

## **TURKEY AND AZERBAIJAN: THE DREAM VERSUS THE REALITY OR THE REALITY VERSUS THE DREAM FOR “TWO STATES AND ONE NATION”**

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### **Abstract**

*After the collapse of the Union of Soviet Socialist Republics, it was very important to develop economic relations with Azerbaijan (independent in 1991), and with the other newly independent countries for the actors aiming to obtain a power and to become influent in the region. In this process, it was envisaged that the relationship between Turkey and Azerbaijan would be improved due to the cultural and ethnic ties and roots based on the past. As the economic power in the international level and the economic relations in the international relations play a determinant role, in this paper, the economic situation of Azerbaijan and its relationship with Turkey are taken in the economic dimension. The aim of this paper focuses on demonstrating the economic situation of Azerbaijan and on finding out if the relations between two countries have grown or not according to the slogan of “two states and one nation.” By this purpose, the effectiveness of the relationship between Turkey and Azerbaijan has been tried to be put forth by the economic data of Azerbaijan. In the conclusion of the paper, although it is emphasized on the importance of Azerbaijan for Turkey, and on the necessity of improving the bilateral relations, it is seen that the slogan of “two states and one nation” is said in the political and cultural framework. However, it is also seen that this discourse is not enough effective at the economic level.*

**Key Words:** *International relations, Azerbaijan, Turkey*

## **TÜRKİYE VE AZERBAJCAN: İKİ DEVLET BİR MİLLET GERÇEĞİNE KARŞI BİR HAYAL VEYA O HAYALE KARŞI BİR GERÇEK**

### **Özet**

*Sovyet Sosyalist Cumhuriyetleri Birliği'nin dağılmasının ardından 1991 yılında bağımsızlığını kazanan Azerbaycan ve diğer bağımsızlığını yeni elde eden ülkeler ile ekonomik ilişkilerin geliştirilmesi bölgede güç kazanmak ve etkili olmak isteyen aktörler açısından önem kazanmaktadır. Bu süreçte, geçmişe dayalı kültürel ve etnik bağlar ve kökler nedeniyle Türkiye ve Azerbaycan ilişkilerinin gelişeceği öngörülmüştü. Uluslararası düzeyde ekonomik güç ve uluslararası ilişkilerde ekonomik ilişkiler belirleyici güç olduğundan, bu çalışmada, Azerbaycan ekonomisinin durumu ve Türkiye ile ilişkileri ekonomik boyutta ele alınmıştır. Çalışmanın amacı, Azerbaycan'ın ekonomik durumunu ortaya koymak ve iki ülke arasındaki ilişkilerin “iki devlet bir millet” sloganına uygun bir gelişim gösterip göstermediğini değerlendirmektir. Bu amaçla, Türkiye ve Azerbaycan ilişkisinin etkinliği, Azerbaycan'ın ekonomik verileri ele alınarak ortaya konulmaya çalışılmıştır. Çalışmanın sonucunda her ne kadar Azerbaycan'ın Türkiye açısından önemli bir ülke olduğu ve ikili ilişkilerin geliştirilmesi gerektiği vurgulansa da, mevcut “iki devlet bir millet” sloganının siyasi ve kültürel çerçevede söylendiği ancak ekonomik düzeyde bu söylemin istenilen düzeyde etkin olmadığı görülmektedir.*

**Anahtar Kelimeler:** *Uluslararası ilişkiler, Azerbaycan, Türkiye*

### **Introduction**

Azerbaijan and Turkey are two countries constructing a bridge between each other: One for another. So as, while Azerbaijan constitutes an opening door on the Caucasia and the Central Asia for Turkey; on the other side, Turkey creates for Azerbaijan a way or passage spanning on Europe, Middle East and reaching the hot seas: Aegean and Mediterranean coasts. Besides this geo-political opportunity or unity, we have publicly known that a slogan of "one nation and two states" shouted out by Elçibey or Haydar Aliyev finds all its energy in the concretization of bilateral relations put in force since 1991. However, considered one nation "de facto," but two nations "de jure" and "per culturam" from 1918 to 1991, these two states; Azerbaijan and Turkey generated independently a central axe for two different world's challengers even after the end of Cold War 1991.

Naturally, each one became obliged to play a role according to the world to which it was belonging. In fact, the Cold War between USA - the West and USSR - the East was over, but not between USA / the West and Russia.

Otherwise, our hypothesis is that: attached on the "realis politika", Azerbaijan could not behave without neglecting Moscow's initiatives in spite of its independence, as a state of CIS located geopolitically in the interest area of Russia. As for Turkey, the situation is not different. Turkey and Azerbaijan together, in the present, even the opposite is wished, could not act against the collective goods and interests of Russia and USA/the Western countries at the political and economic levels. For that reason, the relationship between Turkey and Azerbaijan has been developed and evaluated in the vertical spiral form by occasionally going up and down from one period to another period against the desired horizontal form expansion of the relations, and a famous and common slogan that we try to ascertain as a unity and common politics of two states.

Naturally, in the New World Order, after 1991, these two countries integrated themselves to the new international system as shaped and equipped by different values of which their responsibility continues on. One is born from the Western bloc, and the other one is from the Eastern bloc.

However, Turkey and Azerbaijan have shared the same destiny by constituting, two of them, same values in North-South gap as a represented one-on-one side as Southern, and the other on the other side, trying to be established as Northern country through Europe and Russia. In fact, it's the crux of our study that we wish to find out why the relationship of Turkey and Azerbaijan could not go far away beyond the trade and economic exchanges and agreements.

Otherwise, what is the main purpose of claiming on "one nation and two states"? What this policy ought to do or should do in order to have some impacts on the future of Turkey and Azerbaijan? Or these two countries' relationship can be interpreted just as "bandwagoning" in order to enhance their interests also with the actors circling or more than encompassing them such as done by Russia and the USA, including the Western countries. In other words, could the pipeline

connections be considered enough to define the perfection of the bilateral relations between Turkey and Azerbaijan?

Another question is focused on how Turkey's and Azerbaijan's statecraft is going to overpass this consideration and to carry it more ahead. In fact, for seeing what are the payoffs of these two states, we must look at the data giving us even partially an idea about the type and context of the relationship in order to find out if it is an ordinary state relation or more than? Naturally, even if the level playing field of these two states is equal, the intercession of the different actors and factors constitute sometimes a hindrance in the development of the bilateral relations. Through this reality, the following academic and statistical findings will help us to understand and underline our hypothesis.

#### **An Evaluation on Turkey and Azerbaijan's Bilateral Relations by Selected Economic Indicators**

Turkey has given so much importance to its relations with Azerbaijan. However, Turkey always felt the influence of Russia in the shadow of its relations with Azerbaijan. Especially, since the independence of Azerbaijan after Russia approved; "... on June 13, 1995, the bill on the investments in the oil sector, the Parliament of Russia opened the way with enormous estimated foreign settings of funds of tens of billions dollars. But Moscow is also interested of very close in the energy projects in the old Soviet territories, in particular in the Caucasus..." (Dolay, 1995 :14).

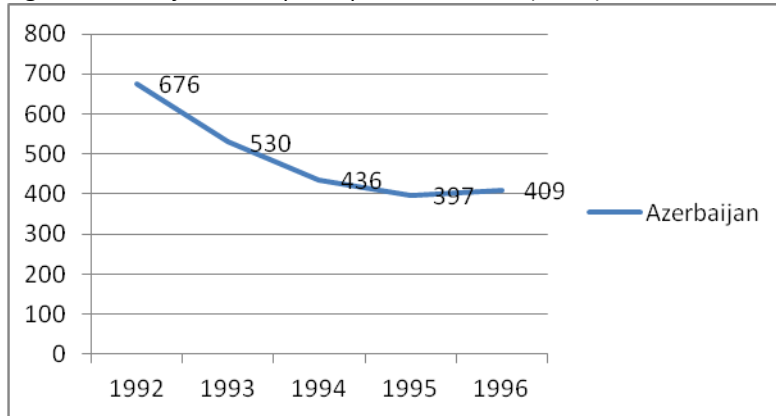
Furthermore, because of this reason, Aboulfaz Eltchibey, being a very favorable person to the development of bilateral relations with Turkey, had been reversed by a "coup d'Etat" in June 1993 backed by Moscow and finally restored by Haydar Aliev recognizing very well the Russian system as a former member of the political office of the time of Leonid Brejnev (Dolay, 1995 :14). Since Haydar Aliev and also his successor - son Ilham Aliev, it has been never dared to omit the Russian factor in the frame of Azerbaijan – Turkey mutual relations. In spite of the analysis of Dolay, putting her reserves about the instable independence of Azerbaijan (Dolay, 1993:4), Azerbaijan of today continued to follow an independent policy "de jure" but in the wake of Russia "de facto" while giving attention to the balances of the Caucasian region.

Hence the Russian role, Azerbaijan tries nowadays to expand its relations with Turkey economically but not in the shape of Eltchibey, who wanted to act diplomatically with Turkey outside of the Russian circle. Today, knowing this real policy, Turkey does not also overpass the regional Russian hegemony or could not, and it has been taking into consideration the concept of balance of power in the Caucasian region.

In fact, Azerbaijan as a developing country improves its GDP per capita since 1991. However, as seen in Figure I, after the collapse of Soviet Union and as an

independent state, the very low GDP of Azerbaijan is going up and down because of the instable political and economic system as a new born independent state.

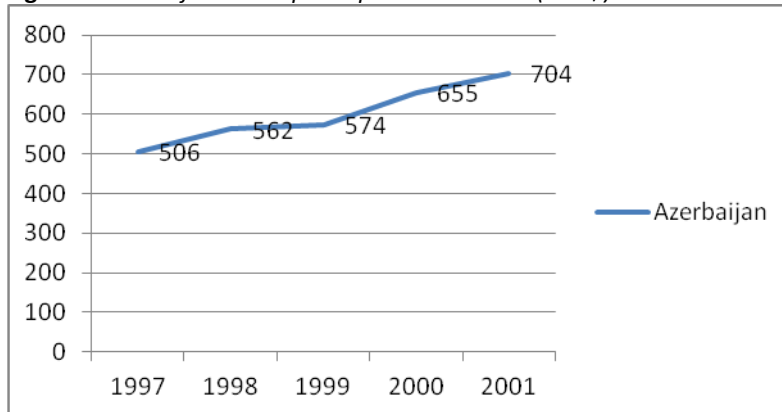
**Figure I** Azerbaijan's GDP per capita: 1992-1996 (USD\$)



Source: The World Bank, GDP per capita (current US\$), Azerbaijan, 1992-1996, <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD?page=3> , (access date: 10 May 2012)

After the first independency years, Azerbaijan's GDP per capita did not change so much. The values oscillate approximately between 500 and 700 USD.

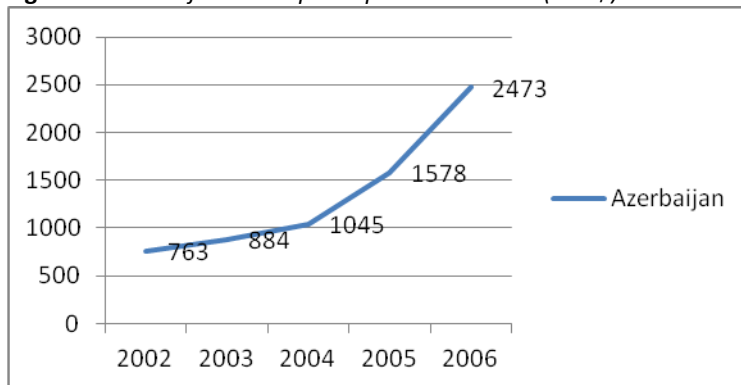
**Figure II** Azerbaijan's GDP per capita: 1997-2001 (USD\$)



Source: The World Bank, GDP per capita (current US\$), Azerbaijan, 1997-2001, <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD?page=2> , (access date: 10 May 2012)

However, this value reaches up to 2.473 USD in 2006 due to the natural resources production and sales of Azerbaijan.

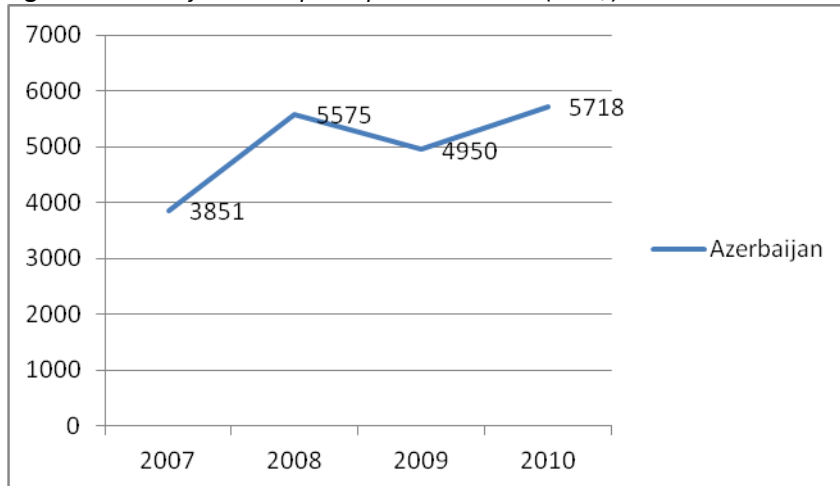
**Figure III Azerbaijan's GDP per capita: 2002-2006 (USD\$)**



Source: The World Bank, GDP per capita (current US\$), Azerbaijan, 2002-2006, <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD?page=1>, (access date: 10 May 2012)

Finally, Azerbaijan's top-level is around 5.718 USD in 2010, and by a good estimation, it will get the better level. However, the level of Azerbaijan is under 8,000 USD, which is considered a risky level for the democracy and democratic governance (Roskin et al., 2012:33).

**Figure IV Azerbaijan's GDP per capita: 2007-2010 (USD\$)**



Source: The World Bank, GDP per capita (current US\$), Azerbaijan, 2007-2010, <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD>, (access date: 10 May 2012)

Naturally, this theory is even actually valid for the bettering situation of Azerbaijan, but it seems that it will take more time before it reaches the wanted levels and criteria of the Western values with 51,774,221,669 USD GDP in total in 2010 and a population of 9,054,000 in 2010 (World Bank, <http://data.worldbank.org/country/azerbaijan>).

In fact, the total GDP of Azerbaijan presents the different but bettering values since 2002. As seen in Table I, the total GDP has been oscillated such as:

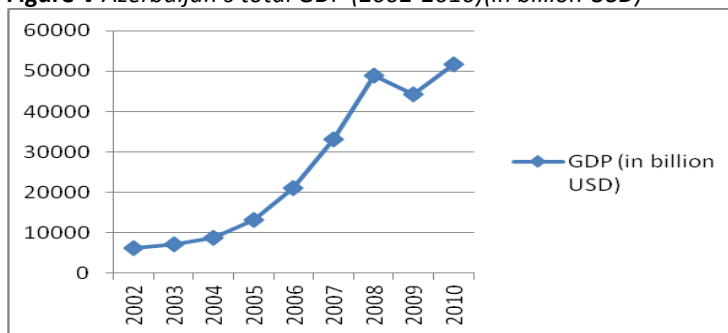
**Table I: Azerbaijan’s total GDP (2002-2010)**

Year	GDP (total / USD)
2002	6,236,024,951.2
2003	7,275,766,111.2
2004	8,680,511,918.5
2005	13,245,421,880
2006	20,982,270,733
2007	33,049,380,917
2008	48,852,482,960
2009	44,291,490,420
2010	51,774,221,668

Source : The World Bank , World Bank Search, “Azerbaijan GDP, GDP (current US\$)”, <http://search.worldbank.org/data?qterm=Azerbaijan%20GDP&language=EN> (access date: 15 May 2012)

In this purpose, the Figure V shows us clearly the increasing trends of the total GDP. Since 2002, the prosperity level is increasing, but it is not at the desirable level. The index of 2010 is topping according to the previous years but the years after 2010 are estimated more valued than that one.

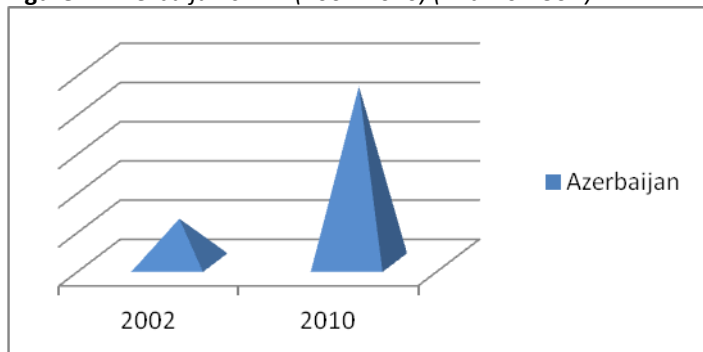
**Figure V Azerbaijan’s total GDP (2002-2010)(in billion USD)**



Source : The Graph is drawn by the data obtained in “The World Bank, World Bank Search, “Azerbaijan GDP, GDP (current US\$)”, <http://search.worldbank.org/data?qterm=Azerbaijan%20GDP&language=EN> (access date: 15 May 2012)

Naturally, a GDP is not only an indicator for underlining the economic development of a country. For that, PPP (purchasing power parity) rates show us the wealth level of the Azeri society. We see that while the value in 2002 is around 22,439,754,013 USD, it goes up to 89,959,859,743 USD in 2010. The Figure VI shows very clearly this large difference.

**Figure VI** Azerbaijan's PPP (2002-2010) (in billion USD)



Source : The Graph is drawn by the data obtained in "The World Bank, World Bank Search," "Azerbaijan PPP", <http://search.worldbank.org/data?qterm=Azerbaijan%20GDP&language=EN> (access date: 15 May 2012)

In fact, Azerbaijan has several problems to overpass such as the restoration of democracy, the cowed opposition, the state-supervised interest groups, the intertwined institutions of the regime and the destruction of the "authoritarianism" (Sally, 2001:1) by finding diplomatic resolutions to end the Armenian occupation of Nagorno-Karabakh, increasing the socio-economic levels of the Azerbaijanis and minimizing the influence of Moscow on the future of Azerbaijan, which will not be easy soon as most of the Azerbaijanis political and military elites have been educated by Russian political culture. In fact, it is a common problem or political reality which all Central Asian countries undergo without any exception.

Among these issues, Azerbaijan increases its export and its revenues due to the foreign trade. In this purpose, if we look at the foreign trade turnover, we see that it is distributed as seen in Table II.

**Table II: Indicators of foreign trade turnover of Azerbaijan in 2010**  
(million US dollars)

Countries	Foreign trade turnover	Import	Export	Balance
Total	27 924,1	6 599,3	21 324,8	14 725,5
Countries with transition eco.	5 295,8	2 106,9	3 188,9	1 082,0
CIS countries	4 034,8	2 050,9	1 983,9	-67
Countries of Central and Eastern Europe	1 261,0	56	1 205,0	1 149,0
Countries with developed market economy	16 127,3	2 245,9	13 881,4	11 635,5
Countries of Western Europe	12 032,5	1 778,2	10 254,3	8 476,1
Other countries with Developed market economy	4 094,8	467,7	3 627,1	3 159,4
Developing countries	2 246,5	4 254,5	2 008,0	
Countries with transition and centrally planned economy	927,7	588,3	339,4	-248,9
Other developing countries	5 573,3	1 658,2	3 915,1	2 256,9

Source: The State Statistical Committee of the Republic of Azerbaijan, <http://www.azstat.org/publications/azfigures/2011/en/018.shtml>, (access date: 15 May 2012)

Table II shows us that countries with developed market economy and countries of Western Europe play an important place in the Azerbaijan's foreign trade. Especially, according to the State Statistical Committee of the Republic of Azerbaijan, among the main trade partners of Azerbaijan, the countries such as Italy, France, Russia, Israel and USA are top-ranked than Turkey. Even Turkey exports more than it imports from Azerbaijan, we see in Table III that in comparison to other countries, the turnover between Turkey and Azerbaijan is around 942,165,000 USD. Otherwise, the value proves that the slogan of "one nation – two states" is not very put into practice in the field of economic life of these two countries.



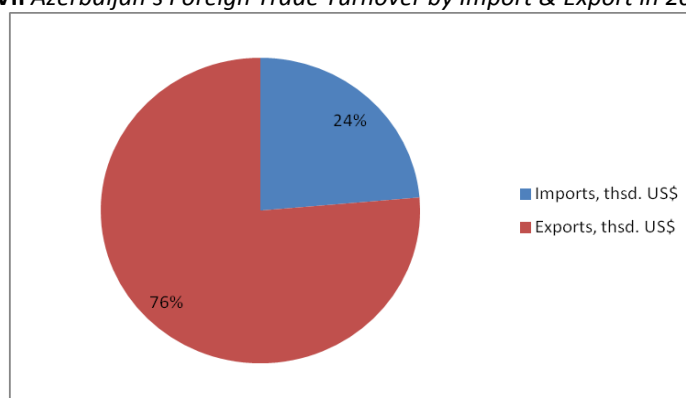
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**Table III: Main trade partners of Azerbaijan in 2010(thsd.USS) (2010)**

Countries	Turnover	%	Import	%	Export	%	Trade balance
<b>Total</b>	<b>27 924 132,4</b>	<b>100</b>	<b>6 599 354,7</b>	<b>100</b>	<b>21 324 777,7</b>	<b>100</b>	<b>14 725 423,0</b>
Italy	7 215 484,9	25,8	118 260,4	1,8	7 097 224,5	33	6 978 964,1
France	1 992 633,2	7,1	136 109,6	2,1	1 856 523,6	8,7	1 720 414,0
Russia	1 918 485,5	6,9	1 144 956,7	17,3	773 528,8	3,6	-371 427,9
Israel	1 804 187,8	6,5	59 365,9	0,9	1 744 821,9	8,2	1 685 456,0
USA	1 744 850,9	6,2	206 270,6	3,1	1 538 580,3	7,2	1 332 309,7
Ukraine	1 354 087,4	4,8	465 449,4	7,1	888 638,0	4,2	423 188,6
<b>Turkey</b>	<b>942 165,2</b>	<b>3,4</b>	<b>771 271,5</b>	<b>11,7</b>	<b>170 893,7</b>	<b>0,8</b>	<b>-600 377,8</b>
China	926 045,0	3,3	587 194,5	8,9	338 850,5	1,6	-248 344,0
Croatia	789 071,3	2,8	1 902,4	0,0	787 168,9	3,7	785 266,5
Indonesia	788 529,3	2,8	6 368,4	0,1	782 160,9	3,7	775 792,5
Malaysia	780 114,2	2,8	39 330,4	0,6	740 783,8	3,5	701 453,4
Singapore	684 770,7	2,5	173 893,3	2,6	510 877,4	2,4	336 984,1
Germany	617 083,0	2,2	607 176,7	9,2	9 906,3	0,0	-597 270,4
Georgia	461 378,1	1,7	50 412,7	0,8	410 965,4	1,9	360 552,7
Republic of Korea	375 625,5	1,3	157 239,6	2,4	218 385,9	1	61 146,3
Kazakhstan	338 144,3	1,2	293 552,9	4,4	44 591,4	0,2	-248 961,5
India	335 333,7	1,2	35 691,1	0,5	299 642,6	1,4	263 951,5
Canada	332 349,7	1,2	15 281,7	0,2	317 068,0	1,5	301 786,3
Taiwan	313 782,2	1,1	19 176,1	0,3	294 606,1	1,4	275 430,0
United Kingdom	309 191,3	1,1	302 749,7	4,6	6 441,6	0,0	-296 308,1
Greece	267 088,5	1,0	12 075,9	0,2	255 012,6	1,2	242 936,7
Iran	243 219,3	0,9	118 238,6	1,8	124 980,7	0,6	6 742,1
Portugal	225 367,3	0,8	753,8	0,0	224 613,5	1,1	223 859,7
Turkmenistan	214 596,4	0,8	13 918,4	0,2	200 678,0	0,9	186 759,6
Thailand	206 130,4	0,7	11 733,3	0,2	194 397,1	0,9	182 663,8
<b>Other countries</b>	<b>2 744 417,3</b>	<b>9,9</b>	<b>1 250 981,1</b>	<b>19</b>	<b>1 493 436,2</b>	<b>7,0</b>	<b>242 455,1</b>

Source: The State Statistical Committee of the Republic of Azerbaijan, <http://www.azstat.org/publications/azfigures/2011/en/018.shtml>, (Access date : 10 May 2012)

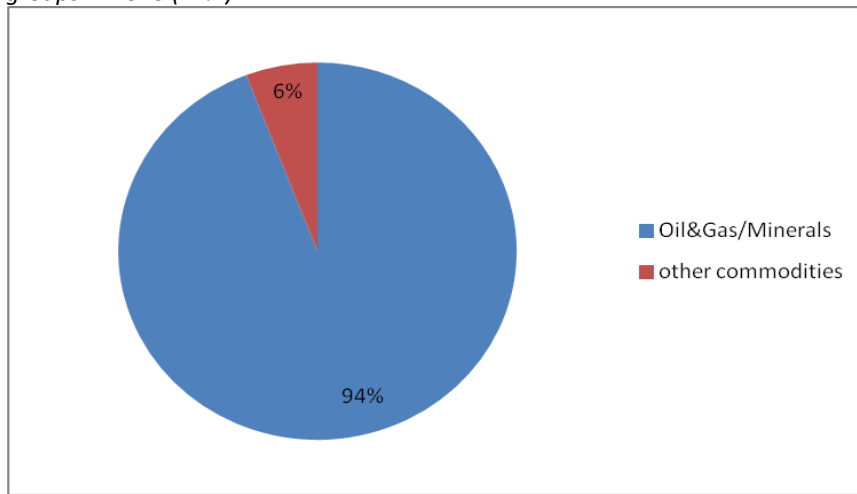
**Figure VII Azerbaijan's Foreign Trade Turnover by Import & Export in 2010 (in %)**



Source: The graph is drawn by the data obtained in The State Statistical Committee of the Republic of Azerbaijan, <http://www.azstat.org/publications/azfigures/2011/en/018.shtml>, (Access date: 10 May 2012)

Approximately, the import of Azerbaijan presents a 24 % with a value about 6,599,355,000 USD, while its export is around 76 % with 21,324,778,000 USD. Even the balance between the import and the export creates an advantage in favor of the export. As we see in Figure VIII among the commodity groups, the oil and the gas present largely 94 %.

**Figure VIII** the place of Natural Gas and Oil among the foreign trade by commodity groups in 2010 (in %)



Source: The graph is drawn by the data obtained in The State Statistical Committee of the Republic of Azerbaijan, <http://www.azstat.org/publications/azfigures/2011/en/018.shtml>, (Access date: 10 May 2012)

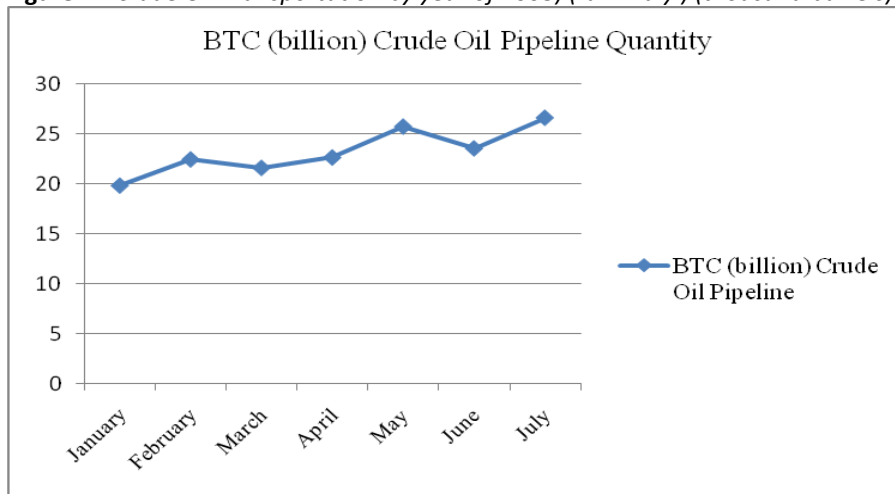
Naturally, the increase of oil price helped Azerbaijan economy to profit more from the international conflicts and turbulence as the oil producing and exporting countries in the world.

If we have a historic overlook to the bilateral relations of Azerbaijan and Turkey, we see the same fluctuation. In other words, according to the Table II, we conclude that Turkey is still losing its trade privilege in favor of Italy, France, Russia, Israel and USA. We also foresee that in very short time; China is preparing itself to be ranked before Turkey. Besides the trade values above between two countries, Turkey has been considered as an energy bridge between the East and the West.

As a result of this consideration, the concretization of the projects between Turkey and Azerbaijan has been contributing to add more values and help two parties construct new strategic concepts in the frame of bilateral relations between two countries. Finally, Baku – Tiflis - Ceyhan (BTC) Oil Pipeline<sup>i</sup> and the ground-breaking ceremonies of Baku-Tiflis-Kars railway on July 24, 2008 are seen to be playing an important role and increasing the geopolitical value of Turkey and Azerbaijan, including Georgia as an actor of the regional balance in the fields of energy and transportation in the region. In this context, the realization of the project aiming to transport the natural gas produced in Azerbaijan via Georgia to

Turkey (signed in March 2001 between BOTAŞ (Petroleum Pipeline Corporation of Turkey) and SOCAR (State Oil Company of Azerbaijan) (SOCAR, <http://new.socar.az/socar/en/home/> ) which had been completed and became operational in July 2007 (BOTAŞ, <http://www.botas.gov.tr/eng/projects/projects.asp#03> ) could be evaluated as an important part of the Turkish-Azerbaijani bilateral relations. The economic contribution of BTC is not negligible for Turkey, especially for the Turkish based company BOTAŞ (See Figure IX).

**Figure IX: Crude Oil Transportation by year of 2008) (Jan.- July ) (thousand barrels)**



Source: The Figure XI is drawn by the data obtained by BOTAŞ, Petroleum Pipeline Corporation, <http://www.botas.gov.tr/>, (Access date: 06 September 2008).

Except this crude oil transport through the BTC pipeline, according to the bilateral agreements between Ankara and Baku, Turkey plans to import 8 billion cubic meters of natural gas in 2013 from the Caspian Sea in Azerbaijan.<sup>ii</sup> However, BTC is not actually very rentable and BOTAŞ could not earn its expected profits even losing more. In fact, Turkey aims to improve its relations with Azerbaijan because Azerbaijan is an energy exporter country besides being geographically a neighboring country to Turkey through Nakhchivan or Georgia.

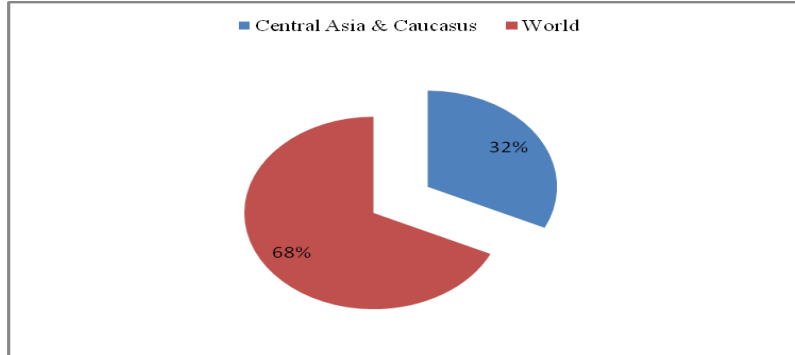
Briefly, the relations between Turkey and Azerbaijan seem to be more prospective although the slogan of "two states and one nation" bothers some international actors. Presently, even the actual potential of the trade relations is not so high and despite everything, Azerbaijan gives its major priority to Russia, USA and some E.U countries in its politics of balance before Turkey. It seems that the diplomatic bridge between the two countries is on the way to develop a capacity for trade and diplomatic cooperation day after day because of their historical and economic ties. Furthermore, it is not to be forgotten that Turkey's need of diplomatic support from Azerbaijan for the resolution on the subject of the

Cypriot crisis, on the other hand, Azerbaijan needs Turkey's help against the occupation of the Nagorno-Karabakh.

Among the Turkic, Central Asia and other countries, Azerbaijan constitutes an important place for Turkey. This point is very clearly seen in the breakdown of capital export of Turkey in the years of 1998-2005.<sup>iii</sup> For example, according to the data, the capital exported to Azerbaijan by Turkey is approximately 1,891,641,888 USD over 7,791,083,984 USD in the world total (Republic of Turkey Prime Ministry Under-secretariat of Treasury). This alone means that, Azerbaijan represents more than 24 % of the total capital export of Turkey for the given years (See Figure XIII).

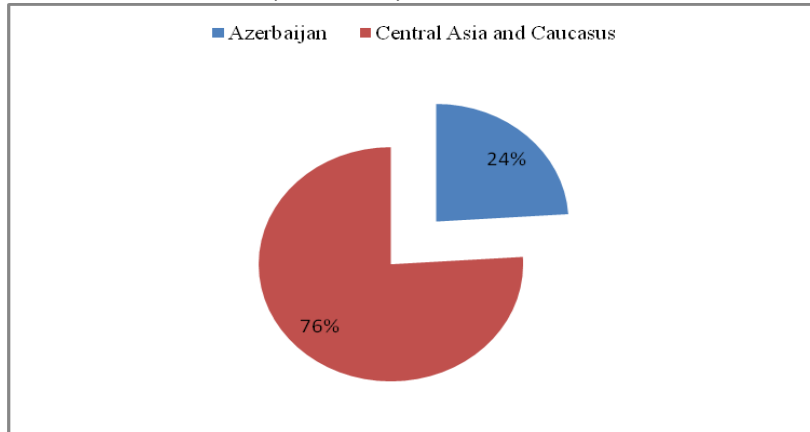
In the future, this ratio seems to be increased than it is actually. In fact, 2,483,210,340 \$ (1998-2005) of the capital outflows of Turkey all over the World (7,791,083,984 USD in 1998-2005) goes to Central Asia and Caucasus.<sup>iv</sup> This presents, in reality, 32 % of the capital outflows of Turkey as seen in Figure X but the percentage of Azerbaijan is considerably high, as much as 76 % in total of Central Asia and Caucasian countries. Even so, it is to focus on that in despite this high percentage, the quantity of the capital outflows exported to Azerbaijan changes from 1998 to 2005 as seen in Figure XI and Figure XII. In other words, even Azerbaijan constitutes an important part; there is no stability in Turkey-Azerbaijan financial relations.

**Figure X** The Percentage of Outflows of Turkey in Central Asia & Caucasus over the World (1998-2005)



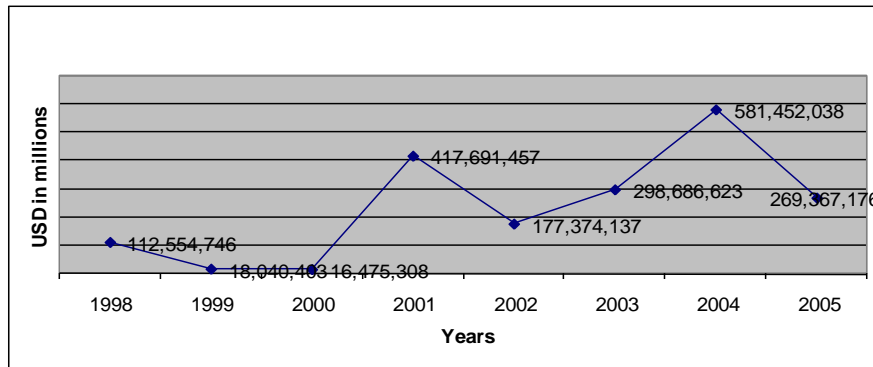
Source: The Figure X is drawn according to the data obtained by Republic of Turkey Prime Ministry Undersecretariat of Treasury, International Direct Investment Statistics, Table 12- Breakdown of Capital Export of Turkey By Country and Sector, [http://www.ekonomi.gov.tr/upload/F885E178-D8D3-8566-4520D555E6469CEC/Yurtdisi\\_TopSermaye\\_ihrac\\_1980\\_2005.xls](http://www.ekonomi.gov.tr/upload/F885E178-D8D3-8566-4520D555E6469CEC/Yurtdisi_TopSermaye_ihrac_1980_2005.xls), (Access date : 20 May 2012)

**Figure XI** *The Percentage of Capital Outflows of Turkey in Azerbaijan over the Central Asia & Caucasus (1998-2005)*



Source: The Figure XI is drawn according to the data obtained by Republic of Turkey Prime Ministry Undersecretariat of Treasury, International Direct Investment Statistics, Table 12- Breakdown of Capital Export of Turkey By Country and Sector, [http://www.ekonomi.gov.tr/upload/F885E178-D8D3-8566-4520D555E6469CEC/Yurtdisi\\_TopSermaye\\_ihrac\\_1980\\_2005.xls](http://www.ekonomi.gov.tr/upload/F885E178-D8D3-8566-4520D555E6469CEC/Yurtdisi_TopSermaye_ihrac_1980_2005.xls), (Access date : 20 May 2012)

**Figure XII** *Capital Outflows of Turkey to Azerbaijan in USD -1998-2005*



Source: The Figure XII is drawn according to the data obtained by Republic of Turkey Prime Ministry Undersecretariat of Treasury, International Direct Investment Statistics, Table 12- Breakdown of Capital Export of Turkey By Country and Sector, [http://www.ekonomi.gov.tr/upload/F885E178-D8D3-8566-4520D555E6469CEC/Yurtdisi\\_TopSermaye\\_ihrac\\_1980\\_2005.xls](http://www.ekonomi.gov.tr/upload/F885E178-D8D3-8566-4520D555E6469CEC/Yurtdisi_TopSermaye_ihrac_1980_2005.xls), (Access date : 20 May 2012)

Except Turkey, the interest to Azerbaijan by other countries is very big. According to Economist Intelligence Unit; "...in Azerbaijan, the completion of several major hydrocarbons projects in 2005-06 means that FDI inflows in the coming years will be lower than in the recent past—annual FDI inflows into Azerbaijan in 2001-05 averaged over 25% of GDP (one of the highest ratios in the

world). Investment in non-oil sectors will continue to be hindered by a poor overall business environment”(Economist Intelligence Unit , 2007:56)

In other words, these kinds of analysis prove that Azerbaijan is an attractive place for the other challengers of Turkey, and if Turkey aims to take a share from the bilateral relations with Azerbaijan, it needs to invest in.

### **Could Turkey occupy an important place and play an important role in Azerbaijan?**

In reality, the new status quo after 1991, in which the ex-republics of the Soviet Union had given the occasional chance to Turkey to develop its relations with these new independent countries by setting up diplomatic bridges based on the historical and cultural roots according to the “status quo ante.” However, in a similar situation, Turkey continues to take place in Caucasia and in Central Asia. Naturally, Azerbaijan constitutes an important place for Turkey. First, even Turkey does not have any direct border with Azerbaijan except autonomous Republic Nakhichevan<sup>v</sup>, the transportation distance is so closer than the other countries in the Caucasian region via Georgia and Iran. For that reason, Georgia actually plays a bridge role in the practice of the bilateral relations between Azerbaijan and Turkey.

Secondly, Turkey is a preponderant country in the region, and thirdly other developed countries, many of which are mostly members of the European Union that Turkey deals with are preferentially the major export and import partners with Azerbaijan. However, the challengers of Turkey which are developed countries have also a great reputation in Caucasian and Central Asia because they profit internationally from the privilege of being developed and industrialized countries. Besides, most of the direct foreign investments in Turkey have now been realized thanks to these countries that Turkey imports from, in order to update or modernize the technologies and to make brand new products especially in communication and industrial sectors.

This situation means that Turkey must or should try to have or hold on bilateral agreements in different sectors in Azerbaijan in spite of the rough competition applied by these regional and international powers. Fourthly, Turkey will not neglect the importance of China in the region. After Russia, China, as an important country, has been expanding in the region without forgetting India’s entrance as a strong power to the region (MEA,2012:1-3). Fifthly, waiting for these hindrances to pass by, Turkey’s disadvantage is that Turkey is a dependent country on IMF credits or on decisions of some international or transnational trade and financial organizations for targeting its social and economic growth, and that it is obliged to import more technologies than it exports as a developing country.

Normally, in these conditions, it is seen that Turkey’s place today in Azerbaijan as in Caucasian and Central Asia is so marginal, because, in the international affairs and relations, the historical and cultural roots and some resemblances are not sufficient to develop and pursue bilateral agreements.

However, Turkey should not omit its priorities and take sufficient initiatives to set up the relations within Azerbaijan and also in Central Asia although it must challenge against the great or middle power actors in the international system.

As an underlining value, first, the importance of an investing country inside another foreign country is measured by its economic preponderance and the volume of its relations. In other words, how much effect has an investing country had on in the economic life of the country on which it aims to be more dominant in its markets? Similarly, it is important how Azerbaijan authorities consider Turkey: is Turkey seen and elaborated as a sister state of Azerbaijan? Or, for Azerbaijan, is Turkey a contributing country or a participating country?

In fact, in an economic dimension, Azerbaijan creates a gravitational field as the reality is underlined said by Dowling – Wignaraja : "...Among the advantages, of the region are its high-priced commodities (oil, gas, cotton and gold), reasonable infrastructure and human capital as legacies of Soviet rule; Furthermore, a strategic location between Asia and Europe. Furthermore, many Central Asian Republics (CARs) have embarked on market-oriented economic reforms to boost economic performance and private sector competitiveness...."(Dowling et al., 2006:10)

Certainly, a visible upturn in the industrial recovery without any objection is linked to the performance of manufactured goods and gas and oil exports (Dowling et al., 2006:11). However, the Central Asian region that Turkey wants to increase its relations with by using all its potential had been also considered in a special report published in 1998 and before 9/11 on "Russia and Central Asia" as a region that : "...has strong economic potential as a possible leader in natural gas and cotton production, among other areas. But inside the former Soviet Union, contemporary Central Asia is better known for its human miseries and "man-made" tragedies, including wide-spread poverty, high mortality rates, sweeping epidemics and diseases, as well as bloody fratricidal conflicts, population dislocations, ethnic cleansing, criminality and corruption"(Kortunov,1998:2).

In fact, in the light of these analyses, there is a real and concrete conclusion that while Azerbaijan, and the other Central Asian countries offer a great potential of trade and economic exchanges; on the other side, it is an undeniable reality that this region needs the socio-economic side to be developed and invested for its social and institutional structures and functions. Here, under these circumstances, Turkey is in a dilemma to make its duty bring in assistance and support and at the same time to develop its bilateral relations to benefit itself from opportunities of which this area has and continues to offer its potential to the developed and investing countries that invest and improve their relations with the countries of this region. However, Turkey's economic boom is also dependent on the foreign investments, financial and economic stability.

### **Conclusion**

Azerbaijan's geopolitical location is very important for Turkey and vice-versa; Turkey's also presents the same importance for Azerbaijan. Especially, Azerbaijan is, in reality, a gate opening over the Central Asia for Turkey that has been tried to improve its relations and to become a model country in. In fact, we admit that the density of the relations of Turkey with Azerbaijan is very hopeful if it is compared to Turkey's bilateral relations with the other bilateral Turkic republics located in Central Asia. However, among these countries, even Azerbaijan has an important place; it is not reached to an expected level. Naturally, this expectation derives, nevertheless, from some common values such as the form of the spoken languages of these two countries which is Turkish with a dialectical difference. Azerbaijan's Turkish and Turkish language are very close and easy for Turkish and Azerbaijani people to communicate between. However, as we know, these are not a unique reason and effect in the development of the mutual relations between the countries. First, the materialistic reasons play an important role in the development of the relations.

By this purpose, the data analyzed above shows us that Turkey and Azerbaijan must increase more their trade and economic capacities including diplomatic and politic unities for presenting an image of "two states and one nation." Otherwise, a slogan staying in words and the agreements constructed textually will not help Turkey and Azerbaijan to do more than to exchange as two neighbors countries do naturally. In a general backdrop, it is not to deny or to say the reality that Turkey tries to expand its relations within a region (composed of Azerbaijan and the other Caucasian and Central Asian countries) considered as a cradle of the world's natural resources, a gateway between Europe and Asia, and riche because of its extensive potential for trade, investment, and growth. In fact, Turkey tries to compete in a region where socialist-oriented economic policies, emphasized on macroeconomic stabilization, trade openness, and private sector development had been applied at the same time, without forgetting Turkey's uphill struggle in economic and democratic ways.



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## Notes

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<sup>i</sup> It is managed by the consortium company Baku-Tbilisi-Ceyhan Pipeline Company (BTC Co). In BTC Co., “BP holds a 30% stake in the consortium running the pipeline. Other consortium members include Azerbaijan's state oil company SOCAR (25%), Amerada Hess (2.36%), ConocoPhillips (2.5%), Eni (5%), Inpex (2.5%), Itochu (3.4%), Statoil (8.71%), Total-FINA-ELF (5%), TPAO (6.53%) and Unocal (8.9%)”. “Baku-Tbilisi-Ceyhan (BTC) Caspian Pipeline”, hydrocarbons-technology.com, <http://www.hydrocarbons-technology.com/projects/bp> (Access date: 05 May 2012).

<sup>ii</sup> In this purpose, Turkish Energy and Natural Resources minister Hilmi Güler visited Azerbaijan in (September 2008).

<sup>iii</sup> The data of 2005 includes the period from January to October.

<sup>iv</sup> See the Figure X.

<sup>v</sup> Nakhichevan, as an autonomous republic of Azerbaijan has no direct border with Azerbaijan.