

Possible Effects of the Tripartite Declaration (21 October 2020) on the Economic and Political Relations of the Türkiye Azerbaijan and Armenia

Muharrem CAN¹, Tahsin KARABULUT²

Abstract

After the independence of Azerbaijan and Armenia, the Karabakh problem ceased to be an internal problem of the USSR and transformed into a regional and even a global problem. The South Caucasus has gained importance in world geopolitics since the 1990s due to the oil and natural gas transportation lines. Armenia, which has appeared to be an unstable country due to the Karabakh conflict, has not benefited from any regional project. Moreover, Türkiye has restricted transportation opportunities in Armenia. Because of the war with Azerbaijan, Armenia has become an isolated country. Thus, the government has become largely dependent on Russia politically and economically. Also, the war has almost caused the country's economy to the verge of bankruptcy. The Tripartite Declaration concluded between Russia, Azerbaijan, and Armenia on November 10, 2020, has brought collaboration opportunities for these countries and Türkiye. It has been concluded that increasing economic cooperation will also contribute to solving the countries' political problems. Additionally, the scope of economic diplomacy, particularly Türkiye's application of soft power elements, can positively affect Armenian public opinion and relations between the two countries.

Keywords: Karabakh Conflict, the Tripartite Declaration, Foreign Trade, Contracting Sectors, Economic Diplomacy
Jel Codes: F13, F35, F51, F53, P45

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Özet

Azerbaycan ve Ermenistan'ın bağımsızlıklarını kazandıktan sonra Karabağ sorunu SSCB'nin bir iç sorunu olmaktan çıkmış, bölgesel hatta uluslararası bir sorun haline dönüşmüştür. Güney Kafkasya, petrol ve doğalgaz taşıma hatları nedeniyle 1990'lı yıllardan itibaren dünya jeopolitiğinde önem kazanmıştır. Karabağ sorunu nedeniyle istikrarsız bir ülke olarak görünen Ermenistan ise bölgedeki hiçbir projeden faydalanamamıştır. Türkiye, Azerbaycan ile savaş nedeniyle Ermenistan'ın ulaşım olanaklarını kısıtlamıştır. İzole bir ülke haline gelen Ermenistan böylece, siyasi ve ekonomik olarak büyük ölçüde Rusya'ya bağımlı bir ülke haline gelmiştir. Üstelik uzun yıllar devam eden savaş, ülke ekonomisini neredeyse iflasın eşiğine getirmiştir. 10 Kasım 2020'de Rusya, Azerbaycan ve Ermenistan arasında imzalanan Üçlü Deklerasyon, Ermenistan, Türkiye ve Azerbaycan arasında ekonomik işbirliği fırsatları getirmiştir. Ekonomik işbirliğinin artması ülkelerin politik sorunlarının çözümüne de katkı yapacağı, ayrıca Türkiye'nin ekonomi diplomasisi kapsamında özellikle yumuşak güç unsurlarını kullanmasının Ermenistan kamuoyunu ve iki ülke arasındaki ilişkileri olumlu şekilde etkileyebileceği sonuçlarına varılmıştır.

Anahtar Kelimeler: Karabağ İhtilafı, Üçlü Deklerasyon, Dış Ticaret, Müteahhitlik Sektörü, Ekonomi Diplomasisi
Jel Kodları: F13, F35, F51, F53, P45

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¹ PhD, Turkish Ministry of Trade, Ankara/ Türkiye. **EMAIL:** canmuharrem1995@gmail.com, **ORCID:** 0000-0001-7220-0712

² Prof. Dr., Necmettin Erbakan University, /Faculty of Political Science, Department of Economics, Konya / Türkiye. **EMAIL:** tahsinkarabulut@hotmail.com, **ORCID:** 0000-0002-9559-0730

1. INTRODUCTION

The North Caucasus is home to autonomous republics that are still part of the Russian Federation. However, the South Caucasus is a complex region comprising Azerbaijan, Armenia, and Georgia, as well as the 'autonomous ' Republics of Abkhazia, Adjara, Nagorno-Karabakh, and Nakhchivan, and the South Ossetia Region (Koçer, 2010: 106). The Karabakh conflict, which has deep roots and broke out in 1988 with Armenia's attempt to annex Nagorno-Karabakh to the Soviet Union, escalated with attacks against Turks living in the region. The problem was initially an internal issue of the country before the dissolution of the Soviet Union, but it became a regional and international issue after Armenia and Azerbaijan's independence (Kasım, 2010: 143).

Armenia has a strategic location that connects Central Asia, the Caspian Sea, the Black Sea, and Europe in the South Caucasus. This country lies on a transit route for energy transmission lines and trade routes from Central Asia and the Caspian Region, which extend to Europe via Türkiye. Hence, it has a significant geopolitical and geostrategic importance in the international balance of the South Caucasus (Tüysüzoğlu, 2013: 234). The end of the Cold War significantly altered the geopolitical landscape, bringing the Caucasus to the forefront. The region's evolving significance in energy resources and transportation lines has attracted global attention.

Due to security concerns arising from the Karabakh conflict, Armenia was deprived of roads, railways, communication and energy transmission lines in Eurasia. Thus, Georgia is the only Caucasian country with a coastline on the Black Sea, connecting to all Caucasian and Central Asian countries via various lines, including the Ukraine-Black Sea-Azerbaijan-Caspian-Central Asia, Türkiye-Russia, Russia-Iran, and Türkiye-Azerbaijan-Caspian-Central Asia routes. As a result, Georgia has gained strategic importance due to its access to the Black Sea through railways and highways (Koçer, 2010: 108-109).

According to the leading indicators of 2019, the determination levels of militarisation for Azerbaijan and Armenia show a significant difference. Despite being economically and financially less powerful than Azerbaijan, Armenia allocates a substantial part of its budget for military expenditures due to the impact of war. The ratio of military expenditures of both countries to their GDP (first-rate for Armenia and second for Azerbaijan) was 5 % and 4 %; military expenditure per capita was 230 and 185 USD. Additionally, their share of military expenditures in their budgets was 16 % and 12 %, respectively. These figures indicate that Armenia's military spending is substantially higher than Azerbaijan's (Arslanlı, 2020: 10). Additionally, fiscal balance negatively affected growth for Armenia in the process that turned into war (Kocaoğlu and Kuzu, 2023:142). The second war caused the Armenian economy to deteriorate further (Kocaoğlu and Kuzu, 2023: 127). During the war, the country's reserves decreased (Kocaoğlu ve Kuzu, 2023: 134), and in 2022, economic growth slowed due to the deterioration of financial balances and the increasing tension in the region (Kocaoğlu and Kuzu, 2023: 142).

Armenia's connections with other nations have weakened, mainly due to Türkiye's border closure and the country's unstable image (Aras, 2008), which has had a profoundly negative effect on global investors (Ayunts and Köse 2019; Aras, 2008; Topay and Çeltikçi, 2015; Çelikpala 2010). Hence, Armenia has found itself in economic and political dependence on Russia (Kasım, 2010). As long as the Nagorno-Karabakh conflict continues to pose a significant security concern in the region, it hinders the political and economic progress of Armenia and Azerbaijan and acts as a substantial obstacle to regional economic development and cooperation (Jović-Lazić, 2021: 235). Likewise, if Moscow can eliminate the threat of another Karabakh war through regional economic integration, this can be considered a victory for Russia; otherwise, another war will weaken Russia's position in the region (Hayrapetyan, 2022: 92).

Regarding economics, Türkiye aims to enhance energy cooperation and establish new trade routes to access Eurasian markets. Türkiye has begun to use its military, economic, and soft power more frequently and effectively (Ayar and Arslan, 2023:107). Unlike Armenia, Türkiye has placed its relations with Georgia and Azerbaijan within an economic framework (Çelikpala, 2010), and Turkish companies have made significant investments in these countries (Yavan, 2012; CBRT, 2020). Also, although their activities are not directly within the scope of commercial diplomacy, the Yunus Emre Institute and the Turkish Cooperation and Coordination Agency (TİKA) can enhance the effectiveness of economic diplomacy (Can, 2020: 159).

Following the war, Armenia sought to foster relations with Türkiye (Souleymanov and Fedorov, 2023: 106). Additionally, advancing the peace process in the region on an economic and political basis will help normalise Türkiye-Armenia relations and potentially strengthen the economies of both countries (Köse and Wakizaka, 2022: 311).

In practice, governments tend to use economic instruments more to protect their foreign policy interests, especially in some cases where the existing, legitimate international cooperation begins to decline (Bergeijk, et al., 2011: 4). The existence of mutual economic relations between countries has a positive effect on solving political problems and increasing peace, as well as security. Relations between France and Germany after World War II, and more broadly, the development of the European Union, support this argument. It is evident that political initiatives, followed by commercial and economic cooperation, created an environment for further political rapprochement and collaboration (Davutoğlu, 2014:145). In order to reduce political tension between Japan and China, the two countries implemented economic cooperation and (Dinnie and Lio, 2010: 199) were successful in this. Economic collaboration was initiated between Japan and the USSR in 1972 (Hirasawa, 1975: 160). Likewise, in the unification of the two Germanies, West Germany effectively utilised and benefited from the economic instruments provided by the private sector to get Russia's support for the unification. The special exports credit guarantee, among the policies used in this context, has been a valuable tool to break the resistance of other Eastern European countries (Davis, 1999: 23).

According to the Tripartite Declaration of November 10, 2020, including the Lachin, Armenia left several cities under Azerbaijani control. According to Jafarova et al. (2021), this may have ended one of the main conflicts in the post-Soviet region (Mammadov, 2022: 518). On 11 January 2021, Moscow further strengthened its special mediating position by hosting the trilateral talks between the presidents of Russia, Armenia and Azerbaijan, who adopted a joint statement on the postwar development of Karabakh, mainly the unblocking of its economic and transport Taking into account (Yemelianova, 2023: 1356). Also, Moscow previously offered support to Türkiye and Armenia in the negotiations during the first meeting between the envoys in Russia in January 2022 (Chanadiri, 2022: 9). However, the invasion of Ukraine and the war significantly weakened Moscow's economic and military capacity. Hence, it has reduced Russia's potential to influence the South Caucasus (Chanadiri, 2022: 9; Kocaoğlu and Kuzu, 2023:127).

Considering Yerevan's claim that the status of the Lachin corridor should not be linked to the opening of communication channels, Baku stated that it would continue to block the Lachin corridor as long as Yerevan did not provide any corridor in Syunik (Isachenko, 2023: 53). Such developments increase the risk of future conflicts, such as Baku's move to establish control over Armenian territory via the direct land corridor between Azerbaijan and Nakhchivan (Mikaelian and Perović, 2023: 4).

This study is based on a literature review and data analysis. The study addresses the following questions: Do economic diplomacy tools positively contribute to Armenia-Türkiye relations in the long term, ensuring a more stable and prosperous future? Will the Tripartite Declaration help increase economic ties between Armenia, Türkiye, and Azerbaijan, solve the countries' political

problems, and pave the way for more peace and cooperation? Hence, the study mainly focuses on the potential development of economic relations between the countries and its effect on whether this could help solve political problems between the countries.

In this study, the first section introduces the historical background of the Nagorno-Karabakh conflict and the geopolitics of South Caucasus. The second section analysed successful examples of economic diplomacy tools to handle political problems. The third section elaborated on the economic relations between Türkiye and the South Caucasian countries. Also, it analyses the Nagorno-Karabakh conflict and its effects on Armenia-Türkiye economic relations. Lastly, it discusses the Tripartite Declaration's possible impact on the relationship between South Caucasian countries.

2. THE SOUTH CAUCASUS'S POSITION IN GLOBAL GEOPOLITICS AND THE INFLUENCE OF THE KARABAKH ISSUE HAVE A SIGNIFICANT EFFECT ON ARMENIA'S FOREIGN RELATIONS

The Armenian diaspora, particularly those in the USA, significantly impacts Armenian society and political life. Their influence, demonstrated through organised activities, economic aid, and support for certain political parties, is a critical factor in the ongoing Nagorno-Karabakh conflict and the challenges in relations with Türkiye. Yet, this influence impedes Armenia's integration into regional projects (Kasım, 2010:136). Despite the lack of natural resources, the Armenian economy has been sustained by foreign aid, mainly due to the lobbying efforts of the Armenian diaspora in the USA. Their advocacy has led to the USA providing approximately 2 billion USD in aid since 1992. The Armenian Government has made attempts to reduce its reliance on foreign aid, aiming for a more diversified economic structure. However, these efforts have been hampered by strained relations with neighbouring countries, mainly due to the Nagorno-Karabakh conflict (Kasım, 2010: 132-133). Despite the Armenian Government's confrontational and uncooperative foreign policy approach, the Armenian diaspora's influence on the foreign policy approaches of the countries where it is socially and politically active prevents Armenia from being completely isolated from the international system (Tüysüzöğlu, 2013: 252).

As one of the leading actors in the region, Russia has reservations about the potential formation of the Türkiye-Azerbaijan bloc in the South Caucasus. Russia also does not welcome the shape of a regional structure that is pro-Euro-Atlantic Alliance, which could lead to Iran being surrounded from the north. With these reservations, Russia wants Armenia to depend on itself politically and economically. In addition, the occupation of Azerbaijani lands has made Armenia an unstable country. Therefore, Armenia always needs to be protected by a power like Russia and must allocate large amounts of funds for defence expenditures (Kasım, 2010: 133). The USA aims to eliminate the instability in the Caucasus and the threats to the security of the region after the collapse of the Soviet Union. This involves reducing the influence of external powers, especially Russia and China, over the Central Asian Republics.

Iran (Persia) continued its struggle to influence the South Caucasus in ancient times with the Romans and Scythians and in the Middle Ages with the Byzantines and Khazars as the Sassanids (Kuş, 2021:166). Today, the strategic importance of the region for Iran continues, and the competition continues with Turkey and Russia (Abrahamyan, 2016).

Although Russia is one of Armenia's leading trade partners, the fact that the two countries do not have physical borders makes it necessary for this country to cooperate with Iran. Cooperation with this country is critical to access the Asian countries and the sea (Azimov, 2019: 5). Moreover, Iran's regional policy requires prioritizing its economic and geopolitical interests. While Iran officially supports Azerbaijan regarding the Karabakh issue, Armenia remains its most important trade partner, and the two countries have engaged in substantial economic cooperation (Danova, 2023:4). Thus, the Iran-Armenia gas pipeline project has continued to be shaped around Armenia's sale of electricity to Iran and the highway and railway projects between the two countries (Okyar,

2017:1182). However, the joint project for Iran to export natural gas to European markets via Armenia was subject to Russian pressure to limit it only to Armenia's needs (Sandıklı et al., 2014: 47).

On the other hand, Iran is concerned about Azerbaijan's growing influence in the region because Azerbaijan has close relations with Israel, Iran's main rival in the Middle East (Danova, 2023:4), and may also stir up Azeri nationalism among the Azeri population within Iran (Danova, 2023:2). For this reason, it has always followed an ambivalent policy on the Karabakh issue and even displayed an approach towards preserving the status quo (Danova, 2023: 4). Yet, before the second Nagorno-Karabakh war, Azerbaijan depended on Iran to access Nakhchivan. Therefore, it had to be careful about its foreign relations with Iran. However, after the war, Iran's influence in the South Caucasus balance of power weakened (Hanjing, 2022: 58), while on the contrary, Azerbaijan's status in the new power order increased significantly (Hanjing, 2022: 60).

In pursuit of its national interests in the region, the US aimed to transport Caspian oil to global oil markets (Cora, 2018: 100). In 2009, as a result of the efforts of the US, EU, and Russia, Armenia and Türkiye signed two protocols concerning the establishment of diplomatic relations between the two countries. These agreements would allow Türkiye to open its border with Armenia in exchange for Armenia's recognition of Türkiye's territorial integrity (Tüysüzoğlu, 2013: 245). With these protocols, the Euro-Atlantic World aimed to integrate Armenia with the West and regional cooperation initiatives through Türkiye. However, due to the uncompromising and aggressive attitude of the Armenian Government and the diaspora, Armenians showed no sign of change in policy approaches to Türkiye. However, this effort, for which Türkiye took great responsibility, had to yield more conclusive results. Undoubtedly, it can be argued that this outcome can be considered a situation that Russia would welcome (Tüysüzoğlu, 2013: 263).

Iran, one of the leading actors in the region, has maintained friendly relations with Russia and Armenia against Azerbaijan and has pursued an ambiguous policy in the solution of the Nagorno-Karabakh conflict (Cora, 2018: 105). The diplomatic relations between Iran and Armenia began in 1992 and have maintained a strategic dimension that has not been affected by the changing governments' differing visions. Iran takes a pro-Armenian stance in the Karabakh conflict due to the Azeri population living in its territory. During the Nagorno-Karabakh war, Iran supplied natural gas and fuel to Armenia, making Iran Armenia's gateway to the region in the post-war period. In return, Yerevan allowed Iranian banks to engage in capital and foreign exchange movements in Armenia despite the sanctions imposed on Iran due to its nuclear program. Although Armenia and Iran were excluded from regional pipeline projects, in 2004, the two countries signed an agreement regarding the Iran-Armenia natural gas pipeline project. The pipeline became operational in 2006, allowing Iran to export natural gas to Armenia (Sandıklı et al., 2014: 47).

3. TÜRKİYE-ARMENIA RELATIONS

Türkiye recognised the independence of Armenia on December 16, 1991, and provided humanitarian aid to Armenia, which had severe economic problems after its independence. Türkiye also made a significant effort to integrate Armenia with regional and Western institutions, organisations, and the international community. In this context, Türkiye invited this country to the Black Sea Economic Cooperation Organisation (BSEC) as a founding member. However, upon Armenia's occupation of the Kelbajar region of Azerbaijan in 1993, Türkiye closed the borders between the two countries, including railway and airway connections. Thus, direct trade between the two countries has almost ended. As long as the Armenian occupation continues in Nagorno-Karabakh, establishing and developing bilateral relations has not been possible (Özçelik, 2018: 97).

Until 1988, Armenian revisionism was promoted by the Armenian diaspora living in the USA and Europe as a means to achieve social constructionism by connecting to their homeland and national

identity. They also interpreted it in the context of realist theory concerning the Nagorno-Karabakh conflict, enabling a connection between national interest and a constant state of war (Tüysüzoğlu, 2013: 235). Therefore, at the independence stage, the diaspora factor and classical nationalist approaches significantly shaped Armenia's not-so-friendly policy towards Türkiye. However, Levon Ter Petrosyan (Öztarsu, 2018: 12), who served between 1991-1998 and was the first President of Armenia, was aware that the normalisation of Armenia's foreign policy was necessary to ensure the economic stability of the country. Lev Petrosyan believed that Armenia should establish diplomatic relations with Türkiye and resolve the Nagorno-Karabakh issue. He also opposed the "genocide" allegations in the Armenian Declaration of Independence. However, by a majority vote, the genocide allegations were included in the Declaration of Independence as "The Republic of Armenia will support the efforts to ensure the international recognition of the Armenian genocide" (Kasım, 2010: 145).

Levon Ter Petrosyan was able to foresee that the economic and political stability of the country and getting rid of its dependence on Russia largely depended on solving its problems with the country's neighbours. During his term in office, he made significant efforts to establish diplomatic relations with Türkiye and Azerbaijan, particularly regarding the Nagorno-Karabakh conflict (Tüysüzoğlu, 2013: 238). However, the country's inability to capitalise on international energy transmission lines and transportation projects in the region, combined with the crisis in domestic politics triggered by Ter Petrosyan's moderate approach towards Türkiye, ultimately led to the end of his rule (Öztarsu, 2018: 13).

Türkiye, on the other hand, significantly limited its relations with Armenia by closing the borders, cancelling and restricting the air corridor, and conditioning diplomatic relations on the following conditions:

1. Armenia must stop fixating on the "genocide"
2. Armenia has to renunciate its territorial claims against Türkiye;
3. Armenia has to return to the occupied Azerbaijan territories and allow the refugees to return to their homes;
4. Armenia has to open a corridor between the other regions of Azerbaijan and Nakhchivan (Arslanlı, 2015:191). Because Armenia continually expresses rhetoric regarding Eastern Anatolia as their territory that the Treaty of Kars is invalid, Türkiye has formally and explicitly asked Armenia to announce their commitments under bilateral treaties and international treaties (Gyumri Treaty 1920, Moscow Treaty 1921, and Kars Treaty 1921) that determine the borders between the two countries (especially the Kars Treaty) (Arslanlı, 2015: 212). Meanwhile, Türkiye's Eurasian policy, which includes the Caucasus, is in harmony and cooperation with Western countries and institutions, especially the USA (Çelikpala, 2010: 95).

Although Türkiye's policy towards Armenia has not changed in general terms, there have been slight changes in its policies towards Armenia from time to time. Additionally, a particular segment of Armenian society favours normalising relations with Türkiye. Levon Ter Petrosyan, a supporter of this group, competed in the 2008 presidential elections (Tüysüzoğlu, 2013: 241). However, Serzh Sargsyan, a political figure of Karabakh origin, won the presidential election. Meanwhile, shortly after Serzh Sargsyan took office, rapprochement with Türkiye took place, which would significantly change Armenia's foreign policy (Öztarsu, 2018: 16). In 2009, with the efforts of the USA, the EU and Russia, two protocols were signed between Armenia and Türkiye. The two countries agreed to establish diplomatic relations after the diplomatic protocols came into force (Kasım, 2010: 150). However, this effort was unsuccessful due to the uncompromising and confrontational attitudes of the Armenian Government and the diaspora Armenians (Tüysüzoğlu, 2013). Türkiye should also

know that solving historical problems, in particular, takes a certain amount of time and that the perception of the Armenian public regarding the "genocide" can change through the normalisation of political relations, increased mutual economic relations, and the use of economic diplomacy.

The long-lasting war has significantly weakened the Armenian economy. The new era after the Tripartite Declaration was signed on December 10, 2020, offers significant opportunities for Armenia to change its current situation. However, in the written statement made by US President Joe Biden on the anniversary of the 1915 events on April 24, 2021, the events were defined as "genocide," and Armenian Prime Minister Nikol Pashinyan expressed his satisfaction with this statement as of May 8, 2021 (<https://www.bbc.com/turkce/haberler-dunya-56874181>). This approach reflected Armenia's reluctance to change its policies towards Türkiye. Shortly after, he resigned from his post as Prime Minister and led the country to early elections on the same date. (<https://www.bbc.com/turkce/haberler-dunya-57549154>). However, in the elections held on 21 June 2021, he was re-elected as President as of 1 August 2021.

3.1 Will Türkiye's policies implemented under economic diplomacy help to solve its political problems with Armenia?

Foreign economic policy can be viewed as a tool that provides financial benefits and devices used for political, cultural, military, and other foreign policy purposes. The first category is characterised as constructive instruments. It aims to support the positive effects of foreign economic policy, such as cooperation, growth, development and the facilitation of international trade. These aspects play a crucial role in fostering growth and development. However, the negative side is the policies aimed at causing hostility and harm to the targeted country, such as an economic embargo (Udovič, 2011: 359). For this reason, economic diplomacy also includes achieving political goals through punishment, such as an embargo (Bayne and Woolcock, 2011: 4).

Positive economic sanctions offer or promise to rewards a country to achieve diplomatic goals. The tools used for this purpose can be in the form of loans or grants. Also, purchasing and free trade are the two primary methods to persuade countries on specific issues. Direct payment is a widely applied method for many countries to convince them to do something they would not otherwise do. The country pursues these aims at issues such as goodwill, prestige, and saving face, and achieving these goals makes it easier for the government to reach other favourable economic sanctions. When successful, these sanctions can benefit much more than the cost to the country applying them (Davis, 1999: 8-9). The aid under positive sanctions can be for social, economic, or military purposes. If the assistance is in the form of loans, a lower interest rate than those of the markets is usually applied as a kind of aid. These credits can be realised in the form of commercial preferences such as reducing customs duties on goods imported from this country (or another country) or giving a purchase guarantee for one of the exporting country's products at a reasonable price. It can also be seen as military aid, such as transferring weapons to the government for free or at a low cost or providing military training. For the Tripartite Declaration on such matters to be built on solid foundations in the long term, the mutual interests and purposes of the parties must be compatible with each other (Viotti and Kruppi, 2014: 234).

As stated by Aydın and Aras (2004), the presence of interdependent economic relations helps to solve political problems and enhance peace and security between countries. However, according to these scholars, political initiatives create commercial and economic cooperation environments for more political rapprochement and cooperation. Additionally, Lee and Hudson (2004) argue that contemporary diplomatic practices demonstrate a clear shift in the balance between commercial and political elements, favouring the former. What is more striking is the inclusion of the commercial aspects of diplomacy in diplomatic relations, and political diplomats are constantly involved in commercial activities (Lee and Hudson, 2004: 360).

Economic initiatives abroad also help to enhance the reliability of the countries. Although economic diplomacy is more costly than propaganda or political diplomacy, it is always more effective in establishing the country's credibility in the long run (Gretzinger and Hughes, 2005: 9). Political preferences and tendencies can affect economic relations to some extent. However, the focus on economic diplomacy offers a promising future.

It is essential to consider the influence of economic interests on political preferences (Gökmen, 1992: 155). Political and economic diplomacy expectations sometimes differ (Badel, 2014: 438). However, a successful foreign policy can only be carried out with a thriving economic policy and cannot be dealt with independently. Because these two fields are extensions, complements, nurturers, and supporters of each other, they strengthen each other. Foreign policy has economic and political consequences, military extensions, national defence security outputs, and reflections on energy security (Doster, 2012: 17).

Especially after the 1980s, countries tried to influence the global economy in order to serve their domestic economic priorities and increase their global economic power. With this understanding, countries' foreign policies have become mainly foreign economic policies. In this context, countries have started to follow guidelines that reduce the distance between their political and economic policies (Sridharan, 2002: 58). In the 1990s, economic diplomacy gained much more importance. A study carried out in 1998 shows that foreign ministries worldwide quickly discovered the importance of business diplomacy. Thus, for many diplomats, protecting the commercial interests of the country they represent has recently become their primary duty (Coolsaet, 2004: 61).

However, it is a fact that political initiatives and then commercial and economic cooperation created an environment for further political rapprochement and collaboration (Aydın and Aras, 2004: 104-105). In addition, as emphasised by Can (2020), Dinnie and Lio (2010), Davis (1999), Hirasawa (1975), Bergeijk, Okano-Heijmans and Melissen (2011) and Davutoğlu (2014), countries have often implemented policies within the scope of economic diplomacy to solve their political problems with other countries. Therefore, Türkiye's opening of its border gates may also lead to an increase in Armenia's economic relations with Türkiye and Central Asian countries (Topay and Çeltikçi, 2015; Künü et al., 2015). This policy may even positively change Armenia's political and cultural relations with these countries (Künü et al., 2015).

4. TÜRKİYE'S ECONOMIC RELATIONS WITH THE SOUTH CAUCASUS COUNTRIES IN THE POST-INDEPENDENCE ERA

By realising that Central Asia is not as accessible as previously believed, Türkiye has shifted expectations and priorities. Thus, the Caucasus region has become a key area of focus and priority. This shift in priority was deemed necessary to establish connections with Central Asia and the broader Eurasian region. Türkiye's policies toward the former Soviet states and its approach to the Caucasus should be assessed within this context. This framework considers Georgia and Azerbaijan crucial priorities for accessing the Russian market and trading with Central Asian nations. Therefore, regional cooperation and economic relations with regional countries were viewed as top-priority issues (Çelikpala, 2010: 97-98). In addition, Georgia was seen in a critical position in Türkiye's Caucasus policy (Çelikpala, 2010: 121). In this context, after Azerbaijan and Georgia gained their independence in 1991, Türkiye has had critical economic relations with these countries in the foreign trade, investment and contracting sectors.

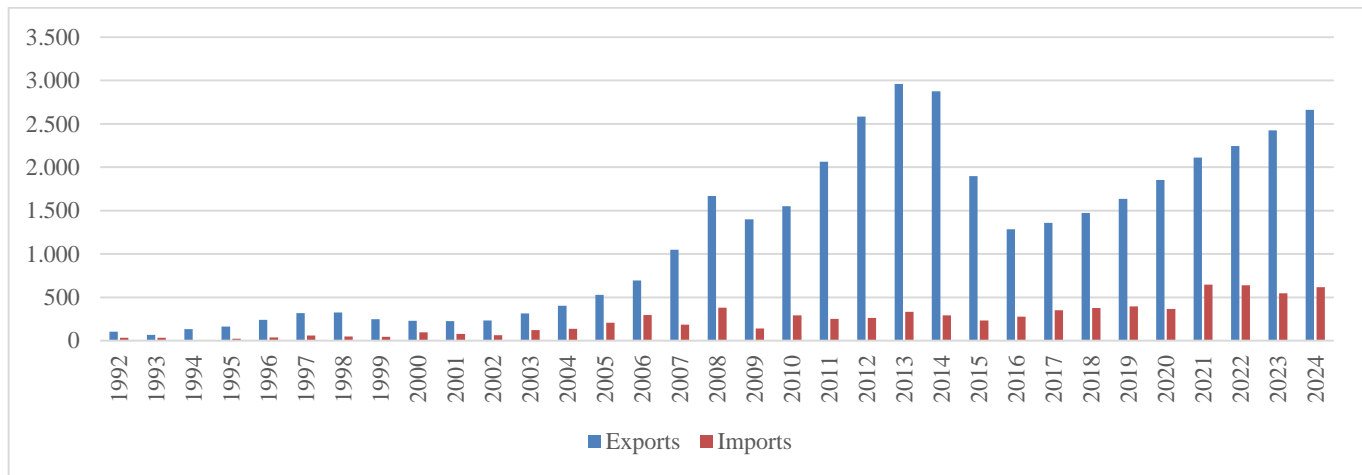
4.1 Türkiye's Economic Relations with Azerbaijan and Georgia

Since their independence, both countries have received Türkiye's generous financial support, which has been provided through Eximbank loans and technical assistance through TİKA (Alagöz et al., 2004: 69). Notably, a substantial loan of 250 million USD was granted to Azerbaijan in 1992 by Türk

Eximbank, with 100 million USD designated as an 'export credit ' (effective from 21.4.1993) and 150 million USD for a 'project agreement' (effective from 22.1.1994). Furthermore, a 20 million USD loan was provided to the Nakhchivan Autonomous Republic (Alagöz et al., 2004: 67). Under the commercial and economic agreements and protocols signed with Georgia in 1998, Türk Eximbank provided a loan facility of 41.5 million US dollars to this country (Demirağ, 2005: 143). In October 2000, Türkiye also provided a 1.5 million US dollar grant to Georgia within the scope of development assistance for modernising the Marneuli Military Airport project, completed in January 2001 (Demirağ, 2005: 137). Furthermore, Türkiye shared its experiences with the Turkish Republics, including Azerbaijan and Georgia. TİKA and the Small and Medium Enterprises Development Organization (KOSGEB) have organised training programs in the Turkish Republic to develop SMEs and provide services for the same purpose (Alagöz et al., 2004: 69).

In 2006, the arrival of oil at Ceyhan Port via the Baku-Tbilisi-Ceyhan (BTC) Pipeline significantly strengthened Türkiye-Azerbaijan relations (İşyar, 2010: 104). In particular, Türkiye's economic relations with Azerbaijan and Georgia have increased substantially in terms of foreign trade, investment, and contracting sectors. Depending on commercial and economic relations, the number of commercial counsellors/attaches in both countries has risen to 2 in Azerbaijan in 2011 and Georgia in 2006, in addition to the existing ones. Figure 1 shows the course of Türkiye's foreign trade with Azerbaijan after independence.

Figure 1. Azerbaijan - Türkiye foreign trade (million, USD)

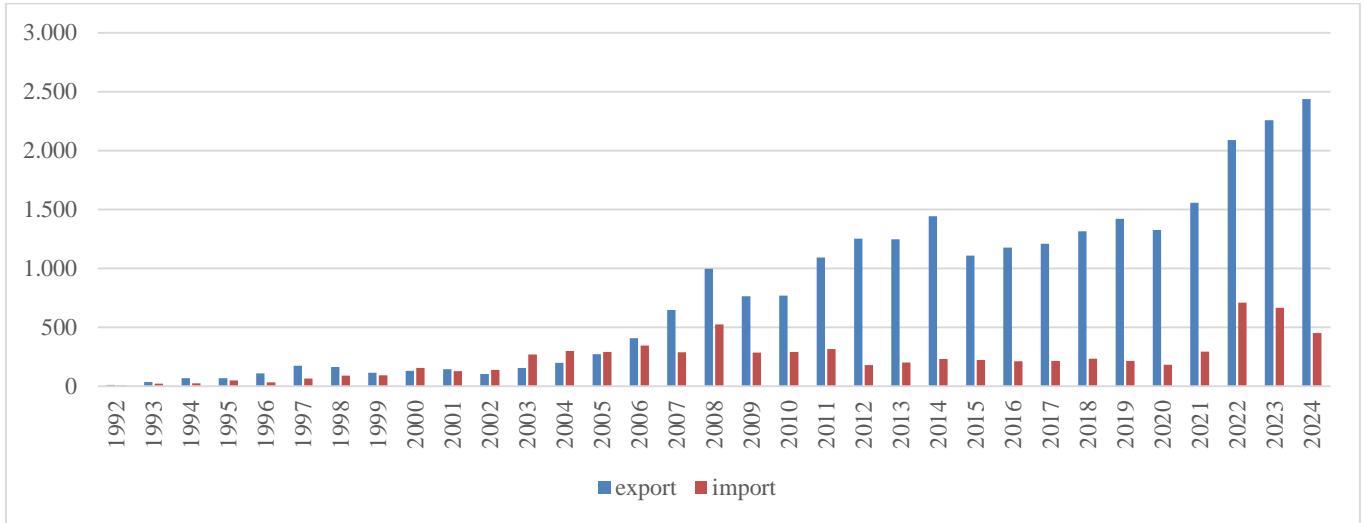


Source: TURKSTAT (The authors have generated the graph).

Notably, the foreign trade between Azerbaijan and Türkiye has constantly risen, especially since 2003 and peaked in 2013.

While the trade volume between Georgia and Türkiye was 17.8 million USD in 1992, when diplomatic relations were initiated, it increased to 240 million USD in 1997. After 1997, political relations and mutual visits increased between the two countries. Hence, Georgia has become one of Türkiye's leading trade partners in South Caucasia (Demirağ, 2005: 142). Figure 2 provides a visual representation of the course of foreign trade between Georgia and Türkiye.

Figure 2. Georgia-Türkiye foreign trade (million USD)

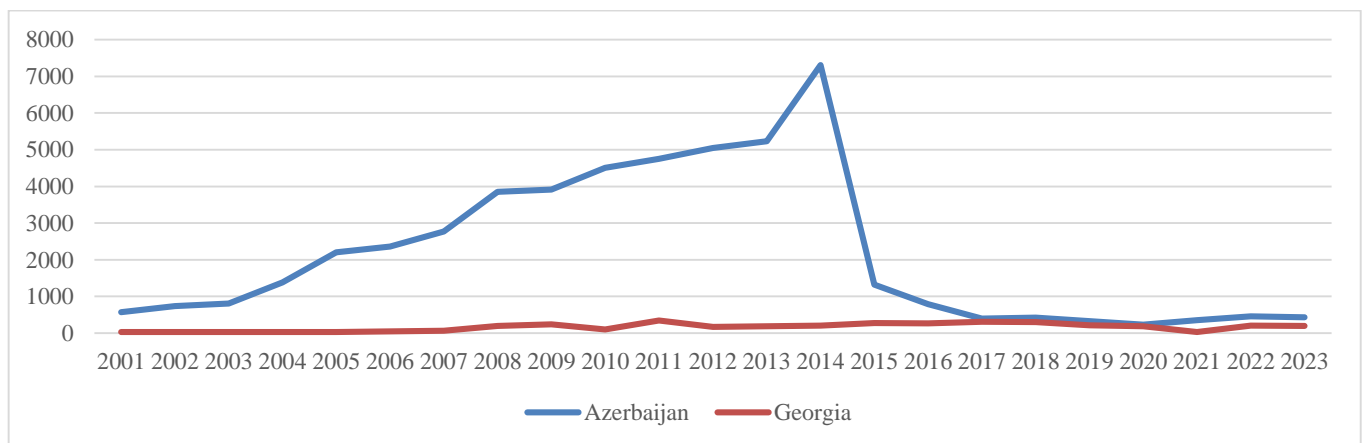


Source: TURKSTAT (the authors have generated the graph).

Significantly, after 2005, imports and exports between the two countries increased satisfactorily. Meanwhile, the figure for exports is higher than that for imports.

While no Turkish company invested in the Central Asia and Caucasus region in 1989, Turkish companies' interest in the region has increased rapidly with the independence of the countries in the region since 1991. At the beginning of the 2010s, accounting for 8 %, the Caucasus and Central Asia Countries became the second region in Türkiye's foreign direct investments (FDI) after European countries. Türkiye's mutual history with regional countries and its cultural and geographical proximity provide investment opportunities for Turkish companies. Additionally, these countries have other advantages that positively affect investment decisions, such as rich natural resources, low production costs, and their transition to the free market (Yavan, 2012: 260). Figure 3 shows the change in the Turkish companies' FDI amounts in Georgia and Azerbaijan.

Figure 3. FDI in Georgia and Azerbaijan (million, USD)



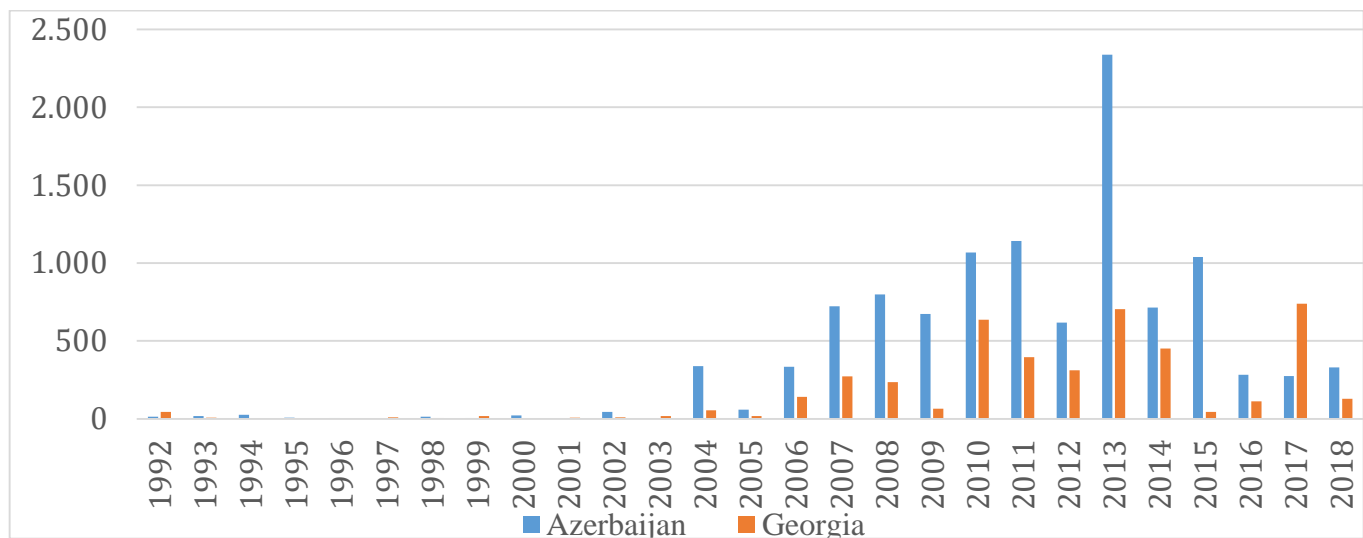
Source: CBRT (2024:21) (the authors have generated the graph).

In the early 2000s, Central Asian and Caucasian countries accounted for a significant share of Türkiye's outflow investments (Can, 2021: 91). According to the Central Bank of the Republic of Türkiye (CBRT, 2024), other Asian countries, including the Caucasus and Turkic Republics, had a share of 25.3% in 2001, rising to 34.31% in 2005. However, the percentage it received in the following years has continuously decreased (25.79 % in 2010, 4.93% in 2015 and 10.11% in 2019).

While the investments made in Central Asia and the Caucasus region were concentrated in the manufacturing industry until 2002, since then, the energy sector has risen to the leading sector. As of 2007, 85 % of the FDI was directed toward the energy sector in these countries. In addition to large Turkish companies, SMEs, and small amounts of capital, even individuals had invested in the region's countries with small amounts of capital. However, what stands out is the concentration of investments in Azerbaijan. Approximately 80 % of the Caucasus and Central Asian republics' investments were realised in this country, and a staggering 97 % was in the energy sectors (oil and natural gas) (Yavan, 2012: 260).

Figure 4 shows the amounts of the contracting sectors, another leading sector in economic relations, over the years.

Figure 4. Azerbaijan-Georgia contracting project (million USD)



Source: Ministry of Trade (the authors have generated the graph).

After gaining independence, Turkish contractors completed numerous projects in both Azerbaijan and Georgia. According to the Ministry of Commerce's data, the business volume in Azerbaijan in 1992 accounted for 3.4 % of the total, and this increased to 9.9 % in 1994, 7 % in 1997, and 12 % in 2002. Similarly, in Georgia, the business volume in 1992 constituted 3 % of the total. Completing projects in these two countries has enabled Turkish contractors to expand into Central Asian countries. Therefore, both Azerbaijan and Georgia are significant for Turkish contractors.

4.2 Türkiye-Armenia economic relations and the impact of the Karabakh conflict on the Armenian economy

Turkish companies have yet to invest in Armenia, unlike the other two countries in the South Caucasus. Similarly, there have been no activities relating to contracting services in this country. Official foreign trade between the two countries is currently limited. Table 1 shows the two countries' foreign trade figures for the last four years.

Table 1: Armenia-Türkiye foreign trade (USD)

YEARS	EXPORTS	IMPORTS
2017	12.578	2.144.919
2018	4.564	1.957.381
2019	1.240	2.121.358
2020	0	3.218.741
2021	16.36	1.072.289
2022	728.645	4.060.291
2023	683.739	2.539.803
2024	466.828	2.679.536

Source: TURKSTAT.

As seen in Table 1, Türkiye's foreign trade with Armenia has increased slightly after the Tripartite Declaration, but it is meagre compared to Azerbaijan and Georgia. Türkiye's exports to this country are carried out informally through Iran and Georgia.

The country is heavily dependent on Russia economically. In 2002, five big plants were left under the control of Russian companies in return for Armenia's debts to Russia (Kasım, 2010: 148). Even members of the Armenian diaspora avoid investing in Armenia (Aras, 2008: 163). From 1996 to 2005, Russia invested \$405 million in Armenia. One-third of Armenia's foreign investment comes from Russia, mainly in energy, mining, transportation, finance, media, and telecommunication sectors (Giandjian, 2023: 49). However, Armenia's economic development and political stabilisation depend on normalisation, especially with Türkiye and Azerbaijan (Kasım, 2010). In particular, the Nagorno-Karabakh conflict brought the economic resources of Armenia to the point of exhaustion, and the "permanent war" environment negatively affected the foreign investments that would come to the country. Additionally, Russia holds a strategically advantageous economic position in the region. While only Armenia is a member of Russian-led international organisations, Moscow remains a significant trade partner for Georgia and Azerbaijan (Ayar and Arslan, 2023:107).

The potential gains that the country has been deprived of due to the occupation of Karabakh are quite high. The ongoing war situation has caused Armenia to appear insecure, which has led to its exclusion from critical projects in the region. Similarly, the project, which delivers Azerbaijani oil to the world, caused Armenia to be excluded due to the Nagorno-Karabakh conflict and brought Georgia to the fore. In the following periods, the Nagorno-Karabagh conflict that prevented the country from benefiting from other vital projects, such as the Bakû-Tbilisi-Erzurum Natural Gas Project and the Bakû-Tbilisi-Kars Railway Project, caused the country to be further isolated (Öztarsu, 2018: 13). Also, Türkiye's ban on imports from Armenia, the prohibition of its ports and highways to be used for transit trade, as well as not allowing money transfer from official banks to Türkiye and from Türkiye to Armenia (by private banks in exceptional cases) has caused significant economic losses (Ayunts and Köse, 2019: 29).

During the Soviet Union period, a significant part of the highways and railways connecting the country to Iran and other republics of the Soviet Union passed through Azerbaijan. Due to Azerbaijan's closure of the borders, Armenia has to use the 35-kilometer narrow Iranian border to cross border connections. However, this connection is frequently interrupted in winter due to the steep Zangezur Mountains. Armenia's connection to the Russian market via Georgia has also been interrupted due to the crises between Tbilisi and Moscow from time to time (Aras, 2008: 155). The closure of border gates has had a detrimental effect on Armenia's foreign trade, primarily due to higher transportation costs in international trade. The ongoing trade between Türkiye and Armenia

via Georgia has escalated these costs due to the addition of at least two days to transportation. Therefore, when Türkiye removes the restrictions on the border gates between the two countries, the transportation cost for Armenia is expected to decrease by 30-50% (Topay and Çeltikçi, 2015: 309).

According to the Armenian National Committee of America, due to the (partial) restrictions imposed by Türkiye and Azerbaijan, the Armenian economy has suffered approximately an additional annual cost of 570-720 million USD. Moreover, it is predicted that if the two countries remove the restrictions on their borders, Armenia's transportation costs will decrease by 30-50 %, its exports will double, and its GDP will increase by 30-38 %. According to World Bank data, if the border gates are fully opened, it is predicted that the country will save roughly 6.4-8.4 million USD in transportation and 45 million USD in energy. Since the borders of Türkiye and Armenia are closed, trade is carried out through Georgia and Iran. The two countries' trade volume is estimated to be around 150 million USD, which is claimed to reach up to 1 billion USD (Çelikkpala, 2010: 102). According to another study, the trade potential between the two countries is estimated to be between 320 and 395 million USD (Aras, 2008: 170). However, if the border gates are opened, the possible increase in trade between the two countries will not make a severe economic contribution to Türkiye due to the small size of the Armenian market (Arslanlı, 2015: 243). Moreover, informal trade operates one way: exports from Türkiye to Armenia.

4.3 Possible developments in economic and political relations between Türkiye, Azerbaijan and Armenia after the Tripartite Declaration

The Tripartite Declaration can be a turning point in addressing "the genocide" obsession with regional political problems and its possible effects on potential economic relations between the region's countries. However, there are still some unclear issues in this Tripartite Declaration, and further steps should be taken. According to Cora (2018), developing relations between Türkiye and Armenia may benefit both countries. This possible development will reduce Russia's influence in the region and lead to a specific change in the attitudes of influential Armenian lobbies toward Türkiye (Cora, 2018: 59). Being aware of this fact, Türkiye has loosened the restrictions on air, land, and sea transportation that it put into practice in 1993 to normalise with Armenia in the following periods. Nevertheless, Türkiye has not received a positive response from Armenia. In 1995, Türkiye expected a positive attitude from Armenia by opening the H-50 air corridor, which allows charter flights and is still open between Istanbul and Yerevan (Arslanlı, 2015: 191).

The distinction between Armenia and the Armenian diaspora is another issue that requires attention. In their studies, most scholars point out that the Armenian diaspora pursued a much more aggressive attitude against Türkiye. However, Türkiye, those who argue that the borders should be opened, emphasise the potential for this to soften Armenia and lead to positive changes (Arslanlı, 2015: 243). A significant part of the Armenian community is also willing to change. Levon Ter Petrosyan, who created excitement in a considerable part of society with his reformist and pre-political change rhetoric during the 2008 election campaign and was supported by supporters of resolving the problems with its neighbours, especially Türkiye, received a vote of 21.51 % (Tüysüzöğlü, 2013: 242).

Azerbaijan achieved a tremendous military victory after the military offensive launched in September 2020. With the Tripartite Declaration signed on December 10, it regained all its territories under the occupation of Armenia for nearly 30 years (Bilgin, 2020: 8). Meanwhile, the war has shown how Turkish influence in the Caucasus has increased, and Moscow no longer looks like the only significant power in the region (Welt and Bowen, 2021:12). Aside from Türkiye, another regional power, Russia may also increase its influence (Welt and Bowen, 2021: 22). While signing the Tripartite Declaration was an achievement, it did not resolve the underlying territorial dispute, and

many long-term issues still need to be decided or determined. Moreover, the Tripartite Declaration includes “the future determination of the final legal status” of Nagorno-Karabakh and guarantees regional security and self-governance. However, the Tripartite Declaration assumes that an international peacekeeping mission is exclusively Russian (Welt and Bowen, 2021: 15).

The Tripartite Declaration also creates a land corridor between Western Azerbaijan and the Nakhichevan exclave through Armenian territory (Rácz, 2021). The Tripartite Declaration also includes plans for a restored road and rail connection between Nakhichevan and the mainland of Azerbaijan via Armenia. Armenians may also travel from Yerevan to southern Armenia and Iran via Nakhichevan, a much easier route than the highland roads of Armenia. However, all these projects will be implemented only with a new political rapprochement (De Waal, 2021: 6). The transportation corridor, which must pass through the Nakhchivan Autonomous Region, is one of the conditions that Türkiye constantly demands to normalise relations with Armenia. According to Article 8 of the Tripartite Declaration, Armenia shall guarantee the security of transport connections on this route without hampering the movement of persons, vehicles, and cargo in both directions. However, this issue needs to be clarified more as the Lachin Corridor. For example, when this corridor will be built, how long it will be, and the crossing route needs to be clearly specified. Since Azerbaijan did not add these kinds of details to the terms of the Tripartite Declaration, Armenia can choose an inconvenient route and determine the corridor. The corridor should be on the route desired by Azerbaijan, similar to the Lâçin Corridor. Additionally, the Tripartite Declaration only refers to the corridor as a highway. It does not address the potential railway construction in both corridors (Yılmaz, 2020: 36).

The Tripartite Declaration allows collaboration with the South Caucasus with new transport connections, making economic cooperation possible for the first time since 1989 (De Waal, 2021: 6). With the Tripartite Declaration put into force, there are expected to be some positive developments in the economic and political relations between Georgia and Azerbaijan, as well as Armenia, the Nakhchivan Autonomous Region and Türkiye. The opening of the transportation corridor over Nakhchivan is strategically critical. Because it is an alternative transportation route between Türkiye, the Central Asian Turkish States, and Azerbaijan, it considerably shortens transportation. This corridor will also increase the strategic importance of the Nakhchivan Autonomous Region, and Georgia's strategic position will only be slightly affected. In addition, political relations between Türkiye and Azerbaijan will develop further.

Azerbaijan's seven liberated regions are almost entirely ruined and need to be reconstructed. President Aliyev initiated a new six-lane, 100-kilometre highway from Fizuli to Shusha. Additionally, he laid the foundation for a new international airport in Fuzuli in 2021. He announced that another new airport would be built in Kelbajar or Lachin District, likely costing 117.7 million USD (De Waal, 2021: 7). Moreover, considering the clearance of existing mines in the region, additional resources will be required. On April 1-2, 20221, the Turkish Contractors Association (TCA) delegation led by the Minister of Trade visited Azerbaijan. During this visit, it was announced that around 27 billion USD had been allocated for the reconstruction and development of Nagorno-Karabakh, with priority given to Turkish contracting companies (TCA, 2021).

As emphasised by Can (2020), Dinnie and Lio (2010), Davis (1999), Hirasawa (1975), Bergeijk, Okano-Heijmans and Melissen (2011) and İskit (2015: 304), many countries use economic diplomacy tools to solve political problems. Because the development of economic relations between countries also facilitates the solution of political issues. The economic embargo (negative sanctions) that Türkiye implemented in 1993 has continued to affect Armenia for many years. Depending on the developments in the Nagorno-Karabakh conflict, Türkiye may apply positive sanctions against Armenia.

The fact that the border gates between the two countries are closed has adverse economic, political, and social effects on both countries and other countries in the region (Topay and Çeltikçi, 2015: 300). The access of Armenia to other countries via Iran and Georgia leads to a severe cost (Çelikpala, 2010). Opening the border gates between the two countries will also positively impact the Armenian GDP (Aras, 2008). The Akyaka border gate connecting the two countries is 75 km from Kars and 12.5 km from Gyumri, Armenia, and the only border gate that land vehicles can pass through, the Alican Gate, is 20 km from Iğdır and 53 km from Yerevan. If the gates open, mutual trade between the two countries will officially begin (Künü et al., 2015: 399). Therefore, as steps are taken to solve the problems between Armenia and Azerbaijan, Türkiye will have the opportunity to open up directly to Central Asian countries from the north. This will lead to a significant decrease in transportation costs and a positive impact on trade with the countries in the region. In addition, the risk of conflict will decrease with the opening of the border gates (Topay and Çeltikçi, 2015: 310). The opening of border gates will facilitate official trade and expand border trade. Especially its border provinces, such as Kars, Ardahan, and Iğdır of Türkiye, will have border trade with Armenia. This possible development will also have a significant political benefit in the medium and long term (depending on the softening of public opinion) (Topay and Çeltikçi, 2015:300). 65 % of the Armenian people support the opening of the Alican border gates (Künü et al., 2015: 407). However, transportation to other countries depends on Armenia's providing the transportation corridor, which has committed to passing through the country as per the Tripartite Declaration.

Considering one of the most critical tools of bilateral political and commercial diplomacy is official aid, developed countries use foreign aid as an effective foreign policy/economy diplomacy tool through TIKa-like organisations such as the United States Agency for International Development (USAID), Official Development Assistance (ODA) in England, and Japan International Cooperation Agency (JICA). According to Okano-Heijmans (2012), Japan's development aid is based on the mutual economic interests of Japan and the country to which the assistance is to be delivered and on establishing a friendly relationship. Also, it is emphasised that the ODA is a part of economic diplomacy (Can, 2020: 173). Similarly, Eximbank loans given to BSEC member countries in the 1990s have been an effective tool for Turkish products to enter and partially settle in these markets (Can, 2020: 170). Therefore, Türkiye's economic diplomacy tools, such as TIKa's activities and Eximbank loans, can positively impact the Armenian public's perception of Türkiye in the medium and long term. In particular, Eximbank loans will positively contribute to the increase in exports to this country.

Some significant progress was made in resolving the Nagorno-Karabakh conflict in the first month of 2021. One pivotal moment was the trilateral meeting held in Moscow on January 10-11, 2021, which was significant as it marked the first direct interaction between the leaders of Armenia and Azerbaijan since the conflict. The conference concluded with a commitment to address economic issues, but no agreement was reached on political differences. Key topics such as the mandate of the Russian peacekeeping mission, which plays a crucial role in maintaining stability, the implementation of new transport corridors, and the status of the de facto Armenian authorities in Nagorno-Karabakh remain to be resolved (De Waal, 2021: 6). Furthermore, on January 11, 2022, former Turkish Ambassador to the United States, Serdar Kılıç, was appointed as special envoy to the Republic of Armenia (Official Gazette, No. 31716). Subsequently, on January 14, 2022, Ambassador Serdar Kılıç and Deputy Speaker of the Armenian Parliament Ruben Rubinyan met in Moscow. During this meeting, they engaged in a preliminary exchange of views regarding the normalisation process through dialogue between the two countries. They agreed to continue negotiations aimed at full normalisation without preconditions (<https://www.mfa.gov.tr/no-18-turkiye-ile-ermenistan-normallesme-sureci-gorushmeleri-hk.en.mfa>). Also, according to the Tripartite Declaration reached by Türkiye and Armenia, it was decided to perform three reciprocal weekly flights between the two

countries on the Yerevan-Istanbul route the first flights would begin on February 2 (<https://www.haber3.com/guncel/turkiye-ile-ermenistan-arasinda-ucak-seferleri-basliyor-haberi-6056307>). The Armenian government has decided to lift the restrictions on Turkish goods that were put into effect in December 2020, which means that Turkish goods will now be allowed to circulate in Armenia starting from January 1, 2022 (Hürriyet, 2022). Before that time, Turkish goods were unofficially exported to Armenia despite the ban. This decision is symbolic; however, it is very critical as it is a goodwill gesture.

5. CONCLUSION

After the Tripartite Declaration on December 9-10, Russia and Türkiye strengthened their strategic position in the Southern Caucasus. As a result, Azerbaijan has primarily regained its pre-occupation status in Nagorno-Karabakh. Although the Tripartite Declaration contains uncertainty, it promises that Armenia and Azerbaijan will resolve these uncertainties in the future. It also allowed the resolution of Armenia's "genocide" claim against Türkiye.

In the new period after the Tripartite Declaration, Türkiye-Azerbaijan's economic relations are expected to increase even more, regardless of Armenia's attitude. Under the Tripartite Declaration, especially in the case of the opening of the Nakhchivan transportation corridor, Türkiye will have an alternative and shorter transportation route with Central Asian countries and Azerbaijan, thus positively contributing to these countries. Furthermore, it will be possible to use Nakhchivan as a safer route for Armenia in the highway connection with Iran in the new period. Therefore, the Nakhchivan Autonomous Region's strategic position is expected to change positively depending on potential developments. However, Georgia's strategic importance is likely to remain the same. After the second Nagorno-Karabakh war, Iran's power in the region weakened; however, Azerbaijan's status in the new power order increased significantly (Hanjing, 2022: 60).

In the 1990s, Türkiye gave priority to developing its economic relations with Azerbaijan and Georgia rather than political relations (Çelikpala, 2010; Yavan, 2012; CBRT, 2020; Ministry of Commerce, TURKSTAT) and carried out economic diplomacy activities, mainly through TİKA, KOSGEB and Eximbank (Can, 2021). Dinnie and Lio (2010), Davis (1999), Hirasawa (1975), Bergeijk, Okano-Heijmans, and Melissen (2011), and İskit (2015) emphasise the possibility of using economic policy tools in solving political problems. Türkiye's policies towards Armenia have generally been quite distant, although they have occasionally shown minor changes.

On the other hand, the long-lasting war has been a tremendous burden on the economy of both Azerbaijan and Armenia in particular (Arslanlı, 2020; Kocaoğlu and Kuzu, 2023; Çelikpala, 2010). However, Armenia's indirect economic loss due to the state of war is much more significant (Aras, 2008; Ayunts and Köse, 2019; Topay and Çeltikçi, 2015; Çelikpala, 2010; Öztarsu, 2018). As Armenia cooperates with the signatories' countries and Turkey, it will benefit the most from the Tripartite Declaration. First, Armenia will significantly save on the cost of war in its budget. As long as Armenia solves its problems with neighbouring countries and increases its economic relations with them, foreign investors will probably come to the country and benefit from the opportunity for the energy transmission and transportation lines to be realised in the region in the forthcoming years. Furthermore, Armenia's strengthening economy and positive changes in relations with its neighbours in the coming years will enable Armenia to pursue more independent policies from Russia and the diaspora. Thus. The country will have the opportunity to quickly get out of the economic depression brought about by the embargo and war. After signing the Tripartite Declaration, opening the border gates between Türkiye and Armenia and removing air transportation restrictions by Türkiye will positively affect economic relations between the two countries. Additionally, this development is expected to improve Türkiye's image in the long run among the Armenian public. On the other hand, implementing such economic policy instruments

perception may strengthen the reformists and those who want to eliminate Armenia. Moreover, Armenia's withdrawal from the occupied Azerbaijani territories, the return of the immigrants in the occupied territories to their homes, and the possibility of a transportation corridor to Central Asia (Arslanlı, 2015) are among the conditions set by Türkiye to normalise its relations. Therefore, with the normalisation of relations between the two countries, bilateral economic, trade, transportation, education, and health agreements will help further develop economic and political ties.

However, considering that Türkiye's exports to Armenia are already continuing through Georgia and Iran (Çelikpala, 2010; Künü et al., 2015), Armenia is deprived of its export potential to Türkiye. Nevertheless, this country has not welcomed the positive steps taken by Türkiye in previous years to normalise relations between the two countries. Therefore, during the forthcoming period, Türkiye's détente policy towards Armenia depends on Türkiye's acting in a joint agreement with Azerbaijan, a strategic partner, and Armenian compliance with the conditions in the Tripartite Declaration. De Waal (2022) and Köse and Wakizaka (2022) emphasise that the Declaration has brought economic cooperation opportunities for the first time since 1989. Similarly, Souleymanov and Fedorov (2023) stated that Armenia's efforts to increase economic relations with Türkiye. Recently, Armenia's continued negotiations with Azerbaijan regarding the Tripartite Declaration, especially the positive approaches in its relations with Türkiye in January 2022, are promising for more positive developments in the following years. In other words, the end of the war and the resolution of political problems will provide all countries in the region with opportunities for cooperation and mutual benefit. Moreover, there will be a situation where all countries win without any country losing.

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CONTRIBUTIONS OF AUTHORS

Joint work: Hypothesis formation, idea generation, design, analysis and interpretation, writing the text.

Prof. Dr. Tahsin KARABULUT: Critique, review, supervision.

Dr. Muharrem CAN: Literature and source review, data collection, initial data analysis.

CONFLICT OF INTEREST

The authors declare no conflict of interest.

DATA AVAILABILITY

The data in “Figure 4. Azerbaijan-Georgia contracting project (million USD)” was obtained from the Ministry of Trade and is not publicly available. It can be shared only in the context of this table.

ETHICAL STATEMENT

Ethical approval was not required for this study and therefore was not obtained.

ARTIFICIAL INTELLIGENCE (AI) USAGE STATEMENT

No AI-assisted tools were used in this study.

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