



YEREVAN STATE UNIVERSITY
CENTRE OF EUROPEAN LAW AND INTEGRATION



TURKEY - EU -ARMENIA: OPPORTUNITES AND CHALLENGES

Interdisciplinary Research

YEREVAN STATE UNIVERSITY
CENTRE OF EUROPEAN LAW AND INTEGRATION

**TURKEY—EU— ARMENIA:
OPPORTUNITES CHALLENGES**

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This interdisciplinary research is dedicated to the investigation of the problems related to Turkey's possible accession to the EU, as well as the opportunities and challenges for Armenia within that context. The research is provided for governmental and non-governmental organizations, public officials and civil servants, academic circles, as well as specialized expert and research organizations involved in Armenia-EU, Turkey-EU and Armenia-Turkey matters.

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Introduction

Turkey's membership to EU, as well as EU-Turkey relations issue in general, considered to be one of the main discussion themes of various political and analytical cycles for a long time, i.e. agenda issue in external political circles of EU and its separate states. Up to now Turkey has mainly succeeded to build its external and security efficiently taking advantage of its geographical position, global geopolitical and economic political moves, and being the most influential performer of Caspian and Black sea regions could create the most favorable conditions for the implementation of its external political objection. Notwithstanding Turkey's relations with EU and its separate member states, their relations almost have never been notable to be identical. Moreover, kind of "cooling and warming" has been observed from time to time in their relations depending on concert world-wide events.

It is obvious, that the membership of Turkey with EU will not only change the essentially political panorama coursing itself serious transformation of force balance in EU, but also geopolitics structure of the whole Caspian and Black sea regions. That is why, the impact of Turkey's possible membership to EU worthy of a special attention in this context, particularly on the development of South Caucasus regions. The issue is much more urgent from the standpoint of Armenia taking into account existence of numerous issues seeking for regulation between these two countries.

Naturally the issue study would not be complete and comprehensive without interdisciplinary approach based on political, economic and legal components. The theses and discourses are observed in the informative context of historical development and environment. By this reason such spheres as directions of Turkish external policy, its political, economic and legal systems, as well as the Europeanization impact on them under EU membership process, Turkish geographical and civilization peculiarities have been presented and have been subjected to deep analysis. As an issue of principal importance the official position of EU leading member states and communities' attitude towards EU membership with Turkey was also selected.

Turkey has serious problems to meet requirements of the EU membership criteria. It is obvious that Turkey is Europeanizing and democratizing not in general, but as much, as it is necessary for European requirements.

Notwithstanding, Turkish elite and the majority of the people continue actively assist the EU membership process, but the anti-European disposition also increases. EU, in its turn notes progress in the reforms of normative legal issues, but there are still gaps in a number of issues concerning civil supervision of armed forces, exclusion of participation of law enforcement bodies in policy, freedom of speech and press, defending rights of national minorities.

There are also serious problems in the sphere of Cyprus conflict, the regional issue concerning Northern Iraq, opening of Armenian borders.

Particularly, it should be mentioned that in final issue, immediately after the known events, we observed considerable interesting developments conditioned also by the Turkish aspiration to strengthen its position and significance in the present situation in Northern Caucasus. This puts new emphasis on the intentions of Turkey to become a member of the EU, particularly, construction of the NABUCCO pipeline will promote the future membership of Turkey to EU.

The reforms of economic sphere have also become separate sub-questions of study that are impressive and voluminous enough. Notwithstanding, there are essential obstacles in this issue that don't allow to speak about Turkey's membership with EU in long-term perspectives. Such obstacles are resulted by very disproportionate social development of Turkish region, a number of imperfections of economic legislation and other issues.

One of the inexpedience bases is the great quantity and quickly increasing popularity of Turkey i.e. after the Turkey's membership it will have the right and opportunity to have much more voices in EU leader countries. It is also anxious that after the membership of Turkey a huge migration flow will begin from Turkey to more developed EU states.

The position of EU member states and their society attitude also have principal significance. It should be mentioned that active supporters of Turkish membership are members of so-called "American club" headed by Great Britain, while "Europeastic" France and "Euro Atlantic" Germany are not so much inspired by the perspective. The social viewpoint of EU states on this issue is more identical and the results of sociological researches on this issue are hopeful for Turkey.

We may also observe mutual reaction of Turkish people, in the environment of which the pro-European views decrease gradually. This tendency may also be observed in the tempo of undertakes and their consistence of Turkish government to be implemented to meet the EU criteria. Instead, increases the number of supporters

for Turkish position strengthening in the Muslims world, particularly in near East and Turkish spoken states.

In general, this is the complex of issues, submitted to the comprehensive analysis the results of which allow us to insist that EU will always find motivations to hold up membership of Turkey even if the latter meets to all the EU requirements. But on the other hand EU will not reject Turkey unequivocally by this promoting the strengthening to Islamic power insight its neighbor country that is of geopolitical significance.

Naturally this perspective is not also driven by interests of its neighbor Armenia, as in that case Southern Caucasus will be again under the active Turkish impact that will strain the regional and extra regional competition of force centers in the region to seize new leading positions.

Chapter 1

The Political, Economic and Legal Systems of Turkey

1/1 Political System of Turkey

The Republic of Turkey was founded in 1923 after the collapse of the Ottoman Empire as a result of the efforts of first republic leader Mustafa Kemal Attaturk, an Ottoman Army officer who led a 1919-22 war of national liberation against invading British, French and Greek troops. Ataturk advocated for modernizing Turkey by applying European laws, giving women the rights to vote and forcefully instituting a secular regime. His one-party regime lasted beyond his death in 1938 until the first multiparty elections of 1950. Since then four military coups of military-forced changes of government in 1960, 1971, 1997.¹

Turkey is a secular republic with Islam being a state religion by default and most often controlled by the political powers. In theory Turkey is a secular constitutional republic with a multiparty parliamentary system and a president with limited powers, elected by direct election following an October 2007 referendum and it is based on the division of powers into legislative, executive and judiciary. This division is endorsed by the constitution which was enacted in 1982 as a national referendum that provided for a strong presidency while retaining the parliamentary form of government. The constitution recognizes the separation of powers and the sovereignty of Parliament.

The legislative power rests in the Turkish Grand National Assembly (*Turkiye Buyuk Millet Meclisi*) and it sits in Ankara, the capital of Turkey. The Assembly is composed of 550 deputies who are elected under the proportional representation by universal adult suffrage for a five-year term. The election is made using the proportional system, meaning that electors vote a list of candidates of political party. The Turkish Grand National Assembly performs all the legislative functions and supervises the work of the Council of Ministers. The deputies enjoy an immunity that may be lifted by Parliament itself.

The executive power rests concurrently with the President and the Government, or the Council of Ministers, which is headed by a Prime Minister. The constitution of Turkey, as amended on May 31, 2007, provides that the “President is

¹ Conflict History: Turkey, International Crisis Group Report, www.crisisgroup.org

elected by the public from among the Turkish Grand National Assembly (Meclis) for a five-year term” with a maximum of two consecutive terms.² The President is the head of State, the National Security Council and represents the office of the commander-in-chief. According to the former provision of the Constitution the President was elected by at least a two-third majority of the Meclis for a period of seven years.

Abdullah Gul, a former member of an Islamist party, was elected president on August 28 after the third round of voting in Parliament. He was unable to secure the two-thirds majority required in the first two rounds of voting, but won the necessary simple majority in the third round. “He is the first politician with an Islamist background to become head of state since the creation of the deeply secular Turkish Republic in 1923³”

The incumbent Prime Minister is Recept Tayyip Erdogan since 2002. The prime minister is appointed by the president from among the members of the Turkish Grand National Assembly and who in turn nominates ministers whose appointment is subject of approval of the Assembly. After the government has been formed, it appears before Parliament for a vote of confidence on its program, and thereafter takes responsibility for the political life of the country.⁴

In spite of the fact that Turkey declares itself as a “democratic, secular and social State governed by the Rule of Law,” it does not provide full guarantees for exercising democracy in the country and according to the Freedom House ranking, Turkey is characterized as a partly free state.⁵

1/2 Political Parties

Modern Turkey enjoys a multi-party politics. Currently there are about 22 existing parties in Turkey including *Justice and Development Party, Democratic Party, Communist Party of Turkey, Democratic Society Party, Democratic Left Party, Felicity Party, Freedom and Solidarity Party, Great Union Party, Homeland Party, Independent Turkey Party, Labor Party, Liberal Democratic Party, Motherland Party, Nation Party, Nationalist Movement Party, People’s Ascent Party, Republican People’s Party, Socialist Democratic Party, Social Democratic People’s Party, Socialist Democracy Party, worker’s Party, Youth Party*. Three of

² See Constitution of Turkey, Chapter 2. The Executive. Article 101

³ “Turks elect ex-Islamist president” BBC News, 28 August, <http://newsvote.bbc.co.uk/>

⁴ Oliver Roy “Turkey Today. A European Country?,” 2005; pg. 28

⁵ “The Republic of Turkey” Center for Strategic and International Studies, CSIS Files N.6, September 2007, pg, 6

these parties (Felicity Party, Independent Turkey Party and Great Union Party) openly proclaim Islamist ideas.

The ruling party is Justice and Development Party (AKP) that enjoys a high representation in the Parliament and its leaders are President-Abdullah Gul and Prime Minister Erdogan respectively. The party with the next numbers of seats is the current Parliament is the Republican People's Party (CHP). The other parties that gained TNGA are the Nationalist Movement Party, the Democratic Society Party and the Democratic Left Party, the Great Union Party and the Freedom and Solidarity Party.

In order to understand the reasons behind these arguments, one should study the historical context of the development of political parties in Turkey. Modern politics in Turkey has been shaped by three critical historical experiences: the continuing influence of Ataturk's platform of developing a secular republic, the establishment of a military democratic regime in 1945 and the interruption of this regime by three periods of military rule in 1960-1961, 1971-73, and 1980-83.⁶

The multi-party system was formed in 1946 with the establishment of the Democrat Party (DP), which became the only challenger to the Republican People's Party (CHP) that had been in power since the proclamation of the republic in 1923 by Kemal Ataturk, who put forward the fundamental principles or the so-called "Six Arrows" of his ideology, known as Kemalism: republicanism, nationalism, populism, statism (state-controlled economic development), secularism, and revolution.⁷ Since the declaration of the country's independence the first parliamentary elections in Turkey were held in 1950 and the Democratic Party acceded to power by winning the elections. The DP members' attitude towards the restriction of media freedom and other civil liberties as opposed to CHP that favored for the protection of civil rights resulted in a military junta in 1960 and the dissolution of that party."⁸

The Justice Party that emerged in 1961 and won elections was widely perceived as a successor of the DP and established itself as the principal competitor of the CHP. In the subsequent nineteen years the rivalry between the Justice Party and the CHP remained a significant feature of Turkish politics. Although both parties proclaimed their loyalty to Kemalist ideals, however while the Justice Party favored economic policies that benefited private entrepreneurs and industrialists,

⁶ "What's Being Done On . . . Human Rights and Democracy in Turkey?", Working Paper, World Movement for Democracy; <http://www.org.wbdo/wbdoturkey.html>

⁷ Election Resources on the Internet: Elections to the Turkish Grand National Assembly, <http://electronresources.org/tr/>

⁸ "The Republic of Turkey" Center for Strategic and International Studies, CSIS Files N.6, September 2007, pg. 9

CHP believed in a form of democratic socialism that included government intervention aimed at regulating private business and protecting workers and consumers.⁹ The polarization that became intense after 1972 as well as the inability of the governments to cope with growing economic and social problems contributed to a general sense of insecurity and crisis and served as the catalyst for the 1980 coup.

The limitation on the freedom of political parties has been one of the most important problems. The restrictions so far have been realized in two forms: dissolution after the military coups and closure by means of legislation.¹⁰ Throughout the history the role of the Military has been significant since it has been considered as the ultimate guarantor of secularism. Oliver Roy in his book “Turkey Today. A European Country?” argues that “the Turkish political system may usefully be described as that of ‘security regime’, a concept according to which national security and the institutions of security play a pre-eminent role in the workings of the regime”¹¹ The Turkish army has intervened in politics in 1960, 1971, 1980 and 1997, it has banned principal political leaders from public office on several occasions and “has hinted it can do so again if there are threats to a secular democracy.”¹² That situation though has changed in 2007, when it became clear that AKP has the support of the Turkish public.

The most prevalent argument for closure of political parties so far has been centered on the violation of “indivisible integrity of the State’s territory and nation.” Several political parties accused of supporting terrorist organizations or the Kurdish issue were shut down, including the Freedom and Democracy Party (Uzdep, 1993), the Labour Party (IP, 1997), and the Socialist Party (SP, 1992), as well as the Democratic Party (DP, 1994), the Democracy and Transformation Party (1996), and the Socialist Unity Party (1995). A positive development in this regard was recorded in the beginning of 2008 when the Court refused a disclosure case initiated against the program of the Rights and Freedoms Party because of the presence of provisions that are contrary to the “indivisible integrity of the state together with its nation”.¹³

The major political parties of Turkey today have strong ties with the past and vivid sense of their past political program.¹⁴ By the most-widely accepted version,

⁹ <http://www.country-data.com/cgi-bin/query.....>

¹⁰ “Constitutional Court an the Closure of Political Parties in Turkey”, *Today’s Zaman*, 13May 2008

¹¹ Oliver Roy “Turkey Today. A European Country?”, 2005; pg. 27

¹² Aliye Celik and Leylac Naqvi, “Turkey: Current and Future Political, Economic and Security Trends” Canadian Defence and Foreign Affairs Institute, December 2007; pg.1

¹³ “Constitutional Court an the Closure of Political Parties in Turkey”, *Today’s Zaman*, 13May 2008

¹⁴ “The Republic of Turkey” Center for Strategic and International Studies, CSIS Files N.6, September 2007, pg.10

the AKP roots go deep to the National Salvation Party, whose former leader Erbakan had formed a new party called the Welfare Party based on Islamic Principles and supported not only its values but also offered his aid in the Kurdish problem” and therefore was overthrown by the National Security Council in 1998.¹⁵ Later one of the wings of the *Islamist Welfare Party* -the Virtue Party- got separated and formed another party in 2001, the Justice and Development Party (AKP) led by Recep Tayyip Erdogan.

On the other hand, AKP leaders though contended that they are a mainstream party adhering to conservative center-right principles. Since their arrival the Party leaders underlined that they were the successors of “liberal/conservative Democrat Party of the 1950s and Motherland Party of the 1980s rather than *Islamist Welfare Party* (WP) and its successor Virtue Party.”¹⁶ Whatever the roots, AKP has built an image of being in favor of secularism and aiming at accession to EU.¹⁷ Nor AKP has abandoned its commitment to Turkey’s NATO membership.

There is a view that since the Turkish legal system makes it difficult for anti-secular political parties to participate in electoral processes, the Islamists have learned to hide their true agendas.¹⁸ Small parties do not have real chances to win the elections due to the 10% threshold exercised in Turkey. Given the financial constraints of small parties to promote them in the electoral campaign, the only means is through forming or entering an alliance.¹⁹

One of the distinct trends of political parties is the shift of party affiliations and that once again comes to prove the weak ideological commitment. Currently the AKP includes a significant number of defectors from other parties.²⁰

Thus the major weaknesses that have been identified in the Turkish Party system are high volatility, fragmentation, ideological polarization and weak party identification.²¹

¹⁵ Ibid

¹⁶ Gencer Ozcan, «Turkey's Foreign Policy under AKP: If Only Luck Stays on their Side», TUSIAD, Turkish Industrialists' and Businessmen's Association Washington Office

¹⁷ “The Republic of Turkey” Center for Strategic and International Studies, CSIS Files N.6, September 2007, pg.10

¹⁸ Aliye Celik and Leylac Naqvi, “Turkey: Current and Future Political, Economic and Security Trends” Canadian Defence and Foreign Affairs Institute, December 2007; pg.1

¹⁹ Center for Strategic and International Studies, CSIS Files No.6, September 2007, pg. 11

²⁰ Oliver Roy “Turkey Today. A European Country?”, 2005; pg. 35

²¹ “Political Parties and Democracy”, Working Paper, November 18-19, 1996, National Endowment for Democracy, www.ned.org/forum/reports/parties.html

1/3 Civil Society

Since the establishment of the Republic of Turkey in 1923 Turkey has made significant progress in the development of democracy but still confronts a number of challenges in its efforts to improve and promote democratization in the country and build a civil society. Some of the principal problems of civil society can be attributed to unstable democratic processes, rigid bureaucratic centralization, state repression of civil rights and freedoms and the perpetuation of a state ideology, to name a few.²²

The issue of civil society development in Turkey and particularly that of civic participation have been influenced by a number of internal factors. One of them is a perceived gap between the political society and the civil society. Although there is a great number of NGOs, various voluntary associations, unions, the level of interaction between the state and the civil society is not high. According to a study conducted by International Studies Association, USA, Turkey has failed “to accumulate much social capital that would enable the Turkish society to furnish conditions for a burgeoning civil society bustling with associations and associability that provides fertile grounds for many to engage in political participation.”²³ The modernization project in Turkey has been conducted in an authoritarian manner and created a huge gap between the state and the society. In spite of the continued pledges coming from the Justice and Development Party (JDP) to close that gap as well as the need to include civil society organizations in the democratic decision-making process and to move Turkey to a more participatory democracy the party has not been able to fulfill its promise.²⁴

One of the perceived obstacles to achieve a true civil society is the lack of associability in Turkey. The study conducted by the International Studies Association indicates that the most popular forms of voluntary associations so far have included religious brotherhoods, communities, networks, or territorial solidarities (hemşehri) that have in several cases been transplanted into political solidarities, which often tie up with political parties.²⁵

²² Ltfullah Karaman and Bulent Aras, “The Crisis of Civil Society in Turkey”, *Journal of Economic and Social Research* 2 (2) 2000, pg. 58

²³ Kalaycioglu, Ersin. "State, Civil Society and Political Participation in Turkey" Paper presented at the annual meeting of the International Studies Association 48th Annual Convention, CHICAGO, IL, USA, Feb 28, 2007

²⁴ Sinem Gurbey, “Civil Society and Islam in Turkey”; Graduate Student Conference Paper, 2006, Columbia University, USA, pg.21

²⁵ Kalaycioglu, Ersin. "State, Civil Society and Political Participation in Turkey" Paper presented at the annual meeting of the International Studies Association 48th Annual Convention, CHICAGO, IL, USA, Feb 28, 2007

Hence, as the study reveals “a very small minority of the voting age population in Turkey has membership in any voluntary associations and a huge majority of about 90% of the population fails to have any affiliation with any voluntary association.”²⁶ According to the Ministry of the Interior, there are 78000 associations that are active in Turkey. This number compared to the entire population of the country reveals that there is one association per 900 individuals. The total number of members in these associations inclusive of repeated memberships in different organizations is around 7.5 million, which means that about 10 percent of the total population participates in the civil society segment through associations.²⁷ It is worth mentioning that there is a solid number of professional groups and unions in Turkey including the Turkish Union of Chambers and Commodity Exchanges (TOBB), the Turkish Union of Agricultural Chambers (TZOB), the Turkish Tradesmen’s and Artisan’s Confederation (TESK), the Turkish Confederation of Employers’ Union (TISK) that have played an active role in some important issues between the administration, opposition parties and judicial institutions, and as such, can be viewed as important segments of civil society. However, in spite of their high representation- about 80 percent of the society- they are considered as quasi-official organizations that should not be regarded as a civil society per se as since “their relations with their constituents and the labor force that they represent are limited to a level of protecting the professional or material gains or interests” thus not reflecting the plurality of the society by becoming responsive to the general issues of the country.²⁸

The tension in the relations between the civil society and the military is an important factor that impedes the democratic processes. There is a distinct view in Turkey that the interference by the military has affected negatively the democratic life in Turkey.²⁹ The enactment of the list of measures to prevent the rise of Islamic movements and the further closure of political parties gave a “priority to the secular regime over the principle of democratic pluralism and disregarded the Islamic Identity and its role in the socio-political life.”³⁰ This also resulted in a high degree

²⁶ Kalaycioglu, Ersin. "State, Civil Society and Political Participation in Turkey" Paper presented at the annual meeting of the International Studies Association 48th Annual Convention, CHICAGO, IL, USA, Feb 28, 2007

²⁷ Ulvi Saran, “Do Turkey’s Civil Society Organizations Accurately Represent the Public” *Today’s Zaman Daily*, 10 April, 2008

²⁸ *Ibid*

²⁹ What’s Being Done On...Human Rights and Democracy in Turkey? World Movement for Democracy working paper series, www/wmd.org/wbdo/wbdoturkey

³⁰ Sinem Gurbey, “Civil Society and Islam in Turkey”; Graduate Student Conference Paper, 2006, Columbia University, USA, pg.16

of polarization in the society into opposing groups like Kemalists, Islamists, Kurds and other “that deny sharing a common culture and refuse to engage in communication with each other.”³¹ Such situation is primarily due to the fact that the State regarded every religious and ethnic discourse as a threat to the national security and secular establishment and therefore was not able to separate moderate Kurds and Islamists from extremist groups such as the Kurdistan Workers’ Party (IPKK) and Hisbullah.³² Indeed the current landscape of Turkish NGOs is classified according to Kemalists, religious-i.e.-Sunni, and leftist, mostly pro-Kurdish NGOs and several minority organizations, representing the Alevi or other religious or ethnic minorities.³³

Among other factors undermining public confidence in civilian and democratic rule are political killings of the state’s “enemies” that have remained the preferred tactic to sow seeds of confusion and fear among the population.³⁴ The reaction of civil society on Hrant Dink’s murder³⁵ however became a manifestation of civil society activism in Turkey when thousands of people empathized with Armenians thus trying to “transcend the gap of otherness dividing the two people.”³⁶

The EU-accession issue has played a significant role in carrying out a number of reforms including among other requirements greater guarantees of freedom of expression and freedom for religious and ethnic minorities. The Europeanization process has largely influenced the nature and manner in which the Turkish NGOs operate. The common trend of meeting the EU criteria has helped link together often disparate (liberal, secular, Kurdish, religious, Kemalist) elements in the Turkish civil society. The Muslim human rights groups for example have incorporated the EU dimension into their discourse. It should be noted that in spite of the fact that a considerable number of Turkish NGOs, for example those that deal with social assistance programs, stay away from engaging in politics, they do contribute to the positive image of the country. The author of the analysis of foreign policy of Turkey in 2007 mentions that the changing country’s image and Turkey’s new international vision have not been only the result of state policies, but also the

³¹ *Ibid*

³² *Ibid*, 17

³³ Anne K. Dunker “Human Rights are What NGOs Make of It: The Diversity of Turkish Human Rights NGOs and the Influence of the European Process” *Turkish Policy Quarterly*, pg. 55

³⁴ Gunes Murat Tezcur, “Turkey after Hrant Dink,” http://www.opendemocracy.net/article/hrant_dink_a_life_unfinished

³⁵ Note: Hrant Dink, the editor of the Armenian-Turkish newspaper *Agos*, was murdered on January 19, 2007, on a city street in front of his office in Istanbul, by a 17-year-old man

³⁶ Gunes Murat Tezcur, “Turkey after Hrant Dink,” http://www.opendemocracy.net/article/hrant_dink_a_life_unfinished

activities of civil society, business organizations and numerous other organizations...³⁷

On the other hand, a good number of NGOs have a quite clear stand on political and religious issues. Indeed, the most prominent Turkish NGOs working in the field of Human rights are IHD (Insan Haklari Dernegi; Human Rights Association); TIHV (Turk Insan Haklari Vakfi; Turkish Human Rights Foundation) and recently Mazlum-Der who has successfully made their voices heard in the Turkish as well as in the international human rights discourse.³⁸

The three major Islamic non-governmental human rights organizations are AK-DER (Women against Discrimination), Ozgur-Der (Association for the Freedom of Thought and Educational Rights) and Mazlum-Der (Organization for Human Rights and Solidarity for Oppressed People). Women's rights organizations have been particularly active, especially in regard to the headscarf issue. Overall, the civil society organizations have remained relatively small and weak, and the ranking of free country which is based on the characteristics of a civil society, including freedom of assembly, freedom of expression, the right to education, the right to enjoying religious freedoms, the level of assemblage and the development of pluralism has not been high.³⁹

1/4 Political Islam

In the last decades Political Islam has been playing a bigger role in Muslim World, since a big number of pro-Islamist political forces have come to power. Turkey is a country at the heart of Islam world with a unique experience of combination of democracy and political Islam. The ruling Justice and Development Party which is based on the principles of Islam won during the last Parliamentary and Presidential Elections.

The specific role of Islam in Turkey has been different throughout history which is explained by Turkey's geopolitical situation. Turkey is a classical example of a state at the crossroads of two civilizations and the one situated in two parts of the world.²

³⁷ Ahmet Davutoglu, "Turkey's Foreign Policy Vision: An Assessment of 2007", pg.83

³⁸ Anne K. Duncker, "Human Rights are What NGOs Make of It: the Diversity of Turkish Human Rights NGOs and the Influence of the European Process" Turkish Policy Quarterly, pg. 55

³⁹ Ulvi Saran, "Do Turkey's Civil Society Organizations Accurately Represent the Public" *Today's Zaman Daily*, 10 April, 2008

² статья Дж.Лючиани, Институт европейского университета, Флоренция

Turkey is a secular state and the overwhelming majority of its population 99.8% of Turkey's is Muslims. Most Muslims in Turkey are Sunnis forming about 75%, and Alevis of the Shia-sect form about 25% of the Muslim population.⁴⁰ In spite of its secular nature, Turkey belongs to a group of Islamic countries in the world.

For centuries this country has been the center of a huge Islamic caliphate - the supreme politico-religious office of Islam in Ottoman Empire, where Islam had been maintaining a unity between various Muslim elements by defining the ethical and legal rights of its residents. Islam used to embrace all aspects of life of the Turks. Under the Ottoman Empire, the Islamic scientists, or the so-called "ulema" had to observe and disseminate the Muslim religion, provide for the observance of religious doctrines and realize the Sharia- the system of religious, life and legal norms based on the Koran. During the collapse of the Empire, the "ulema" got engaged in corruption and found themselves isolated from intellectual and cultural reforms and completely unprepared for progress. While Europe was undergoing reformation and making considerable progress in science and industry, the Ottoman Empire was trapped in the darkness, sticking to medieval Islamic ideas. This was the situation before the establishment of the Turkish Republic.

Starting 1923 the new bureaucracy came to the ideas of European missionaries and scientists-orientalists who argued that Islam contradicted the ideas of material progress and especially to that of European civilization.

Under the leadership of Kemal Ataturk the first president of the Turkish Republic new reforms aimed at transformation of Turkey into a western type modern state started taking place. Anything that had to do with Islamic elements, including garments and headscarf, was viewed as contradicting to modernity. The secular power of the religious authorities and functionaries was reduced and eventually eliminated. The religious foundations were nationalized and religious education was restricted.

In 1928 Article 2 of the Constitution that proclaimed Islam as a state religion was removed and in 1937 the principle of separation of religion from the state (laicism) was officially included into the Constitution. Kemal Ataturk proclaimed the six principles of Kemalism that became the basis of Kemalist ideology of the Turkish nation: political unity, common language, common territory, genealogy, common historical background, and common morale. When the reformers of the early 1920s opted for a secular state, they removed religion from the sphere of public policy and restricted it exclusively to that of personal morals, behavior, and faith. Although private observance of religious rituals could continue, religion and religious organization were excluded from public life. The Kemalists believed that

⁴⁰ Islam in Turkey, http://en.wikipedia.org/wiki/Islam_in_Turkey

as a result of abolishing ethnic and cultural differences it would be possible to create a homogeneous community.

Secularization was targeted at the abolishment of Islam's status as official state religion. In Islam secularization was related to a gradual abolishment of the religious law-Sharia. In Turkey secularism should be viewed as a prerequisite to westernization rather than democratization. The superficial secularization deepened the relations between the state and the society: while the state was becoming modern, the society was remaining traditional.

In 1950 the defeat of the Ataturk's Republican Party entailed the renewed calls for the return of Islamic values. The period from the end of the 50s to the 80s was characterized by strengthening of rival tendencies in Turkish society that challenged the idea of "genuine and pure Islam", i.e. rehabilitation of specific Muslim institutions and norms.

In the 70s and 90s the Islamic movement was not just a reaction to the situation of political and cultural dominance of the Kemalists thus resulting in the creation of new proIslamist parties. If the first phase (1945-1969) was characterized by the absence of strictly defined Islam-oriented parties that used religion as a means to establish links with the masses, then the second one (1970s-present) was characterized by the strengthening of the Islamic influence on the internal political life of the country. Islam has become an important factor of political campaigning—a fact that should not be overlooked any longer. The initial phase of the so-called renaissance of Islam in Turkish Republic created serious preconditions for the emergence of the Political Islam phenomenon in Turkish politics.

In 1970s the first proIslamist party of National Order was created that later reemerged under various other names (National Salvation Party in 1972-1980; Welfare Party in 1983-1998).

In the 1990s Islam was widely used for the achievement of political goals by secular parties. In the beginning of the 1990s Islam became a force that couldn't be ignored. The Welfare Party that won elections in 1995 openly proclaimed the need to return to Islamic values. However, as a whole, Islam remained weak. The government headed by Erbakan was not able to realize his pre-election promises because of the resistance by the military that had been the most important guarantor of the secular regime. The situation resulted in the removal of Erbakan from the post of Prime-Minister.

When Ahmet Sezer came to power he called for democratic reforms and the secular model of the society. In spite of the harsh means the process of Islamization was still in the process. On the other hand, Europe having been concerned about the

outcomes of the possible internal political developments in Turkey, granted it a EU candidate status.⁴¹

The Justice and Development Party that won elections in 2002 has Islamist roots, but it is comprised of young politicians oriented to Europe. They speeded up the process of large-scale democratic reforms in the legislation.⁴² Today there is a tendency of combining the Muslim values with the ideas of liberalism and democracy. As a result of using Islam by the Justice and Development Party as an instrument in politics, the polarization and ideologization of the traditional environment is taking place thus leading to a gradual secularization of Islam in Turkey. There is hope that this process will apparently make it easier for the Muslim state to integrate into the European house.

1/5 The analysis of Turkish economy

The economic-geographical characteristics: The geographic specificity of Turkey is that it occupies large and small territories both in Asia and Europe. The area of Turkey is 779 000 square kilometers, the population stood at 69.6 mln, based on the 2005 census, and economically active population stood at 39.2 mln.⁴³ The European part of Turkey is separated from the Asian part with the Sea of Marmara and Dardanelles and Bosphorus which constitute a route of international and strategic importance.

Being situated on the frontier of Europe and Asia, as well as being situated not far from Africa, Turkey occupies very important and beneficial economic-geographical position, as it constitutes a transit way for many terrestrial, maritime and aerial international routes. Benefiting from its geopolitical position and receiving support from West and particularly from US, Turkey engaged directly in two important projects, ie Baku-Tbilisi-Jeyhan oil pipeline and Baku-Tbilisi-Erzrum gas pipeline construction projects. Turkey foresees not only to receive enormous revenues from the implementation of these projects, but also to reinforce its geopolitical and economic position in the region, aiming to attain advantages that it will use in its relations with the EU in the future.

The climate conditions and resources of Turkey are multifarious, but its reserves are comparatively small. Turkey occupies one of the leading places in the

⁴¹ <http://www.delrus.cec.eu.int/>

⁴² Turkish policy quarterly.W.2006/2007p,50

⁴³ For all the indicators, if an other source is not indicated, the source is the World Bank World Development Indicator (WDI) statistical database.

world with the amount of the chromium reserves (8.0% of world reserves). The mines of coal, oil, copper, iron ore, wolfram, uranium, molybdenum, manganese, bauxite, mercury are mainly of local importance.

In the Turkish economy the growth rate of GDP constituted correspondingly 6.8% and 4.4% in 2006 and 2007. The GDP was \$ 657.0 bln and the GDP per capita was \$ 9.440 according to 2007 data. The unemployment rate of the country is around 10.3% and the inflation rate 8.1%. The external debt of Turkey was \$ 207.8 bln in 2006. By the volume of the GDP Turkey occupies 16th place in the world, and by the volume of textile and cement production the 6th place.⁴⁴

From the standpoint of foreign investment flows the image of Turkey in the world economy has notably increased recently. This is conditioned by the fact that Turkey offers both local markets and markets with various import opportunities. These markets represent more than one billion potential customers, particularly:⁴⁵

- Huge and growing local market (70 mln customers)
- European markets with high level of purchasing power (more than 700 mln customers)
- Growing markets of Russia, Caucasus and Central Asia (more than 250 mln customers)
- Various and growing markets in Middle East and South Africa (approximately 160 mln customers)

On October 3, 2005 the formal procedure of EU membership of Turkey started, however this procedure will probably necessitate a long period of time. Turkey should accomplish serious economic reforms in order to satisfy the EU membership requirements.

1/6 The specificities of socio-economic development of Turkish economy

Since the declaration of the republic, Turkey has applied a number of socio-economic development models. In 1920s the procedure of economic liberalization was accomplished. Afterwards, the role of the government in the economic regulation and control of Turkish economy significantly increased in 1930-40s. The next phase of the socio-economic development, which lasted approximately 20

⁴⁴ All About Turkey. Turkish Economy. Available at:
<http://www.allaboutturkey.com/economy.htm>

⁴⁵ Arguden Y, (2007) "An Overview of the Turkish Economy: Outlook and Current Perspectives", The Middle East Institute

years (1960-70s) is characterized by the presence of “mixed economy”. The accomplishment of these models of economic development allowed Turkey to make significant progress in the process of socio-economic development.

In 1970-80s the main reasons of high inflation and unemployment rate were the direct and indirect subsidies granted to state enterprises. In 1970s these procedures arose a wave of social discontent. The government was not able to implement structural reforms in the economy and overcome the political instability. As a result, in September 1980 a military *coup d'état* was effected in Turkey. After the order was established and conditions for necessary reforms were presented, the power was returned to civil government as a result of elections in 1983. Consequently, in 1980-90s the Turkish economic development model acquires new, particularly liberal characteristics.

On the basis of the new model of developing Turkish economy was the program of long-term privatization of state enterprises. Subsequently the spheres of strategic importance, particularly those related to military industry were exempted from this program. Consequently, the number of non efficient state enterprises was considerably reduced, as well as the subsidies provided to those enterprises were abolished. The government policy was oriented towards the promotion and development of export-oriented branches of the industry. As a result of such a policy the export volumes increased from \$2.9 billion in 1980 to \$38 billion in 1996.⁴⁶ Owing to the accomplishment of the liberal economic model the Turkish economy became attractive for foreign investment. Thus, the volume of foreign investment in the Turkish economy was \$229 mln till 1980, whereas in 1990 the estimated volume of foreign investment was \$1.3 bin, and already in 1997 the volume of foreign investment constituted \$6.4bln.⁴⁷

Thus, in the process of the socio-economic development of Turkey two different periods can be separated. The first phase comprises the period of 1920-70s when the Turkish economy was characterized as a closed economy and all the procedures of development were accomplished under the aegis of state regulation. The second phase started after the reforms of 1980-84 and this period was characterized by the liberalization of the economic life and promotion of export oriented branches of the economy.⁴⁸

⁴⁶ Uygur, Ercan (1996) “Export Policies and Export Performance: The Case of Turkey” Ankara University, Faculty of Political Science.

⁴⁷ Ertuğrul, Ahmet and Faruk Selcuk (2001) “A Brief History of the Turkish Economy, 1990-2000” Russian and East European Finance and Trade

⁴⁸ Gazi Ercel (2006) “Globalization and The Turkish Economy”, Vanderbilt University

1/7 The modern specificities of development of Turkish economy

During the two recent decades the economy of Turkey has undergone radical transformations. During this period two major crises occurred, which created serious problems for the Turkish economy. The first crisis took place in 1994, when the GDP cut down by 6.1%, and the second crisis occurred in 2001, when the GDP decreased by 9.5%. Subsequently the net state debt to GDP ratio doubled, as well as the rate of inflation and unemployment increased.

In order to revitalize the economy, Turkey adopted a program of economic reforms, which was presented in April of 2001. This reform program was concentrated on the banking and financial sectors. The main objective of the program was the revitalization of the banking sector, the stabilization of the money and currency markets and the reestablishment of macroeconomic equilibrium in order to assure stable economic growth. The accomplishment of the program required comprehensive economic reforms and restructuring of Turkish economy.

The reforms were first applied in the financial sector and the privatization procedure was accelerated. Subsequently the reforms were accomplished in the agricultural, social security, energetic and telecommunication sectors. The effective application of the reform program resulted in positive development of macroeconomic indicators, particularly the rate of inflation diminished to a single-digit number and structural reforms were realized.

Despite the fact that Turkey managed to overcome the problems related to economic crisis, the government of Turkey made a decision to continue to apply the program of economic reforms, in order to prevent the subsequent emergence of possible economic problems.

Thus for the period of 1993-2003 the average growth rate of GDP was 2.8%. Owing to the positive results of the economic reform program, in 2003 already the rate of economic growth was 5.9%, and in 2004 the growth rate was 9.9%. It is important to mention that the cause of such an economic development was the private sector. The average rate of productivity growth in the private industrial sector was 10.0% during the last three years. Taking into account the fact that currently Turkey tries to acquire necessary resources and bases for assuring stable economic development and improving the competitiveness of the country, the increased productivity can be considered as a positive result of the program.

The Turkish economy encountered certain problems during the last three decades related to negative consequences of double-digit inflation. In order to

diminish the level of inflation the Turkish central bank monetary policy was concentrated on decreasing of the high inflation rate. As a result during the last several years the Turkish economy records single-digit inflation rate. Thus, the inflation rate was 9.3% in 2006 and 8.1% in 2007. The core objective of the Turkish government is to further decrease the rate of inflation, in order to correspond to the average level of EU member-states index. In the beginning of 2005 Turkey emitted new bank-notes and coins with reduced units instead of the old currency containing six zeros.

During the last three years the fiscal policy of Turkish government has also considerably improved. Thus, the net state debt to GDP ratio was 90.55 in 2001, but already in 2006 this ratio diminished to 51.6%. In 2001 the Turkish budget deficit was 17.0% of the GDP, but already in 2005 the budget deficit was 5.0% of the GDP. In order to make comparison, the budget deficit of Armenia for the same period was correspondingly 4.3% and 1.9% of the GDP.

Despite the fact that the current account deficit increases as a result of import increase conditioned by cheap foreign currency policy, however the stocks of Turkish currency continue to increase. The increase of currency stocks results from the continuous increase of foreign direct and portfolio investments. Based on 2005 data, the Turkish central bank currency official reserves stood at \$ 43 billion. Such level of currency reserves means that the economy of Turkey is able to confront the local and foreign unfavorable fluctuations.

1/8 The current situation of Turkish economy

Despite the fact that in 2005 Turkey was granted a status of functioning market economy, the economy continues to be characterized by macroeconomic instability.

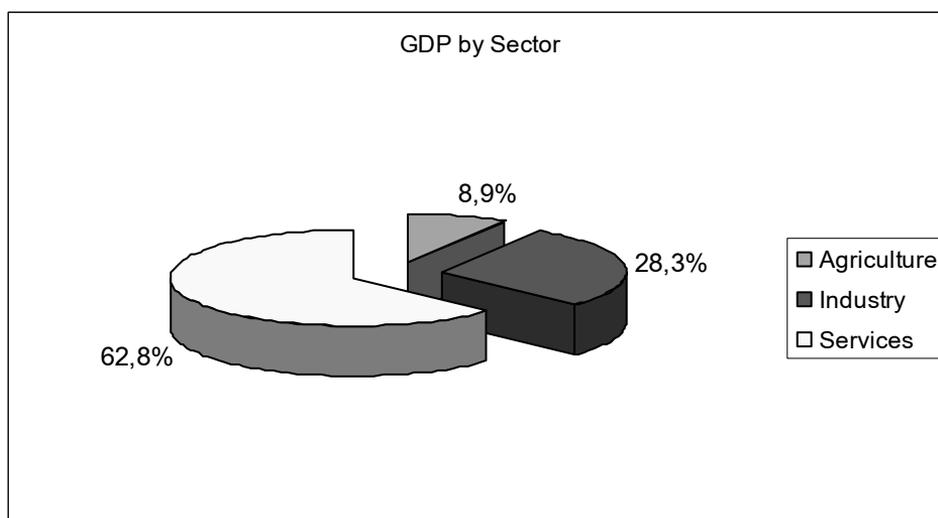
In the structure of Turkish GDP the share of services is considerable (see chart 1), which faced lately a constant growth, especially due to the dynamic development of tourism. Despite the fact that the agricultural sector hold a considerable part of workplaces and represents important production volumes⁴⁹, the domain still confronts serious problems related to non-existing new technology and lack of investments. A similar situation can be found within the industrial sector which is characterized by low productivity and there is place for improvement.⁵⁰ In

⁴⁹ Turkey is one of the top 10 countries by the agricultural production and export volumes.

⁵⁰ Turkey Report, CSIS Files No. 6, September 2007, p. 33. Available at: http://www.csis.ro/docs/CSIS.ro_Turkey.pdf

comparison with 2006 the share of agriculture in the GDP fell by 2.3%, the share of industry by 1.1%, whereas the share of services has increased by 3.4%.⁵¹

Chart 1. GDP by sector of economy



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source: CIA World Fact book, 2007

This trend has caused concern to many Turkish economists. According to them not enough attention to industrial sector favors the worsening of the problem of unemployment. The decrease of production and productivity is accompanied with the decrease of savings as a result of which the volume of investment also goes down. The restriction of investment opportunities has a negative influence on the creation of new workplaces, worsening further the problem of unemployment.⁵²

On June 5, 2003 the Turkish government adopted new law on “Foreign Investment”. The main specificities of this law are:

- Equal rights for foreign investors
- Abolishing of the minimal amount of capital requirement for foreign investment
- Possibility for foreigners to acquire real estate in Turkey.⁵³

The privatization of state assets will contribute to improvement of economic competitiveness, as well as diminishing state burden. Subsequently, the deepening of competition will contribute to dynamic development of the economy, as the

⁵¹ CIA World Fact book estimations 2006 and 2007

⁵² Mithat Melen, ‘Turkish Economy as a Hot Potato’, Turkish Daily News, 04.05.2007. Available at: <http://www.turkishdailynews.com.tr/article.php?newsid=72318>

⁵³ Law No. 4875, Foreign Direct Investment Law, Date of Passage 5 June 2003

existence of sound competition is an important condition for economic development.⁵⁴

Currently, the establishment of an enterprise requires one day in Turkey. For the period of 1993-2002 the average level of foreign direct investment in Turkey was \$1 billion. After the adoption of the new law on foreign investment the volume of FDI inflows has considerably increased and for the years 2005 and 2006 it constituted \$9.8 billion and \$20 billion correspondingly (See chart 2). The biggest share of foreign investment in Turkish economy belongs to EU countries. Such an increase of FDI inflows in the economy is the result of large-scale privatization procedures and development of financial sector.

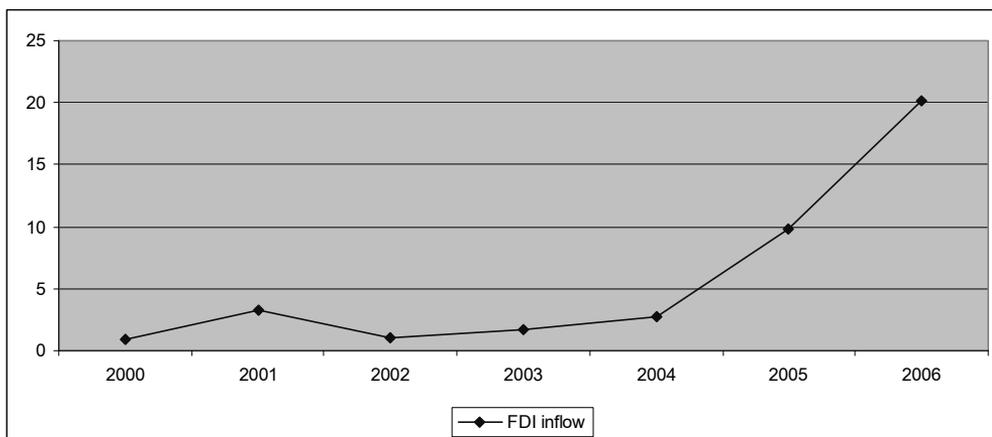


Chart 2. The FDI inflows in Turkish economy (\$ billion)

Source: WDI, World Bank

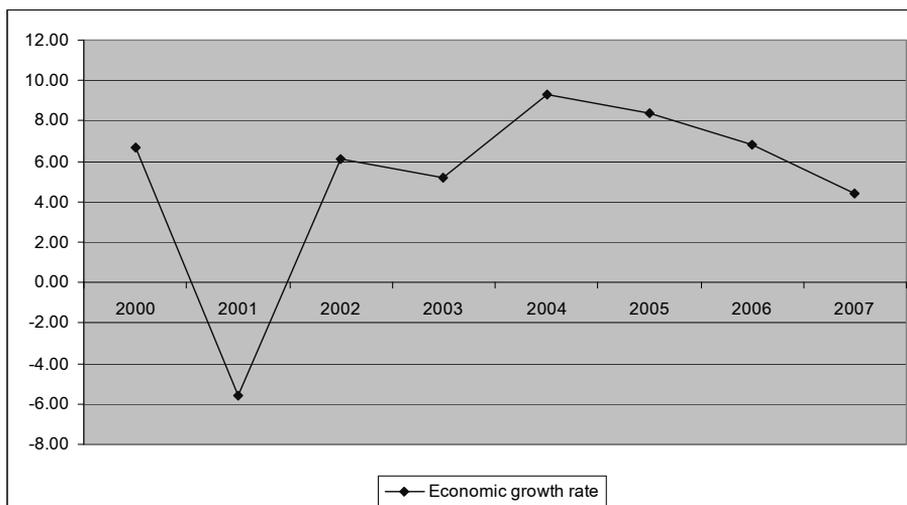
However, the volume of FDI inflows in Turkish economy is considered to be low (taking into account the potential of the economy), as the current amount of investment does not correspond to wishful level.

The other serious challenge of the Turkish economy was the inflation. Thus, for the period of 1999-2005 the level of inflation considerably decreased from 65% to a single-digit number in 2005. The rate of inflation was 8.1% in 2007.

During the recent years, particularly after the economic crisis of 2001, the growth rate has considerably increased in the Turkish economy, constituting 4.4% in 2007 (See chart 3). This can be explained by the fact that after the economic crisis of 2001 serious reforms were effected in the economy.

⁵⁴ Anne O. Krueger (2005) “Turkey’s Economy: A Future Full of Promise”, speech by First Deputy Managing Director, IMF Istanbul Forum.

Chart 3. The Turkish economy growth rate for the period of 2000-2006 (%)

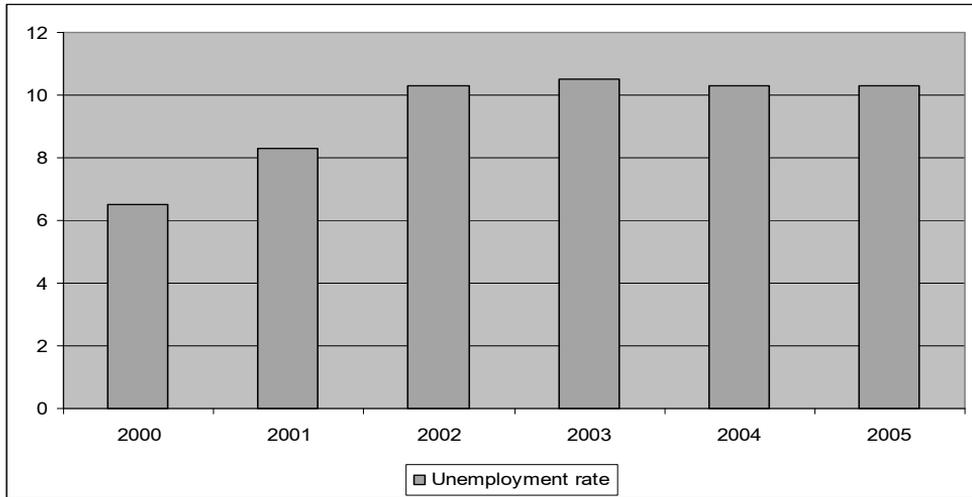


Source: WDI, World Bank

The Turkish budget deficit has also considerably improved. Thus, the budget deficit was 33.0% of GDP in 2001, but already in 2005 it was only 0.8%. However, the current account deficit of the Turkish economy continues to increase. In 2006 it was 6.1%. The external state debt was 60.7% of GDP in 2006. It is worth noting, that in comparison with year 2000 the current account deficit has increased by more than 6 times. However, due to the sound economic growth, decreasing inflation and tight fiscal policy the Turkish economy is responding to external fluctuations in a more flexible way.

Despite the economic growth recorded during the recent years, there are a number of challenges in the Turkish labor market, which are related to particularly to creation of new workplaces. Thus, following the economic crisis of 2001 the unemployment rate was 8.4%, but during the following years the unemployment rate was maintained on the same level, constituting 10.3% in 2005 (See chart 4). The other important problem of the Turkish labor market is related to low participation rate of women, which was 26.5% in 2006. For the period of 2000-2005 this index has remained unchanged.

Chart 4. The unemployment rate in Turkish economy for the period of 2000-2005 (%)



Source: WDI, World Bank

During the recent years the level of state interference in the Turkish economy has considerably decreased. Thus, the political pressure on state banks has diminished and the important markets of energy, telecommunications, sugar, cigarettes and fuel has been liberalized. On the other hand, despite the fact that the Turkish economy is characterized by transition from agriculture based economy to service based economy, the number of employed in the agricultural sector was 29.5% in 2005, which is a fairly high index. This index was 36.0% in 2000.

Another salient issue of the Turkish economy is the asymmetrical development inside the country. The discrepancies of regional development in Turkey are huge in comparison with EU member states. The regional disparity passes through west-east axis. The regions lagging behind the overall economic development of the country are Eastern Anatolia, South-Eastern Anatolia and Black sea regions. These regions acquire 40% of total area of land and 30% of total population. Nevertheless, these regions acquire 20% total economic revenues and the GDP per capita is only 60% of national average level.

Although a number of regional development programs have been drafted, the attempts of elimination of economic and social discrepancies among the regions have not been successful because of limited resources and insufficient capabilities.

The problem of elimination of regional disparities has been situated among the five strategic directions defined in the Ninth Development Program.⁵⁵ The development programs are adopted by the Turkish parliament and they mark the main directions of economic and social development of the country. The Ninth Development Program (2007-2013) implies five strategic directions: improvement of country's competitiveness; increase of the employment level; strengthening of human development and social solidarity; symmetric regional development; improvement of state service quality and productivity.

1/9 General overview of Turkey's legal system

With its general characteristics the legal system of Turkey adheres to the civil law system.

As in the other countries of the civil law system, the main sources of law in Turkey are the Constitution, laws, as well as directives and statutes.⁵⁶ The current Constitution of Turkey, ratified in 1982, has a supreme legal effect over other legal acts. It establishes the organization of the government and sets out the principles of democracy and separation of powers. The legal system of Turkey recognizes the acts of the Supreme Court of Appeals as a case law in order to insure the uniform implementation of law in the country.⁵⁷

Article 2 of the Constitution of Turkey declares "the Republic of Turkey is a democratic, secular and social state governed by the rule of law; bearing in mind the concepts of public peace, national solidarity and justice; respecting human rights". In the meantime, the Turkish state is based on the Atatürk's ideas of inseparable single state, which regards to nationalism prevailing over any other ethnical and religious entity.

As a democratic state, Turkish Constitution provides for the free electoral rights. According to the Article 67 of the Constitution elections and referenda shall be held in accordance with the principles of free, equal, secret, and direct, universal suffrage. However, the same article prohibits the right to vote for privates and corporals serving in the armed services and students in the military schools.

⁵⁵ Regions and Regional Planning in EU and Turkey'. Available at: <http://www.gap.gov.tr/English/Dergi/D9152001/bolge.html>

⁵⁶ The laws in Turkey are called *statutes*, which have the same legal force as the *directives*. *Directives* are adopted by the Government in accordance with the goals and principles defined by the legislative authority.

⁵⁷ Political Structure Of Turkey: Development Of Constitutional Movements In Turkey (available at <http://www.byegm.gov.tr/REFERENCES/Structure.htm>, visited in October 2007).

Convicts in penal execution excluding those convicted of negligent offences also cannot vote.

Judicial system of Turkey: The provisions on the judiciary are provided in the Articles 138-160 of Turkish Constitution. Despite the fact that the Constitution sets forth the principles of independence and immunity of the judiciary, Turkish judicial system is not exempt from significant participation and interference by executive branch and Minister of Justice in particular. It is especially apparent in the matters of appointment of judges, bringing them to disciplinary responsibility, resolving administrative and economic questions, as well as leading the Supreme Council of judges and prosecutors.⁵⁸

The appointment of judges to the office is exercised by the Supreme Council of judges and prosecutors, consisting of 7 members under the Chairmanship of the Minister of Justice. The Council deals also with the matters of removal of judges from the office, transfers to other posts and promotion. The absence of mechanism for challenging the decisions of the Council of judges and prosecutors makes the problem of independence of judges a hot-button issue in practice.⁵⁹

Moreover, though the Constitution declares the principle of irremovability of judges from their position and their functioning by the age of 65, however there are no provisions on transfer and reappointment of judges. This creates beneficial grounds for the authorities to transfer the judges to posts in other less desirable places without any justification or the consent of the judge.

The exercise of justice and court hearings is generally public, which can be limited when the interests of public morality and public security are concerned.⁶⁰ There are no jury trials in Turkey.

Turkey's judicial system is peculiar for its large variety of courts. The hearing of cases in the first instance is exercised by the justice, administrative and military courts, which have a two level structure consisting of higher and lower instances. The acts of the first instance courts are subject to final review by supreme courts, which comprise the Supreme Court of Appeals, Supreme Military Court of Appeals, the Supreme Military Administrative Court, the Council of State, the Court of Jurisdictional Conflicts, as well as the Constitutional Court.⁶¹

⁵⁸ See articles 140, 144, 159 of the Turkish Constitution.

⁵⁹ Joseph R. Crowley, Justice On Trial: State Security Courts, Police Impunity, And The Intimidation Of Human Rights Defenders In Turkey, Special Report of the Program/Lawyers Committee for Human Rights: Joint Mission. to Turkey 1998, 22 Fordham Int'l L.J. 2129, June, 1999, p. 2147- 2148:

⁶⁰ Constitution of Turkey, articles 138-141.

⁶¹ Judicial system of Turkey (available at <http://www.interpol.int/public/Region/Europe/pjsystems/turkey.asp#31> , visited in November 2008)

The courts of justice hear civil cases and have two forms: 1) *civil peace courts* and 2) *civil courts of first instance*. There is at least one such court in every district and city, where the cases are considered by a single judge.

The criminal courts, in their turn, are divided into two categories; 1) penal peace courts, which hear *minor criminal* cases and 2) penal courts of first instance, where there is a single judge hearing the most part of the heavy criminal cases, except those under the jurisdiction of the peace courts and Central criminal court. There is also one **Central or heavy penal court**⁶² in every city, deciding over the offenses and crimes involving a penalty of over five years of imprisonment. This court consists of a presiding judge, two other members, as well as a public prosecutor.⁶³

In terms of democratizing the judicial system of Turkey a significant step was the elimination of State Security Courts during the constitutional reforms in 2004. The later courts were established still in 1982 by the Constitution enacted under the military government.⁶⁴ The new Criminal Procedure Code of 2005 transferred the jurisdiction over cases on terrorism, organized crime and state security to the Heavy penal court.

The judicial acts on criminal and civil cases are subject to appeals in **Supreme Court of Appeals**. The latter is sometimes called also a Cassation Court, as the decisions rendered by this court are final and constitute as case-law for the lower courts.

The administrative justice in Turkey is administered by the administrative courts, which are divided into local (provincial) and regional administrative courts. The acts of the administrative courts are subject to appeal to the the Council of State Court⁶⁵.

The justice on military crimes in Turkey is separated from the general justice and is under the jurisdiction of the **military courts**. The military justice system consists of first instance military courts, Supreme Military Court of Appeals, the Supreme Military Administrative Court.⁶⁶

⁶² One can meet both names in different sources.

⁶³ See supra note 61.

⁶⁴ The State Security Courts were called upon to hear and settle cases on crimes against the state security and organized criminal groups. Each of those courts consisted of three judges one of which was a military judge and was in social and material dependence from the military authority, being subject also to the military order. Existence of military judges was criticized by international organizations and European Court of Human rights in a number of cases, which stipulated to their abolishment. (See Turkey: Justice Delayed and Denied, Amnesty International report of September 2006, available at <http://www.amnesty.org/en/library/asset/EUR44/013/2006/en/dom-EUR440132006en.html>, visited in October 2008), http://en.wikipedia.org/wiki/Legal_System_in_the_Republic_of_Turkey#State_Security_Courts (visited in November 2008).

⁶⁵ See Article 155 of the Constitution of Turkey, as well as the webpage of the State Council Court (<http://www.danistay.gov.tr/eng/index.html>).

⁶⁶ See <http://countrystudies.us/turkey/74.htm> (visited in October 2008)

The constitutional justice in Turkey is exercised by the **Constitutional Court**, which aims at assessing the compliance of the legal act to the Constitutions.⁶⁷

A special place in the judicial system of Turkey occupies the Court of Jurisdictional Conflicts, which handles disputes over the competence of civil, administrative and military courts. The court is presided by one of the judges of the Constitutional Court elected by the Constitutional Court itself.⁶⁸

1/10 The Safeguards for Human Rights in Turkey

The conditions of safeguarding and protecting human rights are one of the criteria to judge about the level of democracy in the country. Following the recognition of the basic human rights by the civilized countries, Turkish Constitution also provides for such rights and freedoms as the right to personal liberty and security (article 19), freedom of communication (article 22), freedom of expression and dissemination of thought (article 26), freedom of mass media (article 28), freedom of association (article 33), right to hold meetings and demonstration marches (article 34), right to property (article 35), etc.

Turkey has signed also a number of essential international treaties on human rights, including the Universal Declaration of Human Rights (in 1949), The European Convention on Human Rights and Fundamental freedoms (in 1954), The European Convention for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment (in 1988), International Charter on Civil and Political Rights (in 2000) and its 2nd Protocol on elimination of death penalty (in 2006), the International Charter on Economic, Social and Cultural rights (in 2000), as well as the UN Convention against Torture and the UN Convention against Corruption (in 2006).⁶⁹

By the ratification of the Protocol 13 to the European Convention on Human Rights in 2006 Turkey has totally abolished the death penalty in all cases, including during the military actions.⁷⁰ In September 27, 2006 Turkey has ratified also the European Social Charter, though with certain reservations to it.⁷¹

⁶⁷ See Article 149 of the Constitution of Turkey.

⁶⁸ See Article 158 of the Constitution of Turkey:

⁶⁹ Joseph R. Crowley, *supra* note 59, 2139.

⁷⁰ For more information see <http://www.legislationline.org/?tid=144&jid=51&less=false>, (visited in October 2008).

⁷¹ The reservations to the Charter refer to the right to association (article 5), collective negotiation between the employers and employees (article 6), to the article 2 (3) (on the minimal duration of vocations), salaries and proper working conditions (article 4(1)): In the meantime, Turkey has abolished the reservation made to the Charter provisions on the protection of children and youth and the rights of invalids.

Despite the relevant legal framework on the basic human rights, the exercise of the latter in practice and their real guarantees continue to remain basically declarative in Turkey.⁷² Only in 2007, there were 2830 cases filed against Turkey to the European Court, over which 331 judgments have been rendered establishing 319 violations.⁷³

As of August 2008 Turkey is the second country by the amount of cases in the European Court after Russia (there are about 9000 cases filed).⁷⁴

Talking about the situation of human rights' protection in Turkey, a noteworthy issue is the **right to freedom of speech**. Safeguarding the latter has a particular importance for Turkey as it is estimated by the international community as a precondition for establishment of democratic society. Moreover, the existence of real guarantees for the freedom of speech is one of the core provisions of the Copenhagen criteria, which Turkey needs to accomplish for integration into the European family. It is no coincidence that Turkish politician Attila Yaylan in his interview in United Kingdom has mentioned that "...Turkey cannot be referred as a civil state without the freedom of speech and if Turkish people are willing their country to develop, then they need to defend their rights to freedom of expression".⁷⁵

The constitutional regulation of the freedom of speech (article 26) in Turkey is limited by such definitions which eliminate the possibility to actually exercise this right. In particular, according to the preamble of the Constitution "no protection shall be accorded to an activity contrary to Turkish national interests, the principle of the indivisibility of the existence of Turkey with its state and territory, Turkish historical and moral values or the nationalism, principles, reforms and modernism of Ataturk ..."

There are a number of provisions restricting the freedom of speech also in the Criminal Code of Turkey, the Law against terrorism of 1991, as well as the Law on crimes against Ataturk. For instance, a widely criticized article 301 in the Criminal Code provides for an imprisonment for six month to three years for insult to

⁷² See Country Reports on Human Rights Practices - 2001 Released by the Bureau of Democracy, Human Rights, and Labor, March 4, 2002 (available the <http://www.state.gov/g/drl/rls/hrrpt/2001/eur/8358.htm>, visited in October 2008).

⁷³ See Turkey and the Council of Europe, (at http://www.coe.int/T/E/Com/About_Coe/Member_states/e_tu.asp#TopOfPage, visited in November 2008).

Among the mentioned cases a significant number refer appeals against the right to fair trial, right to property, right to life and prohibition of tortures (See, Turkey 2006 Progress Report, Commission Of The European Communities, Brussels, 8.11.2006, SEC(2006) 1390).

⁷⁴ See Duvakli, Melik Jitem's Illegal Actions Cost Turkey A Fortune, Today's Zaman, 27 August 2008 (<http://www.todayszaman.com/tz-web/detaylar.do?load=detay&link=151355>, visited in October 2008).

⁷⁵ Turkey: Freedom of speech again an issue (at <http://eng.gazeta.kz/art.asp?aid=104655>, visited in November 2008).

‘Turkish nation’,⁷⁶ ‘Turkish state’ or Turkish Parliament, which is a strongly discouraged approach in the contemporary civilized world.⁷⁷

Furthermore, according to the data of the *Human Rights Watch* international organization there are more than 300 provisions in Turkish laws, which restrict the right to freedom of speech, belief, and association.⁷⁸

A number of cases of violation of the right to freedom of speech have been established also by the European Court of Human Rights. Particularly, in the case *Incal v. Turkey-C*⁷⁹ Turkish authorities have accused the members of the Working people’s party Izmir branch for terrorism, who had printed leaflets criticizing the measures undertaken against the illegal retailing and the increase of camps around the city and had provided the leaflets to the relevant authorities for the consent for dissemination. In this Case the European Court affirmed that the leaflet is merely criticizing the administrative and municipal measures undertaken by the authorities and accusing the members of the party for that is inappropriate for the democratic society. The Court further concluded that the restrictions to the freedom of speech in the subject case did not derive from the objectives of Article 10 (2)⁸⁰.

The other significant problem in respect of human rights in Turkey is the restrictions to the **rights of women** and widely common tortures. Notwithstanding the fact that Turkey has ratified the Convention on elimination of all forms of discrimination against women⁸¹, the lack of equality between men and women has deep historic roots in Turkey.⁸²

⁷⁶ By the time of the amendments of April 30, 2008, instead of the term ‘Turkish nation’ a more complex term ‘Turkism’ was used in the criminal code.

⁷⁷ The mentioned approach is expressed in the Declaration of Council of European Ministerial Committee on ‘Freedom of Political Debates in Media’ of 2004, CE Parliamentary Assembly Resolution 1577 (2007) and others, OSCE Parliamentary Assembly Warsaw Declaration of (1997), Bucharest Declaration (2000), Paris Declaration (2001), UN reports, as well as ECHR case law.

⁷⁸ Questions and Answers: Freedom of Expression and Language Rights in Turkey (<http://www.hrw.org/press/2002/08/turkeyqa041902.htm>)

⁷⁹ ECHR Case *Incal v. Turkey* (9 June 1998), App. no. 22678/93 (available at <http://www.legislationline.org/legislation.php?tid=112&lid=4884>, visited in November, 2008)

⁸⁰ Article 10 (2) of the Convention allows limitation to the freedom of speech when it is necessary in a democratic society, in the interests of national security, territorial integrity or public safety, for the prevention of disorder or crime, for the protection of health or morals, for the protection of the reputation or the rights of others, for preventing the disclosure of information received in confidence, or for maintaining the authority and impartiality of the judiciary.

⁸¹ See Women Information Network in Turkey (http://www.die.gov.tr/tkba/English_TKBA/kadin_haklari.htm).

⁸² The men are traditionally considered as the head of the family and are responsible for making all the major decisions including whether the woman should work outside of the family, or should not. (Vince Burskey, ‘Times Of Change - Can Turkey Make The Necessary Changes In Its Human Rights Policies To Be Admitted To The European Union?’, 29 North Carolina Journal of International Law and Commercial Regulation 713, 2004, p. 725-726):

In practice, tortures against women take forms of forced marriage, domestic violence, and polygamy.⁸³ It is noteworthy that significant efforts have been undertaken to provide proper framework for exercise of women's rights and to enhance the level of their protection in Turkey. In particular, the Constitution declares that the men and women have equal rights.⁸⁴ In course of the Constitutional amendments of 2001 it was set forth that the family is the base of Turkish society and it is founded on the principle of equality of husband and wife (article 41). In order to enhance the gender equality serious reforms have been carried out in the Civil Code of Turkey. Particularly it was established that the property purchased by a married couple during the period of the marriage shall be divided equally between the husband and wife in case of divorce.⁸⁵

The human rights and liberties in Turkey are greatly damaged by the tortures, which were widespread during two decades following the military revolution of 1980. As a result of latter hundreds of people were killed in places of detention, including, 45 such cases only in 1994.⁸⁶ The tortures take form of beating, sexual assault, depriving of sleep, food and drink, hanging from hands.

To minimize the tortures certain reforms have been initiated directed to the recognition of the right to legal aid, reduction of the terms for pre-trial detention, improvement of the medical examination.

For efficient combat of tortures in the places of detention recommendations are made on strengthening the supervision over the conditions of detention, excluding keeping in single prison cells, minimizing cases of detentions of persons, providing possibilities for the detainee for external contacts.⁸⁷

⁸³ See Report on women's role in social, economic and political life in Turkey, European Parliament's Committee on Women's Rights and Gender Equality, (2006/2214(INI)) 2007, p. 7:

⁸⁴ See Articles 66 and 10(2) of the Constitution of Turkey.

⁸⁵ See Report on Violence against Women in Turkey, submitted by Turkey to United Nations Committee against Torture, 2003, p. 345:

⁸⁶ See Human Rights Watch Briefing Paper, Eradicating Torture in Turkey's Police Stations: Analysis and Recommendations, September 2004 (available at http://www.hrw.org/backgrounder/eca/turkey/2004/torture/eradicate_torture.pdf , visited in November 2008).

⁸⁷ See Kurdish Human Rights Project, Torture in Turkey: The Current Status of Torture and Ill-treatment, August 2006, updated version, p. 7-8 (available at <http://www.khrp.org/publish/p2006/TORTURE%20IN%20TURKEY%20The%20Current%20Status.pdf>, visited in October 2008):

1/11 The legal status of the national minorities in Turkey

Turkey is peculiar for its ethnic diversity, where the Armenians, Greeks, Azeri, Syrians, Kurds form the majority. However, Turkey leads basically rejectionist policy in respect of the national minorities and does not recognize the status of minorities for different ethnical groups, thus trying to minimize the endeavors of the latter in gaining that status.

Turkish Constitution limits itself to the declaration that all individuals are equal without any discrimination before the law, irrespective of language, race, color, sex, political opinion, philosophical belief, religion and sect, or any such considerations.⁸⁸ It's not by chance that Turkey has adopted the approach that all the ethnical groups form the Turkish nation and are first class citizens enjoying equal rights.⁸⁹ Even more, according to Article 66 of the Constitution everyone bound to the Turkish state through the bond of citizenship is a Turk.⁹⁰

In respect of the recognition and protection of national minorities basically the Lozano treaty of July 24, 1923 is guiding for Turkey. With that treaty only the Armenian, Greek, Jewish ethnical groups are officially recognized as a minority.⁹¹ As to the international treaties on the protection of national minorities, probably the only document is the Turkish Belgian bilateral agreement of 1925, which provides for the application of the provisions of Lozano treaty also in respect of the ethnic Belgians residing in Turkey.

The problems with the national minorities are particularly connected with the restrictions to the exercise of their certain rights and liberties. Thus, for example, in respect of the organization of education the Muslim minorities are not only deprived from the right to teach in their mother tongue in schools, but also to teach the latter as an elective subject. In this respect, probably more beneficial is the situation for non-Muslim national minorities, which under the article 40 of the mentioned treaty are granted the right to establish educational institutions on their own and to exercise the teaching process in their mother tongue. Nonetheless, the exercise of this right also is subject to many impediments in practice.

⁸⁸ See Article 10 of the Constitution of Turkey.

⁸⁹ Harun Arikian, Turkey and the EU: An Awkward Candidate for EU Membership, Great Britain, 2006, second edition, p. 123, (refers to the interview of the Turkish senior diplomat Semil Karaman of December 27, 2001 in Ankara):

⁹⁰ Article 66 of the Constitution of Turkey.

⁹¹ See International Helsinki Federation for Human Rights: Turkey: A Minority Policy of Systematic Negation, October 2006, p. 1 (available at http://www.ihf-hr.org/documents/doc_summary.php?sec_id=3&d_id=4318, visited in October 2008).

The restrictions to the rights and liberties of the national minorities are apparent also in the field of *political activities* also. Particularly, Article 81 of the Turkish law on Political parties prohibits the parties to come up with the demands of the existence of national minorities on the grounds of national, religious, racial and linguistic differences,⁹² for which the functioning of many parties has been ceased. Under the mentioned law it is also prohibited to apply the languages of the national minorities in the politics. Hence, it is prohibited to use other languages than Turkish in the charter and program of the party, during congresses, meetings, and campaigns, in the pictures, placards, audio and visual tapes (Article 81 (b) of the Law. Furthermore, according to the Law on Basic Provisions on Elections and Registration of the Electors it is prohibited to use other languages than Turkish during the broadcast of campaigns by TV or radio.⁹³

There are certain restrictions also in the exercise of such basic rights as the *right to association*. According to the article 5 of the Law on Association an association cannot be established to exercises activities against the protection of the national security, social order, general security, social welfare, general morality, general health or to restrain the national and regional integration of the state. Nevertheless, it should be mentioned that there has also been certain progress in eliminating the restrictions to the right of association. In January 2003 another provision in the Law was abolished, which prohibited establishment of an association, endeavoring goals of protecting, developing and disseminating other languages and cultures than that of Turkish, or was directed to the recognition of the member of the association as a national minority due to their racial, religious, linguistic, sect, cultural differences.⁹⁴

Violations of the rights to property and freedom of movement for the national minorities are still recorded in practice. Particularly, in 1964 a large number of Greeks who had Greek citizenship were expelled from Turkey under the pretence of threat to the internal and external security of the state and by 1989 Greeks were deprived of the right to sell their property or to take money from their banking accounts in Turkey.⁹⁵

⁹² Law No. 2820, adopted on 26 April 1982.

⁹³ Law No. 298, adopted on 26 April 1961, Art. 58:

⁹⁴ Nurca Kya and Clive Baldwin, Minorities in Turkey: Submission to the European Union and the Government of Turkey, Minorities Rights Group International, 2004 July, p. 34 (available at www.minorityrights.org/download.php?id=183, visited in November 2008): (available at <http://www.minorityrights.org/admin/down>, visited in November 2007)

⁹⁵ Steven Stavros Skenderis,, The Ethnic Greeks Of Turkey: The Present Situation Of The Greek Minority And Turkey's Human Rights Obligations Under International Law, 16 Saint Thomas Law Review 551, Spring 2004, p. 566.

Greeks do not fully enjoy the right to the freedom of speech, which has been consistently denied to them for years. For instance, publication of only two newspapers is allowed in Istanbul, and only in 500 to 600 copies and with a limited number of pages. It is not allowed also to criticize the government, to translate and publish materials from other newspapers against the Turkish government, import to the country newspapers and journals published in Greece, there are no Greek books in the bookshops.

This kind of rejections to the freedom of speech contradict also to the Lozano treaty, which allows free use of languages in the media, as well as the UN declaration on National Minorities, which declares the right of the national minorities to collaborate with the citizens of other countries with which they have common identity.⁹⁶

Quite a large group of national minorities in Turkey are *Kurds*, which constitute the one fifth of 63 million population of Turkey. Being deprived of their political and social rights Kurds have been the major target for Turkish repressions after the 1980 military revolution. That kind of rejectionist policy against Kurds has brought to the creation of armed fundamentalist organizations by certain Kurdish national minority groups, which were conducting armed attacks on the state authorities.⁹⁷

The Turkish authorities have deprived the Kurds from the possibility of political organization. Starting from 1971 any political party, which came up with claims on resolving the problems of national minorities, was being qualified as separatist and was ceased to function.⁹⁸

The rights of Kurds continue to be violated even now. In particular, regarding the right to the education, there is no possibility for studying in Kurdish both in public and private schools. In 2004 all the programs, which provided for teaching Kurdish were closed.⁹⁹

From the point of recognizing the rights of Kurds, some progress was granting the right to broadcast in Kurdish granted to two TV channels in Diyarbakir and to one radio station in Sanhurfa city. Nevertheless, there are broadcasting time limitation, except for the musical programs and films.¹⁰⁰

⁹⁶ See Steven Stavros Skenderis, supra note 95, p. 570:

⁹⁷ Human Rights Watch, Ocalan Trial Monitor: Backgrounder on Repression of the Kurds in Turkey (more information available at www.hrw.org/campaigns/turkey/kurd.htm).

⁹⁸ Only in 1990s the functioning of 8 parties has been ceased on these grounds.

⁹⁹ Commission of the European Communities, Turkey Progress Report, 08 November 2006, p. 21 (available at

http://ec.europa.eu/enlargement/pdf/key_documents/2006/Nov/tr_sec_1390_en.pdf) :

¹⁰⁰ Turkey Progress Report, 08 November 2006, Opp. Cit., p. 21.

The problem of the decent protection of the national minority rights leaving in Turkey is a question of current importance especially in the light of the processes for accession of Turkey to the European Union. One of the requirements of the Turkish Accession Partnership document is the elimination of all sort of barriers to the broadcasting of TV and radio programs in their mother tongue by Turkish citizens, improvement of state security situation in South-East, as well as safeguarding the cultural rights for all citizens irrespective of their ethnical origin.¹⁰¹

Hence, the ambitions of Turkey to integrate to the European values and the European family set forth serious challenges for Turkey, among which providing real guarantees for human rights and freedoms are essential. Notwithstanding the *prima facie* readiness expressed by the Turkish authorities in undertaking practical measures in this respect the situation still remains dissatisfactory.

¹⁰¹ See Harun Arikan, *supra* note 89, p. 123.

Chapter 2

Foreign Policy Strategy of Turkey

2/1 Turkish Foreign Policy

Turkey is situated amid the Balkan countries, the Caucasus, and the Middle East regions and is a critical energy and transit hub between Central Asia/the Caucasus and Europe. The geographic location makes it important for Turkey to maintain good neighborly relations with all the surrounding countries.

For a long time in the period following 1923 Turkey has been trying to maintain good relations with both the West and its eastern neighbors, namely Iraq, Syria and Iran. In the post-Lausanne era¹⁰² Turkey chose to focus on building the nation itself and had been pursuing a more reactive foreign policy rather than a proactive stance in resolving disputes.¹⁰³

*The primary objective of Turkish Foreign Policy is to help secure and nurture a peaceful, stable, prosperous and cooperate regional and international environment that is conducive to human development at home as well as in the neighboring countries and beyond.*¹⁰⁴

In the period of mid-1930's Turkey played a leading role in the establishment of the Balkan Entente (Turkey, Greece, Romania and Yugoslavia) in 1934, and the Saadabad Pact (Turkey, Iran, Iraq, Afghanistan) in 1937. During the World War II Turkey was a non-belligerent ally of the anti-Nazi coalition until the concluding months of the conflict when it joined the war merely to take its place in the new world order. After the World War II Turkey became a founding member of the UN in 1945 and the Council of Europe in 1949.

Turkey joined the North Atlantic Treaty Organization in 1952 and about ten years later in 1963 Turkey became an Associate Member of the European Economic Community, the forerunner of the European Union. Turkey is an active member of OECD, OSCE, WTO, the Organization of the Islamic conference (OIC), the Black Sea Economic Cooperation Organization (BSEC), the Economic Cooperation Organization (ECO), the Developing 8 (D-8). Turkey has applied for a non-permanent seat in UN Security Council in 2009-2010.

¹⁰² Lausanne Peace Treaty was signed in 1923 and is one of the founding documents of the modern Turkish Republic.

¹⁰³ Today's Zaman, "Turkey's foreign policy profile has been growing", 10/30/2008

¹⁰⁴ Internet source www.byegm.gov.tr/REFERENCES/foreignpolicy2003

The dramatic changes that occurred as a result of the collapse of the Soviet Union, the emergence of new independent states, the reunification of Germany created regional instability and conflicts thus engendering the prospects for peace. Turkey faced a security dilemma as many of its neighbors got trapped in instability. In the non-easy period following the Cold War, Turkey having felt its increasing geopolitical significance Turkey spearheaded the formation of the Black Sea Economic Cooperation Organization (BSEC), “which can be seen as the first successful attempt to capitalize on the post- Cold War spirit.”¹⁰⁵. That period was also marked with the change in Turkey’s non-involvement politics. In 1990 Turkey allowed the US to use its airspace and the base at Incirlik for raids over Iraq to strengthen ties with the US and its NATO allies.¹⁰⁶

Since 2001 Turkey has embarked on reshaping its foreign policy agenda mainly as a result of effects of its growing economic progress and arrival of the AKP on the political scene. As mentioned by Ambassador Ahmet Davutoglu, Turkish Prime Minister's Chief Foreign Policy Advisor and the one acknowledged as the architect of the Turkish government’s new foreign policy, “There was a need to reinterpret the geographical and historical context of Turkey.”¹⁰⁷ Davutoglu’s arguments rest on the idea that Turkey enjoys an enormous geographic privilege as well as great diplomatic asset for Turkey’s western orientation and its “diverse regional composition lends it the capability of maneuvering in several regions simultaneously; in this sense, it controls an area of influence in its immediate environs.”¹⁰⁸ Turkey believes that it has managed to change its image as a result of intense diplomatic activities from 2003 to 2007 and is now aimed at intervening consistently in global issues using international platforms, which signifies a transformation for Turkey from a central country to a global power.¹⁰⁹

Indeed, the foreign policy statement of the AK Party Program makes clear that Turkey intends to increase its regional role and relationships with Islamic countries, as well as “take more initiative in the spots of crisis in regions neighboring Turkey and try to make a more concrete contribution to the solution of these crises.”¹¹⁰ Turkey has tried to broker a peace deal between Israel and Syria and held several rounds of indirect talks in Istanbul. Apart from that, Turkey developed close ties with Iran and Saudi Arabia and good relations with both Palestinian factions, Hamas and Fatah. Reiterating the

¹⁰⁵ Internet source [www/byegm.gov.tr/REFERENCES/foreignpolicy2003](http://www.byegm.gov.tr/REFERENCES/foreignpolicy2003), pg.4

¹⁰⁶ CSIS Files No.6. pg.22

¹⁰⁷ Canadian Research, pg.2

¹⁰⁸ Ahmet Davutoglu, “Turkey’s Foreign Policy Vision: An Assessment of 2007”, pg.78

¹⁰⁹ Ahmet Davutoglu, “Turkey’s Foreign Policy Vision: An Assessment of 2007”, pg.83

¹¹⁰ Canadian Research, pg.2

World Security Institute source “Turkey is rediscovering its past: reestablishing ties with countries that used to be part of its empire

The reconciliatory attempts of Turkey include also the efforts to integrate the Sunnis into the political process in Iraq and to bridge Shia and Sunni groups in Iraq.¹¹¹ Turkey has been trying hard to establish its influence in the Middle Eastern affairs and in spite of some limitations posed by the PKK, “Turkey does have influence in Middle Eastern affairs and not only at the state level but also at the societal level.¹¹²

For the past 4-5 years Turkey established a multi-dimensional foreign policy that views Turkey’s relations with other global actors as complementary, not in competition. Turkey has tried to extend its influence farther east and reconnect with traditional neighbors such as Ukraine, Georgia, Greece. With Russia, now the second largest importer of Turkish products, an institutionalized pattern of relations emerged.¹¹³

Another important direction of Turkey’s foreign policy has been the EU-accession process. In order for Turkey to accede to EU it has to fulfill several criterions, amongst which are no existing territorial conflicts with its neighbors.¹¹⁴ Among the most controversial conflict situations confronted by Turkey has been the issue of ongoing dispute over Cyprus, a regional dilemma concerning Northern Iraq as it has been the center of terrorist activities and the opening of borders with Armenia. In the recent months, Turkey has taken steps even in reconnecting with Armenia, with which it had not have diplomatic relations since the independence of Armenia in 1991.

In regard to its relations with the European countries, Turkey’s policy has three components: “bilateral relations, EU-level relations and regional/global relations. None of them can be compromised at the expense of the other.”¹¹⁵

The developments over the crisis in South Ossetia have also impacted Turkey’s performance in the international arena. Unlike its NATO allies, Turkey refrained from strong criticism on Russia and spearheaded the realization of the “Caucasus Stability and Cooperation Platform.” It has also expressed its readiness to play a mediatory role in the resolution of the Nagorno-Karabakh conflict between Armenia and Azerbaijan.

¹¹¹ Ahmet Davutoglu, “Turkey’s Foreign Policy Vision: An Assessment of 2007”, pg.90

¹¹² Ahmet Davutoglu, “Turkey’s Foreign Policy Vision: An Assessment of 2007”, pg.81

¹¹³ Ahmet Davutoglu, “Turkey’s Foreign Policy Vision: An Assessment of 2007”, pg.82

¹¹⁴ CSIS Files, No.6, pg. 20

¹¹⁵ Ahmet Davutoglu, “Turkey’s Foreign Policy Vision: An Assessment of 2007”, pg.95

Some analysts argue that the recent developments raise some doubts about Turkey's eagerness in its efforts to join the EU. Turkey is realizing its importance in the region and the Turkish position is that if the West rejects Turkey -and by this the Turkish commentators generally mean the European Union-then Turkey does have other cards to play."¹¹⁶

2/2 Turkey and its Neighbors

Iraq and the Kurdish Issue: The Kurdish problem has acquired a special attention for and involvement of Turkey since the first Gulf War. As a result of the defeat of the Kurdish population of Iraq against Saddam Hussein's government, almost 400 000 Kurds had entered Turkey with about 500 000 refugees remaining in the camps. Ankara closed off its borders and this resulted in the creation of a protection zone in Northern Iraq, where Iraqi military activity was prohibited. When the Iraqi government imposed a blockade on the north of the country, the Kurds economically became dependent on Iran and Turkey. Since then the Kurdish problem has generated tensions between Turkey, Iran and Syria.

The greater irritation of Turkey is caused by the fact that Iraqi Kurds may break away from Iraq thus entailing a direct military intervention by both Turkey and Iran, and the idea of independent Kurdistan would provoke Kurdish uprisings within their borders and a more permanent heaven for the PKK. Turkey realizes that any military move into Kurdistan that is limited to attacking the PKK would be accepted by the Iranians, Syrians and Sunnis that agree that Kurds cannot be allowed to form a state.¹¹⁷ The Turkish threats of invasion against the PKK have been therefore interpreted as those of threatening all of Iraq's Kurds.¹¹⁸

Turkey has been advocating for Iraq's territorial integrity and a consensus solution for the status of the oil-rich Kirkuk, mainly in order to avoid it becoming the financial foundation for a Kurdish state but also to ensure the rights of the Iraqi Turcoman, ethnic kin of the Turks.¹¹⁹ Another major concern of Turkey that the withdrawal of US troops from Iraq may degenerate a full-scale civil war. Those fears have resulted in Turkey's approaching Syria for better ties between the two countries, since the latter also has a significant Kurdish population.¹²⁰

¹¹⁶ Jonathan Marcus, "Which Direction for Turkey Now" BBC News , 24 July 2008

¹¹⁷ World Security Institute, pg. 7

¹¹⁸ World Security Institute, pg. 7

¹¹⁹ CRS, pg, 5

¹²⁰ CSIS Files, No. 6, pg., 20

Turkey has made it clear to all concerned that the terrorist threat against Turkey coming from Iraqi territory is an issue which needs urgent attention. Turkey expects Iraq to outlaw and terminate the presence of this terrorist organization operating from its territories towards its neighbors.¹²¹

The Iraqi challenge in 2007 sparked fears that the crisis would have a negative impact on Turkey's relations with the rest of its neighbors. According to the analysis of foreign policy of Turkey, as a result of Turkey's "fine-tuned diplomacy" a crisis with the Iraqi government was not ensued and "the outcome demonstrated how two neighboring countries can cooperate against a common threat."¹²²

Today Turkey enjoys an effective economic cooperation with Iraq. About 350000 barrels of oil flow daily from Iraq to Turkey via the Kirkuk-Yumartalik pipeline. In addition, Turkey is interested in linking Iraqi natural gas to the planned Nabucco pipeline intended to transport gas from Central Asia and the Caucasus.¹²³

Cyprus: The Cyprus issue has been on the most controversial headlines of Turkey's foreign policy agenda since 1974 and it has created a great number of impediments on Turkey's path to the EU and to a certain degree damaged its political reputation.

Turkey's proposal to resume negotiations between the parties on the Island with a view to reaching a comprehensive settlement in this long pending issue has come to the international agenda in 2004. The UN Secretary General Koffi Annan had submitted a proposal "Annan plan" on referenda on both sides of the Island and depending on the outcome of the referenda the opportunity could be seized for a united Cyprus to accede to the European Union.¹²⁴ While the Turkish Cypriots overwhelmingly voted in favor of the Anna Plan by casting 65% of their votes for a settlement that would also provide for the accession of a united Island to the EU, the Greek Cypriots (76%) voted against the plan . The outcome of the referenda has created a new state of affairs. The results did not certainly affect the accession of Greece to the EU.

Further attempts of resolving the conflict, namely the call by the Turkish authorities to remove inter-island restrictions on the free movements of people, goods and services, or the 2006 "Action plan" to bring about a transitional process to facilitate economic development, as well as the proposal of the Turkish Republic of Northern Cyprus *Mehmet Ali Tala* to address issues that affect the daily lives of

¹²¹ <http://www.byegm.gov.tr/REFERENCES/foreignpolicy2003.htm>

¹²² Ahmet Davutoglu, "Turkey's Foreign Policy Vision: An Assessment of 2007", pg.81

¹²³ CRS, pg. 6

¹²⁴ The referenda was held in the North and south of Cyprus on 24 April 2004.

the Turkish and Greek Cypriots have either been deadlocked or did not produce any tangible results.¹²⁵

Prospects for a Cyprus settlement improved for the first time in years after the meeting of the Greek Cypriot President *Dimitris Christofias* and Turkish Cypriot Leader *Mehmet Ali Talat* that resulted in establishment of working groups and technical committees to prepare for new negotiations on a settlement that would reunify the island divided since 1974. The aspects of settlement have been disputed by both sides. The Greek Cypriots called for the withdrawal of the approximately 30000 Turkish soldiers from the island and opposed renewing the 1960 treaties that gave Turkey certain rights to intervene Cyprus.¹²⁶

However the involvement of Turkey in Cyprus in sustaining the Turkish Republic of Northern Cyprus (TRNC)-one recognized only by Turkey on the international arena-gives bad signals as to whether this issue will be resolved. This is a serious impediment for Turkey primarily on its way to the European Union. First Turkey has to fulfill an EU requirement to solve any territorial disputes it faces and secondly Greece and Cyprus who are EU member states can use their veto power any time they would like to. In the current state of affairs the resolution of the dispute appears a distant possibility.

2/3 Turkey and the West

Turkey-US: Turkey is the US's geostrategic partner. The roots of its special ties with the US go back to the Cold War, when the security aspect of the relationship became more pronounced, particularly following the Truman Doctrine and Turkey's membership to NATO.¹²⁷

As Davutogly mentions in his analysis of Turkey's foreign policy, from geopolitical perspective, the relations between the two countries carry all characteristics of a relationship between a continental superpower and a central country having the most optimal geopolitical position in Afro-Eurasia.¹²⁸

The US-Turkish partnership is symbolized by the permission granted by Turkey to use the Incirlik air base for the execution of NATO and US policies in Iraq, Afghanistan and elsewhere in the Middle East. For that purpose, the US

¹²⁵ www.byegm.gov.tr/REFERENCES.foreignpolicy2003.htm

¹²⁶ CRS-pg.12

¹²⁷ Congressional Research Service, pg.3

¹²⁸ Ahmet Davutoglu, "Turkey's Foreign Policy Vision: An Assessment of 2007", pg.88

granted Turkey considerable foreign aid, tacitly in exchange for such access in the past which decreased in recent years in terms of Turkey's growing economy.¹²⁹ In addition, Turkey has expressed its willingness to house US nuclear weapons at the Incirlik Air Base. The CRC 2005 report points that about "90 US nuclear weapons were stored there, although a different group estimated in 2008 that the number of weapons is 50 to 90-still the most at any base in Europe."¹³⁰

The post cold war era created realities that certainly affected the relations between the two countries. The worst crisis in relations between Ankara and Washington was caused during the war in 2003 when the Turkish Parliament did not grant approval for US forces to invade Iraq from Turkey explaining that it feared that Kurdistan Workers Party (PKK) would take advantage of the chaos in Iraq to gain a safe haven in northern Iraq."¹³¹

In regard to this case many analysis have tried to submit their versions of explanations. One of the reasons may be that Turkey recalled the American failure to follow through with compensation as promised in 1990 during the first Gulf War. Moreover, Turkey believed that the first Gulf War was generally injurious to Turkey and to its economy; "in conversations in the late 1990s the Turks would describe their losses as ranging variously from 35\$ billion to 150\$ billion."¹³²

The US recognition of the PKK as one being a threat for the US and Turkey as well as the US support before Turkey's intervention in Northern Iraq stipulated some ease in relations.

Hence, Turkey has hoped for the US to take more visible steps to combat the terrorism threat in Turkey. The current unresolved situation harms both the US and Turkey and creates tensions between Ankara and Baghdad over northern Iraq and gives the PKK «hope of driving a wedge between Ankara and Washington.»¹³³ Pearson further argues that Washington cannot restore close ties with Turkey until the PKK issue is on the road to resolution. However, the question on why the US permits this injurious scenario to continue remains open.¹³⁴

Further disagreements emerged between US and Turkey due to developing of Turkey's closer ties with the countries of the Middle East, particularly with Iran.

¹²⁹ Congressional Research Service, pg. 3

¹³⁰ Congressional Research Service, pg.16

¹³¹ Jonathan Marcus, "Which Direction for Turkey Now" BBC News , 24 July 2008

¹³² W. Robert Pearson, Chapter 5 *Turkey and NATO: New Images and Old Questions*, The Evolution of US-Turkish Relations in a Transatlantic Context, pg. 66

¹³³ W. Robert Pearson, Chapter 5 *Turkey and NATO: New Images and Old Questions*, The Evolution of US-Turkish Relations in a Transatlantic Context, pg. 73

¹³⁴ W. Robert Pearson, Chapter 5 *Turkey and NATO: New Images and Old Questions*, The Evolution of US-Turkish Relations in a Transatlantic Context, pg. 73

However, one should not overlook the fact that in its dealings with Iran, Turkey among other considerations is also guided by an important economic dimension, particularly the energy agreements. Indeed, Davutogly in his analysis of foreign policy of Turkey in 2007 argues that “as a growing economy and surrounded by energy resources Turkey needs Iranian energy as a natural extension of its national interests,Turkey’s energy agreements with Iran cannot be dependent upon its relationships with other countries.”¹³⁵

In regard to Turkey's outreach to the countries of the Middle East, there has been a strong sense in Turkey that the US diplomatic initiatives have been neither fully understood nor welcomed in Washington and that “the Bush administration has been at best indifferent to Turkey’s major initiative in the region....”¹³⁶ Moreover, the US State Department has criticized Turkey for not only reaching out Ahmadinejad of Iran, but also Mish’al because Hamas has been recognized as a terrorist organization, Bashir because of the Sudanese policy of Genocide in Darfur. Turkey on the other hand has not shared the US foreign policy in conjunction to isolating Iran, Syria, Hamas and Sudan, since the Turkish officials believe that their foreign policy “serves to expand relations between the West and the Middle East and adds value to US and European policies by providing additional avenues of approach.”¹³⁷

Another crisis in relations between the two countries was due to the passage of a bill in 2007 by the US Congress Committee that declared that the Ottoman Empire committed genocide against Armenians during the World War I. The US chose to avoid the passage of the bill out of fear that the resolution passed by the Congress would have extremely negative impact on the relations between the two countries and “might detrimentally affect the US forces in Iraq who depend on cargo transiting in Turkey.”¹³⁸

Among the Turkey’s claims towards the US is that of the latter’s ambivalent approach in relation to Turkey’s security issues. One of the examples is the US assistance to PJAK (Party for Free Life in Kurdistan), a sibling organization with PKK, that has been recognized as a terrorist organization.¹³⁹

The analysis of the level and effectiveness of cooperation between the two countries give rise to an assumption that relations lacked a cohesive and structured

¹³⁵ Ahmet Davutoglu, “Turkey’s Foreign Policy Vision: An Assessment of 2007”, pg.91

¹³⁶ Jonathan Marcus, “Which Direction for Turkey Now” BBC News , 24 July 2008

¹³⁷ Congressional Research Service, pg. 3

¹³⁸ Congressional Research Service, pg. 15

¹³⁹ John Newhouse, “Iraq, Iran and Turkey”, Policy Brief, World Security Institute, December 2007, pg.7

approach or strategy. Some analysts argue that the Washington policy on Turkey has always been a derivative of other policies-of Iraq policy, of Afghanistan policy and maybe now even of Georgia policy.”¹⁴⁰ This view has been supported by John Newhouse of World Security Institute who argued that some neo-conservatives in Washington would prefer “an enhanced strategic relationship with Turkey as part of a defense against Iran.”¹⁴¹

Ahmet Davutogly characterizes the period from March 1, 2003 to November 5, 2007 as not a “sudden leap” but a process and he contends that both sides have reached certain conclusions in the process. He in particular points out the need for a joint approach to the rising threat of PKK to the stability of Turkey and Iraq, increasing Turkish role in the reconciliation process, the significance of the regional engagement in Iraq through the process of neighboring countries meetings and the interdependency between the situation in Iraq and the regional balance of power.”¹⁴² According to Davutogly, the “Shared Vision and Structured Dialogue to Advance the Turkish-American Strategic Partnership” in fact came to reflect these conclusions and priorities of both sides as an attempt of re-adjustment of bilateral relations. It is important to note that the US Administration supports Turkey’s bid for a nonpermanent seat on the UN Security Council for 2009-2010.

Now that Turkey is making considerable shifts in its foreign policy strategy by realizing its importance in the region, it has made clear that it is prepared to cooperate with the US not as a subordinate power.¹⁴³ Davutogly argues that

... Turkey is no longer a sole alliance nation whose support is taken for granted, but a significant country with regional and global influence whose strong vision and the proven capacity to make meaningful contributions need to be taken into account by a healthier communication and a cooperative dialogue.

In an attempt to make predictions for the future of the US-Turkey relations, the CDFAI contends that the good relations between US and Turkey can proceed unless the US policies do not have a direct negative impact on Turkish security and that a lot will depend on “how the US handles a Turkey more inclined to extend its influence and the possibility of revitalization is possible in terms of the new US administration.”¹⁴⁴ The report also notes that US needs Turkey’s support because of

¹⁴⁰ Jonathan Marcus, “Which Direction for Turkey Now” BBC News , 24 July 2008

¹⁴¹ John Newhouse, “Iraq, Iran and Turkey”, Policy Brief, World Security Institute, December 2007

¹⁴² Ahmet Davutoglu, “Turkey’s Foreign Policy Vision: An Assessment of 2007”, pg.89

¹⁴³ Canadian Research, pg. 3

¹⁴⁴ Canadian research, pg. 4

the US continuing involvement in Iraq, tense relations with Iran or its efforts in creating durable peace in the Middle East.

In order to have a complete picture of the relations between the US and Turkey, one has to take account study also the NATO factor.

2/4 Turkey-NATO

Turkey is a member of NATO and is the only Muslim country that joined that alliance. Turkey is the only NATO member country with institutional links to Gulf and Arab organizations.¹⁴⁵

One of the major achievements of NATO membership for Turkey has been the maintenance of dialogue with Europe and the United States and the preservation of a form of legitimacy, especially in terms of the military coups in Turkey in 1960, 1971, 1980.¹⁴⁶

NATO ensures the legitimacy of Turkey to deploy troops outside its border and participate in military and security structures in the Eurasian space. The examples have included the assumption of International Security Assistance force-NATO, Afghanistan (ISAF) regional command mission in Kabul by Turkey as well as taking over command of the Multinational Task Force south deployed in the southern region of Kosovo in May 2007.¹⁴⁷

The cooperation and relationship between Turkey and NATO which has a long history has been beset from time to time by specific issues, such as intervention in Cyprus in 1974, dispute over poppy cultivation in Turkey, to name a few.¹⁴⁸ In regard to the Cyprus question, Turkey believed that NATO allies betrayed Turkey and did not prevent the disaster threatening the Turkish population on the island. The damaged relations with NATO allies were restored only during 1983-93 under the leadership of President Ozal.¹⁴⁹ In addition, Turkey was not happy with the NATO performance as regards its fight against the PKK terrorism and this entailed a damage of NATO image in Turkey. As a result of the Iraq War “public support

¹⁴⁵ Today's Zaman, 18,09,2008

¹⁴⁶ Ahmet Davutoglu, “Turkey’s Foreign Policy Vision: An Assessment of 2007”, pg.64

¹⁴⁷ W. Robert Pearson, Chapter 5 *Turkey and NATO: New Images and Old Questions*, The Evolution of US-Turkish Relations in a Transatlantic Context, pg. 62

¹⁴⁸ O.Faruk Logoglu, The State of the US –Turkey Relations: a Turkish Perspective, pg. 29

¹⁴⁹ W. Robert Pearson, Chapter 5 *Turkey and NATO: New Images and Old Questions*, The Evolution of US-Turkish Relations in a Transatlantic Context, pg. 64

for NATO in Turkey waned and the chance that it will regain the levels of the Cold War are distant.¹⁵⁰

The relations in the Cold War period were both positive and mutually beneficial. For Turkey it was very beneficial to adhere to the international authority. Since joining NATO, Turkey has been committed to NATO obligations. Although the situation has changed in the post Cold War era, when the security arrangements allowed the US to choose ad hoc coalitions backed by the UN or NATO and not to rely on its traditional international legitimacy as much as it did during the Cold War, Turkey still preferred international legitimacy. One of the examples could be the support to the US during the first Gulf War. Pearson argues that Turkey, albeit had a different with American objective and was largely content with Saddam Hussein, it backed the US. By the same token, after September 1, Turkey gave its formal consent to the US request to access to air space and bases for operations in Afghanistan.

The assumption that Turkey has desired to stay committed within international authority obligations is not true as regards the case of invasion of Iraq in 2001. This leads to another assumption that while fulfilling its obligations to NATO, Turkey has been guided by its own interests too. Turkey's deployment of troops in Afghanistan was to some extent explained by the fact that Turkey hated the Taliban. Similarly, when in 2006 Turkey following the UN resolution dispatched a number of troops to Lebanon, it has clearly demonstrated that it is prepared to play a responsible role in crises within its region, including the participation of its military forces.¹⁵¹

Pearson former US Ambassador to Turkey and the author of *Turkey and NATO: New Images and Old Questions* mentions that by contrast, in 2001, Turkey did not lack an equivalent authority to agree with US for support in Iraq. Instead, ironically though NATO decision on Afghanistan may have been construed by some decision makers thereafter as the only correct way for the country to proceed when deciding whether to deploy troops outside its borders or help another country invade a neighboring state.”, concludes Pearson.¹⁵²

Several factors and facts shaped, strained and modified the essential course of the NATO-Turkey relationship. According to Pearson, one of the most significant

¹⁵⁰W. Robert Pearson, Chapter 5 *Turkey and NATO: New Images and Old Questions*, The Evolution of US-Turkish Relations in a Transatlantic Context, pg. 71

¹⁵¹ W. Robert Pearson, Chapter 5 *Turkey and NATO: New Images and Old Questions*, The Evolution of US-Turkish Relations in a Transatlantic Context, pg. 69

¹⁵² W. Robert Pearson, Chapter 5 *Turkey and NATO: New Images and Old Questions*, The Evolution of US-Turkish Relations in a Transatlantic Context, pg. 70

factors was the collapse of the Soviet Union: if before the collapse of the Soviet Union Turkey had been a favored partner of NATO, by the end of the Cold War many new states east of old NATO starting seeking membership.

One other important factor is the improved relations of Turkey with Syria, Hamas and Iran.¹⁵³

According to Pearson In view of the current unpopularity of the United States in Turkey, there is a big risk that the calls stemming from ultranationalists on creating closer ties with Iran, Russia and Central Asia would generate a momentum. These calls prove a reality today, as Turkey has been trying hard to reaffirm its desire to maintain good relations with Syria and Iran and even Sudan. During the recent events in South Ossetia, when the rest of NATO was preoccupied with the Georgian crisis, Turkey has broken with NATO countries by hosting the Iranian President Mahmoud Ahmedinejad on a working visit and Omar al-Bashir of Sudan.¹⁵⁴

The situation that was created as a result of the crisis in South Ossetia made look at Turkey from a different angle. Interestingly though, in August 2008 Turkey prevented the US, its longstanding NATO ally from sending large naval ships into the Black Sea. While the US would prefer that NATO warships have a free access to the Black Sea, it has pressed for a revision of the Montreux convention which legally constrained the movement of US vessels on the Turkish territory. Despite being a NATO member, Turkey has resisted the US pressure to revise the Convention and refused to ignore its terms in regulating NATO access to the Black Sea.¹⁵⁵

The situation was further exacerbated by the fact that Turkey, as opposed to its NATO allies has refrained from a strong condemnation of Russia. The assumption behind this is that the performance of Turkey was regarded by the West as one of siding with Russia. While Turkey was expected to take a firm side on the West against Russia it hasn't condemned Russia's actions in Georgia but merely expressed concern about events there.¹⁵⁶ *Ali Yurttagül*, political advisor to European Parliament Greens mentions that "instead of a NATO's consistent common policy that takes current economic and commercial interests into account, Turkey pursued a cautious policy towards Russia thus creating the divisions within NATO and tried to look impartial and neutral to both sides -- Russia and the West --

¹⁵³ W. Robert Pearson, Chapter 5 *Turkey and NATO: New Images and Old Questions*, The Evolution of US-Turkish Relations in a Transatlantic Context, pg. 64

¹⁵⁴ Zeyno Baran "Will Turkey Abandon NATO", Wallstreet Journal, August 29, 2008.

¹⁵⁵ David Morrison, Turkey restricts US access to the Black Sea, 18 October 2008

¹⁵⁶ David Morrison, Turkey restricts US access to the Black Sea, 18 October 2008

as if it is not a NATO member.”¹⁵⁷ He further advised that if Turkey wanted to be taken seriously by both sides, it should have acted like a NATO member and drop its policy of neutrality.¹⁵⁸

Zeino Baran of Hudson Institute argues that a time for choosing between NATO and Russia has arrived for Turkey. She notes that since joining NATO in 1952, Turkey has hoped to never have to make a choice between the alliance and its Russian neighbor to the North and “if Turkey did not allow the ships through, it will essentially be taking Russia’s side. She then mentions that in spite of the fact that Turkey has declared that it is using its trust-based relations with various sides to act as a mediator between various parties in the region, including US and Iran; Israel and Syria; Pakistan and Afghanistan, etc. as more American ships stem toward the Black Sea, a time for choosing has arrived.”¹⁵⁹

The other question is whether the increased actives of Turkey and in particular its initiative in regard to the Caucasus Stability and Cooperation Platform creates any conflicts with its NATO membership obligations. When Ali Babacan, Turkey’s Foreign Minister, was asked whether his Russian counterpart Lavrov’s discussions with him regarding the initiative for the Caucasus Stability and Cooperation Platform were “not as a NATO member country, but as a major trade economic partner, he replied that Turkey has “never tried to use its NATO membership to the detriment of these principles on which our [Turkey and Russia] dialogue is based. Moreover, we, naturally, presume that Turkey fulfills the obligations and commitments which it has to fulfill as a member of the North Atlantic Alliance.”¹⁶⁰

Such position of Turkey is indeed justified by its adherence to the multi-dimensional foreign policy, which in Davutogly’s phrasing “views Turkey’s strategic relations with the US through the two countries’ bilateral ties and through NATO, and considers its membership process to the EU, its good neighborhood policy with Russia, and its synchronization policy in Eurasia as integral part of a consistent policy that serves to complete each other.”¹⁶¹

The major policy challenges for Turkey in the years ahead are likely to concern Turkish regional leadership in terms of the evolving NATO doctrine on the out-of-area operations, the future of the Black Sea region, with its mix of new NATO members (Romania, Bulgaria), key NATO partnership states (Ukraine, Georgia), a

¹⁵⁷ *Ali Yurttagül*, “Georgia, NATO, the EU and Turkey”, *Today’s Zaman*, 10.09.2008.

¹⁵⁸ *Ali Yurttagül*, “Georgia, NATO, the EU and Turkey”, *Today’s Zaman*, 10.09.2008

¹⁵⁹ Zeyno Baran “Will Turkey Abandon NATO”, August 29, 2008

¹⁶⁰ David Morrison, Turkey restricts US access to the Black Sea, 18 October 2008

¹⁶¹ Ahmet Davutoglu, “Turkey’s Foreign Policy Vision: An Assessment of 2007”, pg.82

resurgent Russia and nearly neighbors in conflict (Armenia, Azerbaijan), will present.”¹⁶²

2/5 Turkish-Russian relations

Russia and Turkey have had their ups and downs at least since World War I, and then in 1952, Turkey joined NATO in part to receive protection from the alliance against the USSR. Today, Russia is Turkey’s greatest export market after Germany.

For centuries, Turkey and Russia have been rivals for the regional supremacy. Recently, the two countries have realized that friendly relations are in the interest of them both. Accordingly, co-operation rather than rivalry appears to dominate their ties. This development has been welcome by the EU, which sees these countries as the two largest imponderables on the European horizon.

Despite a long history of tension and conflict of interests, economic and political relations between Turkey and Russia have deepened significantly.

In the past decade, the two countries have developed friendly relations with strong economical ties. Both countries are showing interest in co-operation in economic, regional and global issues.

The two countries are trying to achieve "multidimensional co-operation", especially in the fields of energy, transport and the military. Specifically, Russia aims to invest in Turkey’s fuel and energy industries, and it also expects to participate in tenders for the modernization of Turkey’s military. In the strategic energy sector, the two countries are in agreement to implement large-scale projects.¹⁶³

Russia has traditionally been Turkey's largest gas supplier. The 842 km Russia-Turkey Natural Gas Pipeline transports gas from Russia through Ukraine, Romania and Bulgaria into Turkey. Given its need to meet growing domestic consumption, Turkey has sought to increase these quantities significantly. Thus, the \$3.3 billion Blue Stream Pipeline was jointly built by Russia's Gazprom and Italy's ENI, each having a 50% share. The Blue Stream Pipeline partly runs under the Black Sea and shall finally deliver 565 bcf of natural gas annually from 2009 onwards. Russia also delivers oil to Turkey which is transported via pipeline.¹⁶⁴

¹⁶² Ahmet Davutoglu, “Turkey’s Foreign Policy Vision: An Assessment of 2007”, pg.83

¹⁶³ <http://www.turkishpolitix.com/russia.htm>

¹⁶⁴ http://globalization.icaap.org/content/v3.1/03_stern.html

In regard to the energy sector the two countries have been pursuing policies that at times have been in direct conflict with one another. While Turkey was seeking to become an "energy bridge" between East and West, connecting Middle Eastern and Caspian-region gas to Europe, the Russian Gazprom has sought to retain its dominant position as a supplier to Europe. Whereas Turkey has sought to open the door for non-Russian gas suppliers to Europe by fostering the establishment of a new supply corridor, Gazprom has tried, essentially, to keep that door closed—or at least ensure its control over the door's opening.

In May 2007, Russia announced a plan with Turkmenistan and Kazakhstan to build a new "Caspian shore" gas pipeline and renovate the existing Central Asia-Centre (CAC) gas pipeline system, thwarting (at least for now) Western efforts to connect Turkmen gas to Azerbaijan via a proposed "trans-Caspian" gas pipeline. Gazprom subsequently announced its "Turkey bypass" plan for delivering this Central Asian gas to south-eastern Europe with its South Stream gas pipeline plan via the Black Sea. Turkey, which has been promoting itself as key to the emergence of a new supply corridor for gas to Europe, then responded by announcing its own deal with Iran and Turkmenistan, geared to attract gas supplies from these countries and ensure additional supplies for the Nabucco gas pipeline project linking Turkey to central Europe. These gas volumes from Turkmenistan and Iran would be on top of existing and planned deliveries from Azerbaijan, which began exporting gas to Turkey last year following the launch of the Baku-Tbilisi-Erzurum (BTE) pipeline. These competing visions for a new gas supply route to south-eastern Europe for Caspian and Central Asian gas have pitted Turkey squarely against Russia—even though a handful of states in south-eastern Europe have hedged their bets by voicing support for both Nabucco and South Stream. Indeed, the European Union (EU) itself has sought to downplay talk that the projects are rivals, but for Turkey and Russia at least, it is a zero-sum game, with one's victory meaning the other's loss.¹⁶⁵

At the same time, Moscow and Ankara can hardly rest content with what has been achieved because the building of an appropriate political superstructure remains a sluggish process. The reason for such an obvious discrepancy lies mainly in historical circumstances.

Russia's military and political leaders think that Ankara should not be agitated about military-technical co-operation between Moscow and Nicosia. Cyprus has been and remains a point of contradictions and political aspirations of Turkey and

¹⁶⁵ <http://www.globalinsight.com/SDA/SDADetail13577.htm>

Russia. However, the two countries have come to consider it as not productive to lay stress on narrow aspects of policy.

Russia and Turkey have always had regions where their interests and claims clashed: the Caucasus, the Black Sea straits and the Balkans. Time is changing the style and methods of competition but, unfortunately, not its essence. It is safe to say that nothing revolutionary will take place in the near future. But a favorable evolution is quite possible.

As a matter of fact, the manifestations of this evolution are already evident. About 20 years ago the sharply increased activity of Ankara in the Balkans would immediately be censured by Moscow as 'expansionist moves'. While police operations against the Kurds would be castigated as 'bloody crimes'. Ankara would use the same language for characterizing Moscow's actions in the Caucasus. Today both sides are more accurate in the choice of expressions and show more discretion in general. They have learned from experience and now understand better than before that they have enough similar problems. It is better to work for the solution of these problems instead of adding fuel to the fire. A keen perception of external threats to national security is characteristic of Turkey and Russia alike.

The Black Sea is the only sea that the US cannot have access to. US access to the Black Sea has been prevented by the joint efforts of Turkey and Russia. For this reason, Russia is well aware of the importance of the Black Sea and Turkey in this region. Of the countries on the coast of the Black Sea, Georgia and Ukraine have assumed an anti-Russian attitude. Bulgaria and Romania are pro-American, though they are not openly anti-Russian. The remaining country neighboring Russia is Turkey and it is neutral. The fact that the straits are controlled by Turkey, that Turkey has the longest coast line on the Black Sea, that it has the biggest military force in the Black Sea and that it neighbors both Europe and Caucasus gives Turkey great strategic and geopolitical supremacy. Even Turkey's neutrality is a great advantage for Russia. If Turkey pursues a pro-Western policy, this may turn the Black Sea into a NATO and US/Western sea in the blink of an eye, which is the least desirable thing for Russia. For this reason, Russia is obliged to be extremely careful in its moves against Turkey and it seems that Russia understand this reality.¹⁶⁶

Turkey has markedly advanced in its development and tries to assert itself as a more significant regional power. Russia, the successor to the vast Soviet empire,

¹⁶⁶ <http://www.turksam.org/en/a219.html>

has waived its superpower claims and concentrated on the solution of domestic and regional problems. Thus, there is a clear field for common efforts.¹⁶⁷

Russia also reiterated its support to the Turkey-sponsored idea of forming a Caucasian stability and partnership platform. Turkey had offered to form a Caucasus alliance to contribute peaceful solutions to the conflicts in the region. The alliance is envisaged to bring together Russia, Turkey, Georgia, Armenia and Azerbaijan, though the task seems to be hard given the bilateral issues between these countries.¹⁶⁸

2/6 The external economic relation of Turkey

The current trade policy of Turkey is relatively more liberal than the trade policy of certain European and Central Asian countries with average or higher than average level of revenues. Moreover the current foreign trade policy of Turkey is more liberal than it was in the beginning of 2000s. In this context it is worth mentioning that according to trade tariff restrictiveness index Turkey holds the 4th place amongst 125 countries.¹⁶⁹ As a result of the establishment of the customs union with the EU, Turkey applies EU tariff policy with regard to imports from third countries and has abolished the application of tariffs and quotas with respect to industrial products originating from the EU. The antidumping measures are also applied frequently, particularly during the period 2002-04 the number of antidumping measures initiated in Turkey are equal to the number of measures effected by the EU25.¹⁷⁰

According to World Bank Doing Business 2007 report Turkey is ranked on the 57th place, whereas Armenia is on the 39th place from the point of view of ease of doing business.¹⁷¹ For the period of 2006-07 the external trade turnover growth of Turkey was 23.17%. For comparison, the external trade turnover growth of Armenia for the same period was 39.1%.¹⁷²

¹⁶⁷ <http://www.sam.gov.tr/perceptions/Volume2/March-May1997/RUSSIA.pdf>

¹⁶⁸ <http://www.sam.gov.tr/perceptions/Volume2/March-May1997/RUSSIA.pdf>

¹⁶⁹ Trade Tariff Restrictiveness Index (TTRI) 2006

¹⁷⁰ World Bank, 'Turkey: Trade Brief'. Available at:

<http://info.worldbank.org/ctools/wti2008/docs/brief194.pdf>

¹⁷¹ World Bank Group, World Trade Indicators 2008, Country Comparison. Available at:

<http://info.worldbank.org/ctools/wti2008/3b.asp?pillarID=1&indList=66&indList=118&indList=152&indList=161&indList=190&cList=194&cList=9®ionID=r2&periodID=14>

¹⁷² National Statistical Service of the Republic of Armenia. Available at:

<http://www.armstat.am>

Table 1. The main indicators of foreign trade of Turkey

	2003	2004	2005	2006	2007
Export (\$ million)	47253	63167	73476	85535	107213
<i>Change (%)</i>	<i>31.0</i>	<i>33.7</i>	<i>16.3</i>	<i>16.4</i>	<i>25.3</i>
Import (\$ million)	69340	97540	116774	139576	170057
<i>Change (%)</i>	<i>34.5</i>	<i>40.7</i>	<i>19.7</i>	<i>19.5</i>	<i>21.8</i>
Trade balance (\$ million)	-22087	-34373	-43298	-54041	-62844
External turnover (\$ million)	116593	160707	190251	225111	277270

Source: Turk Stat, Turkey's Statistical Yearbook, 2007, p. 243

As the data presented in table 1 illustrates, for the indicated period the volumes of both export and import has considerably increased although it does not resulted in the improvement of trade balance. Thus, for the period of 2003-2007 the trade balance deficit had almost tripled.

Table 2. The product structure of foreign trade of Turkey

	2003	2004	2005	2006	2007
<i>Export</i>	47253	63167	73476	85535	107213
Agriculture and forestry	2121	2542	3329	3481	3725
Fishery	81	103	140	131	158
Mining	469	649	810	1146	1661
Industry	44378	59579	68813	80246	101023
Other	204	294	384	531	646
<i>Import</i>	69340	97540	116774	139576	170057
Agriculture and forestry	2535	2757	2801	2902	4641
Fishery	2	8	24	33	31
Mining	9021	10981	16321	22034	25314
Industry	55690	80447	94208	110379	133933
Other	2092	3346	3419	4229	6139

Source: Turk Stat, Turkey's Statistical Yearbook, 2007, p. 243

The table 2 illustrates that the product structure of foreign trade of Turkey is differentiated (despite the fact that both in the structure of export and import the main product group are the industrial products). As well as for the indicated period the foreign trade (for all the commodity groups) both with regard to export and import has at least doubled. Thus, the share of industrial commodities is 90% in the export structure and 79% in the import structure. Turkey has accomplished policy of liberalization in such economic branches like tourism, banking sector, telecommunications, mining and energy. The investment climate has also significantly improved in Turkish economy. Currently there are certain limitations only for the trade of agricultural commodities, which restrict the competitiveness of the sector.¹⁷³

Table 3. The foreign trade of Turkey with main partner countries

Import			Export		
	\$ million	%		\$ million	%
Total	170057	100.0	Total	107213	100.0
Russia	23508	13.8	Germany	11993	11.2
Germany	17540	10.3	Great Britain	8626	8.0
China	13234	7.8	Italy	7480	7.0
Italy	9968	5.9	France	5974	5.6
US	8164	4.8	Russia	4727	4.4
France	7850	4.6	Spain	4580	4.3
Iran	6614	3.9	US	4168	3.9
Great Britain	5477	3.2	Romania	3644	3.4
Switzerland	5269	3.1	United Arab Emirates	3241	3.0
Other	72434	42.6	Other	52780	49.2

Source: Turk Stat, Turkey's Statistical Yearbook, 2007, p. 252

Thus, besides the EU member countries, the main trade partners of Turkey are Russia, US, China, Iran, Switzerland and United Arab Emirates. Out of non-EU countries the biggest trade partner of Turkey from the point of view both import (13.8%) and export (4.4%) is Russia.

¹⁷³ Turkish Daily News, 'World Trade Body Confident in Turkey', Anatolia News Agency, 04.01.2008. Available at: <http://www.turkishdailynews.com.tr/article.php?newsid=92776>

Russia – Turkey bilateral trade relations As we have already mentioned among the non-EU countries the main trade partner of Turkey is Russia. Thus, among the main trade partners of Turkey Russia holds the first place, whereas Turkey holds only 14th place on the list on main trade partners of Russia. Russia exports to Turkey the following product groups: fuel and energy (72% of total exports), metals (16%) and chemicals (4%). Turkey exports to Russia textile (30%), machinery and equipment (23%), chemicals (15%) and food (15%). The strategic objective of those two countries is the establishment of “bilateral cooperation” especially in the energy, transportation and military sectors.¹⁷⁴

The strategic cooperation is based mainly on the energy sector, where both Turkey and Russia foresee the accomplishment of important projects. Besides, Russia aims at increasing the volumes of gas supply to Turkey, as well as at including of Russian companies in the process of gas distribution on the territory of Turkey.¹⁷⁵

Russia hails also the intention of Turkey to establish trade relations with Shanghai Cooperation Organization (SCO).¹⁷⁶ The members of Shanghai Cooperation Organization are Russia, China, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan.

However, according to certain Turkish analysts, the South-Ossetian conflict had a negative effect on Turkish-Russian trade relations, as a result of radically different position on this issue. Particularly, Russia applies strict custom examination on the tracks arriving from Turkey. This fact creates serious encumbrances for manufacturers, according to Turkish estimates.¹⁷⁷

On the other hand, as a respond to “punitive measures” applied by Russia, Turkey threatens to limit the volumes of products imported from Russia. However, taking into account the economic dependence from Russia and particularly the fact that 2/3 of natural gas of Turkey is supplied by Russia, Turkey seeks to overcome the controversy with Russia and to retrieve the previous level of trade relations.¹⁷⁸

US – Turkey bilateral trade relations: The strengthening of economic relations between Turkey and the US is an important instrument for strengthening

¹⁷⁴ EurActive.com, ‘Turkey-Russia Relations’, 12.01.2005. Available at: <http://www.euractiv.com/en/enlargement/turkey-russia-relations/article-134083>

¹⁷⁵ EurActive.com, ‘Turkey-Russia Relations’, 12.01.2005. Available at: <http://www.euractiv.com/en/enlargement/turkey-russia-relations/article-134083>

¹⁷⁶ Mevlut Katik, ‘Turkey, Russia Celebrate Trade Ties while Probing an Expansion of Geopolitical Contacts’, 12.01.2005. Available at: <http://www.eurasianet.org/departments/business/articles/eav011205.shtml>

¹⁷⁷ Mustafa Kutlay, ‘How the Conflict in Georgia Affects Turkey-Russia Trade Relations?’, Turkish Weekly. Available at: <http://www.turkishweekly.net/comments.php?id=2975>

¹⁷⁸ Alex Barker, ‘Turkey threatens Russian trade curbs’, Financial Times, 29.08.2008. Available at: <http://www.ft.com/cms/s/0/c0a80360-761a-11dd-99ce-0000779fd18c.html>

the strategic partnership between Turkey and the EU. An Economic Cooperation Commission has been establishment for effective achievement of this goal. The commission periodically holds meetings when it discusses the strategic directions of economic cooperation. The modern strategic directions of Turkish-American economic relations are the promotion of trade, investment and innovative society, regional leadership and cooperation, cooperation in energy sector as well as the establishment and tightening of ties between various business sectors.¹⁷⁹

China –Turkey bilateral trade relations: A trade agreement was signed between China and Turkey in 1981. At the same year an agreement was signed on economic, industrial and technical cooperation.¹⁸⁰ The volume of trade between China and Turkey was \$ 8.1 billion in 2006. However, Turkey records significant trade balance deficit in the trade with China. Turkey tries to expend the list and volumes of export to China in order to overcome the trade balance deficit.¹⁸¹ Consequently, the problem of trade relations between Turkey and China is that Turkey is mainly importer of Chinese goods, whereas the volume of Turkish exports to China are insignificant. Turkish exports to China consist of iron, marble and granite which constitute 50% of Turkish exports to China.¹⁸² From this standpoint, Turkey tries to diversify its exports to China, as the dependence on one or two sectors makes the trade with China vulnerable and decreases productivity. The flourishing Chinese economy, as well as the increase of the purchasing power of population offers an opportunity to increase export volumes in sectors like services, telecommunications and jewelry.

The World Trade Organization report indicated that the trade results of Turkey will continue to maintain the high level. The accomplishment of efficient structural reforms in the structure of foreign trade will contribute to economic development of Turkey. The structure of Turkish economy, as well as the increasing role of small and medium enterprises (SMEs) will increase incontestably the foreign trade volumes.¹⁸³

¹⁷⁹ U.S. Department of State, ‘Turkey-United States Economic Partnership Commission Action Plan’, 25.05.2007. Available at: http://turkey.usembassy.gov/news_052507.html

¹⁸⁰ Ministry of Foreign Affairs, the People’s Republic of China, ‘Bilateral Relations’, 08.25.2003. Available at: <http://www.fmprc.gov.cn/eng/wjzb/zzjg/xybfs/gjlb/2898/>

¹⁸¹ Turkish Daily News, ‘Turkey, China sign trade deal’, June 19, 2007. Available at: <http://www.turkishdailynews.com.tr/article.php?enewsid=76175>

¹⁸² Suna Lee, ‘Turkey and China – Strengthening Economic Ties’, ASAM, 2007. Available at: <http://www.asam.org.tr/tr/yazigoster.asp?ID=1844&kat1=58&kat2=>

¹⁸³ Turkish Daily News, ‘World Trade Body Confident in Turkey’, Anatolia News Agency, 04.01.2008. Available at: <http://www.turkishdailynews.com.tr/article.php?enewsid=92776>

Chapter 3

Main Features of Turkey-EU Cooperation

Since the 1920s the Turkish political elite has embarked on the policy of Turkish Europeanization, which has been perceived by many as accession of Turkey to the civilized world. The history of a half-century relationship between EU and Turkey that was started in July of 1959 when Turkey applied to the European Economic Committee with the bid to become an associate member. The primary goal of Turkey though was to accede to the European Union. It first submitted a membership appeal in 1983. In 1990 the European Council approved Turkey's justified claims, but the process of membership was procrastinated and slowed down due to certain political developments, as well as Turkey's lack of preparation to accede to the organization. The issue became even more cumbersome after the end of the Cold War. A number of new countries of Eastern and Central Europe that had a communist origin have come to the scene and the integration into the European community has become a political priority for them. This fact created obstacles for Turkey on her way to the European Union and Turkey thus moved to the last place on the list of candidate countries.

In 1999 a dramatic change took place in EU-Turkey relations with the adoption of the resolution by the Helsinki European Council that endorsed Turkey as a candidate country. Similar resolutions were passed in March 2001, May 2003 followed by the start of official negotiations on membership in October 2005. The resolutions require that Turkey implements a rather comprehensive package of reforms to ensure freedom of speech, human rights, civil society and other. In order to realize these obligations Turkey has developed a National Program for the Adoption of the Acquis (NPAA) to fulfill its national legislations into conformity with the EU criterion.

The prevailing opinion in Turkey is that Turkey is being Europeanized and democratized not entirely but to the extent it is required by the EU. The perspective of Turkey's accession to the EU remains uncertain. The negotiations are still ongoing, but it is obvious that they have lost their momentum lately and according to some analysts Turkey's accession to EU appears a lesser possibility.

Notwithstanding EU-Turkey relations have not lost their relevance, and there is ongoing research and political forecasting about the future prospects of this issue. In this context, Turkey's public support to the issue has gained a special importance.

The current elite of Turkey and the majority of population obviously continue to actively support the EU accession process. On the other hand, the anti-European moods are growing.

The EU experts refer to the progress made by Turkey in the area of legal reforms, but there are still gaps as regard to the participation of the military in politics, freedom of speech and press, protection of the rights of minorities and some other issues. The EU therefore gives an average ranking to Turkey since it has not satisfactorily brought about the reform process.

Turkey's full integration into the EU would be the final accord on her way to Europeanization and it would cost her a huge political and economic price.

3/1 Legal preconditions for the relations between Turkey and EU before the accession procedure: The association agreement between the communities and Turkey

The Association Agreement and the Scope of Its Regulation: Being one of the influential tools of the Union's policy, the agenda of its enlargement currently is focused on the Western Balkan countries¹⁸⁴ and Turkey, if the latter comply with the necessary preconditions for the accession. Thus, the accession of Turkey to the EU is an issue of current importance for that country.

Turkey's integration to the European Union has deep historical roots. It dates back to the 1950s, when the founder of the contemporary Turkey Mustafa Kemal Atatürk launched a political program of transforming Turkish society to a secular and contemporary society, which since 1950s has been attempting to improve and strengthen its democracy taking as a ground the European norms, as well as gradually enter into the European integration process acceding the European Union in the consequence.¹⁸⁵ In 1959 Turkish government initiated a negotiation procedure for signing an association agreement with the Communities. However, still before becoming a part of these integration processes Turkey had already received a membership in the OSCE (in 1948), Council of Europe (in 1949) and North-Atlantic treaty organization (1952).

¹⁸⁴ Particularly, Kosovo, Croatia, Former Yugoslav Republic of Macedonia, Albania, Montenegro, Serbia, Bosnia and Herzegovina.

¹⁸⁵ Kemal Kiriski " 12-13 December 2002- Copenhagen summit of the European Council and Turkey", p. 3 (available at <http://www.tusiad.us/Content/uploaded/KIRISCICOPENHAGENTUSIADWDC.PDF>):

After the negotiations which lasted for almost 4 years, the Association agreements signed in Ankara on September 12, 1963, became a cornerstone document for the development of the relations between Turkey and EU.¹⁸⁶ The preconditions for signing the Agreement were far more political (particularly concerning the security), than economic.

The initial goal of the ‘Ankara Agreement’ was ‘to promote the continuous and balanced strengthening of trade and economic relations between the Parties, while taking full account of the need to ensure an accelerated development of the Turkish economy and to improve the level of employment and the living conditions of the Turkish people’, which was to be accomplished through the creation of customs union between Turkey and EU (article 2(1)). In the meantime, the Preamble of the Agreement and the article 28 mentioned another goal as well, which was facilitating the accession of Turkey to the Community ‘at a later date’.

Under article 2 of the Agreement the association procedure was divided into 3 stages stating the concrete period for each of them:

1. *a preparatory stage*, during which the Communities should assist Turkey in strengthening its economy through financial aid and regulation of the exports of certain agricultural products of Turkish origin to the Communities.
2. *a transitional stage*, during which a customs union was to be established for 12-22 years depending on the types of products.
3. *a final stage*, which would make Turkey’s accession to the European Union possible.

The preparatory stage was agreed to last 5 years, which was followed by the negotiations of the transitional stage that lasted from 1968 to 1970 and was concluded in 1970 by the adoption of the Additional Protocol.¹⁸⁷

The ‘Ankara agreement’ provides for the following 4 main areas of cooperation between Turkey and the Communities:

1. free movement of goods, services, capital and workers
2. competition
3. legislative approximation and
4. financial aid.

¹⁸⁶ EEC-Turkey Association Agreement 1963 OJ 1973 C 113/2 (M), which entered in to force on December 1, 1964.

¹⁸⁷ Additional Protocol and Financial Protocol, of 23 November 1970, annexed to the Agreement establishing an Association between the EEC and Turkey and on measures taken for their entry into force, OJ 1972 L 293/68. The Protocol entered into force in on January 1, 1973.

Being an important linchpin document for Turkey in the integration to the European family, the question of the legal force of the Agreement was raised in practice and was interpreted by the European court in the case *Mere Demirel v Stadt Schwäbisch*.¹⁸⁸ In response to the question by a German court, The European court held that the provisions of the agreements signed by the Community with non-member countries were directly enforceable only in the cases if those provisions contained a precisely stated obligation, the implementation of which did not require subsequent additional actions. Meanwhile deriving from the structure of the Association agreement it could be concluded that it defined general goals and set forth the necessity of attaining those goals. Nonetheless the agreement did not contain concrete norms, rules to attain those goals (except certain provisions in the Additional Protocol). Consequently, the provisions of the Association Agreement did not constitute a part of the Communities' law directly enforceable in the national legal systems of the member-countries.

The bodies provided by the Agreement; 'Ankara agreement' provided for the establishment to Association Council, the main task of which was to ensure the progressive development of the implementation and association affairs. The Association Council consists of members of the Governments of the Member States and members of the Council and of the Commission of the Community on the one hand and of members of the Turkish Government on the other (Article 23).

The Council issues recommendations, as well as makes decisions in cases provided by the Agreement. The decisions of the Council are adopted unanimously. The presidency in the Council is interchangeably exercised by the representatives of Turkey and EU:

Though the Ankara agreement provided for the establishment of only the Association Council, however, in course of time a number of bodies were established which were to assist the Association Council in the accomplishment of its tasks. Thus, the Association Committee was established by the Decision 3/64 of the Association Council.

As the Association Council had the obligation of promoting cooperation between the European and Turkish Parliaments under the Agreement, by its Decision No 1/65 the Association Council established a Parliamentary Committee.

¹⁸⁸ ECJ Case 12/86 *Meryem Demirel v Stadt Schwäbisch*, Judgment of the Court of 30 September 1987. Meryem Demirel was wife of Turkish citizen, whom the German authorities had prohibited to establish in Germany and to join her husband leaving there. The German Court filed a question to the ECJ in order to find out whether the term 'freedom of movement' should be understood as the right of the Turkish citizens legally residing in the Member-state to reside with them also their husband and wife and children .

It consisted of the 25 members from both European and Turkish parliaments and could come up with relevant proposals before the Association Council. It did not have legislative authorities.

In the meantime, 8 subcommittees were established in the Association Council, which had the aim of preparing Turkey to the process of the implementation of Community's law (*Acquis communautaire*).

To support the works of the Association Council the Customs Cooperation Committee and the United Committee on Customs Union were established by the Decisions No 2/69 and 1/95.

The Customs Cooperation Committee and the United Committee on Customs Union provided for the exchange of experience and information on the customs issues. Meanwhile, Turkey should inform about any legal act in the field of the Communities' law, which concerned the customs union. It is noteworthy, that besides the institutional cooperation under the Agreement, Turkey participates also in the activities of the European agency on environmental protection and theoretically can participate in all the other programs by the Communities.

The free movement of goods under the Agreement:As it has been mentioned above, one of the areas of cooperation between Turkey and EU under the Association Agreement was the strengthening of relations in the trade and economic areas and stimulation of the growth of commodity turnover. In this respect, the Association Agreement provided only for directions, the further implementation of which should be exercised within the frameworks of the customs union. Article 10 of the 'Ankara agreement' limited itself only to the mentioning about the prohibition of tariffs and quantitative restriction. Further regulation of the question was set forth by the Additional Protocol No 1/95,¹⁸⁹ which provided for the elimination of the import and export tariffs, as well as prohibited the establishment of new tariffs and measure of equivalent effect.¹⁹⁰

The free movement of workers A vague interpretation of the problem of free movement of workers, which has been a subject for sharp debates, is available in the article 12 of the Ankara Agreement. It recognizes the articles 48, 49 and 50 of the Treaty on the European Economic Community as association guidelines and later develops them in the Additional Protocol and the Association Council Decisions No 2/76, 1/80 and 3/80. Under the Additional Protocol the free movement of workers was to be guaranteed only by the time of December 1, 1986.

¹⁸⁹ Decision No. 1/95 of the EC-Turkey Association Council of 22 December 1995 on implementing the final phase of the Customs Union, OJ 1996 L 35/1.

¹⁹⁰ The issues of the free movement of goods within the customs union are addressed in more details in the section referring to the 'Turkey-EU external economic relations' -

The political problems in the Community and the opposition to the movement of Turkish workers enabled the Association Council to attain only insignificant reforms in this field. Decision NO 2/76 allowed the free movement of workers during 10 years (from December 1, 1976 to December 1, 1986 according to the article 36 of the additional Protocol). Decision No 1/80 confirmed this development, meanwhile Decision No 3/80 provided for social security measures for the Turkish workers in the European Union. The Association Council did not initiate any other measure in respect of the free movement of workers, as the cooperation was ceased by the military revolution of 1980.

The freedom of movement for Turkish workers was further developed by the Court of the European Communities. In the above discussed case of *Demirel*, the Court found that the article 12 of the Ankara treaty and article 36 of the Additional Protocol were not precise enough to create rights for the persons after the end of the period defined by the Additional Protocol that is after December 1, 1986.

Nevertheless, facing the question of direct enforceability of the Decisions No 2/76 and 1/80, and especially the relevant articles 2, 7, 6 and 13, the Court in the case of *Sevince-Ç* asserted that persons could allege that Decisions despite the fact that they were not published and required their implementation to have a direct effect.¹⁹¹

Freedom of establishment and providing services: Articles 12-14 of the Association Agreement set the freedom of establishment and providing services as guidelines to the association. The Additional Protocol does not concentrate upon these freedoms, but provides for a suspending provision about them and puts the obligation for defining a timetable for these freedoms and their implementation upon the Association Council.¹⁹²

Despite the continuous negotiations between Turkey and EU over this issue, the Association Council has not initiated any real measure in this respect. Currently, neither the Turkish nationals, nor the citizens of the Union can take the Association Agreement as a ground, when they wish to provide services or establish in the European Union or Turkey.

Competition environment : Through the Ankara agreement contains certain references about the competition, however this issue was further clarified only by the article 43 of the Additional Protocol, which laid the responsibility over the Association Council for initiating measures directed to the implementation of

¹⁹¹ Case C-192/92, S. Z. Sevince v Staatssecretaris van Justitie point 24. (http://eur-lex.europa.eu/smartapi/cgi/sga_doc?smartapi!celexplus!prod!CELEXnumdoc&lg=en&numdoc=61989J0192)

¹⁹² Article 41 of the Additional Protocol.

the articles 81, 82, 86 and 87 of the European Treaty on the competition. This obligation was achieved through the articles 32, 33 and 34 of the Decision No 1/95, which are in their essence identical to the articles 81, 82 and 87 of the European treaty. Moreover, according to the article 35 of the Decision, the activities contradicting to the competition must be evaluated based on the criteria established by the law of the Community.

Approximation of the Legislation : The maximum approximation of Turkey's legislation with the EU norms and standards is of essential importance for the accession of Turkey to the European Union. For a full membership Turkey needs not only to revise those norms of its legislation which regulate the 'primary' areas under the Turkey-EU agreements, but also to approximate and adopt a whole system of legal principles and doctrines, which constitute the essence of *acquis communautaire*.

Acquis communautaire is tightly connected with the EEC (European Economic Community) enlargement process. During the meeting of the heads of the countries member to the EEC in Bad Godesberg in July 18, 1961, it was declared that deriving from the needs of ensuring a progress in the political union of EEC member countries, it was necessary for the countries claiming to the EU membership to undertake all the obligations, which the EEC member countries possessed and to accede to the EEC common political perspectives before becoming a full member of the EEC. The EU *acquis communautaire* is now a cornerstone tool for the EU external policy in respect of countries claiming to EU membership. To become a member of the EU it is mandatory for the country to effectively approximate and implement the *acquis communautaire* before the successful outcome of the accession negotiations.

The 'exportation' of *acquis communautaire* is exercised by the approximation provisions of the EU external agreements.¹⁹³ As a result, the third countries, which are willing to strengthen their cooperation with EU, voluntarily initiate a process of approximation of their national legislation.

The Ankara agreement also provides 'approximation provisions'. Particularly, para 2 of the article 10 (2) the customs union between Turkey and EEC shall involve the adoption by Turkey of Common Customs Tariff of the Community in its trade with third countries, and an approximation to the other Community rules on external trade. One of the approximation provisions in the 'Ankara agreement is article 16, under which Turkey and EU recognize that the principles laid down in

¹⁹³ Roman Petrov, "The External Dimension of the Acquis Communautaire", MWP Working Paper 2007/02, European University Institute, Florence, p. 18-21.

the provisions on competition, taxation and the approximation of laws contained in Title I of Part III of the Treaty establishing the Community must be made applicable in their relations within the Association.¹⁹⁴

As the establishment of the customs union between Turkey and EU was one of the major goals of the ‘Ankara agreement’, which assumes itself a wide implementation of trade *acquis* to the legal system of Turkey. In this respect, an important role has the Decisions No 1/95 and 2/97 of the Association Council¹⁹⁵ and the Decision 1-96 of the EU-Turkey Customs Cooperation Committee.¹⁹⁶ The latter completed the gap which existed in the Ankara agreement and its additional protocols in respect of defining the extent of the implementation of the *acquis communautaire*.

In particular, chapter 4 of the Decision No 1/95 in separate sections defines the areas, where Turkey needs to exercise the approximation of its legislation. Hence,

- Section one regulates the protection of the intellectual, industrial and trade legislation. Article 31 (2) states that the Parties recognize the fact that the Customs Union can function efficiently only in the case if the effective protection of the intellectual property by the Parties is exercised on an adequate level.

- The second section refers to the competition rules in the customs union, which prohibits gaining a monopoly position in the market and provides the obligation for Turkey to approximate the legislation in this field, its extent and the timetable.

- The third section concerns the mechanism of trade protection, which put the obligation on the Association Council to supervise the compliance to the norms of the competition law in the trade relation with third countries.

- The section four is about mutual supplies to the open markets and an obligation is defined for the Association Council to start negotiations and provide annual progress reports in this respect.

- The section five, refers to the direct and indirect taxes.

Decision No 1/95 establishes the obligation of Turkey to approximate the general agricultural policy, so as to ensure the free movement of the agricultural products.¹⁹⁷ Turkey undertook an obligation to approximate its legislation also in such areas as standardization, metrology and calibration, quality, accreditation,

¹⁹⁴ EEC-Turkey Association Agreement 1963 OJ 1973 C 113/2 (M) 16.

¹⁹⁵ Decision No. 1/95 of the EC-Turkey Association Council of 22 December 1995 on Implementing The Final Phase Of The Customs Union, OJ 1996 L 35/1.

¹⁹⁶ Decision No. 1/96 of the EC-Turkey Customs Cooperation Committee Laying Down Detailed Rules For The Application Of The Decision 1/95 (OJ 1996 L 200/14).

¹⁹⁷ Decision 1/95, Article 25.

testing and certification.¹⁹⁸ Moreover, Turkey must interpret the identical provisions of the Decision 1/95 in compliance with the ECJ case-law.¹⁹⁹ In the meantime, Turkey should ensure also the implementation of the principles established in the EC primary and secondary legislation in accordance with the ECJ case-law.²⁰⁰

3/2 The main procedure of Turkey's accession criteria and the process of their accomplishment

The relations between Turkey and EU were temporarily ceased because of the military revolution in Turkey. However, several years later the relations were reestablished and on April 1987 Turkey filed an application for accession to the EU. Having the application considered the European Committee ascertained the possibility for Turkey's accession, however rejected the request bearing in mind the political and economic situation in Turkey, while postponing its reconsideration to a later date.²⁰¹

The Copenhagen summit of June 21-23, 1993 in Danish city Copenhagen launched a new stage in the Turkey-EU relations, during which the general mandatory criteria for the accession to the EU have been defined, thus opening the road for the Central and Eastern Europe countries to accede the EU. Nevertheless, starting the possible accession negotiations with the Central and Eastern European countries, as well as Cyprus, Turkey was not made a part of that process. EU simply limited itself to signing an agreement on the establishment of customs union with Turkey in 1995.

At the Luxemburg Summit of December, 1997 it was decided not to include Turkey among the 10 candidate countries, which acceded to the EU in May, 2004. This brought to a breakdown in the EU-Turkey relation, Ankara *de facto* cooled its relations with Brussels.

However, as a replacement to the accession Turkey was offered "A special European strategy for Turkey" which had the aim of bringing Turkey closer to the EU and to lead to its consequent membership. In any case the European countries were not willing to completely reject and push Turkey out from the integration

¹⁹⁸ Decision 1/95, Article 8(4).

¹⁹⁹ Decision 1/95, Article 66.

²⁰⁰ Decision 1/95, Article 42.

²⁰¹ See Embassy of the Republic of Turkey in London: About Turkey and EU (http://www.turkishembassylondon.org/canon/aboutturkey_eu.htm)

process. The Luxemburg Summit was also the first official forum, where though not directly, but was stated that Turkey's accession to the EU is conditioned by the settlement of the problems in the Aegean Sea and Cyprus.²⁰² It should be mentioned that the latter were additional preconditions put before of Turkey simultaneously with the official accession preconditions (i.e. Copenhagen criteria).

The EU-Turkey relations were raised to a higher level only on December 10-11, 1999 Helsinki European Summit, where Turkey was officially recognized as a candidate country with the same legal status as for the other candidate countries.²⁰³

In order to guide Turkey in the accession process the European Commission prepared of the Accession Partnership Document for Turkey, which was published on March 8, 2001. Bearing in mind the realistic problems which Turkey could accomplish, the document defined short-term and mid-term priorities, the first of which had to be accomplished by Turkey in 1-2 year-time, and the second, within 3-4 years. The document has been revised for 3 times, that is in 2003, 2006 and 2007 correspondingly providing new requirements to Turkey. In the fulfillment of the Accession Partnership Document Turkey published a National program on March 19, 2001, which was introduced to the European Commission on March 26.²⁰⁴ It was elaborated with a delicate evaluation of the short-term and mid-term priorities.

Granting to Turkey a status of a candidate state, however the negotiations with the latter did not start immediately. About the opening of the accession talks with Turkey was spoken on a high level for the first time only during the European Council of December 14-15, 2001 in Laeken in response to certain steps initiated by Turkey to comply with the Copenhagen criteria. One of the important decisions made in Laeken was inviting Turkey to participate in the Convention on the Future of Europe with the equal rights to the other candidate states. This was a delicate manner aimed at showing to the Turkish society and authorities that the steps initiated by the latter to accessed the EU were appreciated by their European partners.²⁰⁵

During a conference of December in Copenhagen, it was decided that EU will immediately start negotiations with Turkey, if Turkey complies with Copenhagen

²⁰² <http://www.pism.pl>, Turkey and European Union: Main political Problems on the Way of EU Membership; Ionka Ozer

²⁰³ 'The European Union in Detail', European Integration Library, Volume VIII, Yerevan 2006, p.91

²⁰⁴ See <http://www.ikv.org/tr/EU-Turkey/History>, (visited in 04.11.2008).

²⁰⁵ See <http://www.byegm.gov.tr>, The European Union: Towards Accession

political criteria by December 2004.²⁰⁶ The agreement upon the date was reached with great difficulties as there were many contradicting approaches. Particularly, still in November 2002 the ex-president of France Valerie Giscard D'Estaing asserted that Turkey is not a European country and the acceptance of Turkey to the EU will be the end of the Union. The former French president Jack Chirac and German chancellor Gerhard Shredder several days before the Summit came up with the proposal to start the negotiations with Turkey on July, 2005. Opposing to them, the Government of United States on behalf of George Bush, upheld the need to recognize the important achievements of Turkey, especially in submitting the idea of democracy in the Muslim world and was pressing upon the EU member-states to appoint an earlier date for the start of negotiations with Turkey.²⁰⁷

It is noteworthy that the Copenhagen decision was reached in such an extraordinary time when a number of important political developments occurred. First of all, during the Copenhagen Summit it was decided to accept into the EU also Cyprus together with the Eastern countries. Secondly, the decision was adopted in a time when United States were preparing to enter into war with Iraq. Nevertheless, the Copenhagen summit was a historical event in two important aspects. Firstly, after the 1999 Helsinki Summit the Copenhagen Summit indispensably had an important role by defining an approximate date for the start of the negotiations. If in Helsinki Turkey's capability to reform its state and democratic institutions in compliance with European criteria was confirmed, then in Copenhagen the further progress of Turkey to Europe was planned.

In the meantime, not receiving a more concrete date for the start of the negotiations in Copenhagen, the Turkish government got an 'important lesson', that Turkey being in economic and political crisis will always have serious problems in the relations with EU, and on the contrary, resolving its political and economic problems, Turkey will be the best place for accession talks. From the other side, the Copenhagen Summit made Turkey's accession to the EU far more realistic to Europe forcing to seriously ponder over the fact how the Europe imagined itself in the future after the membership of Turkey.

As already mentioned above, during the 1993 Copenhagen Summit the mandatory criteria were set forth for the countries claiming to be a member of EU, which are the following:

²⁰⁶ See <http://www.pism.pl>, Turkey and European Union: Main political Problems on the Way of EU Membership (visited in 04.11.2008).

²⁰⁷ Kemal Kiriski, '12-13 December 2002- Copenhagen summit of the European Council and Turkey', p. 1-2 (available at <http://www.tusiad.us/Content/uploaded/KIRISCICOPENHAGENTUSIADWDC.PDF>, visited in November, 2008):

1. *political*, which assume stability of democratic institutions, rule of law, respect and protection of human rights and the rights of minorities.

2. *economic*, which link to the establishment of the functioning market capable to overcome and resist the pressure of competition and market forces within the Union.

3. *legal*, which require the capability to undertake all the obligations deriving from the membership, including the ability to follow the goals of the political, economic and monetary union.²⁰⁸

Thus, the primary criterion on the way of Turkey to the EU has been the political one, the accomplishment of which is a precondition for the start of the accession negotiations and the implementation of which requires from Turkey to commence a number of legislative reforms. After the Helsinki Summit the first step in this respect was the Constitutional reforms of October, 2001, when 34 articles of the Turkish Constitution were amended. The latter concerned the freedom of expression and thoughts, freedom of association, gender equality, fair trial, etc. Among the reforms carried out by the government of Erdogan noteworthy are particularly the ratification of 6 Protocols of the European Convention of Human Rights, as especially the signature of Protocol 13, which abolished death penalty for all the crimes in Turkey. Other notable steps were certain elimination of the ban on teaching Kurdish, bringing the laws on women's rights in the conformity with European principles, strengthening the civil supervision of the army.

A new Civil Code was adopted in 2001, which included provisions on the freedom of speech and thoughts, fight against tortures, on democracy, communication, free movement and establishment, sexual equality, freedom of association, etc.²⁰⁹ Amendments were made also in the Criminal Code, the Law on Terrorism, the Law on Political parties, the Law on Mass Media, the Law on the Political Association.²¹⁰ Nevertheless, the majority of the adopted reforms were left on the paper and followed a mere purpose of complying with the EU

²⁰⁸ See <http://www.auswaertiges-amt.de/diplo/en/Europa/Erweiterung/KopenhagenerKriterien.html> (visited in November 2008).

²⁰⁹ <http://www.byegm.gov.tr/on-sayfa/new-civil-code.htm>

²¹⁰ Ersin Kalaycıoğlu, *The Political Criteria: Fair or Strict Conditionality?*, available at www.sant.ox.ac.uk/esc/esc-lectures/Ersin.doc (visited in 24.12.2008), p. 9-10.

requirements.²¹¹ During the meeting of the European Council in 2004 in Brussels, the EU positively evaluated a number of reforms carried out by the Turkish government, however, underscored the fact that the process of the reforms had not yet reached its end and should be continued.

Notwithstanding the fact that Turkey had not totally attained the Copenhagen political criteria, on October 3, 2005 the EU decided to start the accession negotiations with Turkey under the condition that Turkey would follow its efforts to finally accomplish the Copenhagen political criteria.²¹² The long-awaited negotiations started on June 12, 2006. The format of the talks comprised discussions over 35 different areas. The Council exercised the opening and closing of negotiations on each section.

The evolution of the steps undertaken by Turkey to comply with the Copenhagen criteria is given by the Annual Progress Reports published by the European Commission.

In the report of European Parliament of September 2006, it was underscored that the progress in respect of freedom of speech, national minorities' rights, corruption and violence against women was not suffice.²¹³ The critical report of the Commission on the membership process of Turkey then followed and it was suggested to partially adjourn the accession talks with Turkey. The foreign ministers of the EU member-countries decided to follow the Commission's proposal and postponed the negotiations over the 8 negotiating areas from 35 to December 11, 2006. In the 2007 Progress Report on Turkey the Commission proposed not to start the negotiations on the justice and human rights sectors, until Turkey reformed its criminal law system.²¹⁴

The 2008 Progress Report on Turkey records, that to accomplish the political criteria, Turkish citizens residing abroad were granted a right to participate in the parliamentary elections, a law on local self-government has been adopted, the President was successful in reaching good relations with the Government of the country, the external relations were activated, etc. In the meantime, the European Commission noted that Turkey was particularly unsuccessful in developing a

²¹¹ <http://www.pism.pl>, Turkey and European Union: Main political Problems on the Way of EU Membership

²¹² Nutria Front, 'Why the European Union Gave Turkey the Green Light', *Journal of Contemporary Studies*, vol. 14, no. 2, 197-212, August 2006, p. 199.

²¹³ <http://www.euractiv.com>, EU-Turkey Relations

²¹⁴ Opp. Cit.

complex anticorruption strategy, in reducing the levels of corruption, in implementing human rights' protection mechanisms, in clarifying the grounds for limiting the immunity of the members of the Parliament, in establishing a legislation on financing the electoral campaigns, etc.²¹⁵

As regards to the Copenhagen economic criteria, according to the above-mentioned Report, Turkey has largely implemented the economic policy fixed with the Commission, the authorities have improved the investment environment reducing the administrative impediments for the establishment and functioning of the companies, the taxation system has been reduced and simplified, the taxation bureaucracy has been improved, the trade transparency with EU has been enhanced, a progress was noticeable in the area of liberalization of prices, etc. However, the Report also raises concerns over the problems of the level of employment in Turkey, on attaining the taxation targets defined for 2007, on the adoption of a new commercial code, etc.²¹⁶:

The Adoption of Union's *Acquis* by Turkey : An obligatory condition for any country willing to accede to the EU is the approximation of its legal system to that of the Union, in other words the adoption the Union's *acquis* ²¹⁷ The 1999 Helsinki summit placed this requirement also on the agenda of Turkey. Besides, in respect of the implementation of the *acquis* Turkey distinguishes from other candidate countries by number of differences:

1. Turkey not only made efforts to adopt *acquis*, but also received certain aid for that not having a full membership status. It should be mentioned that 1963 Ankara agreement made its contribution in the implementation of the *acquis*, and the Association Council was established in order to ensure the enforcement of its

²¹⁵ Commission staff working document, Turkey 2008 Progress Report, SEC (2008) 2699, 05.11.2008, Brussels, p. 6-29.

²¹⁶ Commission staff working document-Turkey 2008 Progress Report, SEC (2008) 2699, 05.11.2008, Brussels, p. 29-36:

²¹⁷ *Acquis* is a wide understanding in the EU law and comprises in itself: 1) the content, principles and political direction of EU treaties, 2) the relevant legislation, decision adopted in accordance with the Treaties of the Community, as well as the case law of the ECJ, 3) other binding and non-binding acts, such as inter-institutional agreements, resolutions, declarations, recommendations, guidelines, 4) joint actions in the field of common foreign and security policy, common positions, declarations, conclusions and other acts, 5) joint actions in the field of justice and home affairs, common positions, signed conventions, resolutions, directives and other acts, 6) international treaties concerning the actions by the Community, Community and the member-countries and the Union.

provision and resolve the arising disputes, which had an authority to adopt mandatory decisions.

2. Contrary to the other countries acceded or acceding to the Union, Turkey has adopted the significant part of the *acquis* still before becoming a candidate country. By 1981 the Association Council was the only body by the help of which the *acquis* was transformed into the legal system of Turkey. By a decision of 1982 the obligation of the coordination of the relations with the European Communities was laid upon the State planning agency. The latter exercised the selection and translation of the basic provision of the *acquis*. To implement the provisions of *acquis*, during the 1994 the legislative authority of Turkey has adopted the Laws on competition and Consumer protection, amendments were made in the Law on Intellectual and artistic works. During 1998-1999 Turkey established a body on supervision and regulation of banks, public supply body, bodies coordinating the electricity and telecommunications sectors, as well as a national agency in the field of education.

3. Entering the customs union without a full membership in the Community, Turkey undertook the obligation of adopting certain parts of the *acquis*, when not being allowed to participate in its development, but which has had a significant and decisive impact on the economy of Turkey.²¹⁸

4. Certain stages of the implementation of *acquis* were carried out in a period when Turkey was deprived from a number of mechanisms of EU assistance, from which other countries claiming to accession could benefit, in particular access to TAIEX offices (Technical Assistance Information Exchange Office), observations on the implementation of *acquis*, etc.

It is noteworthy that the implementation of *acquis* by a candidate country is a complicated procedure, which assumes certain observations and then negotiations in order to decently organize the process. Besides, as already mentioned, Turkey was deprived from the aid of the EU observation mechanisms in the beginning. However, at the regular meeting of the Association Council of April 11, 2000, 8 subcommittees were established with mission of exercising observations on the progress of examination of the *acquis*. The subcommittees held a number of meetings, the second stage of which ended on July 2001. There was a significant progress during the latter, as a result of which *acquis* became more perceptible for the Turkish bureaucracy making the need of detailed scrutiny of the *acquis* far more obvious. In the 2001 Progress Report on Turkey the Commission proposed to start a

²¹⁸ According to article 5 of the Ankara agreement the establishment the customs union between Turkey and the Communities is the final stage of the association relations.

new stage in the pre-accession policy including in it the detailed examination of the legislation of Turkey and the timetable for the approximation of the *acquis*.²¹⁹

It is interesting to refer to the EU's evaluation of the implementation process of *acquis* by Turkey. According to the 2008 Progress report by the Commission significant achievements have been noted in bringing the legislation of Turkey in compliance with the general principles of free movement, in ensuring the free movement of workers, in the areas of financial services and intellectual property law. Certain progress has been marked also in respect of the freedom of establishment, providing services, free movement of capital, electronic communication and information technologies. The Report also point out a small, but certain progress in the approximation of Turkish legislation in the areas of the fishing *acquis*, tax *acquis*, economic and monetary policy *acquis*, company right's *acquis*, *acquis* on agriculture.²²⁰

Thus, Turkey has made significant efforts to comply with the Copenhagen criteria. However the situation still remains far behind of the satisfactory, especially from the point of attaining the political criteria and various sections of the *acquis*. Turkey should surmount a number of challenges to develop the relations with EU. The latter are presented in the form of short-term and midterm priorities in the revised version of the 2007 Accession Partnership Document. They concern the judicial system (adoption of a new civil procedure code), anticorruption policy (development of a complex anticorruption strategy), democracy and the rule of law (introduction of the institute of the human rights defender), access to justice (to make efforts to ensure proper legal aid and qualified interpretation services), freedom of expression (to revise the legislation on freedom of expression and clarify the legal status of persons prosecuted or condemned for freedom of speech not containing calls for violence), freedom of association (to continue the approximation of the legislation on freedom of association in accordance with the case law of ECHR), freedom of religion (to establish an environment of tolerance fully respecting the exercise of the freedom of religion in practice), rights of women (to initiate measures to enforce the existing legislation on the rights of women, to enhance the role of women in the society, to increase information awareness on gender equality), rights of children (to initiate measures to overcome the child poverty, exploitation and street children problems), the Cyprus problem (to undertake concrete actions for establishing good relations with the member-countries, including the Cyprus), etc.²²¹

²¹⁹ See Armagan Emre Cakir, Turkey's adoption of the *acquis communautaire*: an undervalued acquaintance, p. 329-342 (<http://cide.univ.szczecin.pl/mec3/chap14.pdf>):

²²⁰ See Turkey 2008 Progress Report, SEC (2008) 2699, *supra* note 216.

²²¹ See Turkey 2007 Accession Partnership, OJ L051, 26/02/2008 P. 0004-0018:

Though during the approximation procedure the legislation of Turkey in certain areas was slightly improved, however Turkey is still unable to reach a full approximation. Further approximation is required from Turkey to ensure its access to the European Union.

Addressing the official requirements for the accession to the EU, Turkey still needs to undertake serious reforms in the economic, institutional, human rights and the minority rights protection areas. Notwithstanding the fact that Turkey is considered to be a secular Islamic country, which is far more democratic, West oriented and industrialized than its neighbors and differs in the region with its relative liberal government, it is still far from being democratic. Moreover, in the last decade numerous claims have been filed by the Kurdish community to the European Court of Human Rights against Turkey concerning the ethnic cleaning, tortures, assassinations, discriminatory treatment.

Moreover, Turkish authorities are periodically criticized for the significant influence that the military forces and the military administration has in the governance of the country, as a result of which the freedom of speech and media, civil supervision of the military forces, fairness of the judicial system, etc., are not fully safeguarded.

The Commissioner of the European Commission and in charge of the enlargement Dr Olli Rehn in his interview to the Turkish journal 'Milliyet' stressed that 'Turkey is the partner of EU. We highly appreciate its important and positive diplomatic role in the Middle East. We also share many economic and strategic interests. However the strategic incentives cannot be the only and even the key ground for our relations with Turkey. The functioning of EU is based on the democratic values and the rule of law. These are the foundations for the 'marital agreement', upon which we the Europeans, have involved each other for the construction of our Union. It's true that Turkey has noted progress in a number of areas, but there is still a lot of work to be done'.²²²

The final accession of Turkey is currently in the process of receiving legislative approval by the EU member-countries. In one of the consultative reports of the European commission, it is mentioned that EU-Turkey negotiations may be concluded in 2014. Pointing out 2014 is connected with the fact that the framework of negotiations with Turkey are based on a number of principles, one of which is that the accession negotiations with the candidate states, the membership of which may entail financial consequences (as in case of Turkey) may be concluded only

²²² Olli Rehn ' Time to revitalize Turkey's EU progress', Article for Turkish Newspaper Milliyet, 25.8.2008, p. 3, 4:

after 2014, when it is planned to adopt the new financial program of the EU'.²²³ Meanwhile the EU political leaders proclaim 2019 as a potential deadline for the accession of Turkey.²²⁴

3/3 Turkey – EU external economic relations

Turkey participates in the European integration process for already half a century. Since 1950s EU and OECD countries play a major role in external economic relations of Turkey. Those two huge markets are considered to be traditional markets and during the recent 50 years their importance has not gone down.²²⁵

Turkey expressed willingness to join the European Economic Community (EEC) for the first time in July 1959. As a response to the first application, the EEC made a decision to establish cooperation with Turkey. Consequently, the Ankara cooperation agreement was signed in 1963. The agreement also provided for the establishment of customs union²²⁶, which would enhance the economic and trade cooperation between the parties. An additional protocol was attached to the Ankara agreement, which defined a schedule for decreasing the tariffs and quotas for the products circulating between Turkey and the EEC.

Thus, Turkey signed a Cooperation agreement with the EU for promoting the trade and economic relations. According to Cooperation Council decision (March 6, 1995), the customs union entered into force on December 31, 1995. The customs union includes all the industrial goods and services, except processed agricultural products. In 1996 a free trade area²²⁷ was created between the EU and Turkey for the products covered by the European Coal and Steel Community. The 1/98 decision of the agreement covers the trade of agricultural products. In addition to the customs union with the EU, Turkey has signed free trade agreements with the European Free Trade Association (EFTA) member countries, as well as with Israel,

²²³ See webpage on EU-Turkey Relations, <http://www.euractiv.com> (visited on November, 2008),

²²⁴ See The European Union in Details, European Integration Library, p.93

²²⁵ Bahri Yilmaz (2003) “ Turkey's Competitiveness in the European Union: a Comparison with Five Candidate Countries - Bulgaria, The Czech Republic, Hungary, Poland, Romania - and the EU15

²²⁶ A customs union is a free trade area with a common external tariff. The participant countries set up common external trade policy, but in some cases they use different import quotas.

²²⁷ Free trade area is a designated group of countries that have agreed to eliminate tariffs, quotas and preferences on most (if not all) goods and services between them. It can be considered the second stage of economic integration.

Croatia, Bosnia and Herzegovina, Tunis, Morocco, Syria, Egypt and Albania. Currently talks on establishment of free trade area are being conducted with Jordan and Lebanon.²²⁸ Besides, Turkey is a participant of Euro-Mediterranean partnership, and it should sign free trade agreements with all the Mediterranean partners aiming at the creation for Euro-Mediterranean free trade area.

Turkey was granted a status of candidate country during the Helsinki summit in 1999.²²⁹

In December 2004 the European Council made a decision, according to which Turkey meets the Copenhagen political criteria for the commencement of membership talks. The negotiations started on October 3, 2005 when the Council approved the structure of the negotiations procedure.

Customs Union. The agreement on the customs union consists of three components:

1. *Technical aspects on the Free Movement of Goods:* On March 6, the Association Council adopted its 1/95 decision on the completion of the customs union between Turkey and the EU for industrial and processed agricultural goods. With the start of the customs union, Turkey abolished all duties and equivalent charges on imports of industrial goods from the EU. Furthermore, Turkey started to harmonize its tariffs and equivalent charges on the imports from third countries with the EU's Common External Tariff.

2. *Resolution for intensifying the cooperation between Turkey and the EU:* Apart from these rather technical provisions related to the establishment and the proper functioning of the customs union, the package also comprised an Association Council Resolution providing for the intensification of cooperation between Turkey and the EU. The resolution covers the areas of industrial cooperation, Trans-European networks, energy, transport, telecommunications, agriculture, environment, science, statistics, as well as matters relating to justice and home affairs, consumer protection, cultural cooperation, information, etc. which are not covered by the customs union. These provisions also aimed at ensuring that the higher degree of integration achieved between Turkey and the EU through the customs union was not limited solely to trade matters and that the customs union would serve its basic purpose which is to promote Turkey's membership to the EU.

²²⁸ World Bank, 'Turkey: Trade Brief'. Available at:

<http://info.worldbank.org/etools/wti2008/docs/brief194.pdf>

²²⁹ Currently there are three candidate countries which are Croatia, Turkey and Macedonia. The membership talks with the first two started on October 3, 2005. Macedonia was granted a status of candidate country in December 2005; however the membership negotiations have not started yet.

3. *Financial cooperation:* The third element of the customs union package was the statement on financial cooperation, which aimed at easing the burden caused to Turkish producers by opening up of the economy to EU competition. However, the financial transfers planned within this framework have so far failed to materialize due to the consistent veto of Greece.

Although the basic agricultural products have not been included in the initial package of the customs union, the preferential trade regime for these products was adopted on January 1, 1998. Furthermore, Turkey has adopted a number of aspects of EU Common Agricultural Policy (CAP). According to customs union agreement the EU should take into account the interests of Turkey while elaborating its agricultural policy.²³⁰

Thus, on January 1, 1996 the customs union between the European Union and Turkey came into effect, thereby creating the closest economic and political relationship between the EU and any non-member country. Essentially, the customs union brings many advantages to Turkey and the EU.

Among the advantages for Turkey would be:²³¹

- The chance of Turkish producer to access countries which are among the richest countries on the world.
- Access to a market which has a huge trade potential and is among the most consistent markets in the world.
- The customs union will promote the process of integration of Turkey with the World Economy. It will help rationalize and modernize the economic structure of Turkey. Increased competition will improve the efficiency of Turkish enterprises.
- Through increased competition, Turkish consumers will be able to reach to high quality products which would possibly be cheaper.
- The customs union will also increase the inflow of foreign direct investment which will modernize production facilities and bring in international know-how.
- All of these would increase employment in Turkey which would ease social tension and improve the socio-economic situation of the country.

On the other hand, some of the economic benefits for the EU would be:

²³⁰ EU-Turkey Communication Platform “History of Relations between Turkey and the European Union”. Available at: http://www.turkishembassy.com/II/O/Turkey_EU.htm

²³¹ ²³¹ Kamil Sertoglu, Ilham Ozturk, “Turkey and European Union Relations: Concept of Customs Union”, Pakistan Horizon, vol.56, No.3, July 2003. Available at: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1128363

- Turkey is among the countries where the EU has the highest trade surplus. The customs union would further open and consolidate the Turkish market for European producers. European exporters would earn access to young and mostly non-saturated market of nearly 70 million consumers.

- With the start of the customs union, Turkey would harmonize its economic legislation with that of the Community. As a result, the conditions for conducting business in Turkey will become substantially similar to those existing in the EU. Thus, the European enterprises operating in Turkey would experience a familiar economic and legal environment.

- The European enterprises would take advantage of the investment and production opportunities offered by Turkey. Turkey can also be used as an export base for the Middle East, the Black Sea region, and Central Asia. In addition, the enhanced cooperation with the Turkey would enable the European companies to break in and operate in those markets.

- The customs union would firmly link Turkey to the West and to the EU in particular.

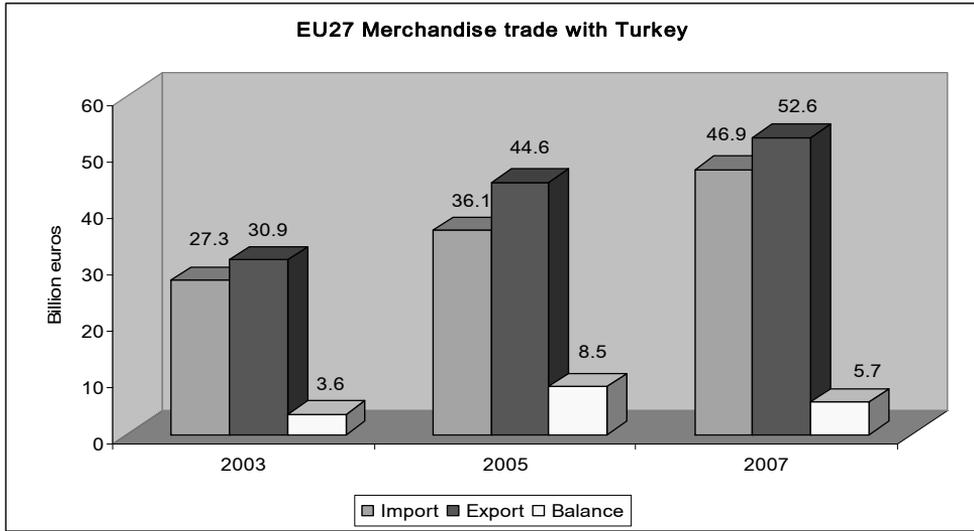
- The customs union would increase the appeal of the trade policy of Turkey for the region full of economic problems and political instability.

- The EU would get the opportunity and potential to establish close links with the Islamic world and the Central Asian countries in addition to the Balkan countries.

Turkey-EU external trade: Taking into account the fact that EU has substantially decreased the imports tariffs for Turkey before the completion of the customs union and in the foreign trade with Turkey the only obstacle was the quotas applied for textile, at the beginning of the customs union did not increase substantially import volumes to EU. After the completion of the customs union the volumes of import from EU to Turkey, in 1996, compared to 1995 increased by 34.7% constituting \$ 22.7 billion. The export volumes increased by 3.6% reaching \$ reaching \$ 11.477 billion.²³² Thus, as we can notice, on the short-run the customs union had negative effect on the trade balance of Turkey, as right after the completion of the customs union the volumes of import had significantly increased, whereas the volumes of export to EU had remained stable. However, on the long term the customs union provide expected benefits, as for the long term period the picture changes significantly (See chart 1).

²³² EU-Turkey Communication Platform “History of Relations Between Turkey and the European Union”. Available at: http://www.turkishembassy.com/II/O/Turkey_EU.htm

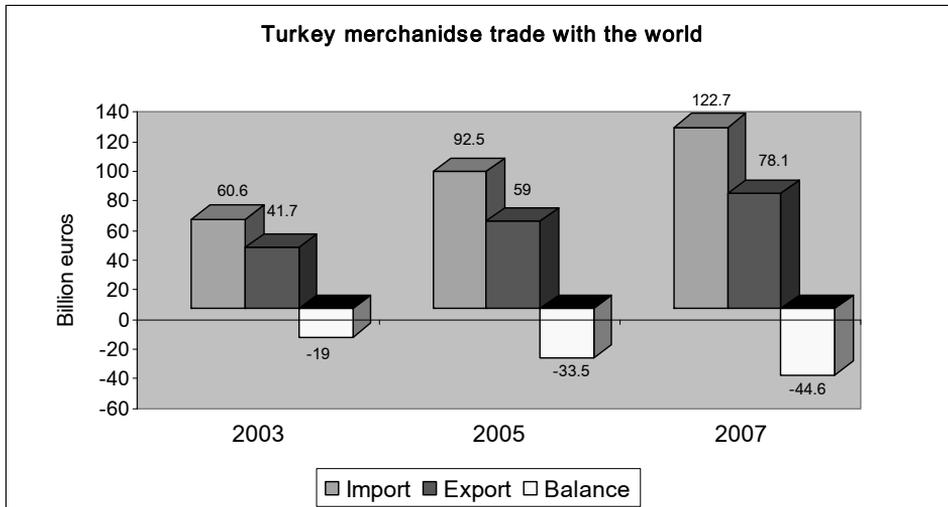
Chart 1.



Source: EUROSTAT

Thus, despite the fact that for the period of 2003-2007 in the trade with the EU the trade balance of Turkey is still negative, however significant positive trend can be observed. For the indicated period the volumes of both import and export have increased. In 1996 import volume was two times of export volume (import/export=1.99), whereas already in 2007 the import was only 12.1% higher than export (import/export=1.12). For the same period the trade balance deficit, on the contrary, has increased by more than 2.5 times (See chart 2).

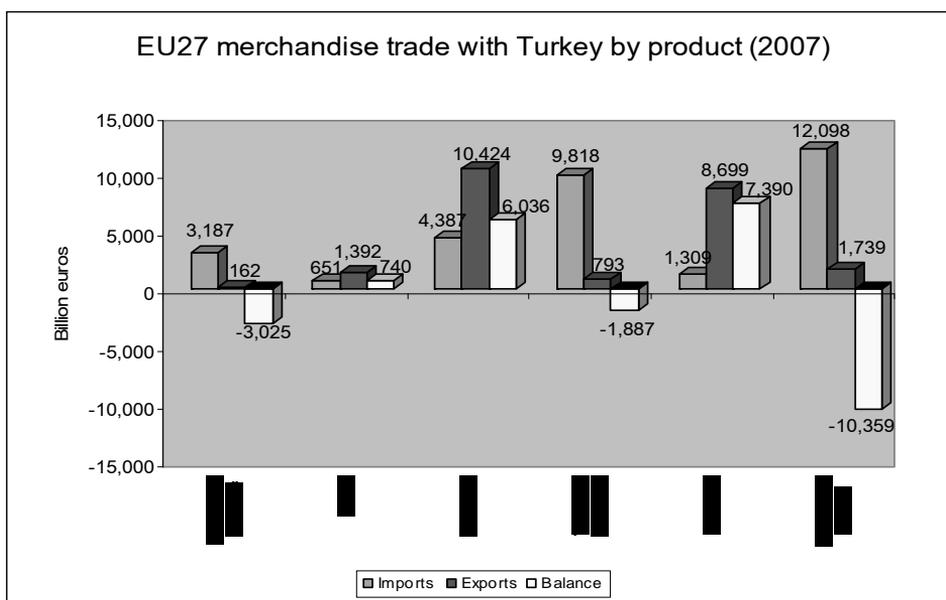
Chart 2.



Source: EUROSTAT

Based on 2007 data the share of Turkey in world imports was 1.6% and 1% in world exports. Moreover, the share of Turkey in world trade increases. Thus, the volume of external trade of Turkey has almost doubled for the period of 2003-2007. (See chart 2). Such tendency is also present in the trade with the EU. Thus for the indicated period the volume of external trade with the EU has also doubled. (See chart 1).

Chart 3.



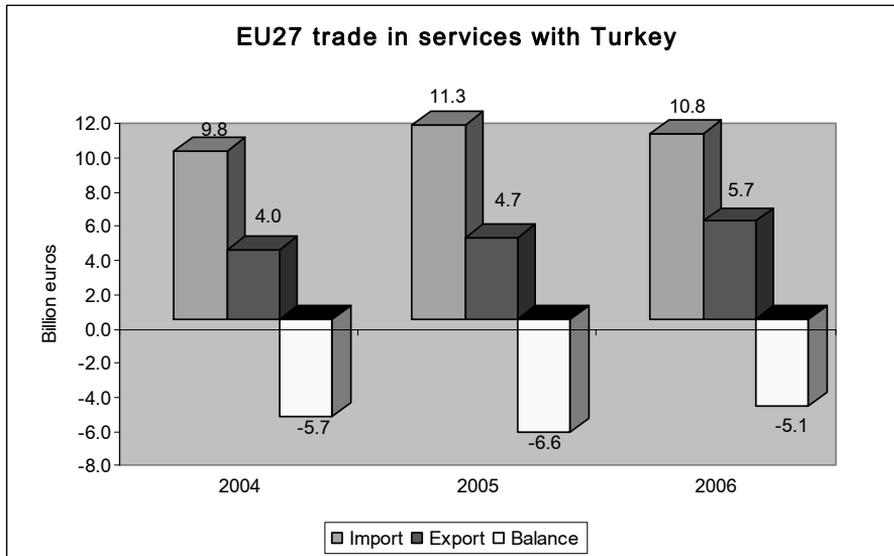
Source: EUROSTAT

As it is illustrated on the chart 3 the dominating product groups in the structure of Turkey-EU are machinery, transport equipment, chemicals, textiles and clothing. However, from the above mentioned product groups Turkey has a positive trade balance only in trade of transport equipment and textiles. Apart that Turkey has a positive trade balance also for agricultural products. The export volumes of agricultural products are substantially small, as the EU applies Common Agricultural Policy. On the other hand, the EU applies high standards towards agricultural exports from third countries. Moreover, there are protectionist elements present in the foreign trade of agricultural products of all the developed countries.

Thus, the trade balance for services is positive. For the indicated period the merchandise trade with the EU from the point of view of both exports and imports has significantly increased, whereas the trade in services has not demonstrated important rate of increase. The share of Turkey in the trade of service of EU 25 (import-export) was 2.7% in 2006. The main partners of the EU in the trade of

services are the US, Switzerland and Japan with correspondingly 34.8%, 12.6% and 4.7% shares.²³³

Chart 4.



Source: EUROSTAT

3/4 Political and Social Economic obstacles on Turkey’s way to the EU

Turkey has been knocking the EU doors for more than five decades. The idea that Turkey had a European future was pronounced by de Gaulle and Adenauer. Turkey however got disappointed after the EU Foreign Ministers Council has adopted a resolution to prolong the negotiation process on Turkey and put a limitation on the chapters of negotiations from 35 to eight. Turkey almost stopped the legal reforms that it had been conducting for the purpose of EU membership.

How will Turkey’s European politics end up? Will Turkey one day become a member of the European Family? If yes, then when? These questions have become subjects of wide debates in Europe. The opponents of Turkey’s membership point out several arguments starting from country’s geopolitical location and finishing

²³³ European Commission, External trade, Trade Statistics. Available at: http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113456.pdf

with the economic development indexes. However, the underlying argument is that Turkey is not a European country, has never been and will never be one²³⁴.

One can assume though that the factors creating obstacles or slowing down the process of Turkey's membership are the current political problems. The list includes the Cyprus issue, human rights and democracy standards in Turkey, to name a few. These issues for years have been discussed in the context of Turkey-EU relations and will remain on the agenda for some time.

The Cyprus issue came to the forefront of heated political debate in 1990 when the leadership of Northern part of Cyprus appealed for the EU membership. Ankara and the Turkish government of Cyprus submitted their claims against this Resolution explaining that the Greek part's government had no rights to act as an independent international subject in terms of unresolved legal status of the island.²³⁵ Ankara refused to endorse the internationally recognized Greek Cypriot government and instead recognized the breakaway Turkish Cypriot statelet in the north of the island, which has been divided since 1974 when Turkish troops invaded.

Another major obstacle on the way to the European Union is Turkey's low degree of democracy and a considerable number of human rights violations. The Helsinki Summit has made the position of EU clear that in order for negotiations to start Turkey would have to meet the Copenhagen political criteria. The EU structures were concerned with the increased role of the Turkish military. According to Brussels, the extremely big role of Turkish army in the country's political life is not acceptable. The Turkish military keeps interfering into politics; it is the main guardian of Turkey's secularism. The particular role of the Turkish army is guaranteed by the Constitution of Turkey which provides that the main guarantor of Turkey's constitution is not the country's president or other official as in any democratic country but the Army.²³⁶

The argument that Turkey is not a European country is another subject of hot debates. Almost 97% of Turkey's territory and 90% of its population are in Asia. On one hand it can be regarded as a favorable factor for EU. The assumption is that once Turkey becomes an EU member, the EU will gain a tremendous influence in the region and its positions will be reinforced in the region. The EU by becoming a neighbor of Syria, Iran, Iraq and the Caucasus Republics, will have a chance to become an "Inter-Eastern superpower." On the other hand, the EU has always avoided a direct neighborhood with regions that have conflicts since it did not want to get involved in another set of problems and challenges.

²³⁴ <http://gazeta.aif.ru>, "Turkey in EU; to let in or not", Dmitri Glukhovskiy

²³⁵ <http://www.dw-world.de>, "The Cyprus Issue" Victor Kirkhmayer

²³⁶ Dimitrij Glukhovskij, <http://gazeta.aif.ru>

The huge population of Turkey, which is almost equal to that of Germany, is also an obstacle on its way to Europe. In 2015 Turkey's population will exceed that of Germany and will comprise 15% of EU population (by that time it is expected to reach 600 million)²³⁷.

There is a risk that as a result of Turkey's accession to EU and the consequent opening of borders, the Turkish population will outflow to the EU countries. There was a similar concern in regard to Spain's membership to the EU, but undesirable moves have not happened. If one takes into account the fact that 98% of Turkish population is Muslim, it will likely create demographic challenges for EU. A deeper concern of EU's resistance to Turkey's membership is that Turkey will become the EU's largest member state in population terms and will have a bigger number of seats in EU leading bodies.

But there are proponents of Turkey's membership who argue that that Turkey's accession to the European Club could help prevent potential clashes between the Muslim and Christian civilizations. One should not overlook the fact that Turkey's membership would entail huge economic benefits for the Union. Ankara would have considerably enlarged the EU market and provided the EU with subsequent labor force to the EU that has been facing an aging problem. Therefore, the European repudiation of Turkish membership will bring about serious consequences both for Turkey and the EU.

3/5 Position of leading countries on Turkey's membership in EU and perspectives of development of relations

On the issue of Turkey's membership in EU, France's ex President Giscard d'Estaing argued that "Turkey's entry in the EU will mean the end of Europe" and qualified those supporting as enemies²³⁸. The position was criticized by official Brussels, but the very fact that similar opinions have been expressed by such high officials testifies to Europe's plurality in regard to Turkey's EU membership issue and to a great number of obstacles the Turkish diplomacy has to overcome. The anti-Turkish sentiments are prevailing among France, Germany and Austria.

²³⁷ Turkish Daily News, 28 April 2004, "Turkey's membership of the European Union: A rose or a thorn? Forty years knocking at the EU's Door", William Chislett

²³⁸ <http://news.bbc.co.uk>, D'Esten: Turkey in EU? It's a Catastrophy; November 8, 2002

According to sociological surveys, 66% of the population of Germany and 68% of population of France are against Turkey's accession to EU²³⁹.

Quite recently, in 2008 Austria declared that if EU approved the application of Turkey on membership, it would then put the issue on a national referendum. The surveys show that about 80% of the population of Austria opposed Turkey's membership.²⁴⁰ Such criticism on Turkey's EU membership is being articulated by the incumbent president of France Nicolas Sarkozy, who has on a number of occasions declared that he did not regard Turkey as part of Europe. Angela Merkel, German Chancellor and the Leader of the Christian-Democrats Party shares Sarkozy's position and along with him has proposed to Turkey a "privileged cooperation" instead of membership. Sarkozy has declared that further enlargement of Europe would result in a "political collapse."²⁴¹

The leaders of the two countries are trying to justify the impossibility of Turkey's membership in EU not by political or economic reasons, but by the argument that Turkey is not in Europe. However, the proposal on privileged cooperation is unacceptable to Turkey whose target in this process is full membership²⁴². France's position is due to the fact that it has always opposed the EU enlargement contending that it would weaken the EU positions and create additional problems. Instead, the French Government supports the idea of close cooperation in the framework of EU while expressing its concern that EU enlargement makes the full integration process more difficult. The anti-Turkish position of Germany and Austria pursues a goal of political speculation. In Austria the anti-Turkish movement has become more pronounced during election campaigns, when candidate parties are trying to gain more supporters since the Austrians have a historical animosity towards Turkey and the Turks.

In Germany there is no single opinion on this issue. As mentioned above the leading Christian-Democratic party opposes Turkey's full membership, but the opposition – the Social-Democrats are actively supporting Turkey's full membership and believe that the Union will only benefit from that. One of the major reasons for anti-Turkishness in the German society is a big number of Turks living there.

²³⁹ <http://www.dw-world.de>, "EU will collapse when Turkey enter the EU" interview with German historian Hanz Ulrich Veler, Stefan Laydel

²⁴⁰ <http://www.euractiv.com>, Austria Signals Referendum on Turkey's EU Accession, 25 August 2008

²⁴¹ Dimitri Bavirin, "Turkey will not join the EU" <http://www.vz.ru>, 2008

²⁴² ANKARA: Erdogan Lashes Out at EU, Says it Applies Double Standards, 10 December 2002

Among the major supporters of Turkey's EU membership is Great Britain. In September 2007 the UK Foreign Minister David Miliband made an announcement that the EU should set a concrete goal of including Turkey as a full-fledged member²⁴³. The position is first due to the close cooperation of Turkey and Britain and the UK's support of EU enlargement.

Surprisingly though Turkey's historical enemy Greece is also among the proponents of Turkey's membership. The official Athens finds it more appropriate for Turkey to be in the European family than out of it: "We believe that when and if Turkey accedes to the European Union, it will have to obey to European values and laws. This will help resolve a number of issues," mentioned ex Minister of Defense of Greece Yannis Papatonion²⁴⁴.

It is worth mentioning that the position is fully justified for Armenia, a direct neighbor of Turkey. If Turkey joins the EU, Armenia hopes to greatly benefit from a more predictable Turkey and a member of the European Family and a bearer of European values. Poland in the initial phase was concerned that Turkey, by joining the EU, would attract a bigger part of subsidies and due to its size and a huge number of social and economic issues would be somewhat hard-to-digest for EU. Nevertheless, Warsaw has declared on a number of occasions that it supported Turkey's membership. While being the US ally, Poland supports its big brother's adopted political course on Turkey's membership in EU.

The US continues to have a huge influence on Turkey's foreign policy, and Turkey has been realizing a well defined pro-US and pro-Israeli policy in the Middle East, which has been different from that of EU that is known for its pro-Arab orientation (France, Spain, Italy). As a result of the latest enlargement process a so-called "American club" was created that includes Poland, Lithuania, Latvia, Estonia and the Czech partially. The leading EU countries such as France, Germany and Italy do not encourage the increase of such countries in the Union. According to the US, Turkey's membership in EU would be a stable model for all Islamic world, and Turkey's entry would ensure a bigger number of US political allies in the EU.

As for position of EU public in regard to Turkey's membership, the results of surveys have not been optimistic so far: about 74% of European population does not view Turkey as a "European state."²⁴⁵ The Europeans fear that the Turks will flow to the EU. Currently there are big Turkish communities in Austria, France and Germany (about 600 000). Lately in terms of a lack of serious progress in the

²⁴³ <http://www.euractiv.com>, EU-Turkey Relations

²⁴⁴ <http://www.euractiv.com>, EU-Turkey Relations

²⁴⁵ <http://www.tourdaily.ru>, "Turkey will enter the EU not sooner than 2015" 2008 February

membership negotiation process, there is a perceived lack of trust and growing suspicion towards the EU in the Turkish society.

The German Marshal Fund conducted a “Transatlantic tendencies survey 2007” to reveal how realistic Turkey’s accession to the European Union was. According to the findings, 56% of Europeans believed that it was realistic and only 26% of Turks agreed with that. The Turkish Government in its turn does not show the previous enthusiasm in political reform processes as it was evident in 2002-2004. The membership negotiations are expected to end only after 2014, but the progress made so far does not allow for optimism. Moreover, the proposal of privileged cooperation brought by Germany and France makes the prospects of membership even more cumbersome. The negotiation process though is on. It is worth mentioning that then President of France Jacques Chirac and German Chancellor Gerhard Schroder unlike their successors Angela Merkel and Sarkozy, had supported Turkey’s EU membership. It is quite possible that in terms certain political developments there may be a change in political position of these countries. Turkey, on the other hand, has been realizing policy of “alternative” options.

The role of Turkey in implementing of and providing a security to regional energy, communication and transit routes projects is growing. In addition, Turkey has already managed to maintain and successfully utilize its “sea gulf” factor that it obtained for being a weak country in time of clashes between the big powers.

In spite of the efforts of Turkey to raise its importance and role in the Middle East, the EU will obviously find other reasons to put obstacles on the way of Turkey’s accession to the EU so long as Turkey has fully met the membership requirements. However, the repudiation of Turkish membership may result in religious radicalization inside the country. It is therefore necessary to continue political processes and both sides should make efforts to help the process.

Chapter 4

August 8: New World Order, New Challenges

4/1 South Ossetia Crisis and Turkish stance in that issue. The Caucasus Stability and Cooperation Platform

On August 7, 2008 Georgia's separatist South Ossetia region accused Georgia of launching a massive artillery attack on Tskhinvali, its capital. On the other hand, Georgia reported intense bombing of some Georgian villages in the conflict zone by South Ossetian forces. According to Georgia, the South Ossetian forces did not respond to a ceasefire appeal but intensified their shelling, forcing Georgia to send in troops that reportedly soon controlled Tskhinvali and other areas.²⁴⁶

In the wake of Georgian conflict Turkey, being a NATO ally was expected to take a side with the majority of Western countries that condemned Russia for its actions in South Ossetia. Surprisingly, Turkey has suggested the establishment of the Caucasus Alliance or the so-called "Caucasus Stability and Cooperation Platform." Some sources argue that Turkey's sharp entry into the Caucasian arena was planned in details and Turkey used the aggravation of the situation in the South Caucasus to launch the implementation of its old plan of penetration into the region that had been a tough nut to crack for the Turkish elite for a long time"²⁴⁷.

The idea of the platform is to bring together the three South Caucasian states of Georgia, Armenia and Azerbaijan with Turkey and Russia and enable them to mediate and solve their conflicts among themselves.²⁴⁸In the wording of Recep Tayyip Erdogan the purpose and content of the Caucasus Alliance is the following:

"Its main objective is to establish permanent peace and security in the region by bringing all regional states together in a joint formation. To this end, it envisages a structure in which regional states together are expected once again to reassure each other of respect of state sovereignty, restraint from the use and threat of force, the inviolability of state borders and non-harmful economic and energy security in their common space of the Caucasus. Principles such as state sovereignty, inviolability of borders and so on in the formation will take their main

²⁴⁶ Jim Nichol, CRS Report for Congress, August 13, 2008, pg.1

²⁴⁷ Andrey Areshev, an expert of the Russian Strategic Culture Foundation told ArmInfo, November 11, 2008

²⁴⁸ Michael Reynolds, "Turkey's troubles in the Caucasus",
http://blogs.law.harvard.edu/mesh/2008/08/turekys_troubles_in_the_caucasus/

references from the charter of the OSCE, of which Russia, Turkey and all other Caucasus states are members."²⁴⁹

Erdogan believes that lasting peace and security is the principal aim here and this can be achieved through the increase of economic operation among regional states. In order to better present this idea, he gave the examples of the Baku-Tbilish-Ceyhan, Baku-Tbilisi-Erzurum and Baku-Tbilisi-Kars projects as economic ventures contributing significantly to regional peace and security. He point out the necessity to develop more such projects and to expand them in such a way that would connect all peoples in the Caucasus.

In her analysis of the idea of alliance Guner Ozkan of Ankara-based International Strategic Research Organization refers to it as to the one that takes its logical base from liberal views on security solutions that have developed primarily as responses to those of the state-centric realist perspectives in interstate relations.²⁵⁰ The idea of creating an alliance is based on the idea of "complex interdependence", which assumes that improved trade relations and joint economic projects in a particular region will eventually decrease the risk of the use of military force in the region. She then introduces the realist perspective of that issue contending that complex interdependence can only work so long as all parties are satisfied, and yet this is often impossible to succeed in situations when there is competition for power and domination over scarce resources. Thus, she concludes that intergovernmental organizations, for the realists, are not more than instruments in the hands of states to promote their national and security interests.

Some analysts argue that the proposal has little chance to succeed in the short term for a number of reasons. In particular, Georgia will not like to deal with Russia because of the latter's recognition of South Ossetia and Abkhazia as independent states; relations between Turkey and Armenia have been at loggerheads for decades because of the genocide matter and notwithstanding the recent visit of Abdullah Gul at the invitation of the Armenian President Serge Sarkissian to Armenia to watch a football match between Turkey and Armenia that marking the beginning of a thaw in relations; the resolution of the dispute over Nagorno-Karabakh entailing rapprochement between Armenia and Azerbaijan remains a distant possibility.²⁵¹

Indeed looking realistically, the proposed Caucasus platform primarily requires a restoration of some sort of a dialogue between both Armenia and Turkey and Armenia and Azerbaijan. Turkey realizes it and that is one of the reasons that

²⁴⁹ Guner Ozkan, Turkey's "Caucasus Alliance' proposal: How likely is its success>" Today's Zaman, 19.08.2008

²⁵⁰ Guner Ozkan, Turkey's "Caucasus Alliance' proposal: How likely is its success>" Today's Zaman, 19.08.2008

²⁵¹ David Morrison, "Turkey restricts US access to the Black Sea", www.david-morrison.co.uk. 18.10.2008

Turkish officials had hoped that Armenia would definitely become a part of the proposed platform and that formalities of the dialogue with Yerevan would be decided after further talks with Moscow thus raising expectations that Moscow could foster and/or mediate that dialogue. ²⁵² Moreover, the Turkish side is particularly hopeful that the Caucasus Alliance in the offing will resolve the other most important regional security issue, the Nagorno-Karabakh conflict between Baku and Yerevan.²⁵³

The normalization of ties with Armenia accordingly depend on the refusal by Armenia from the policy of recognition of the Armenian Genocide, unilateral concessions on the Karabakh issue and recognition of Turkey's territorial integrity with reconfirmation of the Kars Treaty to which Armenia is not prepared.²⁵⁴

The Armenian side on the other hand has been pursuing the delinking Armenian-Turkish normalization from the NK peace process; keeping the question of Genocide away from the Armenian-Turkish diplomatic agenda, and relying more on practical, rather than legal solutions while addressing border issues.²⁵⁵

From the geopolitical standpoints it is much more important that Turkey's undertaking is supported by Russia. As a matter of fact, this circumstance is conditioned by Turkey's readiness to exclude the US from the Platform participants. The platform was welcomed by Russia as a demonstration that, unlike NATO and the EU, Turkey regarded the Caucasus as a matter for states in the region. According to Safrastian, however, Russia's positive approach to SCP is only of tactical character as it is difficult to imagine that country's geostrategic perspective involving another active player in South Caucasus beside itself. This circumstance makes a ground to characterize the SCP as hardly realizable.²⁵⁶

4/2 The development dynamics of the Armenian-Turkish relations since august 8

Recently Armenian-Turkish relations have been directly connected to the Russian-Georgian conflict that took place in august 2008, and to the changes resulted in that conflict in South Caucasian geopolitical region. To review the issue

²⁵² Today's Zaman, Reluctant Baku says Armenia visit decision up to Turkey", 30.08.2008

²⁵³ Guner Ozkan, Turkey's "Caucasus Alliance' proposal: How likely is its success>"

Today's Zaman, 19.08.2008

²⁵⁴ Ruben Safrastyan, South Caucasus: Stability Platforms and Conflicts, 5/10/2008

²⁵⁵ Armen Khazarian Interview on Armenian-Turkish Relations, Zhamanak Daily, July 26, 2008 <http://www.zhamanak.com/article/9903>

²⁵⁶ Ruben Safrastyan, South Caucasus: Stability Platforms and Conflicts, 5/10/2008

comprehensively its necessary to present the fundamental factual basis, official position and echoes of the analytic and public political scopes concerning the matter. Certainly, the development dynamics of mutual relations mostly fall to the second half of 2008 and the first half of 2009, but it must be mentioned that Armenia had put forward the principal provisions of its official position on regulation of Armenian-Turkish relations back in 2007 in the strategy of the National Security. The election campaign of RA's current president Serj Sargsyan, which was presented in February 2008, contained points which addressed the matter. So it was prescribed in the Strategy that "Armenia **addresses Turkey without any preconditions in hope to establish diplomatic relations** and is going to continue to undertake appropriate steps to overcome the problems and to improve the mutual relations".

At the same time **the acknowledgement and the condemnation of Armenian Genocide** is considered to be an act of historical justice that would lead to the improvement of mutual trust in the region and to the prevention of such criminal attempts in the future.

The Fact that the Turkish –Armenian border is closed, in its turn, is evaluated as a threat to the national security of RA, and the fact that the national relations still remain unregulated has a direct negative influence on the stability of the region. Besides, it is supposed that the regulation of the relations will create more favorable atmosphere **for the final resolution of the Kharabakh conflict**.

It is important to point out that ordination of Armenian-Turkish relations is directly connected to **the admittance of Turkey to the EU**, and stating that the one of the main conditions should be the liquidation of the Armenian blockade by Turkey.

Perhaps very urgent and modernistic can sound the points mentioned in the election programme of S. Sargsyan according to which the **basis of Armenian-Turkish diplomatic relations can neither be the refusal of acknowledgement of Armenian Genocide nor the MK conflict or any other preconditions**. To this sense, the basic principals mentioned above and official position of Armenia will not undergo any changes, judging from the statements by Armenian high level circles. Armenia continues insisting on the necessity of the regulation of relations without any preconditions, stating that the acknowledgement of the Armenian Genocide and the resolution of the MK conflict should be observed independent from the regulation of Armenia-Turkish relations even if they are definitely tied together.

The new development of Armenian-Turkish relations in 2008 can be marked by 3 important events, the invitation of his colleague to Armenia by S.Sargsyan, the

“The Football diplomacy” started by the visit of A Gyul, and the joint statement on “road map” of the regulation of the mutual relations. Its should be regarded quite symbolic that S. Sargsyan expressed his intention to invite A.Gyul to Armenia to watch the match between the two national teams, during his official visit to the Armenian commune in RF in June 2008. He once again addressed the issue of the border still being closed stating that, “Two neighbor countries shouldn’t have closed borders in the 21-st century”. Especially, quite a big resonance had his words concerning the creation of **Armenian-Turkish committee** dedicated to historical investigation, “but only if the borders of our two countries are open again” he added. Otherwise it can become only a manner to prolong and speculate the issue.²⁵⁷ In response to the accusations of some Armenian opposite political figures saying that the government is putting under the question the fact of Armenian Genocide, official Yerevan stated that the committee will be dedicated to the investigation of the relations of the two countries and in no way puts under the question the fact of the “Mets Yeghern”. In November 2008 during the interview given to Frankfurter Allgemeine Zeitung and EuroNews TV channel the president of Armenia stated that he found no use in the creation of a committee of historians dedicated to research of the Armenian Genocide in 1915. To his firm belief, first off all they should open the border, than all the matters can be discussed on the official level. And at the moment the creation of such a committee would just distract the attention of the international society.²⁵⁸

By September 3, 2008 A. Nalbandyan, the minister of Foreign Affaires of RA received a special envoy from Turkey, ambassador U.Cheviqyozi, as a preparation for the visit of A. Gyul to Yerevan. The Turkish ambassador was also received by S.Sargsyab. As transferred with the envoy by the Turkish president “The game gives great opportunities from a political point of view. Those opportunities must be used especially now, when the events that take place in Caucasian so much excite the society”.²⁵⁹ **The two presidents meeting took place on September 6-th**, and it was followed by the meeting of the Ministers of Foreign Affairs. During those meetings Armenia once again expressed its position to regulate the mutual relations **without any preconditions**, also highly appreciating the visit of the Turkish high level delegation to Armenia at that context. As later proclaimed A.Gul, “That meeting broke the psychological barrier in the Caucus. Sargsyan made a very

²⁵⁷ Report of S. Sasrgsyan during the meeting with Armenian community of Russia
<http://www.president.am/events/statements/arm/?year=2008&pn=3&id=11>

²⁵⁸ President Serzh Sargsyan's exclusive interview to EuroNews, 10.11.2008 -
<http://www.president.am/events/press/eng/?id=17>

²⁵⁹ Gul accepts Sargsyan’s invitation, 04.09.2008, Panarmenian.net

important step by inviting me to the game. If I hadn't accepted the invitation the whole world would say that I didn't have the courage to do that".²⁶⁰ A few days later A.Gul officially invited his Armenian colleague to Turkey to watch the teams' return match.

The Armenian party also marked the importance of the visit, that could become a serious incentive for regulation of mutual relations, which in its turn will lead to the affirmation of confidence, trust, peace, stability and cooperation in the region. E. Nalbandyan later said that after the meeting of the president and foreign affairs ministers he was under the impression that the Turkish leaders had the same desire.

On the schedule of the Armenian-Turkish meetings was also the "Caucasian platform of stability and cooperation", which was presented by Turkey right after the Russian-Georgian conflict. It is known that Armenia has always been positive concerning initiative that were devoted to the restoration of the atmosphere of trust, and to the development of cooperation in the region. Official Yerevan reinstated its position during the visit of Turkish dignitaries, including the Minister of Foreign Affairs and president of Turkey to Yerevan, simultaneously emphasising on the necessity to clarify the format and principles of that new initiative.

The other important component as mentioned above is issue of **opening of the border** though, in this aspect the sides approaches are different. As it is known till now Turkey put forward some preconditions for the normalizations of relations, such as the regulation of the NK conflict from the Azerbaijani perspective, cessation of the process of the international acknowledgement of the Armenian Genocide and for Armenia to acknowledge the 1921 Kars treaty. Concerning the opening of the borders Turkish officials insist on its connection to the NK issue, stating that the borders can not be opened until that issue has been resolved. Even though a noticeable development can be marked in that issue, but it is still early to consider that progress. Armenia always insist that the NK issue and Armenian-Turkish dialogue can not be connected to each other. But one of the primary issues here is the maintenance of the Turkish-Azerbaijan strategic pact and the protection of the "One people, two Nations" principle. It is common knowledge that the commencement of the Armenian-Turkish dialogue found a very negative resonance in Azerbaijan, and to quell it a series of high level Turkish officials started to make statement in defense of Azerbaijan. After the visit of A. Gyul to Yerevan rumors started to spread in the press that the Armenian president agreed to the mediation of Turkey in that matter. It was even stated that Armenia promised to return the

²⁶⁰ Gul: my visit broke psychological barriers in Caucasus, 08.09.2008, Panarmenian.net

“captured territories” back to Azerbaijan²⁶¹. As stated by S.Sargsyan, he gladly accepted the proposition of A.Gul to supply necessary aid in the regulation of Armenian-Azerbaijan relations. “Any step that can help the Co-Chairs of the OSCE Minsk Group to regulate the issue must only have positive resonance²⁶². But he emphasized that the mediators of the regulation of the MK issue are only the Co-Chairs of OSCE Minsk Group concerning. As far as Turkey is concerned, we can never speak of mediation, but it can only promote the matter by means of opening the borders and the establishment of diplomatic relations with Armenia.²⁶³ On this matter it’s important to mention that Turkey can use its influence on Azerbaijan to make its position concerning MK issue more flexible .

Despite, Turkish side continues to insist, that the Mk issue is closely connected to the regulation of Armenian-Turkish relations. To this sense, the statement of the Turkish Prime Minister R. T. Erdogan is especially significant, that Turkey is going to fight for “peace in Azerbaijan and to return of all the territories to the refugees”,²⁶⁴ According to him in the current negotiations between Armenia and Turkey, the latter first of all think of it and the regulation of the MK issue is the most important for them. In addition, the Turkish president stated that after Armenia advised Turkey to stay out of the regulation of the MK issue, the negotiations reached a stalemate.

The acknowledgement of the Armenian Genocide is also considered the most important issue of the bilateral negotiations. Despite the fact that official Ankara continues to deny that fact and periodically states that he will not change his position on the matter, a noticeable change can be marked out particularly in the public and analytic scopes. This issue received quite a big resonance after the statement of the Armenian Turkish “Road map”, when on april 24-th during his monthly appearances the newly elected president of the USA B.Obama used the phrase “Mets Yeghern” that is equivalent to Genocide for the Armenian. This formulation was considered not so satisfying, especially taking into attention that the president of the USA, as it was foreseen, was referred to the Armenian-Turkish-Swedish joint statement, which was made 2 days earlier. Later even this formulation led to a wave of complaint in Turkey. According to FA minister

²⁶¹ Արդուլսահ Գյուլը մտադիր է միջնորդ դառնալ Հայաստանի և Ադրբեյջանի միջև, 08.09.2008, Panarmenian.net

²⁶² Армения позитивно воспринимает готовность Турции содействовать урегулированию отношений между Баку и Ереваном - <http://www.regnum.ru/news/1054508.html>

²⁶³ Exclusive interview of President Serzh Sargsyan to the Public H1 TV channel, 25.10.2008 - <http://www.president.am/events/press/eng/?year=2008&id=16>

²⁶⁴ Erdogan: Ankara will achieve peace in the region, 13.05.2009, Panarmenian.net

A. Babayan the message of the president was a result of inner political issues and some of his words about the events of 1915 were unacceptable for Turkey. He supposedly neglected the fact that during the events in 1915 Turks had also died. Moreover, “if the president of the USA wishes to call in question the creation of committee dedicated to the investigation of history of Armenia and Turkey, then the FA minister of Turkey has already announced that he finds it unacceptable”.²⁶⁵

Armenian-Turkish-Swedish joint statement about the the “**road map**” of regulation of relations that was done on the 22 of April 2009, led to a new development in the relation between Armenia and Turkey. Naturally this consent is not a treaty yet, and has no legal force. It is only a statement about intentions, a pointer, a milestone for future actions of the regulation of the mutual relations, which must contain a schedule for concrete actions.²⁶⁶ Later, news appeared in the Turkish press on the consent of contents, according to which it is made up of 5 points. According to the Turkish SABAH newspaper the first point is the acknowledgement of the 1921 Kars treaty by Armenia. It is followed by the opening of the border and signing of the treaty, then the opening of embassies; first in Georgia, then in Yerevan and Ankara, then the approval of the “Road map” by the parlements of the two countries and the creation of the historian committee.²⁶⁷ Official Yerevan immediately denied that statement. President S. Sargsyan also talked about this rumour, which lead to speculation in the inner political field. He assured, that the public will soon be informed about the contents of the treaty. At the same time he mentioned, that neither Azerbaijan, nor MK were mentioned during the bilateral negotiations. The improvement of “Armenian-Turkish relations can and may have a positive effect on the regulation of the Karabakh issue, but it can't be a condition for them”.²⁶⁸ Even more, during his meeting with RF's deputy prime minister A. Inanov, he stated that any interference by Turkey to regulate the process of the MK issue would only have a negative effect on the negotiations. According to him thanks to the joint statement on the eve of the Genocide memorial day, the issue would receive more recognition by the public, than before. “The fact that the statement was done on the eve of April 24-th, proves that Turkey accepts the meaning and sacrament of that day”.

²⁶⁵ Turkey doesn't give up idea of commission of historians, 30.04.2009, Panarmenian.net

²⁶⁶ Հարկ է նկատել, «ճանապարհային քարտեզներ» ընդունվել են աշխարհի տարբեր հատվածներում հակասությունների կարգավորման համար, սակայն դրանցից ոչ բոլորն են իրականություն դարձել կամ հասել իրենց նպատակին:

²⁶⁷ Turkish-Armenian agreement made public?, 24.04.2009, Panarmenian.net

²⁶⁸ RA President: Karabakh was never mentioned in talks with Turkey, 27.04.2009, Panarmenian.net

As it is known this statement did not receive any resonance neither in Turkey, nor Azerbaijan, but in Armenia it even led to some inner political rearrangements. In the case of Armenia the issue wasn't only connected to the possible contents of the treaty, but to the fact that it was made on the eve of the Memorial of Armenian Genocide victims.

Taking into attention Azerbaijan's "restrained" negative reaction to the process of regulation the Turkish-Armenian relations, rumors started to spread in Turkey that the "Road map" did not only improve the Armenian-Turkish relations but instead, seriously stroke the Turkish-Azerbaijani relations.²⁶⁹ In response to such accusation the president of Turkey said that though each country builds its politics independently, at the moment Turkey's diplomacy towards Armenia is both for Turkey and Azerbaijan and the time will come, when everybody will approve this. But the newly elected Turkish FA Minister stated that the negotiations with Turkey are proceeding without any problems.

It's important to take into attention the foreign performers in the regulation of the matter, such as the USA, RF EU, and the view points of other establishments that may have definite influence on the territorial procedure. So, according to the assistant's deputy of the state secretary of the Europe and Eurasia lines of the USA M. Brayse, even though the meeting of S. Sargsyan and A. Gyul did not solve the issues at hand, it formed a new atmosphere in the relations of the two countries.²⁷⁰ At the same time, according to him the regulation of the mutual relations should be regarded separately from the MK issue, even though the discussions proceed simultaneously. The USA also praised the statement about the "Road map", insisting that "The relations between Armenia and Turkey should be affirmed without any preconditions and in a sensible time span"²⁷¹

Russia's reaction to this statement was quite pragmatic. In response to the growth of the probability of the opening of the border, the "South Caucasian railroad" ltd made a decision of creating an international center of logistics, which has already earned the approval of the "Russian railroads" ltd. It also didn't take long for the reaction of official Moscow to the positive transfer of the Armenian-Turkish relations, which can have a positive affect on the MK issue.²⁷²

²⁶⁹ Այդպիսի կարծիք, մասնավորապես, հայտնել է Թուրքիայի ընդդիմադիր Ազգային-հանրապետական կուսակցության առաջնորդ Ռ. Բայբալը: Turkish opposition accuses Prime Minister of treacherous attitude to Azerbaijan, 29.04.2009, Panarmenian.net

²⁷⁰ Sargsyan-Gul meeting gave hope that a long-overdue thaw has begun, Bryza says, 11.09.2008, Panarmenian.net

²⁷¹ U.S. hails Armenian-Turkish agreement to normalize ties, 23.04.2009, Panarmenian.net

²⁷² Moscow approves of Armenian Turkish relations, 29.04.2009, Panarmenian.net

From the beginning, the EU expressed willingness to support the process of the regulation of Armenian-Turkish relations and praised the joint statement. At the same time the recent “pause” in the process, was marked by P.Semnenbin , the representative of the EU in South Caucasus, as a “strategic step” from Turkey, determined by the rough responses to the matter in the country. He also expressed hope that the pause will only be temporary, and that negotiations would restart soon.²⁷³

The matter also got positive acclaims from EU member countries. The president of **France** N.Sarkozy evaluated the visit of A.Gul to Armenia, as a “courageous and historical” step, and the FA Minister B.Kushner marking the importance of peace and stability in South Caucasus for the EU and France, found it necessary to use the peace between Armenia and Turkey to resolve the MK conflict²⁷⁴. The representative of Great Britain in South Caucasus B.Foll also saluted the regulation of Armenian and Turkish relations, at the same time pointing out that even though Turkey is an pivotal and important country in the region, it can not be a mediator in the MK issue.²⁷⁵

Concerning the latter issue, it is appropriate to present the position of Co-Chairs of OSCE Minsk Group. Mainly they also consider that any aid in the regulation of the MK issue would only be positive, but they point out that only OSCE Minsk Group can be a mediator platform, and the only mediators - the three Co-Chairs. They also think that the regulation of Armenian-Turkish relations would have a positive effect on the resolution of the MK conflict, but they constantly warn that these are separate processes, which can not be in any way connected.²⁷⁶ According to Y.Merzlyakov, if before Turkey considered the development of Armenian-Turkish relations in the context of the regulation of the MK conflict, then after the “Road map” statement, he believes that such preconditions are no longer present. “From co-chairs’ point of view of, it is essential that the MK issue shouldn’t become the hostage of the matter of the regulation of Armenian-Turkish relations”²⁷⁷.

If in the government level the Armenian-Turkish dialogue mainly got positive acclaim, the same, on the other hand, can not be said about political and analytic

²⁷³ Peter Semneby: Turkey has taken a "tactical step backwards" , 18/06/2009, Panorama.am

²⁷⁴ Kouchner: Armenian-Turkish dialog vital for peace in Caucasus, 24.04.2009, Panarmenian.net

²⁷⁵ Turkey cannot be mediator in Karabakh settlement process, 14.05.2009, Panarmenian.net

²⁷⁶ OSCE MG: The whole region would benefit from Armenian-Turkish ties normalization, 27.04.2009, Panarmenian.net

²⁷⁷ Nagorno Karabakh conflict shouldn’t be hostage of Armenian-Turkish relations, 11.05.2009, Panarmenian.net

levels. Its common knowledge that **Armenian Revolutionary Party** hosted demonstrations against the visit of A.Gul to Armenia. The joint statement about the “road map” received heavy criticism in the message of the ARP, in which it was pointed out that peaceful relations between Armenia and Turkey can be established only after Ankara recognizes the fact of Armenian Genocide, and the restitution the transgressed rights of the Armenian people. “The first steps on the road to copulation should be the lifting of the blockade of Armenia and the establishment of diplomatic relations without preconditions”.²⁷⁸ According to K.Manoya, the signing of a document, containing nothing important, by the FA Minister has already inflicted damage to Armenia, just because it was signed on the eve of April 24-th²⁷⁹. They are sure that the joint statement became a pretext for the president of the USA not to use the word “Genocide”. Considering all of this as change of course of the foreign policy of the country, with which the party has considerable disagreements after several days of in-party discussions and a meeting with S.Sargsyan, a statement was done that party leaves the ruling coalition. The representative of ARP even stated, that he was not content with the promises of the president, that Armenia would not allow to link the regulation of Armenian-Turkish relations with the MK issue, or to put under question the fact of the Genocide²⁸⁰. According to the ARP the Armenian government can make risky steps, which could lead to negative consequences. The Turkish side isn’t ready to establish relations without preconditions, it puts forward at least two conditions; the first - being the Azerbaijani gain regulation of the Artsakh issue, and the second - cession of the acknowledgment of Armenian Genocide. They insist, that Armenia can state that Turkey isn’t ready for relations without preconditions and leave the negotiations.

The joint statement also caused anxiety and displeasure of the representative of an opposition “Jarangutyun” party, especially concerning the day of the statement, the confidentiality around the bilateral negotiations and the Turkish anti-Armenian policies. The party demanded the immediate representation of the provisions “road map” and “the comprehensive scope of regulation of relations of the two countries” to the society of both countries²⁸¹. The parties doubts did not dissipate, even after the meeting with the FA minister. The immediate representation of the contents of the “road map”, was also demanded by the representatives of the root opposition,

²⁷⁸ Dashnaktsutyun condemns Armenian-Turkish joint statement, 23.04.2009, Panarmenian.net

²⁷⁹ Turkish claims cause disadvantages to Armenia, 23.04.2009, Panarmenian.net

²⁸⁰ Dashnaktsutyun entered the Opposition, 27.04.2009, Panarmenian.net

²⁸¹ Heritage outraged over joint Turkish-Armenian statement, 25.04.2009, Panarmenian.net

the **Armenian national congress party**²⁸², according the representative of which, Turkey lured Armenia into a diplomatic trap, though they state that the MK issue and the regulation of Armenian-Turkish relations are separate matters, but have recently crossed paths for some reason. The representatives of this political movement even consider the opening of the border a bad thing for Armenia, as Turkey will take hold of the Armenian market and push out the local exporters, in no time.²⁸³

The other parties of the coalition acted by the support of presidents, S.Sargsyan's initiative. So, the representative of the "Bargavatj Hayastan" party, A.Safaryan stated, that the Armenian present government will not go forward to Turkey's famous three preconditions. But he also thinks, that the opening of the border will create future problems for the government. Particularly the party states, border should be opened after resolving the issues with the national security, inner affairs, customs and tax services and should first be resolved and conducting reforms in the judicial system, so that the country would be ready for the mass migration of Turkish citizens.²⁸⁴

It's also necessary to address the response of the very important Armenian Diaspora organizations, whose opinions on the matter are not so clear as well. So, the Armenian Congress of America encouraged the process of regulation of the Armenian-Turkish relations, and expressed hope, that the sides would find solutions to the present problems during the dialogue. The ACA also encourages the opening of the border, of course taking into attention, both the positive and negative sides of the matter; it also saluted the joint statement, expressing the hope, that the acknowledgement of the Genocide will not become the slave of the regulation of Armenian-Turkish relations.²⁸⁵

The Turkish-Armenian negotiations were also saluted by both the **union of Armenians of Russia** and the **World Armenian Congress**. At the same time they express their frustration concerning the connection of the MK issue to the regulation of the Armenian-Turkish relations, stating that the acknowledgement of the Armenian Genocide can't be a point of discussion.²⁸⁶

²⁸² ANC demands publication of Armenian-Turkish route map, 24.04.2009, Panarmenian.net

²⁸³ Armenian-Turkish ties normalization to curtail production volumes in Armenia, 15.06.2009, Panarmenian.net

²⁸⁴ «Բարգավաճ Հայաստան» կուսակցությունն աջակցում է Հայաստանի նախագահ Սերժ Սարգսյանին, 27.04.2009, Panarmenian.net

²⁸⁵ AAA commends RA for normalizing relations with Turkey, 27.04.2009, Panarmenian.net

²⁸⁶ Armenians all over the world to elaborate joint Genociderecognition plan, 25.05.2009, Panarmenian.net

In stead the representative of the **Russian Armenians of Djavaxk** stated, that the paper stated on the eve of april 24-th contradicts the interests of Armenia, because the government of Turkey continue to make statements about the Mk issue, and to conduct anti-Armenian politics.²⁸⁷

There is no definite approach concerning the joint “football politics” and especially concerning the joint statement in the Armenian, Turkish and Azerbaijani analytic circles as well. In May 2009 the results of Genar newspapers sociological poll where published, according to which 67.6% of Turkish citizens are against the opening of the border and the regulation of Armenian-Turkish relations, and only 32.3% were for. According to the Director of the International relations and Military research center, S.Ohan, the “road map” agreement contains not only a point about the opening of the border, but also the regulation of the MK issue. He is sure that the agreement was brought by under the pressure of the USA, as B.Obama needed for Armenia and Turkey reach an agreement before April 24-th, so that he didn't have to use the word “Genocide”, the use of which was expected from his election campaign promises.²⁸⁸

If the Turkish professor B.Aras is convinced that the Armenina-Turkish realations can be regulated without the raising of the MK issue,²⁸⁹ then, on the other hand, according to Azerbaijani analytic U.Akhayev everything was well between Turkey and Azerbaijan while the both countries maintianed their blockade of Armenia, but now, the desire of Turkey to resolve their issues with Armenia has created great misunderstanding between them .According to him Turkey should not concede and should forcing Armenia to change its position concerning the MK issue.²⁹⁰ The advantages of the opening of the Armenian-Turkish border can deprive Azerbaijan of a trumpet card in the MK conflict, and force Azerbaijan to find other ways to influence on official Yerevan.

According to the director of the Caucasus division of the Institute of the Commonwealth of Independent States M.Aleksandrov, at the moment it is vital for Armenia to resolve its relations with Turkey, in order to restore a stabile corridor of loads transportaion. But as the two main issues between Turkey and Armenia - the international acknowledgement of the Armenian Genocide and the demand of Turkey for Armenia to withdraw the military forces from regions bordering MK –

²⁸⁷ Armenian-Turkish agreement damages Armenia's interests, 27.04.2009, Panarmenian.net

²⁸⁸ Washington needed Armenia and Turkey to reach agreement before Apr. 24, 29.04.2009, Panarmenian.net

²⁸⁹ Normalization of Armenian-Turkish ties is possible without NKR conflict settlement, 28.04.2009, Panarmenian.net

²⁹⁰ Turkey's desire to normalize ties with Armenia arouses controversies in Baku, 29.04.2009, Panarmenian.net

are not resolved yet, a compromise is necessary, i.e. Armenia does not give up the acknowledgement of the Genocide, but ceases to force it onto international society, and Turkey, in response, will cease its demands about the withdrawal of military forces from MK. “Armenia must make a choice between economical isolation or the acknowledgement of the Genocide”.²⁹¹

In A.Arashe’s opinion it is not a coincidence that the joint statement of Armenia and Turkey took place on the eve of April 24-th, and that the USA was so quick to greet the Statement. The analytic is suspicious about the existence of the “road map”, the paper supposedly signed by Turkey and Armenia. In this context he suggests, that the regulation of Armenian-Turkish relations and the MK issue should be discussed separately, if not then it will be pointless to speak of any progress in the matters.²⁹² Even more, to put the “road map” into action will be complicated, especially after Baku’s statement concerning MK, taking into notice that Turkish diplomacy is strongly connected to Azerbaijan.

According to S.Makedonov, if the price of the regulation of Armenian-Turkish relations is MK, then the “new” point of view of the Armenian president can be change back to the “old” one. So, the MK issue should be separated from the regulation of Armenian-Turkish relations, despite the fact that the reason for the Turkish blockade of Armenia was that very issue and that it support Azerbaijan.²⁹³

According to the specialists of the American Stratfor analytic center the “road map” joint statement is inconsistent, and was brought by the USA, who desired for the two sides to make the statement on the eve of April 24-th. And now the USA has more ways to maneuver in the Armenian Genocide issue. The leaders of Turkey and Armenia received similar opportunities. Even more, according to the researchers, even though the acknowledgement of the Armenian Genocide is very important for Armenia, the Armenian officials were not as firm in the matter as the Armenia lobby of the USA, mainly because the Armenian government thinks of long term business opportunities to which the opening of the border would lead. Therefore, the agreement and the “road map” will push Turkey to rebuild of diplomatic relations with Armenia, even without solving of the MK issue.²⁹⁴

According to the analysts of **The International Crisis Group** the best thing that Turkey can do concerning the regulation of the MK issue, is to regulate its

²⁹¹ Mikhail Alexandrov: Armenia has to choose between economic blockade and Genociderecognition, 09.09.2008, Panarmenian.net

²⁹² Yerevan and Ankara have not yet agreed on a joint route map, 23.04.2009, Panarmenian.net

²⁹³ What price Armenia will be asked to pay for opening of border with Turkey? 08.09.2008, Panarmenian.net

²⁹⁴ Currently US has more chances for maneuvers on Armenian Genocideissue, 24.04.2009, Panarmenian.net

relations with Armenia. According to S.Freizer, the opening of the border, the affirmation of diplomatic relations and the creation of a joint committee to discuss the historical side of a vast number of questions, should be included. But, despite his previous optimism, the Turkish prime minister R.P.Erdogan stopped the copulation process, when on May 13-th it was stated in Baku that the border was closed for the reason of Armenia occupying Azerbaijani soil, and it will remain closed as long as Armenia occupies those territories.²⁹⁵

Armenian analytic field also expresses opposite, even exclusive approaches on the matter as well. The director of the institute of Oriental studies of RA, R. Safaryan, thinks that Turkey will not change its principles of foreign politics towards Armenia. On the other hand, it will not sacrifice its national interest, even for Azerbaijan. He evaluates the joint statement of April 22, as a result of the “Football diplomacy” and smart Armenian politics, that was determined by the pressure of USA on Ankara. In his opinion, signing this agreement Turkey refused all the preconditions that it had previously insisted on the matter of the regulation of relations with Armenia. According to him that also explains the recent restlessness of Azerbaijan that the MK issue is no longer a condition for Armenian-Turkish relations. And the statements of some Turkish officials which defy the logic of development of Armenian-Turkish realtions, according to the turkologis, take only for inner use and are used to raise the rating of governing AJK parties.²⁹⁶

According to the director of the Caucasus Institute A.Iskandaryan no changes are expected in Armenian-Turkish relations even after the visit of A.Gul to Armenia, according to him, Turkey’s “contradictory” politics and statements are result of a series of circumstances. Firstly, they are realizing the importance of the regulation of Armenian-Turkish relations, but at the same time they try to show that it’s a complex issue, trying to avoid pressure from the world society. Secondly, they don’t want to lose Azerbaijan - their ethnic, strategic ally. Thirdly, Turkey realizes that no document can contain a single point about the MK issue; therefore, they use a replacement for the matter, statements instead.²⁹⁷He foresees recomencement of the current negotiations to take place in autumn, during the football match between the two countries. On this matter he also sees pressure from the USA on Turkey.²⁹⁸

²⁹⁵ ICG: Optimism about normalization of Turkey-Armenia relations faded, 26.05.2009, Panarmenian.net

²⁹⁶ Armenian-Turkish Agreement is a correct diplomacy result, 27.04.2009, Panarmenian.net

²⁹⁷ Alexander Iskandaryan: Armenian-Turkish ties normalization – imitation and game, 02.06.2009, Panarmenian.net

²⁹⁸ Ա. Իսկանդարյանը Թուրքիայի ներքաղաքական կյանքի զարգացումների մասին, 19/06/2009, Panorama.am

According to the director of the Museum of the Armenian **H.Demoyan**, Armenia and to Turkey need to sign a new intergovernmental agreement in order to regulate their relations, and the Kars treaty is out of the question. He also expects that the new intergovernmental treaty shall contain a point, according to which Turkey is willing to eliminate the consequences of the Armenian Genocide. The historian also thinks that the creation of a committee, that is going to investigate Armenian-Turkish history poses serious threat to Turkish national security, as the result of the revelations Turkish society will become a witness of its own history's undesirable details. To this sense Turkey's only hope is that Armenia will abandon the idea of creating the committee, stating that the fact of the Armenian genocide can't be questioned.²⁹⁹

The director of National Academy of Science of RA, A. Melkonyan sees that a new precondition has rose in the regulation of Armenian-Turkish relations - the acknowledgement of Turkey's territorial integrity by Armenia, which has recently came forward as the main condition, instead of the previous conditions - the MK issue and the refusal to acknowledge the Armenian genocide. But in his opinion, the Kars treaty has no legal force over Armenia, as it had been concluded without its participation. The historian is also sure that the territorial integrity issue is more important for Turkey, than the MK and the Armenian genocide issues, and that if the first is solved, then the question of the Armenian genocide will not be even discussed, Turkey will politely ask for forgiveness.³⁰⁰

The director of the centre of the strategic and national researches U.Grigroryan sharply criticized the Armenian-Turkish joint statement. According to him making this statement on the eve of the day of remembrance of the Armenian Genocide, the Republic of Armenia is, as if approve Turkish experience in the matter of pressuring the president of the USA to avoiding his election campaign promise in his traditional message.³⁰¹ The director of the "Ararat" military research center, A.Ayvazyan, accuses the Armenian government in the fact, during 15 years they haven't work out a special strategy for Armenian-Turkish relations. He also do not approve the fact that in the negotiations with Turkey, Armenia only enforces the opening of the border and he thinks that Armenia should also present its territorial demands. He's also skeptical about the opening of the border with Turkey, which could significantly damage Armenia's "frail" economy that will not be able to

²⁹⁹ Հայ-թուրքական հանձնաժողովի ստեղծումը «Պանդորայի սուփն է», 30.04.2009, Panarmenian.net

³⁰⁰ Diaspora has the last word in normalization of Armenian-Turkish relations, 27.05.2009, Panarmenian.net

³⁰¹ Joint declaration of Armenian and Turkish MFA is one of the most serious strategic blunders by RA Government to date, 23.04.2009, Panarmenian.net

withstand the inflow of Turkish weirs . According to him, the joint statement was made to prepare psychologically the Armenians to be ready to abandon their national interests. As a result, the president of the USA didn't use the words "Armenian genocide" in his speech, which made all Armenians feel defenseless.³⁰²

So, it is obvious, that after the Georgian-Russian conflict, Armenia's role and significance in the projects of all the world's military centers and South Caucasus regional countries, have significantly increased. But, that does not mean that Armenia utilizes those newfound opportunities to their full extent. For a long time Armenia has been calling upon Turkey to regulate their relations without any preconditions and first of all, to open the border. And only after the events of August 2008 did Turkey reply to those calls practically and accost to definite actions, which lead to the increasing of Armenia's significance on the geopolitical map of South Caucasus. But, Turkey's recent diplomatic activity can not be considered as a basis for the fast and easy regulation of the mutual relations. To that also testify the periodical statements of Turkish officials, that there are still many unsolved issues in the process of the final regulation of relations.

S.Sargsyan's invitation to his colleague was brought by the logic of enlarging Armenia's worldwide economic opportunities. Being a victim of Turkish-Azerbaijani blockade, the windows to outer markets through Iran and Georgia can be viewed sufficient, because Iran's territory can only supply an exit to the unstable regions of the near east and the road of strategic importance through Georgia has always been a tool which pressure has been often used by the Georgian government to pressure Armenia because of absence of another choice.

Certainly, for Armenia that has been left out of a vast number of regional projects, the opening of the border is a matter of strategic interest, especially in the conditions of the World economical crisis. But, it is obvious that the key to that problem is not in Ankara-Yerevan, but Ankara-Washington-Brussels-Moscow axis. If the opening of the border for Armenia and Turkey's "friendly" relations are necessary to reach the western markets, then for Turkey this matter has an even more strategic importance, because through Armenia Turkey will gain another lever to strengthen its influence in North Caucasus, as well as from the perspective of fortification of its Eurasian politics. But that does not mean that Turkey will easily "concede" Armenia, because up until now Turkey has been able to put their plans into action, sometimes absconding and even harming Armenia in the process. So, despite the recent optimistic opinions that the border issue will be resolved by the second part of the year, we think that the short-term perspective only holds

³⁰² Ինչ սպառնալիքներ է պարունակում իր մեջ «ճանապարհային քարտեզը», 30.04.2009, Panarmenian.net

activation of the discussions between the sides. Even more, considering Armenia's specific economical system, the Official Yerevan government will not hurry the process of the opening of the border. In this context the Armenia's best choice for now is the semi-opening of the border, only allowing intergovernmental and transit cargo transportations, for the time being. It is fully possible that the Gyumri-Kars railway will be put into exploitation, as it is also favorable for the RF, because it will be a serious blow to the Kars-Tbilisi-Baku railway program.

The fact that Turkish president accepted the invitation and visited Armenia can be viewed in the context of Turkey's desire to broaden its foreign political opportunities, after the Russian-Georgian conflict. That logic also explains Turkey's proposition on the **Caucasian Platform of Stability**. This must be viewed as Turkey's new foreign political tool in the new geopolitical situation. But that proposition itself is quite hard to put into action because of many inner disagreements. Three main points can be pointed out in this matter, which have a great influence on Armenia's foreign politics and security. Firstly, Turkey's proposal was brought by its desire to strengthen its influence in the region and to take an advantage after the events of August. Secondly, it is obvious that RF's diplomatic approval is also based on the recent events in South Caucasus and its desire to strengthen its influence in the region, and after doing that, it won't be any longer interested in the activity of its historical rival in Caucasus and the constant ally of the USA in the region. From that perspective the tales about the division of South Caucasus into influence sectors between RF and Turkey is absurd, as it is not obvious how should such a small region be divided into sectors from the geographical point of view, and whether RF needs a "colleague" in South Caucasus. Thirdly, the inactiveness of Armenia's traditional ally, Iran, proves Turkey's plans to isolate its century long enemy from the region on this matter. Iran's negative reaction concerning its isolated strategy can not have a positive influence on the division of power in the region.

Highly appreciating the statement on "road map" containing the main guidelines and schedule of regulation of Armenian-Turkish relations, it must be mentioned that it became the result of USA pressure.

From that perspective it is quite logical that this statement became an excuse for the president of the USA not to use the word "Genocide" in his annual speech. But on the other hand USA's following statement, according to which Armenia's and Turkey's relations must be regulated without any preconditions and in a sensible time span, must be considered.

Concerning the preconditions for the regulation of relations, we believe that Armenia will continue to be against including the MK issue in agenda of Armenian-Turkish relations. The agreement of Armenia on Turkey entering the OSCE council

is also not predicted. Turkey can not be fully be involved in the regulation of the MK issue not only because of its disagreements with Armenia, but because of its partial position. The countries of the OSCE will not agree to that themselves. But it is obvious that the MK issue and the regulation of Armenian-Turkish relations have been connected to each other definitely, and a development of one of them will lead to development of the other. The Turkish side is going to use this very circumstance, by manoeuvring between the need to improve relations with Armenia and on the other hand Azerbaijan's conditions. The international acknowledgement of the Armenian Genocide can not be an object of the unequivocal speculation, because it is not fully under control of the Armenian government and is mostly under the control of Armenian Diaspora organizations.

However, Turkey will continue to normalize its relations with Armenia, but we should not expect any global changes on the matter by changing its principles. Even more, though it may seem that the preconditions for the regulation of relations have been pushed out of the picture, they are actually some of the most important points on Turkey's political and diplomatic agenda. Mostly, Turkey's present politics have a number of issues with complementarity, which is presented from one side by the firm, sometimes contradicting the regulation of relations process, statements of Turkish officials, and from the other by more constructive statements concerning the matter. Of course this process will gain certain stimulus in spring, on the eve of the meeting of the two countries football teams. USA's and EU's support on the matter will also stay unchanged, besides some pressure on Ankara can be expected from it. It can even be expected that Armenia will take the matter into its own hands and present different programs to which Turkey will give its "formal" approval. From there on Turkey will try to lengthen the process, waiting for concession from Armenia, but S. Sargsyan's statement is, that he will visit Turkey in autumn for the teams answer match only with an open border, is a testament that the regulation of Armenian-Turkish relations is only a matter of time.

4/3 The analysis of foreign trade of Armenia

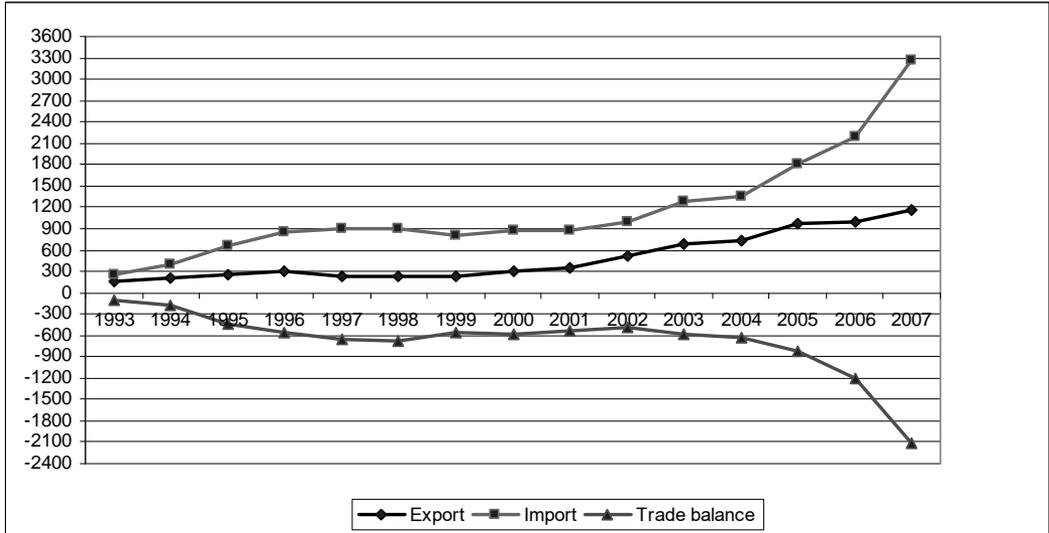
Armenia is a small country with scarce resources which is in a situation of bilateral blockade. Armenia borders Turkey to the west, Georgia to the north, Azerbaijan to the east, and Iran to the south. After Armenia gained independence, Azerbaijan and Turkey closed their borders with Armenia on political grounds. Hitherto, the existing conflict between Armenia and Azerbaijan has a substantial impact on foreign trade of Armenia. The northern and southern borders of Armenia

also have limited capacities for organizing shipment. The main route connecting to Iran passes through a mountain range and it frequently becomes impassable, while the main route passing through Georgia is not exploited with its maximum capacities.

Despite the serious political and physical trade limitations, Armenia continues to maintain the liberal trade regime since the independence. Armenia received high grades by the WTO by its trade classification scheme. Armenia distinguishes from other CIS countries by its significantly liberal trade regime. Apart from the liberal trade regime, the economy of Armenia is also rather liberal. Thus, according to Index of Economic Freedom of 2007 Armenia occupies 32th place in the world economy.³⁰³ Armenia acceded to WTO on February 5, 2003 and is also a member of the Black Sea Economic Cooperation (BSEC). BSEC was founded in 1992 with the aim to deepen the cooperation and abolish trade restrictions among countries.³⁰⁴

In order to assess whether the liberal trade regime was justified in case of Armenia, the trade balance of Armenia should be examined, and particularly the product and regional distribution structures. Since 1995 the trade balance of Armenia has been negative, which can be explained by the small volumes of exports and large volumes of imports. (See chart 1).

Chart 1. The dynamics of trade balance of Armenia, 1995-2006 (million \$)



Source: Foreign Trade of RA, National Statistical Service of Armenia

³⁰³ “Index of Economic Freedom”, Heritage Foundation, The Wall Street Journal 2007

³⁰⁴ The members of BSEC are Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, Russia, Serbia, Turkey and Ukraine.

Thus, the trade balance deficit of Armenia had consistently increased reaching \$ 672.3 million in 1996, which is the highest index for the indicated period. This trend was conditioned by the consistent growth of imports, which was combined with the decrease of exports in 1997-1998. The trade balance deficit reduction in 1999 can be explained by the sharp decrease in import volumes and increase in export volumes. Compared with the previous year, the exports have increased only by 4.5%, constituting \$ 233.5 million, whereas imports have decreased by 10.4%, reaching \$ 801.7 million. In 2001 the main reason of trade balance deficit reduction was the fact that the import volume diminished by \$ 10.8 million, while the export volume went up by \$ 45.3 million, constituting \$ 874.3 million and \$ 342.8 million correspondingly. Contrary to that, the substantial trade balance deficit reduction can be explained by the fact that the export growth rate exceeded the import growth rate. In 2002 the growth rate of export was 47.9%, and that of import was 13.3%. As a result, the export and import volumes constituted \$ 507.1 million and \$ 991.0 million correspondingly.

The data unveil that the trade balance deficit has significantly increase for the period of 2003-2007. In 2007 the trade balance deficit was \$2115.4 million which exceeds the 2002 data more than five times. However, this trade balance deficit has some specificity, which concerns the fact that volumes of both export and import illustrated considerable growth rates for the period of 2003-2005. In 2003 the import volumes increased by 28.1% compared to previous year and constituted \$ 1269.4 million. Whereas the export volumes increased by 33.7%, constituting \$ 678.1 million. Despite the fact that in 2003 export growth rate was 33.7% and import growth rate 28.1%, the trade balance deficit has increased compared to previous year. This is conditioned by the fact that the imports where twice as much as the exports. Moreover, in 2006 the imports increased by 21.6% and exports by 1.1% compared to previous year, whereas in 2007 imports increased by 49.1% and exports by 16.9% in comparison with 2006.

4/4 Armenia – EU external relations.

Since the independence, the integration to European institutions has been and continues to be a prevalent direction of foreign policy. This is manifested in relations with the European Union, Council of Europe, North Atlantic Treaty Organization (NATO) and other European institutions as well as in bilateral relations with the countries of the region.

The cooperation between the EU and Armenia started just after the independence of Armenia in the framework of Technical Assistance to the Commonwealth of Independent States (TACIS) program as well as with the development of bilateral relation between the EU countries and Armenia. The TACIS program commenced in 1991 and the main goal of this program was to support the 13 transition countries of Eastern Europe and Central Asia: Armenia, Azerbaijan, Georgia, Belarus, Moldova, Ukraine, Russia, Kazakhstan, Kyrgyzstan, Turkmenistan, Tajikistan, Uzbekistan and Mongolia.

It should be stressed that among the EU countries Armenia has tight links with one of the EU founder countries, id France, where the biggest number of Armenian Diaspora members in whole Europe reside.

The legal basis of EU-Armenia cooperation was established on April 22, 1996 by the signature of Partnership and Cooperation Agreement (PCA) between Armenia and the EU, which entered into force on July 1, 1999.³⁰⁵ The agreement signed in 1996 entered into effect only in 1999 because of the fact that in 1997 an interim agreement was signed between the EU and Armenia, which was supposed to regulate the issues related trade and taxes reflected in the Partnership and Cooperation Agreement. Actually, the agreement covers all aspects of EU-Armenia cooperation, except the military cooperation. Roughly speaking, the core objective of the agreement is the establishment and development of market-based system in Armenia.

The economic objectives of the agreement are:

- To support the Republic of Armenia's efforts to develop its economy and to complete the transition into market economy
- To promote trade and investment and harmonious economic relation between the Parties [Armenia and the EU] and to foster their sustainable development
- To provide basis for economic cooperation.³⁰⁶

But it should be stressed, that the PCA does not foresee the creation of free trade area between parties.³⁰⁷

³⁰⁵ Currently the PCA with EU have Russia, Ukraine, Moldova, Armenia, Azerbaijan, Georgia, Uzbekistan, Kazakhstan, Kyrgyzstan and Tajikistan.

³⁰⁶ The European Union and the Republic of Armenia, Partnership and Cooperation Agreement

³⁰⁷ Steven Blockmans and Adam Łazowski, *The European Union and its Neighbours: A Legal Appraisal of the EU's Policies of Stabilisation and Integration*, The Hague: T.M.C. Asser, 2006, p. 597.

As a result of 2004 May enlargement the external frontiers of the EU changed. Consequently, the geography of EU politics also changed, which presented new opportunities to deepen the relations between the EU and its new eastern and southern neighbors.

Thus, in 2003-2004 the European commission initiated a new program European Neighborhood Policy (ENP), which includes the following countries: Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Lebanon, Libya, Moldova, Morocco, Palestinian authority, Syria, Tunisia and Ukraine.³⁰⁸ What is important to notice is that initially the countries of South Caucasus were not included in the ENP, as well as the participation of Russia in this program was envisaged. After the refuse of Russia to be incorporated in the ENP, the inclusion of the countries of South Caucasus was revised. Given the fact that this region represents an interest from the energetic point of view, as well as given the fact that Turkey is currently a candidate country to become a member of EU, consequently the countries of the South Caucasus are considered as potential neighbors of EU.

The integration procedures between Armenia and the EU substantially deepened when in June 2004 Armenia was included in the ENP by the proposal of the European Commission. The ENP implies new approaches which go further than the relations and cooperation existing between the EU and neighboring countries. The main goal of the ENP is the sharing of the benefits of EU enlargement with the countries willing to establish a sphere of stability, security, prosperity, as well as to avoid the creation of new dividing lines between the enlarged EU and neighboring countries. The accomplishment of the ENP the EU is supposed to grant financial and technical support. To that end the European Neighborhood and Partnership Instrument (ENPI) was established for the participant countries. On January 1, 2007 the ENPI came to replace a number of programs executed by the EU (TACIS, MEDA, EIDHR). That created wider opportunities for the cooperation between the EU and ENP countries, as it presents new forms of support and the participant countries are given an opportunity for maximal harmonization of E norms and standards in the framework of the priorities of ENP Action plan. An amount of approximately 12 billion euros is foreseen for the next budgetary period (2007-2013) to support the reforms in the participant countries. This number has grown by

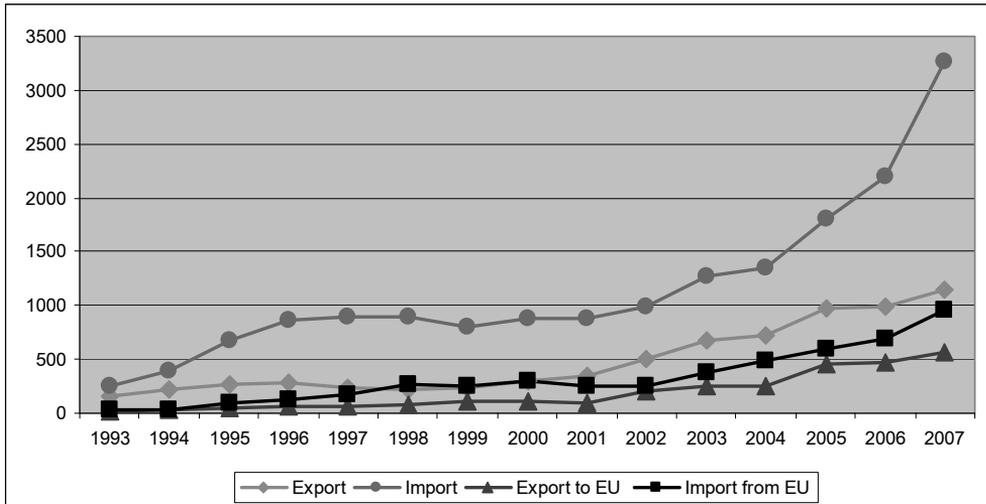
³⁰⁸ As a result of the absence of a contractual relationship, the benefits of the ENP are not activated for Belarus, Libya and Syria.

32% compared to the previous budgetary period. In the framework of this program the amount assigned for Armenia is 98.4 billion euros.³⁰⁹

The EU-Armenia cooperation also develops in the high tech, education and social sectors, particularly the Food Security Program (FSP) should be emphasized.³¹⁰ In the framework of EU-Armenia cooperation the financial and technical support offered to Armenia is of paramount importance. In the framework of various EU programs (particularly ECHO, TACIS and FSP) Armenia for the period of 1991-2005 received more than 380 million euros financial support, as well as long-term loans of more than 86 million euros total value.³¹¹

At the beginning (1993-1998) the foreign trade volumes between the EU and Armenia were lagging behind significantly the trade volumes between Armenia and CIS countries. However, compared to CIS countries, the trade between the EU and Armenia had a tendency of consistent growth. All in all, in 1993-2002 the foreign trade with the EU and the CIS had a “spiral character”. That means that when the foreign trade volumes with the CIS decreased, the trade volumes with the EU went up, and vice-versa. Thus, in 1993-1997 the share of the CIS was the biggest in the foreign trade of Armenia. However, since 1998 the most important trading partner of Armenia is considered to be the EU.

Chart 2. Armenia – EU foreign trade



Source: Foreign trade of Armenia, National Statistical service of RA

³⁰⁹ European Commission, European Neighbourhood Policy: Funding, 25.03.08. Available at: http://ec.europa.eu/world/enp/funding_en.htm

³¹⁰ Sergey Minasyan, EU-Armenia cooperation and the new European neighborhood policy, 2006:

³¹¹ European Neighboring Policy”, Country Report, Armenia, COM(2005) 72 final

As the chart 2 illustrates, for the period of 1993-2003 the foreign trade with the EU showed consistent growth trend. Form 1993 to 2000 the foreign trade with the EU exposed continuous growth, with the increase of both exports and imports. However, the picture changes in 2001, when the exports to EU decrease by 17.1% and constitute \$ 88.6 million.³¹² In 2002 the exports from Armenia to EU decrease two times. The foreign trade of Armenia with the EU member states (both in exports and imports) started to grow considerably since 2002. Thus, in 2003-2007 the exports volumes from Armenia to EU increased by 117.6%, and the volumes of imports from EU to Armenia increased by 158.8%. Such vivify in EU-Armenia trade turnover can be explained by the fact that the accession of Armenia to WTO in the beginning of 2003 made the EU markets more accessible and profitable for the Armenian products. At the same time, the WTO accession made the Armenian markets more accessible and profitable for the EU countries. On the other hand, it should be stressed that the increase of the external trade turnover with the EU countries had an autonomic character. That means that the increase in trade with the EU countries was recorded also before Armenia's accession to WTO, and the WTO accession was an extra stimulus for this process.

Table 1. Armenia's foreign trade with the main EU partner countries, 2007 (\$ million)

	Germany	Belgium	Netherlands	Austria	Italy	Great Britain	France
Export	169.6	100.2	156.0	5.5	30.0	2.7	9.4
Import ³¹³	116.0	157.3	22.2	124.7	95.0	117.9	65.6
Share in total EU turnover (%)	18.7%	16.8%	11.6%	8.5%	8.1%	7.8%	4.9%

Source: Foreign trade of Armenia, National Statistical service of RA

Both the geographical and product structure of trade between Armenia and the EU, as it is in the case of whole foreign trade of Armenia, is very concentrated. (See table 1 and table 2). The high concentration level of Armenia's foreign trade with the EU can be explained by the fact that out of EU15 countries are Germany, the

³¹² Similarly, the imports from the EU decreased by 16.5% and constituted \$252.2 million.

³¹³ The import volumes are presented according to the character of trading country.

share of which in total turnover is 18.7%, Belgium (16.8%), Netherlands (11.6%), Austria³¹⁴ (8.5%), Italy (8.1%), Great Britain (7.8%), France (4.9%) and Greece (3.9%). The share of mentioned countries in Armenia's trade with EU27 is more than 80%, and 90.5% of trade with EU15.³¹⁵

Table 2. The main product groups of trade with main EU partner countries, 2006 (\$ million)

	Germany		Belgium		Netherlands		Austria		Italy	
	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.
Black metals and objects	98.6	-	-	-	138.5	-	3.0	-	-	9.0
Copper	62.2	-	-	-	3,3	-	1.8	-	-	5.7
Machinery	-	23.0	-	-	-	1.9	-	1.7	-	33.6
Transportation equipment	-	132.3	-	-	-	-	-	1.9	-	5.1
Precious stones and metal	-	-	96.5	104.4	-	-	-	112.4	-	2.0
Textile clothes	-	-	-	-	-	-	-	-	23.8	14.4
Electric equipment	-	10	-	-	-	-	-	-	-	4.5
Pharmacological products	-	6.4	-	-	-	2.0	-	1.6	-	3.2
Medical equipment	-	9.2	-	-	-	1.5	-	-	-	2.4

Source: Foreign trade of Armenia, National Statistical service of RA

The examination of the trade product structure with the EU15 main trading partners, a concentration for several product groups can be observed. (See table 2) Thus in the trading product structure between Armenia and EU main partner countries the prevailing groups are metals (particularly black metals, copper and other non-precious metals), precious stones, transport equipment, machinery and equipment, electric equipment, pharmacological staff and medical equipment.

As the table 2 shows, in the trade structure of Armenia with the EU15 main partners significant concentration can be observed in the trade with Belgium, Netherlands and Austria. In case of Belgium the concentration is in trade of precious stones, and in the case of Netherlands and Austria the concentration is in

³¹⁴ It should be mentioned that in 2006 the trade turnover with Austria was \$ 50.4 million (4.3% of total trade with EU27). In 2007 the increase of turnover with Austria can be explained by the increase of imports (the imports from Austria increased by 167.5% in 2007, compared to 2006)

³¹⁵ It should be stressed that Armenia's trade with the CIS countries is even more concentrated, than the trade with the EU countries (the share of Russia is 61.2% in trade with Armenia)

trade of metals and precious stones. In trade structure with Germany, Italy, Great Britain and France a relative diversification can be observed (especially for exports). Moreover, in conclusion, the geographical and product structure of exports to EU15 is extremely concentrated, whereas the imports are relatively diversified.

Thus, in summary, in the Armenian exports to EU the share of stones and stone products is important. The stones are exported mainly to Germany and Netherlands. In addition, for the period of 2005-2007 the share of metals is correspondingly 55.0%, 61.9% and 65.1%.³¹⁶ The next most important product group in Armenian exports to EU is the precious stones and metals (18.3%), which are exported exclusively to Belgium. In 2007 in imports from EU to Armenia the main product groups are precious stones and metals³¹⁷ (26.5%), machinery and equipment, as well as electric equipment (24.4%), transportation equipment (7.1%) and chemical products (6.9%).

4/5 Armenia –Turkey economic relations, the prospects of development Armenian-Turkish external economic relations

Despite the unstable political situation existing between Armenia and Turkey, Armenia has significant trade relations with Turkey which can develop further if the political controversies are resolved. Thus, the trade with Turkey experienced oscillations in 1995-2003. (See table 3). In 1995-1997 the volumes of both imports and exports significantly increased, constituting correspondingly \$ 38.4 million and \$ 7.1 million in 1997. It should be stressed, that the commodity turnover with Turkey in 1997 (\$ 45.5 million) was the highest for the period of 1995-2003. Subsequently in 1998-2003 the export volumes felled sharply, whereas the import volumes remained unchanged. Since 2004 the foreign trade with Turkey increased significantly and constituted \$ 128.5 million in 2007. Thus, for the period of 2004-2007 the trade with Turkey almost tripled, which can be explained by the increase of imports volumes.

³¹⁶ “Eurostat”, Statistical regime 4, Armenia

³¹⁷ The precious stones and metals are imported mainly from Belgium and sine 2006 also from Austria

Table 3. The trade dynamics with Turkey, 1995-2007 (\$ million)

Turkey	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Total turnover	5.2	12.2	45.5	31.5	41.2	41	34.8	39.6	37.4	41.8	63.7	90.8	128.5
Export	2.6	6.0	7.1	2.9	1.1	1.5	1.1	1.4	1.1	2.0	2,5	2.3	3.0
Import	2.6	6.2	38.4	28.6	40.1	39.5	33.7	38.2	36.3	39.8	61.2	88.5	125.5
Specific weight (%)	0.5	1.0	4.0	2.8	3.9	3.4	2.8	2.5	1.9	2.0	2.3	2.8	2.9

Source: Foreign trade of Armenia, National Statistical service of RA

Armenia's foreign trade with Turkey can be characterized by following periods:

1. 1995-1997 – increase in both exports and imports
2. 1998-2004 – the export and import volumes remained unchanged
3. 2005-2007 – the export volume remained unchanged, whereas the imports volumes increased.

In order to have general idea about the trade with Turkey, the structure of foreign trade (and particularly of import) should be analyzed. Actually, the import structure from Turkey is quiet diversified, and the table 4 illustrates the main product groups of import.

Table 4. The structure of Turkish imports to Armenia, 2004-2007 (\$ million)

	2004	2005	2006	2007
Cleaning agents and creams	1.7	3.2	4.6	7.7
Plastics and plastic products	3.4	6.3	14.3	17.0
Wood and wooden products	1.4	2.4	6.7	12.4
Knitted goods	0.6	1.8	2.3	3.1
Ceramics	1.5	1.1	2.1	4.6
Black metals	2.9	4.8	9.2	17.1
Goods from black metals	1.2	2.7	6.0	11.6
Aluminium and aluminium goods	2.1	2.9	5.3	5.8
Equip. and mechanical particles	4.3	4.7	5.4	9.9
Electric machinery and equipment	1.9	2.4	3.0	3.9
Transportation equipment	0.25	1.7	1.5	3.7

Source: Foreign trade of Armenia, National Statistical service of RA

Thus, in the imports from Turkey to Armenia an increase can be observed for the following product groups: cleaning agents and creams, plastics and plastic products, wooden and wooden products, black metals and goods from black metals.

Trade relations in our region are characterized by certain peculiarities. For Armenia the most important peculiarity is the presence of closed borders. Countries with no direct access to the sea come across a number of problems, among which these issues should be emphasized:

- Remote geographical placement from international markets
- Poor infrastructure
- Non-corresponding trade
- Not properly regulated customs and institutional environment
- High level of dependency on neighboring transit countries.

Thus, no direct access to the sea creates different economic, infrastructure and political problems. However, most of these problems of landlocked countries can be overcome or reduced due to proper combination of policies at state and regional levels.³¹⁸

Trade relations in our region (Armenia, Azerbaijan, Georgia, Iran and Turkey) have interesting peculiarities. These five countries exercise a rather heavy trade turnover with the entire world. However the volume of inner regional trade turnover (mutual foreign trade) is significantly small.

Table 5. Armenia’s foreign trade with Iran, Georgia and Turkey, 1995-2007 (\$ million)³¹⁹

Iran	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Total turnover	124.8	193.7	131.3	95.5	112.7	110.6	110.6	93.5	92.7	106.8	136.6	162.2	192.9
Export	35	43.9	42.6	31.7	34.2	27.7	32.5	31.1	22.5	30.5	28.5	29.6	38.5
Import	89.8	149.8	88.7	63.8	78.5	82.9	78.1	62.4	70.2	76.3	108.1	132.6	154.4
Specific weight (%)	13.3	16.8	11.6	8.5	10.9	9.3	9.1	6.2	4.7	5.1	4.9	5.1	6.0

³¹⁸ United Nations, ‘Report of the International Ministerial Conference Landlocked and Transit Developing Countries and Donor Countries and International Financial and Development Institutions on Transit Transport Cooperation’, Almaty, Kazakhstan, August, 2003. Available at: http://www.unctad.org/en/docs/aconf202d3_en.pdf

³¹⁹ The trade with Azerbaijan has not been analyzed because of the absence of the official data

Georgia	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Total turnover	64.5	54	49.1	37	38.1	34.9	30.8	48.1	51.6	77.6	97.6	130.2	221.3
Export	2.7	2.8	10.7	10.2	11.2	15.4	12.4	16.6	18.7	29.1	46.8	54.6	87.8
Import	61.8	51.2	38.4	26.8	26.9	19.5	18.4	31.5	32.9	48.5	50.8	75.6	133.5
Specific weight (%)	6.9	4.7	4.4	3.3	3.7	2.9	2.5	3.2	2.6	3.7	3.5	4.0	6.9
Turkey	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Total turnover	5.2	12.2	45.5	31.5	41.2	41	34.8	39.6	37.4	41.8	63.7	90.8	128.3
Export	2.6	6.0	7.1	2.9	1.1	1.5	1.1	1.4	1.1	2.0	2,5	2.3	3.0
Import	2.6	6.2	38.4	28.6	40.1	39.5	33.7	38.2	36.3	39.8	61.2	88.5	125.3
Specific weight (%)	0.5	1.0	4.0	2.8	3.9	3.4	2.8	2.5	1.9	2.0	2.3	2.8	4.0

Source: Foreign trade of Armenia, National Statistical service of RA

As we can see in table 5, the share of the countries of the region is only 17% of Armenia's foreign trade. This is undoubtedly a result of certain problems among which primarily the existence of closed borders, as well as the difference of development levels of the countries of the region and national and cultural peculiarities. However, it also speaks of a great potential for inner regional trade-economic relations between these countries in case of the elimination of the existing economic and political problems.

Today, when many speak about the potential reopening of the Armenian-Turkish border and of the necessity to establish friendly political and economic relations, the main argument brought forward is the economic benefit of the reopening of the border. It is evident that the Armenian-Turkish closed border negatively affects foreign trade in Armenia and seriously harms the social-economic development of the eastern part of Turkey.

The most important indicator, as a barrier to the development of foreign trade in Armenia is the heavy weight of transportation costs within export and import expenses. Transportation costs in Armenia are more than twice higher than the average international costs and are the highest within the region. This can be compared, for instance with transportation costs in Mongolia, as a country which also does not have direct access to the sea and is ten times more distant from the nearest sea port than Armenia is. High transportation costs also determine the trade structure as importers and exporters are inclined to do business using products with

high value/weight comparability.³²⁰ As a result the trade of low cost goods of light industry is limited. Compared to other transition economies, Armenia's volumes of imports of textile, apparel and footwear is quiet limited. Whereas the main import items of Armenia are high value-to-weight goods, such as diamonds and jewelry that are transported by air and thus not affected by the blockade. And since they are high value items, the transport costs constitute a small share of their price.

Thus, analyzing Armenia's export and import structure in 2007, we notice that among the imported goods those have high specific weight: black metals (21.1%), natural or artificial pearls, precious and semi-precious stones, precious metals (18.1%), alcoholic and non-alcoholic drinks (11%), ore, cinder and ash (10.9%), whereas the shares of apparel and footwear are correspondingly 1.8% and 0.1%.³²¹ On the other hand, the small volumes of imports of those product groups can also be explained by the non-competitiveness of those branches of economy. It seems that even if we exclude the factor of the closed border, the development of the imports of those branches may be possible only with the improvement of the competitiveness of domestic production facilities.

Figures come to evidence that the blocked condition of the Armenian-Turkish border has significantly harmed exports to Turkey and other countries rather than imports. Particularly, the amounts of exports to Turkey are rather small due to limitations put on the Armenian products by the Turkish government.³²² For instance, Armenian exports to Turkey constituted \$ 3.0 million, whereas the Turkish imports to Armenia were of \$ 125.3 million.

Since 1990s, when the issue of the reopening of the Armenia-Turkish border penetrated both political and economic agenda of the country, several studies were conducted which questioned the impact of the reopening of the border on Armenia's foreign trade, as well as on the overall economy of the country.

According to the Armenian European Political and Legal Advisory Center (AEPLAC), in case of reopening of the border the transportation costs will decrease, not only because Armenia will prefer Turkish roads, but also because Georgian transportation companies will be obliged to lower their service charges due to competition. As stated in studies conducted by AEPLAC, a 4.1 percent decrease can be expected in transportation costs within one year as a result of the reopening of the border. This will lead to 4.7% increase in imports and 5.9%

³²⁰ Sergey Sargsyan, 'Transportation and Administrative Costs: Unearned Surplus', Institute of Economic Research, Armenia

³²¹ Statistical Yearbook of Armenia 2008

³²² Sergey Sargsyan, "Transportation and Administrative Costs: Unearned Surplus", Institute of Economic Research, Yerevan, Armenia, p. 109.

increase in exports. Within mid terms (up to five years) exports to Turkey will rise 17.4 times as compared with 2003 data, while imports from Turkey will go up 2.3 times. However, according to AEPLAC study Armenia's GDP will increase only by 0.67%.³²³ Thus, according to this study, Armenia gains from the increase of transportation costs.

The conclusion of AEPLAC study concerning the point that the reopening of Turkish-Armenian border cannot have an impressive impact on the economic development of Armenia, underwent substantial critics. This was in variance with the 2000 World Bank study which predicted that Armenia would see a 30% increase in GDP if both Turkey and Azerbaijan lifted their economic embargos.³²⁴

In another study, a World Bank economist Yevgeniy Polyakov evaluated the potential for reducing transportation costs while importing Turkish products to Armenia by the main road. According to this study, the savings will count up for an amount of \$ 0.9-1.2 million. Another option for saving of an amount equal to \$ 1.8-2.0 million would be possible in case of using the Turkish seaport. However, it should be taken into account that this study is based on 1997-1999 data, when Armenia's import and especially export volumes were rather small. This study also did not consider exports from Armenia to Turkey as an option.³²⁵

A different study conducted by an other World Bank economist Harry Broadman states that the transportation cost for a 20-ton truck from Poti to Yerevan will decrease by 30-35% which equals an amount of \$ 450-750, in case of reopening of Armenian-Turkish border.³²⁶ It should be stressed that actually the cost of transportation of a 40 ton dry container from Poti to Yerevan is approximately \$ 1600.

According to another study, as a result of the reopening of the closed border the volume of Turkish imports would increase by 50%. In addition, each 10% of reduction in distance due to open border would lead to additional 15.6% increase in imports from

³²³ Armenian-European Policy and Legal Advice Center (AEPLAC), 2005, "Study of the Economic Impact on the Armenian Economy from Re-Opening of the Turkish-Armenian Borders", Yerevan, Armenia, p.13. Available at: <http://www.aiprg.net/UserFiles/File/Final%20Papers/Arm-Turk%20border%20article-AEPLAC.pdf>

³²⁴ Haroutiun Khachatryan, "Report: No Big Gains to Armenia if Turkey Lifts Blockade", 8/09/05. Available at:

<http://www.eurasianet.org/departments/business/articles/eav080905.shtml>

³²⁵ Evgeny Polyakov, "Changing Trade Patterns after conflict resolution in the South Caucasus", the World Bank, 2001, p. 29. Available at: http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2001/05/24/000094946_0105050456527/Rendered/PDF/multi0page.pdf

³²⁶ Harry G. Broadman, "From Disintegration to Reintegration, Eastern Europe and the Former Soviet Union in International Trade", The World Bank.

Turkey. As for Armenian exports to Turkey, it is expected to go up by some 38%. The effect of distance reduction by 10% on Armenian exports would bring an additional 12.6% increase in the volume of trade. However, according to author, as GDP and GDP per capita for both Armenia and Turkey continue to grow, it would contribute to further expansion of trade flows between these two countries.³²⁷

According to World Bank economists, Armenia's current underperformance in the trade area cannot be explained in terms of macroeconomic and structural policies of the Armenian government, as Armenia has been among the reform leaders in the CIS since the second half of the 1990s. Consequently, the trade underperformance should be primarily attributed to the effect of closed borders with its neighbors, which continue to depress Armenia's export capabilities.³²⁸

Despite its very liberal trade regime Armenia is not closely integrated into international production networks. High transportation costs hinder Armenia's participation since bringing semi-processed materials for further processing or manufactured parts and components for assembly, as it is the case in many Central European countries, is not economically viable.³²⁹

The structure of Armenian exports to the EU is a good indicator of the challenges Armenian exporters have been facing. For many transitional countries trade with the EU became a key driver for their export expansion, employment generation and growth. In case of Armenia in the export structure to EU the share of textile and apparel is considerably small, while in case of other transition economies the those product groups constitute a large share of EU-destines sales. For instance, in 2001, these two categories accounted for almost ¼ of Lithuania's and more than a half of Moldova's sales to the EU.³³⁰

³²⁷ Richard Beilock, Karine Torosyan, "A Phased Strategy for Opening Armenia's Western Border", Draft, p.21. Available at: <http://www.aiprg.net/UserFiles/File/Final%20Papers/Rich%20Beilock%20and%20Karine%20Torosyan%20Paper%20Final.pdf>

³²⁸ Lev Freinkman, Evgeny Polyakov, Carolina Revenco "Armenia's Trade Performance in 1995-2002 and the Effect of Closed Borders: A Cross-Country Perspective", the World Bank, Armenian International Policy Research Group, Working Paper No. 04/04, January 2004, p. 2. Available at: http://mpr.ub.uni-muenchen.de/10065/1/MPRA_paper_10065.pdf

³²⁹ Lev Freinkman, Evgeny Polyakov, Carolina Revenco "Armenia's Trade Performance in 1995-2002 and the Effect of Closed Borders: A Cross-Country Perspective", the World Bank, Armenian International Policy Research Group, Working Paper No. 04/04, January 2004, p. 6 Available at: http://mpr.ub.uni-muenchen.de/10065/1/MPRA_paper_10065.pdf

³³⁰ Lev Freinkman, Evgeny Polyakov, Carolina Revenco "Armenia's Trade Performance in 1995-2002 and the Effect of Closed Borders: A Cross-Country Perspective", the World Bank, Armenian International Policy Research Group, Working Paper No. 04/04, January 2004, p.9. Available at: http://mpr.ub.uni-muenchen.de/10065/1/MPRA_paper_10065.pdf

On the other hand, the blockade hurts Armenia much less directly (through higher transportation costs and lost volumes of exports) than indirectly, through its overall impact on depressed investor's expectations, international perceptions of investment risk and depressed levels of FDI.³³¹

Thus, the development of external economic relations between Armenia and Turkey would have an important impact on the overall economy of Armenia. In this context, the prioritized issue is the closed border, as a result of which the transportation routes are limited with relatively high transportation costs. As we saw there are a number of studies that analyze and explain the impact of closed border on Armenian economy. For instance, Polyakov estimated that opening of the border and the development of transportation network could double Armenia's export volumes and increase the GDP by 30% in long-run.³³² The recent studies, however, revealed that the economic benefits expected from the reopening of the border would be considerably small.³³³

In our opinion, there are also other "costs" which are the consequence of the closed border. In fact the closed border is the result of the absence of regulated political relations between Armenia and Turkey. On the other hand, the regulated political relations are also absent between Armenia and Azerbaijan. Consequently, the smoothening of Armenian-Turkish relations would be a base for the regulation and development of political relations between Armenia and Azerbaijan. Taking into account the existence of potential armed conflict between Armenia and Azerbaijan, Armenia is a potential conflict zone. For instance, for the period of 199-2006 Armenia was classified among the 10 most risky countries (external conflict) on average holding the 8th place.³³⁴ This factor, apart from the existence of closed borders (high transportation costs), also has its impact on the Armenian economy (for instance, low level of FDI).

Thus, the external conflict, resulting in high level of unreliability impacts the FDI inflows in the Armenian economy from the part of both local and foreign investors. The foreign investors have various alternatives to invest in other countries, as their investment decisions are taken by calculation of the risk and assessment of alternative opportunities. On the other hand, those local investors

³³¹ Lev Freinkman, Evgeny Polyakov, Carolina Revenco "Armenia's Trade Performance in 1995-2002 and the Effect of Closed Borders: A Cross-Country Perspective", the World Bank, Armenian International Policy Research Group, Working Paper No. 04/04, January 2004, p. 2. Available at: http://mpr.aub.uni-muenchen.de/10065/1/MPRA_paper_10065.pdf

³³² Evgeny Polyakov (2002) "Changing Trade Patterns after Conflict Resolution in South Caucasus", Washington D. C.: World Bank.

³³³ AEPLAC (2005). "Study of the Economic Impact on the Armenian Economy from Re-Opening of the Armenian-Turkish Borders: Implications for External Trade".

³³⁴ International Country Risk Guide Indicators.

who dispose considerable capital assets also have an opportunity to invest in foreign assets. There are a number of studies that reveal that the potential for FDI flows is much higher than is actual volumes. One of the main reasons explaining this phenomenon is high riskiness.³³⁵

In the world economy the FDI flows are directed towards those countries and regions there the return on investment is the highest, taking into account the level of relative wage, the volume of the local market, the political risk and other factors that influence the level of return on investment. It should be stressed that other thing being equal the volume of the market is an important factor to attract FDI. But it is possible that the importance of this factor would lessen if it is compensated by relatively low costs of exports. It should be mentioned that the domestic market of Armenia is quiet small, whereas the export costs are high as a result of closed borders with Turkey and Azerbaijan.

4/6 The project of Nabucco gas pipeline and its (possible) political implications for EU-Turkey relations

The natural gas is of central importance for the energy security³³⁶ of EU, which explains the special attention of the EU and its member states separately and active involvement in the issues of mining and transit of hydro carbonic reserves. The immense dependence on the imports of power-generating substances has a political impact on the relations between the EU and supplier and transit countries. On the one hand, this means that the source and transit countries influence actively the elaboration of the EU policy; on the other hand, the EU itself is drawn into the internal problems of those countries and regions. Probably the revitalization of Nabucco project after the series of Russian-Ukrainian gas conflict can be explained by those circumstances. Despite the comprehensive discussions and announcements, however, this gas pipeline in current format would not acquire enough strategic importance for EU in order to become a subject of important geopolitical speculations and trade.

Probably, there is no need to present and argue the increasing dependence of EU member countries' economies on energy resources; however, it should be made

³³⁵ Brada, Josef, Ali M. Kutan, and Taner M. Yigit (2005). "The Effects of Transition and Political Instability on Foreign Direct Investment in ECE Emerging Markets".

³³⁶ According to the EU Statistical Service (EUROSTAT), in 2005 the 29% of energy EU27 was secured by the nuclear fuel, 22% by solid fuel, 21.2% by natural gas, 14.4% by oil and 13.5% by renewable energy resources. (Figure 1.1: Production of primary energy, EU-27, 2005, Europe in figures, Eurostat yearbook 2008, p.438).

a quick reference particularly to the consumption of gas volumes and its sources. Thus, according to EUROSTAT data, in 1995 the level of energetic dependence of current EU member states on the natural gas was estimated at 43.6%, whereas in 2005 the level of dependence was 57.7%.³³⁷ From the point of view of energy reserves for the non self-sufficient EU the main gas suppliers are Russian, Norway and Algeria.³³⁸ Such a dependence on the import of power-generating substances from the political standpoint has a triple impact on the relations between the EU and supplier and transit countries/regions. On the one hand, it is natural the EU's urgent interest to assure the security of power-generating materials, and consequently the transit countries' and regional stability, as well as to loosen the economic-political dependence on the single source of energy, and finding of alternative sources of energy resources. On the other hand, it is also natural the frequent attractions for transit countries to use their status as a playing card in relations with the EU. It is probable that as a result of the gas conflict between Russia and Ukraine at the beginning of the year the revitalization of the Nabucco pipeline project can be explained by these circumstances.

It concerns the construction of a new gas pipeline that would allow the EU to loosen its gas dependence on Russia. The interest of EU for the construction of an alternative pipeline increased especially after the Russian-Ukrainian gas crisis when the EU had to experience the bitterness of gas blockade. The recent declarations of EU official representatives come to testify upon this reality. Particularly, the president of the European Commission Jose Manuel Barosso during an interview given on January 20, 2009 pointed out that the leaders of Russia and Ukraine are less reliable than certain African countries, and it is an impartial fact that the gas coming from Russia and Ukraine is not trustworthy.³³⁹

Based on the created situation, the official Brussels made a number of declarations about the construction of Nabucco gas pipeline, up to readiness to make investment in the financing of this project and securing loans and loan

³³⁷ According to the same data the dependence on coal reached from 28.2% to 53%, and the dependence on oil increased from 74.4% to 82.2%.

³³⁸ According to EUROSTAT data, the volumes of gas import from Russia constituted 41.9%, from Norway 22.3%, from Algeria 19.1% (Europe in figures, p. 440). In the future the dependence on gas will reach 34%, 80% of which will be imported in 2030 (Markets for Nabucco <http://www.nabucco-pipeline.com/company/markets-sources-for-nabucco/markets-sources-for-nabucco.html>). According to the Swedish Institute of European Political Studies, the main supplier in Russia is the GasProm company (29%), in Norway the Statoil company (17%), in Algeria the Sonatrak company (13%). (Le Coq Ch., Paltseva E., Common Energy Policy in the EU: The Moral Hazard of the Security of External Supply – SIEPS 2008:1 – Swedish Institute for European Policy Studies, p. 23):

³³⁸ *Euobserver.com* (<http://euobserver.com/19/27442>)

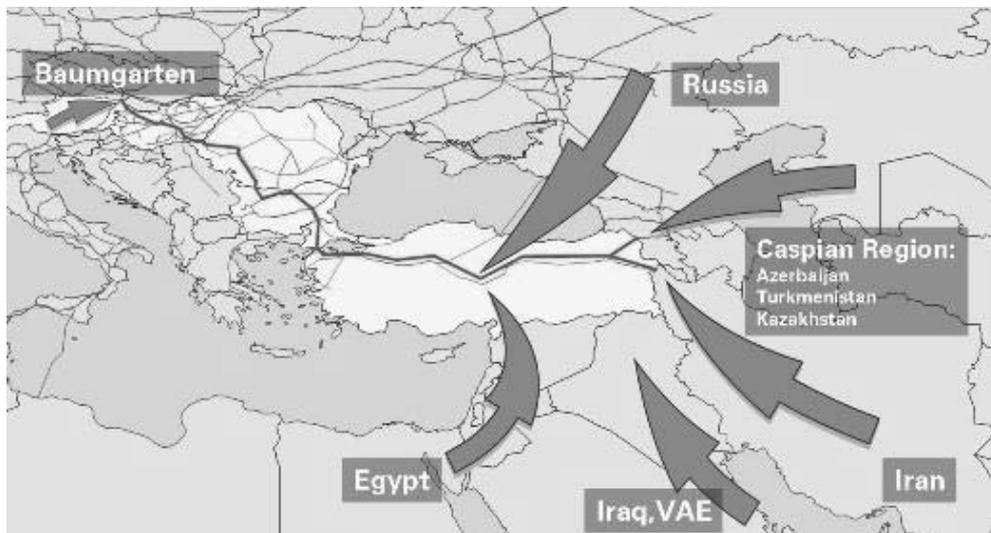
³³⁹ *Euobserver.com* (<http://euobserver.com/19/27442>)

warranties. The total cost of the pipeline is estimated at approximately 7.9 billion euros, and the financial participation of EU in the project will constitute 2 billion euros.³⁴⁰ The European Bank of Reconstruction and Development (EBRD) has expressed its readiness to support the project.

This pipeline with 3300 km length and 31 cubic meters leakage capacity running from the Georgian/Turkish and/or Turkish/Iranian border to Austria foresees to transport the gas from Central Asia (Kazakhstan, Turkmenistan), Caspian pool (Azerbaijan, Russia), Middles East (Iran, Iraq, UAE) and Egypt through Turkey, Bulgaria and Romania reaching Austria from where the gas will be redistributed to Central and Western Europe. In 2030 the Nabucco company plans to satisfy 83,140 million cubic meters (instead of current 47.820 million cubic meters) gas demand of EU, Balkan countries and Switzerland out of 816 million cubic meters (instead of current 512 million cubic meters) by bypassing Russia.

According to primary calculations the project requires an investment of 7.9million euros.³⁴¹ The start of the project is foreseen for 2011, and it will be achieved in 2015. The current participant companies of the project are OMV Gas & Power GmbH (Austria), Transgaz S.A. (Romania), BOTAS (Turkey), MOL Hungarian Oil and Gas Plc (Hungary), Bulgarian Energy Holding (Bulgaria), RWE Supply & Trading GmbH (Germany).

Figure 1. Nabucco Gas Pipeline Project, Gas Supply Sources for Nabucco³⁴²



³⁴⁰ article by EUBusiness (<http://www.eubusiness.com/news-eu/1233064024.34>)

³⁴¹ Project Description / Pipeline Route - <http://www.nabucco-pipeline.com/project/project-description-pipeline-route/project-description.html>

³⁴² Markets for Nabucco - <http://www.nabucco-pipeline.com/company/markets-sources-for-nabucco/markets-sources-for-nabucco.html>

The first step for the “rehabilitation” of the Nabucco project was made at the beginning of 2009 when M. Topolaneki, the prime-minister of Czech Republic holding the EU presidency, initiated a meeting of the participant countries of the Nabucco project in Budapest. The construction of this pipeline will unquestionably change the quality of relations between the EU and Turkey that will allow viewing the accession of Turkey to EU under the light of new developments. Particularly, the construction of this pipeline is beneficial for only both from economic and political perspective, as it will pass through Turkish territory and can become an influential instrument in the hand of Turkey on its way to EU. This format of Turkish politics can be observed even now before the construction of the pipeline.

On January 19, as a response to the declaration of the Turkish prime-minister R. Tayip Erdogan, according to which the freezing of Turkey’s EU accession negotiations, Turkey will revise its position on the construction of the pipeline the economic benefits of which are still questionable, the president of the European Commission Jose Manuel Barosso called not to interrelate these two issues. He also added that if Turkey helps Europe to weaken its dependence on Russian supplies that will have a favorable influence on the public opinion concerning Turkey’s accession to EU. Finally they managed to reach an agreement concerning the fact that this pipeline is indispensable. The Turkish prime-minister assured that Turkey is ready to play a key role for Europe’s energy security and does not intend to use the gas transit issue as a political instrument.³⁴³

Interestingly, the leadership of the Greek part of Cyprus declared that they will not agree to restart the EU-Turkey negotiations on energy, as far as the oilfield issues are not resolved between Cyprus and Turkey.

At the same period, the EU decided to allocate 3.5 billion euros from its budget for resolving energy issues, 250 million of which is destined to Nabucco pipeline which will be used to establish a foundation that will give stability guarantees.³⁴⁴

³⁴³ Jozwiak R., Nabucco discussed by EU, Turkey - <http://www.europeanvoice.com/article/2009/01/nabucco-discussed-by-eu,-turkey/63670.aspx>

³⁴⁴ Leviev-Sawyer C., Nabucco summit ends with political support but uncertainty about funding - http://www.sofiaecho.com/article/nabucco-summit-ends-with-political-support-but-uncertainty-about-funding/id_34256/catid_68

During the meeting that took place on January 27 in Budapest it was decided to sign an agreement on the technical and legal aspects of the project till June 30. The European Investment Bank expressed readiness to finance up to 25% of the construction of the pipeline, The European Bank for Reconstruction and Development also expressed its readiness to discuss the financing proposals.³⁴⁵

Another advocate of the Nabucco project is the US. On January 15 then the candidate of US state secretary H. Clinton announced that the B. Obama's administration expects from the US allies to achieve political agreements on the construction of this pipeline.³⁴⁶

The special representative of the EU in the Central Asia P. Morel during an interview given to Russian "Nezavisimaya Gazeta" newspaper expressed doubt that the pipeline will start in 2013. It will need from 5 to 12 years. According to him, the EU is undoubtedly interested in Nabucco project; however its complete vision is reflected in "Southern corridor" approach that includes network energy flows. The analogues of this "corridor" starting in Central Asia are the "Northern Corridor" coming from Norway and Northern Sea, "the Eastern Corridor" starting from Russia and the "Mediterranean Corridor" to assure imports from Africa.

Moreover, "We recognize the interests of Russia in Central Asia. We see that the states of Central Asia want to diversify their partners, at the same time accepting Russia as a central partner. But all of us can play a role in the region. All this can be presented as a triangle, the apexes of which are the EU, Russia and Central Asia".³⁴⁷

According to estimates, Nabucco is a symbol of EU countries' willingness to get rid of the dependence on the Russian "GazProm", but which has encountered serious problems. According to French "Le Temp", the readiness of Russia to assume the mediating role in the Kharabagh conflict can be explained by its ambition to hold primary role in the regional gas contest. From this standpoint it is not occasional the coincidence of

³⁴⁵ EU banks back non-Russian gas pipeline- <http://euobserver.com/19/27485>

³⁴⁶ "Газовая опера" от ЕС и Турции: газопровод "Набукко" построят в обход Украины и России? - <http://www.qwas.ru/ukraine/vitrenko/Gazovaja-opera-ot-ES-i-Turcii-gazoprovod-Nabukko-postrojat-v-obhod-Ukrainy-i-Rossii/>

³⁴⁷ Спецпредставитель ЕС по Центральной Азии высказал сомнение, что газопровод Nabucco будет запущен в 2013 г - <http://www.oilru.com/news/103317>

Russia's disagreement to extend the mandate of OSCE observers in South Ossetia and the contraction of the pipeline connecting South and North Ossetias. Russia opposes the "South Stream" to Nabucco project where the main partner is Italy.³⁴⁸ If in the forthcoming future this issue will be regulate, than Russia can announce its "victory" in the competition for the southern route.

The experts express doubt that gas capacities of countries of Central Asia that cooperate firmly with Russia, will not be enough fill the pipeline.³⁴⁹ For this purpose the Iranian gas will be needed, but the current relations of West with the Islamic Republic do not allow seeing the solution for the short term perspective. The problem is more complicated because of the fact that firstly there is a lack of needed volumes of gas,³⁵⁰ and second, according to circulating information, the Nabucco pipeline cannot have a strategic role because of its limited leakage capacities. The share of Turkey will constitute almost 1/3, and Bulgaria, Romania, Hungary, Austria and Italy³⁵¹ will get much less quantity of gas than their real demand is.³⁵² In this context, the most optimal direction of EU energy strategy becomes non-countervailing to its main gas supplier, which is Russia.

³⁴⁸ Nabucco против "Газпрома", еще одна газовая война - <http://www.inopressa.ru/letemps/2009/01/15/16:29:01/gazprom>

³⁴⁹ According to certain data, the Nabucco pipeline can satisfy only 5% of EU demand. (EU pipeline scheme gains momentum -<http://news.bbc.co.uk/2/hi/europe/7854208.stm>)

³⁵⁰ At the beginning it was planned to fill the pipeline with the Iranian gas, but when in 2006 Iran announced its intention to continue the development of nuclear program, it was excluded from the project instead planned the usage of Central Asian and Azerbaijani gas. Russia, on its turn, bought the whole Kazakh and Uzbek gas as well as partially the Turkmen gas. As a result, only Azerbaijan remained which is not able to supply the needed volumes of gas. Moreover, any economic plans in the Caspian sea should be agreed by the "Caspian countries", i.e. Russia, Azerbaijan, Iran, Kazakhstan and Turkmenistan.

³⁵¹ Based on SIEPS data, Slovakia, Finland, Baltic states depend on Russian supply by 100%, Greece by 86.8%, Czech Republic by 80.8%, Austria by 73.4%, Hungary by 63.4%, Poland by 50.2%, Germany by 36%, France by 26.8%, Italy by 26% (Le Coq Ch., Paltseva E., Ibid, p. 24)

³⁵² Балмасов С., Евросоюз пытается заменить российский газ - <http://www.pravda.ru/world/europe/east-europe/19-01-2009/298899-ukraine-0>

Conclusion

Both Turkey and EU don't want to break off their relation completely. Of course, EU wants to postpone negotiation as long as it is possible, postponing also the final decision. That is why EU has brought forward the Cyprus issue, that by the reason of Turkish uncompromising position has become a good instrument for postponing membership issues. There are also a number of arguments in EU "anti-Turkish" arsenal: democracy issues of Turkey, its population quantity, level of social development, excessive participation of Turkish army in political life of the country, geographical position, and other issues. The number of these arguments may be increased in the case of need. For instance, one day European leaders will bring forward the Armenian Genocide recognition issue as an official precondition, when they have no more arguments in the arsenal.

The Government of Turkey, in its turn, must continue the reforms, not only to please the EU, but also to promote the country's democracy. It is also possible that Turkey will not like to join EU, when the country reach such a development level, that is acceptable to be integrate into the European family. But this is not much possible, because the benefits from EU membership will be invaluable for Turkey. EU, in its turn, will not benefit much by the membership of Turkey. First of all, strategically Turkey has a very favorable geographical position, that will allow EU to expand its influence field of military policy as a world-wide performer. The economy of EU will also have benefits acquiring big consumption market and labor force, as well as it will be possible to prevent future conflicts between the Christian and Muslims communities in the point of view of Turkish membership supporters.

EU must take steps to show that it is interested to see Turkey in its as its member course, when Turkey is ready for that. EU must itself cause to take interest Turkey to do reforms and not push back it by sharp criticism repulsive position. And Turkey, in its turn, must continue the implementation of reforms and carry out the solution of Cyprus issue, otherwise the negotiations of the membership will have undesired results for Turkey. In any case it is better/profitable for EU to deal with foreseeable Turkey, that follows the European values, than refuse it and push it back to Islam and extremism. Indeed, failure in EU membership issue will result the strengthening of Islamic position in the country that step by step will reinforce their political positions in comparison with political forces of Turkish temporal development supporters. It should be mentioned that the Fair and development party, governing in Turkey at present, is a moderate one and has twice convincingly won in the parliament elections.

The further development of EU-Turkey relations will promote the legal predictability of Turkey as a neighboring country, because one of the basic obligations within the frameworks of the accession process is Turkey's integration to the legal system of the Union. This means that in case of the consequent follow-up of this process and Turkey's accession to the EU, one can assert the existence of decent guarantees for human rights and freedoms, existence of legislation in the soul of the contemporary approaches and beneficial environment for developing business and trade relations, a civilized system of human rights' protection and dispute settlement. All the above-mentioned is undoubtedly important also from the Armenian point of view, which has its stake in the welfare of its neighboring Muslim country and is interested in the legal protection of Armenian citizens in that country.

Moreover, the integration of Turkey into the European Union is an excellent example of a country, which being far from democratic traditions, has expressed a political will to reinvigorate its values and to strive towards the establishment of a democratic and rule of law state. In this way Turkey will be a sort of exemplary model for the countries of the world which are still in the process of adopting themselves to the democratic values and struggling to overcome the conflicts with their national mentality. In this sense, the democratic Turkey will be a really good example also for the Republic of Armenia, which also has long-term overt endeavors and goals to join the European Union. The approximation of the Union's borders to the Armenian will bring the spirit of the European democracy and the European culture far closer to Armenia further strengthening and stipulating the process of legislative approximation and reception of the European law in Armenia.

Considering the fact that the Republic of Armenia is in close cooperation with the EU, Turkey's integration into the European Union will thus promote the relations between then EU member Turkey and Armenia into a new level. Consequently, the legal regime which is already established or to be established in the relations between the EU and Armenian will be effective also in respect of Turkey. This means that within the frameworks of the EU-Turkey cooperation Turkey will be obliged to review all the references which it has made in respect of Armenia in a number of international treaties. Hence, for instance, within the World Trade Organization (WTO) Turkey has made use of the article 13 of the Marrakesh agreement rejecting to enforce the WTO agreements in the case of Armenia and thus in fact not recognizing the favorable legal regime in the trade relations with Armenia. Furthermore, the new shape of Turkey-Armenia relations will promote the establishment of collaboration in various fields out of the treaty regime with the Union, including in the areas of legal aid, extradition of persons conducted crimes,

recognition and enforcement of judicial acts, and even the establishment of official diplomatic affairs.

Moreover, as a result of Turkey's accession to the EU, the issue of opening the borders between Armenia and Turkey, even if it does not become a reality earlier, will in its turn bring forward a necessity of signing border agreements. The official and representative functions between Turkey and Armenia are currently regulated only by the 1992 agreement on the Status of Russian border troops in the territory of Armenia and the 1973 Soviet-Turkish Convention on Border incidents and conflicts.

During the two recent decades the economy of Turkey has undergone radical transformations. During this period two major crises occurred, which created serious problems for the Turkish economy. In order to revitalize the economy, Turkey adopted a program of economic reforms, which was presented in April of 2001. This reform program was concentrated on the banking and financial sectors. Despite the fact that in 2005 Turkey was granted a status of functioning market economy, the economy continues to be characterized by macroeconomic instability. Another salient issue of the Turkish economy is the asymmetrical development inside the country. The discrepancies of regional development in Turkey are huge in comparison with EU member states.

Based on 2007 data the share of Turkey in world imports was 1.6% and 1% in world exports. Moreover, the share of Turkey in world trade increases. Thus, the volume of external trade of Turkey has almost doubled for the period of 2003-2007, constituting 277.2 \$billion. Such tendency is also present in the trade with the EU. Thus for the indicated period the volume of external trade with the EU has also doubled and constituted 99.5 \$billion. It is worth to mention that the economy of Turkey is quite integrated to EU. In 2007 the share of export to EU constituted 66.2% of total exports of Turkey and similarly the import from EU constituted 37.2% of total imports of Turkey. In comparison with Armenia, in 2007 the share of export to EU was 48.8% of total export, and the share of import from EU was 29.5% of total import. But contrary to Armenia the foreign trade of Turkey with EU was quite diversified. Product structure of foreign trade of Turkey is differentiated (despite the fact that both in the structure of export and import the main product group are the industrial products). The share of industrial commodities is 90% in the export structure and 79% in the import structure.

At the beginning (1993-1998) the foreign trade volumes between the EU and Armenia were lagging behind significantly the trade volumes between Armenia and CIS countries. However, compared to CIS countries, the trade between the EU and Armenia had a tendency of consistent growth. All in all, in 1993-2002 the foreign trade with the EU and the CIS had a "spiral character". That means that when the

foreign trade volumes with the CIS decreased, the trade volumes with the EU went up, and vice-versa. Thus, in 1993-1997 the share of the CIS was the biggest in the foreign trade of Armenia. However, since 1998 the most important trading partner of Armenia is considered to be the EU. It should be stressed that both the geographical and product structure of trade between Armenia and the EU, as it is in the case of whole foreign trade of Armenia, is very concentrated.

Armenia's foreign trade with Turkey can be characterized by following periods:

1995-1997 – increase in both exports and imports

1998-2004 – the export and import volumes remained unchanged

2005-2007 – the export volume remained unchanged, whereas the imports volumes increased.

The small volume of the export to Turkey could be explained by a number of factors. Despite the fact that between two countries there is no official relationship the RA government “recognizes” foreign trade with Turkey. The Turkish government, however, does not “approve” foreign trade with Armenia. On the other hand the small volume of export to Turkey is also conditioned by non competitive Armenian commodities. As it is mentioned above in the Turkish export and import structure the share of industrial commodities is 90% and 79% correspondingly, particularly machinery equipments, transport machinery, chemical products and textile apparel .

The most important indicator, as a barrier to the development of foreign trade in Armenia is the heavy weight of transportation costs within export and import expenses. Transportation costs in Armenia are more than twice higher than the average international costs and are the highest within the region.

There are a lot of studies where discussed and interpreted the closed border effect to RA economy. In our opinion, there are also other “costs” which are the consequence of the closed border. In fact the closed border is the result of the absence of regulated political relations between Armenia and Turkey. On the other hand, the regulated political relations are also absent between Armenia and Azerbaijan. From our point of view, the smoothening of Armenian-Turkish relations would be a base for the regulation and development of political relations between Armenia and Azerbaijan. Taking into account the existence of potential armed conflict between Armenia and Azerbaijan, Armenia is a potential conflict zone. For instance, for the period of 199-2006 Armenia was classified among the 10 most risky countries (external conflict) on average holding the 8th place.³⁵³ This factor,

³⁵³ International Country Risk Guide Indicators.

apart from the existence of closed borders (high transportation costs), also has its impact on the Armenian economy (for instance, low level of FDI).

Thus, the external conflict, resulting in high level of unreliability impacts the FDI inflows in the Armenian economy from the part of both local and foreign investors.

On the other hand if we suppose for a moment that the external conflict has disappeared, in other equal conditions, local market capacity/volume is an important factor to involve FDI. But the importance of this factor may reduce if it is compensated by comparatively little foreign expenditure. In fact, the opening of borders with Turkey will further be unequivocally associated with the solution of conflicts and only in this conditions it may have considerable impact on the Armenian economy development.

(Though still) “NABUCCO” project, that is of no strategic importance for EU energy security, can not become a decisive factor for EU membership in its present format. However, the support of Turkey to the project may definitely promote the formation of its positive image in EU states that will have positive influence in the negotiations on membership.

The significance of “NABUCCO” project for EU can increase only in the case when it joins to Iran gaze reserves,³⁵⁴ and may reach to its military status only in the of provided prospective format achievement (Central Asia, Iran, Iraq, USA, Egypt). In this case Turkey’s manipulation possibilities will sharply increase. This estimation does not mean at all that EU will distract its attention from the project. This issue will be for a long time in the centre of analytical circle and will be used in virtual energy debates with Russia by Turkish and some Eastern European leaders³⁵⁵.

The implementation of the project without participation of Iran will increase the risk of EU involvement in the regions of Caspian and Black see and by this making vulnerable security policy while the participation of Iran will promote the regional balance provision and a number of issue regulations of Near East is

354 On the basis of some data Iran’s potential per year is 80-100 mln cubic meters that considerably exceeds the necessary volume for the exploration of the pipeline. (Expert: Iran-Turkey cooperation will rehabilitate NABUCCO and decrease the role of Azerbaijan. <http://www.oilru.com/news/103405>)

355 Thus, the prime minister of Germany could not receive political support Poland concerning Baltic pipeline issue. (North flow). According to , the Poland minister on EU relation issues N. Dovjilevich’s justification that pipeline can increase the dependence of Europe from Russian gaz. Instead of that he and his Eastern European colleagues assist the “NABUCCO” project, that is as if beyond the Russian control. (Financial Times Deutschland: Merkel could not convince Poland concerning “North Flow” benefit. - <http://www.oilru.com/news/103499>):

possible in virtue of EU-Iran cooperation. The passive and observable attitude of Armenia is interesting. We must not exclude the possibility that in the case of conducting active policy in pipeline by RA and expressing diplomatic skills it will pass the Armenian territory. It will become a vital means of political manipulation in its hands to satisfy the most various needs.

It will be more profitable for Armenia if the he could make so that that papeline pass through the Nagorno-Karabakh region making it a security and peace guarantee, in this way reducing the possibility of restarting active military activities between Armenia and Azerbaijan.

