

**T.C.
MARMARA ÜNİVERSİTESİ
AVRUPA BİRLİĞİ ENSTİTÜSÜ**

**AVRUPA BİRLİĞİ SİYASETİ VE ULUSLARARASI İLİŞKİLER
ANABİLİM DALI**

**ANALYSIS OF RELATIONS BETWEEN THE
SOUTHERN CAUCASUS STATES, TURKEY, EU**

YÜKSEK LİSANS TEZİ

İHSAN MURAT TANBOĞA

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Danışman: Yrd. Doç. Dr. İdil TUNCER KILAVUZ

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ONAY SAYFASI

Enstitümüz AB Siyaseti ve Uluslararası İlişkiler Anabilim Dalı Yüksek Lisans öğrencisi İhsan Murat TANBOĞA'nın "ANALYSIS OF RELATIONS BETWEEN THE SOUTHERN CAUCASUS STATES, TURKEY, EU" konulu tez çalışması ...01.10.2010 ... tarihinde yapılan tez savunma sınavında aşağıda isimleri yazılı jüri üyeleri tarafından oybirliği / oyçokluğu ile başarılı bulunmuştur.

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ÖZET

Güney Kafkasya Ülkeleri,,Türkiye ve Avrupa Birliği İlişkilerinin Analizi adını taşıyan bu tez sizlere konumuzun merkezindeki aktörlerin birbirleriyle olan ilişkilerinin boyutları hakkında siyasi, ekonomik, tarihsel ve sosyo-kültürel referanslar vererek, detaylı bir bakış açısı sunacaktır.

Soğuk Savaşın bitişi yeni bir küresel düzen getirmiştir. Sovyetler sonrası bağımsızlığına kavuşan yeni ülkelerin ortaya çıkması, küresel ve bölgesel güçler için aynı anda hem yeni fırsatlar, hem de yeni problemler ortaya çıkarmıştır.

Küçük sayılabilecek bir alana sahip olmasına rağmen, Güney Kafkasya önemli bir jeostratejik bölge olarak ortaya çıkmaktadır. Avrupa, Orta Asya, Anadolu ve Orta Doğu'nun yol ayrımlarının ortasında yer almakta olan bölgede Kafkas dağları doğal bir sınır çizmekte ve bölge önemli derecede enerji kaynaklarını barındırmaktadır. Güney Kafkasya'nın bu jeostratejik konumu bölgesel etnik yapının karmaşık olmasına ve birbirinden farklı kimliklerin oluşmasına yol açmıştır. Buna rağmen, Sovyetler sonrasındaki yaklaşık yirmi senelik zaman sürecinde bölgesel işbirliği gerçekleşemediğinden tam olarak istikrar sağlanamamıştır. Bu durum bölgenin siyasi ve ekonomik istikrarının oluşmasına engel olmaktadır.

Azerbaycan, Gürcistan ve Ermenistan bölgesel ülkeleri oluşturmalarına rağmen, çeşitli etnik gruplar kendi etnik kimlikleri aracılığıyla siyasi olarak aktivize olmuştur. Bunda merkezi ulus-devlet kimliklerinin yıpranması, kötü ekonomik altyapı, Sovyet döneminin idari yapılanması ve bölge dışı aktörlerin politikaları etkili olmuştur.

Bölgesel problemler, temel olarak çözülemeyen etnik sorunlar, eskimiş ve zayıf bir planlı ekonominin yeniden yapılanma/reforme edilme ihtiyacı, ideolojik boşluğun getirdiği kimlik sorunsalı, doğal kaynakların getirdiği zenginliğin paylaşılması mücadeleleri ve bölgesel işbirliğinin eksiklikleri olarak ele alınabilir. Kısacası, belirsiz ve hassas bir durumda olan Güney Kafkasya, bölgesel ve bölgedışı aktörlerin çıkar kavgaları sonucu bu noktaya gelmiştir.

Kaçınılmaz olarak, Güney Kafkasya ülkeleri sadece komşu ülkeler olan Türkiye, Rusya ve İran'ı değil, aynı zamanda bölge dışı ülkeler olan ABD ve kendine özgü bir oluşum olan Avrupa Birliği'nin çıkarlarını da etkilemiştir.

Sonuç olarak, içiçe girmiş ilişkilerin ve problemlerin olduğu bir tablo önümüzde durmaktadır. Bu çalışma Türkiye, Avrupa Birliği ve Güney Kafkasya ülkelerinin birbirleriyle olan ilişkilerinin siyasi, ekonomik, kültürel ve tarihi boyutlarına ışık tutacaktır. Bu bağlamda, bu aktörlerin politikalarının birbirleriyle olan ilişkilerini ne derecede etkilediği sorusuna bir yanıt aranacaktır.

İhsan Murat Tanboğa

ABSTRACT

This thesis titled as *Analysis of Relations Between the Southern Caucasus States, Turkey, EU* provides a detailed perspective on the dimension of relations between the parties with significant political, economic, historical and socio-cultural references.

Ending of the Cold War has brought a new global order. Emergence of newly independent states from the Soviet Union has simultaneously created new opportunities and challenges for the global and regional powers around the world.

Despite her relatively small size, Southern Caucasus stands as one of the most important geostrategic regions because of being located on the crossroads between Europe, Central Asia, Anatolia and the Middle East, demarcated with natural boundaries drawn by Caucasus mountains and absorbing significant energy reserves. This geostrategic location of the Southern Caucasus also affected the regional mixed ethnic make-up and retaining of specific diverse identities throughout the region. Nevertheless, the twenty year old history of the post-Soviet period has not shown a well-maintained stability supported by regional cooperation. Obviously, it hampers political and economic stability of the region.

Even though, Azerbaijan, Georgia and Armenia comprise the regional nation states, several sub-ethnic groups has been politically mobilized on ethnical basis due to erosion of central nation-state identities, poor economic infrastructure, legacy of Soviet-era administrative policies and affiliations with extraregional groups.

Those challenges can be briefly summarized as unresolved ethnic conflicts, restructuring/reforming an outdated and fragile planned economy, identity crises arising from the ideological vacuum, struggle over the distribution of wealth through regional resources, lack of regional cooperation. In brief, overall unpredicted atmosphere has been arising from the conflicting interests of regional and extraregional powers.

It is inevitable that potential of the Southern Caucasus has not only affected the interests of neighbouring powers Turkey, Russia and Iran, but also extraregional actors like the USA and the unique entity of the EU.

In this sense, we have a complex picture with interconnected relations and problems between the parties. This study will shed a light on the relations between Turkey, the EU and the Southern Caucasus states with a focus on significant political, economic, cultural and historical dimensions. In this sense, an answer is going to be sought to the question of to what extent these actors' policies influence their relations with each other.

İhsan Murat Tanboğa

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ANALYSIS OF RELATIONS BETWEEN THE SOUTHERN CAUCASUS STATES, TURKEY, EU

INTRODUCTION

Main argument of this thesis is that policies of Turkey, the EU and the Southern Caucasus States influence each others' policies and stances due to their interconnected nature of relations. In current political terms, developments in the Southern Caucasus region and interaction with the regional states (Armenia, Azerbaijan and Georgia) have an immense effect over global level that surpasses the regional level. Analyzing Turkey's role in the EU's approach to the Southern Caucasus, the role of Southern Caucasus States in Turkey's integration with the EU and Turkey's role for Southern Caucasus states to approach to the EU are the main subjects of this thesis. Briefly, this thesis will analyze bilateral relations and the third actors' role of affecting that peculiar bilateral relation. Regional and non-regional actors' role will be analyzed to the extent they shape this complex web of relations.

Main objective of this research, is to provide an analysis of the trilateral roles of the EU, Turkey and the Southern Caucasus States (Azerbaijan, Georgia and Armenia) in their relationship. In this prospective, Southern Caucasus states and the region itself will be on the focus. The essential subjects associated with this research shall be analyzed as well; such as the key developments in the region, Turkey and the EU's new opportunities/challenges arising from the new geopolitical space after the break-up of the Soviet Union and internal dynamics of the Southern Caucasus States. Therefore, political and socio-economic implications of the key events and developments shall be examined with historical references. The main timeline of this thesis focuses on a detailed insight of the period between 1991-2010, after the collapse of the Soviet Union. Nevertheless, an historical background starting from 3000 BC and an increasingly detailed insight of the decisive periods of the 19th Century and 20th Century, World War I and the Soviet Period will be examined as well, due to the rich historical background of the Southern Caucasus region.

In this sense, Turkey as an immediate neighbour and the EU as a relatively "new" neighbour to this region, their stances and policies are essential to provide an

analysis of this region within the field of international relations. In addition, another reason of preparing and conducting this research was to provide an updated material on this subject which is centered around the dynamics of relatively neglected region of the Southern Caucasus. Mainly qualitative methods were used throughout this research. Materials have been evaluated from research, analysis, review and interpretation of the available data through resources provided by books, articles, online journals, statistics, EU documents, official statements and think-tanks.

Nevertheless, various problems and limitations have shown up during the process of preparing this thesis. Though the main question of the thesis concerns the relations between the EU, Turkey and the Southern Caucasus States in the research and writing periods of this thesis, the role of Russia is an important factor due to her geostrategic significance and strong political, socio-economic, historical and cultural links with the Southern Caucasus region. It is also worth to mention the role of other powers such as the USA, Iran and as well as international companies (specifically in the energy market) with their convergent/divergent interests in the region. All these factors provide a harder atmosphere to keep track of the events which are developed as a result of political maneuvering of these actors. Moreover, another difficulty in conducting this thesis was to delimitate the concepts of the Southern Caucasus States and the Southern Caucasus region. Even though, regional and extra-regional actors have their policy projections towards the region, relations with the Southern Caucasus states differ greatly. In fact, the Southern Caucasus states lack a common identity and regional cooperation due to their different cultural and foreign policy orientations. Therefore state-level approach is going to be evident in this thesis, rather than a regional outlook. A strong Southern Caucasus regional identity is not the case, compared to the former Soviet Baltic states. Even though, this thesis aims for limiting herself with Turkey, the EU and the Southern Caucasus States, roles of the other actors and the regional outlook shall be discussed as well. It is equally essential to analyze Southern Caucasus countries whose different orientations shape their relations with each other and other actors. Therefore, most of the research will analyse Southern Caucasus countries one by one in their relations with Turkey and the EU rather than following a heavily regional outlook of a compact Southern Caucasus due to the regional polarization around divergent cultural and security orientations. In this perspective, our results and findings can be reached over the argument around Turkey, the EU and the Southern Caucasus States influence each others' policies and stances due to their interconnected nature of relations.

Due to its unique characteristics and geostrategic importance, Caucasus region has always been a key region for world politics. Historically it has been a crossroad of civilizations and a battlestage (often buffer-zone) for political, military, cultural and religious dominance rivalries. In the modern times, rivalries over energy and related issues has intensified regional and global competitions over the region. Thus, events and processes in the region are of great importance. It has been impossible to isolate and ignore Caucasus region in the world politics with its transcontinental networks, energy resources, arable lands, multi ethnic-structure and ongoing conflicts that affect the international relations through its geostrategic location. During the period it was ruled by the Soviet Union until 1991, Caucasus region's importance, potentials and problems were frozen and this area was regarded as the Soviet Union's South-West corner in line with the Cold War ideology and the military considerations of the European Community (future European Union), NATO and Turkey. After the dissolution of the Soviet Union, the world gave a significant attention to this region quite lately, because of the need to deal with other priorities such as the dissolution the Soviet Union, the Gulf War, break-up of Yugoslavia, power vacuum in the ex-Eastern Bloc states and rise of radical Islam. The new threats that were required to be tackled with efficient political and socio-economic policies in the post Cold War atmosphere were terrorism, interstate conflicts, proliferation of weapons of mass destruction, organized crime, drug and weapons trafficking, illegal immigration, environmental issues and energy dependance problems.

In other words, security concept gained a multi-dimensional status extending from military to political, economic, cultural and energy spheres. This required new policies to meet the challenges and uncertainties more efficiently and comprehensively, especially after the 9/11 attacks. Nevertheless, uncertainties relatively faded away for the EU, Turkey, Russia, USA and Caucasus States by 1993. Relative stability, came after Russian prompted cease-fires to the ethnic conflicts, thus enabled the world to focus on the Southern Caucasus region. Caucasus region once again reemerged in the global stage as a key region. After realizing energy and transition potential of the region, the Western countries increased their attention to the region. The region is an energy-rich and transit zone between Europe and Central Asia, Russian landmass and to the Middle East, thus stability and maintenance of order are important in the region.

Southern Caucasus states have suffered from severe socio-economic and political instabilities in the post-Soviet order. For them, their relations with the EU as a

role model and an external actor to contribute to stability in the region are important. Turkey is also important both because of her own regional role and as a global player with strong ties to Euro-Atlantic organizations (NATO, Council of Europe, OSCE) for her contributions to political and economic stability of the Southern Caucasus States. The EU, as an emerging actor, strives to promote her values and principles, especially in her neighbourhood, through cooperation, diplomacy and financial aid mechanisms. In the EU's perspective, oppressive regimes, ethnic conflicts, corruption, state failure, lack of rule of law, human rights and democracy will result in political, socio-economic instability that would spread instability in the EU as well. The EU is an ardent supporter of democracy, rule of law, respect for human rights and good governance, which is in essence that, lack of implementation of these values would cause insecurity and instability in the world, especially regarding position of Southern Caucasus for the EU's internal and external policies regarding security, energy and environment.

Soft-power capabilities arising from economic dynamism and experience on diplomacy makes the EU an influential actor in the world politics to promote her interests and values. On the other hand, the EU does not possess a unified military structure nor maintained an efficient Common Foreign and Security Policy, thus the EU has not literally influenced world affairs as much as military superpowers have done. Moreover, the EU is composed of 27 member states with different political orientations, reliances and power disparities, and this makes the EU such an actor/organisation/ which has blended intergovernmentalism and supranationalism in a unique way. As Atasoy notes, even though interests of the EU member states more or less overlapped in security and stability issues, they lacked an effective cooperation in their approachment to the Southern Caucasus. In the economic and commercial issues, the EU member states contradicted each other in the Southern Caucasus especially on the Russian role. Germany and France opted a Russia-inclusive approach, whereas Britain, Poland and Baltic states opted more of a Russia-exclusive approach. Therefore the EU approached the region more of economic rather than geostrategic terms until the EU realized significant security and energy stakes in the region.¹ On the other hand, advantages and disadvantages seem to have worked on the EU's side which made itself regarded as a reliable and trustworthy international actor without "imperial" interests, a role model to promote universal human values and cooperation, an economic power with huge capabilities for investment/assistance in return of progress. In the Southern

¹ Rukiye Şehnaz Atasoy, "The Role of the South Caucasus in EU-Turkey Relations" (M.A. Thesis, İstanbul Bilgi University, 2006) 47-50.

Caucasus, which had been under communist rule for decades, investment and socio-economic reform are crucial in every sector.

Energy reserves and transportation links to have access to the Western markets pose opportunities and security challenges for the Southern Caucasus States. Energy factor has been important for the EU, since the Caucasus and adjacent Central Asian energy reserves afford a new energy supply alternative different from unreliable Russian and Middle East reserves. In addition, Turkey has been pursuing the historical goal of assuring her position and security in the Western World values, principles and democracy as well as security and transportation corridor between the West and the East. EU-Turkey Relations that started with Ankara agreement in 1963 has been gradual but committed from the Turkish side, against all odds hampering the process. Official Turkish application for full membership on 14 April 1987, failed to an extent due to the changing geopolitical world order which Turkey lost her Cold War geostrategic importance temporarily in the post-Cold War period. Nevertheless, political instability factors had troubled Turkey's development and reform processes as well, but this thesis will concentrate on the Southern Caucasus factor in terms of EU-Turkey relations.

Post-Soviet period after 1991 signalled a change in incoherent perspective of the EU and heavily Eurocentric foreign policy orientation of Turkey. Three new countries emerged in her northeastern border that required external support for their state building process. Turkey managed to maximize her position in the region in order to benefit from opportunities arising from the new geopolitical realities. It is therefore plausible to argue that, Turkey's relatively active policy and potential role as the stabilization facilitator in the region were crucial in 1999 European Council's Helsinki Summit which provided Turkey a candidate status and paved the way for the future for accession negotiations. The EU also needed to formulate a Common Foreign Security Policy (CFSP) in the new geopolitical order thus Maastricht Treaty provided this chance for the EU to become a political actor and draw guidelines for her principles. Turkey is now an EU candidate state in negotiations.

Caucasus region has witnessed many developments and processes both positively and negatively in the relatively short post-Soviet era. Regional and external great powers struggle to maintain their control and influence for their certain interests in the region in order to maintain their security and prosperity of using soft or hard

power preferences by varying degrees. Caucasus states also seek to enhance their nation-state building processes, maintain rule of law and proper mechanisms of democratic institutions, adapt themselves to economic transition period from planned economy to market economy and consolidate their identity and interests in the new world order/disorder. Caucasus region is a very dynamic geostrategic location where balances are fragile to be changed rapidly. In spite of similarities of the political orientation of the Southern Caucasus states such as maintaining full democratization process, maintenance of market economy with access to the world and becoming important regional actors with strong links with the West, the diversity exists in political, cultural and religious terms among stances and interests of the three Southern Caucasian countries. As Marchetti states, Armenia traditionally regards Turkey and Azerbaijan as threats and give greater importance to relations with Russia and Iran; Azerbaijan sees threat perceptions from Armenia, Iran and Russia, thus seeks Turkish, European and American support; Georgia mainly regards Russia as threatening her integrity and security directly and indirectly through military and economic support to the secessionists with ties to Russia, and strengthened relations specifically with the USA and the EU, as well as Turkey, Azerbaijan and Ukraine. Thus the priorities of the Southern Caucasus states and importance they attached to their relations with the EU varies to a greater extent.²

After this brief introduction on the overview of the dynamics of the EU-Turkey-Southern Caucasus relations, this thesis will give a historical background to shed a light on the current web of complicated relations and fixation (or unfixation) of borders of the countries of the Southern Caucasus. The chapter titled "Political and Socio-Economic Problems of the Southern Caucasus States", will examine the problems in the region, mainly ethnic and interstate conflicts and lack of adequate capacity for socio-economic and democratization reforms. In the chapter titled as, "Turkey's Relations with the Southern Caucasus States and the Role of the Other Actors in the Region", Turkey's political and economic relations with these three countries will be examined as well as with the influences of other actors. Chapter titled "Relations between the EU-Southern Caucasus States and Turkey's Importance for These Actors" will provide a detailed review on the interests and objectives of EU-Turkey-Southern Caucasus that shape their relations with each other and use each other

² Andreas Marchetti, "Widening Without Enlarging: The European Neighbourhood and the South Caucasus," *Turkish Policy Quarterly*, vol: 5, no:2 (2006): 1-9, accessed February 16, 2009, http://www.esiweb.org/pdf/esi_turkey_tpq_id_63.pdf.

as a mediator/bridge for getting closer with themselves. Effects of these relations on the third parties will also be examined in this chapter.

Energy factor is an important facilitator in the relations between the EU, Turkey and Southern Caucasus states, where energy importing parties seek to diversify their supplies for their increased energy needs and gain access to new energy resources. Main interests of regional and non-regional actors are to explore and transport energy reserves in a stable and secure atmosphere that would contribute to stability and prosperity of the region and its immediate neighbourhood. Southern Caucasus states seek to become a transportation corridor and also gain access to hard currency markets to sell their supplies that would contribute to the well-being of their people and economy. State-building, democracy and market economy have not been fully maintained, thus energy and transportation related projects give hope for cooperation and stability in the region. Estimations of energy reserves, pipeline projects, interested actors/companies, energy policies and Caspian Sea Dispute will be examined in the energy sub-chapter of "Relations between the EU-Southern Caucasus States and Turkey's Importance for These Actors" chapter.

The 2008 South Ossetia War between Georgia-Russia/Ossetians/Abkhazians, was the most recent major event that changed the balance of power in the region. The Chapter titled as "2008 South Ossetia War and Its Results" will analyse the very recent incident that complicated geostrategic environment of the actors, their policies and relations with each other. Eruption of the 2008 South Ossetia war dramatically changed the balance of power relations in the region. As the Western influence came to a cautious halt, renovation of Turkey/Azerbaijan-Armenia negotiations took place and Russia reintensified her role in the region through a crushing defeat on Georgia, the background and consequences of a chapter on this war will be essential for the analysis of this thesis. Thus, the 2008 South Ossetia War was a reminder that maintaining stability in the region required resolution of the conflicts rather than covering them up. Furthermore, recognition of Abkhazia and South Ossetia by Russia could lead to disintegration of Georgia and bring new security problems to the West, Turkey, Azerbaijan, Central Asian States and even Armenia. Are Turkish, American, EU's and Western world's semi-constructed policies and interests based on post-Soviet Transcaucasus order has been collapsed completely or partially or in temporary danger? Under the light of this background, the 2008 South Ossetia War Chapter will deal with

the effects of the war for the belligerents, also for the other associated actors with the region.

Thus recent dynamics and findings of this thesis once again warn us that frozen conflicts need urgent resolution otherwise they are like time bombs waiting to explode. Necessary adjustments, dialogue, cooperation and resolution must be effectively integrated into realistically shaped foreign policies of parties. Solving frozen conflicts and formulating efficient policies towards sources of political and socio-economic instability must be a priority. Results and findings of this thesis indicate that policies of the EU, Turkey and the Southern Caucasus states are dependant on each other and open to influences of their policies. Turkey plays an influential role for the EU-Southern Caucasus states relations, Southern Caucasus states are influential for Turkey-the EU relations and finally the EU is influential for the relations between Turkey and Southern Caucasus States relations. In the conclusion, we will evaluate our results and findings in line with the principal argument of this thesis, by analyzing the levels of interaction and their changing impact between the EU, Turkey and the Southern Caucasus States. Results of this thesis, will also provide predictions of potential dynamics between EU, Turkey and the Southern Caucasus States relations in the future and answer four basic questions through the following chapters:

- a) What is the importance of Southern Caucasus States for Turkey-EU relations?
- b) What is Turkey's importance for EU-the Southern Caucasus States interaction?
- c) What is EU's importance for Turkey-the Southern Caucasus states interaction?
- d) How do external powers influence the interaction of Turkey-EU-the Southern Caucasus states relations?

CHAPTER 1

HISTORICAL BACKGROUND

1.1. ORIGINS OF NATIONAL CONSCIOUSNESS IN THE SOUTHERN CAUCASUS

The Caucasus region has always been a geostrategic key crossroad in the Eurasian landmass, a gate between Europe, Central Asia, Anatolia and the Middle East. As a result of this, the region has been historically the battleground between various historical empires of Alexander, Persians, Mongols, Roman Empire, Ottoman Empire and Russian Empire. Due to the mountainous landscape and a strategic passage/battlefield/bufferzone for various empires throughout the history, this geographically small region gained far greater importance beyond her size. The whole region is bordered by Black Sea in the west, Russia in the north, the Caspian Sea in the east and Turkey-Iran in the south. Until the beginning of the 19th century, Ottoman, Russian and Safavid Empires clashed for dominating the region, whereas no significant power managed to hold the region for a durable period of time. Mountainous terrain of the Caucasus and rivers of Kura and Arax, create a natural boundary to the region from outside that has historically unabled big powers to have access and create a long-lasting rule in the region. The geostrategic location of the Caucasus also affected the mixed ethnic make-up and retainment of diverse identities throughout the region. Nevertheless, religious identification was dominant until national identity concept would emerge lately in the 19th century, after the French Revolution in 1789. Suny stresses that Armenian subjects in the Ottoman Empire were defined by religion rather than language or ethnicity. Politically they were governed by the Sultan indirectly via the Armenian patriarch in Istanbul. In the Russian Empire, the Armenian community was united and governed under the religious and educational authority of Echmiatzdin, historical holy city of the Armenians.³

³ Ronald Grigor Suny, *Looking Toward Ararat: Armenia in Modern History* (Bloomington and Indianapolis: Indiana University Press, 1993), 9.

On the other hand, Georgian clergy was ruled by Russian clergy after 1815, because of the resistant attitude of Georgians against Russian rule and Armenians' powerful positions in Georgia.⁴ Azeris, who had not yet constructed their national identity fully, was a strongly fragmented, traditional and feudal society; in this sense Armenian insurgence in Azerbaijan played an important role in shaping Azerbaijani ethnic consciousness.⁵ In Suny's reference, thus, it is possible to say that premodern communities identified themselves with their religious affiliation, rather than their nationality. These societies were also divided along feudal and traditional lines. Emergence of secular national consciousness was rooted in ethnic culture of the common folk and common language, developed as a result of political interaction with the modern world, conflicts with neighbouring societies and their own industrialization/urbanization/enlightenment processes. These processes brought the erosion of the Church authority. Weakening of the Church resulted in the weakening of the Empires' hold on the ethnicities as well.⁶

Georgia and Armenia are predominantly Christian states and of the first ethnicities that converted to Christianity in the antiquity period, in other words Christian identity. On the other hand, Azeri population had been strongly influenced by Turkish and Persian culture and predominantly Muslims of Shia sect. Van Der Leeuw categorizes pre-modern historical background of Azerbaijan through six influential periods which would shed a light to the history of the region ⁷:

a) Sumerians in the early third millennium BC to the emergence of Assyria a millennium and a half later, which marked first struggles of nomad tribes to maintain dominance over the region, first annexation of Azerbaijan into a neighbouring empire.

b) The era from the first national revival from foreign rule in the late second millennium BC, pursued by foreign annexations into southern superpowers at various times and temporary periods of semi-independence (autonomy) and social transition from nomadic into indigeneous communities, until the arrival of the Romans and Christianity

⁴ Ronald Grigor Suny, *The Making of the Georgian Nation* (Bloomington and Indianapolis: Indiana University Press, 1994), 85.

⁵ Suny, *The Making of the Georgian Nation*, 27.

⁶ Suny, *Looking Toward Ararat*, 9.

⁷ Charles Van Der Leeuw, *Azerbaijan: A Quest for Identity- A Short Story-* (New York: St. Martin's Press, 2000), 76-77.

c) The Mazdeo-Christian era (3rd-8th centuries AD) which marked the emergence of the first confederative kingdom of Albania (Azerbaijan), in spite of the regular invasions by the Romans and the Persians

d) Arrival of the Arabic Empire around 8th century and formation of the principalities of Shirvan, Arran and various that gained more autonomy by time through the Caliphate that provided themselves as protectors against foreign occupation on the condition of conversion to Islam

e) The Seljuk and Atabeg period (11-13th century), which the Turkic cultural influences formed the current Azeri national consciousness

f) The Mongol invasions of Genghis Khan and Tamerlane, which devastated the region nearing to almost destruction of Azerbaijan, which followed by reemergence of feudal lords and Ottoman-Safavid-Russian struggles for hegemony until the beginning of the 19th century when Russia became the dominant power.

Azeris have had strong ties and influences with Turkish culture, on the other hand conquest of Azerbaijan by Shah Ismail in 16th century brought Persian and Shia influences, Russian conquest in 19th century then brought Russian cultural and political influences which to an extent weakened but never able to break off Turkish, Persian and Islamic influences. In spite of a long history of Azerbaijani literary heritage even before the Safavid era, there was almost no unity or common state of Azerbaijani speaking communities. Being members of a peculiar tribe, region, clan or khanate were important for identification, besides Azerbaijani lands were ethnically mixed up with various groups like Armenians, Kurds, Talysh and Lezgins.⁸ Except Turkey, Azerbaijan can be regarded as the most secularized predominantly Muslim country due to the influences of Russian Empire and especially the Soviet atheist rule, which brought urbanization and industrialization. These factors significantly decreased Islamic influence in the Azeri society and politics.⁹ Azeri language and culture strongly resembles Turkish as well. Therefore, due to geostrategic realities in addition to historical, cultural, linguistic and political ties, Azerbaijan and Turkey enjoys strong relations.

⁸ Cornell, *Small Nations and Great Powers: A Study of Ethnopolitical Conflict in the Caucasus* (London: Curzon Press, 2001), 36-48.

⁹ Altay Goyushov, "Islamic Revival in Azerbaijan," *Current Trends in Islamist Ideology Vol 7* (2008): 66-81, accessed January 10, 2009, http://www.currenttrends.org/docLib/20081117_CT7final%28lowres%29.pdf.

Armenia is the most ethnically homogeneous country of the ethnically mixed up Caucasus region, whereas Azerbaijan is moderately ethnically heterogeneous with Jewish, Lezgin, Talysh, Georgian and Russian minorities.¹⁰ Previously intermingled (existence of Azeri dominated Karki, Yukari Askipara and Barkhudarli exclaves in Armenia and Armenian dominated Artsvashen exclave in Azerbaijan) and living peacefully for centuries (especially the Soviet role in suppressing the ethnic unrests), Azeri and Armenian minorities between Armenia and Azerbaijan fled to their ethnic state due to rising conflicts in Nagorno Karabakh.

Georgia can be considered as the microscope and heart of the Caucasus region with her heavily heterogeneous ethnic make-up with Abkhaz, Ossetian, Adjarian, Azeri, Chechen and Armenian minorities (which Russia exploits efficiently to weaken Georgia in case of acting against Russian interests). Russian population heavily left after the Rose Revolution and inevitable stand-off against Mikhail Saakashvili administration that openly sought integration with Trans-Atlantic political, military and economic structures which strained Georgia-Russia relations. Ironically, Georgia managed to hold friendly relations with her Muslim oriented but secular neighbours (Turkey-Azerbaijan) but relations have been strained with Orthodox Christian Russia and to a lesser extent Apostolic Christian Armenia. At the same time, Armenia and Iran managed to have strong political and economic ties as a Christian and an Islamist country, respectively. All this factors can be considered prominent examples of *Realpolitik*, a term which was coined by German Empire chancellor Otto von Bismarck that supports the idea that politics must be based on pragmatic interests rather than ideologic, moral, gratitude and friendship considerations.¹¹

In brief, nationality issue is a complicated matter in this ethnically rich but potentially unstable region in the world, where Van Der Leeuw emphasized the decisive factor of "history" in the concept of "nationality":

Language and ethnic origin are at best building blocks for the forming of a nation. Elementary they may be indeed, decisive by no means. A nation is formed first of all by its history. In this way, it would be difficult to accept that, despite the injustices committed against them,

¹⁰ "CIA-The World Factbook-Azerbaijan," accessed September 20, 2008, <https://www.cia.gov/library/publications/the-world-factbook/geos/aj.html>.

¹¹ Robert Rauchhaus, "*Realpolitik* :Foreign Policy Based on Practical Rather than Ethical or Ideological Considerations." *University of California*, Accessed January 16, 2009. <http://www.polsci.ucsb.edu/faculty/rauchhaus/files/other/Rauchhaus--Realpolitik.pdf>
Elkhan Nuriyev, *The EU Policy in the South Caucasus: The Case of Post-Soviet Azerbaijan* (Berlin: German Institute for International and Security Affairs,2008), 10. Accessed April 19, 2009, http://www.swp-berlin.org/common/get_document.php?asset_id=4020.

the Mayas, Toltecs and Aztecs of today have more right to call themselves 'Mexican' than their Spanish-speaking compatriots who are descendants of those who inflicted the misdeeds of old on the country's original population.¹²

Linguistically, the Southern Caucasus region is rich and heterogeneous as well as her ethnic make-up, Demir states that around 70 ethnicities form the Greater Caucasus region, therefore various linguistic diversity is evident and emphasizes three groupings to categorize languages that are being spoken in Southern Caucasus today ¹³:

a) Indo-European Languages

-Russian, Ossetic, Abkhazian, Armenian

b) Turkic (Ural- Altaic)

-Turkish, Azeri

c) Caucasian Languages

-Georgian, Svaneti

Today Azerbaijan is the most populous country with approximately 9 million people, Georgia has 5 million and Armenia has 3,5 million population.¹⁴ On the other hand, populations diminish due to aspirations for a better life and working conditions in foreign states. Relations with various diasporas, expatriates, immigrants and distant relatives are important for lobbying their countries' interests in the various platforms of international community. In addition, remittances that are sent back to home country are important for domestic economies. Armenian diaspora is much more widespread and well-organized throughout the world, whereas Azerbaijani and Georgian diaspora are located in much more specific countries such as Turkey, Germany, Russia and ex-Soviet republics. Nevertheless, we can say, this diverse ethnic composition prevented a long-lasting external rule, however posed an opportunity to intervene in political and

¹² Van Der Leeuw, *Azerbaijan*, 23.

¹³ Ali Faik Demir, *Türk Dış Politikası Perspektifinden Güney Kafkasya*, (İstanbul: Bağlam Yayınları, 2003), 69-70.

"CIA-The World Factbook-Azerbaijan." accessed September 20, 2008, <https://www.cia.gov/library/publications/the-world-factbook/geos/aj.html>.

"CIA-The World Factbook-Georgia." accessed September 20, 2008, <https://www.cia.gov/library/publications/the-world-factbook/geos/gg.html>.

"CIA-The World Factbook-Armenia." accessed September 20, 2008, <https://www.cia.gov/library/publications/the-world-factbook/geos/am.html>.

economical dynamics of the region for neighbouring and extra-regional powers. In addition to increasing importance of the South Caucasus in security, energy, transportation, commerce and communication fields, network of relations between the actors are complicated.

1.2. HISTORICAL BACKGROUND OF THE SOUTHERN CAUCASUS

1.2.1. Battlefield and Bridge Between Empires

Historical background of the Transcaucasus region extends to 3000 BC as a metal rich zone which attracted civilizations in Southern Russia, Mesopotamia and Anatolia. Around 800 BC, Cimmerians became the first accounted ethnic tribe that settled for a brief period of time in the region, which was followed by Scythians who were struggling with Asuri and Median tribes until their collapse around 300 BC. After a period of chaos, Persians routed Sarmats controlled Southern Russia. Around 100 BC, Alans defeated Sarmats and first time a power managed to control the region for a significant period of time for centuries. Alans regarded as historical ancestors of Ossetians because of resemblance of Ossetic and historical Alan language as well as Russians adoption of the Georgian name of Oseti (Alania) and Osebi (Alan) for the region and its people.¹⁵ Emergence of Christianity and its relative unity factor were influential even though other faiths and traditions managed to survive as well. During the rise of Roman Empire, commercial and geostrategic value of Transcaucasia was intensified significantly. In 372, the Huns led by Attila, defeated Alans and confronted with Roman Empire. After the death of Attila, Avars controlled the region and battled against Sasanids and Byzantine Empire where Turkic and Persian influences started to be perceived.¹⁶

Around 7th Century, Arabs campaigned against Sasanid Empire and Islam came to the region by reaching to modern day Azerbaijan and Georgian territories. During the period of Seljuk Empire, Sultan Alp Arslan campaigned to the region various times. Around IX-XII century, Kingdom of Georgia which peaked her "golden age", during Queen Tamar's rule, Northeast Anatolia, Sochi, Circassia, Ganja, Shirvan were either controlled or ruled as dependencies. Kipchaks became influential in the Turkification of the Transcaucasus during their brief rule after the fall of Seljuk Empire. Mongolians came around 1220's and Ilkhanates controlled the region in the

¹⁵ Demir, *Türk Dış Politikası*, 74.

¹⁶ Demir, *Türk Dış Politikası*, 63-69.

second half of the 13th century. First Russian influence came around 1552 when Kazan Khanate reached to region and confronted with Ottomans and other Turkic tribes. Shortly afterwards, Ottoman Empire campaigned towards the region and gained Shirvan and Southern Georgia against main competitor Safavids.

1639 Kasr-i Shirin Treaty finalized Ottoman-Persian border. Shortly afterwards, Russia became the most prominent actor in the region by reaching to the outskirts of Caucasia. After Russian Empire's consolidation as a powerful actor of dominating the Caucasus region in order to have access to the open seas, geopolitical rivalries brought Russian Empire in confrontation with the Ottomans and Persians.¹⁷ After power struggles of Ottoman Empire and Safavids until the end of the 17th century, Russia emerged as a strong regional and then global world power, which stretched through the Baltic Sea to the Black Sea and Moscow to the Far East coast near to China by bringing various khanates under Moscow rule and consolidating Russian nationality and culture.

1.2.2. Rise of Russian Empire

Starting from the beginning of the 18th century, Czar Petro I's reforms transformed Russia from an agricultural based feudal country to a world power in the next centuries. This transformation likewise affected the Southern Caucasus communities which brought an end to fragmented feudal nobility ruling the region into Russian imposed industrial evolution and hegemony. Nevertheless, Russian Empire instinctively preferred to exploit Transcaucasia as a colony providing raw materials to the Russian heartland, rather than developing the area economically nor integrating into the political system, at least in the first four decades of the Russian rule.¹⁸ The reason is for that, firstly multi-national Russian Empire was not interested to invest her energy on already complex web of relations of diverse communities. Secondly, resource rich Transcaucasia (Southern Caucasus in other words) could harm Russian industrialists and businessmen interests in the Central Russia. Therefore, agriculture was encouraged and the region was treated as a colony, at the same time it should be better governed to eliminate future instabilities.¹⁹ Tbilisi with its central position and melting pot role of the Southern Caucasus became a transit trade and administrative center in the following

¹⁷ Demir, *Türk Dış Politikası*, 63-69.

¹⁸ Cornell, *Small Nations and Great Powers*, 33-34.

¹⁹ Tadeusz Swietochowski, *Russian Azerbaijan 1905-1920: The Shaping of National Identity in a Muslim Community* (Cambridge: Cambridge University Press, 1985), 17.

years.²⁰ Even though Russian Empire was reluctant to intervene more than necessary into regional people's affairs, gaining the support of local people for Russian presence in the region was required. *Dvorianstvo* system which permitted local nobles to serve as military officers and civil administrators was instrumental to disperse resistance to Russian rule among nobles and feudal lords who were mainly interested in their personal gains coming from Russian dominance rather than national interests, which was yet to be constructed fully. During Soviet period, a similar system named *Korenizatsiaa* (Nativization) also aimed at gaining support for socialism and preserving national peculiarities, which top cadres in the Soviet republics were given to local people who were undoubtedly loyal to the central authority in Moscow rather than appointed Russian officials to the republics.²¹ The stances of the dominant ethnicities towards the Russian rule in the Southern Caucasus are important to be analyzed.

After establishing significant political, economic and military power, Russia sought to extend her influence to open seas and used her territorial and military superiority to expand her territories, thus it conflicted several times with Ottoman Empire and Persia. Russia's aim of competing with British imperialism and gaining access to open waters threatened British interests, especially the most prominent British colony, India. Britain gave importance to the Ottoman Empire, Persia and Afghanistan to contain Russian extension. İşeri notes that, British geostrategist H.J. MacKinder coined the term "Great Game" of British and Russian competition to maintain superiority of Central Asia landmass with the "Heartland Theory". Mackinder's "Heartland Theory" stresses that due to her proximity to regional powers in Eurasia and geostrategic position, dominating this area would bring a geostrategic advantage to the dominator to rule the world.²² Contemporary scholars still argue that the competition in the Central Asia is still going on with a renewed "Great Game" concept which could be extended to Caucasus and Middle East.²³ Britain actively involved as a mediator to Egyptian viceroy Mehmet Ali Pasha's rebellion and victory over Ottoman forces which led to the Sultan's request for help from the Russian czar, thus enabling Russian navy to access to the Bosphorus which could have threatened British interests in her colonies. British involvement maintained return of territories occupied by Mehmet Ali

²⁰ Suny, *The Making of the Georgian Nation*, 91-92.

²¹ Suny, *The Making of the Georgian Nation*, 28,289.

²² Emre İşeri, "Amerika'nın Soğuk Savaş Sonrası Büyük Stratejisi, Avrasya Heartland'inde Petrol ve Boru Hatlarının Jeopolitiği," in *Geçmişten Günümüze Orta Asya ve Kafkasya*, ed. Yelda Demirağ et al. (Ankara: Palme Yayıncılık, 2006), 53.

²³ Catherine Lovatt, "Re-defining East and West: an old theory put up against new changes," *Central Europe Review*, vol: 1, no: 23, November 29, 1999, accessed November 21, 2009, <http://www.ce-review.org/99/23/lovatt23.html>.

Pasha to the Ottoman Empire, securing Mehmet Ali Pasha's rule in Egypt and cancelling Russian aid. Britain and France actively fought together with Ottoman Empire during the Battle of Crimea in 1853, when Russian troops invaded Bessarabia. Russia was defeated and Ottoman security was guaranteed by Britain and France with the Treaty of Paris in 1856. Nevertheless, 1878 Russo-Ottoman War was a total catastrophe for Ottoman Empire which led to the loss of Bulgaria in the Balkans and occupation of Eastern Anatolia by Russia. Russia would improve her relations with Christian Armenian population in Anatolia and mobilized the Armenian population for uprising in order to further weaken and destabilize Ottoman Empire to have access to the Middle East oil reserves.

Russia did not conflict much with Persia, and chose to fight with relatively weaker Ottoman Empire with closer access to open seas. Nevertheless, Russian-Persian conflicts enabled Russian entrance to the Southern Caucasus. Russia annexed today's Georgia in 1801 after confrontation with Persia and Russo-Persian War in 1828 (which was also the last major clash between Russia and Iran) ended with the Turkmenchay Treaty which gave Erivan, Karabakh and Nakhichevan khanates under Persian rule to Russia and fixed previous Russian/Soviet-Persian/Iranian and today's Azerbaijan/Armenia-Iran border, as well as Russian influence in the Caucasus region. Russia also consolidated her position in the Caspian Sea as the sole naval force with the right of navigation. The 1829 Russo-Ottoman war also ended with the Edirne Treaty that led to the loss of Ahıska and Akhilstkhe regions of Ottomans. Russian consolidation of power in the region created a massive influx of immigration movements, Turkic and Muslim tribes immigrated to Anatolia, whereas Armenians immigrated to southwards of the Caucasus.

Ottoman Empire could not receive the British and French support to counter Russia in 1877-78 War because Britain and France were gradually revising their policy of aiding Ottoman Empire and Persia against Russia. Their interests overlapped with the Russian czar for crushing socialist waves in Europe after the Industrial Revolution, concentration and exhaustion on Anglo-Irish/Franco-Prussian conflicts and rise of Germany and Italy striving for colonies that would threaten their imperial interests.²⁴ The next decades would form the basis of World War I which would erupt in 1914.

²⁴ Stanford J. Shaw and Ezel Kural Shaw, *History of the Ottoman Empire Volume II: Reform, Revolution and Republic* (Cambridge: Cambridge University Press, 1977), 146-147.

1.3. AFTERMATH OF THE WORLD WAR I: BOLSHEVIK REVOLUTION AND TURKISH WAR OF INDEPENDENCE

Britain and France were also getting interested in gaining access to Middle Eastern oil reserves and would formulate secret agreements with each other over a potential aftermath of partition of the Ottoman Empire, the secret Sykes-Picot Agreement, to be put into practice after World War I to draw the map of Middle East and partition of the Ottoman Empire. It was openly exposed from Czarist Archives by the Bolsheviks and became the most notorious one to downplay prestige of Britain and France.²⁵

The Bolshevik Revolution that ousted Czarist regime and brought communist regime was a consequence of a widespread public discontent over the Czar's inefficient and despotic policies that had led to a wide range of wars with heavy casualties, ethnic suppression, unequal wealth distribution and worsening conditions in the distant parts of Russia. Once the Communists ascended to the power, their foremost priority was to take Russia out of the War and then signed Brest-Litovsk agreement with the German and Ottoman Empire. Bolshevik's strong anti-imperial rhetoric against Imperial powers (France and the United Kingdom) gained more public support especially when Lenin published secret agreements prior to the war between Allied powers and Russian Empire on Ottoman lands and this also contributed to friendly relations between Turkish revolutionaries and Bolsheviks.²⁶

After the Russian troops withdrew from the Caucasus region and from the Turkish lands that were previously invaded in the 1877-1878 Russo-Ottoman War, they ended their direct help to the Armenians. Meanwhile Azerbaijan, Georgia and Armenia declared their independence in May 1918 after the chaotic aftermath of the October Revolution of 1917 and in order to maintain their sovereignty all sought the recognition of Allied Powers for their independence. Armenians in return, swiftly reoccupied the Eastern Anatolia region in 1918 following the Russian withdrawal and ethnic clashes erupted between Armenia-Azerbaijan that were occurred on territorial disputes such as Nakhichevan, Zangezur and Karabakh regions.

²⁵ Suny, *Looking Toward Ararat*, 123.

Kaya Ataberk, " Emperyalizmin Haritasını Yırtmak," *Türk Solu*, May 4, 2009, accessed October 26, 2009,

<http://www.turksolu.org/234/ataberk.234.htm>.

²⁶ *ibid.*

Meanwhile, Ottoman Empire signed Mondros Armistice with the Allied Powers in 1918. Meanwhile, Mustafa Kemal was preparing for a resistance movement; gathering irregular units and political movements under a central command. The power vacuum in the Eastern Front prompted Armenian invasion and Azerbaijan was also seeking for support in their struggle with Armenia. Swietechowski remarks that Halil Pasha-who was the commander of the Ottoman Eastern Army Group and brother of Enver Pasha- escaped from Istanbul to offer his services to Mustafa Kemal and then sent to Azerbaijan to maintain Soviet military assistance. During that time, he attempted to maintain a strategic corridor between Turkey and Azerbaijan through Nakhichevan, which Azeri government rejected Mustafa Kemal's forces involvement in the Azeri-Armenian dispute, in order to preserve the Allied support required for Azerbaijan.²⁷ On the other hand, Mustafa Kemal realized that Transcaucasian Republics would collapse sooner or later to Russian advance. In order to maintain crucial Soviet support and neutralize Armenian threat, Mustafa Kemal and Kazım Karabekir considered Georgian neutrality and "conditional" inclusion of Azerbaijan into the Soviet System against an Allied orientation of their government against Turkish interests which could have cut off Soviet support to Turkey. Mustafa Kemal rejected Pan-Turkism and Pan-Islamism in favour of his "Turkey-first" approach:

to start official and unofficial mobilization on the Eastern Front, to concentrate our forces for the breaking of the Caucasian barrier, to contact the new governments of the Caucasus, particularly those of Islamic Daghestan and Azerbaijan, in order to determine their standpoint with regard to the schemes of the Entente Powers. Should the Caucasian nations decide to act as a barrier against us, we will agree with the Bolsheviks on a coordinated offensive against them...²⁸

Mustafa Kemal initiated War of Independence on May 19, 1919 against the Allied Occupation from five powers (UK-France-Greece-Armenia-Italy) to liberate Turkey from the destruction and establish a Grand National Assembly as the sole representative of the Turkish people on 23 April 1920, against defunct Istanbul government under the captivity of Allied Powers. The Caucasus Campaign of the Turkish War of Independence successfully liberated Eastern Anatolia from the Armenian occupation. After the Turkish-Armenian war of September-December 1920, and the collapse of the Democratic Republic of Armenia, Turkish troops reached to Batumi and Gyumri, thus Armenia agreed to sign Ceasefire Treaty of Alexandropol on December 2, 1920 and gave all the territories promised to her by the Treaty of Sevres

²⁷ Swietochowski, *Russian Azerbaijan*, 162.

²⁸ Swietochowski, *Russian Azerbaijan*, 163.

and lost 60% of her prewar territory. The Treaty of Kars on October 13, 1921 finalized the Turkish-Armenian border thus denounced the treaty of Sevres, which aimed to include Eastern Anatolia to Armenia.²⁹

1.4. TERRITORIAL ADJUSTMENTS

After the Bolshevik occupation of all three Transcaucasus states with their incapability to resolve their internal and external problems (Azerbaijan and Armenia in 1920; and Georgia in 1921), Russia returned to the Caucasus once again, fixed her power as the Soviet Union for the following 70 years. Russia set up Transcaucasian Socialist Federative Socialist Republic in 1922 comprising Azerbaijan, Georgia and Armenia, finally Soviet Union abolished this entity and all three became separate Soviet Socialist Republics in 1936.³⁰ Unlike the Czarist Russia, new regime had friendly and cooperative relations with Ankara Government and provided arms and military equipment against the common enemy, the imperial powers. The common traits of struggling against western imperial powers, being led by revolutionaries who had toppled their monarchic regime and international isolation, brought Turkey and Soviet Union together, in spite of their ideological differences.³¹ Turkey and Soviet Union would provide financial, economic and political support to each other in order to tackle challenges they faced during the turmoil period for both countries (Turkish War of Independence and Russian Civil War). Agreement was that, Turkey and Soviet Union would have friendly, peaceful and non-aggressive relations that would contribute to their cooperation and coexistence, respect each others sovereignty and internal affairs, as well as commitment to aid in case of request.

1.4.1. Demarcation of the Turkey-Soviet Union Border and Nagorno

Karabakh

On 16 March 1921, Turkish Grand National Assembly and Bolshevik Russia signed the Friendship Treaty of Moscow. The treaty was once again ratified with the Kars Treaty on 23 October 1921 and fixed the border between Turkey and Soviet Union for a final settlement. According to agreements between Turkey and the Soviet Union, Batumi would be granted to Georgian Soviet Socialist Republic with autonomous status due to local Muslim but ethnically Georgian population known as Ajarians, and Gyumri was ceded back to Soviet Armenia. The status of Ajarians is

²⁹ Cornell, *Small Nations and Great Powers*, 76.

³⁰ Demir, *Türk Dış Politikası*, 63-69.

³¹ Cornell, *Small Nations and Great Powers*, 287.

unique in the Soviet Union, due to the fact that it was the only territory in the Soviet Union which was granted autonomy on religious grounds, which in a way contradicted Lenin's nationality principles.³²

Turkey regained almost all territories lost to the Czarist Russia during Russo-Turkish War of 1878, which resulted in the liberation of towns of Artvin, Ardahan, Oltu, Sarıkamış, Kağızman, Kars and Iğdır. Turkey also gave up claims on Nakhichevan region on the two conditions that the region would never be given to Soviet Armenia and a fixed land border would be maintained with the Azerbaijan Soviet Socialist Republic. In order to have an access to ethnically, linguistically and culturally related Azerbaijan population, a short strip of land between Iğdır and Sadarak Rayon under the authority of Azerbaijan Soviet Socialist Republic was maintained as Turkey-Azerbaijan border.³³ Thus, Nakhichevan region was granted Autonomous Republic status within Soviet Azerbaijan. However Zangezur region which separated Nakhichevan and mainland Azerbaijan, was given to Armenia. Thus Turkey-Azerbaijan, Armenia-Iran borders were fixed but Azerbaijan was divided into two separate pieces (Azerbaijan mainland and Nakhichevan Autonomous Republic). Nevertheless, Turkey and Russia agreed on being guarantors on Nakhichevan's status.

Nagorno-Karabakh was also created as an autonomous republic under the authority of Azerbaijan Soviet Socialist Republic. This was regarded by Azeris as undermining Azeri sovereignty and integrity, whereas Armenians resented that Karabakh and Nakhichevan were not integrated into Armenian Soviet Socialist Republic. Thus this settlement eased ethnic unrests both between Azerbaijan and Armenia, on the other hand the discontent between communities on territorial alterations never fully vanished, which maintained the Caucasus Soviet states under Moscow's authority.³⁴ Nevertheless, Turkey's policies were influential not only in the drawing of Soviet-Turkish border, but also internal autonomous borders of the Soviet Union of the Southern Caucasus in Nagorno-Karabakh, Nakhichevan and Adjara.³⁵

1.4.2. Abkhazia and South Ossetia

Abkhazia was first granted Republic status in 1921, but later her status was revised in 1931 to autonomous republics under the authority of Georgian Soviet

³² Cornell, *Small Nations and Great Powers*, 175.

³³ Cornell, *Small Nations and Great Powers*, 76.

³⁴ Cornell, *Small Nations and Great Powers*, 17.

³⁵ Cornell, *Small Nations and Great Powers*, 287.

Socialist Republic, also Georgian and Russian settlements were encouraged during Stalin's rule.³⁶ South Ossetia was created as an autonomous oblast in 1922 and remained so until 1990 when Supreme Soviet Council of Georgia revoked its autonomous status and attempted to put it under Tbilisi rule, which initiated the First South Ossetian War between 1991-1992. Abkhazia and South Ossetia created the same feelings between Georgian, Abkhaz and Ossetian communities in parallel with Karabakh's status between Azeris and Armenians. Until the end of 1980's, the map of Transcaucasus was like that which preserved stability and order for around 70 years, except the World War II period where Nazi Germany invaded Soviet Union and strove for control of Caspian oil reserves. Gorbachev's *Glasnost* and *Perestroika* reforms triggered reawakening of discontent on the Soviet rule with the outbursts of nationalist discourses and ethnic conflicts that were frozen for almost 40 years, thus this historical background would lead to problems that Transcaucasus states would face right after the sudden independence with the break of Soviet Union and the security vacuum it created on the Soviet landmass.³⁷

1.5. SOVIET RULE IN THE REGION

After the Bolshevik Revolution, Bolshevik authorities decided that socio-economic structure of the union's communities had to be transformed and ethnic disputes had to be ended in order to consolidate socialism. Being aware of the fact that Soviet Union at that time had a mostly agrarian and traditional socio-economic structure, in order to maintain conditions of a socialist state, Soviet authorities initiated a massive program of urbanization, industrialization, collectivization and centralization throughout the vast union inherited from the Russian Empire. Taking account of the multi-ethnic nature of the union, Soviet authorities sought to erode national differences among the communities by promoting "Soviet People" identity, in order to tackle Russification skepticism prevalent among the communities and also initiated "renationalization" programs.³⁸ Therefore, the federal structure of the Soviet Union was built on territorially and ethnically based entities with varied levels of autonomous rule given to different communities. Due to the ethnically complex nature of the region, the demarcations between these units were drawn by cutting across many ethnic groups. Cornell points out according to some views that due to the ethnic make-up of the region creation of clear-cut ethnic units were impossible, thus borders were drawn to create a

³⁶ Kadir Sancak, " Gürcistan'ın Kafkasya'daki Yeri" (M.A. Thesis, Marmara University, 2000) 43.

³⁷ Cornell, *Small Nations and Great Powers*, 44.

³⁸ Cornell, *Small Nations and Great Powers*, 49.

"Soviet People" identity and economically viable republics.³⁹ However Cornell stresses that, Soviet authorities consciously encouraged and promoted renationalization in order to "divide and rule" potential dissident and separatist waves. In order to do that, separating communities and emphasizing cultural differences between them through "renationalization" were essential. Moreover, communities with similar backgrounds, such as Turkic or Islamic communities had the potential to unify. Causing friction between ethnic sub-groups would distance these groups from each other, thus prevent a unified insurgence against the Soviet Union.⁴⁰

All Southern Caucasus communities had maintained their national identities during Soviet rule which was marked by industrial revolution, urbanization, rise of secular ideas against the clergies, access to the Western concepts of nationhood, revolution and democracy. Even though career advantages in Russian administration and Russian military power prevented nationalist revivals for a brief period of time, Soviet administration contributed to the emergence of the nationalist discourses. The remote and fragmented territories of Southern Caucasus communities were socio-economically integrated after a long time; thus gathering their compact settlements together (even though under Russian rule) with effective communication, market economy and national revival contributed to the emergence of nationalist intelligentsias. Azerbaijan, Georgia and Armenia possessed the traits of statehood near the end of the Soviet Union. On the other hand, national revivals and modernization processes took place in a multinational atmosphere. Administrative domination of Russians and economic privileges of the Armenians resented Georgian and Azerbaijani communities, which shaped a national revival against the other. In addition to religious, cultural and ethnic differences, the conflicts between Azerbaijan-Armenia and Georgia-Russia also arose from their social, administrative and economic factors significantly.⁴¹

Undisputedly, all these three states have their unique traits. Georgians were a rural feudal, Armenians were business/industrialist and Azerbaijanis were an Islamic feudal society. Despite these differences, Soviet period and especially Stalin's initiatives brought industrialization, centralization and urbanization. Feudal agrarian based Southern Caucasus communities resisted changes brought from above. Even though there was a nationalist sentiment in this resistance, there was an internal class

³⁹ Cornell, *Small Nations and Great Powers*, 40.

⁴⁰ Cornell, *Small Nations and Great Powers*, 40-49.

⁴¹ Suny, *The Making of the Georgian Nation*, 180-181.
Suny, *Looking Toward Ararat*, 199.

conflict between the massive peasantry and diminutive educated urban population. The closing of the gap between urban and rural communities from the same ethnicity was related to industrial revolution that shifted these societies from rural agrarian to urban industrial societies. Georgia emerged as an automotive and touristic stronghold, Azerbaijan experienced industrialization through her vast energy reserves, meanwhile although Armenian industrialization process was modest compared to other union republics, it experienced significant industrial economic growth and urbanization as well. Agriculture, which provided the backbone of these communities was weakened, collectivization and centralization flourished "black market economy" in these republics with varying degrees. Expansion of education both enabled Russian/Western learning and increasing knowledge in their native languages. Therefore, all Southern Caucasus states became more or less industrialized, urbanized and educated with an evident socio-economic transformation. State sponsored "renationalization" and "industrialization" programs were intensified with extension of education, urbanization, multinational army, welfare services, industrialization, civil service and formation of a technical intelligentsia.⁴² In other words, socialist nations revived the national identities of Southern Caucasus peoples and other non-Russian communities in the Soviet Union.⁴³

The "national in form, socialist in content" dual process of socio-economic evolution and renationalization brought neither consolidation of Russification nor assimilation into the "Soviet People" concept.⁴⁴ Stalin period centralized the administration and the industrial output of the republics to Moscow, whereas Khrushchev and Brezhnev periods sought indirect rule by relaxing Moscow's authority on the republics, thus eliminated tensions against Moscow, benefited from regional support and overcome stagnation of economic growth in the last years of the Stalin period.⁴⁵ In contrast with the expected political aim of creating "Soviet People" and preventing potential unified insurgences, native cadres in the republics sought to maximize their benefits within the system and "nativization" worked on their behalf due to their demographic hold in their home republics with the outmigration of other

⁴² Suny, *The Making of the Georgian Nation*, 296-298.

⁴³ Suny, *The Making of the Georgian Nation*, 296-298.

⁴⁴ Suny, *The Making of the Georgian Nation*, 300.

⁴⁵ Suny, *The Making of the Georgian Nation*, 301-302.

ethnicities, also immigration of ethnicities living in other republics or parts of the world to their home republics.⁴⁶

Meanwhile a small but rising group of dissident nationalist intelligentsia emerged. Initially they sought the alteration of their status and then separation from the Soviet Union after gaining a ground of national consciousness by the benefits of political and socio-economic reforms, especially rooted in post-Stalin period. According to Suny, there are several reasons for the emergence of dissident nationalism: a) Death of Stalin resulted in easing of the oppression and triggered expression of political, economic, cultural and intellectual discontent in a nationalistic rhetoric which was regarded a political sublimation for activity and expression which was risky to be done before b) The national elites in Soviet republics used *Korenizatsiaa* (nativization) as a chance given by Khrushchev administration to maintain local demographic, cultural and economic hegemony, when Moscow chose to rule indirectly and permit local cadres to utilize national feelings to maintain socialist order, thus consolidated national identification in the institutions rather than administrative qualification; c) Nationalist discourse was a signal of the psychological reflex of being small nations tended to be assimilated by larger nations in the course of modernization and apparent erosion of Marxism. This prompted safeguarding national language, values, customs and culture in a multinational state. In other words, an insurgence against loss of cultural identity, language and assimilation to Russification emerged during the process of modernization.⁴⁷ This modernization was imposed by a foreign power through coercive methods and directed through local cadres. This insurgence was not only directed against Moscow authorities, but also the other ethnicities and minorities who are perceived to be the enemies of their national-cultural identification (Azerbaijanis-Armenians, Georgians-Abkhazians/Ossetes/Russians). All these factors inevitably created alternative models of development rather than Russian imposed one, in other words "independence".⁴⁸

1.6. CONCLUSION

In conclusion, it is noteworthy to mention that cultural, geographical and ethnic characteristics of the Southern Caucasus are essential in the relatively late national consciousness formation. Traditional values, agrarian feudal socio-economic

⁴⁶ Suny, *The Making of the Georgian Nation*, 298-299.

⁴⁷ Edmund Herzig, *The New Caucasus: Armenia, Azerbaijan and Georgia* (London: Royal Affairs of Institute, 1999), 9.

⁴⁸ Suny, *The Making of the Georgian Nation*, 314-315.

structure, powerful neighbours and communal clashes went through as long as none of the neighbouring powers or indigeneous people managed to hold the region for a sustainable period of time. Before the last half of the 19th century, geopolitical conflicts were separated from ethnic basis; feudal lords and merchant classes, who mostly took sides in regional and geopolitical conflicts with one of the neighbouring superpowers, were pursuing power for their own benefits, whereas the population - lacking a national consciousness by time- tended to view conflicts as a " mere nuisance " rather than a matter of principle, and were not much interested who would win as long as winner restored order and respected their basic freedom. ⁴⁹

Russian Empire's domination of the region brought integration of the fragmented territories of the common ethnic groups under a single dominating power, thus increased their communication and national consciousness between each other. Meanwhile, access to Western concepts of nationalism, industrialization and socialism, challenged the feudal agrarian elements of the Southern Caucasus communities. Soviet rule can be considered as the final step in the formation of their national consciousness, which brought radical changes on the socio-economic and identification structure of the Union's nationalities. A massive centralization (Stalin period) and Soviet style local autonomy (post-Stalin period) was described as a socioeconomic shift from agrarian to centralized industrial societies, weakening of church's authority and the political-cultural process of renationalization, which aimed at creating socialist nationalities to be merged with "Soviet People" identity and dispersing potential dissidents unifying under a Turkic, Islamic, ethnic or linguistic banner. ⁵⁰ Decentralization of the economy and local administration was cut short in the post-Stalin period, once Moscow perceived the uncertain end of demands of the union's communities, which would shake central authority's hold on power. Thus autonomy was granted exclusively on social and cultural issues with administration supervised by Moscow and their loyal native compatriots in the republics. Once this national revival was solidified, it became a critical tool against the Soviet rule and decayment of the Socialist order, which failed the idea of "Soviet people" concept. Urbanization, industrialization and renationalization prompted these communities to hold on to their common heritage and shape their interests which were highly diverging from each other in an intermingled political atmosphere, where conflicting national revivals would shape contempt against their threat perceptions. In the end, Suny comments on how urbanization,

⁴⁹ Van Der Leeuw, *Azerbaijan*, 141-142.

⁵⁰ Suny, *The Making of the Georgian Nation*, 296.

Cornell, *Small Nations and Great Powers*, 40-49.

industrialization and renationalization policies in order to implement socialism had backfired:

Less easily ascertained is the effect of these social and economic changes have had on the minority nationalities as cohesive ethnic groups. Most Western writers, while recognizing the assimilationist pressures that accompany 'modernization', would agree with Richard Pipes that the expectations of nineteenth-century liberals and socialists that nationalism would 'dissolve in the acid bath of modernity' have proven utopian. Soviet analysts as well have noted that the 'construction of socialist nations' in the USSR has not led to the elimination of national differences. Indeed, it is clear that in the last thirty years there has been an increase in national consciousness and the open expression of nationalism in the Soviet borderlands... The social transformation of Soviet society entailed much more than economic development... For Georgians renationalization involved the gradual re-establishment of their political control and ethnic dominance over their historic homeland, a process that had barely started during the brief period of independence.⁵¹

⁵¹ Suny, *The Making of the Georgian Nation*, 297-298.

CHAPTER 2

POLITICAL AND SOCIO-ECONOMIC PROBLEMS OF THE CAUCASUS

MacFarlane and Zullo state that, the instability of the Caucasus is a product of the region's highly complex ethnic make-up, the fragility of its political institutions, its socioeconomic collapse and to a certain extent instigation of Russia towards the region to safeguard her influence and interests.⁵² Cornell also points out that historical intensity of conflicts, compact settlement of distinct groups in distinct regions such as mountain like rough terrains, various groups' ethnic and cultural association with the neighbouring countries supporting them, ethnic mobilization and distribution of regional wealth and resources are the elements that have intensified the ethnopolitical rivalries.

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Almost immediately after their independence in 1991 (Georgia on April 9, Armenia on September 21, Azerbaijan on October 18), states in this geostrategic region found themselves in ethnic clashes, civil war, terrorism and conflicts. The collapse of the Soviet Union also left the countries with serious socio-economic problems. Lack of political, economic institutions and infrastructure also posed political and economic instability in this fragile transition period for Southern Caucasus States and their immediate neighbourhood. In this chapter, problems faced by the Southern Caucasus states will be examined. The problems of these three countries have similarities as well as differences from each other. Their problems are interconnected and there is an urgent need for resolution of the conflicts in the region.

2.1. POST-SOVIET PERIOD

Dissolution of the Soviet Union destroyed the central authority in the region to control ethnic, political, and economical problems which gained impetus, especially in the last years of the Soviet Union. The Southern Caucasus states faced dramatic

⁵² Neil S. Macfarlane and Claude Zullo, "Petroleum and Politics in the Caucasus: New Wine in Old Bottles?," in *the European Union and the Caucasus Region: Oil, Interests and Influence*, ed. Friedemann Müller et al. (Ebenhausen: SWP, 1998), 25.

⁵³ Svante Cornell, "Autonomy as a Source of Conflict: Caucasian Conflict in a Theoretical Perspective," *World Politics* 54 (2002): 259-260.

challenges such as, maintaining stability through resolving internal/external problems, transition to market economy and parliamentary democracy in the new international order that they have found themselves in after their sudden and unexpected independence. In brief, their aims were maintaining internal/external political stability, full transformation to market economy, exploiting benefits of their natural resources and transit routes, integrating to international political, military, economic and cultural organizations, having good balanced relations with regional and global powers.

2.1.1. Gorbachev's Reforms, Political/Economic Dissatisfaction and Rising Ethnic Tensions

Even though ethnic groups coexisted and lived peacefully for almost more than 70 years thanks to Soviet rule, discontent against the regime gained a momentum right after Stalin's death and rose in a stable manner in the following years. Gorbachev's *Glasnost* and *Perestroika* reforms were aimed at openness and reconstruction of the regime, in other words promotion of participation of the people and reforming economic structure in line with liberal market conditions to meet the demands of the Union. Nevertheless, Gorbachev's reforms which aimed at reforming the regime, created an atmosphere of a dissident and nationalistic discourse in the multi-ethnic Soviet Union.

Once Moscow's authority was relaxed, general dissatisfaction against the regime flooded in the political and economic atmosphere of the Soviet Union. All these events were heavily felt in the Caucasus Soviet Republics. Ethnic communities and dissidents were encouraged to express their discontent to the system and used nationalist/cultural rhetorics as a means to express themselves.⁵⁴ This was a significant landmark for the liberalization of Soviet system. On the other hand, Cornell and Starr state that this movements were primarily driven by nationalist/cultural discourse and insufficient to safeguard democratic values, functioning of democratic institutions and incapable for providing transformation to market economy after the dissolution of the Soviet Union.⁵⁵ National movements coming to power with popular elections ensured break-out and intensification of ethnic conflicts. They lacked the capability to focus on political and economical reform processes. As a result, nationalist leaders (Abulfayz

⁵⁴ Suny, *The Making of the Georgian Nation*, 314.

⁵⁵ Svante Cornell and Frederick Starr, eds., *The Caucasus a Challenge for Europe*, (Uppsala and Washington DC: Uppsala University and Johns Hopkins University, Central Asia-Caucasus Institute and Silk Road Studies Program, 2006): 39, accessed November 21, 2009, <http://www.silkroadstudies.org/new/docs/Silkroadpapers/0606Caucasus.pdf>.

Elchibey in Azerbaijan, Zviad Ghamsakhurdia in Georgia) who came to power with popular support, were regarded as champions of democracy and nationalist revivals. Nevertheless, once political and economic challenges posed bitter realities against the ideological postures of these leaders, their popular support faded away and new rivals challenged their authority. In the end, Elchibey and Ghamsakhurdia were ousted from power due to worsening situation of the political and economic problems, especially the failure against separatists during the critical 1992-1993 period. Azerbaijani militia leaders Suret Huseynov and Isgandar Hamidov, Georgian militia leaders Tengiz Kitovani and Ioseb Ioseliani took helm in their countries thanks to their position in the security structure.⁵⁶

However, once civil war erupted between coup perpetrators and supporters of ousted leaders, experienced ex-Soviet statesmen (Haydar Aliyev in Azerbaijan and Eduard Shevardnadze in Georgia) with a semi-authoritarian orientation came to power with the priority of restoring order at the expense of democracy when necessary, balancing relations internally/externally and preserving stability in the non-conflict zones. Thus, ideological euphoria was replaced by realism, experience and balance of power politics.⁵⁷ These experienced leaders' diplomatic skills and personal connections in the Cold War era brought internal support as Aliyev brought his former friends from Soviet period and loyal individuals from his hometown Nakhichevan to state apparatus and Aslan Abashidze, the influential leader of the Adjarian Autonomous Republic in Georgia, agreed on Shevardnadze's authority on the condition that his position in the Adjarian affairs would not be challenged.⁵⁸ Nevertheless, King criticizes implicit attitude of the central and secessionist political elites for keeping the deadlock on their problems to maintain their hold on power, suspending democracy and exploiting their position for illegal economic activities, embezzlement and corruption.⁵⁹ Cornell stresses that secessionist movements tend to intensify the institutionalization of the differences between the communities living in their host republics and segregated themselves from the rest of the country's population and territories. Therefore, authority and legitimacy of the central government rests on ethnic and territorial basis, rather than civic and

⁵⁶ Cornell, *Small Nations and Great Powers*, 97-102, 168-170, 346.

⁵⁷ Cornell and Starr, *The Caucasus*, 39.

⁵⁸ "Gürcistan'ın Sorunlu Bölgeleri," *BBC Turkish*, August 11, 2008, accessed August 21, 2008, http://www.bbc.co.uk/turkish/news/story/2004/01/040127_gurcistan_sorunlar.shtml.

Steven Eke, "Profile: Aslan Abashidze," *BBC*, May 4, 2004, accessed April 28, 2008, <http://news.bbc.co.uk/2/hi/europe/3683629.stm>.

⁵⁹ Charles King, "The Benefits of Ethnic War: Understanding Eurasia's Unrecognized States," *World Politics* 5 (2001): 545-548.

ideological grounds.⁶⁰ In this sense, Cornell points out that territorial autonomy (self-rule in a territorially defined area by the compact settlement of that country's minorities) rather than cultural autonomy (ensuring the cultural and linguistic rights of a dispersed population without a regional compact settlement) would pave the way for eventual secessionism, resentment of other groups, state's irresponsibility for the development of these regions and intervention of foreigners associated with autonomy holding populations.⁶¹ In this complex background, the following sections will provide a timeline and analysis of the developments of the ethnic conflicts.

2.1.2. Nagorno-Karabakh War

The key conflict in the area can be considered Nagorno-Karabakh war between Azerbaijan and Armenia due to her central position in the region and including almost all neighbouring and extraregional powers in the mediation process. Karabakh is situated at the center of Caucasus and bordering Iran.⁶² The dispute's political, economic, criminal and social effects are central to problems that are faced by both countries. In contrast to Georgia, Russian troops do not face any difficulty to maintain their bases in Armenia, therefore Russian influence is highly dependent on the conflict and Russia reasserts her position that resolution could only be achieved through her role in the negotiation process and preserving her regional influence.⁶³ Inclusion of every actor in the region to Karabakh conflict and approaches of external actors such as the USA and the EU related to the region also complicated the problem and maintained instability in long-term. Polarization of specific groups of states in the region due to geostrategic concerns and mutual distrusts also contributes to rising tensions and eliminates possibilities of a regional security and cooperation mechanism.

Autonomous Nagorno-Karabakh Oblast in the Azerbaijan Soviet Republic, which was surrounded by Azerbaijani population made a referendum to integrate to Armenian Soviet Republic in 1988. First clashes occurred right after the controversial Karabakh referendum. Escalation of ethnic tensions led to Baku riots in January 1990 led to Soviet Army's intervention and killing of hundreds of people.⁶⁴ After

⁶⁰ Cornell, "Autonomy as a Source of Conflict: Caucasian Conflict in a Theoretical Perspective," 248.

⁶¹ Cornell, "Autonomy as a Source of Conflict: Caucasian Conflict in a Theoretical Perspective," 251.

⁶² Cornell and Starr, *The Caucasus*, 25.

⁶³ Cornell, *Small Nations and Great Powers*, 112-114.

⁶⁴ Cornell, *Small Nations and Great Powers*, 89.

independence, full-scale war between two newly independent countries erupted. Armenians first gained control of Nagorno-Karabakh then occupied adjacent Azeri populated regions which up to 17-20 percent of the whole Azerbaijan territory.⁶⁵ During the Azerbaijani military takeover as a result of the defeats in the Nagorno-Karabakh War, diplomatically inexperienced Elchibey was replaced by experienced statesman Haydar Aliyev, who was an ex-politburo member and also had strong personal relations from political spheres in Turkey and Russia.⁶⁶ The war led to over 10.000 deaths and around 675.000-800.000 to 1 million Azeris from Nagorno-Karabakh and neighbouring occupied regions had to flee from the conflict zone to safer areas in Azerbaijan.⁶⁷

The first ceasefire agreement was signed between Azerbaijan and Armenia in Tehran on 9 May 1992, however on the same day Shusha fell to Armenian forces, after a short time Lachin fell to the Armenian forces on 15 May 1992 which created a corridor between Armenia and Karabakh.⁶⁸ UN Security Council passed four resolutions (822, 853, 874, 884) in 1993, which called for immediate cessation of hostilities and complete, unconditional and immediate withdrawal of Armenian forces from the occupied regions of Azerbaijan.⁶⁹ Russia promoted a ceasefire agreement between two states on 8 April 1993 in Sochi, however Armenian forces advanced to Fizuli, Jabrail and Agdam rayons in July 1993.⁷⁰ Following the negotiations and increasing role of Russia and Turkey, in accordance with previous ceasefire agreements, Bishkek Protocol signed on May 5, 1994. In conclusion, Moscow Ceasefire Agreement was signed between Russia, Azerbaijan, Armenia and representatives of the occupation forces in Nagorno-Karabakh in 1994. OSCE Minsk Group was created in March 1992 to deal with the dispute to promote negotiations and meetings to reach for a finalized peace resolution.⁷¹

In 1994, the negotiation mechanism, Minsk Group, was reformed and co-chaired by rotation among the USA, Russia and France with permanent appointment of the USA and France to co-chair with Russia, rather than other OSCE participating

⁶⁵ Cornell and Starr, *The Caucasus*, 25.

⁶⁶ Cornell, *Small Nations and Great Powers*, 97-102.

⁶⁷ "CIA-The World Factbook-Azerbaijan."

Sinan Oğan, "Yüzyılın Dramı...Azerbaycan'da Göçmen (Kaçkın) Sorunu," *Türkiye Stratejik Araştırmalar Merkezi*, February 10, 2007, accessed January 18, 2008, <http://www.turksam.org/tr/a466.html>.

⁶⁸ Demir, *Türk Dış Politikası*, 165.

⁶⁹ Gulshan Pashayeva, "The Nagorno-Karabakh Conflict in the Aftermath of the Russia-Georgia War," *Turkish Policy Quarterly*, vol:8, no:4 (2009): 57.

⁷⁰ Demir, *Türk Dış Politikası*, 167.

⁷¹ Pashayeva, "The Nagorno-Karabakh Conflict in the Aftermath of the Russia-Georgia War," 60.

countries rotating in the other co-chairman position.⁷² Minsk Group acted as a mediator between Azerbaijan and Armenia for a resolution, however several proposals by the group, in 1997 and 1998 were rejected unilaterally or bilaterally by both sides as non-negotiable. Cornell states that, the Minsk Group turned out to be a failure due to the nature of being a "propaganda forum for both parties" rather than a "forum for negotiated resolution".⁷³ High level negotiations in 2001 and 2006 in Key West, Florida and Rambouillet, France also failed respectively.⁷⁴ Azerbaijani and Armenian leaders believe that time works on their behalf with different perspectives: Armenia believes that the longer status quo remains, the easier for recognition of Karabakh as a separated entity from Azerbaijan; whereas Azerbaijan relies on the fact that time will shift the economic power between warring parties that oil boom would improve her economy and invest more on military budget, thus strengthening of Azerbaijan's position on negotiation table.⁷⁵ According to Nuriyev's estimations, Azerbaijan raised military budget from 135 Million US Dollars in 2001 to 300 Million US Dollars in 2005. Armenian response of increase in military budget also directed Azerbaijan to allocate 600 Million US Dollars to their military budget in 2006.⁷⁶ Indeed, annual GDP growths of over 25% in 2005 and 2006, Azerbaijan's oil based economy would be able to increase its military budget in 2007 to 1 billion US dollars, almost the size of Armenia's national budget.⁷⁷

Nevertheless, 2008 South Ossetia War and Russian response to Georgian intervention in South Ossetia prompted Azerbaijan to take a more cautious stance towards military action which could backfire and lead to Russian intervention on Armenian side. This worst case scenario would likely lead the eventual loss of Nagorno-Karabakh and adjacent regions, in addition to casualties, also excessive damage to the oil facilities and transportation networks which a blow could pulverize the Azerbaijani economy heavily relied on energy sector. Even though Azeri population suffering from the conflict has expressed military action for resolution, political elite has to take into account pragmatic responses and possible consequences of such an action as happened in South Ossetia without relying on oil and gas revenues more than necessary. Turkey's increasing diplomacy efforts after the 2008 South Ossetia War,

⁷² Cornell and Starr, *The Caucasus*, 29.

⁷³ Cornell, *Small Nations and Great Powers*, 114.

⁷⁴ Cornell and Starr, *The Caucasus*, 29.

⁷⁵ Vladimir Kazimirov, "Looking For a Way out of the Karabakh Impasse", *Russia in Global Affairs*, November 9, 2004, accessed April 15, 2008, <http://eng.globalaffairs.ru/numbers/9/715.html>.

⁷⁶ Nuriyev, *The EU Policy*, 22.

⁷⁷ Cornell and Starr, *The Caucasus*, 29.

Armenian and Azerbaijani presidents intensified meetings on a resolution, the EU pressure to maintain security and stability may lead to a peaceful resolution in the medium to longer term which relatively diminishes fears of revival of military conflicts.

2.1.3. Abkhazia and South Ossetia War

In Georgia, after free elections in 1991, nationalist Gamsakhurdia was elected as Chairman of the Supreme Soviet of Georgia. His nationalist discourse against Russian influence also triggered ethnic minorities in the republic. Abkhaz and South Ossetian Autonomous Oblasts made referendums to break away from Georgia. Clashes led to Georgia's annulment of the autonomy status of South Ossetia.⁷⁸ Ghamsakhurdia also won presidential elections after independence in 1991, but he had to deal with internal opposition which regarded him as a dictator due to his uncompromising position towards Abkhaz/Ossetian insurgency, his nationalistic discourse against other ethnic groups in Georgia, the discourse of "Georgia for the Georgians", which also brought the reaction of Russian living in the republic.⁷⁹ Abkhazia declared independence from Georgia which resulted in wars in Abkhazia and South Ossetia that went on between 1991-1993. Meanwhile Ghamsakhurdia was ousted by warlords Tengiz Kitovani and Jaba Ioseliani which resulted in the Georgian Civil War between Ghamsakhurdia and warlord supporters. In addition to clashes with the separatist regions, Georgian Civil War created a chaotic atmosphere and former Soviet Union Foreign Affairs minister Eduard Shevardnadze was appointed as the head of state by coup perpetrators, when they realized their diplomatic and political capabilities would not be enough to handle the turmoil.⁸⁰

Realizing the worsening conditions of Abkhazia, South Ossetia and Civil War (between Ghamsakhurdia supporters and opponents) as well as deteriorating economic conditions, Shevardnadze pursued for a ceasefire agreement with Abkhazians and Ossetians with the support of Russia. In contrast to Ghamsakhurdia, Shevardnadze was a diplomatically experienced statesman and tried to balance relations with Russia, ex-Soviet Republics, breakaway regions while directing the country towards Europe and

⁷⁸ Kamer Kasım, "11 Eylül Sürecinde Kafkasya'da Güvenlik Politikaları," Uluslararası Stratejik Araştırmalar Kurumu (USAK), (2006): 27, accessed June 19, 2008, <http://www.usak.org.tr/dosyalar/dergi/tH4kbEo7Ln3UIQcYRBkItndDn5gdAP.pdf>.

⁷⁹ Suny, *The Making of the Georgian Nation*, 326-327.

Cornell, *Small Nations and Great Powers*, 162-168.

⁸⁰ Cornell, *Small Nations and Great Powers*, 169, 346.

the USA.⁸¹ Shevardnadze intensified relations with Turkey and Azerbaijan, to break Russian dominance and at the same time maintained dialogue with separatists in order to direct them towards a negotiated peaceful solution. He was aware of a possible military defeat against Russia, in case of further worsening of situation in the civil war and in the secessionist regions with direct Russian intervention.

Sochi Agreement of July 1992 put into effect the ceasefire agreement with South Ossetia and Sochi Agreement of May 1994 put into effect the ceasefire agreement with Abkhazia.⁸² Despite heated criticism from the opposition, Shevardnadze agreed to join Russian dominated Commonwealth of Independent States and deployment of Russian peacekeeping troops in secessionist regions.⁸³ These events would set the long term background for the 2008 South Ossetia War, which will be dealt in the following chapters.

Alleged Russian support for secessionist regions and political crisis led to ethnic cleansing of Georgians from Abkhazia and South Ossetia as unrecognized "*de facto*" republics. Around 30.000 Georgians were killed and around 250.000 Georgians were displaced due to Abkhazia and South Ossetia conflicts and the civil war in the country.⁸⁴ Settlement of around 100.000 Ossetian refugees to North Ossetia after the 1992 War also caused a low scale confrontation between North Ossetians and Ingushes, however Russia was able to control the unrest effectively unlike the situation in Chechnya.⁸⁵ UN Group of Friends for Georgia (USA, Russia, the UK, France, Germany) coordinated negotiations through Geneva Process with the belligerents of the Abkhazia dispute and sent UN Observary Mission in Georgia (UNOMIG) of 100 observers of a majority of Russian citizenship to monitor the ceasefire in spite of Georgian demand for a UN peacekeeping force. Russia opposed UN peacekeeping force on the former territory of the Soviet Union and threatened to veto in UN Security

⁸¹ Demir, *Türk Dış Politikası*, 184, 291-293.

⁸² Cornell, *Small Nations and Great Powers*, 170-189.

"Letter of the Personal Representative of the CSCE Chairman-in-Office for Georgia", The Organization for Security and Cooperation in Europe (OSCE) Website, accessed May 16, 2009, http://www.osce.org/documents/mg/1992/11/21953_en.pdf.

"The Georgian-Abkhaz Conflict," European Center for Minority Issues (ECMI) Website, accessed May 16, 2009, http://www.ecmi.de/emap/download/Abkhazia_Background.pdf.

⁸³ Cornell, *Small Nations and Great Powers*, 351.

⁸⁴ "CIA World Factbook: Georgia."

⁸⁵ The Ingush-Ossetian Conflict in the Prigorodnyi Region," *Human Rights Watch Helsinki*, May 1996 , accessed June 16, 2009, <http://www.hrw.org/legacy/reports/1996/Russia.htm>.

Council. In the end, a CIS peacekeeping force was deployed with a majority of Russian troops.⁸⁶

South Ossetia had been the sole conflict in the South Caucasus without a non-regional actor role in the mediation and monitoring process except for a weak role of OSCE mission monitoring and promoting negotiations. Joint Control Commission (Georgia, South Ossetia, North Ossetia, Russian Federation and the OSCE mission) of the OSCE had been monitoring the ceasefire in South Ossetia with a joint peacekeeping force of Georgian-South Ossetian-Russian troops. Russia had a strongly entrenched role improved with the flawed OSCE mission role, Russian veto power in the UN and two pro-Russian actors in the JCC. In brief, OSCE and UN promoted mediation talks for settlement had been unsuccessful due to the fact that different organizations with different formations have been tasked in the conflicts of the Caucasus, thus failed to bring a comprehensive approach to the conflicts through coordination, despite the visible links between the conflicts.⁸⁷ After the 2008 South Ossetia War and recognition of Abkhazia and South Ossetia by Russia, Georgia broke all diplomatic relations with Russia, thus the existence of this initiatives are no longer realized viable by the mediators of the conflict in the short run at least.

2.1.4. Adjara Crisis, Javakh Armenians/Meskhethian Turks Question and Worsening of Georgia-Russia Relations

Presidential elections of 2003 in Georgia, were marked with widespread protests against corruption, deadlock of the ethnic conflicts, poverty and related socio-economic problems. Alleged rigging of the votes erupted a country-wide protest against Shevardnadze administration which was deemed outdated and ineffective to tackle challenges against Georgia. Mikhail Saakashvili and his opposition group known for their pro-Western orientation, came to power as a result of these events called the Rose Revolution. After the Rose Revolution which ended Shevardnadze period and brought pro-Western Saakashvili as president, Autonomous Republic of Adjara reacted to declare independence because of their authoritarian and corrupt leader Abashidze realized that Saakashvili would not appease and cooperate with him in return of not intervening in his own affairs, as Shevardnadze did.⁸⁸ However, in contrast to failures in Abkhazia and South Ossetia, central Georgian authority managed to avoid bloodshed

⁸⁶ Cornell and Starr, *The Caucasus*, 31.

⁸⁷ Cornell and Starr, *The Caucasus*, 30.

⁸⁸ "Gürcistan'ın Sorunlu Bölgeleri."

by gaining support of opponents of Abashidze and with the lack of Russian support, Abashidze had to go to exile in 2003. Success on Adjara can be related to Adjarian communities' commitment to Georgian ethnicity (despite religion factor) and public resentment towards corrupt/oppressive rule of Abashidze and his clan.⁸⁹

Meanwhile, Armenian community in the Javakh region raised their voices for more autonomy and spoke against return of Meskhetian Turks who were deported to Central Asia and Siberia during Stalin's Great Purge against a Stalin's cautiousness of Turkey entering the war on the German side with the support of Meskhetian Turks.⁹⁰ Nevertheless, Tbilisi and Armenian community have been acting cautiously to avoid a similar conflict as in Karabakh in Azerbaijan. On the other hand, relations with Georgia and Armenia have not been close due to Armenians' pro-Russian stance and Georgia's close relations with Turkey and Azerbaijan. In the light of these realities, Georgian and Russian relations were getting worse especially with Putin's more aggressive and hostile stance to Georgia and because of Saakashvili's policies of accelerating the speed of integration with Western defense, security, political and economic structures. Saakashvili also gave great importance to realization of Western prompted investments, energy and transit projects which would break Russian influence in the country. In contrast to Shevardnadze's balancing policy to complement Georgian interests to normalize relations with Russia and gradual but committed progress of democratization, market economy reforms and integrating with the West; Saakashvili's policies confronted Russian pressure harder with Putin's uncompromising policies to secure Russian sphere of influence in Russia's "Near Abroad", ex-Soviet Union landscape.

Russia has reacted more solidly to politics of the Caucasus after perceiving threats to her security due to increasing American influence directly or indirectly in the region, Turkey's good relations with Azerbaijan and Georgia, pipeline projects that would bypass Russian networks and southwest extension of NATO and the EU, which all would weaken and eventually contain Russian influence. Georgia and Russia constantly accused each other of conspiring against one other by supporting their internal separatists as Russia aiding Abkhazians/Ossetians/Abashidze/Javakh Armenians and Georgia aiding Chechen insurgents by basing them in mountainous Pankisi Gorge region near the Russian border.⁹¹ As a result of worsening of Georgia-

⁸⁹ Cornell, *Small Nations and Great Powers*, 176-178.

⁹⁰ Cornell, *Small Nations and Great Powers*, 182-184.

⁹¹ Cornell, *Small Nations and Great Powers*, 58.

Russia relations, Russia used energy and commercial politics of cutting off oil supplies to Georgia, banning Georgian wine and mineral water trade to Russia, put a strict visa policy against Georgian citizens, expelled many Georgian citizens working in Russia and sending remittances to their families in Georgia and at the same time provided Russian passports to the population of separatist regions of Georgia. Georgia, Ukraine and Moldova leaned themselves to the Western World and this situation created confrontations with Russia. These three countries with the addition of Azerbaijan formed GUAM, a political, economic and military organization to defy Russian dominance in their internal and external affairs. It is supported by the USA and the EU, therefore GUAM solidified a geostrategic partnership with Turkey. Russia is certainly reactive against an anti-Russia political, economic or military alignment between ex-Soviet republics, their strengthened relations with USA or Transatlantic political, economic and military structures.⁹²

2.2. POST-SOVIET ECONOMY OF THE SOUTHERN CAUCASUS STATES

In spite of multi-ethnic nature of the Soviet Union, the dominant ethnicity was the Russian people, which was evident in administrative, political, military elite and technical personnel. Break-up of the Soviet Union left significant numbers of Russian people and personnel in the republics. Especially in the nationalist policies that were pursued in the Ghamshurdia period of Georgia and resulted in ethnic clashes and tensions, Russian originated people and personnel left Georgia and similarly ethnically crumbled states, thus created the necessity for qualified workforce and personnel in the industrial sector. Long-lasting and unresolved ethnic disputes, political instability and clashes also contributed to the hampering of the economies in especially conflict-ridden post-Soviet republics. Economy was short of necessary resources and time to rebuild and adjust itself to the new political and international order that postponed implementation of necessary reforms and decisions.⁹³ Due to rich Azeri energy resources located in the Caspian Basin and Georgia's geostrategic transit location to have access to the Western markets, posed great benefits for this two countries' economies and stability, whereas Armenia was excluded due to her conflict with Turkey/Azerbaijan and unstable relations with Georgia.

⁹² Nasuh Uslu, " The Russian, Caucasian and Central Asian Aspects of Turkish Foreign Policy in the Post Cold War Period," *Alternatives: Turkish Journal of International Relations*, vol: 2, no:3-4 (2003): 174.

⁹³ Sancak, " Gürcistan'ın Kafkasya'daki Yeri" (M.A. Thesis, Marmara University, 2000) 53-54.

Sancak's thesis, titled as *Georgia's Position in the Caucasus (Gürcistan'ın Kafkasya'daki Yeri)*, on Georgia's geopolitical and geostrategic significance, economic problems and difficulties in the initial years of independence, shed a light on the problems that are interconnected and similar in all Caucasian states. Sancak states that Socialist rule built her economic infrastructure on Soviet landmass with the objective of political and socialist interests rather than for the aim of making profits as we see in market economies. Self-sufficiency and fair distribution were the priorities in the planned economy rationality. In spite of advantages of building well-integrated economic, industrial and energy plants, Soviet elite chose to build not economic industrial plants which were distant from each other and from important input centers in order to maintain interdependence of the republic.⁹⁴ After the dissolution of the Soviet Union, these distantly connected plantations were left in the newly independent post-Soviet Republics thus production functions became unoperational for every country. Ex-Soviet Union energy and economy networks were divided as a result of it and all networks were ending up in ex-central Moscow authority, thus strengthened Russian dominance on economic terms on the post-Soviet Republics.

In the Soviet Socialist system, all production and capital belonged to the center and they would decide on how to evaluate the capital and production. The dissolution of central state authority created absence of investment, capital, functionality and decision-making in the new system, thus urgent necessity for investment and capital showed up. The uncompetitive, domestic market oriented and low quality goods of the Socialist rule which were consumed by the people of the Soviet Union, could not compete with world market products and goods with the break-up of the Soviet Union. The lack of popular demand for low quality products, lack of raw materials coming from other republics and break-up of the central authority resulted in shut down of their factories, plantations and production that harmed the economy extensively. In the light of these background, Southern Caucasus states found themselves in a situation to pass through a massive political and socio-economic reconstruction period from centralized economy to free market economy to integrate with global market systems. On the other hand, ongoing problems, factors of instability, little experience in state-building and shortage of energy and capital, hampered economic and political stabilization and investments. The following sub-sections will analyze the critical steps that the Southern Caucasus states has taken in their economic transition process from planned to market economy.

⁹⁴ Van Der Leeuw, *Azerbaijan*, 130.

2.2.1. Post-Soviet Economy of Azerbaijan

The Southern Caucasus region provides a significant potential of economic resources with arable lands, transportation corridors, energy and mineral reserves. Even though all three states were going through a process of political and socio-economic transformation with similar problems, their response and policies, as well as their potential for stabilizing themselves differ dramatically. In this case, Azerbaijan's geostrategic position of being the energy rich state of the Caspian, is highly crucial for her long-term economic strategies to stabilize the country. In order to transform the economic system, Azerbaijan passed the law of "Basis of Economic Independence" in June 1991 which is regarded as the starting point of Azerbaijan's reconstruction in line with free market economy and a programme of privatization started with the law of "Privatization of State Property" in January 1993. Demir points out that private sector had 13% share of overall Azerbaijan economy in 1990, compared to the private sector's future 46% share of GDP in 1997.⁹⁵ Booming oil sector, transportation projects and related investments attributed to this share a lot. Even though Azerbaijan economy is still regarded as based on oil sector, diversification of economy gradually progressed and private sector in agriculture (which has not been utilized efficiently) reached to 85% and overall agricultural production increased up to 6,9% in 1997, one year after the passing of the law of "Agricultural Reform". Conversely, state dominance in industrial sector was very evident in 1998 with around 85% of share. Around 20% of population works in the industrial sector which brings up around 25% of total GDP in 1997. The Nagorno-Karabakh War and influx of Internally Displaced People (IDP) to urban areas of Azerbaijan badly affected the economy.⁹⁶ Nevertheless, Azerbaijan's oil production has intensified, since Azerbaijan signed the first production-sharing agreement (PSA) with the Azerbaijan International Operating Company (AIOC) in 1997. Oil and gas exports through Baku-Tbilisi-Ceyhan and Shah Deniz Natural Gas Pipelines are the backbone of the economic growth with annual 10% economic growth experienced since 2000.⁹⁷ In spite of these factors, various problems such as corruption, embezzlement, lack of efficient administration and inadequate market based economic reforms pose significant obstacles to economic structure of Azerbaijan, which is heavily dependent on energy sector.

⁹⁵ Demir, *Türk Dış Politikası*, 215-217.

⁹⁶ Demir, *Türk Dış Politikası*, 215-217.

⁹⁷ "Azerbaijan Profile," U.S. Department of State Official Website, accessed February 24, 2009, <http://www.state.gov/r/pa/ei/bgn/2909.htm>.

Being aware of the risks of fluctuations of global energy market, Azerbaijan initiated some programs for non-energy sector as well. Azerbaijan's high economic growth in 2006-2008 period was also marked by double-digit growth in the construction, real estate, banking and service sectors. In 2007, Azerbaijan's gross domestic product and economic growth increased up to 24,8% and 18,6% respectively.⁹⁸ However in 2009, economic growth slowed as oil prices lowered and growth in the construction and services sector stagnated, due to 2008-2009 global economic crisis.⁹⁹ Following this, Azerbaijan tended to use financial back-up from the State Oil Fund to cover budget shortcuts.¹⁰⁰ Therefore diversifying economy of Azerbaijan is still an unfulfilled program. The lack of efficient foreign and domestic investment in the non-energy sector would likely to lead "Dutch Disease" syndrome.

2.2.2. Post-Soviet Economy of Georgia

Georgian economy also suffered the worsening situation of Abkhazia and South Ossetia conflicts, Civil War, energy shortage, corruption and lack of market economy know-how. Demir states that even though Georgia was one of the most prosperous republics of the Soviet Union and a favorite touristic destination among Soviet people with resorts in Abkhazia and Ajaria, the conflicts killed the attractive touristic potential of Georgia.¹⁰¹ GDP of Georgia has experienced significant downfalls of 44,2%, 29,3% and 11% between the years of 1992-1994.¹⁰² The 1994 ceasefire agreements with the secessionists enabled Georgian government to initiate an economic stabilization package which stalled the downfall and gradually enabled positive shifts in the Georgian GDP. Nevertheless near the end of 1996, Georgia's economy had decreased to almost one-third of its volume in 1989.¹⁰³ Agriculture has had the biggest share of 30% in the overall economy with industry, trade, manufacturing and service sector having significant shares, also metal, minerals, wine, fruits, dairy products, nuts and aircraft material exports are important.¹⁰⁴

⁹⁸ "Azerbaijan Profile."

⁹⁹ "CIA-The World Factbook-Azerbaijan."

¹⁰⁰ *ibid.*

¹⁰¹ Demir, *Türk Dış Politikası*, 230.

¹⁰² Demir, *Türk Dış Politikası*, 224-233.

"CIA-The World Factbook-Georgia."

¹⁰³ "Georgia Profile," U.S. Department of State Official Website, accessed February 24, 2009, <http://www.state.gov/r/pa/ei/bgn/5253.htm>.

¹⁰⁴ *ibid.*

Annual inflation rates dropped 162,7% in 1995 and to 5,8% in the first 6 months of 1998.¹⁰⁵ The relative calming of frozen conflicts, a relatively rapid growth rate, signature of energy transit agreements of energy reserves in Azerbaijan, stable monetary, privatization and inflation programme enabled stabilization of Georgian economy. On the other hand, Georgia still suffered consequences of reignited Abkhazia and South Ossetia conflicts, corruption scandals and failure in economic policies. The growing tension with Russia, energy shortage and Russian financial crisis in 1998, decreased the industrial output with a 2,8% fall.¹⁰⁶ Corruption, inadequate market reforms, ethnic conflicts and energy shortages seriously hamper economic growth of Georgia. In parallel with energy sector's dominance in Azerbaijan, Georgia gives a matter of great importance to energy transportation projects as the backbone of economic growth and security. After Mikhail Saakashvili's coming to power, Georgian government initiated a massive privatization and market reform program to attract foreign investments. The number of taxes were reduced from 21 to 6, bureaucratic requirements for business were relaxed and privatized state-owned assets in 2005 were 9 times more than compared to the 2000-2003 period.¹⁰⁷ Tax collection administration was reformed and a low income tax of 12% was imposed, which resulted in tax collection in the share of the GDP rising from 13.8% to 25% during 2003-2007 period.¹⁰⁸ Economic relations with USA, Turkey and the EU member states significantly increased.

The World Bank recognized Georgia as the world's fastest-reforming economy in its 2008 "Doing Business" report and one of the most progressive countries against corruption, thanks to implementation of dramatic economic and institutional programs.¹⁰⁹ Papava points that economic growth reached 9.3% and inflation up to 12.8% in the first quarter of 2008. Nevertheless, Papava also argues that even though Saakashvili administration achieved significant results in anti-corruption and relative stabilization of the Georgian economy, signs of mismanagement, failure of national employment programs and ongoing corruption tendencies of the officials (due to political centralization and huge western support) were short of satisfying expectations arising from the Rose Revolution. Furthermore, the economic growth was hampered with the 2008 South Ossetia War and global economic crisis.¹¹⁰ Currently, Georgia

¹⁰⁵ Demir, *Türk Dış Politikası*, 224-226.

¹⁰⁶ *ibid.*

¹⁰⁷ "Georgia Profile."

¹⁰⁸ "Georgia Profile."

¹⁰⁹ *ibid.*

¹¹⁰ Vladimir Papava, "Georgia's Economy: Post-Revolutionary Development and Post-War Difficulties,"

experiences a budget deficit of around 15-20%.¹¹¹ Foreign Direct Investment was halted as a result of 2008 South Ossetia War, but resumed recently with significant assistance from international actors, as it shall be seen in the EU financial aids to Georgia in the following chapters.

2.2.4. Post Soviet Economy of Armenia

Armenian economy was strongly based on industry (chemicals, machinery, electronic devices, textile) and agriculture with a 20% share of net material product and 10% of employment before the break-up of the Soviet Union in 1991.¹¹² Being landlocked and short of arable lands in the Southern Caucasus, it was highly dependent on other republic's trade links, pipeline connections and raw materials.¹¹³ Armenia's deteriorating relations with Turkey and Azerbaijan, gained a new momentum with Nagorno-Karabakh War, stroke a big blow to Armenian economy as well, in addition to unresolved problems caused by Spitak earthquake in 1988.¹¹⁴ In order to finance the war, Armenia could not focus much on the market economy transformation process. After the ceasefire agreements, Armenia initiated a massive privatization programme starting with agricultural sector in 1991, expanding to state companies in 1994 which within three years 1000 medium and large scale companies and over 6000 small scale companies were privatized.¹¹⁵

Blockade of Turkey and Azerbaijan, as well as stable but edgy relations with Georgia contributed to Armenia's approachment with Russia and Iran. Especially in energy and transportation, Armenia's relations with Russian and Iran are very dependent on importing oil and gas. Armenia has bought almost all of its natural gas from Russia at a notable discount from world market prices, however a new agreement with Russia has called for a price rise in 2009 and 2010, which signals for the price to overlap with world market prices.¹¹⁶ In 1996, Armenia started rehabilitation transportation and communication corridors with Georgia and modernized the bridge over Aras River between Armenia-Iran border, which brought a shift in Armenia's trade with the region (especially to Russia) and the world. A gas pipeline from Iran was

Europe-Asia Studies, vol:28, no:2 (2009): 200-210.

¹¹¹ *ibid.*

¹¹² "Armenia Profile," U.S. Department of State Official Website, accessed February 24, 2009, <http://www.state.gov/r/pa/ei/bgn/5275.htm>.

¹¹³ *ibid.*

¹¹⁴ "Armenia Profile."

¹¹⁵ Demir, *Türk Dış Politikası*, 233.

¹¹⁶ *ibid.*

constructed to diversify Armenian energy demand¹¹⁷ against shortages of energy and commercial disruptions caused by Georgia and Russia tensions, which mounted with the 2008 South Ossetia War.¹¹⁸ After the ceasefire agreement with Azerbaijan in 1994, Armenia initiated an economic stabilization package approved by IMF which pursued a firm monetary policy and a foreign investment law was passed for attracting capitals flows.¹¹⁹ By 1996, GDP increased by 62% and industrial output increased by 51% compared to 1991 estimations.¹²⁰ By 1998, Armenia had a growth rate of 6,6% a stalled inflation rate of 5,6% and a GDP per capita of 480 US Dollars.¹²¹ In 1996, 50% of the production sector and 60% of the service sector were privatized. In December 1997, Armenian Parliament passed a new bill of privatization for the 1998-2000 economic programme. By 1998, there was around 35000 registered private companies with a share of private companies to the GDP as 75%.¹²² In addition, Armenia joined the World Trade Organization on February 5, 2003.¹²³ Nevertheless, in spite of moderate level of market economy reforms and problems with her neighbours, Armenia has experienced stable economic growth since 1995, with double-digit growth rates and lower inflation between 2002-2007.¹²⁴ Armenian government has concentrated on improving constructing sector and initiated a massive construction program in Yerevan, thus remittances of the Diaspora and Russian financial support is crucial for this and other related projects.¹²⁵

Yeranosyan cites from IMF analysts that "categorizing Armenia as a low-income country, low-income countries financial systems have so far not strongly affected by the global crisis, due to little exposure to the global financial systems". The 2008 economic crisis caused a 30% reduction in remittances transferred from Russia and other various investments of the Diaspora which was previously estimated around 1,5 billion US Dollars per year and comprising 15% of Armenia's GDP. Armenia's lower integration to global market and underdeveloped financial market diminished the results of the 2008 Global Crisis to an extent.¹²⁶ Already low-scale trade flow of

¹¹⁷ "Iran-Armenia Gas Pipeline Inaugurated", *Tehran Times*, December 4, 2008, accessed February 9, 2009, http://www.tehrantimes.com/index_View.asp?code=183993.

¹¹⁸ "Armenia Profile."

¹¹⁹ *ibid.*

¹²⁰ Demir, *Türk Dış Politikası*, 234.

¹²¹ Demir, *Türk Dış Politikası*, 233.

¹²² Demir, *Türk Dış Politikası*, 233.

¹²³ "Armenia Profile."

¹²⁴ *ibid.*

¹²⁵ *ibid.*

¹²⁶ Samvel Avagyan, "The Global Financial Crisis: Impact on Armenia," *Turkish Policy Quarterly*, vol:8, no:2 (2009): 97-100.

Meri Yeranosyan, "Armenia and the Tremors of the Crisis," *Turkish Policy Quarterly*, vol:8, no:2

Armenia suffered energy cuts, trade disruption and economic stagnation. Yeranosyan also stresses the hits on Armenian mining and construction sector which has traditionally held significant shares in the GDP, which experienced a 10% and 56,6% decline respectively. Armenian exports to major six trading partners (Russia, USA, Georgia, Germany, Belgium, the Netherlands and France) which has a 70% share of overall exports, experienced a 6,1% decline in 2008 and 47,8% in the first five months of 2009. Foreign Direct Investment flows to Armenia also decreased eight times compared to 2006 (Yeranosyan 2009,123-132).¹²⁷ In addition, the economic and political effects of the 2008 South Ossetia War on Armenia will be elaborated in the following chapters.

2.3. CONCLUSION

In conclusion, Southern Caucasus is engulfed by severe political, socio-economic and security problems. Polarization of specific groups of actors is bringing instability. The Soviet experience has caused national revivals of the titular republics and their ethnic minorities/secessionists. Nevertheless, Stalin and his successor's promotion and even enforcement of "renationalization" process, artificial altering of borders and demographics of the republics widened the cultural differences and ethnic frictions between the communities. The aim of preserving Moscow's authority failed to create "Soviet People" identity, caused post-Soviet ethnic conflicts but preserved Moscow's influence in the post-Soviet period.¹²⁸ Frozen conflicts led to the failure of full implementation of democracy, market economy and fight against corruption, as well as ouster of their leaders with nationalist discourses due to their inability to resolve political and economic problems. In this case, Western model and assistance are deemed to be crucial for Southern Caucasus states for their reform and transformation processes. As Hatipoğlu states, initial tendency of Southern Caucasian States was to treat the EU and other western institutions as a forum where they could pursue their own interests and balance "the Russian influence" with a commitment to a European rhetoric in their political and economic development.¹²⁹ King also emphasizes that the deadlock on the negotiations for resolving the conflicts are related to the secessionist regime's functioning similar to a sovereign state with their armed forces, education

(2009): 123-132.

¹²⁷ Yeranosyan, "Armenia," 123-132.

¹²⁸ Cornell, *Small Nations and Great Powers*, 40-49.

¹²⁹ Esra Hatipoğlu, " Komşuluk Politikası: Avrupa Birliği ve Yakın Çevresi için Bir Sınav Güney Kafkasya Ülkeleri," in *Geçmişten Günümüze Orta Asya ve Güney Kafkasya*, ed. Yelda Demirağ et.al. (Ankara: Palme Yayıncılık, 2006), 133.

system, regulation of the regional economy and natural resources. Also through their external support, they were able to prolong of the negotiation process.¹³⁰ As militarily victorious, separatist leaders felt comfortable to preserve their independence, enjoy the advantages of Russian support/citizenship, institutionalized their separate identities and averted any prospect of reintegration with their *de jure* republics.¹³¹ Cornell also points out that Abkhazians comprised 100.000 out of 4 million Georgians, whereas Karabakh Armenians estimated around 150.000 out of 6 million Azeris. Demographic weight of the secessionists was not supposed to lead to military victories for them, if Georgia and Azerbaijan were not in disorder and external support did not come for secessionists.¹³² In the next chapter, Turkey's key role for the Southern Caucasus states will be analyzed in bilateral terms such as Turkey's geostrategic position as a gateway between the EU and the Caucasus.¹³³

¹³⁰ King, "The Benefits of Ethnic War: Understanding Eurasia's Unrecognized States," 525-526.

¹³¹ King, "The Benefits of Ethnic War: Understanding Eurasia's Unrecognized States," 538-543, 548-549.

¹³² Cornell, *Small Nations and Great Powers*, 47.

¹³³ Atasoy, "The Role of the South Caucasus in EU-Turkey Relations." 46.

Dov Lynch, "The EU, Towards a Strategy," in *The South Caucasus: A Challenge for the EU*, ed. Dov Lynch (Paris: Institute for Security Studies, 2003), 177.

CHAPTER 3

TURKEY'S RELATIONS WITH THE SOUTHERN CAUCASUS STATES AND THE ROLE OF THE OTHER ACTORS IN THE REGION

3.1. TURKISH FOREIGN POLICY ORIENTATION TOWARDS SOUTHERN CAUCASUS

Turkey's importance as a regional power arises from her political and economic capabilities, long history of diplomatic experience in international stage, being the oldest democracy and market economy in the highly unstable zone it is located, reducing influences of dominant actors of Russia and Iran to an extent, being an EU candidate member and high profile member of NATO. All of these make Turkey an important actor both for the EU's policies for the Caucasus and Southern Caucasus states' approachment to the West. Ever since the break-up of the Soviet Union, Turkey's role in the international politics rose significantly even compared to the Cold War period and Turkey's opportunities, challenges increased in parallel to its increasing importance.¹³⁴ In this period, Turkey reformed her policies on a more active basis to the extent her capabilities let her do so. While striving to maintain her route on democracy, market economy and Western orientation against political and economic difficulties, Turkey also strove to maintain stability and security in her neighbourhood by supporting reform process in her neighbourhood. Lesser states in his article that Turkey becomes a transregional actor :

Turkey's post-Cold War, post-Gulf War strategic role is being shaped by the emergence of new transregional challenges that are eroding traditional definitions of the European security space. European, Middle Eastern, and Eurasian security are increasingly interdependent and Turkey is at the center of this phenomenon. Turkish and U.S. analyses in particular display a similar focus on this trend as a factor contributing to Turkey's strategic significance. This approves that Turkey is crucial for

¹³⁴ Herzig, *The New Caucasus*, 108.

Turkish foreign policy initially focused on ex-Soviet republics with historical, ethnic and cultural ties with Turkey. Therefore its policies were projected towards the Southern Caucasus and Central Asia. Despite the problems and uncertainties in foreign policy projection, emergence of new independent states in the Caucasus and Central Asia created opportunities and challenges for Turkey in her immediate neighbourhood. Due to geopolitic and geostrategic realities that are examined below, Turkey has been approaching the region through on a bilateral basis due to the fact that the region is divided on many political, ethnical and cultural lines, thus a sense of regional effective cooperation has been out of question yet. Turkey's bilateral relations with all three Southern Caucasus states have evolved in their unique dynamics and factors. In case of relations with Azerbaijan/Georgia proved to be successful and cordial, relations with Armenia failed to be established.¹³⁶ Turkey's good relations with Azerbaijan and Georgia emanated from the fact that Azerbaijan and Georgia have a greater pro-Western orientation, have serious security problems related to separatism and terrorism, being partners in important energy and transportation projects significant for themselves and the West. Thus Turkey provides a link to the Trans-Atlantic community and balance Russian and Armenian influence for Azerbaijan and Georgia. Problematic relations with Armenia, Nagorno-Karabakh dispute, Azerbaijan's and Georgia's territorial integrity, political instability potential of Islamist regime in Iran, maintaining economic interdependence with Russia, meanwhile securing Turkish interests by reducing its dependence on Russia for energy are main factors that shape Turkish foreign policy towards the Caucasus.

Turkey sought to extend her political, economic and cultural influence in the region due to historical, political, ethnic, religious and linguistic ties of Turkey with these states and through the potential of Turkey's capabilities to contribute stability in the region. Expectations grow up extensively as we can observe in former Turkish President Turgut Özal's quote of "21st Century will be the Turkish Century" and rhetoric of a Turkish commonwealth extending from the Adriatic to the Great Chinese Wall as expressed by prime Minister Süleyman Demirel.¹³⁷ Both the public and political

¹³⁵ Ian O. Lasser, "Beyond 'Bridge or Barrier': Turkey's Evolving Security Relations with the West," in *Turkey's New World: Changing Dynamics in Turkish Foreign Policy*, ed. Alan Makovsky and Sabri Sayari (Washington: The Washington Institute for Near East Policy, 2000) 203-221. cited from Elif Ocak, "Is Turkey a Pivotal State in the Caucasus" (M. A. Thesis, Bilgi University, 2001), 12.

¹³⁶ Ocak, "Pivotal State." 33.

¹³⁷ Sancak, "Gürcistan'ın Kafkasya'daki Yeri" (M.A. Thesis, Marmara University, 2000) 19-20.

elite in Turkey and in Caucasian/ Central Asian countries have had great expectations from each other initially.¹³⁸ On the other hand, Turkey faced reality that she could not fulfill her expectations and interests on her policies towards the Caucasus and Central Asia. First of all, stressing an Turkish “big brother” approach to the Southern Caucasus and Central Asia was unrealistic that did not overlap with the expectations and interests of the states in these regions.¹³⁹ Rather than a leadership role, Central Asian and Southern Caucasus states needed an approach that would meet their demands, which is to contribute and afford the necessary know-how to tackle the political and economic difficulties that were challenging these newly independent states after the post-Soviet period, which turned them to Russia again.¹⁴⁰

Rather than a fixed set of policies and a comprehensive strategy after the break-up of the Soviet Union, Turkey realized the need to reorient her foreign policy with regard to opportunities and challenges of the new regional and global order. Therefore, her actions have been a mixture of *realpolitik* and ideological interests related to the common euphoria emerged after the break-up of the Soviet Union. Due to the strong Russian factor, Turkish foreign policy focused on containing Russian great-power politics with interdependent partnership, cooperation projects (which is in similar line with the EU) and as well as maintaining Turkish partnership with the USA. In addition, Turkey also aimed at extending her zone of influence by promoting her political and socio-economic experience (a predominantly Muslim but secular and democratic state with a flourishing market economy) as a "role model" in the Caucasus and Central Asia.¹⁴¹ All these would likely to contribute to Turkey's security, political and economic interests and absorb the key role of energy and commercial corridor that would transport Middle East, Caucasus and Central Asian energy resources to the world markets. This would contribute to the long-lasting aim of Turkey's integration with the Western World on a more comprehensive basis.¹⁴²

Turkey also faced uncertainties in her foreign policy projection towards Caucasus and Central Asia in the aftermath of the dissolution of the Soviet Union. Sancak states that with the ratification of the Kars Treaty that fixed the border between Turkey and Soviet Union (Azerbaijan, Georgia and Armenia) border, Turkey cut off its relations with communities in the Caucasus. Caucasus region was considered only for

¹³⁸ Cornell, *Small Nations and Great Powers*, 285.

¹³⁹ Atasoy, "The Role of the South Caucasus in EU-Turkey Relations." 18-20.

¹⁴⁰ Uslu, "Turkish Foreign Policy," 180-182.

¹⁴¹ Herzig, *The New Caucasus*, 110.

¹⁴² Sancak, "Gürcistan'ın Kafkasya'daki Yeri" (M.A. Thesis, Marmara University, 2000) 19-21.

security and military concerns due to the Cold War era geostrategic, political and military dynamics. As a result, Cold War ideology adjusted Turkish foreign policy in line and perspective with the Western perception of political, security and military considerations. These factors prevented Turkey from forming her own strategy and orientation for this geostrategic region after the break-up of the Soviet Union, thus Russia maintained her importance in Turkish foreign policy.

A striking example, of initial relative neglect of Turkish foreign policy towards the Newly Independent States in the Southern Caucasus and Central Asia, can be observed by the bilateral trade volume between Turkey and Russia. In 1994, trade volume between Turkey and Russia was estimated around 1,85 Billion US Dollars, which consisted of 58% of Turkey's total trade turnover with all CIS countries.¹⁴³ Turkey bought 6 billion cubic metres of natural gas from Russia in 1995 and Russia has been a major gas supplier to the Turkish economy with increasing demands from Russian gas markets.¹⁴⁴ Turkey currently relies on 65% of imported energy supplies (16 billion cubic metres of Russian gas annually from Blue Stream Gas Pipeline comprise a significant portion of this imports) and imported energy needs would rise up to 75% in the next two decades.¹⁴⁵ Furthermore, Turkey is expected to import 30 bcm of Russian natural gas to fulfill a predicted natural gas demand of 38,5 bcm by 2010.¹⁴⁶ Turkey has important stakes with Russia as much as with the Southern Caucasus states, likewise the EU.¹⁴⁷ Thus, Russian dominance is a decisive factor in the initial lack of approachment to the Southern Caucasus states for Turkey.

Due to the lack of foreign policy strategy projection and traditional Russian role in Turkish Foreign Policy; uncertainties and unrealism emerged initially in foreign policy of Turkey towards the region. Nevertheless, Turkish-Russian relations have been cordial against all odds. Turkey was instrumental in the revival of Russian economy after 1994 economic crisis, with the flood of Turkish investment especially in construction, textile and tourism sector as can be observed in the Turkish economic activities in the post-Soviet Republics. The multi-dimensional relations are heavily

¹⁴³ Gareth Winrow, "Turkey's Relations with the Transcaucasus and the Central Asian Republics," *Perceptions*, March-May 1996, 131, accessed July 19, 2008, <http://www.sam.gov.tr/perceptions/Volume1/March-May1996/winrow.pdf>.

¹⁴⁴ Winrow, "Turkey's Relations," 131.

¹⁴⁵ Zeyno Baran, "The Baku-Tbilisi Ceyhan Pipeline: Implications for Turkey," in *The Baku-Tbilisi-Ceyhan Pipeline: Oil Window to the West*, ed. Svante Cornell et al. (Washington: Central Asia-Caucasus Institute and Silk Road Studies Program, 2005), 103.

¹⁴⁶ Gareth Winrow, "The Possible Consequences of New Geopolitical Game in Eurasia on Turkey as an Emerging Energy Transport Hub," *Turkish Policy Quarterly*, vol:5, no:2 (2006): 6-7.

¹⁴⁷ Baran, "The Baku-Tbilisi Ceyhan Pipeline," 103-115.

grouped under construction, transportation, telecommunication, textile, mineral processing, commercial goods, tourism, environment and security cooperation. In spite of clashing Turkish and Russian interests as we will observe in this thesis regularly, there is a common sense of maintaining interdependent relations as a basis of good relations in the future.¹⁴⁸

Nevertheless, Turkey has a comprehensive set of interests to the region as a whole, as well as having important bilateral relations with Southern Caucasus countries. Cornell states various arguments of various Turkish strategists putting their priorities on the Caucasus. Undisputedly, Azerbaijan is crucial for Turkey in the Caucasus and Central Asia in the sense of political, ethno-cultural, economical and as well as geopolitical terms. Azerbaijan is an energy rich country, having a secular/Turkic culture and possessing important transit routes to the Central Asia and Europe. On the other hand, Cornell also points various observers who attach importance to Armenia's key role in Turkish policy orientation due to the fact that the problems between Turkey and Armenia limits Turkish political and economic role in the region thus preserves Russian influence in the region.¹⁴⁹ Similarly, Cornell states Georgia as the key state in Caucasus which provides the territorial link to Azerbaijan and Central Asia, offsetting Armenian influence to a greater extent and providing a buffer zone to heavier Russian influence for Turkey by giving the statement of former Turkish prime minister Mesut Yılmaz on "unconditional support of territorial integrity of Georgia" during a visit to Adjara in the summer of 1998.¹⁵⁰ Thus, collapse of Georgia would also imply collapse of Turkish, the EU and the USA policies formulated on the Caucasus which was perceived in the 2008 South Ossetia War.¹⁵¹

3.1.1. Turkey-Azerbaijan Relations

Turkey recognized Azerbaijan on 9 November 1991 and signed Turkey-Azerbaijan Commercial and Economic Partnership and Turkey -Azerbaijan Friendship, Cooperation and Neighbourhood agreement on 2 January and 24 January 1992, respectively.¹⁵² Demir stresses basic agreements that increased the political and economic relations between Turkey and Azerbaijan, afterwards. The immediately

¹⁴⁸ Sancak, " Gürcistan'ın Kafkasya'daki Yeri" (M.A. Thesis, Marmara University, 2000) 18.

¹⁴⁹ Cornell, *Small Nations and Great Powers*, 291.

¹⁵⁰ Cornell, *Small Nations and Great Powers*, 309.

¹⁵¹ Cornell, *Small Nations and Great Powers*, 308-310.

¹⁵² " Baş Konsolosluğun Mesajı," Website of Consulate General of Azerbaijan Republic in Istanbul, accessed April 19, 2009. <http://www.azconsulateistanbul.org.tr/tr/?name=welcome>.

signed agreements after the independence of Azerbaijan, were followed by "Cooperation and Solidarity Agreement between Turkey and Azerbaijan" which was signed in Ankara on 2 November 1992. This agreement initiated economic, political and cultural relations between Turkey and Azerbaijan to be put on practice. "Mutual Encouragement and Protection of Investments Agreement" and "Abolishment of Double Taxation Agreement" furthered expansion of volume of economic relations between Turkey and Azerbaijan.¹⁵³ Turkey-Azerbaijan relations overlap with several shared objectives and interests due to the fact that both countries have strong political, economical cooperation and Turkic culture maintains strong historical, linguistic, cultural and social ties between the communities of both states. Main interests of Turkey are to help preservation of Azerbaijan's integrity, independence and sovereignty, support her political/economical reforms and state-building efforts.¹⁵⁴

Both countries are two prime examples in the Muslim world that maintained secularization, industrialization and a greater extent of democratization unlike majority of Muslim countries.¹⁵⁵ In this case, Demir points out that Turkey and Azerbaijan's common historical, cultural and ethnic heritage is a key but not the single dimension in their relations. Turkey and Azerbaijan regards each other as strategic allies with a vast area of cooperation (with a potential of further cooperation) in economics, trade, telecommunications, energy, transportation, anti-terrorism and defense projects.¹⁵⁶ Therefore, Cornell also points out that Turkey's advantage over Iran in her relations with Azerbaijan is that, even though Azerbaijan and Iran are Shiites, Azerbaijan has a secular model unlike radical Islamist ideology of Iran, thus Turkish model is nearer to Azerbaijan. In addition, Iran does not want her own Azerbaijani population (estimated around 15-25 million) having closer relations with Azerbaijan through an Azerbaijani ethnic mobilization.¹⁵⁷ In line with problems with Armenia, Turkey and Azerbaijan relations has been intensified along with the foreign policy of Iran stated above, which is highly reactive of any kind of Western and rising Turkic influence. When Iranian gunboats drove back Azerbaijani oil exploration vessels in the Azerbaijani sea boundaries nearing to Iran in July 2001, Turkey responded by sending a group of F-16

¹⁵³ Demir, *Türk Dış Politikası*, 220.

¹⁵⁴ Cornell, *Small Nations and Great Powers*, 291.

¹⁵⁵ Goyushov, "Islamic Revival in Azerbaijan."

¹⁵⁶ Demir, *Türk Dış Politikası*, 224.

¹⁵⁷ Cornell, *Small Nations and Great Powers*, 322-325.

warcraft to a military parade in Baku in August 2001, as a sign of Turkey's support to Azerbaijan.¹⁵⁸

Turkey's political and relatively limited military support in containing Armenian offensive in the War, is important for Azerbaijan. As the Nagorno-Karabakh War was escalating to a deadlock, and Azerbaijan was demanding for a strong Turkish support, growing tensions near the Nakhichevan border prompted Turkey to imply military intervention which was followed by Russian General Yevgeny Shaposhnikov's threat of beginning of the "Third World War" in case of intervention of a third party.¹⁵⁹ Turkey realizing her limited military but strong political capabilities, supported Azerbaijan army with equipment and training, participated in blockade over Armenia and supported Azerbaijan in international area. Even though Turkey stated her interests and determination to intervene in the conflict, main strategy was to give full political support to Azerbaijan and avert active Russian inclusion into the conflict. Worsening conditions of war and increasingly conflicting stances of three countries (Turkey/Azerbaijan-Armenia) led to the ending of all bilateral official diplomatic relations with Armenia and closure of Turkey-Armenia border in April 1993, after the invasion of Kalbajar by Armenian forces in March 1993.¹⁶⁰ During Turkish President Turgut Özal's Baku visit in April 1993 shortly before his death, he would state that "Turkey supports Azerbaijan, but Azerbaijan herself, that should win the war. Turkey can support the fight for Azerbaijan, but can not fight for Azerbaijan". Prime Minister Demirel also stressed that the only solution for Azerbaijan is to stand against Armenian aggression rather than relying completely on Turkey.¹⁶¹

For Azerbaijan, in addition to being a geostrategic ally, Turkey is also the bridge to the Trans-Atlantic Community; a member of NATO, OSCE as well as a leading member of Black Sea Economic Cooperation and candidate member state to the EU. Turkey also has a strong political, military and economic role in its transcontinental geostrategic location. These factors enable Turkey to contribute to the peace-making process and stability for Azerbaijan. Azerbaijan is important for Turkey, due to opening of the Azerbaijani energy resources for growing demands of the Turkish

¹⁵⁸ Ömer Göksel İşyar, " Türkiye'nin Azerbaycan-Ermenistan Uyuşmazlığına Yönelik Politikaları: 1992-2004," in *Geçmişten Günümüze Dönüşen Orta Asya ve Kafkasya*, ed. Yelda Demirağ et al. (Ankara: Palme Yayıncılık, 2006), 294.

¹⁵⁹ Serge Schmemmann, " Ethnic Battles Flaring in Former Soviet Fringe," *New York Times*, May 24, 1992, accessed March 16, 2009, <http://www.nytimes.com/1992/05/24/world/ethnic-battles-flaring-in-former-soviet-fringe.html>.

¹⁶⁰ Van Der Leeuw, *Azerbaijan*, 201.

¹⁶¹ Demir, *Türk Dış Politikası*, 97, 166-167.

markets and transporting Azerbaijani energy through Turkish territories to the European markets. Azerbaijan is also a gate opening to the Central Asian states which Turkey and Azerbaijan also have strong historical and cultural ties and seek to develop and deepen their relations.

Turkish and Azerbaijani students, businessman, tourists and industrialists regularly visit each other and develop ties. Both countries have favorable conditions for investment and cooperation for each other. Along with Georgia, Turkey and Azerbaijan are partners in various energy, transportation and commercial related projects. This mutual trust is also solidified due to strained relations with Armenia. Nevertheless, Armenia holds primary position in Turkey-Azerbaijan relations because of Nagorno-Karabakh dispute. It is worth to mention Russia's efforts of gaining Azerbaijani support on Georgia, alternative energy transportation policies excluding Turkey/Georgia and Iran's regime suspicious attitude of a secularist and nationalist Iranian Azeri rebellion in Iran. Russia's and Iran's suspicious stances to the USA and the EU's policies in order to have access to the Southern Caucasus through Turkey are the main factors that shape Turkey and Azerbaijan relations. In this regard, Turkish and Azerbaijani stances overlap in line with respecting each others territorial integrity, sovereignty and contributing their security against outside threats. Along with Georgia, Turkey increased her humanitarian, technical and financial assistance to Azerbaijan, in the post-Soviet period. According to Kanbolat's estimations, bilateral trade volume reached 1 billion US Dollars in 2007. Turkey is the fourth biggest importer of Azerbaijani products, whereas sixth greatest exporter to Azerbaijan. Turkey also emphasizes the need to diversify Azerbaijani market against overdependence on petroleum products, which makes Turkey the biggest investor in non-oil sector in Azerbaijan. Turkish investments roughly correspond to 5 billion US Dollars. Construction sector which is invested heavily by Turkish companies, holds almost one third of this investments with 1,6 Billion US Dollars.¹⁶² As Alaskarli notes, beyond the strong cultural, political, linguistic and historical ties, Turkey and Azerbaijan provide geostrategic, geopolitical and economic advantages to each other. The existence of such ties intensify development of culturally and geostrategially motivated relationship between the two states.¹⁶³

¹⁶² Hasan Kanbolat, "Türkiye'nin Güney Kafkasya Politikasının Temelleri," *Avrasya Stratejik Araştırmalar Merkezi (ASAM)*, accessed on April 18, 2009, <http://www.asam.org.tr/yazigoster.asp?ID=2141&kat1=&kat2=2>.

¹⁶³ Alesker Aleskerli, "Gergin Gündem: Türkiye-Ermenistan İlişkileri," *Avrasya Stratejik Araştırmalar*

3.1.2 Turkey-Armenia Relations

Dissolution of the Soviet Union and independence of Azerbaijan, Georgia and Armenia brought another dimension to the relations between Turkish and Armenian communities. Existence of a Republic of Armenia (which Turkey recognized as well as Azerbaijan and Georgia's independence) was initially considered as an opportunity to have relations with the Armenian community rather than hostile Armenian diaspora. It is suitable to refer Armenian Diaspora as a counterpart to Armenia in Turkish-Armenian relations prior to the Armenian independence in 1991, because of the fact that Armenia was a Soviet Republic after the Bolshevik occupation in 1920. Turkish-Armenian relations (as well as relations with Azerbaijanis and Georgians) had a unique dimension with the activities of the hostile Armenian Diaspora network shaped Turkish-Armenian relations, as both three Southern Caucasus communities' relations with Turkey and outside World was under the context and policies of the Soviet Union until 1991.

Turkish-Armenian relations have been strongly hostile which was bred with mutual mistrust, hatred and lack of dialogue since 1915 and until relative warming of relations of today, general perspective was that normalization of relations between Turkish and Armenian communities were out of question. In addition to Armenian Diaspora's efforts of recognition of the so-called genocide to harm Turkish interests, Armenian terrorist group ASALA's murders of Turkish diplomats in order to take attention to the so-called genocide issue and justify their terrorist actions on this basis widened the gap between the Turkish and Armenian communities. Armenian Diaspora, with their strong networks and connections in their host countries, have mobilized their propaganda mechanisms and exclusively threatened Turkish security and interests.

Turkey recognized Armenia on 16 December, 1991 and aimed at maintaining dialogue with Republic of Armenia to severe influence of radical circles in the diaspora on Armenia by providing their assistance to Armenia's requirements in the post-Soviet era. On the other hand, independence of Republic of Azerbaijan and immediate eruption of full-scale war between Azerbaijan and Armenia complicated the problems to a greater dimension. Initially Turkey pursued a policy of neutrality to mediate resolution between Azerbaijan-Armenia War, offered food aid to Armenia during a severe food shortage period after independence. Years of 1991 and 1992 marked the

sole economic relations between Turkey and Armenia, which Turkey exported 3,43 million US Dollars and 4,15 million US Dollars of goods to Armenia in the respective years, and Armenia held a micro role in Turkish exports with a mere 0,02% share. Armenia in turn exported 120000 US dollars of and 320000 US Dollars of goods to Turkey between 1991-1992.¹⁶⁴ This policy worked to an extent in spite of the worsening conditions of Nagorno Karabakh War. On the other hand, extremist and radical circles in Armenia that are supported by Armenian Diaspora criticized moderate circles like Levon-Ter Petrosyan as compromising traitors for the sake of normalization relations in their “*cause*” against Turkey and Azerbaijan.¹⁶⁵

Initially Turkey pursued to diplomatic means to settle conflicts with Armenia and the Nagorno-Karabakh dispute, borders remained open until April 1993 as well. Nevertheless, Khojaly massacre on February 26 1992, caused the deaths of around 613 Azeris, unleashed severe reaction in political and community circles in Turkey, which seriously prompted Turkey to seriously consider for a military intervention.¹⁶⁶ Turkey closed borders with Armenia in order to support Azerbaijani efforts to maintain her territorial integrity and to response to Armenians' anti-Turkish rhetoric that extend from unrecognition of Turkey-Armenia and Azerbaijan-Armenia border that was drawn by the Kars Treaty in 1921, so-called genocide claims to justify her territorial claims on Turkish lands and Karabakh. Ronald Grigor Suny's book titled *Looking Toward Ararat: Armenia in Modern History* gives significant references to the Armenian communities' and groups' claims on Northeastern Turkey (as they consistently refer as 'Turkish Armenia') and their various activities of campaigning for a worldwide support of annexing Northeastern Turkey through the so-called genocide claims. External demands to reopen the Turkish-Armenian border have been firmly declined throughout the succeeding Turkish governments, led by various leaders. President Süleyman Demirel responded firmly against a provocative statement of Armenian Deputy Defence Minister Vazgen Manukian's denouncing the legitimacy of the Turkish-Armenian border, that lenient attitude of Turkey should not be misunderstood.¹⁶⁷ Prime Minister Bülent Ecevit also stated that during his meeting with USA Secretary of Defence Donald Rumsfeld and with American President George W. Bush in 2001, that normalizing relations between Turkey and Armenia are dependent on renouncement of

¹⁶⁴ Demir, *Türk Dış Politikası*, 237.

¹⁶⁵ Suny, *Looking Toward Ararat*, 236-239.

¹⁶⁶ Demir, *Türk Dış Politikası*, 164.

¹⁶⁷ Araz Aslanlı , " Türkiye-Ermenistan Sınırları Açılmalı mı," *Ermeni Sorunu: İddialar- Gerçekler* , accessed May 2, 2009, <http://www.ermenisorunu.gen.tr/turkce/makaleler/makale59.html>.

the so-called genocide and territorial claims, end of the Armenian occupation of Azerbaijani territories, resettlement of the IDP's and opening of a corridor between Azerbaijan and Nakhichevan.¹⁶⁸ The current Turkish Prime Minister Recep Tayyip Erdoğan also stated that Armenia must renounce her so-called genocide and territorial claims from Turkey as a prerequisite for the opening of Turkish-Armenian border during a visit to Kars on June 27, 2003.¹⁶⁹

Obviously, Turkey and Armenia relations are interlinked to a great extent with Turkey-Azerbaijan and Azerbaijan-Armenia relations, thus problems exist on bilateral and trilateral basis. In spite of efforts to separate problems into Turkey-Armenia and Azerbaijan-Armenia basis, Turkish and Azerbaijani security are highly interlinked with each other, therefore according to many scholars Turkey is not going to open the "Turkish-Armenian border", unless there is a significant progress for settlement on "the Karabakh issue" and renunciation of territorial and historical claims.¹⁷⁰ Armenia's problems with Turkey and Azerbaijan, contribute to strengthening the already good relations between two countries with strong ties and also strengthening Armenia's relations with Russia and Iran. These problems also used on Turkey's EU integration process significantly, where various circles in the EU exploited the problems between two countries as an obstacle to Turkey's full integration to the EU.¹⁷¹ The EU's political stance on the problems can be perceived in pro-Armenian in political terms but pro-Turkish nature in geostrategic terms. EU priority is to further secure her political and economic interests through weaken Armenia's overdependence on Russia and Iran, by normalizing relations with Turkey and Azerbaijan. The EU has been urging Turkey to recognize the so-called Armenian genocide, open up the border without waiting for a solution and keep her distance on the Karabakh conflict to the extent of Armenia's political maneuvering, thanks to efforts of Armenian Diaspora. Nevertheless, various circles in Turkey and Armenia are also in favor of opening of Turkish-Armenian border, which would contribute to normalization of relations. Demir notes that, relatively impoverished Turkish provinces near the Turkey-Armenia border has pressured Ankara to be flexible on the embargo over Armenia to activate border trade and gain significant benefits from it, even mayor of Kars in 1995, who was from

¹⁶⁸ Aslanlı , " Türkiye-Ermenistan Sınırları Açılmalı mı."

¹⁶⁹ *ibid.*

¹⁷⁰ For an example see Kamer Kasım, "Turkey-Azerbaijan-Armenia Triangle," Uluslararası Stratejik Araştırmalar Kurumu (USAK), May 27, 2009, accessed July 8, 2009, <http://www.usak.org.tr/EN/makale.asp?id=982>.

¹⁷¹ Erhan Akdemir, " Turkey's EU Bid and the Armenian Problem," *EU Centre Association* , accessed June 4, 2009, <http://www.abmerkezi.org.tr/article1.php>.

nationalist right wing Milliyetçi Hareket Partisi (Nationalist Movement Party), pointed out the benefits of opening the border for local population.¹⁷²

As Azerbaijan suffered from Section 907 of USA Freedom Support Act (as examined in the previous chapters) and from the occupation of Karabakh, border blockade became a significant leverage for Turkey and Azerbaijan. Especially, Turkish and Armenian businesspeople that formed relatively influential Turkish-Armenian Business Development Council prioritizes the importance of growing trade relations on the route of normalization of Turkish-Armenian relations and lobbying for opening of the border.¹⁷³ The "Turkish-Armenian Reconciliation Commission" established in 2001, consists of Turkish and Armenian intellectuals and academics also lobby for the normalization of relations and for maintaining dialogue between communities. Until the recent political dynamics arising from 2008 South Ossetia War, there had been no "official" political or economical relations between the two countries. However, Turkey and Armenia have kept "unofficial" meetings on foreign minister level irregularly. The low-scale trade relations between Turkey and Armenia has been continued via either Georgia or Iran, where goods and tourists need to use either territories of these countries' to have access to them. On the other hand, Turkey accepted opening of H-50 airspace in 1995 between Turkey and Armenia, and on October 16, 2003 direct flights between Istanbul and Yerevan started.¹⁷⁴ The airspace between Turkey and Armenia is currently open with a limited capacity when Turkish Airlines promoted regularly scheduled flights between Istanbul and Yerevan in November 2003 and Turkey backed Armenia's accession to the World Trade Organisation in December 2002.¹⁷⁵ A significant number of Armenian population around 40.000-70.000 immigrated to Turkey for employment and most of them work illegally. According to the report prepared by Istanbul Chamber of Commerce (ITO), 200.000-300.000 illegal migrants enter Turkey and around half of them stays and works illegally, even though the Ministry of Labour and Social Security claims there are around 1 million illegal migrants working in Turkey. Illegal Armenian migrants form a small but significant grouping especially in Istanbul.¹⁷⁶

¹⁷² Demir, *Türk Dış Politikası*, 237.

¹⁷³ for more information visit Official Website of Turkish-Armenian Business Development Council, <http://www.tabdc.org>.

¹⁷⁴ Aleskerli, " Gergin Gündem: Türkiye-Ermenistan İlişkileri."

¹⁷⁵ Yelda Demirağ, " EU Policy Towards South Caucasus and Turkey," *Perceptions* Winter 2004-2005, 103, accessed November 21, 2008
<http://www.sam.gov.tr/perceptions/Volume9/Winter/YeldaDemirag.pdf>.

¹⁷⁶ Rutvica Andrijasevic, " Turkey to Crack Down on Illegal Foreign Labour Force to Crack

Between Turkey and Armenia, there is an unofficial relation conducted by moderate and dialogue desiring individuals, lobbies, businesspeople and unofficial efforts of state elites. On the other hand, recent developments such as the 2008-2009 World Cup Qualification matches between the national teams of Turkey and Armenia, assassination of prominent Turkish Armenian journalist Hrant Dink in 2007, Armenian reconsideration of her foreign and economic policy of overdependence on Russia due to effects of global crisis mining, construction and service sectors of Armenia, the 2008 South Ossetia War and the revitalization of Azerbaijan-Armenia peace process are the factors that provided hope for normalization of relations between the two countries. On the other hand, the attempts of some countries' to pass genocide laws in their legislatures, pressure on Turkey to open up the border with Armenia without a permanent solution could sabotage already fragile warming of relations between Turkey and Armenia, as well as Turkey-Azerbaijan relations. Such actions might marginalize and withdraw efforts of moderate circles and justify stances of ultra-nationalist fronts. Thus, relative warming of relations between Turkey and Armenia has been related to new geostrategic interests, dynamics and motivations in the Southern Caucasus region and through USA/EU's stance towards Turkey/Azerbaijan-Armenia conflict to lift off the blockade on Armenia. These issues will be examined in detail in the following chapters.

3.1.3. Turkey-Georgia Relations

Turkey recognized Georgia on December 16, 1991. Diplomatic relations started between the two countries and Turkey-Georgia Friendship, Cooperation and Neighbourhood agreements were signed in Tbilisi on 30 July, 1992. Even though Turkey focused more on Azerbaijan and Central Asian states, sooner Turkey realized Georgia's geostrategic importance and relations gained a stronger momentum. Bilateral economic relations between Turkey and Georgia initiated in 1991 with the export of Turkish electricity to Georgia and legalized with eight agreements and protocols signed in 1992 in order to improve trade relations, investment and transportation issues.¹⁷⁷

Turkey and Georgia relations also have similarities with Turkey-Azerbaijan relations. Despite being a non-Turkic state, Turkey and Georgia also have strong historical, cultural and political ties. Turkish citizens with Georgian background also

Unemployment," *Enacting European Citizenship (ENACT)*, May 7, 2009, accessed August 28, 2009. http://www.enacting-citizenship.eu/index.php/sections/news_item/346.

¹⁷⁷ Demir, *Türk Dış Politikası*, 228.

play a bridging role between the two states. Business, investment and cooperation are promoted between two countries extensively as we see in Azerbaijan relations; Turkish and Georgian citizens regularly visit each country for business or touristic purposes. The reason for the basis of these good relations are also linked with the relations of other countries, especially Russia's, Armenia's and Azerbaijan's stances towards Turkey-Georgia relations. Georgia has confronted with Russia on several occasions, blamed Russia for threatening her territorial integrity and sovereignty with her aggressive policies. Problems related to the existence of break-away regions (Abkhazia and South Ossetia) and Russian activities in these regions such as increasing the number of peacekeeping troops in spite of agreements, providing Russian passports to the inhabitants of the separatist regions. Nevertheless, political and economic crisis such as imposing visa for Georgian citizens, various economic sanctions such as embargo of Georgian wine, mineral water and dairy exports to Russia, 2006 Georgian-Russian spy crisis (several Russian officers based in Georgia were arrested for espionage accusations) and increasing the price of oil and gas exported to the country, deteriorated already hostile Georgia-Russia relations.

Narmania estimates that before the embargo in 2005, Russian market provided a 17,8% share of Georgian exports abroad, which was heavily concentrated on wine, mineral water and agricultural products. Embargo caused a serious setback for Georgian economy and decreased exports to Russia to 7,6% even though Russian imports to Georgia significantly rose by 14,7% compared with 2005. Especially as an energy dependant economy, Russian dominance increased in energy imports of Georgia. Russian Gazprom demanded the rise of gas price from 110 Dollars per on 1000 cubic metres to 235 Dollars after January 2007. Under these circumstances, Georgia strove to expand political and economic ties more than ever with Turkey and Azerbaijan, in order to export her products and meet her energy demands in order to decrease her dependence on Russia. Azerbaijan agreed to provide natural gas to Georgia from Shah Deniz gas field with a favorable price of 120 Dollars per 1000 cubic metres.¹⁷⁸

Turkey also became the main trading partner for Georgia. The Free Trade Agreement between Turkey and Georgia entered into force on November 1, 2008 which abolished tax rates for the trade of industrial and related products. However,

¹⁷⁸ Davit Narmania, "Economic Policy in Georgia: Liberalization, Economic Crisis and Changes," *Turkish Policy Quarterly*, vol:8, no:2 (2009): 119-121.

some agricultural products are not included for favorable trade conditions in the agreement. In 2008, the share of ten biggest trading partners in Georgia's foreign trade was 67,4% with Turkey holding a 15,9% share.¹⁷⁹ In the first and second quarter of 2009, 23,3% (120 million Dollars) of Georgian exports (515 million Dollars) were transferred to Turkey and in the second quarter of 2009, 18,9% (337 million dollars) of Georgian imports (1992 million dollars) were transferred by Turkey. In the light of these statistics, economic and geostrategic relations between Turkey and Georgia seem likely to expand and deepen in the near future.¹⁸⁰

While Georgia resents Russia's aggressive stance against her integrity by supporting secessionists, Georgia is certain that Russia use every means necessary to further destabilize the country. Temur Iakobashvili, Georgian state minister for reintegration stated that South Ossetian and Abkhazian leaders are not 'presidents' but opposed to call them 'puppets' in draft strategy paper 'State Strategy towards Occupied Territories', that he was in charge of formulating policies towards the secessionist regions. Thus the document use the term 'proxy regimes' for leaders of the secessionist territories employed for Russian interests, not for the interests of Abkhazian and Ossetian communities.¹⁸¹

Even though, Abkhaz and Ossetic rooted communities in demanded from Turkey for an anti-Georgian stance in the frozen conflicts, Turkey ascertained her firm support to Georgia's stability and integrity, as well as stated her objective of playing a role that could facilitate the peace process in the frozen conflicts of Georgia.¹⁸² In this sense, Turkey pursued a policy to develop and protect her relations with Georgia, on the other hand to be perceived as a reliable mediator in the conflicts to satisfy Abkhaz and Ossetic communities in Turkey. Russia is reactive against strong relations Georgia established with the USA, the EU, NATO and Turkey. This policy is regarded as a new containment policy by Russia, aimed at breaking Russian influence in the region. Georgia-Armenia relations are relatively stable in spite of sources of tension such as Armenian minority's support of Russian troops in Javakh region and their request for "more autonomy" concerns Georgia.

¹⁷⁹ Narmania, " Economic Policy in Georgia," 121.

¹⁸⁰ Narmania, " Economic Policy in Georgia," 121.

¹⁸¹ " Tbilisi Unveils Draft of its South Ossetia, Abkhaz Strategy," *Civil Georgia*, December 25, 2009, accessed January 16, 2009, <http://www.civil.ge/eng/article.php?id=21830>.

¹⁸² Demir, *Türk Dış Politikası*, 184-188.

Realization of new pipeline projects (which will be examined in the following chapters) strengthened the dialogue between Turkey and Georgia, which Georgia emerged as the most reliable and possible destination for accessing Azerbaijan and extending to the Caspian energy reserves against unreliable Armenia and Iran routes. Turkey-Azerbaijan-Georgia relations turned out to be cordial and friendly based on similar political orientations as well. Turkey supports Georgian efforts for democratization, westernization and interaction with the Western World. Due to Turkey's partnership with Azerbaijan and Georgia on various energy, transportation and commercial projects, Turkey attaches great importance to territorial integrity and stability of Georgia as an essential condition for her stability and for region's stability as a whole. In this sense, Turkey provided military training, logistics and financial assistance for modernization of Georgian armed forces.¹⁸³ The modernization of the outdated Soviet period Marneuli military air base was completed in 2004 and in the same year the Joint War Academy in Tbilisi which provides significant training and experience to Georgian officers by Turkish officers. Kanbolat estimates around 3 million US Dollars had been provided by Turkey for modernization of Marneuli air base and overall Turkish financial assistance to Georgian Army was estimated around 7,5 million US Dollars by 2004.¹⁸⁴

All these examples justify Turkey's security interests for the stability and security of Georgia. An unstable Georgia would hamper security in the region and cut off territorial links with Azerbaijan and Central Asia for Turkey. After the post independence period, Georgia suffered several blows to her economy due to ongoing conflicts, transformation to market economy, Russian financial crisis in 1998. Turkey provided a crucial role for resuscitating Georgian economy as well as several energy and transportation projects that crossed through Georgian territories. According to Kanbolat's statements, Turkey and Georgia's bilateral trade volume peaked from 241 million US Dollars in 2002 to 700 million US Dollars in 2007. Construction projects and service sectors, headed by Turkish companies, occupy most of the trade volume with 400 million US Dollars.¹⁸⁵ This increase is also related with the Rose Revolution which brought more foreign direct investment due to public and private sector reforms, relative economic stabilization, furthering cooperation due to Georgia's more explicit

¹⁸³ Uslu, " Turkish Foreign Policy," 183.

¹⁸⁴ Hasan Kanbolat, "Gürcistan-Türkiye İlişkileri Örnek Alınacak Düzeyde", *Diplomatik Gözlem*, accessed April 19, 2009, http://www.diplomatikgozlem.com/haber_oku.asp?id=2082.

¹⁸⁵ Kanbolat, "Türkiye'nin Güney Kafkasya Politikasının Temelleri."

pro-Western orientation and realization Baku-Tbilisi-Ceyhan Pipeline, Baku-Tbilisi-Kars Railway and Baku-Tbilisi-Erzurum Natural Gas Pipeline Projects.¹⁸⁶

3.2. ROLE OF THE OTHER ACTORS IN THE REGION

3.2.1. The West: The USA and The EU

The USA and the EU share similar strategies and policies in the Southern Caucasus. They both give importance to consolidating sovereignty, integrity and stability of the Southern Caucasus states, promoting peaceful resolution of ethnic conflicts, preventing diffusion or dominance of a oppressive power in the Southern Caucasus (especially Iran). They both give importance to supporting market economy, democracy and institutional reform efforts of the Southern Caucasus countries, protecting and promoting the USA and EU companies, business investments and maintaining energy supply and transportation security.

On the other hand, the EU and the USA prefer different strategies with different instruments to realize their goals. Whereas, USA relies heavily on her political, economic and significant military weight to pursue her parallel (also contradictory) objectives with the EU, EU stresses the importance of cooperation and using soft power capabilities to come in terms peacefully with Russia, while securing their objectives and interests in the region. Tekin and Williams point out the EU's incapability of using hard-power instruments compared to the USA in energy politics. Nevertheless, the following sections and other factors point out that EU would pursue "securitization" of EU energy goals by granting its importance against lagging behind in the other issues of political agenda, thus it will be dealt by top leaders.¹⁸⁷ In this regard, depending on EU's priorities, instrumental limitations, and importance of Russia for European energy market, EU has to take a more multilateral stance in foreign policy strategies unlike USA's unilateral actions that would be perceived by Russia as uncooperative and threatening in the long term. On the other hand, actions of the Russian leadership also contributes to an image of an imperial and militarist Russia striving for dominance and observing foreign actors in a confrontational way.¹⁸⁸ In this regard, there is a strong mistrust between parties which hampers the essential USA-EU-

¹⁸⁶ Kanbolat, "Türkiye'nin Güney Kafkasya Politikasının Temelleri."

¹⁸⁷ Ali Tekin and Paul A. Williams, "EU-Russian Relations and Turkey's Role as an Energy Corridor," *Europe-Asia Studies*, vol:61, no:2 (2009): 338.

¹⁸⁸ Alexei Arbatov, "Russia: A Special Imperial Way?," *Russia in Global Affairs*, February 8, 2006, accessed May 7, 2009, <http://eng.globalaffairs.ru/numbers/14/995.html>.

Russia cooperation to bring stability and security to the region that rules out shared objectives, cooperation and mutual benefits.

In light of these perceptions and historical competition between the USA and the Soviet Union, recent American policy towards the region can be traced back to Mackinder's "Heartland Theory". As mentioned in the previous chapters, the vast Eurasian landmass provides a geostrategic advantage due to her proximity to other areas, thus whoever manages to dominate the region, will be able to rule the world as well. As Soviet Union emerged as one of the superpowers in the Cold War, USA foreign policy pursued a "Containment Policy" of the Soviet Union, in order to politically and economically dominate Western Europe, Middle East and Pacific Coastlines. Even though, American geostrategist George Kennan masterminded the "Containment Policy", it was strongly influenced by "Eurasian Rimlands" theory in line with the "Heartland Theory".¹⁸⁹ Nicolas Spykman coined the term "Eurasian Rimlands" and stressed the importance of these regions that the dominating power in these areas would limit the "geopolitical interlocutor power", the Soviet Union. In addition to the increasing importance of security of energy reserves and their transportation routes, competition in this area gained a new dimension with the Cold War. American political analyst, Zbigniew Brzezinski also stressed that "geopolitical plurality" is necessary to prevent the emergence of a single dominator in Eurasia. Even though Southern Caucasus forms a small part of Eurasia, it occupies a geostrategic location, thus occupies a significant role in the policies formulated for the area by the USA and other actors.¹⁹⁰

While the EU gives more importance to include Russia as a partner in the stabilization process (mainly due to the EU's strong dependence on Russian gas exports), the USA pursues an approach excluding Russia. Nevertheless, the USA and the EU are aware of the fact that Turkey is the only friendly country neighbouring and possessing certain knowledge and ties with the region. For stabilizing the Southern Caucasus politically and economically, Turkey is important for the USA and the EU interests, both for promoting democracy, rule of law, good governance, human rights, functioning institutions and economy and Turkey has an indisputable role within the energy, communication and transportation projects. The immense Baku-Tbilisi-Ceyhan Oil Pipeline (that eliminated Russian-Iranian routes and other related projects) form the

¹⁸⁹ İşeri, "Amerika'nın Soğuk Savaş Sonrası Stratejisi," 50-53.

¹⁹⁰ İşeri, "Amerika'nın Soğuk Savaş Sonrası Stratejisi," 54.

greatest project of revitalizing the ancient "Silk Road" route, which in modern terms referred as "East-West Transportation Corridor". BTC oil pipeline would connect Central Asia and Southern Caucasus to the West thereby ensuring safe transit and flow of energy resources, trade, communication and transportation. Therefore, increasing cordial relations with Turkey and progress in the EU accession talks will be heavily influenced by further development of projects, security climate and changing geopolitical dynamics of the region.

The EU heavily focuses on socio-economic rehabilitation programs like initiatives taken by the UN's High Commissionery for Refugees, UN's Development Programs and OSCE development programs. Despite the importance of her "soft power" capabilities, the EU has lacked active role in conflict zones like conflict prevention, crisis management and peacekeeping missions. UN General Secretary Kofi Annan's complaints on lack of active UN role during the possibility of rising tensions in the conflict zones on 21 July 2004, can be said for the EU, even though EU possesses more soft power exerting mechanisms than the UN.¹⁹¹ The USA stresses military support in addition to substantive amounts of aids to the regional countries, especially to Georgia. USA and to a lesser extent Turkey (under NATO umbrella) took initiative in reforming, training and modernization of Georgia military and improvement of border guard forces. Train and Equip programs initiated by USA to strengthen and improve the capacity of Georgian military in countering insurgency, peacekeeping, stabilization and anti-terrorism operations had been a landmark achievement, even though the program was more focused on expeditionary missions (Afghanistan and Iraq) rather than regional challenges such as secessionists and Russian military activities.¹⁹²

In addition to the USA's concentration on military and political support, there have been also significant projects aiming at improving commercial and transportation corridors of the Southern Caucasus States. The USA Millenium Challenge Corporation (MCC) approved a five year 295 million US Dollar aid to Georgia and a five year 235 million US Dollar aid to Armenia, which concentrates on modernization of rural transport infrastructure and irrigation networks.¹⁹³ Jon Chicky criticizes Euro-Atlantic

¹⁹¹ Güner Özkan, " Gürcistan'da Yeni Yönetim, Etnik Ayrılıkçı Bölgeler ve Güvenlik," in *Orta Asya ve Kafkasya'da Güç Politikası*, ed. Turgut Demirtepe (Ankara: Birikim/USAK Yayınları,2008), 237-238.

¹⁹² Jon E. Chicky, *The Russian-Georgian War: Political and Military Implications for U.S. Policy* (Washington: Central Asia-Caucasus Institute and Silk Road Studies Program, 2009), 8-9.

¹⁹³ "Georgia Profile."
"Armenia Profile."

Community's approach to categorize Georgia as a country with serious separatist challenges and lacking evident democratic and rule of law structures, in order to appease Russian response. He emphasizes that lack of security prevents any progress in economic development and political reform, therefore assistance to Georgia must not be ignored and meet the necessities of her challenges, which are derived from external oriented (Russian actions) rather than internal challenges.¹⁹⁴

Even though USA gives great importance to Georgia, supports her efforts of resolving political and economic challenges, is a member of UN Group of Friends of Georgia for Abkhazian dispute and played an unofficial role in South Ossetia negotiations, USA is also concerned about Nagorno-Karabakh dispute and acts as a co-chairman in the Minsk Group enlisted to organize the negotiation process since March 1992. Nevertheless, the resolution efforts of the Minsk Group has not reached to an outcome yet, even the cease-fire agreement between Azerbaijan and Armenia was signed with the single mediation of Russia in May 1994.¹⁹⁵ Peaceful settlement of the dispute is highly crucial due to the fragile nature of the region, which would otherwise negatively affect security and energy interests of the USA. Naturally, USA is interested to integrate Azerbaijan and Armenia in the war on terror, assist their border guard security capabilities and create suitable political climates for security cooperation between the countries. USA's amendment of Section 907 of Freedom Support Act of 1992 (lobbied by strong Armenian Diaspora in the USA) through a Presidential waived authority since 2002, which regulates USA aid on the former Soviet republics and restricts aid programmes for Azerbaijan, is a signal of progressing relations with Azerbaijan due to other security and energy interests of USA.¹⁹⁶

USA supports Azerbaijan's and Armenia's integration into NATO and also efforts of Turkey to provide military training to Azerbaijan and Georgia under Partnership for Peace Program.¹⁹⁷ USA and Turkey converge upon supporting Azerbaijan and Georgia's integration with European and Transatlantic structures. On the other hand, USA's interest of taking Armenia out of Russian/Iranian influence, Turkey and Azerbaijan's firm stance on Armenia on the deadlocked Karabakh and related disputes, in addition to the USA and the EU's relatively ignorant stances (thanks

¹⁹⁴ Chicky, *The Russian-Georgian War*, 10.

¹⁹⁵ Pashayeva, " The Nagorno-Karabakh Conflict in the Aftermath of the Russia-Georgia War," 60.

¹⁹⁶ Pashayeva, " The Nagorno-Karabakh Conflict in the Aftermath of the Russia-Georgia War," 58.

¹⁹⁷ Baran, " The Baku-Tbilisi Ceyhan Pipeline," 112.

to the Armenian Diaspora) for Turkish and Azerbaijani interests cause a friction in USA-Turkey/Azerbaijan relations.

Nevertheless, Yalowitz and Cornell point out that USA's interest and role on conflict resolution in the Caucasus have been periodic and lacked sustainable high-level priority due to global interests and role of the USA in the world. USA's energy and attention was distracted from the Southern Caucasus and turned to other issues, especially Iraq and Afghanistan.¹⁹⁸ This phenomenon can also be observed for the EU as well, concerning her own priorities and relatively weak hard power capabilities compared with the USA.

Finally, it is worth to mention that the USA and the EU are also global rivals in their approaches in the world affairs, thus USA-EU relations are not solely cooperation based with acceptable divergent views. İşeri emphasizes that USA's priority is reconsolidating her political and economic hegemony in the capitalist states. During the Cold War, the Soviet and Communist threat perceptions strengthened the role of the USA. Near the end of the Cold War, USA was already weakened with the budgetary constraints from the Vietnam War and Oil Crises' in the 70s and 80s, and increasingly competitive powers of European and Japanese economies. Even though Ronald Reagan administration realized the need to reform American dominance in the Trans-Atlantic Community, the dissolution of the Soviet Union changed the plans. The dominant role of the USA has been regularly questioned even by her traditional allies as much as her traditional enemies. Furthermore, İşeri points out that the establishment of the European Union as a regional bloc, introduction of the "Euro" as an alternative to the weakening of the "US Dollar" in the global markets (especially in the energy markets, which has maintained economic and political dominance of the USA) and extension through enlargement to the former communist Central and Eastern European Countries, signalled that even though the USA is still the dominant actor in the world politics, she would no longer act unilaterally to pursue her goals, thus coordination with regional powers will be necessary.¹⁹⁹

3.2.2. Russia

Russia is playing the regional leadership role in the Southern Caucasus. Russia is dominant in the region politically, economically, militarily and culturally. The

¹⁹⁸ Kenneth Yalowitz and Svante Cornell, "The Critical but Perilous Caucasus," *Orbis* Winter 2004, 105-116.

¹⁹⁹ İşeri, "Amerika'nın Soğuk Savaş Sonrası Büyük Stratejisi," 54-55,60.

dissolution of the Soviet Union created a massive set of problems for Russia, such as foreign policy reidentification, economic restructuring, political reforms, internal/external security issues (especially the Chechen insurgency) and unresolved status of around 25 Million Russians remained in the ex-Soviet republics.²⁰⁰ Reformist and first popularly elected president Boris Yeltsin, attributed intensified relations with the West and sought integration with Transatlantic structures and Western support, as a view advocated by his foreign minister Andrei Kozyrev and Atlanticists. Nevertheless, unsatisfying outcomes of Western reapproachment dissatisfied circles in nationalists and communists, which criticized unrealistic stance of Atlanticist to sacrifice Russian identity and interests for not straining relations with the West and formed an "Eurasianist" foreign policy orientation. Eurasianists promoted more active and assertive Russian engagement in world politics and aimed at preserving security and influence in her "Near Abroad" (*Blijniy Zarubejny*), the territories of the former Soviet Union. Russia's financial crisis and challenges of the transformation period from centralized economy to free market economy such as high inflation, rising prices and unemployment, also contributed to the strengthening of "Eurasianist" view.

After dealing with the internal problems and turmoil resulted after the dissolution of the Soviet Union, Russia reasserted her influence in her "near-abroad" in 1993. It sought to prevent heavy interaction of foreign powers in her "near-abroad" that would damage her multi-dimensional interests and influence in the region. In essence, Russia aims at reasserting her political, economic, cultural and military influence in the ex-Soviet geopolitical space. Blocking heavy foreign involvement in the region is essential which would threaten or exclude Russian's historically stronghold position in the South Caucasus. Russian influence could be seen in the factors such as Russia's role as a facilitator/catalysis/mediator in the ethnic conflicts, Russia's extensive control over energy supplies and pipelines, commercial and communication routes linking the region to the world and markets.²⁰¹

After the formation of the Commonwealth of Independent States, to further security and defense arrangements Collective Security Treaty was signed on May 15, 1992 in Tashkent, Uzbekistan between Russian Federation, Armenia, Kazakhstan, Uzbekistan, Tajikistan and Krygystan. Azerbaijan, Georgia and Belarus joined the Collective Security Treaty Organization (CSTO) in 1993, due to ongoing political,

²⁰⁰ İdil Tuncer, " The Security Policies of the Russian Federation: The 'Near-Abroad' and Turkey," *Turkish Studies*, vol:1, no:2 (2000): 96-97.

²⁰¹ Uslu, " Turkish Foreign Policy," 165-171.

economic and security concerns as well as necessity to form ties with Russia to tackle the challenges. Azerbaijan and Georgia withdrew from CSTO in 1999, after refusing to extend the period of membership for five more years due to heavy Russian intervention in their affairs and demand for rise in staying period and numbers of Russian troops in their territories.²⁰²

Tuncer cites several comments and reports of Russian policy-makers on overall Russian foreign policy in her "near-abroad". Fedor Shelov-Kovadyayev, the deputy foreign minister in charge of near abroad affairs, formed a strategy paper around 1992 which commenced that Russia's sphere of influence covers all the territories of the former Soviet Union and Russia would be responsible for military security and stability in this regions, therefore Russia must formulate policies within international organizations to be recognized officially for such a role.²⁰³ In February 1993, Yeltsin stated that " the time has come for distinguished international organizations, including the UN, to grant Russia special powers as a guarantor of peace and stability in the former regions of the Soviet Union. In this sense, Russia under Yeltsin's presidency reoriented more of an active foreign and security policy in order to counter popular dissatisfaction. Yeltsin commented that "broader and stronger cooperation between CIS countries" was the first of three top priorities of Russian foreign policy, after relations with the West and China". Ex-prime minister Viktor Chernomyrdin's comments of CIS " as a zone of vital Russian interests... not only economic but also long-term military-political interests" during a policy conference of Russian ambassadors to CIS states on July 29, 1996. The Defense Council has also debated that any opposition by Central Asian and Trans-Caucasian states for efforts of stronger integration with Russia would have harmful consequences on Russia's geopolitical position and interests by emphasizing Turkey's role "as the prolonged arm of NATO into Central Asia and Caucasus."²⁰⁴

Vladimir Putin's rise to power as the president of Russian Federation brought a much more assertive Russian influence in the world affairs. Russia sought to establish world power role, dominance in the ex-Soviet space and began evaluating rich energy

²⁰² Marcin Kaczmarzski, " Russia Creates a New Security System to Replace C.I.S.," *Eurasia Insight* January 10, 2006, accessed June 7, 2009, <http://www.eurasianet.org/departments/insight/articles/pp011106.shtml>.

²⁰³ Tuncer, " The Security Policies," 103-104.

²⁰⁴ " Defence Council and Baturin Start to Work on a New Russian Military Doctrine," *Center for Russian Studies Database*, September 4, 1996, accessed April 7, 2009, <http://www.nupino/cgi-win/Rusland/krono.exe/259>.

"Yuriy Baturin Wants to Rewrite Military Doctrine," *Center for Russian Studies Database*, December 11, 1996, accessed April 9, 2009, <http://www.nupino/cgi-win/Rusland/krono.exe/27>.

resources of Russia to a greater extent. Russian role in European and Turkish energy markets (especially in gas sector), transportation networks -in addition Russia's reliance on energy for imposing political and economical interests- severely restricts other actors and ex-Soviet countries that are struggling to get away from the Russian influence, such as Georgia, Ukraine and Moldova. Russia is committed to limit any kind of Western influence in the region, thus formed a geostrategic alliance with Iran, helped Iran's infamous nuclear program, modernized Bushehr nuclear reactor, provided significant amounts of weaponry and blocked UN Security Council sanctions on Iran with her veto power. Russian foreign minister Sergey Lavrov stated that Russia does not regard Iranian nuclear program as a global threat in March, 2009.²⁰⁵ Even though Russia expressed her commitment, political and logistical support to the USA on "War on Terror", Russia was assertive of expelling USA personnel in Manas military base in Krygystan, the sole USA base in Central Asia that provided logistical support for operations in volatile Afghanistan. Moreover the recent 2008 South Ossetia War which envisaged Russian support for separatists in Georgia is also regarded as a dilemmatic posture, in case of an ethnic insurgence happening on the extensive Russian landmass. They are all in principle contradictory to the long-term Russian interests, where a nuclear, confident and extremely radical Iranian regime or collapse of operations in Afghanistan triggering an Islamic insurgence in Russia.²⁰⁶

On the other hand, Cornell analyzes these moves as the current Russian regime's interests rather than Russia's long term interests. In this regard, Putin administration prioritizes permanent USA and Western influence as a more challenging threat to their influence in the ex-Soviet space, compared to the still highly potential risks of radical Iran or Afghanistan. Even though, Russia does not want an enhanced Islamist wave in her "near-abroad", USA and Western success against Islamic terrorism would open the gates of Central Asia and Southern Caucasus which would decrease Russian influence and regarded as an irreversible situation rather than dealing with Islamist movements. Economically also this move is beneficiary, especially partnership with Iran severely limited USA and Western influence in the region and benefited

²⁰⁵ Svante Cornell, "Why a Russian 'Reset' Won't Work," *Real Clear World*, November 11, 2009, accessed March 6, 2009, http://www.realclearworld.com/printpage/?url=http://www.realclearworld.com/articles/2009/04/why_a_russian_reset_wont_work.html.

²⁰⁶ *ibid.*

significant amounts from arms contracts that strengthened defence industries and high-level members of the Putin administration.²⁰⁷

Action against Georgia is also regarded a double benefit which prevented NATO expansion to the South Caucasus and showed Russian strength in case of separatism within Russia. Cornell openly criticizes Putinist foreign policy as the anti-American rhetoric of the regime undermines any prospect of stability in her near abroad, eliminating benefits and prospects of cooperation on mutually shared objectives with USA and the West in a zero-sum game, which short-term benefits of the ruling elite would also undermine Russian security and interests as well.²⁰⁸ In brief, Russia's main interests, policies and her role as an important political, economic and energy partner, have shaped Turkish, the EU and the USA policies extensively without ignoring Russian influence in the region.²⁰⁹

3.2.3. Iran

Iran is also an important but less influential regional player in the Southern Caucasus. Her international image as an unstable, unreliable and radical totalitarian state limits her geostrategic and geopolitical advantages on energy reserves and transportation networks. Therefore Iran is a heavily (but not completely) excluded country in international energy, transportation and commercial projects. The ongoing sanctions and blockades on Iran which are heavily supported by the USA, also limits Iran's room for action. USA regards Iran as a terrorist state, funding radical Islamist organizations since 1979 Islamic Revolution which ousted pro-Western Shah with extremist and anti-Western Mullah regime. The 444 day-long (1979-1981) USA embassy hostage crisis in Iran and failed USA operation to save hostages, literally cut off any prospects of reconciliation for the time being. The 9/11 attacks, war on terrorism, succession of a hardline Islamist leader Mahmoud Ahmedinejad against a moderate Mohammad Khatami, ongoing chaos in Middle East and Afghanistan and most evidently Iran's nuclear energy programme increased the already fragile Iran and Western relations. These developments divided the Western World on whether initiating dialogue with Tehran officials on shared interests or maintaining a hardline

²⁰⁷ Cornell, "Why a Russian 'Reset' Won't Work,"

²⁰⁸ *ibid.*

²⁰⁹ Uslu, "Turkish Foreign Policy," 171-176.

position against Iran's radical and uncompromising stance, especially ambitions for being a hardline anti-Western nuclear power.²¹⁰

Iran-Libya Sanctions Act (ILSA) of 1996, which was proposed by senator Alphonse D'amato (the act is also known as D'amato Act) ruled that any foreign company that invests more than 20 Million US Dollars in Iranian energy sector risks severe economic retaliation and sanctions by the USA administration. The act was renamed as Iran Sanctions Act, due to the relative improvement between the USA and Libya relations in 2006. During President George W. Bush's tenure, USA Congress also passed the bill of Iran Freedom and Support Act which enabled President of United States to invest money to groups opposing to the Iranian regime.²¹¹ The act was initiated especially for companies doing business with countries that are aiding global terrorism with heavily anti-Western rhetoric. Nevertheless, many circles in the West, NGO's and especially international companies in energy, finance and banking sector promoted for dialogue with Iran, on various reasons. European banks such as ABN Amro, UBS, Credit Suisse and Standard Chartered decided to shring their activities and connections with Iran.²¹² On the other hand, the ex-chairman of the BP, Lord John Browne also stated BP's position on Iran in 2005 that "politically Iran is not a flyer...because 40% of BP is in the U.S. and we are the largest producer of oil and gas in the USA".²¹³ The French officials on the other hand, criticized and ignored the nature of the sanctions by not severing financial ties with Iran in September 2007 by stating that "we generally prefer measures that are decided in the framework of the United Nations. We have never liked unilateral sanctions."²¹⁴ There have also been energy companies demands for a cheaper transportation route for transiting Caspian energy resources via Russian or Iranian connections, rather than political considerations. This part will be examined in detail in the following chapters.

Recently Russia and Iran pressed for their interests in the transportation of energy resources where companies were in favor of shorter routes such as Russia's Baku-Novorissisk pipeline, a straight pipeline across Iran to end near the Persian Gulf

²¹⁰ Roger Howard , " Time to Lift Iran's Sanctions," *Foreign Policy in Focus* (FPIF), January 4, 2007, accessed May 5, 2009, <http://www.fpif.org/fpiftxt/3867>.

²¹¹ "Iran Sanctions," United States Department of the Treasury, accessed March 25, 2009, <http://treas.gov/offices/enforcement/ofac/programs/iran/iran.shtml>.

Kenneth Katzman, " The Iran Sanctions Act (ISA)," Federation of American Scientists, accessed March 25, 2009, <http://www.fas.org/sgp/crs/row/RS20871.pdf>.

²¹² Howard , " Time to Lift Iran's Sanctions,"

²¹³ Terry Macalister, "BP's Chief Remarks Enrage Iran," *The Guardian*, January 25, 2005, accessed February 20, 2009, (<http://www.guardian.co.uk/business/2005/jan/25/oilandpetrol.iran>)

²¹⁴ Howard , " Time to Lift Iran's Sanctions,"

or Baku-Yerevan-Ceyhan pipeline despite the political conflicts and realities in order to lower the cost of exploration and transportation. In this case, Russia and Iran view each other as key actors to limit other foreign actors' role in the Southern Caucasus. Keskin points at three common perspectives that intensified Iranian-Russian relations:

a)Discontent against the unipolarity of the global order, which is directed against the USA influences

b)Influence of a Turkish nationalist mobilization arising from Turkey's activation in the region and potential insurgence of Turkic/other communities in Iran and Russia

c)Extension of NATO to the Southern Caucasus and Central Asia which would strengthen the USA and to a limited extent, the EU role in the region. (Even though, Russia and Iran are potential rivals, they prefer each other rather than a strong American influence in the region)²¹⁵

Iran is limited in influence due to the USA imposed economic sanctions, containment policy and isolation due to highly confrontational USA-Iran relations.²¹⁶ In order to break USA imposed isolation, Iran pursued a pragmatic approach with Russia and Armenia to realize her interests.²¹⁷ In spite of Iranian pragmatic approaches with her neighbours and willingness to participate in regional organizations (even the ones including USA), Iran does not give up her main ideological interests either, because pragmatic approaches work for their ideological interests.²¹⁸ For instance, Iran's policies consist of breaking international isolation, promoting radical Islamism, countering an insurgence of around 15-18 million Azerbaijani Iranians in the Northwest Iran (comprising 24% of total population of Iran) against an ethnic or secularist mobilization.²¹⁹

Therefore, Iran and Armenia enjoy a peculiar place in their mutual relations. Iran and Armenia view each other as gates to the world to break their blockade imposed

²¹⁵ Arif Keskin , " İran'in Kafkasya Politikası," *Uluslararası İlişkiler ve Stratejik Analizler Merkezi*, February 8, 2008, accessed November 9, 2008, <http://www.turksam.org/tr/a1398.html>.

²¹⁶ Mehmet Durmuş, " Şah'tan Hatemi'ye İran Dış Politikası," *Uluslararası İlişkiler ve Stratejik Analizler Merkezi*, December 8, 2005, accessed November 9, 2008, <http://www.turksam.org/tr/a653.html>.

²¹⁷ Cornell, *Small Nations and Great Powers*, 330.

²¹⁸ Arif Keskin , " İran'in Kafkasya Politikası," *Uluslararası İlişkiler ve Stratejik Analizler Merkezi*, February 28, 2008, accessed November 9, 2008, <http://www.turksam.org/tr/a1398.html>.

²¹⁹ " [Iran: People](#) ", *CIA: The World Factbook*: 24% of Iran's total population. <https://www.cia.gov/library/publications/the-world-factbook/geos/ir.html>.

isolation in spite of their different political, cultural and socio-economical characteristics. Iran-Armenia natural gas pipeline was opened in 2007 to diversify Armenian energy demands, likewise Iranian market is important for Armenian exports and imports.²²⁰ Iran also sought to play a mediator role in the Nagorno-Karabakh conflict, erupting on her Northwestern frontiers by sheltering many refugees from conflict zone.²²¹ Furthermore, Iran promoted ceasefire between belligerents in Tehran, on 9 May 1992, nevertheless failed due to the fall of Shusha.²²² Nevertheless, Iran kept a low profile compared to Turkey, Russia and USA on the Nagorno-Karabakh conflict. Even though Iran has backed the OSCE Minsk Group negotiations on Nagorno-Karabakh, it has become the only (which is the only one neighbouring the conflict zone except Azerbaijan and Armenia) country from the region not included in the Minsk Group.²²³

Despite their existing conflicting interests on political grounds, Russia and Iran enjoy a *realpolitik* cooperation in their relations with the West. Their common interest is to block heavy Western involvement in the region, especially USA, Turkey and to a lesser extent, the EU. Preventing strong USA and Turkey influence in the South Caucasus has been one of the main policy guidelines of Iran, and in this case Iran has given importance to her geostrategic relations with Russia. Iran refrained from supporting Chechen insurgency and took a "benevolent neutral stance" in the conflict, due to long-term benefits of good relations with Russia, due to Sunni and nationalistic oriented nature of Chechen insurgency, potential eruption of separatism and anti-regime movements among Iranian minorities, especially Azeri population in Iran.²²⁴ Former Iranian Foreign Affairs Minister Ali Akbar Velayati, also stated that "Russia and Iran can be strategic partners" during his tenure between 1981-1997.²²⁵ While Turkey and Azerbaijan as neighbours of this country with heavily unstable characteristics, they will seek ways of enhanced cooperation with Iran on shared concerns and mutual interests. Especially for Turkey, cooperation with Iran against terrorist PKK and energy deals (in order to diversify her energy supplies currently coming from Russia heavily) and for Azerbaijan, having access to her territorially disconnected exclave, Nakhichevan is important.

²²⁰ "Iran-Armenia Gas Pipeline Inaugurated."

(http://www.tehrantimes.com/index_View.asp?code=183993)

²²¹ Cornell, *Small Nations and Great Powers*, 104-105.

²²² Demir, *Türk Dış Politikası*, 165.

²²³ Herzig, *The New Caucasus*, 109.

²²⁴ Clement Therme, "Tehran and the Chechen Question," *Caucas Euronews*, September 26, 2006, accessed March 26, 2009, http://www.caucas.com/home_eng/breve_contenu.php?id=262.

²²⁵ Uslu, "Turkish Foreign Policy," 166.

3.3. CONCLUSION

In brief, Turkey was disappointed in her political and economic performance in the Southern Caucasus in the first five years after the break-up of the Soviet Union. Turkey had lost some time with the "abi" rhetoric, lack of strategy and faced with serious challenges in the aftermath of the collapse of the Soviet Union. According to Demir, Turkey's export share to the region (Azerbaijan and Georgia in fact) summed up around 2% in overall export rates of Turkey in 1997-1998 with 26974 billion US dollars of exports to abroad. Turkey also imported less than 2% from Azerbaijan and Georgia during this period. Even Turkey's economic relations with other CIS members became much more crucial, especially intensified ties with Russia. Nevertheless, Demir stresses that in line with the circumstances of the period such as economic crisis of 1998, non-functioning relations with Armenia and lack of infrastructure/capability of Azerbaijan and Georgia, Turkey played a very crucial role for Azerbaijan and Georgia for their economic relations with the outside world.²²⁶

Turkey has played a relatively effective role in political terms as well, in spite of various challenges stated previously in this chapter. Turkey has become the geopolitical link between the Trans-Atlantic Community and the Southern Caucasus States of Georgia and Azerbaijan. Joint blockade with Azerbaijan over Armenia, resolution efforts on ethnic conflicts, modernization and aiding of political, economic, military and transportation infrastructure of Azerbaijan and Georgia are evident in this sense. Internal political and economic problems of Turkey, positions of neighbouring actors, conflicting relations with Armenia has limited Turkish influence in the region. On the other hand, Russia possessing the role of the previous regional ruler, the USA with her strong political, military and economic power and Iran as a globally isolated, sanctioned and "rogue" state, their competition are essential in the shaping up of the developments in the region and limit Turkish and other foreign activation in the region as well. Nevertheless, Turkey's unique democratization experience, geostrategic posture, economic growth, strong ties with the Trans-Atlantic states and communities, EU accession process and cordial relations with Azerbaijan and Georgia has relatively offset political and economic challenges. Even though, Turkey has been disappointed due to her relatively low political profile in the region, just as felt so in her economic role, Turkey played an extremely significant role for Azerbaijan and Georgia both for revitalizing their markets, communicating with the Trans-Atlantic actors and decreasing

²²⁶ Demir, *Türk Dış Politikası*, 241.

Russian and Iranian influences. Thus, Turkey is an indispensable geostrategic actor influencing developments and strategies in the region with her own policies and also interdependent cooperation with the USA and the EU. Even actors like Russia and even Iran, with such different orientations, seek to bolster their partnership with Turkey to complement their interests through a pragmatic cooperation with Turkey. Although political and economic relations of Turkey with the regional states are intensifying, the future is still unpredictable with ongoing internal and external problems to maintain a satisfactory performance for Turkish foreign policy.

CHAPTER 4

RELATIONS BETWEEN THE EU- THE SOUTHERN CAUCASUS STATES AND TURKEY'S IMPORTANCE FOR THESE ACTORS

The European Union stressed the importance of a continent-wide integration in the region where once main perception of threat was the Soviet Union and the Communist regimes that collapsed after revolutions in 1989 in Central and Eastern Europe. Dissolution of the Soviet Union inevitably created a security vacuum which would pose potential opportunities and challenges. Effects and consequences of the fall of communism were not easily predicted especially after the reunification of Germany which raised questions about what a politically powerful Germany's impact would be on power vacuum in Central and Eastern Europe. The Gulf War between Iraq and USA-led Coalition Forces between 1990-1991 (after Iraqi invasion of Kuwait) and ethnic warfare in the former Yugoslavia throughout the 1990's, contributed to distract the EU's attention from relatively distant and "insignificant" Caucasus region and its importance. This situation can be regarded as a psychological reflex that Caucasus region's importance and conflicts were frozen during the Soviet rule and other events were regarded priorities for the attention of the EU.

Nevertheless, it is noteworthy to mention that the geographical debate on the concept of "Europe" also propelled this proximity/distance reflex. Marchetti states that a unique European identity is more or less maintained, on the other hand, the geographical boundaries of "Europe" which underlines the EU, is far from clear. The boundaries of the EU are fixed by the Arctic Ocean, the Atlantic Ocean and the Mediterranean from the North, West and South, respectively. However, in the East where continental Europe adjoins to Asia, clear cut demarcation of continental borders are vague. In this regard, discussions on the geographical borders of the East inevitably create prospects for future possible EU enlargement. Prominent EU member states interpret the European culture and geographical boundaries of the EU in line with their interests and vision. For instance, France has pursued to intensify her political weight by proposing "Union of the Meditterreanean" by strengthening the EU's political and

economical relations with the Mediterranean partner states in line with the European Neighbourhood Policy. On the other hand, Poland has sought to balance Mediterranean Dimension through the Eastern Partnership with a stronger EU activation on the Eastern European states. In line with this approach, Polish Foreign Affairs Minister Radoslaw Sikorski states the difference between Union for the Mediterranean and Eastern Partnership as: "to the South, we have neighbours of Europe. To the east, we have European Neighbours... they all have the right to apply (for EU membership)."²²⁷

In case of Turkey and to a lesser extent for the Southern Caucasus States and even Kazakhstan, geographical grounds for the EU enlargement is highly central in the discussions in these countries different from Belarus, Ukraine and Moldova. Nonetheless, we should also take into account internal political and economic stability of the Southern Caucasus countries, priorities and deficiencies in the EU's approachment with the Southern Caucasus States and Turkey. In brief, it can be argued that geographical disputes are utilized as an advantage by both the supporters and opponents of EU enlargement on the Eastern direction. Also varying political agendas of the EU member states and their political groupings, played an important role.²²⁸

4.1. POLITICAL AND ECONOMIC APPROACH OF THE EU TO THE SOUTHERN CAUCASUS STATES

It is significant that the EU had and still has confusion about acting effectively as an unitary actor. Nevertheless the EU has taken steps to reform its structures and define her interests as a uniquely supranational but highly intergovernmental entity. The EU established her Common Foreign and Security Policy after the Maastricht Treaty in 1992, one year after the independence of Southern Caucasus states. The EU first decided to focus on stability and security in Central and Eastern Europe and ensuring peaceful transition of the political, economic and legal structures of the ex-Eastern Bloc countries to democracy, liberal market and rule of law. The geostrategic proximity of the Central and Eastern Europe postponed the importance of the Caucasus in the eyes of the EU until a sufficient scale of transition to democracy, market economy and stability was established in the Central and Eastern Europe. EU was not interested with geographically distant states that do not possess the possibility of

²²⁷ Renata Goldirova, " 'Eastern Partnership' could lead to enlargement, Poland says," *EU Observer*, May, 27, 2008, accessed January 27, 2009, <http://euobserver.com/9/26211/?rk=1>.

²²⁸ Marchetti, "Widening Without Enlarging: The European Neighbourhood and the South Caucasus," 5.

membership in the near future. Nevertheless, the EU's initial ignorance to the Southern Caucasus was not solely linked with the developments in the Eastern Europe. Meanwhile, the Southern Caucasus states were heavily focused on their domestic challenges rather than focusing on implementing political and socio-economic reforms, therefore approached to the EU to promote their interests and aims, likewise towards regional actors such as Turkey, Russia or USA were approached for more realizing their interests in the region.²²⁹

In addition to the relative lack of EU interests, strategy and instruments in the first years of the post-Soviet period, heavy role of regional (especially Russian influence), non-regional powers (especially the USA), multinational companies and international organizations limited the EU role and refrained the EU from formulating strategies, policies and relations with the Southern Caucasus States.²³⁰ France, UK and Germany's initiatives to approach to the region and supporting international mechanisms of UN, OSCE and Council of Europe for peaceful settlement of the conflicts were seen as satisfactory for the EU institutions, initially.²³¹ The UK, France and Germany have been members of the UN Group of Friends of Georgia for the settlement of Abkhazia conflict. Meetings were chaired by the UN Under-Secretary-General for peacekeeping. The Special Representative of the Secretary General of Georgia and Abkhazian representatives also participated in the Geneva meeting on 7-8 April 2005. The main topics discussed were for peaceful resolution of the conflict and maintaining parties in pursuing cooperative approach to issues linked with security, political and economic matters, return of internally displaced persons and refugees.²³² Similarly, France co-chaired the OSCE Minsk group with Russia and the USA in the mediation talks on the maintenance for ceasefire and deployment of OSCE troops to the warzones of the Nagorno-Karabakh conflict. Germany and Turkey are also participants of the Minsk Group.²³³ Nevertheless, none of the processes brought a settlement, because cooperation between the co-chairs are not efficient and contradicting, whereas conflicting parties' hopes are diminishing as time goes by.

²²⁹ Atasoy, "The Role of the South Caucasus in EU-Turkey Relations." 46.
Lynch, "The EU, Towards a Strategy," 177.

²³⁰ Hatipoğlu, " Komşuluk Politikası," 133.

²³¹ Atasoy, "The Role of the South Caucasus in EU-Turkey Relations." 45.

²³² " UN 'Group of Friends' Meets in Geneva to Review Georgia-Abkhazia Peace Process," *United Nations Information Service (UNIS)*, April 11, 2005, accessed June 6, 2009, <http://www.unis.unvienna.org/unis/pressrels/2005/sg2096.html>.

²³³ Cornell, *Small Nations and Great Powers*, 111-114.

There have been considerations for an active EU role to offset the inefficiency of the Minsk Group Process with other demands to alter the framework in Minsk Group Process and mechanism of negotiations. On the other hand, France declined suggestions to transform her co-chairmanship to the EU chairmanship.²³⁴ Nevertheless, until recently, there had been a lack of the EU's regional policy-making towards the South Caucasus with an absence of coordination with the member states, tendency to formulate policies with recent developments rather than long-term planning, bilateral relations of the EU member states and their priorities with the Southern Caucasus states, influence of European energy companies and wide range of external actors playing various roles in the region.²³⁵ In case of influence of prominent member states and presidency of the European Council, a more active policy towards the Caucasus was not lobbied extensively until the presidency of Sweden in 2001, which prioritized policies to be formulated for issues arising from enlargement and crisis management in the Eastern direction.²³⁶ In brief, the EU has taken a lower profile in the conflict resolution negotiations (mostly mitigating the effects of the conflict rather than concentrating on a resolution) and has been seeking to stabilize the region through economic integration and institutional cooperation through European Neighbourhood Policy and Eastern Partnership programmes, as will be discussed in the following sections.²³⁷

On the other hand, we should not relate limits of hard power capabilities of the EU on Caucasus due to the Russian factor solely. There have been serious different interpretations, of Common Foreign and Security Policy mechanisms, different objectives due to varying characteristics of the member states (as observed in the Eastern Partnership proposal) and a sense of consensus has not been realized yet. However, the importance of joint actions, common positions and declarations and establishment of European Security and Defense Policy (ESDP), that brought a sense of solidarity to the EU was a result of over 50 years of diplomatic and economic cooperation, experience, interdependence and maturity. These factors should not be underestimated under such circumstances. The EU has a strong prestige both in the Southern Caucasus and Russia, due to well-established principles and values it stands on their highly integrated (even though not completely) union structure. Russia's perception of the EU as a relatively weak, energy dependent and trustworthy partner

²³⁴ Cornell and Starr, *The Caucasus*, 29.

²³⁵ Hatipoğlu, " Komşuluk Politikası," 132-133.

²³⁶ Atasoy, "The Role of the South Caucasus in EU-Turkey Relations." 46-47.

²³⁷ Pashayeva, " The Nagorno-Karabakh Conflict in the Aftermath of the Russia-Georgia War," 60.

which cooperation with would contribute to problems that Russia has been facing since the collapse of the Soviet Union, rather than unilateral, interest colliding and military weighting USA. Thus we can observe the EU role during the peak of the 2008 South Ossetia War when president of European Council, Nicolas Sarkozy showed efforts to mediate between conflicting parties and brokered ceasefire through the Six-Point peace plan. Avere cites from Russian President Dimitry Medvedev's highlightment of the EU's role in finding a peaceful solution for the crisis in the Caucasus: "I consider this, incidentally, as proof of mature relations between the Russian Federation and the European Union...".²³⁸

Nevertheless, internal dynamics in the Caucasus region also increased the importance of the region the EU and international politics. Energy agreements of Azerbaijan with Western Oil companies in 1994 and establishment of the Baku-Tbilisi-Ceyhan (BTC) Pipeline and several related projects to transport Caucasus and Caspian Basin energy resources to European markets revealed geostrategic importance which posed an alternative to iron-fisted and unstable energy policies of Russia and Islamist Iran/Middle East. It showed the EU's and western consumers' interests in the Caucasus region which would be a precious energy field and also an energy corridor extending to the Central Asia energy fields and diversify crucial energy dependence of European countries on Russia, especially in gas sector.

The outbreak of several ethnic conflicts, increasing waves of organized crime, illegal migration, drug/weapons trafficking and terrorist actions in the Caucasus furthered the instability in the region. Romano Prodi, ex-Commissioner of the EU stated in a joint meeting with Azerbaijani president Ilham Aliyev, that the Nagorno-Karabakh conflict had gone on too long to hamper the stability in the region and added:

We are worried that the 'peace process' has stopped since 10 years. There was an armistice 10 years ago, but no peace. Clearly, EU nations don't want to interfere with the Minsk Group, but we are urging and pushing that the Minsk Group has some result. I expressed my will to be at the disposal of the two nations in order to help the Minsk Group 'under the aegis of the OSCE' to find a solution.²³⁹

²³⁸ "Russian President Dmitri Medvedev's Speech at Conference on World Politics," *Kremlin Archives*, October 8, 2008, accessed March 25, 2009, www.kremlin.ru/text/appears/2008/10/207422.shtml. cited from Derek Avere, "Competing Rationalities: Russia, the EU and the 'Shared Neighbourhood'," *Europe-Asia Studies*, vol:61, no:10 (2009): 1710.

²³⁹ Ahto Lobjakas, "Azerbaijan: EU Keen to Get Involved In Nagorno-Karabakh Peace Process," *Radio Free Europe/Radio Liberty*, May 18, 2004, accessed April 11, 2009, <http://www.rferl.org/content/article/1052838.html>.

Another dynamic that has intensified the role of Southern Caucasus region in the EU policy formation, was the 9/11 attacks which reaffirmed the importance of maintaining peace, stability and order in the region and their neighbours. Stability in the Southern Caucasus which is situated at the center of the EU, Russia, Turkey, Middle East, Central Asia and Afghanistan posed a matter of great importance. The Rose Revolution in 2003, that ended Shevardnadze period and replaced it with a young, pro-western leadership of Mikhail Saakashvili in Georgia offered closer relations than ever with the Southern Caucasus states and led to serious considerations/expressions of the Southern Caucasus states for integration with the EU in the long term. Michael Kohler, the ex-representative of the EU Commission's External Directorate-General stated that: "The EU, should not let any Caucasian state, like Georgia, become a failed state because of increasing terrorism concerns in contemporary world and particularly in the region."²⁴⁰

4.1.1. EU's Political, Technical and Economical Assistance to the Southern Caucasus States

Accession of Baltic States (Latvia, Lithuania and Estonia) to the EU in 2004, which were the first group of ex-Soviet Republics integrated with the EU also brought the inclusion of Southern Caucasus states to the ENP programme due to the fact that the Baltic and Southern Caucasus countries enjoy strong military, political, socio-economic and cultural relations.²⁴¹ Romania and Bulgaria's accession also required the EU to formulate policies for the other side of the Black Sea that they became immediate neighbours with.

As stated above due to the realities of potential problems with the break-up of the Soviet Union, reunification of Germany and power vacuum in the Central and Eastern Europe, the EU disregarded Caucasus extensively until 1994 energy agreements. However, the EU was not totally ignorant of the events in the Caucasus, after the discussion in the Rome Summit of December 1990 the EU initiated the Technical Assistance for the Commonwealth of the Independent States (TACIS) programme to support the socio-economic/political reform processes and policies of the Newly Independent ex-Soviet States towards development of democratization, state-

²⁴⁰ Mariam Dekanozishvili, "The EU in the South Caucasus: By What Means, to What Ends," *Georgian Foundations for Strategic and International Studies (GFSIS)*, January 2004, accessed March 6, 2008, http://www.gfsis.net/pub/files/publications_politics/dekanozishvili_The_EU.pdf.

²⁴¹ Atasoy, "The Role of the South Caucasus in EU-Turkey Relations." 73.

building structures and integration in the world market economy.²⁴² Technical Assistance to the Commonwealth of the Independent States (TACIS) (which includes Russia and ex-Soviet Republics including the Southern Caucasus states) project initiated in 1992, which aimed at helping the ex-Soviet Republics' transition to market economy and democracy, (on every scale) intensification of association and bilateral agreement between the EU and the ex-Soviet states, integration of Commonwealth of the Independent States (CIS) countries to the world economy (by the 2007-2013 financial perspective, TACIS has been replaced by European Neighbourhood Policy (ENP), programs decided in 2006 will be completed until the end of the decade).²⁴³ It is notable to emphasize that South Caucasus was not regarded by the EU as a region itself in the initial years of their independence. Southern Caucasus states were categorized as a part of the former Soviet Union, therefore policies and strategies towards the region were formulated under the context of the Newly Independent States. The aim of the EU to initiate TACIS, can be considered as the EU's policy to contribute to the developments of the former communist countries in the Central and Eastern Europe as a whole, rather than solely for the Southern Caucasus states.²⁴⁴

Initially, economy-oriented due to several reasons, the EU gradually transformed her policies to a more active form with the changes in the geopolitical atmosphere. In 1999, German ex-Foreign Minister Joschka Fischer and also the ex-President of the Council of the European Union, expressed at the opening session of Luxembourg summit that the EU's expansion to the East increases the importance of the South Caucasus for the EU's security and stability, therefore the EU would play an important role in the successful political and economical transition of Armenia, Azerbaijan and Georgia to democracy and free market economy.²⁴⁵

With the summits in Luxembourg on June 28- 29 1991, December 9-10 1991 in Maastricht, and June 25-27 1992 in Lisbon, the EU reaffirmed its commitment to strengthening its relations with the former Soviet Republics, supporting their efforts for opening to the market economy and democratization. TRACECA (Transport Corridor

²⁴² Demirağ, "EU Policy," 92.

²⁴³ Elnur Cemilli, *ABD'nin Güney Kafkasya Politikası* (İstanbul: IQ Kültür Sanat Yayıncılık, 2007), 101.

²⁴⁴ Atasoy, "The Role of the South Caucasus in EU-Turkey Relations." 47.

²⁴⁵ Harry Tamrazian, "Caucasus: EU Seeks to Bolster Transition in Armenia, Azerbaijan and Georgia," *Radio Free Europe/Radio Liberty*, June 9, 1999, accessed January 15, 2008, <http://www.rferl.org/content/article/1091604.html>.

"Joint Declaration of the European Union and the Republics of Armenia, Azerbaijan and Georgia," *EUROPA Press Releases*, June 22, 1999, accessed May 2, 2008, <http://europa.eu/rapid/pressReleasesAction.do?reference=PRES/99/202&format=HTML&aged=0&language=EN&guiLanguage=en>.

Europe-Caucasus-Asia) and INOGATE (Interstate Oil and Gas Transport to Europe) projects were initiated for improving relations and promoting joint activities for mutual interests.²⁴⁶ INOGATE project initiated in 1995, was aimed at restructuring, modification and modernization of regional oil and gas transportation through technical assistance, searching for alternative routes for carbohydrate transportation from the Caspian Basin and Central Asia to European Markets and establishing a sustainable environment for promoting investment in the field of energy.²⁴⁷ TRACECA project which was initiated in Belgium in 1993, proposes construction of a transcontinental network starting from Central Asia through Caucasus and ending by the Black Sea, also the rehabilitation of existing networks. The EU gives importance to this project because of contributing to the Southern Caucasus States' integration with the world economy and the construction of East-West transportation corridor would be an alternative to Russian-dominated transit routes and be the shortest, cheapest and fastest route for trade and transportation. The technical and financial support would be provided by the International Monetary Fund (IMF), European Bank of Reconstruction and Development (EBRD) and the World Bank (WB). The TRACECA project is also regarded as the rebirth of the ancient Silk Road.²⁴⁸

The EU's financial assistance to the Southern Caucasus states between 1992 and 2000, reached over a billion Euros. Main instruments have been the TACIS programme, European Community Humanitarian Aid Office (ECHO) Humanitarian Assistance, Food Aid Operation, Food Security Programme, Exceptional Humanitarian Assistance, Conflict Zone Rehabilitation Programmes and Common Foreign Security Policy (CFSP). Despite the extent of the EU assistance, efficient implementation of the programs, had been and still has been severed by the weakness of the political institutions, scarcity of trained state officials, the lack of proper budgeting, corruption and complications arising from the frozen conflicts.²⁴⁹

The EU had provided 335,69 million Euros to Azerbaijan, during the 1992-2000 period. Aids provided by TACIS contributed 72,50 million Euro, whereas Exceptional TACIS Assistance Programme brought 30 million Euro to support implementation of market economy and democracy. 82,67 million Euro were given as humanitarian aid by ECHO Food Security Programme in Azerbaijan initiated in 1996

²⁴⁶ Cemilli, *ABD'nin Güney Kafkasya Politikası*, 102.

Demirağ, "EU Policy," 92.

²⁴⁷ *ibid.*

²⁴⁸ *ibid.*

²⁴⁹ Demirağ, "EU Policy," 92.

which contributed to the national budget of Azerbaijan, between 1997 and 2000 totaled up to 57 million Euros. 65,55 million Euro was also allocated through FEOGA Food Aid Operation. Rehabilitation of Conflict Zone's programme provided 18,374 million Euros, whereas ECHO Exceptional Humanitarian Aid programme provided 9,5 million Euros.²⁵⁰

Allocation of EU assistance to Georgia, reached to 317,78 million Euro's during the 1992-2000 Period. 70 million Euro's were given through the TACIS programme. ECHO Humanitarian Aid contributed 80,23 million Euro's and an additional 6 million Euros for Exceptional Humanitarian Aid. An extra aid of 4 Million Euro was given to offset economical problems arising from the 1998 Russian economic crises. 62,55 million Euros were provided by FEOGA Food Aid Operation. In the 1996-2000 period, 46 million Euros were allocated for Food Security Programs (FSP) to support reforms in agricultural sector, social security and public finance. In 1998, 19 million Euro's were provided through Exceptional Financial Assistance to support Georgia's debt reduction strategy, payments and budget. In 1997, the EU implemented rehabilitation and reconstruction programme to the conflict zones (Abkhazia and South Ossetia) which amounted 10 million Euro and 2,5 Million Euro, respectively. CFSP Assistance to the Georgian Border Guards summed up to 17,5 million Euros as well.²⁵¹

Between 1992-2000, the EU contributed 280,33 million Euro to the national budget of Armenia. TACIS programme provided 68,9 million Euro and an additional 22 million Euros for Nuclear Safety Programmes under TACIS, aimed at taking necessary measures arising from potential consequences of Nuclear plants in Armenia, constructed during the Soviet times. Metsamor Nuclear Plant, near the Turkish border, is the most important one, which provides 40% of electricity demand of the country with thermal and hyrdo plants comprising 60% of the other electricity generation.²⁵² Enviromental groups are concerned of it's poor structure compared with today's standards and flaws in effectively controlling possible accidents. 1,5 million Euros were granted to offset economical problems after 1998 Russian economic crises. ECHO Humanitarian Aid allocated 67,75 million Euro FEOGA Food Aid Programme contributed 50,18 million and Food Security Programmes 51 million Euro to the Armenian National Budget. Exceptional financial assistance and exceptional

²⁵⁰ Demirağ, "EU Policy," 95. also available at "EU-Azerbaijan Relations," *European Union Official Website*, accessed May 20, 2008, http://ec.europa.eu/external_relations/azerbaijan/index_en.htm.

²⁵¹ Demirağ, "EU Policy," 93. also available at "EU-Georgia Relations," *European Union Official Website*, accessed May 20, 2008, http://ec.europa.eu/external_relations/georgia/index_en.htm.

²⁵² "Armenia Profile."

humanitarian assistance allocated 12 and 8 million Euro respectively. In 2000, the EU approved for a proposal of a new FSP programme amounting 20 million Euro to support on the condition that progress had been maintained on land reform, market reform, information systems, food security, poverty reduction, social sector, agricultural reform and public finance.²⁵³

All Southern Caucasus countries signed Peace and Cooperation Agreements with the EU in April 1996, which began to be implemented in July 1999. This agreements provided bilateral relations of Azerbaijan, Georgia and Armenia with the EU in the framework within the areas of political dialogue, trade, investment, political, economic, legislative and cultural cooperation which emphasized values: respect for democracy, rule of law, human rights, good governance and the principles of the market economy. The Partnership and Cooperation Agreements offered a ground for regulating economic, social, financial, industrial and cultural cooperation and promoting activities of joint interest in the relations between the EU and the Southern Caucasus states.²⁵⁴ The EU's priorities in the region, were the full implementation of the Partnership and Cooperation Agreements, promotion of trade, investment and conflict resolution, EU assistance for development, continued aid for market economy and establishing a business environment that is attractive for investment. In the general political and social spheres, strengthening democracy and respect for human rights are also the matters the EU gives special importance. The EU and Southern Caucasus states relations and implementation of agreements were observed by bilateral joint institutional mechanisms of Cooperation Council, Cooperation Committee, Subcommittee on Trade, Economic and Related Legal Affairs and Parliamentary Cooperation Committee. In a joint declaration of the EU and Azerbaijan, Georgia and Armenia, it is stated that the conflicts in the Southern Caucasus are hampering the political, socio-economic development and stability in the region. Thus the EU is standing ready to use her instruments to contribute to the resolution of the peace process.²⁵⁵

On March 2003, European Commission released its Communication "Wider Europe-Neighbourhood: A New Framework for Relations with our Eastern and

²⁵³ Demirağ, "EU Policy," 94. also available at "EU-Armenia Relations," *European Union Official Website*, accessed May 20, 2008, http://ec.europa.eu/external_relations/armenia/index_en.htm.

²⁵⁴ Tamrazian, "Caucasus: EU Seeks to Bolster Transition in Armenia, Azerbaijan and Georgia."

²⁵⁵ "Joint Declaration of the European Union and the Republics of Armenia, Azerbaijan and Georgia," *EUROPA Press Releases*, June 22, 1999, accessed May 2, 2008, <http://europa.eu/rapid/pressReleasesAction.do?reference=PRES/99/202&format=HTML&aged=0&language=EN&guiLanguage=en>.

Southern Neighbors” but excluded the Southern Caucasus states on geographical considerations from the European Neighbourhood Policy (ENP).²⁵⁶ Initially, ENP was established to regulate the EU’s relations and developments in the Southern Mediterranean and European neighbours Ukraine, Belarus and Moldova. However, relations with Russia was decided to be regulated bilaterally rather than including it in the ENP due to her political and economic significance.²⁵⁷ In this sense, Union for the Mediterranean, Northern Dimension and Eastern Partnership Proposals were put forward to strengthen dialogue and cooperation between the EU and her Southern, Northern and Eastern neighbours.²⁵⁸

Ironically, Javier Solana, High Representative of the Common Foreign and Security Policy, supported that Southern Caucasus states must be included within the EU’s Neighbourhood draft strategy titled as “A Secure Europe in a Better World”.²⁵⁹ Solana’s paper emphasized Southern Caucasus’ importance for the EU and its interests in the region that required a comprehensive strategy through an active EU engagement in the region’s challenges. This contributed to Southern Caucasus states' inclusion in the ENP one year later, in 2004. In July 2003, the Council considered methods to engage in Southern Caucasus; as a move for more active political role in the region in order to contribute to the resolution of frozen conflicts in the region and prevent the rising of tensions. In conclusion, the EU realized the need to offset exclusion of Southern Caucasus in the Wider Europe Communication by establishing and appointing an experienced diplomat as the EU Special Representative to the Caucasus, Finnish diplomat Heiki Talvitie.²⁶⁰ In addition to its economic leverages, the EU is also aware of necessity of the political initiative to prevent instabilities in the region.

In the light of the EU’s objectives of developing a politically and economically stable Southern Caucasus, the creation of the office of the EU Special Representative for the Southern Caucasus became a way to facilitate the dialogue between the EU and

²⁵⁶ “Wider Europe-Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbors,” Commission Communication COM (2003), 104, Brussels, March, 11, 2003, accessed June 27, 2008, [Europa.eu.int/comm/external_relations/we/doc/com03_104-en.pdf](http://europa.eu.int/comm/external_relations/we/doc/com03_104-en.pdf)

²⁵⁷ Marchetti, "Widening Without Enlarging: The European Neighbourhood and the South Caucasus," 3.

²⁵⁸ Stefan Ganzle, "EU Governance and the European Neighbourhood Policy: A Framework for Analysis," *Europe-Asia Studies*, vol:28, no:2 (2009): 1722.

²⁵⁹ “A Secure Europe in a Better World,” Paper presented by Javier Solana, High Representative for the Common Foreign and Security Policy, European Council, Thessalonika, June 20, 2003, accessed June 27, 2008, <http://ue.eu.int/pressdate/EN/reports/76255.pdf>.

²⁶⁰ Bruno Coppitiers, "An EU Special Representative to a New Periphery," in *The South Caucasus: A Challenge for the EU*, ed. Dov Lynch (Paris: Institute for Security Studies, 2003), 170.

Ahto Lobjakas, “Caucasus: New EU Envoy Predicts Only Tentative Engagement,” *Radio Free Europe/Radio Liberty*, September 17, 2003, accessed October 22, 2008, <http://www.rferl.org/nca/features/2003/09/17092003181303.asp>.

the Southern Caucasus States. The mandate of the EU Special Representative (currently held by Swedish diplomat Peter Semneby for the 2006-2010 period) for the Southern Caucasus is to assist the EU in developing a comprehensive policy towards the region.²⁶¹ In order to do that, main tasks of the EU Special Representative are:

a) to support Southern Caucasus States in implementing their political and economic reforms with the main focus in the areas of the rule of law, democratization, human rights and good governance

b) to assist in the resolution of conflicts in line with the already existing mechanisms and through good cooperation with key national actors neighbouring the region

c) to contribute peace and resolution efforts by promoting the return of refugees and internally displaced persons (IDPs)

d) to act in accordance to promote and support intra-regional co-operation between the states of the region on areas such as economy, energy and transport

e) to make already existing mechanisms of the EU become more effective and apparent in the South Caucasus.²⁶²

Conflict-related EU assistance aims at supporting local populations suffering from clashes. Programmes include infrastructure and property rehabilitation, promoting local economic activities, improving living conditions, facilitating the return of IDPs and easing tensions between communities.

European Neighbourhood Policy was formed in 2003 with the growing interest in maintaining a stable, democratic and secure neighbourhood near the periphery of the EU, due to the fact that with the new member states and new geostrategic positions, the EU needed to shape her interests and formulate strategies concerning neighbour states. Sasse emphasizes four critical developments that paved the way for evolution of the European Neighbourhood Policy:

²⁶¹ "EU Special Representatives Section," *Official Website of Council of the European Union*, accessed January 25, 2010, <http://www.consilium.europa.eu/showPage.aspx?id=263&lang=EN>.

²⁶² Demirağ, "EU Policy," 98.

a) A speech made by former Commission President, Romano Prodi, in 2002 which was based on the EU's necessity for a 'ring of friends' and 'offering more than partnership and less than membership, without precluding the latter'

b) Foundation of an ENP Task Force in 2003 with the initiative of Günter Verheugen, former Commissioner for Enlargement

c) The publication of the Commission's ENP Strategy Paper of May 2004

d) The publication of the Commission's Country Reports and the bilateral Action Plans²⁶³

Furthermore, European Security Strategy (ESS) emphasized importance of building a zone of security, stability and prosperity in its neighbourhood, in other words a neighbourhood occupied by stable, secure, well-governed, prosperous states that have friendly and cooperative relations on mutual basis of principles, values and interests. In this sense, European Security Strategy highlights Southern Caucasus as a region that the EU should play a politically active role according to the principles and values can be categorized by good governance, democratic regimes, respect for human rights, maintaining rule of law, market economy and neighbourhood countries' commitment to them.²⁶⁴ Whereas European Security Strategy (ESS) points out the EU's interests, concerns and challenges stemming from her neighbourhood, ENP highlights the common interests with partnerS.²⁶⁵ Logic of the ENP is to provide benefits of stability, security and well-being of being a member state to the immediate neighbours of the EU with deeper political coordination, prevent emergence of dividing lines between the EU and her neighbours out of the short-term enlargement process.²⁶⁶

In addition, a greater extent of economic integration, without guaranteeing membership aspect is also aimed for the short run. Thus the EU seeks to balance problems arising from enlargement, meanwhile encourage reform process, maintain close relationships and create a zone of stability and security in her neighbourhood against any emerging threats. The EU was facing significant changes and further integration problems with the accession of ten new member states in 2004. These

²⁶³ Gwendolyn Sasse, "The European Neighbourhood Policy: Conditionality Revisited for the EU's Eastern Neighbours," *Europe-Asia Studies*, vol: 60, no: 2 (2008): 298.

²⁶⁴ Averre, "Competing Rationalities," 1690.

²⁶⁵ Marchetti, "Widening Without Enlarging: The European Neighbourhood and the South Caucasus," 5.

²⁶⁶ Hatipoğlu, "Komşuluk Politikası," 128.
Averre, "Competing Rationalities," 1690.

required reform in political thinking and political mechanism, due to the new conditions coming after absorbing new member states with new interests and strategies. By June 2003, the work of the Convention on the Future of Europe was completed and its president Valéry Giscard d'Estaing (former President of France between 1974-1981) presented a draft constitution of a new Union to European Council on facing challenges of further integration and the EU's requirements related to this.²⁶⁷ The Framework principles of the ENP are established in the European Neighbourhood Policy Strategy Paper (ENSP), released by the Commission just a few days with the inclusion of new member states (Lithuania, Estonia, Latvia, Poland, Czech Republic, Slovakia, Slovenia, Hungary, Malta and Cyprus) in May 2004.²⁶⁸

In 2004, the Southern Caucasus states were included in the European Neighbourhood Policy with the decision of the Council of Ministers as recommended from the Commission. European Neighbourhood Action Plans for all three countries were adopted on November 14, 2006, bilaterally between the European Commission and Azerbaijan, Georgia and Armenia. ENP Action Plans are prepared in the light of priority areas of each countries' required reform necessities. In contrast to Peace and Cooperation Agreements, more importance was given to democracy, good governance, respect for human rights, jurisdiction reform, rule of law, sustainability of democratization and fighting corruption in ENP Action Plans. The EU's policies, under the ENP, were providing technical and financial assistance for South Caucasus States efforts and policies aimed at democratization, fully functioning market economy and integration to world economy processes. Marchetti stresses the increasing attention that the EU has given to ENP by noting that the official title of the Commissioner for External Relations, Benita Ferrero-Waldner, had been changed to "Commissioner for External Relations and European Neighbourhood Policy". There was also great difference in the budgets for TACIS and related MEDA programs which had allocated a volume of 8,5 billion Euro's in the period 2000-2006, ENPI almost doubled it with a 15 billion budget foreseen for 2007-2013.²⁶⁹

Inclusion of three Southern Caucasus countries to the ENP, is related with the increased interests of the EU in this region. ENP and various similar projects has reflected the EU's objective of providing assistance to these states to construct stable

²⁶⁷ " Draft Treaty Establishing a Constitution for Europe," *The European Convention Website*, accessed March 28, 2009, <http://european-convention.eu.int/docs/Treaty/cv00850.en03.pdf>.

²⁶⁸ Marchetti, "Widening Without Enlarging: The European Neighbourhood and the South Caucasus," 3.

²⁶⁹ Marchetti, "Widening Without Enlarging: The European Neighbourhood and the South Caucasus," 5.

communities based on democratic principles. Country Reports on these countries present an overview of the dimension of the political, economic, sectoral, administrative and related aspects of the relations. Thus this interaction provides an overview of the key elements in the relations and makes recommendations on Action Plans with countries of the Southern Caucasus. ENP Plans aim to fulfill provisions of the Partnership and Cooperation Agreements, contribute to closer relationship with Southern Caucasus states and other European or non-European neighbour countries the EU with no prospect of membership in the near future. Main objectives are establishing a significant degree of economic integration, deepening the political co-operation on areas such as democratization, human rights, socio-economic reform, poverty, energy, conflict resolution and sectoral issues. In other words reforming political, economical, legal and social bodies, developing private and energy sector to make these countries' values, principles, identities and interests in conjunction with the commonly shared set of the EU principles (*acquis communautaire*): to deepen cooperation, in order to create a possible atmosphere for integration of Caucasus states to the EU mechanism in future.

In the context of the ENP Action Plan, the EU and Azerbaijan signed a Memorandum of Understanding aimed at establishing partnership in the field of energy, on 7 November 2006. The Memorandum reflects a significant step to strengthen the EU's energy relations with Azerbaijan to modernise, increase efficiency and reforms in Azerbaijani energy sector.²⁷⁰

On the basis of bilateral priorities, National Indicative Program (NIP) was accepted by Southern Caucasus states, bilaterally. All countries will benefit from European Neighbourhood Policy Initiative through regional and interregional programmes, plus a number of thematic programmes such as the European Instrument for Democracy and Human Rights. Between 2007-2010, 92 million Euro will be allocated to Azerbaijan²⁷¹, 120 million Euro's allocated to Georgia²⁷², 98,4 million Euro's will be allocated to Armenia.²⁷³

In addition to initiatives such as Northern Dimension and Union for the Mediterranean dimensions of the EU's European Neighbourhood Policy, the EU seeks

²⁷⁰ "EU-Azerbaijan Relations," *European Union Official Website*, accessed May 20, 2008, http://ec.europa.eu/external_relations/azerbaijan/index_en.htm.

²⁷¹ "EU-Azerbaijan Relations,"

²⁷² "EU-Georgia Relations," *European Union Official Website*, accessed May 20, 2008, http://ec.europa.eu/external_relations/georgia/index_en.htm.

²⁷³ "EU-Armenia Relations," *European Union Official Website*, accessed May 20, 2008, http://ec.europa.eu/external_relations/armenia/index_en.htm.

to provide a regional institutionalized forum for her political and economic relations with the regional countries in line with the European Neighbourhood Policy. Eastern Partnership project is also initiated with this intention for the EU's eastern neighbours Belarus, Ukraine, Moldova, Azerbaijan, Georgia and Armenia.²⁷⁴ Poland has been exclusively interested with promoting the EU's approachment with her Eastern Neighbourhood, even since 1998 when Poland expressed her interests to support an Eastern Policy of the EU during the negotiations of full integration with EU.²⁷⁵ In June 2001, Poland (as a candidate member) proposed to the then Swedish EU Council Presidency of a post-enlargement "Eastern Policy" of the EU, which is regarded to be the ideological basis for the ENP.²⁷⁶ Ganzle also cites from former Polish Foreign Affairs Minister Włodzimierz Cimoszewicz in 2002:

Poland, because of its location, is particularly interested as a candidate state in contributing to the shaping of that policy. We shall promote the creation of an Eastern Dimension of the European Union, modeled on the existing Northern Dimension. In this context, it should be pointed out that Poland is developing good neighbourly relations with all its eastern neighbours.²⁷⁷

After her full membership in 2004 Poland proposed the project with the support of Sweden during a meeting of General Affairs and External Relations Council on 26 May 2008. It was launched on 7 May 2009 and first summit of foreign ministers for Eastern Partnership was gathered on 8 December 2009. Polish Foreign Affairs Minister, Radosław Sikorski states that, main objectives of Eastern Partnership are to ideologically and practically strengthening already existent EU Neighbourhood Policy towards countries that could become EU members, but are waited because of the "enlargement fatigue" of the European Union.²⁷⁸ Main instruments would be developing free-trade and visa agreements, legal standardization to the EU norms and further joint institution building. Poland, Sweden, Czech Republic and Baltic states stress the importance of further development of the EU's relations with her Eastern neighbours, whereas Western European states like France and Germany view Eastern Partnership as a means to consolidate relationship but deter from future prospect of membership to those states, whereas Bulgaria and Romania are cautious to hamper Black Sea Economic Cooperation Organization and Black Sea Economic Forum for Partnership

²⁷⁴ " Eastern Partnership," *European Union Official Website*, accessed May 20, 2008, http://ec.europa.eu/external_relations/eastern/index_en.htm.

²⁷⁵ Ganzle, " EU Governance," 1720.

²⁷⁶ *ibid.*

²⁷⁷ *ibid.*

²⁷⁸ Goldirova, " 'Eastern Partnership.' "

and Dialogue.²⁷⁹ As in the other cooperation and partnership agreements made between the EU and partner states, Eastern Partnership promotes "shared values including democracy, rule of law and respect for human rights, as well as the principles of market economy, sustainable development and good governance" as the draft EU summit declaration states.²⁸⁰ The declaration text also acknowledges the "strategic importance" of the region and the EU has an objective of developing a close relationship with its Eastern partners, Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine.²⁸¹ Even though the text does not mention the funding of the Eastern Partnership, Polish Foreign Affairs Minister Sikorski states that the EU ministers have agreed to invest 600 Million Euro for the project.²⁸² The ENPI funding for Eastern Partnership countries is expected to rise up from 450 Million Euro's in 2008 to 785 million Euro's in 2013.²⁸³ Nevertheless, Haukkala states that the EU's "soft power"(normative power) capabilities arise from the enlargement process of the EU neighbourhood partner states.²⁸⁴ The EU's financial support and promotion of her values are justified in the eyes of the partner states in return for clearly stated political and economic benefits associated with full membership. As ENP is regarded as an alternative for enlargement to avert hardships of a new enlargement wave; not guaranteeing of a full membership prospect undermines the reformist tendencies in the partner states, which would further exclusion sentiments.²⁸⁵

Even though, it is an open-secret that this and related initiatives are made in line to decrease the Russian influence, the declaration text does not mention Russia at all with the exception that " Eastern Partnership should be 'pursued in parallel' with EU-Russia relations, or even "complementary" to the EU-Russia relationship.²⁸⁶ Nevertheless, Hatipoğlu states that Southern Caucasus geostrategic importance which is exclusively highlighted by EU and Russian in their various security strategy documents and their terminologies of "Shared Neighbourhood" and "*Blijniy Zarubejniy*", would likely to cause an evident friction between the conflicting interests

²⁷⁹ *ibid.*

²⁸⁰ Andrew Rettman, " Values to Form Core of EU 'Eastern Partnership,'" *EU Observer*, March 18, 2009, accessed November 16, 2009, <http://euobserver.com/9/27799>.

²⁸¹ *ibid.*

²⁸² *ibid.*

²⁸³ Ganzle, " EU Governance," 1722.

²⁸⁴ Hiski Haukkala, " European Union as a Regional Normative Hegemon: The Case of European Neighbourhood Policy," *Europe-Asia Studies*, vol:60, no:9 (2008): 1602.

²⁸⁵ Haukkala, " European Union," 1603.

²⁸⁶ Ganzle, " EU Governance," 1730.

of the EU and Russia.²⁸⁷ Furthermore, Hatipoğlu criticizes the flaws of the European Neighbourhood Policy and overall strategy towards the Southern Caucasus:

a) Policymaking on the basis of good-will rhetoric lacking action, and tendency to cover up rather than resolution of problems, would not likely to give any evident outcomes in the short-run

b) The EU's identification of itself with "Europe" and regarding the regional countries as "neighbours", would not motivate the Southern Caucasus countries for their political and socio-economical reform processes in addition with the EU's persistence of a relationship of "integration without full membership"

c) European Neighbourhood Policy makes a fault by emphasizing her starting point as "what itself is not" rather than "what itself is" and "what itself be distant from" rather than "what itself is aimed for"²⁸⁸

4.2. ENERGY DIMENSION IN THE EU-SOUTHERN CAUCASUS STATES RELATIONSHIP AND TURKEY'S ROLE

As an entity of 27 member states (with the latest integration of Bulgaria and Romania in 2007) and a sum of around 450 million population and producing a quarter of world's GDP, the EU dependence on natural gas and to a lesser extent on oil (especially on supplies coming from Russia) will be significant.²⁸⁹ As Winrow states, the EU was dependent on Russian natural gas with 26% and predicts to rise up to 33% in the foreseeable future with long term gas contracts.²⁹⁰ Nevertheless, energy issue a heated concept in the circles of the EU. As Tekin and Williams state, the EU is not self-sufficient in energy consumption, due to already scarce and declining oil reserves in the North Sea (between 1997 and 2007, EU-area self-sufficiency in oil consumption fell from 24% to 16% and in gas consumption from 56% to 40%), negative environmental effects and expensive extraction/nature friendly processing of quantitatively rich coal reserves (solid fuel reserves estimated to be around four fifths of Europe's fossil fuel reserves), increasing demand for energy with the integration of new member states (currently EU with 27 member states, energy imports are expected to rise up to 80-90%

²⁸⁷ Hatipoğlu, " Komşuluk Politikası," 132.

²⁸⁸ Hatipoğlu, " Komşuluk Politikası," 136.

²⁸⁹ "Country Strategy Paper for Georgia 2007-2013, European Neighbourhood and Partnership Instrument", *European Union Official Web Site*, accessed May 20, 2008, http://ec.europa.eu/world/enp/pdf/country/enpi_csp_georgia_en.pdf.

²⁹⁰ Winrow, " The Possible Consequences," 2.

in the next two decades) and opposition to the expansion of nuclear power due to waste disposal and safety concerns, which already holds one third of the Union's electricity and 15% of its whole energy consumption.²⁹¹

Therefore, various strategies are formulated to have access to and transport energy supplies from reliable partners to satisfy the energy demands of the EU. In this sense, the EU needs to secure her energy needs in order to act as an effective global player to pursue her interests and objectives. Tekin and Williams state that the EU's strategy of "energy security" aims certainly for demand management, efficiency in energy usage and environmental goals, nevertheless "safe access" and "diversification" of alternative energy reserves and transportation routes are principle elements in this sense.²⁹²

Energy, in particular natural gas which is highly demanded for its cheaper price and relatively environment-friendly nature attracts significant attention from the EU and plays a key role in EU-Russia relations.²⁹³ Russia's role, in supplying the EU's energy demands, does not seem likely to fade away in the near future. As Winrow states, Green Paper on energy released by the European Commission in March 2006 stressed the importance of energy security of the EU through supply and pipeline route diversification, where overdependence of a single country (in this case Russia or unstable Middle East energy reserves) poses various threats.²⁹⁴ Turkey, on the other hand, was highlighted on Green Paper due to her geostrategic importance for the delivery of crude oil and natural gas to Europe from Russia, the Caspian region, the Middle East and North Africa.²⁹⁵ Due to the nature of gas transportation which is highly based on regional networks such as pipelines and corridors which are crucial for transportation of natural gas Turkey's role in gas transportation is categorized as 'vital' compared Turkey's 'useful' and 'important' role in oil transportation from fields to markets which is more flexible through pipeline, tanker, railway options which due to her global nature of transportation network structure and vast transportation alternatives from several energy suppliers overseas.²⁹⁶ Transportation of natural gas through a liquified form (natural gas in liquid form for easier transporation and storage) is also an option for gas transportation, on the other hand due to the lack of investment to

²⁹¹ Tekin and Williams, "EU-Russian Relations," 337-339.

²⁹² Tekin and Williams, "EU-Russian Relations," 337-339.

²⁹³ Atasoy, "The Role of the South Caucasus in EU-Turkey Relations." 87.

²⁹⁴ Winrow, "The Possible Consequences," 6.

²⁹⁵ Winrow, "The Possible Consequences," 2.

²⁹⁶ Atasoy, "The Role of the South Caucasus in EU-Turkey Relations." 87-88.

improve transportation of Liquefied Natural Gas (LNG) through tankers railways and expensive nature of this system, it is likely to see that Turkey would enjoy her geoeconomic position for the delivery of the natural gas through her regional energy network position.²⁹⁷

4.2.1. Role of Azerbaijan as an Energy Supplier and Energy Corridor

Azerbaijan, has rich oil and natural gas resources in overseas Azeri-Chirag-Guneshli complex on the Caspian Sea and also in the Caucasus region in contrast to Georgia and Armenia. Moreover, Azerbaijan holds a strategic location near the Caspian Sea that would provide access to the Central Asian energy reserves to the Western markets. Oil production in Azerbaijan has a long history, but industrialized oil extraction and production started in the second half of the 19th century, Thus Azerbaijan was a pioneer in oil production before the oil findings in the Middle East. Van Der Leeuw states that, oil production reached 8 million tons in 1922.²⁹⁸ Even Nazi Germany had initiated Operation Edelweiss with the aim of capturing oil fields of Azerbaijan to supply the Third Reich in their war against the Soviet Union and then to access greater Middle East energy resources through Iran.²⁹⁹ Despite the importance of Azeri oil resources which provided 70% of Soviet Union's oil resources (21 million tons) on the eve of the Second World War, they were ignored under Soviet administration in the following years, importance given to Siberian oilfields away from potential conflict zones.³⁰⁰ After independence, Azerbaijan began to facilitate its huge potential in order to maintain its economic recovery, political stability, security and order. Haydar Aliyev (the President of Azerbaijan between 1993-2003) aimed at attracting energy companies for investment in oil and gas sector, which has a great potential and as an alternative to Iran/Middle East and Russia-based energy resources. Azerbaijan and Georgia are heavily dependent on each other, Azerbaijan as an energy producer, exporter and potential energy transit state in planned Trans-Caspian Pipeline Project and Georgia's position as a transit state for transporting energy to the West directly and through Turkey. Laçiner and Özertem state that the Caspian Basin and Caucasus oil reserves are estimated around 17-44 billion barrels of oil with an additional unexplored amount of 70-150 billion barrels of oil. Central Asia and

²⁹⁷ Atasoy, "The Role of the South Caucasus in EU-Turkey Relations." 87-88.

²⁹⁸ Van Der Leeuw, *Azerbaijan*, 134.

²⁹⁹ "The Caucasus Campaign and the Battle of Stalingrad June 1942-February 1943," *Military History of the Encyclopedia on the Web*, accessed May 20, 2008, http://www.historyofwar.org/articles/battles_stalingrad.html.

³⁰⁰ Sedat Laçiner and Hasan Selim Özertem, "Hazar Enerji Kaynakları: Enerji-Siyaset İlişkisi ve Türkiye," in *Orta Asya ve Kafkasya'da Güç Politikası*, ed. Turgut Demirtepe (Ankara: USAK, 2008), 64.

Caucasus regions also possess 6,7 – 9,7 trillion cubic metres of natural gas. Lack of attention to the region during the Cold War period and problematic post-Soviet period prevents certain estimations for the amount of energy reserves.³⁰¹

Laçiner and Özertem state some figures and estimations for the energy production and exportation of Azerbaijan which singlehandedly possesses a minimum amount of 7-13 billion barrels of oil according to the estimations of Energy Information Administration (EIA). BP 2007 estimations set an amount of 7 billion barrels of oil as the minimum amount of Azerbaijan oil reserves and estimates 0,6% of world petroleum resources. SOCAR (State Oil Company of Azerbaijan Republic), estimates 17,5 billion barrels of oil as a minimum amount. 2006 estimations showed that daily oil production exceeded 650.000 barrels of oil which is equal to 32,5 million tons of oil per year. Oil production is expected to reach 71 million tons a year thus strengthening the net exporter role of the Azerbaijan.³⁰² These calculations show that Azerbaijan is a strong alternative for developed and developing states, for diversifying their energy resources and reducing their dependence on unstable oil exporting countries. In brief, rise of the importance of the concept of energy security along with chaos and disorder in the Middle East, energy-importer countries have strong interests for the stability of transportation routes, security of exporting and transit states in case of any kind of threats that would hamper their objectives.³⁰³

4.2.2 Natural Gas, Oil Extraction and Transportation Projects

The 1994 was the year Azerbaijan gained world wide attraction when Aliyev had signed international oil consortium Azerbaijan International Operating Company. In order to transit crude oil to Europe and Western markets, the countries supporting the project and energy companies reached a consensus on the Baku-Tbilisi-Ceyhan pipeline (BTC) project was decided which would bypass Russia-Iran-Armenia via the sole friendly and relatively stable passage, Georgia. Opposition to the BTC route come mainly from energy companies due to the long distance costs of this route.³⁰⁴ Their opposition ended when opponents to the project were convinced that a possible Russia-Iran-Armenia route would be heavily unreliable and also opposed by the main contractors, Azerbaijan, Turkey and the USA, which supported the project on several

³⁰¹ Laçiner and Özertem, "Hazar Enerji Kaynakları," 66.

³⁰² Laçiner and Özertem, "Hazar Enerji Kaynakları," 69.

³⁰³ Laçiner and Özertem, "Hazar Enerji Kaynakları," 67.

³⁰⁴ Shell and Total have considered projects including Iran, in spite of the USA's objection Macalister, "BP's Chief Remarks Enrage Iran."

political and security grounds rather than economic ones. Prominent European oil companies like the BP, ENI and TotalFinaElf are the partners in the BTC. This produced a strong oil lobby for the BTC project.³⁰⁵

Russia especially had the advantage of already built-up energy networks and infrastructure which needed rehabilitation and modernization process. In addition to geostrategic, political and security concerns of supporters, Atasoy states various reasons in favour of the BTC pipeline's advantages that stressed economic and environmental realities that are linked with environmental costs of heavy tanker traffic in the Bosphorus.³⁰⁶ Turkey was concerned of possible environmental disasters of heavy oil tanker passage through the straits and alarmed of an accident which would likely cause an oil spill the Straits. According to the Montreaux Convention, in peacetime merchant ships could enjoy the right of free passage through the straits, but Turkey based her claims on environmental and security grounds concerning the safety of millions of people living in the straits' area.

In order to decrease the intensity of traffic through the Straits due to rising capacities of transported oil and accident rates, Turkey passed a legislation to limit shipments through the straits in 2002. Legislation limited the size of tankers crossing the Bosphorus and the Dardanelles to 200 metres and 250 metres respectively and also permitted oil tankers to pass through only daytime and under weather conditions when visibility is not obscured. Russia and international oil companies investing in the energy industry of Russia and the Caspian resented Turkish legislation that harmed their business plans.³⁰⁷ Thus, many other projects were put on the table such as Samsun-Ceyhan, Trans-Balkan (Bulgaria-Macedonia-Albania) and Burgas-Alexandropolis projects to transfer Russian oil to Western markets.³⁰⁸ Understandably, since investors are more focused on economic considerations for shorter and cheaper routes rather than political considerations, pro-BTC and East-West Corridor leaders assured their commitment to the BTC and related projects through Ankara Declaration with the participation of leaders of Turkey, Azerbaijan, Georgia, Kazakhstan and Uzbekistan, witnessed by the former Energy Secretary of USA, Bill Richardson on October 29, 1998. The participation of Kazakh and Uzbek leaders, strong US support, environmental aspects, realization of unreliability of Iranian/Russian routes and

³⁰⁵ Atasoy, "The Role of the South Caucasus in EU-Turkey Relations." 86-87.

³⁰⁶ Atasoy, "The Role of the South Caucasus in EU-Turkey Relations." 86-93.

³⁰⁷ Aydın Özü, "The Black Sea as an Energy Transport Corridor," *Turkish Policy Quarterly*, vol:5, no: 2 (2006): 134-135.

³⁰⁸ Özü, "The Black Sea," 134-135.

reference of support for projected Trans-Caspian Pipeline, paved the way for investors and companies for the viability of East-West Corridor projects.³⁰⁹ Opening of the Baku-Supsa "early oil" pipeline without a serious problem in April 1999, symbolized the possibility of a non-Russian pipeline and the benefits of the BTC Pipeline. Nevertheless, contractors in principle agreed on BTC projects, however they expected several financial and security guarantees from the host countries due to the potential overrun costs and instability factors because of the fragile nature of the region.

BOTAŞ of Turkey took the initiative of construction, engineering and financing off-the budget costs of the Turkish section of pipeline. Turkish government agreed a 300 Million USD assurance for investing companies in case of running out of budget with " Fixed Price Lump Sum Turnkey Agreement" signed as a part of Istanbul Declaration process in 1999. 18 November 1999 OSCE summit in Istanbul marked the signing of intergovernmental agreement of the BTC pipeline between Turkey-Azerbaijan and Georgia. Host Government Agreements made between host countries (Turkey-Azerbaijan-Georgia) and investors individually, ensured " Fixed Price Lump Sum Turnkey Agreement " and a Turkish Government Guarantee for the Turkish section of the pipeline. Intergovernmental agreements ensured support of the host countries for the projects, commercial support for the investors, the application of European quality environmental, technical and security standards. Host Government Agreements are detailed frameworks between individual states and the contractors to provide transparency, consistency and uniformity in technical, safety, human rights and environmental standards. In addition to the BTC host countries, Kazakhstan signed "Istanbul Declaration", expressing future support of the BTC. Ex-USA President Bill Clinton also witnessed the process and stated that the completion of these agreements was one his " most important foreign policy achievements in 1999".³¹⁰

In fact Ceyhan port was the main outlet of Kirkuk-Ceyhan Pipeline until the Gulf War. Passing of UN Security Council Resolution 661 closed Kirkuk-Ceyhan Pipeline, which caused significant loss of transit revenues for Turkish economy and left Ceyhan as a non-utilized facility for transporting oil to the world markets. Projects of transporting Caspian oil put Ceyhan (in other words Turkey) into the focus again, as a NATO member, the EU candidate and strategic USA ally with strong ties to states in the region.³¹¹ The strategic BTC pipeline would contribute to the economic recovery,

³⁰⁹ Baran, " The Baku-Tbilisi Ceyhan Pipeline," 104.

³¹⁰ Baran, " The Baku-Tbilisi Ceyhan Pipeline," 108.

³¹¹ Baran, " The Baku-Tbilisi Ceyhan Pipeline," 104.

war damages from ethnic conflicts and meet the security concerns of Turkey-Azerbaijan-Georgia trio.

In addition to the BTC pipeline, Samsun-Ceyhan Oil Pipeline project is also strengthened due to advantages of Ceyhan port to transport Russian oil arriving to Samsun and then exported to the world markets through the Ceyhan port, contributed to the significance of Ceyhan as an oil terminal and Turkey as an energy corridor.³¹² In addition to Commission's Green Paper document that highlighted Turkey's position for delivering energy supplies to the EU, Winrow cites an interview with Emre Engur, the head of Strategy Development and International Projects Department of the Turkish Pipeline Corporation (BOTAŞ), stated Turkey's "geo-strategic location" surrounded by areas consisting of almost 73% of the world's gas reserves. Engur also predicts that by 2020, 15% of the gas supplies of the EU member states would cross Turkish territories. He gives attention to the completion of 20 billion cubic metres capacity of Baku-Tbilisi-Erzurum Pipeline, Turkmen and Kazakh gas supplies would likely to be realized after the completion of BTE.³¹³

Construction of Kars-Tbilisi-Baku railway also contributed to the developments of the BTC pipeline. BP led consortium leads the Azeri-Chirag-Guneshli oil complex which has reserves of around 5-6 billion barrels of oil. The extraction increased by the time when commercial, transportation and political links were strengthened between Turkey-Georgia-Azerbaijan. In 2005, 240.000 barrels per day rose to 800.000 barrels per day in 2007 and expected to reach 1.000.000 barrels per day in 2009.³¹⁴ Currently Turkey holds 6,75% shares of Azeri-Chirag-Gunesli Project, 10% shares of Araz-Alov-Shark Project and 9% shares of Shah Deniz Natural Gas Project through Turkish company, Türkiye Petrolleri Anonim Ortaklığı (TPAO). TPAO also holds 6,53% of shares of Baku-Tbilisi-Ceyhan Pipeline.³¹⁵ South Caucasus Pipeline is planned to supply Caspian natural gas to Europe, with proposed NABUCCO (Turkey-Bulgaria-Romania-Hungary-Austria), Turkey-Greece and Greece-Italy pipelines. In order to supply sufficient gas, Tebriz-Erzurum pipeline was proposed. However, due to the unreliability of the Iranian regime, options are directed towards building a Trans-Caspian Pipeline, which was proposed by the EU and USA across the Caspian Sea and also absorbing additional gas supply from the Kazakh and Turkmen reserves. Turkey's

³¹² Atasoy, "The Role of the South Caucasus in EU-Turkey Relations." 86-87.

³¹³ Winrow, "The Possible Consequences," 1.

³¹⁴ "Azeri-Chirag, Gunashli (ACG) Oil Field, Caspian Sea, Azerbaijan," *Off-Shore Technology*, accessed March 28, 2009, <http://www.offshore-technology.com/projects/acg>.

³¹⁵ Laçiner and Özertem, "Hazar Enerji Kaynakları," 73-95.

sale and purchase agreement with Azerbaijan which was signed in 2001, concluded with Turkey getting 6,6 billion cubic metres of gas from Baku-Tbilisi-Erzurum Pipeline by 2009. In order to supply the Nabucco Pipeline and regarding Turkey's other energy sale and purchase agreements with Russia and Iran, it is regarded that Turkey would not use 6.6 billion cubic metres of gas annually, therefore this volume would be transferred as a whole or to a huge extent to the Nabucco Project to supply its capacity and energy demands of European markets.³¹⁶ This proposed pipeline would break to a greater extent the EU's energy and transportation dependency to Russia, thus bringing more significant political, economic role to Azerbaijan, Georgia and Turkey. The pipeline project agreement was signed by the prime ministers of Turkey, Bulgaria, Romania, Hungary and Austria on 13 July 2009, in Ankara.³¹⁷

4.2.3. The Caspian Dispute

The dissolution of the Soviet Union brought the legal status of the Caspian Sea in dispute with emergence of Azerbaijan, Kazakhstan and Turkmenistan along the coastline of the Caspian Sea with historical powers Russia and Iran. Discoveries of vast amounts of offshore oil and gas reserves and several Trans-Caspian oil and gas pipeline projects create heated discussions for the legal status of the sea and the crucial extraction and exploration rights.³¹⁸ The Caspian Sea boundaries have yet to be fixed. Whether it is a lake, sea or another classification proper for its characteristics, would have different circumstances in accordance with international law. Iran and Russia block the building of Trans-Caspian Pipeline until a consensus was reached by five states. Even though Azerbaijan, Kazakhstan and Russia agreed in principle to their seabed boundaries through trilateral treaties based on equidistance, Iran insists on 20% division of the Caspian Sea with five countries and opposes Azerbaijan's hydrocarbon exploration in disputed waters.³¹⁹ Bilateral talks with Turkmenistan, whose position is unclear, still continue and there is also a dispute between Azerbaijan on Serdar Oil field on the Caspian Sea.³²⁰ Russia in principle supports the idea of an exclusive zone for seabeds for five countries and sharing for fisheries right on the surface of the Caspian Sea. Azerbaijan, Kazakhstan and Turkmenistan stress equidistance of coastline in principle, to reach oil fields there and make Trans-Caspian Pipeline viable by having

³¹⁶ Atasoy, "The Role of the South Caucasus in EU-Turkey Relations." 89.

³¹⁷ Pashayeva, "The Nagorno-Karabakh Conflict in the Aftermath of the Russia-Georgia War," 64.

³¹⁸ Kamyar Mehdoyun, "Ownership of Oil and Gas Resources in the Caspian Sea," *The American Journal of International Law*, vol:94, no:1 (2000): 179.

³¹⁹ Laçiner and Özertem, "Hazar Enerji Kaynakları," 106.

³²⁰ Laçiner and Özertem, "Hazar Enerji Kaynakları," 106.

adjacent sea boundaries between themselves. In this regard, Russia and Iran support each other's claims to get a better share of the Caspian energy reserves, whereas Azerbaijan and Kazakhstan have a much more common ground on the dispute with Turkmenistan having a dependable approach on the Caspian Dispute.³²¹

The USA's support to the Trans-Caspian Pipeline also aggravated Russian and Iranian opposition which bring environmentalist arguments to protect their stronghold position on energy exports to the West. Russia possesses a controlling role over export routes from Central Asian energy resources. The Caspian Pipeline Consortium (CPC) route, connects oil fields in western Kazakhstan with the Russian port of Novorossiysk. Gas from Kazakhstan, Turkmenistan and Uzbekistan is similarly transported to Russia. On the other hand, Kazakhstan and Turkmenistan expressed their sympathy to proposed Trans-Caspian Pipeline, due to Moscow's recent efforts to strengthen her role on the Caspian Pipeline Consortium. Building a gas export route that bypasses Russia would lead to higher prices for Central Asian energy. Russia's main interests are to block any initiative that would weaken her role as energy supplier and transporter state and for the case of Central Asia. Also, for Russia, it is necessary to satisfy Russian market demands for energy through cheap natural gas coming from Kazakhstan and to a lesser extent from Turkmenistan and Uzbekistan. This enables Russia to export domestically produced Russian gas to the European markets with favourable prices and conditions. Domestic production in Russia is also suffering due to rising energy demands of Russia for her domestic use, lack of necessary financial resources to exploit less accessible fields and modernize the extraction, transportation and pipeline infrastructure in Russian fields.³²² In brief, the EU's energy dependence on Russia is heavily reminiscent with Russia's investment requirements for her energy sector.³²³

4.2.4. Potential Political and Economic Impacts of Energy Projects

Opening and full operation of the BTC Pipeline reflected on Azerbaijan's economy in 2005-2006 period. Laçiner and Özertem state, a GDP growth of 26,4% in 2005 and 36,6% in 2006. According to 2007 figures of the State Statistical Committee of Azerbaijan, oil and gas revenues consisted 51,6% of the GDP of Azerbaijan in

³²¹ Cornell, *Small Nations and Great Powers*, 326.

³²² Winrow, "The Possible Consequences," 6-8.

³²³ Tekin and Williams, "EU-Russian Relations," 338.

2006.³²⁴ The rise of economic growth has been strongly related with the increasing oil production. Oil sector's share was 52,8% of GDP in 2007 and around the same share in 2008.³²⁵ Laçiner and Özertem states that, Foreign Direct Investment flows were directed 68% on the energy sector and total energy exports in total Azerbaijani exports consisted of with a share of 84,6% in 2006. Half of the budget revenues are also received from energy sector. In light of these realities, energy sector provides a backbone to the economic growth and stability of Azerbaijan to diminish poverty (Laçiner and Özertem state that, 49% of Azerbaijani population lives below poverty line in 2001) related political and socio-economic problems, provided that a sound economic structure and management program is maintained.³²⁶ In addition to Azerbaijan's energy potential to develop her economy, over-dependence of energy sector would likely to result in the weakening of other sectors of the economy. This situation is coined by the term "Dutch Disease"³²⁷ by various scholars after the Netherlands suffered an economic crisis in 1970s and decline in its exports due to discovery of oil reserves in the North Sea which led to lack of competition of Dutch exports and other sectors in the economy.³²⁸

Oil boom undeniably contributed to the growth of Azerbaijan economy; however, other sectors failed to contribute to this growth effectively. Over-dependence on a single commodity, oil and gas in the case of Azerbaijan, made the economy fragile to fluctuations of oil and gas prices in the world market. In addition, other sectors in the economy would be uncompetitive and value of local currency would be overvalued. Thus non-oil sectors would be regarded unprofitable and neglectable. Oil revenues would be used to compensate for the weakening of other sectors of the economy and for expanding national budget.

In addition to the economic effects of the "Dutch Disease", the term "Resource Curse" is defined for the oppressive, undemocratic and undeveloped states that are rich in energy resources, but fail to utilize the political and economic advantages of these resources because of forming a single commodity market and an overall undeveloped political and socio-economic orientation. As it was observed in the oil-rich Middle Eastern countries, oil based economies are ruled by authoritarian

³²⁴ Laçiner and Özertem, "Hazar Enerji Kaynakları," 68.

³²⁵ "Azerbaijan Profile."

³²⁶ Laçiner and Özertem, "Hazar Enerji Kaynakları," 71.

³²⁷ Christina Ebrahim-Zadeh, "Dutch Disease: Back to Basics," *International Monetary Fund (IMF) Website*, vol:40, no:1, (2003), accessed March 7, 2009

<http://www.imf.org/external/pubs/ft/fandd/2003/03/ebra.htm>.

³²⁸ *ibid.*

regimes which hold monopoly on revenues of energy, every aspect of state apparatus and rule over the society, thus they do not give attention to public services, social development and necessities of the public. Principles and values of democracy, human rights, rule of law and equal distribution of wealth would not be able to flourish in the countries with an authoritarian orientation and cultural traits.³²⁹ Experts stress the importance of allocating energy revenues to the other sectors of the market, diversifying resources of the market and meet public needs in education, science, transportation, and agriculture. Laçiner and Özertem further stresses that oil based national economies prevent the flourishing of liberal market economy, democratization of politics, thus causing foreign political and economic interventions, resulting from the changes in oil prices.³³⁰

Completion and opening of the BTC Oil Pipeline, Shah Deniz Natural Gas Pipeline and several other projects, Azerbaijani economy experienced a significant growth with the highest GDP growth rate of 34,5% and the highest GDP per capita growth rate of 42,5% in the world in 2006.³³¹ After the 2008 global crisis, Mikhaliyov evaluates certain perceptions in Azerbaijan that because of Azerbaijani economy based on strong economical factors (oil and gas which are Azerbaijani economy is mostly based on energy sector with a 59% of the GDP, whereas 41% comprises of the non-oil sector) and Azerbaijani banking sector is not heavily integrated in the global financial system, Azerbaijan is predicted to be sturdy. On the other hand, Mikhaliyov also states that various perceptions are more realistic in their views that Azerbaijan has been affected by the crisis quite significantly. International financial institutions such as IMF, commented that Azerbaijan might experience a mere 2,5% growth in GDP for 2009 in contrast to Azerbaijan government's prediction of 14% growth.³³²

Turkey and Georgia viewed the BTC and extension of "East-West Corridor" meaning to strengthen their geopolitical and geostrategic roles in the long term rather than for economic benefits, which are in fact crucial especially for Georgia. Even though Turkey would receive significant amounts for operating and transit fees around 140-200 million US Dollars within the first sixteen years of functioning of the pipeline

³²⁹ Ricky Lam and Leonard Wantchekon, "Political Dutch Disease," *New York University Website*, April 10, 2003, accessed May 7, 2009, <http://www.nyu.edu/gsas/dept/politics/faculty/wantchekon/research/lr-04-10.pdf>.

³³⁰ Laçiner and Özertem, "Hazar Enerji Kaynakları," 111.

³³¹ Elshad Mikhayilov, "The Global Economic Crisis and Azerbaijan," *Turkish Policy Quarterly*, vol:8, no:2 (2009):101-111, accessed December 10, 2009, <http://www.turkishpolicy.com/images/stories/2009-02-tpq/ElshadMikayilov.pdf>.

³³² Mikhayilov, "The Global Economic Crisis and Azerbaijan," 101-111.

and estimated to shift around 200-300 million USD Dollars after sixteen years depending on discovery and extraction of new fields. This numbers are insignificant compared to the volume of Turkish GDP , a 300 billion USD dollar economy that estimated a 10% growth rate in 2004.³³³ Nevertheless, additional revenues from TPAO's 6,53% share in the project and a 1,4 billion USD inflow, increasing employment, development of related sectors during the construction and operation of the pipeline will bring significant benefits for Turkish economy. Environmentally, congestion in the Istanbul straits would be significantly reduced and Turkey would enable to diversify her energy needs by buying 20 million tons of oil, when the maximum capacity of 50 million tons per annum is reached. In conclusion, BTC's long term geostrategic and indirect economic benefits are more vital than the direct commercial benefits of the project in the shorter run .³³⁴

4.2.5. Turkey's role in the EU-Southern Caucasus States Relations

As stated in greater detail in the introduction, Turkey faced the dissolution of the Soviet Union unexpectedly and uncertainties emerged through the new geopolitical dynamics. First of all, Turkish Foreign Policy needed to reassert a more active policy rather than passive stance in line with Cold War ideology. Turkey realized the need to establish a self-constructed perspective and identity in the new international order to pursue her interests and ensure her security in the changing geopolitical order in her northeast border. Thus, Turkey needed to know the region, in her immediate neighbourhood more. Unlike the EU, Turkey has strong ties with the region and have the capacity to act as a unitary (but in a limited role) actor different from multi-national EU. So Turkey had a potential to use her influence, pursue her interests in the EU-Turkey-South Caucasus triangle with a reform process in her foreign policy structure. Unlike Russia, Turkey is regarded by the Southern Caucasus states as a gate to the West which in turn strengthened Turkey's position in the region as a political dialogue, economical, transportational and energy hub.³³⁵

The EU-Southern Caucasus relations were initiated after the declaration of independence of Southern Caucasus states and their recognition by the EU in 1991 and diplomatic relations were established in 1992.³³⁶ The EU focused extensively on her immediate neighbourhood and internal uncertainties in foreign policy projection.

³³³ Baran, " The Baku-Tbilisi Ceyhan Pipeline," 108-109.

³³⁴ *ibid.*

³³⁵ Uslu, " Turkish Foreign Policy," 175-184.

³³⁶ Akdemir, " Turkey's EU Bid and the Armenian Problem."

Turkey also needed to focus on several challenges in her domestic politics such as rising PKK terrorism in the Southeast, socio-economic and political crises which are heavily linked with corruption and emerging Islamist wave in the society and politics. The EU and Turkey also lacked political strategy to the region and knowledge of the region, which Russia possesses extensively. Russia was also suffering from several political, economic and identity crises in the aftermath of the break-up of the Soviet Union. In other words, until the ceasefires in 1994 (for Nagorno-Karabakh, Abkhazia and South Ossetia disputes), the region was isolated from the international scene due to the existence of different priorities of regional and non-regional actors.

Relative stabilization was intensified with the energy agreements and South Caucasus states' establishment of full diplomatic relations with regional and extra-regional countries, international organizations and opening of investment for multinational corporations. The EU and Turkey, finally gave their attention seriously after these developments. Worldwide attention was focused especially on energy factor, where rapidly running-out energy supplies were coming from highly dangerous, unstable zones and states in the Middle East. Thus Caucasus could be a major alternative energy supply zone to diversify energy resources and could transport huge reserves of oil and gas from largely intact Central Asia. Energy policies of the EU had been highly technical, energy and transportation oriented. Nevertheless, it gained security and terrorism dimension with the 9/11 attacks. This proved that not only transportation routes', but also stability and security of the regional supplier and transit countries are heavily interlinked with the EU's own stability and security on policies against terrorism, organized crime, ethnic conflict and proliferation of weapons of mass destruction.

A lack of regional political and economical organization mechanism for Southern Caucasus States was overcome partially by the formation of Black Sea Economic Cooperation (BSEC) Organisation which was initiated by Turkey in 1992. It eventually comprised Black Sea Basin Countries (not only Caucasus) and it is a prominent example of Turkish foreign policy orientation and interests in the region.³³⁷ BSEC was founded as an economic organization to create economic cooperation, establish commercial links and development through joint projects with a semi-official political agenda of bringing peace, stability and prosperity based on common values of

³³⁷ for details check Black Sea Economic Cooperation Organization Website, <http://www.bsec-organization.org/Pages/homepage.aspx>.

social justice, human rights, pluralistic democracy, rule of law, freedom and free market economy.³³⁸ The establishment of the BSEC brings to mind the creation of the European Coal and Steel Community in 1951. Thus, BSEC is a consequence of the lessons derived from ECSC which paved the way for European Integration in which economic interdependence enabled an atmosphere of stability, prosperity and peace; and ended the possibility of another war. The EU is also aware of BSEC's potential and promotes Turkey's initiative to bring stability and peace to the region with the same formula. The EU had also seen BSEC as a platform to become more involved in the Black Sea Region and implemented the EU's interests in energy, transport, environment, migration, fisheries, anti-terrorism/anti-criminal fields, especially before the accession of Bulgaria and Romania.³³⁹ Although, BSEC possesses potential instruments for implementation of the ENP and closer relations between the EU and the Southern Caucasus States, the organization suffers from complicated bureaucracy, absence of consistent priorities and a shortage of financial resources.³⁴⁰

Despite its flaws, BSEC has been the sole regional organization which includes both Southern Caucasus countries, where the EU promotes the importance of regional cooperation and implementation of ENP objectives meanwhile maintaining dialogue with the Southern Caucasus states and their neighbourhood. BSEC also possesses the required institutionalized framework for the ENP initiated cooperation projects in the fields of energy, communication, transportation, tourism, environment and fight against terrorism and organized crime. The EU offers her assistance to develop structural and financial resources of the BSEC. Meanwhile, the relations between the EU and BSEC are being improved with the help of European Neighbourhood Instrument, ENP's financial assistance programme. BSEC also expressed her interests of deeper communication and cooperation in the fields of energy, communication, transportation, tourism, environment and fight against terrorism/organized crime trafficking in the BSEC-EU Platform for Cooperation framework established in 1999.³⁴¹ The EU also hopes for more pro-active stance of Turkey in the promotion of dialogue, reform and cooperation in the BSEC for the objectives of the ENP.³⁴² This fact proves Turkey's mediator and brokering role in the stabilization and cooperation processes in the Black Sea and Southern Caucasus.

³³⁸ Ocak, "Pivotal State." 51-52. for details check Official Website of Turkish Ministry of Foreign Affairs, www.mfa.gov.tr.

³³⁹ Ocak, "Pivotal State." 52.

³⁴⁰ Atasoy, "The Role of the South Caucasus in EU-Turkey Relations." 97.

³⁴¹ Atasoy, "The Role of the South Caucasus in EU-Turkey Relations." 97.

³⁴² *ibid.*

Turkey also expressed formation of a Caucasus Cooperation and Stability Pact with regional actors several times; however, the rising tensions never enabled actors to fully commit to the formation and functioning of such a project.

Although the countries in the region emerged on the global political scene less than 20 years ago (except a brief independence after the Bolshevik Revolution); South Caucasus is a true catalysor in the long relationship between the EU and Turkey. Besides crucial factors of Turkey as an important geostrategic country with strong influence, interests and a massive pro-Western Muslim population which is reflected on her democratic and secular system (in spite of her flaws), the changing geopolitics in South Caucasus improved the profile of Turkey due to Turkey's bridge role to Caucasus and strong ties Turkey established with the people of the Caucasus. Turkey initiated the first organization that comprised all Southern Caucasus states, supported their post-Soviet state building efforts and developed a constructive interdependent dialogue with Russia.³⁴³

Until 1994, South Caucasus did not have an important place in the relations between the relations of EU and Turkey. After the establishment of ceasefires and energy agreements with the relative stabilization, both parties gave their attention to the region. The EU's increasing energy/security interests, new security strategy and formation of ENP that included Caucasus, contributed to the role of the South Caucasus in the relations between the EU and Turkey relations as we can observe in Helsinki Summit of 1999 which marked the declaration of official candidacy status of Turkey and then Turkey managed for a date for the initiation of accession talks in 3 October 2005, after a political recession period of the EU, which focused on the failure of Constitutional Treaty referendums in two prominent members, France and the Netherlands. Importance of Turkey was solidified with the realization of energy-pipeline projects and Turkey's role in them. Improving a constructive policy with Turkey on Southern Caucasus with Black Sea dimension is a key EU interest and Turkey would have a leading role in the policies formulated for the Southern Caucasus. The EU would benefit from Turkey's influence and knowledge in the region through her experience and capabilities in security matters.³⁴⁴

Turkey's status as an EU candidate state and an important partner in various energy, transportation and communication projects such as Baku-Tbilisi-Ceyhan Oil

³⁴³ Cornell and Starr, *The Caucasus*, 76.

³⁴⁴ Cornell and Starr, *The Caucasus*, 76.

Pipeline, Baku-Tbilisi-Kars Railroad, Shah Deniz Natural Gas Pipeline and unrealized other projects such as Nabucco, Trans-Caspian Pipeline and also Turkey's relations with Southern Caucasus states with strong cultural, political, economic and social ties contributed to the geostrategic significance of Turkey for the EU to pursue her goals and objectives in the Southern Caucasus region. Maintaining stability, security and implementation of ENP goals with the assistance of Turkey are the essential factors that draw a framework between EU-Turkey-Southern Caucasus relations.

Turkey and the EU's goals are very complementary in the region. Turkey also seeks to maintain stability, peace, security and prosperity in the region, Turkey's and the EU's assistance and contribution to the negotiation efforts for ethnic conflicts in the Southern Caucasus accelerated the integration process of Turkey and maintained her influence in the region. Baran stresses that Turkey's role in the region and adoption of several EU social, environmental and human rights standards during the construction of the BTC pipeline not only increased Turkey's role as an energy hub, but also the process of pipeline construction has brought transparency and importance of community development, which brought the active role of NGO's in the project. These factors have contributed to Turkish society's understanding, approach and progress in negotiations with the EU, thereby brought progress in the ongoing process of social, political and economical reform in the South Caucasus.³⁴⁵ Inclusion of Baltic states, ongoing integration processes with Ukraine and Georgia as well as geopolitical shifts due to the 2008 South Ossetia War would likely to create a pro-Turkish lobby in the EU as well as contribute to increasing importance of Turkey for the EU's political, economical, energy security interests and Southern Caucasus reform process.

On the other hand, we should not ignore the complex relations between Turkey, Azerbaijan and Armenia, which Turkey is highly concerned of threats to her territorial integrity and security through the hostile Armenian policy that is composed of the so-called genocide claims, Armenia's unrecognition of Turkey-Armenia border and her ongoing occupation in the Nagorno-Karabakh region. The EU's stress on good neighbourly relations and push for Turkey for a resolution by ignoring Turkey's serious concerns by justifying Armenian stance is a matter of question. In essence, Turkey is aware of the reality that these problems hamper the stability in the region and foster Russian influence, thus Turkey seeks for a reasonable resolution as soon as possible through diplomacy and negotiation mechanisms. A new wave of warming of relations

³⁴⁵ Baran, " The Baku-Tbilisi Ceyhan Pipeline," 114-115.

between Turkey, Azerbaijan and Armenia after the 2008 South Ossetia War, will be discussed in the next chapter. The EU would likely to play a role, meanwhile Turkey would strengthen her role in the peace-making process through engaging Armenia in a dialogue based friendly atmosphere without breaking off important ties with Azerbaijan that would facilitate conflict resolution and stability in the region.

4.3. CONCLUSION: IMPORTANCE OF THE SOUTHERN CAUCASUS FOR TURKEY-EU RELATIONS

In the light of above stated factors and dimension of relations, South Caucasus and neighbouring states of the region heavily influences Turkey-EU relations. First of all, Turkey's geostrategic role, as a link to Southern Caucasus and Central Asia for transportation, commerce, telecommunications and energy projects, enhance Turkey's position in Turkey-EU relations. Previously mentioned BTC, Shah Deniz projects and planned Trans-Caspian, Nabucco Pipeline projects are the most eminent projects for the EU's energy diversification and breaking Russian/Middle East dominance in energy supply and transportation networks. In this sense, Turkey poses the only alternative aside from Russia to link Europe with Central Asia, thus reviving the ancient "Silk Road" going across from China to Europe.

Transportation and communication projects also have a military dimension because of the War on Terrorism started after 9/11 attacks, in which NATO member states use Turkish airspace for transporting logistical equipment and troops for the operations carried out against Al Qaeda and related networks in Afghanistan and Pakistan. Not only Turkey provides crucial support for transportation and peacekeeping troops in the highly volatile Afghanistan. Turkey also supports and trains Azerbaijani and Georgian military under the context of Partnership for Peace programs which aimed at creating joint cooperation on an institutionalized framework with NATO member states and capitalizing former Soviet Republics which in turn would possibly lead to their integration in the future.³⁴⁶ In addition, Turkey is the only NATO member and EU candidate state neighbouring the region. Turkey's experience with democracy, growing Turkish market; as well as her knowledge, political, cultural and economic ties with the Southern Caucasus states. Turkey's regional role and initiatives such as BSEC

³⁴⁶ Uslu, " Turkish Foreign Policy," 172-183 for details check North Atlantic Treaty Organization (NATO) Web Site, Partnership for Peace Section, http://www.nato.int/cps/en/natolive/topics_50349.htm.

that Turkey has catalyzed, are important for European Neighbourhood Policy program, which regulates the EU's interaction with her immediate neighbourhood is also dependant on Turkey's regional role and initiatives such as BSEC that Turkey has catalyzed.

In this case, Turkey's stable and good relations with oil rich Azerbaijan and the most explicitly pro-Western state in the region, Georgia are decisive factors in the relations with the EU. In spite of EU's structural weaknesses (inefficient decision-making bodies, relative disunity of EU interests in the region) and lack of sufficient instruments (such as hard power capabilities), Turkey has the potential for political, economic, social stability and reliability in the region compared to Iran and Russia's role. On the other hand, Turkey's relations with Armenia pose a serious obstacle in Turkey's approachment to the region as well as Turkey-EU relations. Various circles in the EU exploited the problems arising between Turkey and Armenia to block Turkey's accession to the EU several times. Thanks to a significant Armenian Diaspora in Europe (France especially), anti-Turkish sentiments in the EU manipulated this problems as a political tool to hamper Turkey's negotiation process. Turkey was requested to lift-off blockade on Armenia and recognize the so-called Armenian genocide issue which causes frustrations among Turkish society. Turkey viewed political manipulation of the problems of Turkey/Azerbaijan-Armenia relations, as unacceptable because of targeting Turkey's security and prestige, ignoring Turkish and Azeri stances due to their disputes with Armenia. Furthermore Turkey expressed her discontent of being treated as a non-equal candidate in the negotiation process compared to other candidates by requesting additional obligations that are non-existing in the Copenhagen Criteria and Amsterdam Convention.³⁴⁷ In fact, Armenian Question was raised on 18 June 1987, three months after Turkey's official application for full membership to the European Economic Community (EEC) with European Parliament's resolution named " The Political Resolution to the Armenian Issue" on the grounds of the EEC Agreement Article 237 and 205 and ECSC Agreement Article 98.³⁴⁸ Resolution stated that 1915 events were defined as genocide according to the UN Convention of 1948 and Turkey's refusal to recognize the genocide claims based on UN Convention of 1948 for "1915 events" would be an obstacle for full membership of Turkey. The European Parliament also requested the Council of the European Union to warn Turkish Government to the fact that genocide had been initiated against the

³⁴⁷ Akdemir, " Turkey's EU Bid and the Armenian Problem."

³⁴⁸ *ibid.*

Armenians between 1915-1917 and forming a dialogue is necessary with the Armenian representatives of the diaspora.³⁴⁹

Creation of an independent Armenian state, upcoming Nagorno-Karabakh War, Turkish-Armenian diplomatic stand-off, progress in Turkey's accession process and events in the Southern Caucasus made the Armenian issue an important factor in the Turkey-EU relations.³⁵⁰ The Helsinki summit, which officially declared Turkey's candidacy status in 1999 also brought a report titled "Report on the progress of Turkey towards Accession" by the European Parliament Foreign Affairs, Human Rights, Common Security and Defense Policy Committee led by reporter Philippe Morillo in 1999, and was agreed by the European Parliament in plenary session on 15 November 2000. This report states that:

The European Parliament calls, therefore on the Turkish government and the Turkish Grand National Assembly to give fresh support to the Armenian minority, as an important part of Turkish society, in particular by public recognition of the genocide which the minority suffered before the establishment of the modern state of Turkey.³⁵¹

At a summit of the EU-Armenia Parliamentary Cooperation Commission took place in Brussels on 19-21 November 2001, the Armenian delegation complained about blockade on Armenia and the EU member states stated that Turkey would face new difficulties in the negotiation process unless the blockade is revoked. The European Parliament also emphasized their commitment to the 1987 resolution. Another report accepted by the European Parliament on this issue is the report made by Per Gartho, a member of the Swedish Greens Group, which is titled as "The European Union's Relations with the South Caucasus under the Partnership and Cooperation Agreements" in 28 February 2002. The report mentioned and verified the resolution taken by the European Parliament in 1987. European Parliament's Turkey Report on 15 December 2004, also mentioned all previous resolutions in Article 39, 40 and 41 which all demanded from Turkey to open borders, recognize the so-called genocide, initiate diplomatic relations and reconciliation with Armenia. Otherwise, the report stated that the problematic Turkish-Armenian relations would be an obstacle to Turkish membership to the EU. Problematic Turkish-Armenian relations are also included in various European Commission reports. Statements on the issue were inserted in the

³⁴⁹ Akdemir, "Turkey's EU Bid and the Armenian Problem."

³⁵⁰ *ibid.*

³⁵¹ *ibid.*

memorandum of the EU Brussels Summit on 17 December 2004 in which Paragraph 21 mentioned the European Parliament's Turkey Report which was evaluated in the EU Commission as ' tragic events' in the document of "Issues Arising from Turkey's Membership Perspective".³⁵² Parliaments of many EU member states such as Italy, Belgium, France, Slovakia and the Netherlands also took decisions in favour of Armenian claims, largely supported by strong Armenian Diaspora presence in Europe and their various networks and organizations such as the European-Armenian Cooperation Forum and the European Committee of Armenian Cause.³⁵³ In brief, Turkey's geostrategic role between the EU and the region, also their level of political and economic interaction with the regional states shape up the course of Turkey-EU relations.

³⁵² Atasoy, "The Role of the South Caucasus in EU-Turkey Relations." 101.

³⁵³ Akdemir, " Turkey's EU Bid and the Armenian Problem."

CHAPTER 5

2008 SOUTH OSSETIA WAR AND ITS RESULTS

As stated above, Caucasus has been currently a geostrategic region with a potential of energy diversification, an attractive region for investment of multinational energy companies and an energy corridor between the East and the West.³⁵⁴ On the other hand, frozen conflicts pose a serious threat of spillover effect to the stability of the Southern Caucasus region and her neighbourhood, which influence the relations between Caucasus states and neighbouring/non-neighbouring actors. The most recent incident that stirred Caucasus and the world was the 2008 South Ossetia War. Georgian-Russian relations escalated into armed conflict due to highly strained and conflicting policies of both countries on August 8, 2008. The background, process and the results of the War has ended in dramatic consequences for the Southern Caucasus region. As belligerents of the war, Georgia has entered a new period of uncertainty and Russia strengthened her position by *de-facto* annexing South Ossetia and Abkhazia, Turkey/Azerbaijan-Armenia talks gained a new momentum as a consequence of the War and external pressures coming from the USA and the EU. The following sections will bring a detailed insight over the background, results and the 2008 South Ossetia War and paving the way for this thesis' conclusion.

5.1. ROSE REVOLUTION AND THE ERUPTION OF THE 2008 SOUTH OSSETIA WAR

The Rose Revolution in 2003 changed the balances in the Southern Caucasus and the relations between Georgia and Russia. The growing discontent over economic decline, problems caused by the breakaway regions, rampant corruption and halt in the political reform process has erupted into a wide scale protest with the allegations of electoral fraud in the 2003 Georgian election. An opposition led by Mikhail Saakashvili and the first generation of Western educated intelligentsia, criticized Shevardnadze administration's lack of efficiency and challenged his leadership. The wide scale protests attended by NGO's, civil society, student groups, strengthened the legitimacy and

³⁵⁴ Hatipoğlu, " Komşuluk Politikası," 132.

power of their discourse for democracy, fight against corruption, improvement of social conditions and national economy.³⁵⁵ After a brief resistance, Shevardnadze stepped down and paved the way for Saakashvili and his associates to come to power with the early elections. Peaceful aftermath of the Rose Revolution, brought a new impetus for strong Western orientation in Georgia. Saakashvili preferred to explicitly challenge Russian policies different from experienced statesman Shevardnadze's policies of balancing the West and Russia to preserve Georgian interests. Following events would lead to serious problems in Georgia-Russia relations. This period also brought a growing frustration in Russia which perceived extensive Western influence in the Caucasus and her near-abroad after the following pro-Western revolutions in Ukraine (Orange) Revolution and Krygzystan (Tulip) Revolution. Meanwhile Georgia, increased her pro-Western orientation and managed to break Russian dominance to a greater extent after the Rose Revolution. On the other hand the five year period between the Rose Revolution and the 2008 South Ossetia War marked the evident worsening of relations between Georgia and Russia with Russian economic sanctions, intensified Russian and Abkhazian-Ossetian relations, Georgia's arrest of some Russian officers on charges of *espionage* and "accidental" falls of some Russian missiles on Georgian territories.³⁵⁶

After the NATO Bucharest Summit between 2-4 April 2008, psychological warfare between Georgia and Russia excessively mounted. There has been a mutual disappointment on Georgia and Russia, on separate grounds. Georgia had been hoping for initiation of her full membership to NATO, which would increase her security perceptions and integration with other Trans-Atlantic organizations. On the other hand, Russia had been concerned of Georgian relations and efforts of integration with the West, which gained an impetus after the Rose Revolution and paved the way for considering NATO Membership Action Plan for Georgia, in the Bucharest Summit. Presidential decree of Vladimir Putin on 16 April 2008, to initiate political, economic and social relations with Abkhazia and South Ossetia came after integration for NATO Membership Action Plan for Georgia and Ukraine failed. Presidential decree which sought to establish full diplomatic relations with separatist regions were regarded by Georgia, as Russian annexation of these two regions and solidified the Georgian-Russian dispute.³⁵⁷ On the other hand, member states of NATO declared their support

³⁵⁵ Papava, " Georgia's Economy," 199.

³⁵⁶ " Georgia releases Russian 'spies'," *BBC News*, October 2, 2006, Accessed January 16, 2009. <http://news.bbc.co.uk/2/hi/5398384.stm>.

³⁵⁷ "Right Before his Departure Putin attempts to annex Abkhazia and South Ossetia," *Georgian Daily*,

for territorial integrity, independence, sovereignty of Armenia, Azerbaijan, Georgia and Moldova, as well as their commitment for a peaceful resolution of the conflicts in the region according to international law.³⁵⁸ Tensions, shoot-outs and clashes in the breakaway South Ossetia Republic rose to an extent that Saakashvili administration decided to initiate military operation by bombing Tshkinvali in order to restore constitutional order and maintain Georgian territorial integrity. In the beginning, Georgian Armed Forces maintained the control of most of the South Ossetia but Russian response came sooner than expected and South Ossetia became the center of a warzone that would extent to the interiors of Georgia within a few days. Not only South Ossetia came under direct Russian control, Gori (Georgian city adjacent to South Ossetia) was heavily bombed and occupied with deaths and departure of its inhabitants. Meanwhile, breakaway Abkhazia Republic also joined the war on the side of Russia and gained control of Kodori Gorge, only part of Abkhazia loyal to Georgian administration. Russian Navy gained control of geostrategic Georgian port of Poti, cut off air and sea access to Georgia. In brief, Russian Armed Forces used many of their military and geostrategic superiority in the war that resulted in the defeat of Georgia.

5.1.1. Six-Point Ceasefire Plan

Saakashvili needed to call for ceasefire due to worsening conditions. French president and president of the European Council, Nicolas Sarkozy initiated a shuttle diplomacy and proposed a six-point peace plan to the belligerents of the War (including secessionist leaders). Sarkozy met with Russian president Dmitry Medvedev on August 12, and Medvedev accepted Six-Point Peace Plan, late on the same night, Saakashvili accepted the text.³⁵⁹ In fact, the plan was consisted of four points but Russia demanded inclusion of two extra points, Georgia in return wanted three additions in parenthesis, but Georgian demand for additional parenthesis were disregarded. The final text of the Six Point Peace Plan included:

- a) No recourse to the use of force
- b) Definitive cessation of hostilities
- c) Free access to humanitarian aid (addition rejected: and to allow the return of refugees)

April 16, 2008, Accessed January 16, 2009.

http://georgiandaily.com/index.php?option=com_content&task=view&id=1116&Itemid=65.

³⁵⁸ "NATO Supports Moldova's Territorial Integrity," Nato Bucharest Summit Website, accessed December 17, 2009, http://www.summitbucharest.ro/en/doc_206.html.

³⁵⁹ "Russia Endorses Six-Point Plan," *Civil Georgia*, August 12, 2008, accessed January 16, 2009, <http://www.civil.ge/eng/article.php?id=19069>.

d) The Armed Forces of Georgia must withdraw to their permanent positions

e) The Armed Forces of the Russian Federation must withdraw to the line where they were stationed prior to the hostilities. Prior to the establishment of international mechanisms the Russian peacekeeping forces will take additional security measures. (addition rejected: six months)

f) An international discussion on the future status of South Ossetia and Abkhazia and ways to ensure their lasting security will take place (addition rejected: based on the decisions of the UN and the OSCE)³⁶⁰

South Ossetia and Abkhazian secessionist leaders, Eduard Kokoity and Sergei Bagapsh signed the Six Point Ceasefire Plan after meeting with Medvedev in Moscow. Russia signed ceasefire on August 16 only after they reached 60 km to Tbilisi. On August 23, Russia declared the withdrawal of her army from Gori and Poti to the fronts stated in the six points of the ceasefire (into Abkhazia, South Ossetia and the “security corridor“ around South Ossetia). Gori and Poti occupations ended with suffering heavy damage and plunder of civilian property and military equipment. Most of the Russian troops left Georgian land, however, checkpoint installations remained in Karaleti, 6 km north of Gori and on the main road between Poti and Tbilisi; with addition of two Russian checkpoints outside of Poti.³⁶¹ On 26 August 2008, Russia announced their diplomatic recognition of independence of South Ossetia and Abkhazia, a blowing response to the West and countries which gave great importance to the territorial integrity and pro-Western tendency of Georgia.

Turkey and the EU watched the process with serious considerations that could create new conflicts in the fragile region. The questions arising from the reasons of eruption of the War can not be limited to an ethnic secessionist tension. Beyond ethnic conflict dimension, Russia exploits these and similar ethnic conflicts to ensure her political, economical, military and security interests, which in brief is to maintain military, political, economical and cultural Russian influence in her near-abroad. A recent report made by Swiss diplomat Heidi Tagliviani states that:

Georgia started the war, however it should not be confused with the question of responsibility, the extended series of

³⁶⁰ Andrew E. Kramer, " Peace Plan Offers Russia a Rational to Advance," *The New York Times*, August 14, 2008, accessed January 16, 2009, <http://www.nytimes.com/2008/08/14/world/europe/14document.html>.

³⁶¹ C.J. Chivers, " Russia Pulls the Bulk of Its Forces out of Georgia," *The New York Times*, August 23, 2008, accessed January 16, 2009, <http://www.nytimes.com/2008/08/23/world/europe/23georgia.html>.

Russian provocations, increasing in the spring of 2008, precipitated the war.³⁶²

Tagliviani Commission report also criticizes Russia's building of bases, activities of the Russian peacekeeping personnel, Russian claims of justification of war on the grounds of protecting Russian citizens by Russia's previous policy of providing Russian passports to the population of separatist regions.³⁶³ Tagliviani Commission report also criticizes Russia for excluding international community, increasing her military presence, statements of regime change and disintegration of Georgia, Russian recognition of Abkhazia and South Ossetia which is regarded "a serious erosion of international law".³⁶⁴

5.2. TOWARDS THE WAR BETWEEN GEORGIA AND RUSSIA OVER SOUTH OSSETIA

The Western support for the independence of Kosovo from historical Russian ally of Serbia, triggered Russia to seek security of Russian speaking minorities in the ex-Soviet landmass, manipulate waves of secessionism in line of her own interests and reassert her previous dominance around her "near-abroad".³⁶⁵ Georgia's application to join during NATO during Bucharest Summit in 2008, was gently refused with a promise to join in the future. This certainly led to increase in Georgia's security concerns and disappointment. Russia, even though being aware that this gently refusal was related to her stance on Georgia's possible accession to NATO, responded harder to curb a possibility of a future accession of Georgia to NATO apparatus and increased her troops in the breakaway Abkhazia and South Ossetia regions. Georgia perceived it as a solidification of occupation of internationally recognized Georgian territories and as evidence of Russian support for secessionists. Furthermore, Russia increased her peacekeeping troops and equipments in breakaway regions, provided Russian passports to secessionists, imposing visas on Georgian citizens entering Russia and expelled

³⁶² Svante Cornell, " Europe Exposes Russia's Guilt in Georgia," *Wall Street Journal*, October 1, 2009, accessed December 22, 2009,

<http://online.wsj.com/article/SB10001424052748704471504574446582737784064.html#printMode>.

³⁶³ Chivers, " Russia Pulls the Bulk of Its Forces out of Georgia."

³⁶⁴ *ibid.*

³⁶⁵ "USAK Gürcistan Krizi Raporu," Uluslararası Stratejik Araştırmalar Kurumu (USAK),, accessed January 16, 2009, 24-37.

<http://www.usak.org.tr//dosyalar/rapor/tANIvx8M96fa0KRSuxTSIHF9aC4HvU.pdf>.

some Georgians from Russia, implemented economic wine embargo, increased prices of and eventually cut-off oil and gas supply to Georgia.³⁶⁶

The reliability of fulfilling political and socio-economic demands of the post-Soviet independent states by being a member in the CIS, has been debatable even in Armenia which led to consideration long-term dependence on Russia to meet Armenia's interests and necessities in the long run. Grigoryan states that "gas policies" of Russia would lead to the dissolution of the CIS as an organization. He further states that, the EU, Council of Europe, OSCE and NATO, are based on democratic and socio-economic values unlike the CIS which is run by Russian interests, dominance and gas price imposition to the preferable country members of the CIS.³⁶⁷ Worsening of relations between Russia and ex-Soviet Republics (except Belarus, Armenia and to an extent with Central Asia states) are related to Russia's lack of providing a political and socio-economic model in contrast to the USA and the EU, which draws attention of the states of the Balkans, Black Sea and the Caucasus to getting closer with the EU.³⁶⁸ Russia just offers preferable conditions and refraining aggression to countries that are in good terms with her unlike in the past when she offered an ideology and set of principles related to it. Hard power does not merely contribute to regional or global leadership. What makes a country powerful in the long run is also related to her efficient soft power capabilities and assuring stability through her models/principles.³⁶⁹ According to Turkish think-tank Uluslararası Stratejik Araştırmalar Kurumu (USAK), Russia's opposing stance to USA dominance, is not regarded as a multi-polar world model at all.³⁷⁰ Russia mostly emphasizes her hard power capabilities and energy card rather than any viable principles and soft power capabilities in economic and political concepts, to become a regional and global power, which mostly backfired and increased reactions against her.³⁷¹

Under such circumstances, Georgia pushed for the process of integration with the EU and NATO, the intensification of relations with the USA, OSCE, UN and regional pro-western countries like Turkey, Azerbaijan, Moldova and Ukraine to break Russian military, political, socio-economic pressure and improve her political

³⁶⁶ Güner Özkan, "Gürcistan, Rusya ve Güney Osetya'da İkinci Raunt: Bir Savaş, Birçok Senaryo," August 11, 2008, accessed January 16, 2009, <http://turkishweekly.net/turkce/yorum.php?id=652>.

³⁶⁷ Stepan Grigoryan, "Solving South Caucasus Conflicts and Building Regional Security," *Turkish Policy Quarterly*, vol:5, no:2 (2006): 147.

³⁶⁸ "USAK Gürcistan Krizi Raporu," 33-37.

³⁶⁹ *ibid.*

³⁷⁰ *ibid.*

³⁷¹ *ibid.*

maneuvre capability, which has been severely limited by political and socio-economic effects of breakaway regions. These countries and institutions give an importance to a stable Georgia and this country's developing interaction with the Western institutions, norms, values and principles. They are also well aware of Russian influence and a heavy Russian response to an intensified Georgian and Western interaction. Georgia had sought for replacing Russian troops in conflict zones with the OSCE, UN or EU peacekeeping troops and extending monitoring missions. OSCE had been regarded by Georgian government as unsatisfactory and ineffective in monitoring missions due to its small size of five observes and consultations that go nowhere beyond stressing refrain from military solutions.³⁷² However, heavy Russian role and veto power in OSCE and UN, plus energy dependence of the EU on Russia weakens hopes for altering Russian influence in Georgia, even under an optimistic scenario of changing Russian troops with multilateral peacekeeping forces, under these circumstances.³⁷³

Russia has been frustrated with her relatively limited role with rising American influence through the strong Turkish-Azerbaijani-Georgian cooperation in energy, business, political and transition issues. Baku-Tbilisi-Ceyhan, Shah Deniz and Baku-Tbilisi-Kars projects undermined Russian dominance in the region. Azerbaijan and Georgia approached to the West by breaking this dependency with neighbouring Turkey's role, energy and multi-dimensional cooperation projects. On the other hand, problems were still evident in Nagorno-Karabakh, South Ossetia and Abkhazia issues. Russia was waiting for the right time and opportunity to exert its power on the world stage, to bring back bipolar or multipolar order to the world to balance her position against the West, in other words, the USA in particular and the EU. Russia expressed her disapproval of USA actions after 9/11 events that led to Wars in Afghanistan and Iraq. The USA secured her energy and security interests to an extent with the new regimes, however chaotic atmosphere in the Middle East has still been evident which hampered Russian interests as well as other neighbouring powers due to unilateral American military actions. Western role in the Caucasus and Eastern Europe conflicted with Russian "Near-Abroad" policy, as well.

³⁷² Özkan, " Gürcistan'da Yeni Yönetim," 239.

³⁷³ *ibid.*

5.3. REGIONAL RESULTS OF THE 2008 SOUTH OSSETIA WAR

5.3.1. Russia

In brief, Russia gained her chance to return to the world stage effectively with 2008 South Ossetia War, test the security of East-West corridor, and pursue her interests, dominance and interests in the Caucasus and in her near-abroad through Georgia. Russia seems to finalize separating Abkhazia and South Ossetia from Georgia by recognizing their independence, which could pave a way for reunification with Russia. Russia also warned Poland, Ukraine, Moldova and Azerbaijan against conflicting with Russian interests such as Poland anti-missile program supported by the USA, warned the EU and Turkey on their energy and trade dependency.

Heavy USA and EU role in Eastern Europe and Caucasus will strengthen more with a "Russian threat" perception which was the main catalysis of the Cold War period. The presidential elections and the victory of Democrat's candidate Barack Obama also contributed to a new wave of hope for a change in the strategies carried out by the USA during George W. Bush period, such as securing her interests through military and unilateral actions. It is to the USA's advantage to divert criticisms on her policies in Iraq and Middle East by pointing attention to Russian policies. As the pragmatic ally of Russia, Iran would be happy to an extent with a relative reduction in the western influence in the Southern Caucasus, thus Russia would extend cooperation with Iran, as long as not conflicting with her own interests. On the other hand, Iran's role would still remain limited due to the USA blockade against Iranian Nuclear Program and Iranian influence potential is highly linked with the preservation of a pragmatic relationship with Russia.

5.3.2. Georgia

Georgia suffered heavy damages on her military, social, and economic structure; moreover the humanitarian disasters, loss of human life and increasing number of refugees could reopen the wounds of the post-Soviet conflicts which were relatively healed. Non-efficient American support did not lead to a questioning of the American role in the prelude to the conflict. According to Lasseter, even the Georgian opposition, both the political elite and public, is anti-Russian and Western-oriented, a

potential departure of Saakashvili will not bring a pro-Russian Georgian leader. Anger for Russia and her actions are widespread in Georgia.³⁷⁴ In the post-Rose Revolution and pre-South Ossetia War period, according to Esadze, sociological surveys showed that around 80% of Georgians are in favour of the EU integration and committed themselves to a European identity.³⁷⁵ Georgian people and political elite (pro-Saakashvili and anti-Saakashvili) protested Russian occupation and bombardment, stood side by side with their President as a symbol of their country's resistance when Russian troops stopped at 25 miles away from the capital, Tbilisi.³⁷⁶ According to Goble, even opposition that accused Saakashvili's strategies in the war and his relative authoritarianism, refrained to be highly vocal on criticizing him in order to prevent strengthening of Russian position and dismantling the unity of the nation in time of war.³⁷⁷ Russian analyst Markedonov also states that the confrontation between the Georgian government and opposition would lead to weakening of Mikhail Saakashvili but would not result in a pro-Russian position and there is no point for Russia playing a political force in Georgia.³⁷⁸

Georgia, even though suffered heavy casualties and the Western world refrained from getting at odds with Russia, could maintain an acceleration of Georgian integration to the EU and NATO structures in order to defy a more rigid response of Russia. Since 7 August 2008, The EU allocated 6 million Euro's in humanitarian aid for people affected in South Ossetia and other regions in Georgia by the 2008 South Ossetia War.³⁷⁹ The aid is still being distributed by non-governmental organizations, specialized UN Agencies and the Red Crescent/Red Cross. Individual EU countries has also contributed another 8.4 million Euro's as humanitarian aid.³⁸⁰ An international donor's conference for aiding Georgia's economic and humanitarian recovery was held in Brussels on 22 October 2008 under the leadership of the World Bank and 4,55

³⁷⁴ Tom Lasseter, "Georgia Unites Behind President, Russian Assault Strengthens the Leader's Standing," *Georgian Daily*, August 31, 2008, accessed January 16, 2009, http://georgiandaily.com/index.php?option=com_content&task=view&id=7029&Itemid=133.

³⁷⁵ Londa Esadze, "EU enlargement and Southern Caucasus: Rethinking the State and Combat Corruption in Georgia," *Caucasus University*, 3, accessed January 16, 2009, <http://www.csb.ge/e/htm/research/publication/intas/Londa%20Esadze%20-%20EU%20enlargement%20and%20Southern%20Caucasus.pdf>.

³⁷⁶ Lasseter, "Georgia Unites Behind President."

³⁷⁷ Paul Goble, "Georgian Opposition to Saakashvili is Not and Will Not Be Pro-Russian, Moscow Analyst Says" *Georgian Daily*, September 11, 2008, accessed January 16, 2009, http://georgiandaily.com/index.php?option=com_content&task=view&id=7570&Itemid=133.

³⁷⁸ Sergei Markedonov, "There Are No Pro-Russian Politicians in Georgia," *Eurasian Home Analytical Resource*, May 19, 2009, accessed December 22, 2009, (<http://www.eurasianhome.org/xml/t/expert.xml?lang=en&nic=expert&pid=2015>)

³⁷⁹ "EU-Georgia Relations."

³⁸⁰ *ibid.*

billion US Dollars allocated (which 2 billion of it as granted money and the rest as loan) for the reconstruction of post-war Georgia.³⁸¹ External affairs commissioner Benita Ferrero-Waldner stated that 110 Million Euro's would be allocated to support an estimated 20000-30000 internally displaced people.³⁸² On the other hand, the EU's dependence on energy, especially on natural gas from Russia (leads the EU's reluctance to politically confront Russia but preferring to use economic means instead) should not be ignored in the process of a possible integration of Georgia into the EU and NATO. In terms of relations between the EU and Georgia, it can be said that the EU would continue contributing rehabilitation and reconstruction process in Georgia and this country is very critical for the strategic/economic interests of the EU. Nevertheless, Georgian demands from the EU will be security oriented and this challenges the EU undeniably in the near future as Georgian state Minister Giorgi Baramidze states :

It is important not to overlook the security issues, because without durable security and stability, it will be extremely difficult to reach the goals that the Eastern Partnership has. It is important that the Eastern Partnership must include issues of conflict resolution, such as the one between Russia and Georgia.³⁸³

Alexander Duleba, the director of the Research Center of the Slovak Foreign Policy Association comments on the problems arising from regional tensions and the EU's internal discussions on the role the EU should play in the region with regard to soft power/hard power capabilities:

What you need if you want to help Georgia is to de-securitize the Eastern European Agenda, because the more security is on the agenda, the fewer opportunities for the EU to work with soft power capabilities. In this regard, it is impossible to formulate an efficient regional policy framework if Russia is excluded.³⁸⁴

Nevertheless, Georgia suffered a heavy burden on her sovereignty and her existence as a sovereign country is uncertain in the long term, in case of the massive damage exerted on the Georgian military by Russia. Jon Chicky stresses the importance of contributing territorial defense training and aid to the Georgian military, unlike Train and Equip Programs that aimed at counter-insurgency and stabilization operations for expeditionary operations that Georgia accepted to carry out in support for operations in

³⁸¹ Papava, " Georgia's Economy," 207.

³⁸² "EU-Georgia Relations."

³⁸³ Lili Di Puppo, "Caucasus: The EU seeks broader ties with Armenia, Azerbaijan and Georgia in 2009," *TURKISHNY*, January 7, 2009, accessed May 2, 2009, <http://www.turkishny.com/tr/ingilizce-haberler/1046-caucasus-the-eu-seeks-broader-ties-with-armenia-azerbaijan-and-georgia-in-2009-.html>.

³⁸⁴ Di Puppo, "Caucasus,"

Afghanistan and Iraq. Georgia must at least be capable of keeping order and security in her unoccupied territories and pose a deteriorating stance against any potential instable threats. Chicky also urges the importance of establishing a Membership Action Plan for NATO to transform Georgian military capable of defending herself but also capable of joining operations with NATO member states and carry out tasks initiated by a Membership Action Plan. In this sense USA, NATO and a possible EU contribution to assist rebuilding process of Georgian military in training and financial assistance to meet her urgent needs are necessary. Georgia's serious political problems and separatist conflicts would encourage Russia more to exert her influence in Georgia as a country aspiring for permanent integration in every sphere with the Euro-Atlantic Community. Therefore, Georgia and countries in the similar position like Moldova and Ukraine demand more of a territorial defense capability rather than contributing troops to expeditionary missions in Afghanistan and Iraq, so NATO must formulate effective policies and strategies in order to balance this reality and also counter the worsening situation in Afghanistan and other posts.³⁸⁵

5.3.3. Turkey

Turkey, while concentrated on incidents in the South-East and Middle East unexpectedly faced with such a crisis 100 km away from her northeast border which had the potential of spreading on itself. American navy aids that were sent to Batumi through Black Sea by crossing the Black Sea reminded the historical lessons of the political background led to entering World War I, thus Turkey acted effectively cautious for reprisal of such a disaster. In the light of these realities, Turkey faces big challenges and also opportunities with this crisis. Turkey turned out to be a zone of negotiation for all warring parties and acted as a mediator to bring a peaceful resolution to the conflict. Turkey would pursue neutrality policy without alienating Georgia and Russia, because relations with both countries are geostrategically important for Turkey: Georgia is her good neighbour, partner to BTC, BTE, Shah Deniz and BTK projects, only safe gateway to Azerbaijan and Central Asia, also as a buffer-zone to Russia. Russia is Turkey's "dear rival" which she is highly dependent on for energy (like the EU member states), has strong economic, political, criminal and touristic cooperation and has strong presence in Caucasus and Black Sea that should be taken into consideration. Turkey warned against rising tensions in the Black Sea due to the

³⁸⁵ Chicky, *The Russian-Georgian War*, 8-10.

existence of American Navy coming for aid to Georgia, but also supported territorial integrity of Georgia.³⁸⁶

In other words, Turkey had to formulate policies to secure her policy objectives in the post-cold war period. Strengthening relations with Azerbaijan-Georgia zone, resolution of problems in order to have normalized relationship with Armenia and maintaining cooperation and interdependent relations with Russia are of utmost importance to Turkey to preserve her stability and security interests. Escalating Russia-Georgia tension and potential disintegration of Georgia would hamper Turkey's interests and efforts of stability and cooperation in the region extending to the Central Asia. In case of opportunities and challenges, trilateral and bilateral relations between Turkey-Azerbaijan-Armenia would likely to pave into a new direction as a result of consequences of the 2008 South Ossetia War.

5.3.4. Armenia

Armenia was much more seriously effected by the 2008 South Ossetia War due to the fact its sole access to the Western world and market was seriously hampered. The 2008 South Ossetia War caused an estimated 500-600 Million US Dollar blow and temporary disruption of transportation and communication with the world.³⁸⁷ Furthermore, global tensions regarding Iran would literally disrupt Armenia's interaction with the World. Thus, Armenia needs to reassess her problematic and hostile policies against Turkey and Azerbaijan, find ways of normalizing relations with her neighbours to have alternative and shorter access to the world, which would lead to stability to the region, establishment of long-lasting cooperation and confidence.

Armenia also has the objectives of integration to Western political, economical and security structures however hostile relations with Turkey and Azerbaijan due to political and historical based conflicts, friendly relations with authoritarian Russia-Iran, lack of energy resources and not so well relations with Georgia due to Georgia's good relations with Turkey and Azerbaijan has made Armenia bypassed in political dialogue and energy/transit routes extensively. Therefore, Armenia does not afford to lose

³⁸⁶ "Press Release Regarding the Independence of Georgia," Turkish Ministry of Foreign Affairs, accessed January 16, 2009, http://www.mfa.gov.tr/no_158_-26-agustos-2008_-gucistan_in-bagimsizligi-hk_en.mfa.

³⁸⁷ Osman Sert, "Ermenistan'a Hava Ulaşımında Sınırlamalar Kalktı," *CNN Türkiye*, September 16, 2008, accessed January 16, 2009, <http://www.cnnturk.com/2008/turkiye//09/26/ermenistana.hava.ulasiminda.sinirlamalar.kalkti/494890.0/index.html>.

advantages of good relations with Russia and Iran in the short run, on the other hand Armenia considers dominance of relations with these two authoritarian states in the long run. Russia has been frustrated with her relatively limited role against rising American influence with the strong Turkish-Azerbaijani-Georgian cooperation in energy, business, political and transition issues, therefore attached greater importance to Armenia.

5.3.5. Azerbaijan

Armenia's direction to normalize relations with Turkey and Azerbaijan, would not only lead to regional economic and political stability, but also to Armenia's integration with the Western world and markets through Turkey with projects like the BTC, Shah Deniz, TRACECA and INOGATE. It is also supported by some groups in Armenia that overdependence on Russia is not fruitful compared with a Western orientation, thus normalization of relations are for the benefit of all every parties, except relatively less for Russia and much less for Iran. A resolution between Turkey/Azerbaijan- Armenia relations would weaken Russian influence in the region and contribute to weakening of the theocratic regime in Iran. A western leaned Armenia is undisputedly for the benefit of the EU also. Nevertheless, Azerbaijan and several groups in Turkey point the risks of a relaxed Armenia reasserting on her territorial claims and political stance against Turkey and Azerbaijan, which in turn would weaken Turkey-Azerbaijan geostrategic partnership and increasing Russian and Iranian influence. In this sense, Azerbaijan realizes that a renewed Azerbaijan-Armenia conflict would make things worse with a similar fashion observed in the 2008 South Ossetia War, thus Azerbaijan refrains from military action for the time being against a possible Russian intervention or an attack to Azerbaijani energy facilities which the economy is heavily relied on. On the other hand, Azerbaijan is firmly cautious that any prospect for normalization between Turkey and Armenia without the end of the occupation in Karabakh, would backfire and end disastrously.

Apparently, the problems between the "trio" are very complicated and serious that should not be underestimated: so-called genocide claims, occupation of 16% of the Azerbaijani lands and open statements on unrecognition of Turkey-Armenia border in the Declaration of Independence of Armenia, pose serious obstacles to the normalization of relations. New Armenian president Serzh Sargsyan's invitation of Turkish president Abdullah Gül to Armenia-Turkey World Cup 2008 qualification

match can be considered as a sign of a wind of change after hardline Robert Kocharian period that ended low scale progress caused by the moderate policies of Ter-Petrosyan era. Discussions were widespread in Turkey and Azerbaijan over accepting such an invitation to go to Yerevan. Discussions focused on whether going would contribute to dialogue the establishment of a basis for dialogue for the discussion of problems, for strengthening peacekeeping and mediator image of Turkey after South Ossetia War. It was also discussed that refusing such an offer, would lead to losing a chance to normalize relations for another decade and preserve the status quo of frozen problems. On the other hand, going to Yerevan could seem like a compromise to Armenian claims that threaten and target Turkish security and relations of Turkey with other countries in the world, harm Azerbaijan's position in the Nagorno-Karabakh Dispute and lead to relative worsening of relations of indispensable importance between Turkey and Azerbaijan.

Eventually, Turkish president Gül decided to go to Yerevan. It can be early to say but in time to predict possible scenarios as observed above, but for now a warming up in relations can not be out of question and up to a considerable extent a political confidence and breaking up the psychological barriers between the three communities were established. However, the seriousness of obstacles in relations and geostrategic realities of the region should not be underestimated. Especially, the EU's approach consists of ignoring the non-recognition of Turkish-Armenian border issue by Armenia, but pressing for the lift-off of the Turkish blockade on Armenia by taking a lenient attitude towards Armenia on the Nagorno-Karabakh dispute and the so-called genocide claims. Without a solution on border unrecognition issue, it would be out of question to bring a long-lasting resolution and all projects related to stability and cooperation to the region would be fruitless without eliminating sources of political distrust and lack of confidence.³⁸⁸ Arif Keskin also points out the dangers of reckless managing of the Turkish-Armenian talks, which would lead to a severe blow to Turkey's security, political, economic, energy and transportation interests which are mainly centered around Azerbaijan's position and a mismanagement would lead to a serious deterioration between Turkish-Azerbaijani relations. It will also increase Russian and Iranian influence in the region and pose a significant threat to Trans-Atlantic Community's energy and transportation projects.

³⁸⁸ Sedat Laçiner, " Azerbaycan'ı Verip, Ermenistan'ı Alamamak," *Turkish Weekly*, April 18, 2005, accessed January 16, 2009, <http://www.turkishweekly.net/turkce/makale.php?id=79>.

Russian and Iranian policies would also influence the process of negotiations, however given their strong relations with Armenia for their interests in the South Caucasus region, it would be unlikely for them to lose privileges of this relations. Armenia would try to ease the blockade on itself without giving up her historical and territorial claims from her neighbours (Turkey and Azerbaijan). Russia and Iran would prefer to damage the relations between Turkey and Azerbaijan, as well as between Georgia and Trans-Atlantic Community by testing the trust and confidence factor in their relations.³⁸⁹ Keskin also emphasizes that Russia gave a military grant of 900 million US Dollars and a 600 Million US Dollars of Russian to Armenia and points out the increasing Iranian attention to Armenian energy and defense sector. According to Keskin, Turkish-Armenian talks must be kept in parallel with progress in the Nagorno-Karabakh dispute between Azerbaijan and Armenia, which a stagnation in one of this legs would lead to a failure of a sustainable and justified resolution.³⁹⁰ Prime Minister Recep Tayyip Erdoğan also restated Turkish Government's stance in Azerbaijani Parliament that Turkish-Armenian border will not be opened until Armenian occupation ends in the Azerbaijani territories during his visit on May 13, 2009 to Baku.³⁹¹

Sinan Oğan also points out that Armenian Strategic Security Document, views the strong geostrategic alliance of Turkey and Azerbaijan as the biggest threat to Armenia's security. Therefore Armenia, Russia and to an extent Iran would regulate the recent diplomatic process seemingly to reach a solution meanwhile attempting to deteriorate the strong alliance between Turkey and Azerbaijan.³⁹² After the 2008 South Ossetia War, Russia has been campaigning for a more influential and assertive role in the resolution process in the region.³⁹³ The signing of the "Diplomatic Protocols" (first one titled as Establishment of Diplomatic Relations between Republic of Turkey and Republic of Armenia, second one titled as Development of Bilateral Relations between Republic of Turkey and Republic of Armenia) between Turkey and Armenia took place on 10 October 2009.³⁹⁴ The protocols aimed at opening the Turkish-Armenian border

³⁸⁹ Uslu, " Turkish Foreign Policy," 166

³⁹⁰ Arif Keskin, " Türkiye-Ermenistan Açılımı: Bir Stratejik Yanlışlığın Anatomisi," *Uluslararası İlişkiler ve Stratejik Analizler Merkezi*, August 1, 2009, accessed August 10, 2009, <http://www.turksam.org/tr/a1741.html>.

³⁹¹ " Erdoğan: İşgal Bitmeden Sınırlar Açılmaz," *Radikal Gazetesi*, May 13, 2009, accessed April 17, 2010, <http://www.radikal.com.tr/Radikal.aspx?aType=RadikalDetay&ArticleID=935713>.

³⁹² Sinan Oğan, "Ermenistan ile İmzalanan Protokoller ve Bundan Sonraki Riskli Sürecin Analizi," *Uluslararası İlişkiler ve Stratejik Analizler Merkezi*, October 12, 2009, accessed October 28, 2009, <http://www.avsam.org/tr/a1822.html>.

³⁹³ Pashayeva, " The Nagorno-Karabakh Conflict in the Aftermath of the Russia-Georgia War," 62-63.

³⁹⁴ Mitat Çelikpala, "Türkiye-Ermenistan Protokolü Sonrası," *Uluslararası İlişkiler ve Analizler Merkezi*,

within two months after the entry of the protocols, conduct regular political consultations, formation of an impartial commission to discuss historical disputes to define existing problems and make recommendations, formation of a bilateral commission monitor implementation of the protocols and establish diplomatic relations by exchanging diplomatic missions.³⁹⁵

The influential Russian role on the Nagorno-Karabakh mediations, was evident in the "Moscow Declaration"(which reaffirms importance of the continuation of OSCE mediation efforts and a possible resolution should be based on international law and norms) which was signed on 2 November 2008 between Azerbaijan and Armenia and also mediating of the "the Speech Crisis" (which erupted after Turkish and Armenian foreign ministers wanted to make separate afterwards speeches indirectly on Nagorno-Karabakh and other problematic issues) after the signature ceremony in the host country, Switzerland.³⁹⁶ Nevertheless, the protocols have not been ratified by the Turkish and Armenian parliaments due to local opposition against the nature of the protocols perceived as conflicting with their interests, for Turkey, exclusion of Nagorno-Karabakh Dispute which triggered strong Azerbaijani reaction and for Armenia, opening the discussion of the so-called Genocide claims and unrecognition of Turkish-Armenian border according to the Kars Treaty".³⁹⁷

On the other hand, it can be said that dialogue based approach on sources of tension can be fruitful due to changing political environment and circumstances for both parties. Turkey-Azerbaijan-Armenia dialogue can be realized, but for long-term and long-lasting consequences, time will show how decision-makers, negotiation mechanisms and regional dynamics will direct the process. Meanwhile the EU, should not ignore the problems and refrain from recklessly pressuring for their interests which are believed to work for stability of the region but in fact ineffective unless a resolution is established. Developing NGO's and youth organizations that have the agenda of political resolution, dialogue and second track diplomacy would contribute to the breaking of psychological barriers and prejudices in the minds of communities thus opening channels between civil societies that could press and lobby for a long-lasting

October 5, 2009, accessed November 23, 2009, <http://www.turksam.org/tr/a1810.html>.

" Turkey-Armenia Ink Historic Accord," *Al Jazeera*, October 11, 2009, accessed November 23, 2009, <http://english.aljazeera.net/news/europe/2009/10/20091010181935891322.html>

³⁹⁵ Official Protocol Texts from Turkish Ministry of Foreign Affairs Website, accessed January 16, 2009, <http://www.mfa.gov.tr/data/DISPOLITIKA/t%C3%BCrkiye-ermenistan-ingilizce.pdf>.

Official Protocol Texts from Armenian Ministry of Foreign Affairs Website, accessed January 16, 2009, http://www.armeniaforeignministry.com/pr_09/20090831_protocol.pdf.

³⁹⁶ Sinan Oğan, "Ermenistan ile İmzalanan Protokoller ve Bundan Sonraki Riskli Sürecin Analizi."

³⁹⁷ " Erdoğan: İşgal Bitmeden Sınırlar Açılmaz."

resolution, economic development and stability in the region. On the other hand, King points out that international negotiation mechanisms could be useful for the leadership of the separatist regimes. Initiatives of international negotiators of accepting representatives of the separatist regimes and urging for commercial activities between conflicting parties without any progress, bring an inevitable prospect of recognition, thus facilitating and legitimizing their institutionalized statehood in the expense of weakening of confidence with the central recognized governments of Azerbaijan and Georgia.³⁹⁸

5.3.6. The EU

The EU is also concerned with strong Russian response during the South Ossetia War which was the strongest after the break-up of the Soviet Union. Uncertainty of the Russian policies, the EU's strong dependency on Russian oil and gas sector, geostrategic and economic interests of the EU in the Caucasus region, stability of Georgia and potential spread of instability in Ukraine, Moldova and Azerbaijan which are leaning to the West are important matters that shape up the EU policy orientation towards the region. A similar Russian response on continental Europe could be expected. Despite their differences on the measures to be taken against Russia, the EU countries and Turkey are in solidarity to refuse to recognize the independence of Abkhazia and South Ossetia and they support the territorial integrity of Georgia.³⁹⁹

The EU Emergency Summit on 1 September 2008 discussed the events of the South Ossetia War and reached to an agreement to postpone negotiations with Russia on a new partnership pact until Russian troops redeployed to pre-conflict positions. The EU also decided to reconsider relations with Russia and condemn Moscow's recognition of South Ossetia and Abkhazia as independent states.⁴⁰⁰ Even though, the EU has her incapacibilities and considerations about Russia, the EU has her interests of an effective cooperation framework with Russia, especially on Afghanistan and energy issues. However, Georgia's survival as a democratic and stable zone to be an example of in the former Soviet space and her geostrategic position as an energy network transporting energy reserves in Caucasus and Central Asia, which decreases the EU's dependence on Middle East and Russian energy reserves. The EU would need to assist

³⁹⁸ King, "The Benefits of Ethnic War: Understanding Eurasia's Unrecognized States," 549.

³⁹⁹ "Press Release Regarding the Independence of Georgia," Turkish Ministry of Foreign Affairs, accessed January 16, 2009, http://www.mfa.gov.tr/no_158_-26-agustos-2008_-gurcistan_in-bagimsizligi-hk_en.mfa.

⁴⁰⁰ "EU-Georgia Relations."

Georgia more than ever to meet difficulties arising from the 2008 South Ossetia War to rebuild economy, military, security and reform processes. If Georgia's desire of intergrating with Euro-Atlantic Community is realized and nature of her internal challenges arise from external pressure rather than Georgian communities' refusal of democratic principles or weak democracy culture, thus the EU will assist Georgia. Giving up Georgia, would likely to result in absolute dependence on buying and transporting Russian and chaotic Middle Eastern energy reserves.

5.4. CONCLUSION

The aftermath of the 2008 South Ossetia War has brought radical changes to all parties concerned with the Southern Caucasus region. While Russia has reasserted her power in the region and sought to play a more active role in the resolution process of the conflicts, Georgia has entered a far more challenging period of reconstruction of the damages of the war and the *de facto* annexation of South Ossetia and Abkhazia. As the prospects of a reconciliation between Georgia and Russia is not a possibility in the short or medium term, international and regional actors have diverted their attention to balance the factors of instability by accelerating the resolution processes of the Turkey/Azerbaijan-Armenia disputes. As the results of the war more or less affected all the other parties concerned, it is clear to say that regional leaders have begun to reconsider their position in the long term as long as the *status quo* remains between Turkey/Azerbaijan-Armenia. While the EU and the USA as global powers, have been seeking to reach a "solution as soon as possible"; Turkey and Azerbaijan seek to conclude this process carefully without harming their security interests (especially their strong geostrategic partnership) through reckless management of the negotiation process , meanwhile Armenia seeks to expand her political maneuvering with the help of Russia and weaken the blockade on herself without giving up her territorial claims and occupation in Karabakh.

As the 2008 South Ossetia War complicated already complex and interconnected problems of the region, many questions arise mainly on the situation of Georgia, normalization process between Turkey and Armenia, future of the unresolved *status quo* of the Nagorno-Karabakh dispute, future roles of Russia, the EU and the USA in the region and also the increasing tensions between Iran and the USA. The aftermath of the conflict has directed the political leaders to reach a settlement rather than covering up the problems, the efforts have not brought up an evident sense of

progress to the problems yet. Therefore, careful management of these sensitive issues, strong information flow, broad vision for long-term settlement and efforts for future cooperation are extensively required to be stressed.

CONCLUSION

Results of this thesis indicate that the policies of the EU, Turkey and Southern Caucasus states influence each other and they have an interdependent and interconnected network of relations. Briefly Turkey-Azerbaijan/Georgia-the EU relations are positively influencing each other, Turkey/Azerbaijan-Armenia-the EU relations are negatively doing so. Other actors such as USA, Russia and Iran will also play significant parts in the shaping of these relations in line with their interests and activities. Peaceful resolution of separatist and inter-state conflicts, successful transition of Southern Caucasus states to democracy, market economy, stability and resolution of security issues arising from terrorism and energy, establishment of regional cooperation and environmental considerations will be on the agenda as challenges facing the regional and external actors. As regional polarization is much more evident compared to regional cooperation, new areas for competition such as energy politics and related frozen conflicts will intensify the level of competition between regional and non-regional actors.

In order to maintain stability and security in the region, multilateral confidence building has to be fixed which is currently vague due to divergent stances of the Southern Caucasus countries, because of their interlinked but highly different geostrategic situations. Azerbaijan and Georgia have pro-western political orientation with varying degrees and see Russia as a threat to their sovereignty; thus integrating with EU and NATO is regarded crucial for internal and external security. Enhancing a stronghold position in the Western World would defy security threats, bring stability and manage to co-operate with Russia on equal basis by moving away from Russian sphere of influence and maintain relations on a more favourable basis. Even though no official application for the EU membership is made by Georgia yet, President Saakashvili has been known for his rhetoric and Georgian people's aspirations for future application to European and North Atlantic structures. Nevertheless Georgia seems likely to prioritize security and concentrate her efforts on NATO firstfully.⁴⁰¹

⁴⁰¹ İpek Cem, "İpek Cem'le 'Dünyayı Yönetenler': Mikhail Saakaşvili," *Global Leaders*, November 22, 2006, accessed May 12, 2009, http://www.global-leaders.tv/arsiv/mihail_saakasvili.asp. cited from Demirağ, "EU policy," 104.

Likewise Azerbaijan has not applied for full membership status and was less outspoken about it. On the other hand the expressions for the importance given to close relationship, cooperation, common projects with the EU and EU's possible contribution to the resolution of Karabakh conflict could imply Azerbaijan's long term aspirations for integration with the EU.⁴⁰² In 2004, İlham Aliyev stated in a meeting with the EU commissioner Romano Prodi that extension of ENP to Azerbaijan is welcomed for the sustainable support for political, economical and social reforms and furthered his remarks:

Azerbaijan's strategic policy towards integration into European structures continues, and today's visit confirms that once again. We made that choice ten years ago, and Azerbaijan is moving very actively and quickly into the more active integration with Europe.⁴⁰³

In a recent interview, İlham Aliyev states that:

Azerbaijan's current strategic choice is integration in Europe, European family and institutions. Azerbaijan is strongly committed to this policy. We will do our utmost so that Azerbaijan meets all standards and criteria peculiar to Europe. Our policy is such and we have been pursuing it for a long time. Current events in Azerbaijan are the results of this continued policy.⁴⁰⁴

Armenia would, in the short term at least, rely on Russia, Collective Security Treaty Organization (CSTO) and Iran rather than wider integration with the EU and Western institutions due to conflicts with Turkey and Azerbaijan.⁴⁰⁵ Despite Armenian opposition's support for the EU membership, former president Kocharian stated that relations with Russia and CSTO are crucial for Armenia than the relations with the EU and NATO.⁴⁰⁶ Thus, Armenia seeks to balance their relations with Moscow, Tehran, Washington and Brussels.⁴⁰⁷

Election of Serzh Sargsyan in 2008 initially brought an uncertainty about Armenia's orientation and future accession to Trans-Atlantic structures. Sargsyan is known to be a right-wing hardline politician on the same line with Robert Kocharian, however he took radical steps in the normalization of relations with Turkey and

⁴⁰² "Azerbaycan AB ile işbirliğine Açık," AB Haber, October 12, 2008, accessed May 12, 2009, <http://www.abhaber.com/ozelhaber.php?id=1724>

⁴⁰³ Lobjakas, " Azerbaijan: EU Keen to Get Involved In Nagorno-Karabakh Peace Process,"

⁴⁰⁴ "President of Azerbaijan: Priorities/Foreign Policy." Official Website of the President of Azerbaijan, September 18, 2006, accessed November 12, 2008, http://www.president.az/browse.php?sec_id=34.

⁴⁰⁵ Ocak, "Pivotal State." 36.

⁴⁰⁶ "Armenia Says Not Aiming for NATO, EU Membership," *Radio Free Europe/Radio Liberty*, July 16, 2007, accessed January 8, 2008, <http://www.rferl.org/content/Article/1077640.html>.

⁴⁰⁷ Cornell, *Small Nations and Great Powers*, 330-331.

Azerbaijan. It is a matter of dispute whether it is a wind of mentality change in Armenian political elites or a temporary pragmatic approach to gain the support of pro-Ter Petrossian opposition in favour of normalization of relations with Turkey and Azerbaijan. In fact, Armenia is currently in a process of foreign policy reconsideration of her medium and long-term aspirations due to recent geopolitical dynamics and various potential problems emanating from her overdependence in political and economical terms to Russia and Iran. In a 2008 interview, Sargsyan stated the importance of a stronger role and programme of cooperation with NATO for the region's and Armenia's security, increasing trade, commerce and contacts with the EU. However he also stressed their strategic partnership with Russia and stressing accession to NATO was unnecessary (for the time being) by giving non-NATO member EU states as examples.⁴⁰⁸

Nevertheless, relations between the EU and Southern Caucasus states will gain a new impetus in the near future. Dialogue between the parties will be enhanced and Turkey will play an undeniable role in this. Azerbaijan and Georgia's good relations with Turkey will bring them much more closer with the EU, different from Armenia whose relations with the EU are highly coordinated through the Armenian Diaspora. Although, Armenia is likely to adopt a closer approach with the EU by warming of relations with Turkey and Azerbaijan, Armenia's problematic relations with Turkey and Azerbaijan would maintain the country reliant on Russia and Iran. Reconsidering Armenia's long-term reliance on Russia and Iran, the Armenian Diaspora might face difficulties in lobbying Armenia's interests in the EU and the USA in the medium and long term as well.

In 2002, European Parliament expressed that Georgia and Armenia may become full members to the EU in the future. Torben Holtze, head of the European Commission's representative located in Tbilisi for Georgia and Armenia also gave positive remarks.⁴⁰⁹ However, given the full agenda of the EU about the future of the Constitutional Treaty, and considering the accession processes of Turkey and Croatia, South Caucasus states' future accession is not expected very soon. However, relations between the EU and South Caucasus States will be deepened and strengthened due to various overlapping political, economic, energy and security interests. Turkey will

⁴⁰⁸ Christophe Midol-Monnet, "Interview with Serzh Sargsyan," *Euronews*, October 10, 2008, accessed January 16, 2009, <http://www.euronews.net/2008/11/10/sargsyan-armenia-joining-nato-is-not-on-the-agenda>.

⁴⁰⁹ Hans-Juergen Zahorka, "How Armenia Could Reach the European Union," *Libertas Institut*, accessed 17 September 2009, <http://www.libertas-institut.com/de/PDF/Armenia%20ante%20portas.pdf>.

inevitably play the bridge role between the actors and her accession to the EU would draw the Southern Caucasus States closer to the EU and implementation of the ENP objectives.

As stated in the introduction, partly because of diversity in the political and cultural orientation in the complex ethnic make-up of the Caucasus region and her neighbourhood, also partly because of the emergence of external powers with various overlapping and conflicting interests in the region, regional cooperation has not been fully realized. Grigoryan compares failures of the Southern Caucasus states with the successes of Baltic countries (Estonia-Latvia-Lithuania) in functioning as a single political, military, socio-economic entity and establishing joint cooperation in three categories: a) Existence of common aims and goals in of the countries in the region b) Common acknowledgement of major challenges and threats c) Common notion and acknowledgement of what the region is and to function as a single identity.⁴¹⁰ Baltic countries, after gaining their independence, set their objectives as construction of democratic and stable societies with integration with the EU and maintaining their security through integration with NATO. All Baltic countries acted together and supported each other during the process of meeting their interests, and there was a high political and public consensus on these goals. Although Southern Caucasus states stated their commitment to establish democratic societies, there is corruption, human rights violations, election frauds and censorship on media. After the "Rose Revolution", Georgia progresses on her process on democratization and reforms; despite increasing internal and external challenges, unlike Azerbaijan and Armenia. Baltic States perceived Russia as the main threat, meanwhile threat perceptions are varying of the the Southern Caucasus states (Turkey/Azerbaijan for Armenia, Armenia-Iran for Azerbaijan and Russia for Georgia). Polish Foreign Affairs Minister Sikorski also stresses the importance of regional cooperation initiatives by giving the successful example of "Visegrad Group" set up in 1991 by Hungary, Poland, Slovakia and Czech Republic in line with their EU integration process.⁴¹¹

Georgian public and political elite are almost in solidarity in their desire to become fully integrated members to the EU and NATO, especially after failure in NATO Bucharest Summit and 2008 South Ossetia War eradicated normalization of relations with Russia on short and medium term. Whereas Azerbaijan expressed her

⁴¹⁰ Grigoryan, " Solving South Caucasus Conflicts," 151.

⁴¹¹ Goldirova, " Eastern Partnership."

desire to integrate with the EU but not with NATO in the short-run, Armenia does not put integration with the EU and NATO on her foreign policy agenda in the short term. Baltic States had emphasized their common objective of establishing good neighbourly relations and promotion of sustainable regional cooperation to strengthen their relations with each and with their immediate and external neighbours after their independence. According to Grigoryan, all the varying stances of the Southern Caucasus states, on the question of integration with the EU and NATO are the results of geopolitics. In addition, different political, socio-economic and cultural orientations with varied perceptions of threat in the Southern Caucasus have been an obstacle in contrast to Baltic states which enjoy common political, socio-economic and cultural backgrounds.⁴¹²

In conclusion we can say that Southern Caucasus states are willing to join to the EU but have a lot of difficulties to deal with opening of negotiations by fulfilling Copenhagen Criteria's and the EU standards. Because of relatively young histories of these countries and relatively recent relations between the EU and Southern Caucasus states, their relations are not based on friendly and normalized terms as a whole yet. Hostilities and unsettled disputes still hamper development of the region. Maintaining a collective regional identity has not been realized as Baltic states succeeded in their relations with the EU. Diverse perceptions of the South Caucasus States and orientations of the EU member states lead to different expectations and objectives. The process is ongoing and question marks are still evident. What is certain is that Southern Caucasus states emphasize their positions in the European stage and their need to adjust their state-building, social-economic, political structures and institutions to that of the EU, because of geostrategic realities and socio-economic problems that are extensively related with ethnic conflicts. Unlike Southern Mediterranean countries of the ENP (Morocco, Algeria, Tunis, Egypt, Jordan, Syria...); Azerbaijan, Georgia, Armenia, Ukraine and Moldova are aware that ENP could be a transitional process because of their characteristics of having strong political, social, cultural, economic and structural links with Europe and the European countries. Thus giving them membership prospect has the potential, different from Middle East and North African countries of the Mediterranean which are politically and economically less-developed.

On the other hand, we should not overestimate the positions of Southern Caucasus states, as well as Ukraine and Moldova because they are still struggling with

⁴¹² Grigoryan, " Solving South Caucasus Conflicts," 151.

their internal and external problems such as the still ongoing but relatively stable process of transition from communism to capitalism, the young population does still have an identity crisis, they have huge unemployment rates and democratization problems. Also Russian influence factor will never disappear all of a sudden. Turkey's candidate status to European membership also creates strong relations mutually between Turkey, Azerbaijan and Georgia on their relations with the European Union, because Turkey is a gateway to enter to the Western World. Turkey also wants to use Caucasus as "the West in her East" (states which are geographically in the east, having problems similar to those in the Eastern/Middle Eastern countries, but culturally and politically linked strongly with Europe) as a pushing factor and the geostrategic importance of the Caucasus to accelerate the accession process to the EU as stated in the thesis frequently. In this sense, Turkey played an important role between the EU and the Southern Caucasus States in spite of her internal and external constraints. As relations with Azerbaijan and Georgia are almost cordial and good-working, resolution of problems between Turkey/Azerbaijan-Armenia would significantly maximize Turkey's role and stability prospect in the region through rational and careful management of their disputes.

Turkey's role would be enhanced as a key country with a Western orientation, aiding implementation of the EU's agenda for the Southern Caucasus states and establishing the transportation and energy corridor links between the EU and Southern Caucasus states. Turkey would facilitate stability in the region by her relatively proactive policies and through her integration process with the EU. On the other hand, huge number of actors with political, security and socio-economic interests in the Caucasus, heavy Russian role, difficult relationship with Armenia and chronic economic problems lead Turkey to act within a multilateral framework rather than acting unilaterally. Even though, all these factors limited Turkey's role to an extent, Turkey managed to play an important role in her political and economic relationship with Azerbaijan and Georgia. While relations with these two countries brought Turkey and the EU closer, relationship with Armenia has been a matter of dispute between Turkey and the EU. Nevertheless, Turkey is going to be a key actor in the Caucasus with her geostrategic position. Progress and stability (or regress and instability) in Turkey will therefore influence the Southern Caucasus with the same effect.⁴¹³ Nevertheless, Turkey also has serious internal and external political and economic challenges that hampers her focus and energy on actively operating for stability and

⁴¹³ Ocak, "Pivotal State." 76-81.

pursue her interests in the Southern Caucasus, such as the PKK terrorism in the South East, Cyprus Dispute and economic stagnation as a result of 2008 World Crisis. As Turkey's geostrategic position towards the Southern Caucasus is intact, the resolution of these challenges through a careful management and preserving Turkey's interests, Turkey would maximize her position efficiently as a key actor to interlink Southern Caucasus with the West and concentrate her energy on promoting cooperation in the region.

Without giving prospects of enlargement to Southern Caucasus states and promoting their efforts to adopt *Acquis Communautaire* and Copenhagen Criteria, the EU policies will not be very efficient in the region. Haukkala stresses that clear (material) incentives, prospect of full membership and recognition of the European identity are the elements that the EU can stimulate for political and economic reform process in its European partners on a reference basis perceived as "legitimate" .⁴¹⁴ The EU's promotion of her values, norms and the demand for their adoption within their political and economical system are justified through a consistent proposal for full membership, European identity and sharing the political and economic power of the EU. Therefore, the EU integration does not merely address material benefits, but also equally important problems evident in the post-Cold War era of belonging and identity, which justifies EU's stances and principles in the perspectives of EU partner states.⁴¹⁵ Not only Southern Caucasus states need to deal with their internal and external problems efficiently, but the EU also must prepare herself for the role she would play and arrange necessary measures to deal with the Southern Caucasus states and immediate neighbours.

It is a matter of great importance that the EU must contribute to the peaceful resolution of conflicts and disputes between warring parties in the region. The EU policies are ineffective as long as status quo of frozen conflicts remain unchanged. In addition to the dramatic effects of frozen conflicts' on political and economical stability, the conflicts led to the strengthening of the authoritarian tendencies of the governments, thus resulted in failure and ineffectiveness of reform and democracy movements.⁴¹⁶ The worsening conditions of IDPs and refugees also raise discontent and dissatisfaction for the slow-moving peaceful resolution efforts. Nuriyev states that more than 500.000 refugees from Nagorno-Karabakh and occupied neighbouring regions are

⁴¹⁴ Haukkala, " European Union," 1605.

⁴¹⁵ Haukkala, " European Union," 1606.

⁴¹⁶ Cornell and Starr, *The Caucasus*, 28.

strong pro-war groupings in Azerbaijan, where a poll made in 2004 showed that 84% of the refugees are in favour of a military solution.⁴¹⁷ The eruption of a new war will end any prospects of stability in the volatile Caucasus region, already trying with severe problems such as ethnic hatred, organized crime, corruption, human rights abuses, drug/human/weapons trafficking and radical Islamist terrorist groups. Therefore, the EU efforts should focus on frozen conflicts as the main resources of political, economic and social instability. The EU's soft power capabilities and mediator role would contribute to mediation process or at least to maintaining diplomatic grounds for the settlement of conflicts.

The EU's interests in the stability and prosperity in the region would likely to grow stronger in the following period, thus the EU is currently brainstorming on how to develop relations with the Southern Caucasus countries and formulate a strategy to highlight the EU's stance in the regional problems. Coming up with the most efficient strategy/framework is hard due to lack of near future membership prospects and difficulty in satisfying the demands of the Southern Caucasus states. In Georgia, politicians and public focus on security and stability dimensions in their relations with the EU. Especially after dramatic consequences of the 2008 South Ossetia War, the EU escalated her efforts for a partnership proposal, which was initially presented by Poland and Sweden last May. The EU's expanded cooperation was contained in a blueprint document distributed in early December by the European Commission. The blueprint envisions extended visa and free trade arrangements. The report examines the Southern Caucasus states, along with Ukraine, Belarus and Moldova. The Eastern Partnership policy inauguration took place with a summit of 27 EU member state governments and leadership of Southern Caucasus states, Ukraine, Moldova and Belarus on May 2009. Objectives and issues discussed were about facilitating cooperation between these six countries, creation of free trade areas between them and the EU, to invest in their energy and transportation networks, promoting human right, democracy and market economy.⁴¹⁸ Pawel Swieboda, director of the DemosEurope think-tank in Warsaw, states that the initiative is "partly aimed to accommodate Georgia's expectations, which can not be realized by quick NATO accession. The EU's engagement is meant to fill the gap"⁴¹⁹.

⁴¹⁷ Nuriyev, *The EU Policy*, 21-22.

⁴¹⁸ Pashayeva, " The Nagorno-Karabakh Conflict in the Aftermath of the Russia-Georgia War," 63-64.

⁴¹⁹ Di Pippo, "Caucasus,"

Turkey's, the EU's and the Southern Caucasus states' relations with Russia, political orientation of the new leadership of Moscow and changing dynamics in the region will draw the route for conflict resolution. Russia seems to reassert her influence more openly after coming out victorious with the 2008 South Ossetia War and in this sense it will have impact in her relations with the EU. Viewing of Russia over the EU as a highly neutral and friendly profile than other actors in the region, the EU would use this advantage for motivating Russia to stabilize the region, promote joint interests of fighting against organized crime, terrorism and implementation of rule of law.⁴²⁰ In order to do that, the EU must maintain a dialogue to stress her interests, firm intention to pursue them without a confrontational attitude and assure the importance of cooperation with them in the region. It is important to formulate productive policies with mutual interest towards the problems of the region without isolating and ignoring Russia nor acknowledging Russian dominance against the EU interests and concerns in the region.⁴²¹

For maintaining the sustainability of reform process in the Southern Caucasus countries channels for dialogue must be open. On the side of the EU, eliminating EU accession prospect, increasing weight of prominent members of the EU to pursue intergovernmental or unilateral policies, differences and lack of solidarity in the EU due to diversified political orientation among the member states would have destructive effects on the dynamics of socio-economic and reform process in the Southern Caucasus. Even though, there is a need for a "real" common foreign and security policy towards the Caucasus, prominent EU member states also contributed unilaterally to address the Southern Caucasus disputes. As a cautious reflex, the EU has significantly preferred to support UN and OSCE's role in the resolution of the conflicts rather than directly contributing to the process. Especially in the 90's, the EU was busy with the integration of Central and Eastern European states with the EU and it lacked necessary instruments to implement efficient Common Foreign and Security Policy. After the 2008 South Ossetia War and current discontent in the South Caucasian communities; the EU would likely to play a more active role in the near future, rather than being a contributor to the OSCE and UN's insufficient efforts.

⁴²⁰ Neil S. Macfarlane, "A Role for the EU in Preventing Ethnic Conflicts," in *The European Union and the CAUCASUS Region: Oil, Interests and Influence*, ed. Friedemann Müller and Claude Zullo (Ebenhausen: SWP, 1998), 61-85.

⁴²¹ Cornell and Starr, *The Caucasus*, 76.

The EU will undisputedly need to strengthen her role in conflict resolution, investment, economic recovery, development of civil society in the longer run. Nevertheless, external factors shaping the EU's approach to the region should not be ignored in addition to the EU's incapability. Multi-dimensional problems of the region and huge number of actors with specific interests there, limits the EU's role compared to the USA. Even though, the USA and the EU have similar interests in the region, they use different instruments. The EU is a strong soft-power actor in the region and international stage with her economic instruments and offers a model to her neighbourhood countries. On the other hand, it is a matter of question to what extent, that the EU would affect the dynamics in the Southern Caucasus region as much as Russia and the USA do, in addition to a perceived lack of "unity" in the EU foreign policy-making with 27 member states with different orientations and interests.

Growing polarization of cultural and security orientations against regional cooperations is an important finding of this research as well. Regional, neighbouring and external actors based on conflicting geopolitical considerations would fail a regional security atmosphere by overshadowing potentials of cooperation and interdependence. This thesis has shown that the identities of Southern Caucasus states are much more evident rather than a compact identity of the Southern Caucasus region. Balances in the Caucasus region has not been fixed yet and great powers are still competing with each other to secure their political, economic and social agendas for the Caucasus and its immediate neighbourhood which is also crumbled with instability, especially the Middle East. Ethnic conflicts and their potential for further instability will sustain the core of political and economical problems existing in the region, thus policies for the resolution of conflict must be developed before the effects of instability arising from separatist regions and ethnic tensions spill over.⁴²²

Energy projects and pipelines will also play a key role for all parties and for the political/economic dynamics in the region. Nevertheless, recent dynamics and developments signal that competition over geostrategic hold over Southern Caucasus region and energy transportation will be intensified. Due to the evolving nature of the region, the EU, Turkey and Southern Caucasus States and also global actors like USA, Russia, Iran, China, governmental and non-governmental organizations, international finance institutions and civil societies need to formulate their policies efficiently to preserve their interests. Likewise, they have to reconsider and transform their foreign

⁴²² Pashayeva, " The Nagorno-Karabakh Conflict in the Aftermath of the Russia-Georgia War," 61-62.

policies for the resolution of problems rather than covering them in line with the changing political, socio-economic circumstances and international atmosphere.

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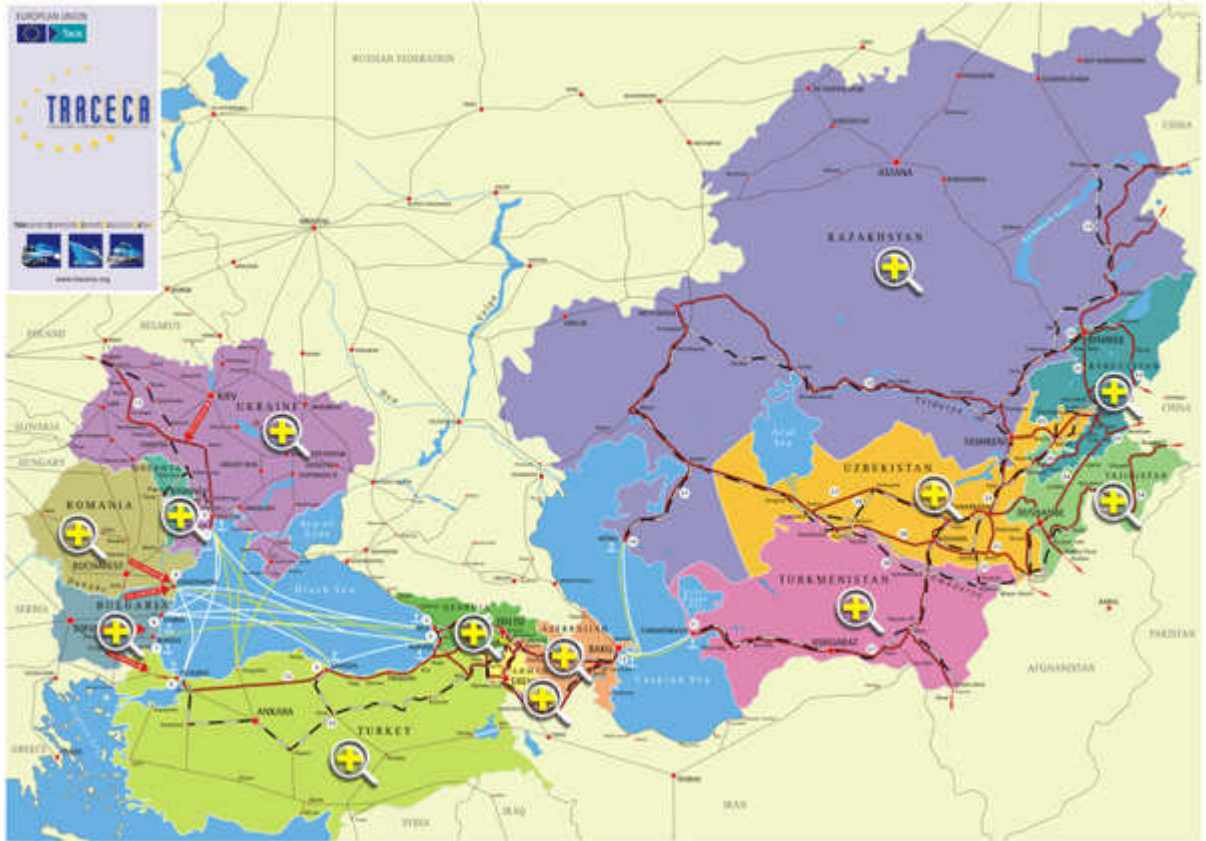
MAPS



Map 1: GEOPOLITICAL MAP OF THE SOUTHERN CAUCASUS

Source: World Sites Atlas Website, <http://www.sitesatlas.com/Maps/Maps/605.htm>

(accessed on March 27, 2010)



Map 2: TRACECA PROJECTS

Source: TRACECA Website, <http://www.traceca-org.org/default.php?l=en> (accessed on March 27, 2010)



Map 3: MAIN ENERGY TRANSPORTATION PROJECTS IN THE SOUTHERN CAUCASUS

Source: Azerbaijan International Website,
http://azer.com/aiweb/categories/caucasus_crisis/index/cc_articles/maps_html/baku_oil_all_map.html (accessed on March 27, 2010)



Map 4: Regions (Abkhazia and South Ossetia) in Georgia, which are controlled by Seperatists

Source: BBC News Website, <http://news.bbc.co.uk/2/hi/7571104.stm> (accessed on March 27, 2010)



Map 5: Region (Nagorno-Karabakh and Adjacent Occupied Regions) in Azerbaijan which is controlled by Separatists

Source: Official Website of Azerbaijan Embassy in South Korea,
<http://azembassy.co.kr/sefirlik/az/map.html> (accessed on March 27, 2010)

