilometer of railway, the infrastructure required for the operation and artificial installations to be established. Due to the incompatibility of the width of the Georgian and Azerbaijan railways with the railway of Turkey, a wheel changing point will be built at the border. The repayment of credit will be repaid in bi-annual payments. The bi-annual reports prepared by the auditors will detail the operational expenditures, which will be deducted from the revenues received from the Marabda to the Turkish border section and the payment of debt will be deducted from the profit made.

The project is called, “Iron Silk Way Road” which and its construction will begin within the last quarter of 2007. The estimated completion of the railway is two years after

the start of the project that is the last quarter of 2009. The initial railway yearly freight flow is estimated to be 5 million tons and will carry 10 – 15 million tons after its 3<sup>rd</sup> year of operation. Full capacity of the railway is estimated to carry 20 million tons of cargo.

The initial value of the project was first estimated to be \$ 420 million, however this amount is expected to increase to \$ 600 million due to the additional infrastructure work.

## **The significance of the project for the region**

According to experts, once the project is completed the estimated travel time from Baku to Istanbul will take two and a half days. Utilizing this route of transportation infrastructure, the cost price of transportation will decrease. At the same time transportation expenditures between Azerbaijan and Turkey will be reduced by at least 30 %. Within the first year of operation the minimal transit revenues of Azerbaijan are estimated to be \$ 50 million.

If we view the Baku – Tbilisi – Kars railway from a wider perspective, it is clear that the importance is not only for Azerbaijan, Georgia and Turkey. First, this project like the previous joint projects of Azerbaijan, Georgia and Turkey solidifies the relations between these three countries and will bring additional stability and cooperation to the region. At the same time it will play a significant role in the resolution of some existing problems of the region. Secondly, this new route can be used by other countries and parties in the future. China, Kazakhstan, India, other Asian and European countries have already begun to show interest in the project. During the visit of Karim Masimov, Prime Minister of Kazakhstan to Baku on April 4<sup>th</sup> of this year, the interest of Kazakhstan to participate in the project was

expressed. According to the Deputy Transport Minister of Azerbaijan, Musa Panahov, Kazakhstan anticipates to carry 10 million tons of freight annually by this railway. The joining of interested countries to the project will result in the increase in the total volume of containers and intermodal carriages in both directions.

Experts estimate that the realization of the project will bring about the creation of a regional transportation network directly for the establishment of sustaining development and security in the area's commercial and economic relations in the Southern Caucasus as well the entire Eurasian region.

The project will render assistance in broadening the cooperation of countries on a regional and global level and it will also play an important role in broadening the Trans – Asian railroad network towards Europe, the Trans – European transportation network towards East, thus opening a direct railroad route to China – Central Asia – Southern

Caucasus – Turkey and linking the Trans – Asian and Trans – European railroad networks through the construction of the underwater railroad tunnel in the Bosphorus Strait within the framework of the “Marmaray project” in Turkey. In addition, the project is a big step towards the improvement of transportation infrastructure in the framework of the restoration of the historical Silk Road. Joining all these countries will stimulate the development of the Europe – Caucasus – Asia transportation corridor.

The realization of this historical project will provide the direct transportation of cargo and passengers to Europe and Asia through the territories of Georgia and Turkey. In addition, it will bring about the increase in transits of exported goods through the territory of Azerbaijan, speeding up the process of integration into the European Union and further developing the cooperation in the framework of European neighbourhood policies.

## TECHNICAL PARAMETERS OF THE PROJECT

Total value of the project	\$ 420 million	
	Turkish side	Georgian side
Construction of Kars – Akhalkalaki railroad line (105 km)		
Construction cost	\$ 220 million	\$ 101 million
Length of the line	76 (75,9) km	29 (28,9)km
Quantity of line	one	one
Bearing quantity of the road	two	two
Maximum speed in the project	120 km/h	120 km/h
Distance between tracks	1435 mm	1435 mm
Main communications line	Fiber-optic	Fiber-optic
Length of the tunnel	2250 m	-
Quantity of bridges	12	-
Quantity of stations	3	1
Rehabilitation - reconstruction of Akhalkalaki – Marabda road (160 km)		
Cost of Rehabilitation - reconstruction	-	\$ 99 million