

## Turkey and the South Caucasus: An Opportunity for Soft Regionalism?

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### Introduction

In recent months, the regions surrounding the South Caucasus have been beset by new instability and conflict. The tenuous ceasefire in Ukraine is barely holding, but Russia shows no intention of withdrawing from its annexation of Crimea despite the West's punitive sanctions. Chaos and violence reign in Syria and unrest has increased in Iraq and Libya. The conflicts have drawn thousands of Islamist fighters out of the North Caucasus and elsewhere to join the Islamic State in Syria while triggering enormous outflows of migrants and refugees to Turkey and beyond.

Against such a regional backdrop, the South Caucasus – consisting of three post-Soviet states of Armenia, Azerbaijan, and Georgia – might seem like an instance of relative stability, albeit a precariously fragile one. The conflict persists between Azerbaijan and Armenia over the Nagorno Karabakh region and adjacent territories with intractable differences between the sides that are still far from resolution. Of even deeper concern, the periodic flare-ups of violence along the "line of contact" in Nagorno Karabakh and along the Armenian-Azerbaijani border have reached levels unseen since the signing of the ceasefire in 1994, with greater casualties and the use of heavy military equipment, including tanks.

Experts familiar with the conflict regularly express fears over the growing risk that miscalculations could ignite another full-fledged war not by design but accident.<sup>1</sup> In Georgia tensions have grown amid reports that Russia is unilaterally redrawing the borders of the breakaway republics of South Ossetia and Abkhazia through a process

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<sup>1</sup>For a detailed assessment of these violations and concerns about escalation see: *Escalation of violence in Nagorno-Karabakh and the other occupied territories of Azerbaijan*, Council of Europe, Parliamentary Assembly Report, Doc. 13930, December 11, 2015. Available at: <http://assembly.coe.int/nw/xml/XRef/X2H-Xref-ViewPDF.asp?FileID=22255&lang=en>

of "creeping annexation."<sup>2</sup> Many Georgians see Russia's aggression in Eastern Ukraine as an extension of the 2008 Russia-Georgia war and openly worry of a Ukraine-like fate for them. Lastly, with the region wedged between Turkey and Russia, the South Caucasus may fall victim to the face-off between the two powers over Turkey's downing of a Russian fighter jet in late November, 2015.<sup>3</sup>

The problems of the South Caucasus are linked to the security crises occurring to the north and south of the region, but they are of a much different nature and scale. Although violence still erupts periodically in the South Caucasus, civilian deaths are rare. Even with over a million refugees and internally displaced persons in the South Caucasus, the magnitude of the displacement has never been close to the massive uprooting of people currently taking place in the Middle East. The US State Department estimates that up to 100 Georgians are fighting for Islamist organizations in Iraq and Syria, and Azerbaijan also faces problems with radicalization. However, while the region may increasingly become a transit route for Syria-bound foreign fighters, the South Caucasus is not a traditional incubator of radicalism. Furthermore, the South Caucasus has not suffered from the same economic deterioration experienced by its neighbors. Against the odds, the economies of the three countries of the South Caucasus have continued to grow at around 3.5 percent during the last two years.<sup>4</sup>

Regional economic integration is often advocated as a policy for promoting economic growth, but also for stability and peace. The various European integration mechanisms, and the European Union itself, are frequently cited as prime examples of this approach. The South Caucasus, however, is one of the least integrated regions of its size in the world and lacks any formal institutions to support intra-regional economic and political development as a means to achieve greater security, peace, and prosperity.<sup>5</sup> If anything, the countries of

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<sup>2</sup>*Georgian FM Fears Russia's "Creeping Annexation" of Breakaway Regions*, February 27, 2015. Available at: <http://www.novinite.com/articles/166881/Georgian+FM+Fears+Russia's+%E2%80%9Ccreeping+Annexation%E2%80%9D+of+Breakaway+Regions#sthash.c1pPxodp.dpuf>

<sup>3</sup>Richard Giragosian, *Resurgent Russia takes on tenacious Turkey*. Al-Jazeera, December 9, 2015. Available at: <http://www.aljazeera.com/indepth/opinion/2015/12/resurgent-russia-takes-tenacious-turkey-151209071618920.html>

<sup>4</sup>Calculated from the World Bank. Available at: <http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG>

<sup>5</sup>*The South Caucasus between Integration and Fragmentation*. Baku: SAM, and Brussels: EPC, May 2015, pp. 9-10. Available at: [http://www.epc.eu/pub\\_details.php?cat\\_id=1&pub\\_id=5598](http://www.epc.eu/pub_details.php?cat_id=1&pub_id=5598)

the region have very different external economic, political, and security orientations. Georgia is deeply oriented towards the West, aspires to become a member of NATO and has had a Deep and Comprehensive Free Trade Agreement (DCFTA) with the EU since 2014. Armenia has close relations with Russia and dropped its association negotiations with the EU in September, 2013, announcing instead its decision to join the Eurasian Union. Azerbaijan, on the other hand, has tried to maintain a calculated distance from both Russia and the West by following a "multi-vector" policy. However, domestic political developments, tense rhetoric, and numerous human right violations are increasingly straining Azerbaijan's relations with the West. The fall in energy prices has forced the local currency to lose significant value, leading to concerns about the vulnerability of Azerbaijan's economy.<sup>6</sup> These developments may well strain Azerbaijan's ability to pursue its traditional policy of balanced relations between Russia and the West.

Given the instability confronting the South Caucasus on several sides, the region now appears to be at a watershed moment, with its future trajectory in question. If the three states are able to keep out the spreading disorder and violence on their peripheries, it will likely require greater regional integration, which could ultimately lead to progress in resolving the long-standing conflicts that have crippled the area for decades. On the other hand, if the three countries once again take on their traditional roles as battlegrounds at the crossroads of empires, their foreign policy orientations and allegiances to opposing global powers will be tested, likely splintering the region even further.

#### Turkey and "soft regionalism" in the South Caucasus

Against the realities of such a fragmented background we advocate the idea of "soft regionalism" supported by Turkey.<sup>7</sup> We define the concept of "soft regionalism" as an informal and pragmatic policy that encourages greater trade, business opportunities, and people

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<sup>6</sup>Jack Farhy, *Azerbaijani manat collapses after government abandons dollar peg*. Financial Times, December 21, 2015.

<sup>7</sup>For background discussion on the idea of "soft regionalism" see: Fiona Hill, Kemal Kirişci and Andrew Moffatt, *Retracing the Caucasian Circle: Considerations and Constraints for U.S., EU, and Turkish Engagement in the South Caucasus*. Turkey Project Policy Paper, Brookings, Number 6, July 2015. Available at: <http://www.brookings.edu/research/reports/2015/07/south-caucasus-engagement>

to people interactions. We believe that Turkey can play the role of leading this policy for a number of reasons. Turkey has very close ties with Georgia and Azerbaijan. It is both a consumer and conduit for Azeri oil and natural gas and the leading trading partner of Georgia. It has long been an advocate of Georgia's Western vocation and an ally of Azerbaijan. However, close relations with Azerbaijan did not prevent it from embarking on an effort to normalize relations with Armenia by signing two protocols to open the border between the two countries in 2009. The protocols were never ratified and the border remains closed. Nevertheless, in spite of the tense relationship between the two countries, the governments on both sides have allowed some room for civil society, economic links, and people to people contacts to continue.<sup>8</sup>

Despite the recent economic slowdown, Turkey plainly remains the largest economy in the region and thus has unrivaled agency and resources to support greater economic activity and interaction in the region. Most importantly, it also has an interest to do so. Firstly, the instability in the Middle East and the economic recession in Russia followed by sanctions on Turkey have led to market losses for Turkish goods and services. The *relative* stability in the South Caucasus also offers prospects for Turkish investments in the region especially if the region were to become a transit and logistical hub for the Chinese "One Belt – One Road" initiative. Paradoxically, Russian sanctions on Turkish fresh fruit and other agricultural products could help boost Caucasian exports to Russia, especially with the help of Turkish business knowhow. Similar observations could be made with respect to the Russian ban on Turkish tourism that can open up potential for the countries of the region to receive some of the tourists from Russia. At a time when falling energy demand and prices are adversely impacting the economies of the region there is a need for alternative sources of economic growth. "Soft regionalism" can encourage greater economic activity that can bring

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<sup>8</sup>Fiona Hill, Kemal Kirişci and Andrew Moffatt, *Armenia and Turkey From Normalization to Reconciliation*, Turkish Policy Quarterly, Winter 2015. Available at: <http://turkishpolicy.com/article/Armenia-and-Turkey-From-Normalization-to-Reconciliation-Winter-2015-1034>. For a review of the potential shortcomings of this approach, see: Richard Kauzlarich, *The human costs of 'strategic partnerships' with South Caucasian states*, Brookings blog post, August 12, 2015. Available at: <http://www.brookings.edu/blogs/order-from-chaos/posts/2015/08/12-human-costs-south-caucasus-kauzlarich>

about such economic growth, even if at only a modest level, while offering Armenia an opportunity to break out from its isolation.

The purpose of this paper is to consider the viability of advancing "soft regionalism" in the South Caucasus through efforts and initiatives piloted by Turkey. The significant differences that exist among these countries cannot be ignored, but we contend that a "soft", or limited, form of regionalism is practical, and even viable. This soft regionalism could ultimately help sustain the ambitions of the region to complete the "Southern Corridor" as well as become part of the Chinese "One Belt – One Road" initiative. However, two big questions will remain: can this or any approach reconnect Armenia into the region, and would Russia permit "soft regionalism" to take hold in an area it still considers its "zone of privileged interest."

#### Turkish entry into the South Caucasus

The collapse of the Soviet Union came as a surprise to Turkey. In terms of national security, it was regarded as a welcome one. However, after the initial exuberance of independence and early efforts at state building, the South Caucasus very quickly slid into instability and turmoil. Georgia experienced civil war and separatist conflicts in Abkhazia and South Ossetia while Azerbaijan became embroiled in a war with Armenia over Nagorno Karabakh. In addition to the violence and disorder triggered by the war, the violence forced Turkey to take sides. As Armenian forces gained control of Nagorno Karabakh and the surrounding Azerbaijani territories, earlier efforts by Turkish and Armenian diplomats to establish bilateral diplomatic relations between Yerevan and Ankara were thwarted. In solidarity with its ethnic kin in Azerbaijan, Turkey imposed an embargo on Armenia keeping the border between the two countries closed. Throughout the early 1990s, weak coalition governments and a fragile economy in Turkey, together with escalating violence tied to the Kurdish question, further prevented Turkey from being able to play an influential role in the South Caucasus.

The situation began to change only after some degree of stability was brought to the region through new leadership in Georgia, Azerbaijan, and Turkey. In the mid-1990s, Ankara used its relationships with Georgia and Azerbaijan to help to carve out a niche for Turkey in the US-led diplomacy that focused on the development of Caspian Basin energy resources. During this time, the US government spearheaded the negotiation of a series of inter-governmental agreements among and between Azerbaijan, Georgia,

and Turkey that paved the way for the construction of Baku-Tbilisi-Ceyhan (BTC) oil pipeline. However, by the time BTC came into full operation in 2006, wars in Afghanistan and Iraq, as well as other regional developments, largely consumed the US policy attention.

The August 2008 Georgian-Russian war came at a particularly difficult time for the United States and the West – just as the United States and Europe drifted into a major financial crisis, and at a juncture when Turkey's ties to its transatlantic partners were weakened. The war brought an abrupt end to the primacy of the US engagement in the region, smothering its advocacy for NATO expansion into the region, and prompting a reassessment of its unique relationship with Georgia, which had become a flag-bearer for its global "Freedom Agenda" effort to support free elections and the development of civil society.

Following the brief Georgian-Russian war, Turkey responded to the regional security crisis by advocating a Caucasus Stability and Cooperation Pact (CSCP).<sup>9</sup> However, in contrast to a predecessor framework that Turkey had proposed in 2000, the CSCP's membership would not be put forward under the aegis of the OSCE. The new proposal embraced the roles of the Russian Federation and Turkey in the region but excluded the West and was not well received in the US.<sup>10</sup> Not surprisingly, the Turkish proposal for a pact that focused on security and development and included the participation of the Russian Federation and the countries of the South Caucasus did not go over well in Georgia.<sup>11</sup> Azerbaijan also viewed the proposal with some suspicion and was hesitant to embrace fully a plan that could lead to steps that would improve Turkey's relations with Armenia.

#### Turkey's next attempt at regional integration

Even as the limitations of the Caucasus Stability and Cooperation Pact idea became clear, Turkey continued to regard the South Caucasus as a foreign policy priority and recognized the dearth of political, economic, and civil society institutions as a key regional deficit. Turkey focused instead on long term infrastructural projects

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<sup>9</sup>Ali Babacan, *Calming the Caucasus*. The New York Times, September 23, 2008. Available at: [http://www.nytimes.com/2008/09/23/opinion/23iht-edbaba.can.1.16407371.html?\\_r=0](http://www.nytimes.com/2008/09/23/opinion/23iht-edbaba.can.1.16407371.html?_r=0)

<sup>10</sup>*Turkey Revives 'Caucasus Initiative,' But Faces Obstacles*, Radio Free Europe/Radio Liberty, September 5, 2008. Available at: [http://www.rferl.org/content/Turkey\\_Caucasus\\_Initiative\\_Obstacles/1196703.html](http://www.rferl.org/content/Turkey_Caucasus_Initiative_Obstacles/1196703.html)

<sup>11</sup>Ivane Chkhikvadze, *Zero Problem with Neighbors: The Case of Georgia*, Turkish Policy Quarterly, Vol. 10, No. 2, September 2011. Available at: [http://turkishpolicy.com/pdf/vol\\_10-no\\_2-chkhikvadze.pdf](http://turkishpolicy.com/pdf/vol_10-no_2-chkhikvadze.pdf)

aiming to tie the region to the global economy and the West. Together with Azerbaijan and Georgia it pushed forward efforts to realize the Baku-Tbilisi-Kars (BTK) railway as an alternative route for the existing Kars-Gyumri-Tbilisi railway that had fallen into disuse due to the closing of the Turkish-Armenian border in 1993. The BTK railway was also envisaged as a critical section on the TRACECA (Transport Corridor Europe-Caucasus-Asia) or the so called "Iron Silk Road of the 21<sup>st</sup> century" linking China to the markets of Europe.<sup>12</sup> It is expected to be open for service by the end of 2016, although the opening has been subject to serial delays.<sup>13</sup> Turkey has since partnered with Azerbaijan to construct a new international sea trade port 65 kilometers south of Baku. The Alat port is expected to evolve into a logistics node for goods traveling along the East-West transport corridor but also support efforts to diversify the economy of Azerbaijan away from energy production.<sup>14</sup> Lastly, after long negotiations and with the notable absence of US and EU strategic support, Azerbaijan, Georgia, and Turkey were able to launch TANAP in place of the failed NABUCCO project.<sup>15</sup> The construction of this gas pipeline started in March 2015 and will carry 16 bcm/year of natural gas to Turkey and on to Europe by 2018. TANAP builds on the Baku-Tbilisi-Erzurum (BTE) gas pipeline that has been in place since 2006.

These projects are vital to the future economic viability of Azerbaijan and Georgia. Revenue from BTC and BTE played a critical role in boosting economic growth in Azerbaijan, while Georgia has benefited from these pipelines as a transit country and also from Azeri investments in Georgia. Azerbaijan's GDP grew from just about 3 billion USD in 1995 to almost 75 billion USD in 2013, a twenty-fivefold increase. With this revenue, Azerbaijan has ramped up its

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<sup>12</sup>Cavid Veliyev, *From Alliance to Integration: The Turkey-Azerbaijan-Georgia Triangle*, Eurasia Daily Monitor, Vol. 11, No. 46, March 11, 2014. Available at: [http://www.jamestown.org/regions/thecaucasus/single/?tx\\_ttnews%5Btt\\_news%5D=42079&tx\\_ttnews%5BbackPid%5D=642&cHash=3ae60e8ce6c3595bd9e53e4e1b277286#.VnGjberTcs](http://www.jamestown.org/regions/thecaucasus/single/?tx_ttnews%5Btt_news%5D=42079&tx_ttnews%5BbackPid%5D=642&cHash=3ae60e8ce6c3595bd9e53e4e1b277286#.VnGjberTcs)

<sup>13</sup>Vusala Abbasova, *Baku-Tbilisi-Kars railway to be commissioned in 2016*. Azernews, October 14, 2015. Available at: <http://www.azernews.az/business/88769.html>

<sup>14</sup>Taleh Ziyadov, *Azerbaijan as a Regional Hub in Central Eurasia*. Baku: Azerbaijan Diplomatic Academy, 2012.

<sup>15</sup>*Farewell to 'greater' Nabucco as TANAP emerges to replace it*. Today's Zaman, May 17, 2012. Available at: [http://www.todayzaman.com/business\\_farewell-to-greater-nabucco-as-tanap-emerges-to-replace-it\\_280677.html](http://www.todayzaman.com/business_farewell-to-greater-nabucco-as-tanap-emerges-to-replace-it_280677.html)

military expenditures tremendously, but it has also financed major infrastructure projects that have spurred new economic activity and links with both Georgia and Turkey. With the realization that its oil reserves are inevitably diminishing, Azerbaijan has also encouraged the development of a fledging non-oil economic sector centered on the prospect of transforming the country into a logistics and transportation hub on the Silk Route. In recent months as the price of a barrel of oil has plummeted, Azerbaijan's need to diversify its economy has become increasingly urgent.

It is difficult to see how these energy projects could have been realized without Turkey's active support. These projects, and the prospects of expanding the East-West energy corridor, are considered key to improving Turkey's energy security. Turkey is heavily dependent on Russia for its energy and the crisis that has erupted between the two countries with the downing of the Russian jet late in November, 2015, has clearly increased the urgency of completing TANAP. It is not a surprise that soon after this incident the Turkish PM travelled to Baku to urge the Azeri government to speed the completion of the project.<sup>16</sup>

Turkey's broader economic engagement with both Azerbaijan and Georgia has also been critical. Once Turkey overcame its economic and political problems of the 1990s its trade with the region began to expand. Turkey's trade with Azerbaijan and Georgia increased from a mere 183.1 and 118.3 Million USD in 1995 to 736.4 and 561.7 Million USD in 2005, respectively. By 2014, this trade had increased to 3.2 Billion USD with Azerbaijan, and almost 1.7 Billion USD with Georgia, making Turkey the former's 4th and the latter's 2<sup>nd</sup> largest trading partner after the EU as a whole. Furthermore, Turkish companies have played and continue to play an important role in construction projects in Azerbaijan while in Georgia Turkish FDI in the tourism and manufacturing sectors has become a source of employment at the local level.

These economic activities have also been accompanied by a string of agreements deepening Turkey's integration with Georgia and to a lesser extent Azerbaijan. Turkey signed a free trade agreement with Georgia in 2007, a visa liberalization one in 2009, and created a

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<sup>16</sup>*Turkey agrees with Azerbaijan to accelerate gas project*, Hurriyet Daily News, December 3, 2015. Available at: <http://www.hurriyetdailynews.com/turkey-agrees-with-azerbaijan-to-accelerate-gas-project-.aspx?pageID=449&nID=92046&NewsCatID=348>

passport free area in 2011. Azerbaijan has enjoyed a free trade agreement and visa free travel with Georgia since the mid-1990s but such arrangements have not been put into place with Turkey. Instead, Azerbaijan only provides for visa facilitation for Turkish citizens' travel, and Turkish goods are subjected to significant customs duties. Actually, the liberal visa arrangements between Georgia and Turkey have significantly increased the number of Turkish nationals visiting Georgia. In 2013 and 2014, with approximately 1.5 million Turkish visitors, Turkey topped the list of international arrivals in Georgia.<sup>17</sup> This fact is critical because the income generated by Turkish tourism helps to balance the otherwise large deficit that Georgia has in its trade with Turkey. Furthermore, there were more than 1.7 million entries of Georgian nationals to Turkey in 2014 – constituting the fourth largest group after the nationals of Germany, Russia, and the UK, despite Georgia's comparatively smaller population.<sup>18</sup> Some of these nationals work in the informal sector of the Turkish economy, generating a source for remittances for Georgia. Remittances, in large part coming from Russia, provide an important source of revenue for the Georgian economy.

This growing interdependence between these three countries and the strategic importance that they attribute to economic cooperation has led to the institutionalization of tri-lateral high level meetings. The first one was held in June 2012 in the Turkish Black Sea port city of Trabzon. The Trabzon Statement adopted on the occasion provides a basis for closer cooperation and coordination in the realm of especially economics between these three countries.<sup>19</sup> The Statement has also provided the basis for closer contacts between defense establishments and cooperation on security issues. One expert of the region notes that this trilateral relationship is "a primarily economic

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<sup>17</sup>Available at: <http://gnta.ge/wp-content/uploads/2014/08/eng-4print10.pdf>

<sup>18</sup>*Number of Arriving/Departing Visitors, Foreigners and Citizens – December 2014*, (12). Republic of Turkey, Ministry of Culture and Tourism, published on January 26, 2015.

<sup>19</sup>*Trabzon Declaration Of The Ministers Of Foreign Affairs Of The Republic Of Azerbaijan, Georgia And The Republic Of Turkey*, June 08, 2012, Trabzon. Available at: [http://www.mfa.gov.tr/trabzon--declaration-of-the-ministers-of-foreign-affairs-of-the-republic-of-azerbaijan\\_-georgia-and-the-republic-of-turkey\\_-08-june-2012\\_-trabzon.en.mfa](http://www.mfa.gov.tr/trabzon--declaration-of-the-ministers-of-foreign-affairs-of-the-republic-of-azerbaijan_-georgia-and-the-republic-of-turkey_-08-june-2012_-trabzon.en.mfa)

club... which encourages and priorities security co-operation but falls well short of a regional alliance."<sup>20</sup>

#### Challenges/limitations to Turkey's role

A major challenge Turkey faces in the South Caucasus is its lack of direct relations with Armenia. With no official communications between Yerevan and Ankara, Turkey is hindered from playing a more effective role in encouraging greater stability and prosperity in the region. There were two attempts to normalize relations between the two countries, one in the early 1990s following Armenia's independence and another in 2009, but neither has borne fruit.<sup>21</sup> The first attempt was driven by the Armenian government under then President Levon Ter-Petrosyan. Ter-Petrosyan understood that his goal of charting a Western orientation for post-Soviet Armenia would be boosted by the establishment of diplomatic relations with its NATO-member neighbor to the West. Giving pragmatism primacy, Ter-Petrosyan resolved to set aside the decades-long issue of genocide recognition as Armenia pursued normalizing relations. However, Armenia's seizure and occupation of the territories surrounding the disputed Nagorno Karabakh enclave in Azerbaijan curtailed Turkey's ability to continue negotiations.

The lack of official relations with Armenia remained a major impediment to Turkey's regional goals and in spite of the presence of significant Georgian, Abkhaz, and other Caucasus Diaspora communities in Turkey, the Turkish government seemed consigned to a back seat in the South Caucasus. In the 2000s under Prime Minister Recep Tayyip Erdoğan, Turkey sought to change this dynamic through its "zero problems with neighbors" policy – a bold foreign policy initiative led by then Foreign Minister Ahmet Davutoğlu to settle a number of lingering territorial and other disputes with Turkey's immediate neighbors.<sup>22</sup> Against this policy backdrop, a second

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<sup>20</sup>Michael Cecire, *A new partnership for co-operation in the Black Sea*. ODR: Russia and beyond, May 18, 2015. Available at: <https://www.opendemocracy.net/od-russia/michael-cecire/trilateralism-in-black-sea>

<sup>21</sup>For the details of both attempts see: Thomas de Waal, *Great Catastrophe: Armenians and Turks in the Shadow of Genocide*, Oxford: Oxford University Press, 2015.

<sup>22</sup>Ahmet Davutoğlu, *Turkey's New Foreign Policy Vision*. Insight Turkey, Vol.10, No. 1 (2008), pp.77-96. For a discussion of Turkey's South Caucasus policy under Davutoğlu's vision see: Bülent Aras and Pinar Akpınar, *The Relations between Turkey and the Caucasus in the 2000s*. Perceptions: Journal of International Affairs, Autumn 2011, Vol. XVI, No. 3, pp. 53-68.

opportunity for engaging with Armenia arose in 2008 when the two countries' national soccer teams played each other in World Cup qualifying matches. The "soccer diplomacy" led to visits by Turkish President Abdullah Gül to Yerevan and later by Armenian President Serzh Sargsyan to Bursa, culminating in talks between the two sides brokered by Switzerland and the signing of two Protocols in October 2009 on the normalization of the countries' relations.

The signing of Protocols between Armenia and Turkey was also seen as a reaction to Russia's growing assertiveness in a region still scarred by the brief Russo-Georgian War. The Protocols avoided the thorny issues of the Armenian genocide as well as the conflict over Nagorno Karabakh, even as expectations of a possible breakthrough on the conflict were rising. Ankara did not, however, consult with Baku behind the scenes to gauge its reaction ahead of the start of talks with Yerevan. Turkey assumed, as did the negotiators from the United States and Switzerland, that Azerbaijan could be persuaded that Turkish-Armenian normalization would be of broader benefit by breaking Russia's stranglehold and opening up new political and economic opportunities for all the South Caucasus countries. There was also a general assumption that as Russia was an active member of the OSCE Minsk Group aimed at resolving the NK conflict, Moscow would view Turkish-Armenian rapprochement as an opportunity for greater flexibility and dialogue.

However, failing to address the Nagorno Karabakh issue led to a vocal backlash in Baku against the protocols. In the view of Azerbaijan, decoupling NK and the opening the Turkish-Armenian border was tantamount to a betrayal of its interests. The Armenian Diaspora in large part viewed the Protocols as objectionable for the omission of any reference to the genocide recognition issue. Russia formally embraced the prospect of the Protocols, but some experts in Russia questioned whether Russia would be a winner from the border opening and interpreted the potential Turkish-Armenian thaw as a check to its regional leverage.<sup>23</sup>

In light of these challenges, the Protocols were tabled in early 2010. Their failure underscored Turkey's limited ability to project itself in the South Caucasus, and Russia's greater potential to undermine Turkey's efforts if they were not deemed mutually advantageous. Currently, the prospects of opening the border and normalizing

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<sup>23</sup>*Turkish-Armenian Diplomacy: Bilateral and Regional Implications of Efforts to Normalize Relations*. Available at: <https://www.chathamhouse.org/sites/files/chathamhouse/public/Research/Russia%20and%20Eurasia/0310mtgsummary.pdf>

relations between the two sides is not very promising. Turkey's relations with Armenia were further complicated in 2015 by the 100<sup>th</sup> anniversary of the 1915 Armenian genocide and the international attention and declarations that were generated amid the commemorations of the events.

Fortunately, several of the modest gains that have been realized in Armenian-Turkish relations at the societal and commercial levels appear not to have been adversely affected by the failures at the official state level. Armenian and Turkish nationals continue to be able to travel in both directions with the possibility of obtaining visas at the border with minimal formalities. There are also direct charter flights between Istanbul and Yerevan while efforts to open new lines continue, though so far without much success.<sup>24</sup> The two governments so far have not hindered burgeoning civil society contacts between both sides and instead appear to be discreetly encouraging them. Furthermore, the Armenian delegation to the Black Sea Cooperation Organization (BSCE) based in Istanbul and the Turkish Embassy in Tbilisi have come to be recognized as channels of informal and unofficial contacts between the two sides.<sup>25</sup>

Furthermore, there is growing indirect trade between the two countries. This trade is mostly in the form of Turkish products exported to Armenia via Georgia. The value of these imports in 2014 was put at approximately 200 million USD, making Turkey Armenia's 4<sup>th</sup> largest partner after the EU, Russia, and China.<sup>26</sup> Georgia's liberal foreign trade practices and Armenia's readiness to allow Turkish trucks

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<sup>24</sup>Jonathan Burch, *Turkey scraps flights to Armenia after Azeri resistance*, Reuters, April 1, 2013. Available at: <http://www.reuters.com/article/us-turkey-armenia-flights-idUSBRE9300BR20130401>

<sup>25</sup>This was highlighted during the authors' trip to the region in November 2014.

<sup>26</sup>Available at: [http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_113345.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113345.pdf), p. 8. However, according to one study of Armenian-Turkish economic relations, "the trade volume between the two countries is 150-200 million USD." See: *Armenian-Turkish Business Relations through the Eyes of Business Opinion Leaders - Study Report*, Yerevan, 2011, p. 15. According to a more recent study, Armenia's imports from Turkey were 213 million dollars and Turkey was listed as Armenia's fifth largest import partner, ahead of Germany, Italy, and the USA. See: *Strengthening Connectivity and Business Synergies in the Southern Caucasus Towards a new Confidence Building Agenda: Final Report*. TEPAV, March 2014, p. 28. Businessmen dealing with Turkey told the authors of this article in November, 2014, that they estimated the trade volume between the two countries to be between 250-300 million USD but that it was probably much higher.

to carry goods into the country in spite of the absence of a bilateral transport agreement with Turkey has facilitated this trade. Georgia and Turkey have completed a new border crossing at Çıldır-Aktaş/Kartsakhi that was opened in October 2015. During the opening ceremonies the emphasis was on the economic opportunities that the new crossing would offer to the two neighboring countries and Azerbaijan.<sup>27</sup> However, there is also recognition that the very fact that this crossing is so much closer to Armenia than the other crossings between Georgia and Turkey is expected to impact economic relations between Armenia and Turkey positively.

There have been a number of studies examining the possible impact that the opening of the Armenian-Turkish border would have in terms of trade and economic development. These studies show that the opening of the border would result in the flooding of the Armenian market by Turkish goods to the disadvantage of local producers with little exports from Armenia to Turkey. However, in the long run the benefits to Armenia would be more positive with respect to boosting economic growth especially by attracting tourism, which is constantly growing but still constitutes a small part of the Armenian economy, and easier access to global markets for Armenian products.<sup>28</sup> One Turkish expert estimated that an open border accompanied by greater Turkish imports from Armenia would increase Armenia's GDP by one percent.<sup>29</sup> Similarly, an open border is also likely to attract greater FDI to Armenia from Turkey and beyond boosting employment prospects. This may help to slow down the "demographic collapse" in Armenia as more and more working age Armenians emigrate because of lack of job opportunities.<sup>30</sup>

The gains for Turkey are estimated to be very marginal because of the relatively small size of the Armenian economy compared to the Turkish one.<sup>31</sup> Yet, the impact is expected to be much more conspicuously positive in terms of Turkish provinces

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<sup>27</sup>*Bugün zenginliğin kapısını açıyoruz*, December 26, 2015. Available at: <http://www.tobb.org.tr/Sayfalar/Detay.php?rid=20686&lst=MansetListesi>

<sup>28</sup>*Strengthening Connectivity...*, TEPAV (March 2014), op. cit., footnote 26.

<sup>29</sup>*Moscow Benefits from Closed Armenian-Turkish Border: Turkish Economist*. Epress, November 26, 2014. Available at: <http://www.epress.am/en/2014/11/26/moscow-benefits-from-closed-armenian-turkish-border-turkish-economist.html>

<sup>30</sup>Paul Goble, *Armenia Facing Demographic Collapse*, Eurasia Daily Monitor, Vol. 12, No. 224, December 15, 2015. Available at: [http://www.jamestown.org/programs/edm/single/?tx\\_ttnews%5Btt\\_news%5D=44899&tx\\_ttnews%5BbackPid%5D=786&no\\_cache=1#.VnRgSLerTcs](http://www.jamestown.org/programs/edm/single/?tx_ttnews%5Btt_news%5D=44899&tx_ttnews%5BbackPid%5D=786&no_cache=1#.VnRgSLerTcs)

<sup>31</sup>*Strengthening Connectivity...*, TEPAV (March 2014), op. cit., footnote 26.

neighboring Armenia.<sup>32</sup> One econometric study estimates that if the border was to be opened this "could contribute to the private sector employment with an average of 7 percentage point per annum".<sup>33</sup> These provinces are among the poorest and least developed parts of the Turkish economy. It is no wonder that back in 2000, at the time of the launching of the first Caucasus Stability Pact, local authorities in the city of Kars had reached a twinning agreement with the city of Gyumri.<sup>34</sup> Economic considerations were very central then to the efforts of local authorities to try to get the border opened though to no avail.

For the time being, the opening of the border remains hostage to the stalemate over Nagorno Karabakh. The OSCE Minsk Process that was put into place in 1994 has failed to resolve the conflict between Armenia and Azerbaijan.<sup>35</sup> Azerbaijan's government has exhibited marked frustration with the failure of the Minsk Process and what they view as the international community's apathy toward the NK problem. Simultaneously, Azerbaijan has decried the West's forceful response and application of sanctions against Russia after the annexation of Crimea, contrasting it with the ongoing failure of the West to insist on the implementation of four U.N. Security Council resolutions calling for Armenian withdrawal from the occupied territories around Nagorno Karabakh.

In recent years Azerbaijan has spent a sizeable portion of its oil revenues on a massive military acquisition program that in 2013 spent 3.7 billion USD, or "more than Armenia's entire 2.8 billion USD national budget."<sup>36</sup> This in turn further entrenches the position of Armenia with respect to the occupied territories and reinforces its

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<sup>32</sup>*Research on the Socio-Economic Impact of the Turkey-Armenia Border*, Istanbul: Hrant Dink Foundation, November 2014. Available at: <http://www.hrantdink.org/?Detail=1189&Activities=5&Lang=en>

<sup>33</sup>*The Economic Impact of the Sealed Border – Econometric Study*. In *ibid*, p. 36.

<sup>34</sup>*Harbingers of Turkish-Armenian Normalization?*, *Monitor*, Vol. 6, Issue 19, January 27, 2000. Available at: [http://www.jamestown.org/single/?tx\\_ttnews%5Btt\\_news%5D=29145&tx\\_ttnews%5BbackPid%5D=214&no\\_cache=1#.VnGwyberTcs](http://www.jamestown.org/single/?tx_ttnews%5Btt_news%5D=29145&tx_ttnews%5BbackPid%5D=214&no_cache=1#.VnGwyberTcs)

<sup>35</sup> For backgrounders on the conflict, see: *Armenia and Azerbaijan: Preventing War*, Crisis Group Europe Briefing N°60, 8 February 2011, and *Nagorno Karabakh: Risking War*, Crisis Group Europe Report No.187, 14 November 2007.

<sup>36</sup>*Armenia and Azerbaijan: A Season of Risks*, Europe Briefing No.71, September 26, 2013. Available at: [http://www.crisisgroup.org/~media/Files/europe/caucasus/b071-armenia-and-azerbaijan-a-season-of-risks.pdf](http://www.crisisgroup.org/~/media/Files/europe/caucasus/b071-armenia-and-azerbaijan-a-season-of-risks.pdf), p. 3.

inclination to hold on to them as a means of security. The International Crisis Group and the Council of Europe have warned that the uncompromising positions of both sides, increasingly hot-blooded use of war rhetoric, large-scale arms acquisitions, and progressively more frequent skirmishes along the cease-fire line all carry serious risks of escalation into a fully-fledged war.<sup>37</sup>

The deep sense of mutual distrust and instability seems to create a major dilemma for regional integration efforts, especially for Azerbaijan, with respect to its long term aspirations of furthering its non-hydrocarbon economy and positioning the country as a logistical hub on the modern "Silk Route." It is difficult to see how Azerbaijan would be able to win the trust of the broader international community and especially of companies that would be critical to give life to the idea of a logistical hub. They will be reluctant to support this Azerbaijani project if their investments' commercial viability risks being undermined, at best, or destroyed outright as a result of threats and deadly ceasefire violations spiraling out of control and leading to a war.

Given these considerations, Turkey faces a daunting challenge in any future attempt to engage with the South Caucasus, as it can only develop better relations with Armenia after assuring to Azerbaijan that its grievances concerning Nagorno Karabakh and the occupied territories are addressed. Previous efforts to compartmentalize regional issues and tackle them individually were doomed to failure. It is therefore difficult to see how Ankara can play an effective role in bringing greater stability and prosperity to the South Caucasus without engaging in initiatives to normalize relations with Armenia while simultaneously working to resolve Azerbaijan's dissatisfaction over the status quo in NK. To make matters worse, this realization is linked inevitably to the broader, and even tougher, challenge of Russia's influence in the region. As previously discussed, Russia's leverage in the region cannot be underestimated, nor can its interest in maintaining a strong presence in the South Caucasus through security and economic linkages.<sup>38</sup>

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<sup>37</sup>Laurence Scott Sheets, *A 'Frozen Conflict' That Could Boil Over*, March 8, 2012. Available at: <http://www.nytimes.com/2012/03/09/opinion/a-frozen-conflict-that-could-boil-over.html>

<sup>38</sup>Sergey Markedonov, *The Geometry of the Caucasian Circle*, Russian International Affairs Council, August 21, 2015. Available at: [http://russiancouncil.ru/en/inner/?id\\_4=6473#top-content](http://russiancouncil.ru/en/inner/?id_4=6473#top-content)

Since the downing of a Russian jet by the Turkish Air Force late in November 2015, the balance of interests has become even more complicated in the South Caucasus. Russian-Turkish relations had vastly expanded in the course of the last decade, and were at least partly driven by a shared sense of being "excluded" and alienated by the West.<sup>39</sup> This sense of "exclusion" may also explain the frequent "summitry" between Vladimir Putin and Recep Tayyip Erdoğan and the belief on the Turkish side that close relations with Russia would "empower Turkey in its relations with the West."<sup>40</sup> Not surprisingly, the last decade has been referred to as the "golden age" of Russian-Turkish relations.<sup>41</sup> Business, trade, and tourism significantly grew, and at their last summit meeting in 2014 Putin and Erdoğan had declared their intention of achieving a trade volume of 100 billion USD by 2020. This was crowned by the decision to construct the "Turkish Stream" pipeline in place of the "South Stream" proposal. The Turkish Stream was put forward by Putin after the European Union warned Bulgaria that the South Stream project was in breach of EU law and should not be built. Russia was also contracted to build Turkey's first nuclear power station at an estimated cost of 20 billion USD. The commercial interdependence between the two countries led both sides to compartmentalize their deep and growing differences over Syria until the downing of the Russian jet.<sup>42</sup> Since the fallout of bilateral relations, Russia not only has imposed a range of economic sanctions, but many also fear that the crisis could escalate into a larger military confrontation.<sup>43</sup>

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<sup>39</sup>Fiona Hill and Ömer Taşpınar, *Turkey and Russia: Axis of the excluded?*, Survival, Spring 2006, Vol. 48, No.1, pp. 81-92; Fatih Özbay, *The Relations between Turkey and Russia in the 2000s*, Perceptions: Journal of International Affairs, Autumn 2011, Vol. XVI, No. 3, pp. 69-92.

<sup>40</sup>Özbay, (2011), p. 87, *ibid*.

<sup>41</sup>Ziya Öniş and Suhnaz Yılmaz, *Turkey and Russia in a shifting global order*, Third World Quarterly, November 2015, p. 7.

<sup>42</sup>Pavel K. Baev, *Russia and Turkey Find a Common Cause in Confronting the Specter of Revolution*, Turkish Policy Quarterly, 2014, Vol. 12, No. 4. Available at: [http://turkishpolicy.com/pdf/vol\\_12-no\\_4-baev.pdf](http://turkishpolicy.com/pdf/vol_12-no_4-baev.pdf) and Stuart Williams, *Putin, Erdogan turn blind eye to Russia-Turkey differences*, Yahoo News, November 30, 2014. Available at: [https://en-maktoob.news.yahoo.com/putin-erdogan-turn-blind-eye-russia-turkey-differences-124345976--finance.html?soc\\_src=mediacontentsharebuttons&soc\\_trk=tw](https://en-maktoob.news.yahoo.com/putin-erdogan-turn-blind-eye-russia-turkey-differences-124345976--finance.html?soc_src=mediacontentsharebuttons&soc_trk=tw)

<sup>43</sup>Garrett I. Campbell, *An eye for an eye: Will Russia retaliate against Turkey?* Order from Chaos, Brookings, December 22, 2015. Available at: <http://www.brookings.edu/blogs/order-from-chaos/posts/2015/12/22-will-russia-retaliate-against-turkey-campbell>

This Russian-Turkish crisis is likely to affect Turkey's relations with the South Caucasus adversely. It is impossible to know if Turkey could have expanded its engagement with the countries of the South Caucasus without a conspicuous improvement in Russian-Turkish relations. This is particularly clear with respect to Armenian-Turkish relations. Similarly, after having long opposed the EU-led NABUCCO project to bring Caspian natural gas through the South Caucasus, Russia did not object to TANAP as Turkey in return would allow for "South Stream" to traverse its exclusive economic zone in the Black Sea.<sup>44</sup> Russia also conveniently overlooked Turkey's close economic, military, and political relations with Georgia even after its military intervention in August 2008 and permitted Turkey to develop quite close relations with the separatist Abkhazian enclave in Georgia.

Another challenge that is likely to undermine the prospects of greater regional integration in the South Caucasus is the Eurasian Economic Union (EEU). Since January 2015, Armenia has become part of the EEU and has adopted higher customs tariffs than previously. This is likely to cause some trade diversion away from Georgia and Turkey. Furthermore, now that Russia has decided to reintroduce visa requirements for Turkish nationals traveling to Russia, the Armenian practice of allowing Turkish nationals to travel to Armenia relatively freely may come under strain. To date, Azerbaijan has resisted the idea of joining the EEU as part of its "multi-vector" foreign policy. However, under a more assertive Russian presence in the region this policy may become difficult to pursue. Falling energy prices are likely to adversely impact Azerbaijan's economy as well as ability to support major projects such as TANAP. Recently, a December 2015 fire on an oil rig in the Caspian Sea reportedly endangered 60 percent of Azerbaijan's state oil company SOCAR's production.<sup>45</sup> If the damage to production cannot quickly be repaired, this would further undermine sorely needed income for the national economy.

These developments may also have an adverse impact on Georgia's Western vocation. Despite Georgia's free trade agreement with the EU, and the visa free travel for Georgian citizens that is to be realized in 2016, Russia's economic importance for Georgia has grown. In the last two years, Georgian exports to Russia have increased significantly from 46 to 271 million USD, making Russia Georgia's

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<sup>44</sup>Öniş and Yılmaz, (2015), p. 15, op cit.

<sup>45</sup>Available at: <http://www.wsj.com/articles/azerbaijan-still-working-to-extinguish-caspian-oil-rig-fire-says-socar-1449492707>

third largest export market after Azerbaijan and Armenia.<sup>46</sup> Remittances from Russia have also increased significantly in the last two years, rising from just below 7 percent of GDP in 2012 to over 12 percent in 2013 and 2014.<sup>47</sup> Under these circumstances it is not surprising that support for the EEU in Georgia is edging up, and the voice of pro-Russian actors in Georgia including the Church is increasing.<sup>48</sup> Furthermore, the Georgian government failure to secure a NATO membership perspective, while Montenegro was invited to start accession talks in early December 2015, has increased fears that this is benefitting Russia.<sup>49</sup>

### Conclusion

The previously discussed challenges confine the role that Turkey can play in the South Caucasus. Nevertheless, the regional stakes remain high for Turkey, and it should modulate, but not write off, approaches toward engagement. The deterioration of Russian-Turkish relations will add another layer of complication to the prospects of Turkey playing a role in developing further regional integration. Given the drop in energy prices, the era of large-scale hydrocarbon projects in the South Caucasus is likely to be over, due to the difficulties that can be expected in securing financing. However, less ambitious but symbolic efforts, such as completion of the TANAP pipeline and the opening of the BTK railway should be considered successes for integration.

Moreover, there is a commercial reality that Turkey cannot ignore that suggests it should maintain broad economic relations with the region. Driven both by a global trade slowdown and by the escalating chaos around Turkey, its trade volume has been contracting over the past few years. At the same time, foreign trade now represents

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<sup>46</sup>Source: COMTRADE.

<sup>47</sup>Source: World Bank Remittances Data, Bilateral Remittances Matrices 2010-2014.

<sup>48</sup>Support for the EEU increased from 11% in 2013 to 20 % in 2014. Michael Cecire, *The Kremlin Pulls on Georgia*, Foreign Policy, March 9, 2015. Available at: <http://foreignpolicy.com/2015/03/09/the-kremlin-pulls-on-georgia/>. An NDI survey showed Georgian support for the EEU at 31% in 2015; support for EU membership declined to 61% in April 2015 from just under 80% in August 2014. Available at: [https://www.ndi.org/files/NDI\\_August\\_2015\\_Survey\\_public%20Political\\_ENG\\_vf.pdf](https://www.ndi.org/files/NDI_August_2015_Survey_public%20Political_ENG_vf.pdf)

<sup>49</sup>Judy Dempsey, *NATO Membership for Montenegro but Not for Georgia*, Carnegie Europe, December 7, 2015, <http://carnegieeurope.eu/strategieurope/?fa=62197>

nearly half of Turkey's GDP, a remarkable contrast to 1975 when it was less than 10 percent of total GDP. Therefore, to maintain its current level of prosperity, Turkey has no alternative to trading with the external world. Since 2013, Turkey's trade, and especially exports, to Russia, Ukraine, and the Arab world have gone down by 3, 11 and 5 percent respectively.<sup>50</sup> These declines are expected to continue and are clearly affected by the conflicts raging in these countries. They are unlikely to be resolved in the near future. Hence, the *relative* stability of the South Caucasus, its proximity, and the fact that the region is likely to become incorporated to some degree into China's grand "One Belt – One Road" initiative, all increase the attractiveness for Turkey of economic engagement in the region. Furthermore, with the deterioration of Russian-Turkish relations, Turkey will be compelled to seek alternative sources of energy to decrease its dependence on Russia. Caspian basin energy, and eventually Central Asian sources made viable as part of a strengthened East-West corridor, will attract Turkey's interest and engagement.

However, Russian interests and the course of the Russian-Turkish quarrel will influence Turkey's ability to trade with the area and connect with it through energy and transport projects. Under these circumstances it may well be unrealistic to expect any major breakthrough in Armenian-Turkish relations. Furthermore, the nascent "tri-lateralism" between Azerbaijan, Georgia, and Turkey is bound to be viewed by Moscow in a much more antagonistic way in light of the altered Russian-Turkish relationship.

These dynamics make the "soft" aspects of "soft regionalism" all the more important. The state of affairs in the region is now charged with new tension, and clearly not ripe for any major region-wide formal integration efforts. The US and the EU seem to have accepted the unavoidable reality of their roles as distant and marginal actors in the region, at least for now. NATO's reluctance to offer Georgia any membership prospects in the foreseeable future, coupled with the adoption of a less ambitious European Neighborhood Policy, further suggest that major Western involvement is unlikely.<sup>51</sup>

Under these circumstances, it will be critical to preserve lower level integration activities, such as the movement of people across the

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<sup>50</sup>Calculated from TUIK data.

<sup>51</sup>Michael Leigh, *New Policies Urgently Needed for EU Neighborhood*. GMF-Strengthening Transatlantic Cooperation, November 18, 2015. Available at: <http://www.gmfus.org/blog/2015/11/18/new-policies-urgently-needed-eu-neighborhood>

region. Efforts should be maintained to protect the visa free travel arrangements between Georgia-Azerbaijan and Georgia-Turkey, as well as the relatively unencumbered travel regime between Armenia and Turkey. This will not only allow the possibility of maintaining some level of economic activity, but also keep alive opportunities for civil society interactions.

The latter has already opened the way to considerable exchanges between Armenia and Turkey involving, for example, academics, artists, experts, and journalists. Greater efforts and projects should be explored to involve Georgians as well as Azerbaijanis in these exchanges. Georgian-Turkish civil society contacts particularly between think-tanks should be expanded. In spite of extensive business, military, and political relations between Georgia and Turkey, civil society interest in these relations and a dialogue on the problems facing this relationship have remained surprisingly limited.<sup>52</sup> There is a wide scope of grievances on the Georgian side ranging from Turkey's ambiguous policy over Abkhazia to the huge imbalance in trade relations at the disadvantage of Georgia. Civil society dialogue on these topics will be needed, especially if Georgia does have the strategic value that Turkish leaders seem to have attributed to it.

Ultimately, this approach to regionalism could also lead to making the border between Armenia and Turkey incrementally more porous. Given the failure of across-the-board solutions such as the ill-fated Protocols, a lower risk, gradual approach could be tried by allowing the border to be opened for particular occasions or limited durations, thereby serving as confidence building exercises in themselves. As in the case of Cyprus, the Turkish side could consider exploring the possibilities of opening the border without preconditions.<sup>53</sup> A former Turkish diplomat that once had played a role

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<sup>52</sup>Nigar Goksel, *Turkey and Georgia: Zero-Problems?* GMF – On Wider Europe, June 19, 2013, <http://www.gmfus.org/publications/turkey-and-georgia-zero-problems>; Chkhikvadze, (2011), op cit.

<sup>53</sup>*Emotion as Cyprus border opens*, BBC News, April 23, 2003. Available at: <http://news.bbc.co.uk/2/hi/europe/2969089.stm>. The Turkish side on Cyprus in 2003 had unilaterally opened the border between the two communities on the island. The island is still divided but compared to more than a decade there is much more movement between the two sides of the island and the two sides have never been closer to the possibility of reuniting the island. It would be difficult to argue that the opening of the border did not contribute to this state of affairs. Stephan Fidler, *Hopes Rise Over Cyprus Settlement, and With Them New Concerns*. The Wall Street Journal, December 11, 2015. Available at:

in the negotiations of the Protocols between Armenia and Turkey has already advocated the idea that Turkey reopen the border.<sup>54</sup> In this approach, for example, the resettlement of Yazidi refugees from Turkey to Armenia could be explored. There are currently a large number of Yazidi refugees in Turkey, many of whom are living in considerable difficulty.<sup>55</sup> Armenia has received a modest number of Yazidi refugees from Iraq and Syria. The possibility of their resettlement to Armenia, where Yazidi communities remain could be explored as a pilot project to test the prospect of confidence building between Armenia and Turkey as well as serve as worthy humanitarian cause.

"Soft regionalism" can benefit Azerbaijan too. Azeri frustration with the absence of progress over Nagorno Karabakh is understandable. The meeting between President Serzh Sarkysyan of Armenia and President Ilham Aliyev of Azerbaijan in Switzerland in December, 2015, was a positive step for restoring the process of dialogue, if nothing more. Whether further escalation can be averted and an actual resolution of the conflict could be reached in the near future is yet to be seen. What is evident is that a military confrontation between the two sides would result in a disastrous deterioration of the economic gains that Azerbaijan has made over the last decade. At a time when energy prices are falling, Azeri ambitions to develop its non-oil sector gain even greater urgency. Turkish businesses could assist this process as well as support the Azerbaijani objective of making the country a logistical hub on the modern "Silk Route."

Much will depend on whether Russia sees an interest in allowing for a degree of "soft regionalism" to continue. Heavy handed attempts by Russia to prevent integration would not be regarded favorably by the publics of any of the three South Caucasus countries, and deepening the fragmentation would not serve Russian interests if the region drifts into greater instability and isolation. President Putin, in his "end of the year" speech, did emphasize that he did not have a

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<http://www.wsj.com/articles/hopes-rise-over-cyprus-settlement-and-with-them-new-concerns-1449810250>

<sup>54</sup>Ünal Çeviköz, *Turkish-Armenian relations need a new game-changer*. Hurriyet Daily News, November 13, 2014.

<sup>55</sup>Metin Çorabatır and Berivan Alagöz, *Yazidi Refugees: In Şırnak, Siirt, Batman and Diyarbakır*. IGAM, Ankara, April 2015. Available at: <http://www.igamder.org/wp-content/uploads/2015c/Ezidi.pdf>

problem with the Turkish people.<sup>56</sup> If this is indeed his position, there may be a room for a limited and informal approach by Turkey. Furthermore, "soft regionalism" could also allow Turkish business experience and knowhow to help Azerbaijan, Georgia, and even Armenia to develop the capacity to supply Russian markets with some of the fresh vegetables and fruits that previously came from Turkey until Russia imposed sanctions.

Turkey's neighborhood is going through tumultuous times. The South Caucasus, in spite of its own challenges, continues to enjoy a degree of relative stability. Turkey has an interest in this. "Soft regionalism" could promote the basis to consolidate this relative stability and possibly open a way to improve regional prosperity. Such prosperity could be a "win-win" for all involved in the South Caucasus including Russia. However, it is far from certain that Moscow would see Turkey's role in this positive light. If Turkey can succeed in bringing about greater integration in the region, Russia must not see its actions as a zero-sum proposition. If Moscow's foreign policy calculations are really as straightforward as one Russian expert put them, and the post-Soviet space is not an exclusive sphere of interests, but an area of "strategic interests of Russia, particularly in the field of security, so any steps that affect these interests should be discussed," then there may be opportunity to experiment with "soft regionalism."<sup>57</sup>

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<sup>56</sup>"Meanwhile, the Turkish people are kind, hardworking and talented. We have many good and reliable friends in Turkey. Allow me to emphasize that they should know that we do not equate them with the certain part of the current ruling establishment that is directly responsible for the deaths of our servicemen in Syria." *Presidential Address to the Federal Assembly*, December 3, 2015. Available at: <http://en.kremlin.ru/events/president/news/50864>

<sup>57</sup>Sergey Rekeda, *Coexistence Instead of Integration. Eurasia Comes Apart into Economic Blocks*. Russian International Affairs Council, December 14, 2015, [http://russiancouncil.ru/en/inner/?id\\_4=6994#top-content](http://russiancouncil.ru/en/inner/?id_4=6994#top-content)