AMERICAN UNIVERSITY OF ARMENIA

# FOREIGN POLICY OF THE REPUBLIC OF TURKEY TOWARDS THE SOUTH CAUCASUS THROUGH THE PARADIGM OF NEOREALISM THEORY

# A MASTER ESSAY SUBMITTED TO THE FACULTY OF GRADUATE SCHOOL OF POLITICAL SCIENCE AND INTERNATIONAL AFFAIRS FOR PARTIAL FULFILLMENT OF THE DEGREE OF MASTERS OF ARTS

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#### List of Abbreviations

AEPLAC -European Policy and Legal Advice Center

AKP-Justice and Development Party (Turkish: Adalet ve Kalkınma Partisi)

BLACKSEAFOR-Black Sea Naval Cooperation Task Group

BSEC-Black Sea Economic Cooperation

BTC-Baku-Tbilisi-Ceyhan

BTE-Baku-Tbilisi-Erzurum

CHP-Republican People's Party

CIS-Commonwealth of Independent States

CSBM-Confidence and Security Building Measures

CSCP-Caucasus Stability and Cooperation Platform"

CSTO-Collective Security Treaty Organization

HLSCC-High Level Strategic Cooperation Council

IPAP-Individual Partnership Action Plan

MHP-Nationalist Movement Party

NATO- North Atlantic Treaty Organization

NSPD-National Security Policy Documents

ODA- Official Development assistance

OSCE- Organization for Security and Cooperation in Europe

PfP-Partnership for Peace

RA-Republic of Armenia

SC-South Caucasus

SU-Soviet Union

TANAP- Trans-Anatolian Gas Pipeline

TAP- Trans Adriatic Pipeline,

TARC-Turkish-Armenian Reconciliation Commission

TUPTC-Turkish Partnership for Peace Training Center

#### Abstract

The purpose of this Master's Essay is to study the foreign policy of the Republic of Turkey towards the South Caucasus. The dissolution of the Soviet Union brought major geopolitical changes around the world. The South Caucasus became an important region where different great powers pursue their interests. After the collapse of the Soviet Union Turkey also started to get involved in the South Caucasus and tried to increase its role in this region by cooperating with the SC countries in different spheres. Turkey after the end of the Cold War emerged as a new player in this region.

This study also analyzes Turkey-South Caucasus relations through the lenses of neorealism theory. The main points of neorelaism theory are applied to Turkey-SC relations by taking into consideration the main priorities of the Turkish foreign policy towards the South Caucasus.

#### Introduction

After the end of the Cold War new geopolitical situation has emerged. Turkey with the collapse of the SU started to increase its engagement in the SC. Turkey became a regional player, trying to link the Caspian basin with the outside world, established trade and transportation cooperation with the SC countries (Oskanian 2011).

Starting from the beginning of 1990s Turkey's policy towards the SC has shifted. It started to establish cooperation with the SC countries. After the collapse of the Soviet Union new opportunities have emerged for Turkey (Larrabee, Lesser. 2003). Turkey's role as a regional power started to increase. Cold War was a turning point for Turkey to establish its presence in regions which were closed before (Larrabee, Lesser. 2003).

The first chapter of this study presents the outline of the Turkey-SC relations: the main interests of Turkey in the SC, the major events and the spheres of Turkey-SC cooperation. The first chapters discusses cooperation of Turkey-SC countries separately. This part of the thesis mainly presents the developments in Turkey-SC relations during the first decade after the collapse of the SU.

The second chapter of this study presents Turkish foreign policy towards the SC when the AKP came to power in 2002. The chapter discusses Turkish foreign policy on the basis of official documents, signed agreements and official statements, which are important to understand and identify why is the SC important for Turkey and what are the main priorities of its foreign policy towards this region. This chapter also refers to the issue of stability of the SC. The SC is a transport route as well as corridor for the transportation of energy resources from the Caspian basin. The stability and security of the region for Turkey is an important issue. Conflicts in South Ossetia, Abkhazia and Nagorno-Karabakh are threat for Turkey'a security (Szymański 2009).

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Russia is a major player in the SC, the role of which is very important in analyzing Turkish foreign policy towards the South Caucasus (Oskanian 2011). This chapter discusses Turkey-Russia relations to find out what role Russia has for Turkey when developing its foreign policy towards the SC. The chapter also discusses the issues of competition and cooperation between Turkey and Russia.

The third chapter of this Master's essay is analyzing the Turkish foreign policy towards the SC through the lenses of neorealism theory taking into consideration Turkey's foreign policy's priorities in SC. This part of the study applies the basic components of neorealism theory to Turkey-SC relations by taking into consideration the main spheres and priorities of cooperation between these countries.

#### **Literature Review**

After the collapse of the Soviet Union (SU) the interests of different actors towards this region became the subject of study for many researchers. In the academic literature many authors started to discuss the South Caucasus (SC) and the role of different great powers in this region.

There is no single and commonly accepted definition of the region. In political science, it is frequently used as a synonym to regional integration and regional cooperation (Börzel 2011). "The region is essentially a part of the land surface of the earth. It is defined as respectively, uniform, functional and administrative areas which are characterized by strong degrees of interdependence and strong complementary" (Dunford 2010, p.1). "Region is a limited to a defined geographical area. The area may be as large as one or more states, or as small as a metropolitan area. The local nature of coalitions maximizes the ability of its members to identify with one another, to bond together around issues, and to challenge each other as peers (Mosser et. all 2005, p. 5)".

This study refers to the SC as a region in terms of countries geographic proximity by taking into consideration the following definition:

*"region is a group of countries located in the same geographically specified area"* (Mansfield & Milner 1999, p. 590).

For studying the foreign policy of the Republic of Turkey towards the South Caucasus have been examined several scholars' and researchers' prior works. Especially were studied the authors' studies, who have explored Turkish foreign policy's developments after the collapse of the SU.

Oskanian (2011), Balla (2013), Larrabe & Lesser (2003) consider Turkey to be the major player in the SC. The above mentioned authors through the qualitative research explain why the SC is important for Turkey. They refer to the main areas of Turkey-SC cooperation and analyze how the collapse of the SU has changed Turkey's role in this region. They agree that Turkey's involvement in the SC started to increase after the end of the Cold War. They explain the changes in Turkish foreign policy by the fact that with the end of the Cold War new opportunities emerged for Turkey. The dissolution of the SU was a chance for Turkey to increase its involvement and its role in the region and to balance its relations with the West and Europe (Oskanian 2011). After the dissolution of the SU, Turkey acquired new diplomatic meaning in the world. It started to engage in the international relations more actively (Ibid.). Despite Atatürk's period when Turkey was tightly cooperating with the Muslim and the Turkik world, after the collapse of the SU it began to work on the establishment of partnership ties with different actors (Larrabe & Lesser 2003). Turkey was trying to fill the vacuum emerged after the end of the Cold War by establishing strong cooperation with the newly independent states (Balla 2013). These authors come to the conclusion that after the collapse of the SU Turkey emerged as a new actor in the SC.

Many scholars in their researches try to explain what are the main factors that increase the significance of the SC for different actors. Efe (2012), Tibold & Cillessen (2006) connect the important role of the SC with its geographic location. The geographic location of the SC, its role as a bridge and as a transportation way between the East-West and the North-South Eurasia is the main factor that captures the attention of different powers (Efe 2012)."Geopolitics concerns the political and strategic significance of geography. It is comprised of the distribution of political and military power. It analyzes the links and causal relationships between political power and geographic space and explains how size of territory and population, geographic position, the availability of resources determine the status of a state or region and its behavior in the international arena" (Tibold, Cillessen 2006, p. 9).

Another group of scholars consider energy as a major factor that increases the importance of the SC for Turkey and boosts the cooperation between them (Cecire 2013, Eissler 2013, Aras &

Akpinar 2011). To show what role the SC energy resources have for Turkey these authors refer to the issue of Turkey's energy dependency, present the rates of its oil and gas consumption and discuss what role the SC energy resources have for Turkey in terms of becoming an alternative source of energy import. Eissler states that Turkey's energy consumption is continuously rising. It imports most of its energy. For Turkey to diversify the sources of energy import has a high importance (Eissler 2013). According to Güzeldere (2009) and Cecire (2013) Turkey's energy interests in the SC have promoted the cooperation with Azerbaijan and Georgia (Güzeldere 2009) and have contributed to the establishment of the cooperation in other spheres (Cecire 2013).

The foreign policy of the Republic of Turkey has changed when the AKP (Justice and Development Party) came to power. This idea is supported by many scholars (Walker 2007, Göksel 2008, Bağcı 2009, Güzeldere 2009, Erşen 2013). These authors state that with the AKP Turkish foreign policy towards its neighbors became more active. To show this the authors refer to the statements made by the Turkish officials, present the AKP's program and discuss the agreements signed between Turkey and the SC countries. To show the degree of cooperation between them the authors chronologically present the development of the Turkey-SC relations started from 2002. They discuss Turkish foreign policy towards each SC countries separately, refer to the main areas of cooperation, present official visits and signed agreements.

Different actors such as Russia, U.S., EU, Iran, Turkey have their own interests in the SC (Efe 2012). Many scholars mention that for studying Turkish foreign policy towards the South Caucasus, it is important to take into consideration the role of all powers which are involved in this region. Different actors have diverse interest in the SC. Turkey should take into account the role of other powers in the SC when shaping its foreign policy towards this region (Nuriyev 2007, Nixey 2012, Oskanian 2011).

The collected literature shows that currently Turkey has high interests towards the South Caucasus and is actively working to increase its involvement in this region. Turkey and the SC countries are cooperating in different areas. With each SC countries Turkey has different relations. The rest of the thesis will try to find out the main priorities and interest of the Turkish foreign policy towards the SC and analyze them through the paradigm of neorelaism theory.

#### **Research Design and Methodology**

This research paper addresses the following research questions:

- Research Question 1- What are the interests of Turkey in the SC?
- Research Question 2- How is Turkey pursuing its foreign policy towards the SC?

The hypothesis of this research paper is the following:

H: Security is the factor that leads Turkey to get involved in the SC.

To discuss Turkish foreign policy towards the South Caucasus and answer the above mentioned research questions was used the qualitative research methodology. To conduct this research was done document analysis, expert interviews, were used both secondary and primary sources. The secondary sources include the academic articles, scholarly books, policy, research and working papers. Primary sources include the official documents, statements and declarations based on which was identified the priorities of the Turkish foreign policy towards the SC.

#### **Chapter 1**

#### The Outline of the Relations Between the Republic of Turkey and the South

#### Caucasus after the Collapse of the SU

The South Caucasus is a region which is comprised of Armenia, Azerbaijan and Georgia. It includes de-facto independent entities of Nagorno-Karabakh, South Ossetia and Abkhazia and is situated between the Black and the Caspian Sees. It is situated between the South-Eastern Europe and the Greater Near East. This region borders Russia, Iran and Turkey (Iskandaryan 2008).

The role of Turkey in the SC has increased especially after the collapse of the Soviet Union (SU). The Republic of Turkey became a more important and active regional player in the SC (Oskanian 2011). The dissolution of the SU brought independence to many countries and opened new opportunities for the Republic of Turkey. The Turkish foreign policy approach after the collapse of the SU was oriented towards the establishment of more active and balanced relations with the neighboring regions (Murinson 2006). This view started to emerge in Turkey under the former president of Turkey Turgut Özal who stated that "Many things have changed in Turkey. In foreign policy based on circumstances. My conviction is that Turkey should leave its former passive and hesitant policies and engage in an active foreign policy" (Laçiner 2009, p. 199). Özal first of all sought to increase country's regional influence and its economic condition. Second, he was trying to show that Turkey was still an important actor for the U.S. and NATO which he considered essential partners for Turkey even after the dissolution of the SU (Danforth 2008).

Turkey was the first country which after the collapse of the SU recognized the independence of Armenia, Azerbaijan and Georgia and established diplomatic relations with all of them besides Armenia. The emerged political environment for Turkey was a chance to enhance its international role (Aydin 2002). Turkey started to look not only to the West, but also to the East and the South. Ankara has expanded the areas of its foreign policy and became a more confident and independent international actor (Larrabe, Lesser 2003, p. 1).

The SC has been the area of rivalry between different powers who pursue their interests in this region (Oskanian 2011). Turkey, to strength its role in the SC had to engage in "Great Game" with other great powers. The areas of competition included different aspects: economic, political, religious and ideological (Punsmann 2012).

At the beginning of 1990s the major events in the SC were the closure of the border with Armenia in 1993 by Turkey and the opening of the border posts with Georgia and Nakhichevan. Currently Turkey is communicating with the SC countries through three border crossings two of which are with Georgia and one is with Nakhichevan (Gültekin 2009).

Turkey has different relations with each SC countries. With Georgia and Azerbaijan Turkey has established close cooperation. The most problematic relations Turkey has with Armenia. These countries don't have diplomatic relations. The border between them is closed (Oskanian 2011).

Turkey and Armenia have strained relations since 1991. The most problematic issue between them is the Armenian Genocide conducted by the Ottoman Empire in 1915. Armenia demands the recognition of it which Turkey officially denies (Tchilingirian 2005). Another serious dispute is around the conflict of Nagorno Karabakh. Turkey openly supports Azerbaijan and its claims of "territorial integrity". The armed conflict over Nagorno Karabakh in 1992 worsened Turkish-Armenian relations and finally led to the closure of the border between Armenia and Turkey and intensified the tensions between the two countries (Safrastyan, 2004).

Turkey shares around 268 km long border with Armenia. Although Turkey was among the first countries which recognized the independence of Armenia, till now these countries don't have

diplomatic relations (Goshgarian 2005). In 1993 Turkish former president Süleyman Demirel enacted the closure Turkish-Armenian border. After its closure in 1993 he put a trade embargo on Armenia (Goshgarian 2005). Basically the first half of the 1990s was a dangerous period in the Turkish-Armenian relations, as there was a probability of the conflict escalation between these countries as Turkey repeatedly threatened to use military force against Armenia (Safrastyan, 2004). Although, legally these countries don't have diplomatic relations, actually between Turkey and Armenia exist some relations. These countries recognize each other and from time to time pay different level official visits, launch contacts and negotiations towards the normalization of the relations (Safrastyan, 2004).

After the collapse of the SU one of the first steps towards the improvement of Armenian-Turkish relations was undertaken in March 1991 when Turkish ambassador in Russia Volkan Vural visited Armenia to discuss the two countries' relations. This was the first visit by a Turkish highranking official to Armenia (Punsmann 2012). The only sphere where Turkey and Armenia have cooperation is trade, which is implemented through Georgia and Iran (Safrastyan, 2004). Turkey and Armenia cooperate in the framework of the Black Sea Economic Cooperation (BSEC) established in 1992 (Vidlickova 2012). Armenian President Levon Ter-Petrossian in 1992 was also present in the BSEC summit in Istanbul. This was perceived as the parties' readiness to improve their relations (Görgülü 2008).

Another attempt to improve Armenian-Turkish relations was the establishment of the Turkish- Armenian Business Development Council in Istanbul in 1997. This was an effort to link two countries through the economy (Vidlickova 2012). A step towards the normalization of the relations was the Turkish-Armenian Reconciliation Commission (TARC) established in 2001. It started its activities in Vienna. The TARC aimed "to promote mutual understanding and good will between Turks and Armenians, to encourage improved relations between Armenia and Turkey, to

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build on the increasing readiness for reconciliation among Turkish and Armenian civil societies including members of Diaspora communities, to support contact, dialogue and cooperation between Armenian and Turkish societies in order to create public awareness about the need for reconciliation and to derive practical benefits" (The Journal of Turkish Weekly, 2004). The TARC was dissolved in 2004 in Moscow. The main reasons for its dissolution were Armenian Diaspora's opposition towards it and the claims about the Armenian Genocide (Görgülü 2008).

Later, in 2002 by coming to power the AKP undertook a new attempt towards the normalization of the relations between these countries (Safrastyan 2004). The major initiative towards the normalization of the relations was "the soccer diplomacy" which started in 2008, but it also didn't have any tangible results (Mikhelidze 2010).

After the dissolution of the Soviet Union the relations between Turkey and Georgia started to improve. With the end of the Cold War for Turkey Georgia became a significant foreign policy counterpart (Aydin 2002). Turkey was the first country which recognized the independence of Georgia in 1991. In May 1992 Turkey and Georgia established diplomatic relations. In April Turkish president Suleyman Demirel payed an official visit to Georgia. He was the first leader of a foreign country who visited Georgia after its independence. The result of that visit was the signature of an agreement on friendship, cooperation and neighborly relations on July 30, 1992 (Konończuk 2007). For Turkey Georgia is a foothold in the SC and a gateway towards Central Asia. The Turkish-Georgian relations began to develop quickly based especially on Georgia's opposition to Russia's dominance in the SC and Georgia's willingness to realize Baku-Tbilisi Cehyan (BTC) and Baku-Tbilisi Erzerum (BTE) projects (Aydin 2002).

The Turkish-Georgian relations have developed and reached to the strategic cooperation in different fields: security, defense, trade and energy (Vindimian 2010). In 1992-1993 Turkey developed military cooperation with Georgia. This partnership was intensified when Georgia

declared its intention to join the NATO in 1995-1996. In 1997 a military cooperation agreement was signed between these countries (Vindimian 2010). In March 1998 to show Turkish-Georgian close relations the Turkish Prime Minister Mesut Yilmazin visited Tbilisi (Konończuk 2007). He stated that "Georgia is a country with which Turkey shares common interests, towards which Turkey has a will to increase collaboration in all spheres, and whose independence is beneficial for the peace and stability of the Southern Caucasus" (Konończuk 2007, p. 33). Turkey, within the framework of the Partnership for Peace (PfP) program, was assisting Georgia in establishing its national army. Turkey also was cooperating with Georgia to restore the Marnauli airfield and the Vaziyani military base (Aydin 2002). In 2006 the regime of free movement of the citizens was established between Turkey and Georgia. In 2007 Turkey, Georgia and Azerbaijan started the construction of the "New Silk Road" which connects Kars through Tbilisi to Baku (Güzeldere 2009). Turkey continued to develop its relations with Georgia after the Rose Revolution in 2003. Turkey immediately established contacts with Mikheil Saakashvili's government (Konończuk 2007).

For Turkey the conflicts in its neighboring countries are a threat for its own security. Concerning the conflicts in Abkhazia and South Ossetia Turkey officially supports the territorial integrity of Georgia. For Turkey the invariability of the borders has a significant importance as it has problems with Kurds in its own therritory. During the conflicts in the South Ossetia and in Abkhazia Turkey gave Georgia loans with a low interest rate and contributed to the establishment of cease-fire in 1992. After the end of the military operations in January 1994 Georgia's president Eduard Shevardnadze payed an official visit to Turkey. This was the first Georgian official's visit outside of the SU (Konończuk 2007). Turkish interests in the establishment of peace in Georgia were also conditioned by the fact that the role of Georgia in the BTC and BTE is very important. The conflicts in Georgia would endanger the security of these projects (Güzeldere 2009).

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The 2008 conflict between Russia and Georgia has its reflections for Turkey also. Georgia has a significant role for Turkey, as it is the only route to transport energy resources that bypasses Armenia. The SC energy resources are important for Turkey as an alternative source of energy import. The conflict in 2008 was an additional burden of Turkey. As a member of NATO Turkey had to keep the balance in the relations between Georgia, the U.S. and Russia. Turkey during this war sent food aid and in Gori build 100 houses for the refugees (Aras & Akpinar 2011).

For Turkey Azerbaijan in the South Caucasus holds a special position. These countries often refer to each other as "one nation, two states" (Güzeldere 2009, p. 15). Close relations between Turkey and Azerbaijan are are based on their historical, cultural, religious and ethnic ties (Aras & Akpinar 2011). In 1991 when Azerbaijan gained independence Turkey was the first country that recognized it (Ismailzade 2011). Already in January 1992 Ankara established a consulate in Baku at the embassy level (Bolukbasi 1997). The Turkish foreign policy towards Azerbaijan pursues several objectives: "Azerbaijan's independence, Azerbaijani sovereignty over Nagorno-Karabakh, a friendly but not necessarily pan-Turkic Azerbaijani administration, prevention or at least limitation of the Russian return to Transcaucasia, and participation in Azerbaijani oil production and the export of a significant portion of Azerbaijani oil through Turkish territory" (Bolukbasi 1997, p. 4). Azerbaijan was relying on Turkey's support to solve the Nagorno Karabakh conflict in its favor (Evoyan 2013). Back then, Turkey was the only country which openly supported Azerbaijan's position over Nagorno Karabakh even jeopardizing its relations with Armenia and Russia (Aydin 2002).

The relations between Turkey and Azerbaijan started warming especially when Abulfaz Elchibey a pan-Turkic nationalist, became a president of Azerbaijan in 1992. Azerbaijan's political elite followed the Turkish model for the further development of the country which includes a secular regime, democratic governance, integration into the Euro-Atlantic structures. During Elchibey's

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presidency the Turkish-Azerbaijani relations tightened. Turkish businessmen were the first ones who after the collapse of the SU made investments in the economy of Azerbaijan. The knowledge of language and business culture gave them an advantage compared with others (Ismailzade 2011).

The relations between the two countries somewhat cooled when Heidar Aliev came to power in 1993 (Aydin 2002). He was implementing a more balanced foreign policy. He brought Azerbaijan into Commonwealth of Independence States (CIS), he was working to establish warm relations with the West and NATO (Iskandaryan 2008). Although H. Aliyev intended to balance the relations with different actors, the Turkish-Azerbaijani relations were a priority for him. Their tight cooperation led to the establishment of UMID (Hope) between Turkey and Nakhichevan. This helped to overcome the blockage of Nakhichevan and increased the bilateral trade between them, opened a route to send economic and humanitarian aid to Azerbaijan (Ismailzade 2011). In 1992 Turkey and Azerbaijan signed an agreement on economic and trade relations (Güzeldere 2009). Another major field of cooperation between Turkey and Azerbaijan is in the sphere of energy especially in the framework of BTC and BTE (Ismailzade 2011). Ilham Aliev was the strong proponent of these projects (Karadağ 2012). These pipelines are major geopolitical projects. They also boosted Turkish-Azerbaijani relations to a higher level (Ismailzade 2011).

#### Chapter 2

#### Turkey's Foreign Policy towards the South Caucasus after 2002

#### 2.1. The Main Priorities of the Turkish Foreign Policy towards the SC

With the end of the Cold War a new geopolitical situation was established. "Geopolitics refers to the importance of geography in affecting relations of countries and policy makers' decisions regarding both foreign and domestic policy. One of the aims of geopolitics is to emphasize that political predominance is a question not just having power in the sense of human or material resources, but also of the geographical context within which that power is exercised" (Solan & Gray 1999, p. 1-2 cited in Bağcı 2009, p. 3).

Turkey has very important geographic location. It is surrounded with the Black Sea, Aegean Sea and Mediterranean, it borders the Middle East, former Soviet countries and the EU (Bağcı 2009). Current Turkish Foreign Minister Ahmet Davutoğlu by referring to the geographic location of Turkey stated that "Turkey is not just an old Mediterranean country. One important characteristic of Turkey is that is at the same time is a Middle Eastern and a Caucasian country. Turkey is as much a European country as it is an Asian country. Indeed, Turkey is as much a Black Sea country as it is a Mediterranean one. This geographical depth places Turkey right at the center of geopolitical influence" (Murinson 2006, p.952).

The change of the Turkish foreign policy was especially visible when the AKP (Justice and Development Party) came to power in 2002 (Cizre 2008). The main ideological objectives of the AKP are: the balance between security and freedom, "zero problems with Turkey's neighbors", proactive peace diplomacy, strong global relations, active involvement in international issues and cooperation with all international organizations (Murphy & Sazak 2012, p. 4).

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The Turkish Prime Minister Recep Tayyip Erdoğan, President Abdullah Gul and Foreign Minister Ahmet Davutoğlu often refer to the emerging role of Turkey in the twenty-first century (Erşen 2013). " Davutoglu expressed the need of conducting a more active policy. After the Cold War Turkey emerged as a bridge country and with its special geopolitical location, it has the capability of maneuvering in several regions simultaneously and controls an area of influence in its immediate environs (Bağcı 2009, p.4)".

On one hand, Turkey's geographic position gives the country many advantages, on the other hand, due to its location Turkey faces the threat of becoming a target for organized crime, terrorist attacks, trafficking which can endanger its security (Bağcı 2009).Turkey when developing its national security policy takes into consideration these threats. The national security policy of Turkey is defined as "the policies that encompass the principles of domestic, foreign and defensive action, identified by the Cabinet based on the recommendations of the National Security Council, to protect national security and to realize national goals" (Akay 2010, p. 12). These policies are enforced through the National Security Policy Documents (NSPD), which are updated regularly, and are classified as TOP SECRET (Ibid).

It is difficult to estimate Turkey's military spending. According to the NATO and the SIPRI Military Expenditure Database the portion of Turkey's military expenses is covered by the Ministry of National Defense and the other part is dispensed between the different other budget lines and private companies operating by the Turkish Armed Forces Foundation (See Table 1).

Table 1. Turkish military expenditure accessible online, 2009–2015 (Figures are millions ofTurkish lira). Figures for 2014\* and 2015\* are forecasts.

	2009	2010	2011	2012	2013	2014*	2015*
Ministry of	14671.2	14990.3	16431.3	18509.5	20350.1	22333.6	24079.3
National							
Defense							
Gendarmerie	3 772.0 4	158.64	551.2 5	188.0 5	843.5 6	343.2 6	865.2
General							
Command							
Coast Guard	191.9	222.4	273.5	334.9	432.0	457.2	492.0
Command							
Under-	27.1	31.8	30.8	39.6	41.0	45.1	48.7
secretariat for							
Defense							
Industries							

Source: SIPRI Insights on Peace and Security, 2014, p. 2.

Turkey spends 35-40% of its military budget to purchase armaments. In 2010 Turkey's defense budget was more than \$10 billion from which 47% was directed to the purchase of the necessary services and weapons (Hovsepyan 2010, p. 61). The spending of the Turkish defense industry on the research and experiments during 2004-2008 has increased significantly from \$64 million reaching \$510 million (Hovsepyan 2010).

Instability in the SC is a threat for Turkey (Punsmann 2012, p.8). The Turkish officials often claim that the maintenance of the security and stability in the region is a priority. Turkish current president Abdullah Gül during his speech delivered at the Council of Europe Parliamentary Assembly stated that "the South Caucasus is another critical region burdened with unresolved conflicts. Its frozen conflicts continue to represent a serious threat to the peace and the stability of the region. These conflicts provide a major impediment to the region-wide cooperation initiatives. They are also undermining prospects for prosperity of the future generations. Therefore, the solution of these conflicts constitutes one of the most important and urgent issues in the South Caucasus and beyond. Peaceful solutions should also meet the Azerbaijani and Georgian legitimate concerns over their territorial integrity and sovereignty (Presidency of the Republic of Turkey, 2007). Ahmet Davutoğlu highlighted the importance of the relations with the neighboring countries by stating: "It is impossible for a country experiencing constant crises with neighboring states produce a regional and global foreign policy. A comprehensive peace plan and a package should be developed, simultaneously economic and cultural relations have to be put into place to overcome security crises with the closest neighbors" (Güzeldere 2009, p. 14).

Since the AKP came to power the Turkish foreign policy towards the South Caucasus has been mainly based on four principles. First is the establishment of high-level political dialogue which will contribute to the improvement of the relations between states and will promote the solution and management of the existing problems with the neighboring countries. The second principle is based on the reciprocal economic benefit through the development of economic projects which will encourage free trade and circulation of labor. The next principle is the development of regional policies which will include all regional actors. The forth principle refers to the coexistence in peace (Aras & Akpinar 2011, p. 55). As Davutoğlu mentions, Turkey "should take more initiative in the spots of crisis in regions neighboring Turkey and try to make a more concrete contribution to the solution of the crises. The geographical position of Turkey demands a foreign policy that is forward-looking, proactive, innovative, and, ultimately, multifaceted" (Güzeldere 2009, p. 14).

#### 2.2. The AKP and its Foreign Policy towards Armenia

When the AKP came to power Erdoğan's government sought to establish more regional cooperation in the SC region. Normalization of the relations with Armenia was also in the agenda (Bağcı 2009). The AKP has undertaken diplomatic attempts to improve Turkish-Armenian relations.

In 2003 and 2004 during different international conferences several meetings took place between foreign ministers Gül and Oskanian. In April 2005 Turkish Prime Minister Erdoğan sent a letter to Armenian President Kocharian suggesting to create a joint historical commission to explore the 1915 events (Görgülü 2008). President Kocharian rejected claiming that "it is the responsibility of the governments to develop bilateral relations and we do not have the right to delegate that responsibility to historians" (Elanchenny & Maraşlıyan 2012, p. 10).

The stability of the SC has been very important for Turkey. Back in 2000 Turkish president Demirel proposed to establish a Stability Pact for the Caucasus with the support of the Organisation for Security and Cooperation in Europe (OSCE) (Fotiou 2009). The idea of "Caucasus Stability and Cooperation Platform" (CSCP) became public again in 2008. However it didn't succeed again. The major reason for the failure of CSCP was the difficulty to come to consensus among the all actors (Erşen 2013),

The major step towards the improvement of Armenian-Turkish relations was made in September 2008 with "soccer diplomacy", when Turkish President Abdulah Gul was invited to Yerevan by Armenian President Serj Sarkisyan to attend the football match between the national teams of the two countries. After this Serj Sarkisyan visited Turkey to watch the return football game. This was the first time that an Armenian leader visited Turkey (Mikhelidze 2010). Finally on the 10<sup>th</sup> of October, 2009 in Zürich a historical document was signed between Turkey and Armenia. The aim of which was the normalization of diplomatic relations between the two countries and the opening of the land border between them (Wigen 2010).

However, the reconciliation process didn't find the support neither in Turkey nor in Armenia (Waal 2010). There were many obstacles and issues involved in the reconciliation process. Armenia welcomed the Armenian-Turkish relations' normalization initiative, but highlighted that the cooperation should be established without any preconditions. Armenia stated that the solution of the Nagorno-Karabakh conflict is possible if Nagorno-Karabakh people's right to self-determination is recognized by Azerbaijan (Mikhelidze 2010).

The Turkish opposition parties the Republican People's Party (CHP) and the Nationalist Movement Party (MHP) were against any sort of rapprochement with Armenia, as "Armenia does not recognize the common border and has territorial claims towards Turkey" (Görgülü, Iskandaryan et. al 2010, p. 11). In Turkey many people were opposing the reconciliation process stating that " relations with Armenia will deteriorate relations with Azerbaijan and the normalization of the relations should not be at the expense of relations with Azerbaijan"(Ibid., p. 12).

Azerbaijan perceived the reconciliation process as a betrayal by Turkey towards it (Mikhelidze 2010). Azerbaijan's concern is that if Turkey opens the border with Armenia this will end the latter's isolation and Azerbaijan will lose its leverage to oppress Armenia in the negotiations over the NK. Azerbaijan even threatened Turkey to increase the price of energy resources sold to Turkey (Mikhelidze 2010, p. 4). Azerbaijan's president Ilham Aliyev declared that "if Turkey were to open its doors to Armenia, Azerbaijan will lose an important leverage in finding a solution to the conflict. Turkey is a great and powerful nation and I am sure that Turkey will withstand the pressures. The Turkish-Azerbaijani brotherhood is above everything" (Agayev 2004, cited in Tocci 2007, p.18).

The majority of Armenian population and especially the Armenian Diaspora had a negative approach to the Turkish-Armenian protocols. They were blaming the government in a betrayal of national interests. The Armenian Genocide and Turkish support to Azerbaijan over NK conflict were the main reasons of opposition by Armenians (Görgülü, Iskandaryan et. al 2010).

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Armenian experts also had a different approach to the "Football Diplomacy". Some consider it a good initiative, others find it useless. Tigran Devrikyan who is from Public and Information Department of Ministry of Defense of the RA is against the reconciliation process. He stated that "We don't know current Turkey. We don't have clear image of Turkey. So, we don't know cooperation with Turkey will bring benefits or costs" (Interview with Tigran Devrikyan, Ministry of Defense of RA, Public Affairs Section Deputy, 17.04.2014, Yerevan). Havk Makuchvan, stated that "the Football Diplomacy" was an initiative by the Armenian side which didn't find reply by Turkey. It was the imaginary negotiation and Turkey did't want to improve anything (Interview with Hayk Makuchyan, Head of the Board Adjacent to the Ministry of Defense of the RA, 16.04.2014, Yerevan). RA Defense Minister's First Deputy Davit Tonoyan mentioned that the reconciliation process didn't have any results. It didn't give anything to the Republic of Armenia. It is a lost opportunity which was overthrown by the Armenian diplomats (Interview with Davit Tonoyan, First Deputy of the Defense Minister of the RA, 17.04.2014, Yerevan). Artsrun Hovhannisyan the Spokesman of the Defense Minister of the RA referring to the reconciliation process between Turkey and Armenia mentions "that reconciliation process didn't change anything in the Turkish-Armenian relations. Although the reconciliation process was involving risks, it was a diplomatic victory of the RA President Serj Sarksyan by showing the world that Armenia even being the one who has suffered loses was ready to start the negotiation process (Interview with Artsrun Hovhannisyan, Spokesman of the Defense Minister of the RA, 16.04.2014). Levon Hovespyan from the Presidents' office of the RA mentioned that "Although the reconciliation process started in 2008 between Turkey and Armenia it didn't have any results; it was an experience for Armenia in terms of associating with Turkey in sphere of diplomacy. Turkey appeared in the unfavorable situation as it broke the laws established by the international community" (Interview with Levon Hovsepyan, 26.04.2014, Yerevan).

Turkey supports Azerbaijan's "territorial integrity" and the solution of the Nagorno Karabakh conflict views only within the preservation of "the territorial integrity" of Azerbaijan. Pesident Gül during the interview with the Russian Daily Moskovski Komsomolets stated that "the normalization of the relations between Azerbaijan and Armenia and Turkish-Armenian normalization process should not be considered separate issues on the contrary they should be regarded as closely related on a regional basis in the establishment of comprehensive and sustainable peace in South Caucasus and in the creation of an atmosphere of cooperation and prosperity that will be reflected in other countries in the region and its beyond" (Presidiency of the Republic of Turkey, 2011). Erdoğan during the joint conference with Ilah Aliev declared that "the Nagorno-Karabakh conflict is also a problem for us as it is for Azerbaijan. For us it is a matter to which we attach great importance from the point of view of peace, brotherhood and security in the Caucasus, one of the main goals in our foreign policy. It is impossible to keep this question out of sight. Our unconditional support to Azerbaijan for a speedy and peaceful solution to the issue through dialogue continues. Of course, great responsibility lies with the OSCE Minsk Group here. That is to say the United States, Russia and France have to keep this matter in the spotlight deeper and more seriously. We discussed what Turkey can do. We examined the question of how to ensure sustainable peace" (President of Azerbaijan Ilham Aliev, 2013).

Despite closed borders between Turkey and Armenia these countries have economic relation. Armenia almost doesn't export to Turkey, but the latter is the sixth among the countries exporting to Armenia.

Table 2

#### Table 3

#### **Top Export Markets 2012**

#### **Top Suppliers of Import 2012**

Russia	\$280, 035,000	19,61 %	Russia	\$1,059,150,000	24, 83 %
Germany	\$153,111,000	10, 72 %	China	\$400,461,000	9,39 %

Bulgaria	\$129, 302,000	9,05 %	Germany	\$265, 247,000	6,22 %
Belgium	\$127,176,000	8,91 %	Iran	\$219, 858,000	5,16 %
Iran	\$97,804,100	6,85 %	Ukraine	\$216,015,000	5,07 %
U.S.	\$87,476,900	6,12 %	Turkey	\$213,612,000	5,01 %

#### Source: IMF, Direction of Trade Statistics

The opening of the border overall would be beneficial for Armenia. This could lead Armenian export to rise between 18 % and 50 % (Europe Report 2009). The GDP will increase 0.67% generating 0.28% in real wage rate and will create about 1,500 jobs in Armenia. In the long term 2.7% growth is expected (European Parliament 2007). The opening of the border will also foster cultural cooperation between two countries and will create opportunities for joint initiatives. For Turkey the opening of the border will increase its role as a transport hub. The open Armenia-Turkish border will enhance Turkey's economic ties in Caucasus-Caspian regions and will bring it into the junction of north-south and east-west trade. The normalization of the relations with Armenia will also solve one obstacle on the way of Turkey's EU accession (Tocci 2007) as the European Parliament (EP) in June 18, 1987 recognized the Armenian Genocide and requested Turkey to recognize Genocide as a precondition for EU membership (Görgülü 2008).

However, in Armenia not everybody agrees with that the opening of the borders for Armenia will be beneficial in terms of economy. According to Devrikyan "the Armenian economy can't withstand the competition with Turkish economy. It will pose an economic threat for Armenia" (Interview with Tigran Devrikyan, Ministry of Defense of RA, Public Affairs Section Deputy, 17.04.2014, Yerevan). D. Tonoyan mentioned that there are no economic relations between Turkey and Armenia. There are only trade relations, only export and import (Interview with Davit Tonoyan, First Deputy of the Defense Minister of the RA, 17.04.2014, Yerevan).

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#### 2.3. The AKP and its Foreign Policy towards Georgia

Turkey and Georgia have established close relations just after the collapse of the Soviet Union. When the AKP came to power the cooperation between these countries continued to strengthen. Georgia's geographical location is important for Turkey. Turkey is an energy debtor nation, as it imports most of its energy from other countries (Eissler 2013, p. 4). The rates of Turkey's energy consumption are rising (See Table 4).

Table 4. Energy use (kg of oil equivalent per capita)

Year	2002	2003	2004	2005	2006	2007	2008	2009	2020	2011	2012
Energy Use	1,141,9	1,180.4	1,209.6	1,245.6	1,355.7	1,439.0	1,399.9	1,370.8	1,457.4	1,539.3	1,563.6

Source: Energy Delta Institute, 2012.

Turkey's energy interests boost the cooperation with Georgia, as it is an important actor as a energy transportation route from the Caspian basin. In the field of energy the most important cooperation between these countries have been established in the framework of BTC and BTE projects (Güzeldere 2009). These projects make an important contribution to the development of the Caspian-Caucasus-Black Sea energy corridor (Cecire 2013). BTC officially was opened in 13<sup>th</sup> of July 2006 in the Turkish Mediterranean part of Cheyhan (Tibold, Cillessen 2006, p.14). "The main investors of the project are the U.K. (30 %), Azerbaijan (25 %), U.S.A. (13,70 %), Norway (8.70%), Turkey (6, 70%), Italy (5,0 %), Japan (5,9 %), France (5,0 %)" (Starr, Cornell 2005, p. 31). BTE's length is about 700 km. It transports gas from Azerbaijani Shah Deniz gas field to Tbilisi and is connected with Turkish national gas pipeline in Erzurum (Babal 2005). BTE began to operate in 2006 (Badalyan 2011).

Another important sphere of cooperation between Turkey and Georgia is the economy. During the past decade their cooperation on the economic front has flourished. This has been supported by the AKP's economic agenda of promoting Turkish business interests with neighbors. Georgia's intentions to liberalize economy and create an environment of foreign direct investment also contributed to the establishment of cooperation between these countries (Göksel 2013). In 2005 Georgia put into action a new Tax Code according to which the number of taxes (from 21 to 7) and the tax rates were decreased (VAT from 20 to 18, profit tax from 20% to 15%). This made Georgia the country with the lowest tax rate in the region. In 2007 a new Customs Code was adopted which optimized the customs duties, also the process of granting licenses and permits was simplified (Narmania 2009). Turkey also is one of the major bilateral donors to Georgia (See Chart 1).

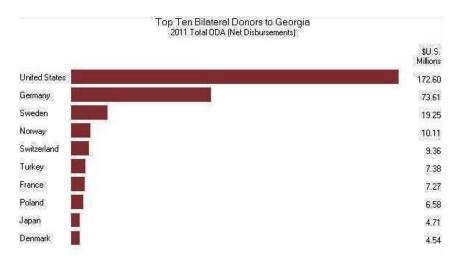


Chart 1.

Source: U.S. Official Development Assistance Database.

The closure of the Russian market for Georgia in 2006 and favorable investment opportunities provided by Georgia intensified economic ties between Turkey and Georgia (Göksel 2013). To develop favorable conditions for the development of business and trade, to facilitate the circulation of capital and people the visa regime was lifted in 2006 (Güney & Özdemir 2011) and Kars-Tbilisi-Baku high-speed railway in was launched in October 2007 (Güzeldere 2009). Turkey

engaged in the modernization of the Batumi Airport. Turkey could use it for domestic flights (Aras & Akpinar 2011). Another important development was the establishment of long-term trade and economic cooperation between Turkey, Azerbaijan and Georgia on in November 2007. The parties agreed to establish a common economic area for custom facilitation and trade liberalization (Güney & Özdemir 2011). A major step in developing economic cooperation was the establishment of a Free Trade Agreement on 21<sup>st</sup> of November 2007 which came into force on November 1, 2008, according to the agreement, the tax rates were abolished for the import of the industrial products. Exception is made only for a certain limited quantity of agricultural products (Narmania 2009, p. 121). Turkey is Georgia's one of the main import and export countries (See Table 5 and Table 6).

Table 5.

#### Table 6.

#### **Georgia's Top Export Markets, 2012**

Azerbaijan	26,37 %
Armenia	10,98
U.S.	9,51%
Ukraine	7,02 %
Turkey	6,01 %
Canada	4,40 %

Source: IMF, Direction of Trade Statistics.

Turkish-Georgian relations with the launch of BTC, BTE projects and economic cooperation ties have been developing in the positive direction (Baran 2005). Foreign Minister Davutoğlu during the meeting with Georgia's Prime Minister Bidzina Ivanishvili mentioned that "the projects such as the Baku-Tbilisi-Kars railway and the Baku-Tbilisi-Ceyhan pipeline have changed harmony of not only the two countries but also the entire region in a positive way" (Republic of Turkey Ministry of FA, 2011).

**Georgia's Top Suppliers of Import, 2012** 

Turkey	17,76 %
Azerbaijan	8,08 %
Ukraine	7,61 %
China	7,22 %
Germany	6,91 %
Russia	6,04 %

Turkey considers Georgia as a buffer zone against Russia and important counterpart for increasing Turkey's role in the region (Baran 2005). Turkey has been interested in balancing Russia's influence in Georgia. Turkey and Georgia have established cooperation also in the sphere of military (Vindimian 2010). The U.S. and Turkey also formed the Caucasus Working group the aim of which was to coordinate further training of Georgia's military (Narmania 2009, p. 121). The Turkish Partnership for Peace Training Centre (TUPTC) was providing non-stop training for Georgian military. These countries are also cooperating in the framework of the Black Sea Naval Cooperation Task Group (BLACKSEAFOR) and the Confidence and Security Building Measures (CSBM) on the Black Sea (Vindimian 2010, p. 4). The Turkish side often highlights that military cooperation between these countries is a part of a broader project to include Georgia into Euro-Atlantic security system of NATO (Vindimian 2010). In June 2004 in Istanbul Georgia submitted its Individual Partnership Action Plan (IPAP) (Baran 2005).

The cooperation with Turkey is also important for Georgia. "Turkey, as a NATO memberstate and a regional leader, is an important military partner for Georgia. Georgia attaches great importance to further developing its partnership with Turkey in the areas of defense and security" (National Security Concept of Georgia, p. 20).

Turkey supports the territorial integrity of Georgia. Gül during Margvelashvili's official visit to Turkey in 2013 stated that President Gül claimed "We are of the opinion that the existing conflicts in the region should be solved through peaceful methods within the internationally recognized borders. In this respect, we believe that solutions to the current issues concerning South Ossetia and Abkhazia should be found on the basis of Georgian territorial integrity and sovereignty. Within this framework, we always support Georgia and we will continue to support" (Republic of Turkey Ministry of Foreign Affairs, 2011). Davutoğlu during his visit to Georgia in 2013 stated that "Turkey has always advocated the territorial integrity of Georgia. Turkey has always advocated that all communities in Georgia should live in peace and brotherhood. In Turkey, there are both Georgian and Abkhaz Diasporas with large populations. We have been arguing that a solution within the framework of Georgia's territorial integrity should be found through negotiations based on mutual understanding. We hope that positive steps will be taken in this regard in the coming days"(Republic of Turkey Ministry of Foreign Affairs, 2011).

The return of instability and war in the region in 2008 was a major risk for Turkey. The August 2008 war was not just a threat for the safe operation of pipelines or for economic cooperation, it was an issue of much higher concern (Punsmann 2012). The war put Turkey in a difficult diplomatic situation. Turkey was trying to remain out of the conflict and avoid supporting any of the sides. On this regard Erdoğan stated: "We will not allow Turkey to be pushed to one side or the other. We will act in accordance with Turkey's national interests. Turkey will observe a balance in tandem with its interests" (Vindimian 2010, p. 5).

#### 2.4. The AKP and its Foreign Policy towards Azerbaijan

Azerbaijan has an exceptional role in Turkey's foreign policy. Davutoğlu emphasized that "Azerbaijan for Turkey in the Caucasus in general and in the Southern Caucasus especially the most important strategic ally" (Güzeldere 2009, p. 15). For Turkey Azerbaijan is a base to implement its foreign policy strategies in the SC (Karaosmanogluv 2000).

Turkey is a energy import country. The diversification of energy resources import is a priority for Turkey. It imports energy from Iraq, Iran, Russia, Azerbaijan, Saudi Arabia, Kasakhstan, Nigeria, Alegeria (Karaosmanogluv 2000). Its demand of gas is continuing to increase (See Table 7).

	1995	2000	2003	2010	2020*
Oil production,	3.5	2.8	2,3	1.5	0.7
million tones					
Oil	28.6	30.3	29,9	39.8	49.8
consumption,					
million tones					
Oil imports,	26.4	28.9	28,5	38.5	50.5
million tones					
Gas Production,	0.2	0.6	0.6	0.3	0.3
billion cubic					
meters					
Gas	7.0	14.9	21.2	40.7	43
consumption,					
billion cubic					
meters					
Gas import,	6.9	14.4	20.7	51.0	41
billion cubic					
meters					

Table 7. Oil and Gas Production, Consumption and Import of Turkey

Source: (Krozser 2012, p. 35)

Turkey has limited energy resources. It is dependent on Russian gas. Russia is Turkey's main

gas supplier (Babali 2012).

Table 8. Turkey's Gas Import by Countries

Country	Percentage
Russia	55,3 %
Iran	13,42 %
Azerbaijan	11,89 %
Algeria	6,27 %
Qatar	3,85 %
Other	9,27 %

Source: Energy Delta Institute, 2012.

Important steps towards cooperation in the sphere of energy were the agreements which

signed in October 2011 between Turkish Prime Minister Erdoğan and Azerbaijani President Aliyev

at the High Level Strategic Cooperation Council (HLSCC) meeting. These agreements were about "the selling gas from the Shah Deniz-2 in 2017 to Turkey and for the transit of gas from Shah Deniz-2 through Turkey from 2017 to 2042" (Aras & Akpinar 2011, p. 57). These agreements were a new opportunity for Turkey to transport gas to the European market, and increase its role as a regional energy hub (Aras & Akpinar 2011).

Turkey and Azerbaijan are also interested in the implementation of the Nabucco project. The 3300 km pipeline was planned to transport gas from Turkey (2730 km) to Austria (47 km) through Bulgaria (424 km), Romania (475 km), and Hungary (383 km) (Cameron 2011, p. 27). Nabucco for Turkey has a commercial and political value. It is an opportunity to get transit fees and this project is a chance to show that Turkey is a major partner and Turkey-EU cooperation is beneficial for both sides. This will also increase Turkey's role as an energy hub (Baryschv 2007). In this regard, Davutoglu has noted that "the EU one day will understand that only with Turkey as a member, its energy security can be fully ensured" (Republic of Turkey Ministry of Foreign Affairs, 2011). However, the realization of the project is under question. It confronts many obstacles. This project is very costly, there are issues concerning the transportation of gas, Russia and Iran are against it (Wisniewski 2011, p.62).

An important initiative between Turkey and Azerbaijan is the Trans Adriatic Pipeline (TAP) project which was announced by the Swiss in 2003 and the Trans-Anatolian gas pipeline (TANAP). TAP will be about 870 km start Kipoi on the border of Turkey and Greece and where it slightly will be connected with the TANAP. TAP is the shortest and the most direct link from the Caspian region to European markets (Tras Adriatic Pipline, 2014). TANAP is a Turkish-Azerbaijani joint initiative. On the June 26, 2012 Aliyev and Erdogan signed the intergovernmental agreement about the establishment of the TANAP. This project aims to transport the natural gas from Shah Deniz 2 field and other fields of Azerbaijan through Turkey to Europe (Sevim 2013). The project is expected be

completed by 2018-2019 with a capacity of 16 bcm, with 10 bcm for Europe and 6 bcm for Turkey (Umback, 2012b, cited in Sevim 20013, p. 356). The Turkish-Azerbaijani cooperation in the sphere of energy is important for Turkey, as Azerbaijan participates almost in all energy initiatives in the region (See Table 9).

#### Table 9

Route	Start of Operation	Oil/Gas	Capacity	Notes/Expansion Plans
Baku- Novorossiysk	1983	Oil	100 kb/d	Originally north- south line, since 1997 sporadic use south-north
Baku-Supsa	1999	Oil	100 kb/d	Opened summer 2008 following 18 months repair
BTC	2006	Oil	1 million b/d	Expansion to 1.2 mb/d by end 2008, possible up to 1.8 mb/d
BTE	2007	Gas	8 bcm/y	Expansion to 16- 20 bcm/y in line with increased Azerbaijani gas output
TANAP	2019	Gas	16 bcm/y	Expansion is expected to reach 31 bcm in 2026

Source: Sevim 20013, p. 353.

The cooperation in the field of energy also had a positive impact on the development of the economic relations between Turkey and Azerbaijan. In 2010 the trade volume between Azerbaijan and Turkey was \$ 2.5. Around 1.300 Turkish companies operate in Azerbaijan and around 1000 Azerbaijani companies in Turkey. Investment by Turkish companies in Azerbaijan is around \$ 6

billion (Today's Zaman, 2011). Turkey is one of the main bilateral donors of Azerbaijan (see Table

10).

#### Table 10. Top Ten Bilateral Donors To Azerbaijan 2011

Donor (country)	Value (\$U.S. millions)
Japan	105.47
U.S.	30.15
Turkey	65.48
Germany	11.29
Korea	5.84
Other	7.99

#### Total ODA (Net Disbursements)

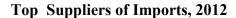
*Source: U.S. Official Development assistance Database (ODA, Total Net, Disbursements (millions \$US).* 

Currently Azerbaijan is Turkey's one of the largest trade partners. Their economic relations are based on different agreements: Agreement on Enhancing Economic and Technical Cooperation(1992), Agreement on Mutual Promotion and Protection of Investments (1994) and Double Taxation Prevention Treatment(1994). Up to date Turkish companies have launched more than 300 projects worth of \$ 7.5 billion. In 2012 Turkish investment in Azerbaijan was around \$7 billion. Azerbaijan's investment in Turkey was around \$4 billion (Republic of Turkey Ministry of Economy, 2013).

#### Table 11.

#### Table 12.

Top Export Markets, 2012



Italy	23,22 %	Turkey	15,75 %
India	7,91 %	Russia	14,19 %
France	7,43 %	Germany	8,09 %
Indonesia	7,36 %	U.S.	7,42 %

Israel	6,98 %	China	6,55 %
U.S.	6,70 %	Ukraine	5,59 %
Germany	4,04 %	U.K.	5,15 %
Russia	3,93 %	Kazakhstan	3,53 %
Greece	3,49 %	Itali	2,72 %
Turkey	2,51 %	Korea Republic	2,52 %

Source: IMF, Direction of Trade Statistics

Turkey and Azerbaijan have established strong cooperation in the field of military. Turkey has been providing military assistance to Azerbaijan. It helped Azerbaijan to get involved in the NATO's Partnership for Peace (PfP) program (Uslu 2003). In 1992 Turkey and Azerbaijan signed a military agreement on education. In 1996 they signed an Armed Forces Protocol. In 1997 they have formalized agreement on civil and military flights. Azerbaijani soldiers have served under the command of NATO Turkish battalions in Kosovo and Avghanistan (Vasilyan 2010). Turkey also provides assistance to bolster Azerbaijan's military capacity. It works to develop a favorable atmosphere for the Azerbaijan-NATO relations (Makili-Aliyev 2013). In 2001 Turkey and Azerbaijan signed an agreement about the development of Nakhchivan 5<sup>th</sup> army, in 2002 they agreed on cooperation in the area of war history, military archive and museum work and military publication. In 2003 Turkey and Azerbaijan agreed on the provision of training, material and technical assistance to Azerbaijan (Öztarsu 2011, p. 3). Starting from 2008 Turkey within the framework of NATO projects has been participating in the modernization of Azerbaijani Central Command of Air Forces (Vasilyan 2010). In December 2010 Turkey and Azerbaijan signed an agreement on Strategic Partnership and Mutual Support, according to which Turkey and Azerbaijan will provide reciprocal assistance in case of military attack against Turkey or Azerbaijan (Weitz 2012).

Turkey and Azerbaijan continue to develop their relations. The officials of these countries frequently pay visits to strengthen and develop their cooperation (See Table 13).

2008	2009	2010	2011	2012	2013
3-4 June PM	12-14 May	17 May 2010	27 July 2011	11-12 Sept.	10-13
R.T.Erdoghan	PM	PM	PM	PM	February
_	R.T.Erdoghan	R.T.Erdoghan	R.T.Erdoghan	R.T.Erdoghan	2013
					Turkish
					Environment
					and Forestry
					Minister
					Veysel
					Eroglu
20 August PM	25-29	19 April 2010	21-22 January	11-12 Sept	21 May
R.T.Erdoghan	September	Minister of	2011 Minister	PM	2013
	Speaker of the	Foreign	of Fuel and	R.T.Erdoghan	National
	Parliament	Affairs	Natural		Education
	Mr.M.Ali	A.Davudoghlu	Resources of		Minister
	Shahin		TurkeyT.Yıldız		Nabi Avci
17-19 June	9 February		27 July 2011		11 June
Speaker of the	Minister of		Minister of		2013
Parliament	Foreign		Economy		Minister of
Mr.K.Toptan	Affairs		Z.Chaghlayan		Foreign
	A.Babacan				Affairs
					Ahmet
					Davutoglu
22-25 April	26 May		3-4 October		12-13June
Minister of	Minister of		2011 -		2013 Chief
Labor and	Foreign		Minister of		Prosecutor
Safetyof	Affairs		Family Affairs		of Supreme
TurkeyF.Chelik	A.Davudoghlu		and Social		Court
			Policy of		Hasan Erbil
			Turkey		
			F.Shahin		
25-27	22 October		13-14 October		03 July 2013
September	2009 -		2011 - Vice on		Commander
Minister of	Minister of		Religious		of Turkish
Justice of	Foreign		Affairs of		Land Forces,
Turkey	Affairs		Turkey		General
M.A.Shahin	A.Davudoghlu		M.Gormez		Hayri
					Kivrikoglu
1 December			1-3 November		
Minister of			2011 Minister		
Foreign Affairs			of Justice		
of Turkey			S.Ergin		
A.Babacan	m Turkan Dalati		10 2012		

Table 13. Turkish high-level officials' visits to Azerbaijan 2008-2013

Source: Azerbaijan - Turkey Relations; updated:07.10.2013

#### 2.5. The Role of Russia in the Turkish Foreign Policy towards the SC

Russia after the collapse of the SU has been striving to keep its dominant position towards the SC countries. By founding the Commonwealth of Independent States (CIS) in 1991 it was trying to preserve its relations with the Post-Soviet countries and prevent the intervention of other powers in this area (Vasilyan 2010, p. 91).

Russia with Georgia has tense relations. Georgia has pro-Western orientation and strives to decrease the role of Russia in Georgia. Their relations especially have worsened after 2008 August war (Mikhelidze 2010).

Although with Azerbaijan Russia has some disagreements over the conflicts of Nagorno Karabakh, South Ossetian, Abkhazia and the legal status of the Caspian sea, these countries have friendly relations (Aydin 2002). In 2003 Russia and Azerbaijan signed an agreement on the militarytechnical cooperation, in 2006 they signed an agreement on the protection of intellectual property. In 2008 the Second Meeting of Russia-Azerbaijan Intergovernmental Commission on Military-Technical Cooperation was held in Moscow (Aras & Akpinar 2011).

In the SC Russia has the most close relation with Armenia. Since 1992 Russia has been the main security counterpart of Armenia. In Gyumry is stationed Russian 102<sup>nd</sup> military base. In 1997 Russia and Armenia have signed treaty on mutual assistance in case of military attack. The Russian soldiers protect Armenian borders with Turkey, Nakhichevan and Iran. In 2003 Armenia and Russia reached an agreement according to which Russia would modernize the military forces of Armenia and would extend their training programs. In 2004 Armenia became the member of Collective Security Treaty Organization (CSTO) (Vasilyan 2010). Armenia and Russia in 2011 signed an agreement which extended the presence of Russian military base in Armenia until 2044 (Minasyan 2013). Russia within the framework of the Minsk group is continuing to participate in the Nagorno Karabakh conflict resolution process (Hovhannisyan 2011). In 2002 V. Putin states that "Russia

would be ready to act as a security guarantor of a peace agreement to be reached between conflicting parties (Hovhannisyan 2011, p. 73).

Russia is the key investor in Armenia. Total Russian investment in 2012 was more than \$ 3 billion (Minasyan 2013). Russia and Armenia have established strong economic cooperation. Russia is the major donor of Armenia. Armenia purchases gas from Russia at the preferential rates 189 dollars per 1,000 cubic meters. Armenia having more than US\$ 2 billion debt to Russia in 2002 signed "assets for debts" agreement with Russia (Minassian 2008, p. 9).

 Table 14. Top Ten Bilateral Donors to Armenia 2011 (Net Disbursements, \$U.S. Millions)

1. U.S.	90.52
2. Germany	49.93
3. Japan	7.41
4. France	5.59
5. Denmark	4.16
6. Switzerland	3.72
7. Norway	3.07
8. Russia	3.00
9. Austria	2.32
10. United Arab Emirates	2.23

Source: U.S. Official Development Assistance Database.

The Turkish-Russian relations are extending from tense cooperation to conflict (Novikova 2010). Turkey has to take into account Russia's role in the SC when implementing its foreign policy towards this region, because of Russia's political, economic, military presence in the South Caucasus (Kasim 2004).

There are two interpretations of Turkish-Russian relations. On one hand, Turkey competes with Russia to increase its role in the SC, on the other hand, it encourages friendly relations and cooperation with Russia (Krozser 2012).

According to Deputy Defense Minister of the RA D. Tonoyan, "Turkish and Russian interests in this region coincide. The SC is a neighboring region, where both parties have economic, political and military interests. The SC for Turkey is important in terms of its economic and military security. The RF's military base is the only threat for Turkey's security in the SC" (Interview with Davit Tonoyan, First Deputy of the Defense Minister of the RA, 17.04.2014, Yerevan).

Hayk Makuchyan mentioned that "Russia is already an important actor in the SC which has a high level of involvement in the region. Currently Turkey can't be a counterbalance to Russia in the SC, as they have different weights" (Interview with Hayk Makuchyan, Head of the Board Adjacent to the Ministry of Defense of the RA, 16.04.2014, Yerevan).

Turkey not only competes, but also develops cooperation with Russia. The first sign of deepening the Turkish-Russian relations was the establishment of the Eurasian Action plan in 2001. This action plan included cooperation in the field of trade, culture, tourism and regular political consultations of Russia and Turkey (Krozser 2012). In 2004 Putin's visit to Turkey was the first visit of Russia's president in the last 32 years. After this visit Turkish president payed a reciprocal visit. Between 2004-2009 Putin and Erdoğan met more than 10 times and there were more that 20 meetings between high level officials. In 2010 these countries lifted the visa regime (Krozser 2012, p. 48).

According to Levon Hovsepyan, "for Turkey Russia is an alternative and counterbalance to the West. Turkey also understands that for Russia the SC has high geopolitical importance and the increase of Turkey's role in the region is only possible through the cooperation with Russia" (Interview with Levon Hovsepyan, President's Office of the RA, 26.04.2014, Yerevan).

Turkey and Russia have established cooperation in the field of economy. The major part of Turkey's import is from Russia (See Table 16 and Table 16).

#### Table 15

#### Table 16

#### **Turkey's Top Export Markets, 2012**

# Germany 8,61 % Iraq 7,10 % Iran 6,51 %

#### **Turkey's Top Import Markets, 2012**

Russia	11,26 %	
Germany	9,05 %	
China	9,00 %	

UK	5,70 %
UAE	5,36 %
Russia	4,38 %
Italy	4,18 %
France	4,07 %
U.S.	3,70 %
Spain	2,44 %

U.S.	5,97 %
Italy	5,64 %
Iran	5,06 %
France	3,63 %
Spain	2,55 %
India	2,47 %
Korea Republic	2,39 %

Source: IMF, Direction of Trade Statistics

Another important sphere in the relations of these countries is energy. Turkey is the largest Russian gas importer. It imports about 55% of its gas and over 10% of its oil from Russia (See Table 17 and Table 18).

#### Table 17. Gas Import by Country

#### Table 18. Oil Import By country

Country	Percentage	Country	Percentage
Russia	55,3 %	Iran	35 %
Iran	13,42 %	Iraq	17 %
Azerbaijan	11,89 %	Saudi Arabia	13 %
Algeria	6,27 %	Russia	10 %
Qatar	3,85 %	Kazakhstan	7 %
Other	9,27 %	Other	18 %

Source: U.S. Energy Information Administration

Turkey is trying to decrease its energy dependency from Russia. In this context BTC and BTE projects were important. Turkey not to be dependent on Russia's energy resources strives to establish alternative sources of energy import (Güzeldere 2009). In 2009 Turkey and Russia signed an agreement about the construction of the South Eastern pipeline which passes through Turkish waters of the Black Sea (Krozser 2012).

#### Chapter 3

### The Analysis of Turkish Foreign Policy towards the South Caucasus through the

#### **Neorealist Theory**

#### 3.1. Neorealist Theory

The big changes in terms of transportation, communication, war had an impact on the interaction of the states and other actors and bring the necessity to develop new or revised theories (K. N. Waltz 2009, p. 5). Realism has been and remains the major international relations theory. The major development of the classical version of the realism theory is a neorelaism theory which was advanced by Kenneth Waltz" (Schroeder 1994, p. 108). The central argument of the theory is that "the broad outcomes of international politics obtain more from the structural constraints of the states system rather than from unit behavior" (Schroeder 1994, p. 108). "Neorealism relies on the assumption that the state system in which all units are autonomous is structured by anarchy rather than by hierarchy in which each units wishes to remain part of the system" (Schroeder 1994, p.109). "Neorealism theory follows the main points of the realpolitik but it considers the means and ends as a causes and effects. It sees power as a possibly useful means stating that states with too little or too much power are posing a risk. Weakness can initiate attacks and the extensive strength can cause the arm race and instigate other states to gather efforts against the dominant state. The main concern of the states is not for the power but for the security. As power is a possibly useful means and the sensible statesmen should try to have an appropriate amount of it" (Waltz, 1988, p. 616).

Neorealism theory develops the concept of the system's structure referring to the fact that units differently juxtaposed and combined behave differently and in interacting produce different outcomes (Waltz 1990, p. 30). Waltz sees structure "as a set of constraining conditions, defining political structure in terms of its ordering principle, the distribution of the units' capabilities, and the functional differentiation or non-differentiation of the units (Waltz 1993, cited in Powell 1994, p. 316). According to neorealists, "states are made functionally similar by the constraints of structure, with the principal differences among them defined according to capabilities" (Waltz 1986, cited in Powell 1994, p. 316). "Structure mediates the outcomes that states produce. As internal and external circumstances changes, structures and states may bear more or less causal weight (Waltz 1990, p. 36). Neorealists view states like units; each state "is like all other states in being an autonomous political unit. Autonomy is a unit-level counterpart of anarchy at the structural level" (Waltz 1990, p. 37). Casual links between the interacting units and the international outcome run in two directions. Some causes of international outcomes are located at the level of interacting units, some causes are located at the structural level of international politics as well (Waltz 1990, p. 34).

The neorealism developed by Waltz is based on the two main assumptions. "First: states are the key actors in the international politics and there is no higher authority above them. Second: the main priority of states are their survival, which means that consequently states strive to secure their sovereignty" (Waltz 2006 cited in. Mearsheimer, p. 242). This means that for the states their position in the balance of power has a high importance as having advantage in that position will maximize the prospects of the states' survival (Mearsheimer 2009). Waltz also mentions that "states will try to get power at the expense of their opponents in their region or around the globe. The state's efforts to maximize their power and share of the world power will also lead to the creation of the coalitions by other great powers to stop the headway of the particular power. Balancing becomes the main strategy that states use to increase their share in the world power" (Waltz 1988, cited in Mearsheimer 2009, p. 242).

"In international politics success leads to failure. The excessive accumulation of power by one state or coalition of states elicits the opposition of others. Therefore, states can seldom afford to make maximizing power their goal. International politics is too serious business for that" (Waltz 1988, cited in Mearsheimer 2009, p. 243). For states to keep their position in the system is a priority. When competition takes place balancing becomes a key strategy to be used to increase the share of the world power (Mearsheimer 2009, p. 243). "The states that are being threatened create their own capabilities (internal balancing) or join together and build a coalition (external balancing)" (Ibid. p. 243).

Neorealism links theory the competition and the conflict between the states with the anarchy. States are coexisting in the anarchic order. They should strive to ensure their own security from possible threats. Self-help becomes the main action and the principal tool to ensure the state's security. Identification of the dangers and their presentation becomes the way of life for states (Waltz, 1988, p. 624). "In the anarchic order source of one's own comfort is the source of another's worry. The " security dilemma " emerges where the increase of one states's security decreases the security of the other" (Waltz, 1988, p 619). If the state is gathering weapons even for the self-defense purposes it poses a danger for others and requires a response. The same situation is in case of the alliances (Ibid.)

In neorealism theory the concept of power is defined as a characteristic of the structure. Power is simply the combined capability of the state. Its distribution across states, and changes in that distribution, help to define structures and changes in the states (Waltz 1990, p. 36). In the anarchic order peace is shivery. Neorealism refers not to the ambitions or the intrigues that initiate individual conflicts but instead puts the emphasis on the existing structure within which events, by design or by accident, can cause open clashes of arms (Waltz 1988, p. 620). The origins of hot wars lie in the cold wars, and the origins of cold wars are found in the anarchic ordering of the international arena (Ibid.)."Wars result from selfishness, from misdirected aggressive impulses, from stupidity (Waltz 1959, cited in Powell 1994, p. 315). The maintenance of the peace requires calculated responses by all the actors of the system. In the anarchic situation the

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carelessness or miscalculation by the states can have bloody consequences. The main question in this context that Waltz raises is whether in multipolar or bipolar systems destabilizing events are administered better (Waltz 1988, p. 620). Waltz is in favor of a bipolar system. He mentions that in the anarchic system the balance of power is easier to maintain. In the multipolar system the risks of wars are higher (Waltz 1998, cited in Weber, 2005).

Nerealism claims that" international institutions play a minimal role in shaping international politics and that the prospects for cooperation in anarchy are bleak" (Powell 1994, p. 326) "In the situation entailing strategic interdependence, such as that of great powers, an actor's optimal strategy depends on the other actors' strategies. To explain what actors will do we must look to the constraints that define the strategic setting in which the actors interact" (Waltz 1959, cited in Powell 1994, p. 315). According to neorelaism theory for the states relative gains are very important. "States that feel insecure must ask how the gain will be divided and who will gain more?" Waltz 1993, cited in Powell 1994, p. 335). "The degree of states concern about the relative gains depends on, or is a function of , its strategic environment. This dependency means that the concern for relative gains is a part of the outcome and not part of the explanation. A concern for relative gains is an effect and not a cause" (Powell 1994, p. 337).

## **3.2.** The Analysis of the Turkish Foreign Policy towards the South Caucasus from the Theoretical Paradigm of Neorealist Theory

With the collapse of the Soviet Union new geopolitical order was established. Its dissolution brought new challenges and opportunities for Turkey. The neorealist theory develops the idea that " units differently juxtaposed and combined behave differently and in interacting produce different outcomes" (Waltz 1990, p. 30). The political system that was established after the collapse of the SU had an impact on Turkey's behavior, as new opportunities have emerged for it. Turkey's role as a regional power started to increase it started to establish cooperation with the Post-Soviet countries (Larrabee, Lesser. 2003). Turkish foreign policy after the dissolution of the SU was oriented towards the establishment of more active and balanced relations with the neighboring regions (Murinson 2006).

According to neorealists as internal and external circumstances changes, structures and states may bear more or less causal weight (Waltz. 1990, p. 36). In case of Turkey were visible both internal and external changes. The major external change was the end of the Cold War. The dissolution of the Soviet Union opened new opportunities for Turkey (Murinson 2006). The internal change was connected with the AKP which came to power in 2002 and declared its objectives: "zero problems with Turkey's neighbors", proactive peace diplomacy, strong global relations, active involvement in international issues and cooperation with all international organizations (Murphy & Sazak 2012, p. 4).

Neorealists mention, that states are coexisting in the anarchic order. Self-help is the main action and the principle tool to ensure the state's security. Identification of the dangers and their presentation becomes the way of life for states (Waltz 1988). So, for Turkey peace around its borders and good relations with the neighbors have significant importance, which is also reflected in its Military Doctrine adopted in 2006. The Military Doctrine of Republic of Turkey is based on three main ideas: ensure national security without applying armed forces, being able to prevent threats and dangers, keep armed forces in a strong combat preparation level, manage crisis, take military and non-military measures to prevent possible threats and dangers, create security environment along the border to guarantee peace with neighboring countries (settle excising crisis, prevent possible crisis) (Center of Military Analyses and Research, 2011).

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In the anarchic order peace is shivery and, within the existing structure events by design or by accident, can cause open clashes of arms (Waltz 1988, p. 620). The SC is situated near Turkey, its frozen conflicts represent a serious threat to the peace and the stability of Turkey (Konończuk 2007). As the maintenance of peace requires adequate responses by all the actors of the system and in the anarchic situation the carelessness or miscalculation by the states can have bloody consequences (Waltz 1988, p. 620), the stability of neighbors becomes important for Turkey's security. Military clashes between the conflicting countries near its borders are threat for Turkey. So, to secure its sovereignty and maximize the prospects of its survival, Turkey pays much attention to the military sector and increases its military expenditure on the annual basis (See Table 1 in Chapter 2).

Waltz claims, that "states will try to get power at the expense of their opponents in their region or around the globe (Waltz 1988, cited in Mearsheimer 2009, p. 242). In the SC Turkey for increasing its role is mainly competing with Russia. Both parties are seeking to enhance their influence in the SC countries. After the collapse of the Soviet Union, Russia declared the Post-Soviet territory the area of its vital interests by stressing Post-Soviet countries' ties with Russia (Boonstra & Melvin 2011).

The state's efforts to maximize their power and share of the world power will also lead to the creation of coalitions by other great powers to stop the headway of the particular power (Waltz 1988, cited in Mearsheimer 2009, p. 242). For maximizing their power in the SC Russia and Turkey are trying to deepen their cooperation and relations with the SC countries. Turkey has establish strong cooperation with Georgia and Azerbaijan (Mikhelidze 2010). Russia's main counterpart in this region is Armenia (Minasyan 2013). When competition takes place balancing becomes a key strategy to be used to increase the share of the world power (Mearsheimer 2009). So, Turkey by cooperating with Georgia and Azerbaijan tries to balance the role of Russia in the SC.

#### Conclusions

This Master's Essay studies the developments of the Turkish foreign policy towards the SC after the collapse of the Soviet Union based on the investigation of the regional development after the end of the Cold War.

In order to answer the research questions and to test the hypothesis of this essay the conclusions will be drawn separately from the three chapters of this study and then will be presented the final concluding remarks.

The discussion of the first chapter showed that the role and the importance of the SC has especially increased after the collapse of the SU conditioned by the fact that new opportunities have emerged for the Republic of Turkey. From the first chapter became clear that Turkey after the dissolution of the SU to increase its role and involvement in the SC started to develop relations with all SC states besides Armenia. During this period no improvements were recorded in the relations between Turkey and Armenia, but Turkey's relations with Azerbaijan and Georgia were prospering. The analyze of Turkish foreign policy after the end of the Cold War showed that Turkey was trying to increase its involvement in the region and become a regional player in the SC.

The second chapter of this thesis studies the development of Turkish foreign policy towards the SC when in 2002 the AKP came to power. The discussion of the Turkey-SC relations show, that AKP with coming to power started to deepen its cooperation with its neighbors and enlarged the spheres of the cooperation. To demonstrate this study separately refers to the agreements signed between Turkey and the SC countries, presents visits and speeches of Turkish officials.

The third chapter of this Master's essay analysis the foreign policy of the Republic of Turkey towards the SC through the lenses of neoealism theory. In this chapter the main points of the

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neorealism theory are applied to the Turkey-SC relations by taking into consideration the main areas of their cooperation and Turkey's foreign policy's priorities towards the SC region.

This study later refers to the issue of competition between different powers that strive to increase their role in the SC. This research mainly refers to the Turkish-Russian relations. The study discusses the areas where these countries have coinciding interests and also refers to their cooperation. The analysis of Turkey-SC and Russia-SC cooperation it became visible that for both countries the region is important both economically and politically. To balance each other these countries try to established strong cooperation with the SC countries and increase the share of their power in the region.

Turkey is continuing to increase its role in this region. Especially the cooperation with Azerbaijan and Georgia, Georgia's anti-Russian orientation are an opportunity for Turkey more deeply engage in the region. Turkey currently develops separate foreign policy towards each SC countries.

#### Appendix

#### Interview Questionnaire

- 1) Which are the main spheres that have high importance for Turkey in the SC?
- 2) Are there any spheres that will lead to the cooperation between Turkey and 3 SC countries?
- 3) What was the impact of the football diplomacy in the Turkish-Armenian relations?
- 4) What are the main international actor with whom Turkey is competing to increase it role in the SC?
- 5) How is the Turkish-Russian relations reflected in the Turkish foreign policy towards the SC?
- 6) How does the 2008 August war changed the role of Turkey and its foreign policy towards the South Caucasus?
- 7) Is Turkey a regional power in the SC?
- 8) Can energy resources of the SC decrease Turkey's energy dependency from Russia?

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