

MINISTRY OF EDUCATION OF THE REPUBLIC OF AZERBAIJAN REPUBLIC

KHAZAR UNIVERSITY

Faculty : School of Humanities and Social Sciences

Department: Political Science and International Relations

Major : Area Studies

MASTER THESIS

Title: Azerbaijan-Turkmenistan bilateral relations: new trends and challenges

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BAKU - 2016

"I smell oil, politics and blood" - Alfred Nobel

Azerbaijan-Turkmenistan bilateral relations: new trends and challenges

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Abstract

This thesis attempts to study the history and challenges in bilateral relations between Azerbaijan and Turkmenistan beginning from early 1990s. It aims at increasing our understanding about differences in state policies of Azerbaijan and Turkmenistan and the reasons that caused disagreements between the leadership of two states. The focus was on disagreement over two oilfields in the Caspian Sea, which have stalled for many years the development of cooperation in other fields as well. I also reviewed the historical, economic and political background of the Caspian Sea while analyzing political and security issues of the region. Lack of agreement over the legal status of the Caspian Sea prevents active economic cooperation between the littoral states and serves as a destabilizing factor in the region. A qualitative research method allowed me to analyze several questions by using both primary and secondary resources during the research. A well-organized research plan helps reader to better understand the dynamics of Azerbaijan and Turkmenistan relations and different aspects of political and economic situations of the Caspian Sea region. The research also draw attention to the steps toward the realization of the EU energy goals in the region, by increasing European political power.

The result did not support the expectations of the solution of two state's dispute will be in near future. However, it is better for Azerbaijan and Turkmenistan to negotiate than to block relations because, otherwise, both states will lose the chance to develop their energy resources and infrastructure. The paper ends with a conclusion and a bibliography. The findings may be useful for readers or researchers who are interested in Azerbaijan-Turkmenistan bilateral relations, their dispute over oilfields, Caspian Sea legal status, energy projects, security challenges in the Caspian Sea region and the interests of the regional powers, such as Russia, Iran, Turkey, as well as the USA and EU, in this region.

Literature review

The Caspian States are stepping into global stage. Morten, Pavel, Bjorn, Indra and Stina investigated the global politics and future energy security by three scenarios. First, is economic competition that is important in world domination? According to the second scenario, the world is dominated by resource nationalism and geopolitical rivalry. The last is about the global shift from carbon-based to low-carbon energy sources. The Caspian Sea is a great legal and political phenomenon. Its evolution has influence on not only the littoral states but also the international community. Barbara Janusz and Pawletta attempt to identify the consequent uncertainty of the Caspian states about the extent to their sovereign rights. The uncertainty and lack of the Caspian legal status prevent economic development and destabilize political situation in the region. Yusin Lee claimed that the disputes over the Caspian Sea legal status began after the collapse of Soviet Union. After independence, in 1997, Niyazov, former Turkmenistan president, accused Azerbaijan of illegally exploiting the Azeri and Chirag oilfields. Anar Valiyev argues that Turkmenistan keeps close ties with Russia, while Azerbaijan is more open to the West and if both states continue to threaten each other to enter into new conflict, then both will lose the chance to get benefits from cooperation. However, the author did not suggest the solution for of the settlement of this dispute in the future.

Several serious studies have been conducted in order to better understand the complexities of the Caspian region. Shirin Akiner focused on the struggle for political influence particularly over the legal status of the Caspian Sea and routes for export pipelines. His aim was not the repetition of previous arguments concerning the legal status but to demonstrate how the same “facts” can be understood in different ways. The intention was to provide different regional views, from the countries that involved in development of the Caspian basin. It is important to understand these different perceptions because they inform us about the decision-making environment. The author did not advance a subjective interpretation of events though. According to Michael and Bulent since the breakup of the Soviet Union, there has been a great

attention on the energy resources of the Caspian Sea. Russia began to experience growing difficulties in dealing with regional challenges after the collapse of the Soviet Union. The opening of the Caspian Sea basin to the international community produced major contest for access to the energy resources of the region. Russia, Turkey and Iran, as well as the United States struggled to exploit the Caspian oil.

Vladimir and Otar tried to make a critical review of different aspects of political and economic development in Russia and other post-Soviet nations in the concept of the resource curse. Main questions in their research were the mechanisms and consequences of the oil and gas factors that influenced the development, as well as state building, rule of law, democracy and foreign policy. Other questions were: how the crises of 2008-2009 influenced the oil nations of post-Soviet Eurasia? Authors also summarized the analysis of answers of states of post-Soviet Eurasia to present the results of studies concerning the different aspects of the problems.

Sébastien in his work first focused on the historical legacy that Turkmenistan inherited a desert territory, crossroads of great empires, extremely varied cultural influence, Soviet colonial past and Soviet modernity, which shaped the Turkmen nation, its borders and its national identity. The second part of the research investigates the technologies of power set up in 1999 in Turkmenistan. The third part focuses on dilemmas and security challenges facing Turkmenistan. Implementation of a service economy, agrarian reforms, revival of education and healthcare system constitute main elements of human security in Turkmenistan. However, according to the research, the authorities responded to these challenges slowly.

Bahman tried to review the geographic, historical and economic backgrounds of the Caspian Sea. Gennady analyzed the economic, political, and security issues throughout the region after the breakup of the Soviet Union and come to the conclusion that the Caspian Sea region remains a conflict zone and an area of instability for the future as well. However, the international community has interest to control these tendencies, opening the door to cooperation between the USA and Russia. The research contains valuable data on military spending and main trends in

arm purchase by regional governments on region energy resources and biological resources of the Caspian Sea.

Tunc claims that, not only Turkey but other regional powers also have own interests in relations with the new independent republics. Today, Turkey and Iran are becoming important factors in the economic development of new independent states in their relations with Russia. After the dissolution of the Soviet Union, the exploring of oil and attract Europe to the Central Asia and Caucasus. The aim of his research is to provide information about the future place of the Black Sea region in twenty first century.

According to Kamyar, if the past of Caspian Sea guide to its future, the division of seabed will not be determined so much by legal arguments but by the geostrategic and political concerns of the littoral states. He claims that, there is a great game with different players and new rules over Caspian energy resources and reserves. Aleksandr argues that the expanses of the oceans and seas are subdivided under the sovereignty of states. His research offer a well- organized, cohesive account of developments and helps reader better to understand the problems of international organizations and states to regulate legal status of coastal waters. First, the author addressed Soviet approaches, to the law of the sea. The Soviet Union became a sea power by the mid-1060s. But, the scene has changed in the third millennium the merchant fleet was divided and sold among the former republics of the USSR. His work is based on the conviction that the treaties are part of the international law. It addresses an important component of the international legal system and Russian foreign relations law.

David and Lee offers us with a wide range of information about the European Union treaties and a unique collection of data and explains the complex terminologies. The research also outlines the significance and roles of the member states, institutions and programmers and policies. To achieve security of supply by protecting the environment during international competitiveness is the main aim of EU energy policy. Its objectives were stated in the White Paper on Energy Policy for the EU. EU

energy policy is based on market integration and deregulation according to this paper. It also should be in the public interest and contribute to consumer protection. (Welfens,B. Meyer,W. Pfaffenberger,P. Jasinski,A. Jungmittag)

Sascha explained the energy security landscape with a clarity. The relationship between security and ecological destruction also examined. Europe has energy dependence and is the world's largest importer of oil and gas. Russia is the main energy exporter of the EU. Ukraine, is being important transit country for Europe, itself depends on gas imports from Russia. Ukraine and the EU is discussing new cooperation and partnership agreement that will provide Ukraine to integrate into EU domestic energy market. Francesco, Solorio suggest that it is crucial to understand the role of energy for appreciate European integration. Energy is not deeply rooted in construction of the union but, has been driver of integration. Authors explores the new European energy policy, by highlighting the significance of instruments, market dimensions and environment policy. The importance of energy security and climate change has made the creation of European energy policy. Energy policy goals are laid down in the Lisbon Treaty.

After signing a cease-fire agreement with Armenia by the mediation of Russian Defence Minister Pavel Grachev in May 1994. Then Heydar Aliyev turned to deal with the preparation of the oil contracts with the Western oil companies. All foreign companies that participate in Azeri oil project signed a "Contract of Century". Gorkmaz argue that, it became difficult for Russia and Iran to maintain a legal argument against their recognition of Azeri sector in the Caspian Sea, after their public-private companies signed a treaty. Then Azerbaijan and Georgia signed an agreement on Baku-Supsa pipeline. This pipeline was accomplished in 1999. These options were horrifying for Russia and Iran.

Francis claims that, there have been several attempts to formulate a common energy policy. The cause of its failure was the member states' reluctance to pool sovereignty in this politically sensitive area. Both- the orientation of official energy policies and the balance of other policies that affect to energy sector has shifted over the decades.

His research focuses on the development energy policy of the European Union and its importance for domestic energy policies.

Olga and Keith analyzed the economic and domestic sources of Russian foreign and security policies. Population change and ethnic conflicts are potential reason of domestic instability. People are not so opposite to the new government and vast majority of Russians see government as a substantial improvement over 1990s. Russian economy grew in 2007 and it made possible for the country to spend more on defense. The current foreign policy of Russia focused on to increase Russia's prestige. For achieve this goal, government support economic growth, and demonstrate power to keep Russia secure.

Michael argues about the difficulties to define even to detect new foreign policy of Russia because it differs from Soviet foreign policy. Russia's political and military involvement in the Soviet successor states and diplomacy in the Gulf region suggest that Russia will not allow itself to slip on the world stage. Russia remains an important player in the Caspian region too. Because of the Nagorno- Karabakh conflict, Azerbaijan and Armenia has become dependent on Russia for their security. Russian troops withdrew from Azerbaijan but remained in Gyumri and Yerevan. Russia works within Minsk group of OSCE, which for to settle the Nagorno- Karabakh dispute, in contrast to its earlier conduct.

Azerbaijan has no direct border with the European Union. Following the EU enlargement policy, Azerbaijan joined to EU's Neighbourhood Policy (ENP), when it was launched in 2006. Jacqueline claims that ENP encouraged states to take on EU norms and rules for creating stability and democracy. The transmission of European standards and expansion of energy cooperation set human rights as the EU priorities. The EU is main economic player and trading partner of Azerbaijan.

Carlo and Alessandro suggest the different approaches and their consequences of the development of the Energy Community with its impact on regional integration and energy policy. The research enriched with different case studies on the role of

independent agencies. It also provide a better understanding of institutional and economic eco-system that characterize the Mediterranean area. The region of Mediterranean full of different cultures, religion and ideas and energy is playing a strategic role for all the countries in the area. It is the reason why the EU has interest in the region. South-East Europe and eastern neighbours are relevant for the EU because of transit perspective and access to energy resources.

TANAP project will enable to export Azerbaijani gas to European customers for the first time through Turkey's border. Indeed, Azerbaijan will gain access to multiple pipelines and buyers. André, Timur and Mehmet claim that as the result, this project will give an opportunity to Azerbaijan a significance presence in the European gas market. It will also increase Turkey's role as a transit hub to Europe. TANAP project also guarantees a fight for Turkey to re-export gas to third countries. The pipeline will cost approximately 7 billion dollar and will transport 16 billion cubic meters of gas each year. Michael, Rovshen and Fevzi shows how the operation and construction of TANAP will accelerate the economic integration of Caspian states. It allows Azerbaijan with Georgia to gain additional autonomy from Russia. The project also will help Turkey to meet its domestic demand for natural gas. It also considers a very small step toward the realization of EU energy goals by increasing European political power and wrecking Russian influence in the Caucasus.

Vitaly claims that Russia naturally has vital interests in the Caspian region. Oil and gas component makes this area meaningful. The Caspian region has become a new geopolitical concept denoting Eurasian rivalries over geopolitics and energy in the region. The energy deposits of the region are not large enough so, it will not shake the world but will shape the future of the region. The future of Caspian energy is unknown. However, it is certain that cooperation is needed for transport and sell these resources. Robert and Rjan research about different issues of Energy and Conflict in the Caucasus and Central Asia is clear and informative. It offers new essential findings regarding to impact of energy on the political and economic life of Azerbaijan and Turkmenistan.

The failure of the former forces of the Soviet Union in the Caucasus changed the balance of forces in favor of the Turkey. Turkish air forces and Field Army based at Erzurum, across the Turkish border. For Russian nationalists Turkey is also characterizes as the leading power of the Turkic people looking for domination over the Central Asian States. Turkmenistan and Kazakhstan willing to join to the technical assistance and military training with Turkey. Azerbaijan with Turkey signed a declaration- "Deepened Strategic Cooperation" in 1997, May. Therefore, Moscow wants to normalization relations with the Ankara in the regions, in terms of its security issues.

Zbigniew and Paige assembled a documentary portrait of the Commonwealth of Independent States (CIS) drawing on official publications, reposts and broadcast. This study supply historical background and identification of key issues about the relations of Russia and CIS. Turkmenistan position is to resist Russian integrationist pressures and attract Western investments as much as possible.

Central Asian republics and their economic ties with neighbouring states will do much to weaken the status as great power of Russia. In this case, Russia is facing the threat of loss of its monopoly and the richest natural resources such as energy, gold and rare metals. Russia also clearly disapproves the transportation of oil from Azerbaijan to other states. As the result, Russia will lose an important source of imports and its influence over Azerbaijan and other Central Asian states.

Carlo and Azad presented a research work addressed to arms race, demand cooperation and energy security of the Caspian region. After dissolution of the Soviet Union Caspian oil and gas extraction again turned to be the key geostrategic and geoeconomic benefit. It turned Azerbaijan and Turkmenistan to be active players in the geoeconomics and geopolitics in the region. Currently, the Caspian are hosts multi pipelines that carry million tons of crude and billion cubic meters of natural gas.

The end of Cold War created new opportunities for states. It encouraged Turkey to take active steps in Post-Cold War era. Idris and Brown analyzes Turkey's relations with USA, EU, Caucasus, Russia, Middle East, and China. Turkey with the USA make efforts to keep Russia and Iran out of the region. Ankara also support the integration of the Caucasus and Central Asia into Western institutions. Azerbaijan and Georgia has close relations with Turkey, while it has no diplomatic relations with Armenia. For Turkey, Armenian policy considered against its national interests, security and territorial integrity since invasion of 20 percent of Azerbaijani territory. Baku-Tbilisi-Ceyhan (BTC) Pipeline was the most important political and economic achievement of two countries. There were also agreement to transport Azerbaijani and Turkmen gas to Turkey. Richard claims Azerbaijan and Turkey have growing levels of trade and mutual investment. Azerbaijani enter to Turkey without a visa. Turkey supplied Azerbaijan with military assistance for a long time. Recent times, companies of both states also began co-producing military equipment. Turkey has also a military program in Azerbaijan. The conclusion of his study is to improve Turkish role in the political relations with Caucasus and Iran as well as with Syria.

Galym studied the relations among Turkey and Central Asian republics. The political governments in Central Asia are mistrust to the Turkish governance characterized by tense political struggle of political parties that represents opposing views. Galym claims that friendly relations between them can be seen as "win-win" position for two parties. Central Asian states can find more chances to integrate outside world by building democratic societies. Turkey at the same time will increase the number of its partners and find new markets for its goods. The best way of building close relations between Turkey and Central Asia lies through the adoption of passive secularism inclusive national identity building. Turkey and Central Asian states need to form "general identities" with the aim to build multicultural and tolerant societies. Turkic has to be perceived as being tolerant and open to other nations and societies. This research gives information for reader about Turkish sustainable political and cultural relations with Central Asia, the adoption of secular model by Central Asia.

Anita argue that the Turkish Model was a myth as “democratic, liberal society” as a model for the post Soviet Turkic world. The idea about Turkish model of a “secular democratic” arouse outside the implications that Muslim country with this model aiming to achieve Western standards by applying liberal free-market policies. Turkey’s geostrategic location is also important fact in the “cultural-historical connection. Within these connections, the linguistic connection had always remained important. Turkish language Society has engaged creating a unified Turkish language. The term of “Turkish Model” gained popularity in the early 1990s, and it was identified as the most suitable model for development ethically Turkic-and Muslim dominant former Soviet Union republics. It helps us to understand the reality of the Model from Turkish perspectives and examine whether the Turkic model makes sense both from historical and contemporary perspective.

Alidad and Aria studied the foreign relations of Iran in domestic perspectives in the twentieth century. The authors provide the readers with the identities and backgrounds of pre and post-revolutionary leaders in Iran and discuss how to integrate Iran into constant relationships that benefit Iran, region and the world. The understanding about Iran by the world and about the world by Iran is current predicament. A glance at the world’s map shows that Iran is situated in the center of Central Eurasia. It is an area, in which world’s main powers- the USA, EU and Asia have vital interests. The main power blocks often compete since it contains a major portion of the world’s oil and gas reserves. Iran is the cultural and geopolitical center of the region connecting to The Caspian Sea and the Persian Gulf. That is why, Iran’s stability has a great influence to the harmony or chaos of the region.

Frederik argue that The Caucasus is one of the most complicated regions in the world. There are several different religions, people, political units and conflicts in the region. A transit routes for oil and gas adds an extra significant and historic rivalry and tensions. For that reason, the region’s conflicts will continue and attract outside attention. For filling the gap the author introduced the Caucasus covering with its geography, history, economics, politics, population, religion, culture, conflicts and

international relations. His study combined and linked the fundamental knowledge of the region with clear structure and it is a good guide for readers.

Hooman analyze the security of the newly independent states in the Central Asia and the Caucasus. After collapse of Soviet Union, fifteen newly independent states each hosted different ethnic groups. All of these states began to transition process from a centralized political system to a form of free enterprise having a political system with the new economy. However, none of them was ready to this gigantic economic and political project alone. Today, the economy of these nations are neither capitalist nor socialist and political systems represented by authoritarianism, maintaining some aspects of the Soviet totalitarian system such as human rights abuses and repression. The reason of their failure to complete the transition was that, the Caucasus and Central Asia were unable to provide the basic needs of their population. Border disagreements, territorial disputes, political instability and other many potential factors make internal and external conflicts, civil wars in the both regions. This research is also valuable for its chronologies, black and white photos, tables and maps.

Rafis studied the historical development of Turkmenistan. In introduction author provide us with a chronological history of Turkmenistan in 20s century, its economic and political development, nation building and ethnic policies. After independence, Turkmenistan still faces various difficulties in structural and economic, security issues, growing competition between different clans and poverty. This is the first comprehensive reference book that published in English providing the details about contemporary history, culture and economy of Turkmenistan. The bibliography of the research helps readers to find resources and materials in special areas.

Wesley study deals with the twelve independent republics that became members of CIS after the collapse of the Soviet Union. He focuses on recent political and economic developments with sections that deal with military, religion, education and foreign policy that help to define each republic and their differences.

Annie 's study is a complete contribution to understand contemporary South Caucasus dynamics and divided into three parts. First part deals with the security issues that faced Azerbaijan, Georgia, Armenia; second part describes these dynamics from a regional point of view, including here relations with Iran, and Turkey and the third part look at integration processes affecting the region and relations with EU and NATO. Because of its clear structure, it makes a good starting point for readers and researchers to learn more about the political economies of Central Asian region.

In 1990s, the new independent Muslim countries, in Asia and the Caucasus faced with conflicts, and instability that stretches from central Europe to the Far East. The aims Moshe study are first to draw attention to both scholarly and popular publications, second to re-examine the "established truth" with regard to the Caspian States. The research draw attention the water problem in Central Asia, the "Southern Azerbaijan" issues and Ajaria and Javakheti, the problems of multi-ethnic Dagestan and unity attempts in the Northern Caucasus. Moreover, the questions about the democracy of fundamentalist Islam, the relations between nationalism and Islam in the region were also analyzed.

According to Keith, the short-term interests of Azerbaijan and Turkmenistan interests in the dispute over Azeri and Chirag oilfields in the Caspian Sea is contrary to their long-term interests and for their mutual benefits. Increasing militarization presents a security dilemma in the Caspian Sea. It separates Azerbaijan and Turkmenistan from their goals. Second the obstruction of Russia play a large role in the negotiations between two countries. Kremlin puts its effort into preventing any energy project in the region. However, it is better for Azerbaijan and Turkmenistan to negotiate than to block relations.

Joachim and Herman addressed to Central Asia region from a political-economy perspectives. This research share the methodological approach and considers institutions as the most important element of economic performance. According to him, institutions fulfill two main functions: first, they economize on transaction costs and second, they may set incentives to redistribute money, resources or power. The

second causes institutional change, which may be generally welfare enhancing. These institutional factors observe that economic change in Central Asia shows problems and challenges as in most other transition countries. These states have problems with liberalization, stabilization and privatization and it is clear that Central Asian states have certain similar and common characteristics that they do not share with other states.

Andrey and Aleksey study the physical oceanography, marine biology and chemistry, pollution of the Caspian Sea. Authors present the main features of the environment situation of the sea in the second half of the 20th century. Current problems of the Caspian Sea linked with the chemical pollution of the sea and it has impact upon the biological resources. This research based on several different observational data collected by the authors and it helps researchers about the wide scope of problems from regional climate, pollution studies and biology.

Vedat and Salomon addressed to issues concerned to Turkish European policy and Europeans foreign policy towards Turkey as well as security defense policy. The United States has always had an invisible hand in Europe and Turkey's relation. Without the diplomatic support of the US, no avenue into the European Union has been specified. The security interests of Turkey in the Mediterranean region and the Black Sea also were discussed. Today Turkey's foreign policy stands at a crossroads. Conflicts in the Caucasus, Central Asia, the Middle East and Eastern Mediterranean have brought Turkey to the current challenges.

Sara discuss the meeting of the officials of Azerbaijani, Turkish and Turkmen in Antalya on August 28. The main discussions of Foreign Ministers were projects supported by these states in different areas regarding to bilateral relations and other mutual issues. Other main issues of discussion were cooperation fields of transport and energy, which stands at the center of economic projects. The Antalya Declaration was signed after the meeting, this study is important for readers to get information about the negotiations process and projects of three states.

David and Robert suggest a guide to international maritime boundaries. The expert analysis of all international maritime boundaries and comprehensive coverage of every modern maritime boundary treaty concluded from 1942 to 2010. These features make this research comprehensive, accessible resource in the ground. A major question arising whether the 1982 Law of the Sea Convention ha influenced state practice.

The main idea of the study is to settle these disputes and to protect the Caspian Sea environment. Ascher and Natalia argue that the Caspian Sea region is important from the global, environmental and regional security perspectives. New issues in terms of economy and geopolitics have created competition in the region. There is debate over how the Caspian Sea and its resources should be divided among coastal states. While most Caspian Sea states strive to develop the region's immense hydrocarbon potential it is clear that the ecosystem is at risk.

Mehdi Parvizi claims the Caspian region will be one of the most important geo political region in the 21st century with the increasing energy demand of countries. His research focuses on two major aspects of the post-Cold War era-the post-Soviet geopolitics of Central Asia and Caucasus, and second the current conflict and cooperation between regional powers, Western powers and transnational cooperation over energy resources of the Caspian region. By looking these aspects, the author shows how the struggle happens among different actors.

Oystein study the political and economic factors behind the fluctuation in the world oil prices and the changing balance of power between the main oil exporters in the region by analyzing the world's dependency on Middle Eastern oil. His study is valuable and highly recommended for those who wishes to understand the relations among oil suppliers, consumers and governments.

Introduction

In spite of common ethnic, geographic and cultural ties, misunderstanding and years of mutual rivalry dominated in Azerbaijan-Turkmenistan relations. Debated oil fields in the Caspian Sea led to critical period between two countries for more than 20 years. Nevertheless, some positive trends have been observed recently in bilateral ties, while a number of problems on the political agenda remain unresolved. The thesis reviewed the history of Azerbaijan-Turkmenistan relations under different presidents, studied the root causes of problems in bilateral ties and explored ways to address them after the dissolution of Soviet Union.

Thesis has three chapters; the first chapter examines diplomatic relations between Azerbaijan and Turkmenistan during the presidency of Heydar Aliyev and Saparmurat Niyazov, as well as under the leadership of Ilham Aliyev and Gurbanguly Berdymukhamedov. During Niyazov's presidency, the relations between two countries got complicated in the mid90s, due to tensions over legal status of the Caspian Sea and gas debt, which shipped from Turkmenistan to Azerbaijan. In 2001, countries closed their diplomatic missions, and cancelled direct flights between two states' capitals.

After death of Niyazov in 2006, a new era started in Azerbaijani-Turkmen relations. In 2008, the visit of Berdymukhamedov to Baku and the discussion of new development prospects by two presidents had been an important landmark in the Azerbaijani-Turkmen relations. After this visit, Azerbaijan paid its 44.8 million USD debt for gas. Both sides expressed new efforts to cooperate and many expected that the relations will become warmer. However, the different views in some issues of the countries still increased the uncertainty of mutual beneficial cooperation between two states. I tried to discuss the differences in state policies of Azerbaijan and Turkmenistan and the reasons that caused disagreements between the leadership of two states. The focus was on disagreement over two oilfields in the Caspian Sea, which have stalled for many years the development of cooperation in other fields as well.

Environment in the Caspian Sea is not as calm as it looks. Today, “Caspian Five”- Russia, Azerbaijan, Turkmenistan, Kazakhstan and Iran have been unable to reach consensus on how it should be divided. In the second chapter, I tried to explain the main causes of complicated atmosphere in the region. Lack of clarity of the Caspian Sea legal status, clash of coastal states over resources, and the competition among major regional powers: Russia, Iran, Turkey and advanced industrialized countries such as: United States and Europe over region resources. The role of Russia in the region will be a primary focus, especially with the regard to energy security of the region.¹

Russia, Azerbaijan and Kazakhstan, three littoral states agreed among themselves on demarcation of their sectors in the sea based on the median line method (which has the same distance from opposite shores). They signed the relevant agreements in 1998 (Kazakhstan and Russia), 2001 (Azerbaijan and Kazakhstan) and 2003 (Kazakhstan, Azerbaijan and Russia). However, these agreements were not accepted by Turkmenistan and Iran, as they did not agree with the provisions of the above-mentioned agreements.

Iran claims an equal delimitation of the sea. According to the Iran-supported proposal, each coastal state would receive 20% of share. Iranian coast is the shortest among coastal states and in this case, it seems impossible that other coastal states will support this claim.²

Position of Turkmenistan on this matter is unclear, as it has changed many times. In 1997, Turkmenistan claimed that Azeri and Chirag oilfields, which Ashgabat calls Khazar and Osman, located on the territory of Turkmenistan and, therefore,

1 Morten Anker, Pavel K.Baev, Bjorn Brunstad, Indra Overland, Stina Torjesen, *The Caspian Sea Region Towards 2025*, (The Netherlands, 2010) 16-19

2 Barbara Janusz Pawletta, *The Legal Status of the Caspian Sea: Current Challenges and Prospects for Future Development*, (Berlin, 2015) 59,164

they should belong to Turkmenistan. In 1998 February, Turkmenistan and Azerbaijan issued joint statement, which reflected the agreement of both countries on the median line division of the Caspian Sea. However, there was still a disagreement on the co-ordinates of division: the countries could not come to a common position on where to draw the lines. It was mainly related to the disputed oil field, which Azerbaijan named as Kapaz, while Turkmenistan called it Serdar.³

At the same time, the Caspian region is not far from the influence from outside powers and it is part of the huge geopolitical competition over the control of oil and gas. However, what forces determines the Caspian countries' success and failures? Can geopolitical games destabilize the situation in the region? Will states be able to reach resolution on the legal status of the Caspian Sea?

The third section will analyse the necessity of continued negotiation process and finding the common decision acceptable for two countries, which would be in line with international legal norms. Taking into account Azerbaijan's geographical location and existing pipelines that deliver Azerbaijani oil and gas to European market, our country can be a bridge for Turkmenistan in delivering its natural gas to new markets. In case of continued mistrust between Azerbaijan and Turkmenistan, both states will lose their chance to benefit from joint co-operation that stems from the current geopolitical situation.⁴

Chapter1. The history of bilateral relations between Azerbaijan and Turkmenistan

1.1. The state of bilateral relations during the presidency of Heydar Aliyev and Saparmurat Niyazov.

Azerbaijan is the largest country in the South Caucasus with an area of 86,600 square km, and is situated between Europe and Asia. The main routs of trade,

3 Yusin Lee, *Toward a New International Regime for the Caspian Sea*, (South Korea 2005) 3,5,37- 39

4 Anar Valiyev, *Azerbaijan and Turkmenistan's Dispute over the Caspian Sea*, (2009) 1-4

migration from East to the West and North to the South cross its territory. Azerbaijan also has an ancient culture and history. It has borders with Russia to the north, Georgia and Armenia to the west, Turkey to the northwest, Iran to the south and the Caspian Sea to the east. Azerbaijan's demography and history was shaped by its location and geography. Its main wealth is oil, which is the main source of budgetary income, and not only used for the electricity production but also for valuable medicine. As oil became the most important problem in the 20 century, oil producing countries, as well as Azerbaijan, began to pursue special strategies to emerge as player in the world energy politics.⁵ By the adoption of its new Constitution on 12 November 1995, the political system of Azerbaijan was formed and completed. According to this document, Azerbaijan is a democratic, secular and unitary state. The president plays major role in the political system of Azerbaijan and carries the executive power. His main duty is to supervise state power apparatus and to define the main directions of the state policy. Legislative power is carried out by Milli Majlis (Parliament) and Judicial power carried out by the courts.

Supreme Council (former name of the Parliament) of Azerbaijan adopted a Declaration of Independence on 18 October 1991. In September 1991 and 1992, the elections were held, but neither president succeeded in politically control and unify the new Republic, so struggling Parliament called Heydar Aliyev in June 1993 to Baku. Those times were not so easy because of Nagorno Karabakh war between Azerbaijan and Armenia. Heydar Aliyev was thriving as the governor of Nakhichevan at that time, and become the central figure in the political life of the country. He was officially elected as a President of the Azerbaijan Republic on October 1993. In 1994, the leaders of Azerbaijan and Armenia agreed on a ceasefire. During the rule of Heydar Aliyev the stability was restored and Azerbaijan began to develop and flourish under his leadership. Heydar Aliyev was

⁵ David C.King, *Cultures of the World: Azerbaijan*, (New York, 2006) 7

born on 10 May 1923. He studied at the Architecture Department of the Azerbaijan Industry Institute (Present Azerbaijan State Oil Academy). Then, in 1957, he graduated from the Baku State University, with degree in history. Heydar Aliyev held the post of deputy chairman in 1964 and from 1967 he became a chairman of the Committee of State Security under the Cabinet of Ministers of the Republic of Azerbaijan. In 1969, he was elected the first Secretary of the Central Committee of the Communist Party of Azerbaijan. Heydar Aliyev was elected an alternate member of the Political Bureau of the Central Committee of the Communist party of the Soviet Union and then appointed the first deputy chairman of the Cabinet of Ministers of the USSR. This opportunity gave him to become one of the leaders of the USSR, and a member of parliament of the Supreme Council of the USSR and for five years deputy chairman of the Supreme Council of the USSR. In 1990, Heydar Aliyev was elected as a deputy to the Supreme Council of Azerbaijan. During 1991-1993 years he became a chairman of the Supreme Council of the Nakhchivan Autonomous Republic and was elected the chairman of the New Azerbaijan Party in the 1992. Second time he won elections on 11 October 1998.⁶

Turkmenistan is the second largest country in Central Asia, after Kazakhstan. It has borders with Iran to the south and southwest, Afghanistan to the south and southeast, Kazakhstan to the northwest, and the Caspian Sea to the west and Uzbekistan to the east and northeast. It also shares many historical relations with the Caucasus. Persian, Turkic and Russian influences have shaped human geography and landscape of the country. It also weakened the building of Turkmen identity. The large part of Turkmenistan is desert or steppe, the sands of Kara Kum Desert covers 80 percent of the total land. Most of the people live in oasis settlements. The main three rivers of Turkmenistan are: the Murgap, the Tedzhen, and the Amu Derya. The capital is Ashkhabat, the trade routes from north to the south and from south to the east cross this city. The official language of

⁶ Svante.E.Cornell, *Azerbaijan Since Independence*, (New York, USA) 102, 224

Turkmenistan is Turkmen, which is part of the Ural-Altai language group and includes the family of Turkic languages. The majority of the population is Sunni Muslim. Islamic religion was an integral part of Turkmen identity. Turkmenistan experienced 110 years of Soviet domination and was under the cultural, political and economic domination which employed by imperial Russia. It was one of the largest states, which emerged as an independent one, rejecting communist ideals in 1991 after the collapse of the Soviet Union. Turkmen Supreme Soviet declared the independence of Turkmenistan with the affirmation of national referendum on 26 October. The Constitution was adopted on 18 May 1992.⁷

During post-independence Turkmenistan has been dominantly ruled by Saparmurat Niyazov, who was also called Turkmenbashi. He was born on 19 February 1940. Niyazov's father was killed during the WWII. His mother and brothers died as a result of earthquake in Ashgabat in 1948. First, he was raised as an orphan, and later with his distant relatives. He graduated from the Leningrad Polytechnic Institute with the degree in power engineering. Then Saparmurat Niyazov had joined the Communist Party in 1962, and become the head of the Ashgabat administration in 1980, and in 1985, he was the First Secretary of the Communist Party of Turkmenistan.

Turkmenistan maintained close ties with the former Soviet Republics, especially in an economic field in early 1990s, and joined the Commonwealth of Independent States (CIS) in 1991, December. Turkmenistan also joined a summit of Turkic nations in Istanbul. The main goal was to extend economic and cultural relations with Turkey. It helped the development in trade, investment, and tourism opened door for cooperation on educational and cultural issues, between two states.

After independence, Turkmenistan government actually focused on building its independent foreign policy, and focused on three major priorities: First, to resolve all disputes peacefully and to build sustainable bilateral relations with the

⁷ Paul Brummell, *Turkmenistan*, (England, 2005) 3-17

former Soviet republics and with neighbours such as -Afghanistan, Azerbaijan, Iran, Kazakhstan, Tajikistan and Uzbekistan. Second, to establish political and economic relations with Western countries and with the USA. Third, to maintain security for its energy resources and its routes. However, over time there were some changes, in the country's foreign policy. In 1991, after independence, Niyazov established strong organs of power and consolidated his control through these organs. Then the Communist Party of Turkmenistan was renamed the Democratic Party of Turkmenistan and Niyazov became its chairman. According to the constitution of May 1992, the head of the state also was considered the head of government and as the chairman of the Cabinet of ministers. Saparmurat Niyazov also served as the commander -in- chief of Turkmenistan. Turkmenistan's parliament voted to extend the term of office of President Niyazov until 2002, at the end of 1993, for allowing the president to complete his ten-year development program. It was ratified in a referendum on 15 January 1994. The Turkmen People's Council voted to make Niyazov president for life in 1999. After independence Niyazov has paid a great attention to nation -building. His regime exchanged Soviet hammer and sickle for traditional, national symbols- such as a flag, an anthem and celebration of new national holidays like Independence Day, Flag Day, Carpet Day and Melon Day, it also expressed new patriotism through population. He has adopted the title Turkmenbashy -" The Father of the Turkmen" During his term Turkmenistan developed and he brought the Turkmen people to Golden Age.⁸

When the former Soviet republics become an independent in the 1990s, many expected that they would form trade, economic and political unions, or alliances with one another that allows for the free and easier movement but these states struggled among themselves and have expressed little desire to work together.

⁸ Karen Dawisha and Bruce Parrott, *Conflict, Cleavage, and Change in Central Asia and the Caucasus*, (United Kingdom, 1997) 328-329

Turkmenistan is closer to Azerbaijan for its culture and religion among the Central Asian states. Both countries' religion are Islam and both nations are considered Oghuz Turks. These factors have always been important for the formation of bilateral relations of both countries. The Azerbaijani's oil specialists have been worked In Turkmenistan during Soviet Union and have been played the main role in the oil industry of Turkmenistan. Azerbaijan and Turkmenistan's diplomatic relations go to back to 1990s. In 1991, The Alma- Ata Declaration was signed among 11 head of states, Azerbaijan and Turkmenistan signed this document. Declaration seeking to develop the relations on the basis of mutual recognition and respect for state sovereignty and the rejection of the use of force, the threat of use, a peaceful settlement of disputes, respect for human rights, freedoms and fulfilment of commitments. ⁹ The Embassy of Turkmenistan opened in Baku on 8 June 1999. This event was considered the officially establishment of diplomatic relations between two states. The Embassy of Turkmenistan temporary was closed in Azerbaijan, 2001, 4 June and the excuse for this action was "financial problems" but was reopened in 2008. ¹⁰ However, commentators linked this measure with the ongoing disputes over the ownership of petroleum deposits in the sea. Azerbaijan Embassy opened in Ashkhabad in 2002, August.

The period of presidency of Saparmurat Niyazov the relations between two states were complicated. In particular, the tensions between two states was due to the position, which demonstrated by Turkmenistan on Caspian legal status of national borders and sectors. In addition, the position of Turkmenistan harmed the bilateral relations in matters of cooperation in the Caspian Sea, developing and bringing its hydrocarbon reserves to foreign markets.¹¹

The meeting of the president of the Republic of Azerbaijan Heydar Aliyev and the president of Turkmenistan Saparmurat Niyazov was held during the Summit of

⁹ Rael.R.Hanks, *Global Security Watch-Central Asia* (England, 2010) 26-27

¹⁰ Imogen Bell, *Eastern Europe, Russia and Central Asia 2003*,(London, 2002) 13

¹¹ Shirin Akiner, *The Caspian: Politics, Energy and Security*, (USA, 2004) 29,34

Heads of CIS member countries, held on 23-24 December 1993 in Ashgabat. The parties exchanged their views on the development of bilateral relations between the two countries as well as in regional context, and their interests and international issues.

On May 14, 1994- Heydar Aliyev -the President of the Azerbaijan Republic, have done a working visit to Turkmenistan in the frame of Economic Cooperation Organization Summit Meeting. President Heydar Aliyev attended in the celebration of the Independence Day of Turkmenistan on 26-27 October. The president of Turkmenistan Saparmurat Niyazov visited to Azerbaijan, On March 18-19, 1996. During this visit, several documents were signed between two states. They are: Treaty of Friendship and Cooperation between the Republic of Azerbaijan and Turkmenistan, Baku Declaration, the Agreement on Cooperation in the field of education, the Protocol on Consultations between the Ministry of Foreign Affairs of the Republic of Azerbaijan and the Ministry of Foreign Affairs of Turkmenistan, Consular Convention, the Agreement on Cooperation in the field of trade shipping and other documents.

Azerbaijan celebrated the extraction of the first oil from Chirag field in 1997, November. Turkmenistan also was invited advanced to ceremony on this occasion, but president Niyazov boycotted the ceremony and sent a message to Azerbaijan that Azerbaijan's intention to exploit production in disputed areas creates undesirable and serious complications to international investors' activities.¹²

Heydar Aliyev and Saparmurat Niyazov, at the meeting, which held on 13 December 1997 at the Summit of Heads of States of OIC in Tehran, agreed to establish export group countries to identify the midline of the Caspian Sea and the solution of issues of supplies of some deposits in the Caspian Sea. During The Summit of Caspian States Meeting, on April 2002, Heydar Aliyev have done a

¹² Michael P Croissant, Bulent Aras, *Oil and Geopolitics in the Caspian Sea Region*, (USA, 1994)16, 214- 215

working visit to Turkmenistan. In summit, no document was produced and Caspian coastal states left issue open.

Saparmurat Niyazov has earned a lot of respect, trust and high estimate of his political activities, a great contribution to the development of science, education and culture of Turkmenistan, and more importantly, for the strengthening and development of Turkmenistan's independence. Therefore, Baku State University awarded Niyazov the highest award- the title of Honorary Doctor of the University.¹³

1.2. Azerbaijan-Turkmenistan relations during the leadership of Ilham Aliyev and Gurbanguly Berdymukhamedov.

The relations become warmer during the presidency of Gurbanguly Berdymukhamedov and Ilham Aliyev. It was perceived that the new Turkmen President Gurbanguly Berdymukhamedov would be more flexible on the negotiations and relations between two states.

Gurbanguly Berdymukhamedov was born June 29 in 1957 in the south -central part of the Turkmenistan. He studied at the State medical Institute, where he specialized as an oral Surgery and dentistry. Then he studied in Moscow in the 1980s, received a doctorate in medicine. After the collapse of Soviet Union, he worked as a teacher at the Medical Institute in Ashgabat. During the early years of the independence of Turkmenistan, he rapidly moved up through the ranks of the government. He was appointed as a Minister of Health of Turkmenistan, and become the Deputy Prime Minister in 2001. He also served as a personal dentist of Saparmurat Niyazov and this have aided in his political advancement. After the death of Niyazov in 2006, Berdymukhamedov was elected as a president.¹⁴ Turkmenistan remained as the repressive country during these times.

13 Yusin Lee, *Toward a New International Regime for the Caspian Sea*, (South Korea 2005) 37- 39

14 Rael.R.Hanks, *Global Security Watch-Central Asia* (England, 2010) 27

Berdymukhamedov has taken some steps to reverse the most ruinous social policies of Niyazov's rule. After his election, Berdymukhamedov announced several democratic reforms, such as restoring the tenth year of secondary education and five-year course of University degree education, separation of powers-dissolved the People's Council and divided its powers between the president and new parliament, which had 125 members. He also guaranteed internet access to all, even for children who go to kindergarten, also reinstating pensions and social allowances. During the presidency of Berdymukhamedov the government has softened some restriction on freedoms. During Niyazov's era, there were several political prisons but after election of Berdymukhamedov, 9,000 prisoners have been affected by two presidential pardons. People were positive about the reforms during Berdymukhamedov's term. He announced to establish a multiparty system in the country. The Agrarian Party (Daikhan), a second party was founded, in the favour of the agrarian reforms which are initiated by the president. However, the functions of the party because of the support of the central authorities has no margin of manoeuvre. The human rights issues in the country has not been developed since Niyazov's death. Repression continues, in spite of a few positive steps. Berdymukhamedov has also kept tradition such as granting amnesty to hundreds of prisoners during the religious holiday, end of Ramadan and national festivals. The election of Berdymukhamedov as a president also revived the slow process of modernization of the army. He recognized to develop the living conditions of military personnel and military equipment in 2007. He opened a new police academy to develop the training of new recruit and to provide them with better living conditions. In 2009, Berdymukhamedov passed new bill about the status and social protection of military personnel and their families. This bill guaranteed them free medical care and decent lodging.¹⁵

¹⁵ Paul Brummell, *Turkmenistan*, (England, 2005) 17

The portraits of Niyazov were gradually removed from public spaces during 2008 and 2009 and popular holidays as International Women's Day and Victory day were reinstated. The newspapers, which titles referred to Turkmenbashi or the family members of Niyazov, were renamed. In the oath and national anthem, the political authorities were eliminated mention of "Turkmenbashi" and it was replaced with simply "the President". On February 19, 2009, the birthday of Niyazov was ignored and it accelerated De-Niyazovization. Before, this day was popular holiday in Turkmenistan, but now 14 February- the day of inauguration of President Berdymukhamedov.

After the death of Heydar Aliyev, Ilham Aliyev, his son was elected as a president of the Azerbaijan Republic. He continued to use the same policy, under conditions of political, economic and regional stability. Especially the economy began to grow because of growth of the oil and gas sector. For the concentration of extra revenues from export of natural resources, The State Oil Fund was established. The national committee Forward to Europe was established in the 2006. Azerbaijan with Belarus, Moldova and Ukraine joined the European Union Program Eastern Partnership, for the export oil to Europe.¹⁶ The period of presidency Ilham Aliyev have been seen as the emergence of a stable foundation of economic growth, development.

Ilham Aliyev was elected one of five deputy chairmen of the ruling party in 1999 and was promoted of the first deputy chairman in 2001. He was born in 1961, 24 December. Ilham Aliyev graduated the faculty of International Relations of the Moscow State University and continued his education as a postgraduate in 1982. He also received a PhD degree in history. In 1994, Ilham Aliyev was appointed vice-president of the State Oil Company of Azerbaijan and during the conclusion of Contract of the Century, he was one of the initiator of negotiations between Azerbaijan and Western oil companies. Then he was elected to the National

16 Vladimir Gel'man, Otar Marganiya, *Resources Curse and Post- Soviet EuroAsia: OIL, Gas, and Modernization*, (USA, 2010), 164-165

Assembly and later become a president of the national Olympic Committee. He also headed Azerbaijan's delegation to the Parliamentary Assembly of the Council of Europe. Two years later Ilham Aliyev was elected one of PEACE's deputy chairmen. In 2003, he was appointed Prime Minister and in October, he earned 76.84% of the votes and became a President of the Azerbaijan Republic. Then he was re-elected in 2008, because of gaining deep respect of Azerbaijani people. Ilham Aliyev, in general, wanted to build on his father's accomplishment of making Azerbaijan the only, truly independent and powerful state in the South Caucasus, trying to preserve and maintain its stability and independence in the formulation of state's foreign policy, to keep balance between the regional powers and global powers. Azerbaijan increased its geopolitical importance and energy resources. Modern Azerbaijan is recognized as a country with a great geopolitical importance, economic achievements and determining the geopolitical trends in Eurasia and it was possible due to the policy, pursued by the Ilham Aliyev.¹⁷

Niyazov's death and Russia's failure to pay a fair price for Turkmen gas changed the geopolitical status-quo. The relations between Azerbaijan and Turkmenistan entered to a new sphere and began gradually to develop and become warmer. Ilham Aliyev invited the new president of Turkmenistan back to the negotiating table.¹⁸ Berdymukhamedov responded positively to this invitation and met with Ilham Aliyev in 2008. The Heads of State have stressed to intensify and develop of the relations between Azerbaijan and Turkmenistan in the meeting. Besides this, it was also expressed confidence that the official visit of the head of Turkmenistan will strengthen the bilateral relations between two countries. After negotiations, the agreements were signed between the Ministries of Finance, Foreign Affairs and transport of the two countries. In connection with an official visit of Turkmenistan President to Azerbaijan, the heads of two states made statements. In his statement,

17 Svante.E.Cornell, *Azerbaijan Since Independence*, (New York, USA) 224

18 Sebastien Peyrouse, *Turkmenistan : Strategies of Power, Dilemmas of Development*, (London and New York, 2012) 90, 95

Ilham Aliyev stressed to problem of the Caspian Sea, and the satisfaction about the development of future cooperation in the Caspian Sea, and the effective interaction of Azerbaijan and Turkmenistan in this direction. Gurbanguly Berdymukhamedov also stated in his statement that the cooperation between two states is essentially important in the energy sector, which has a base value for the economy of both countries having the status of energy in the world countries, and both countries pay the special attention to this topic. In general, the goal is that to turn it into intergovernmental partnership sphere and strategic direction. In 2008, the previous round of Azerbaijani-Turkmen tension associated with oil and gas resources of the Caspian Sea ended with the signing of agreement by Presidents Ilham Aliyev and Berdymukhamedov. According to this document, the territories of the intersection portions of two countries should not engage in any activities of exploration and production until the determination of the status of the Caspian Sea. Then, the embassies of both countries reopened. Turkmenistan recognized the territorial integrity of Azerbaijan and sent delegation to reach agreement on the debt disputes with Azerbaijan at the same year.¹⁹

On November 28, 2008, Azerbaijani President started his official visit to Turkmenistan. During meeting with the President of Turkmenistan Gurbanguly Berdymukhamedov he expressed satisfaction with the development of relations between two countries in different field, as well as confidence in the further expansion of ties. It was also noted that the official visit of the President of Azerbaijan Ilham Aliyev to Turkmenistan will further strengthen bilateral relations. At the extended meeting, President Gurbanguly Berdymukhamedov has emphasized the importance of development the relations of his country with the Azerbaijan Republic. Turkmen President also noted the great potential of further expansion of relations in many areas. President Gurbanguly Berdymukhamedov appreciated the support of the President of Azerbaijan initiative launched by Turkmenistan in

19 Sebastien Peyrouse, *Turkmenistan : Strategies of Power, Dilemmas of Development*, (London and New York, 2012,) 197,201,212

international organizations to ensure the safety of transit pipelines. He highlighted the relations between Azerbaijan and Turkmenistan, rich oil and gas deposits, to energy policy in the region at the same position. President Ilham Aliyev also stressed the great importance of relations between Azerbaijan and Turkmenistan not only for these countries but also for the whole of Central Asia and the Caspian, Caucasus regions. After meeting, the heads of states signed the agreements on transportation to the international railway-ferry lines through ports of Baku and Turkmenbasi, registration numbers and organization of accounts for the use of wagons and containers, an agreement on cooperation in the education sphere, The Agreement between the Governments of Intergovernmental Commission on Azerbaijan - Turkmenistan economic cooperation and other documents. President Gurbanguly Berdymukhamedov stated that both states have large hydrocarbon reserves and two states hold consensus in this matter. That is why both states are in favour of a policy of "open door" transportation and diversification of their hydrocarbon reserves. Both sides are unanimous on the development, processing and marketing of energy resources. Ilham Aliyev also stressed that now there is a great potential for expansion of cooperation in the transport sector in the Caspian Sea region. The construction of railway Baku-Tbilisi-Kars railway will connect the railway track through Azerbaijan to Turkey and Europe, as well as through the Caspian Sea- with Central Asia. The new Silk Road in two years will be at both states disposal, and they will use it. During the visit in the city of Turkmenbashi trilateral meeting was held by the Azerbaijani President Ilham Aliyev, President of Turkey Abdullah Gul and President of Turkmenistan Gurbanguly Berdymukhamedov. The meeting noted the high level of relations between three countries, stressed the importance of a join meeting between them. Turkmen President Gurbanguly Berdymukhamedov was given a dinner in honour of President Ilham Aliyev. By the end of the 2000s economic relations between Azerbaijan and Turkmenistan began gradually develop. After 2008, Azerbaijan debt incurred in the early 1990s in the sale of gas between the two countries was achieved promotion. January 17, 2008 it was held the first meeting of the Azerbaijani-Turkmen

intergovernmental commission on economic and humanitarian cooperation in Ashgabat. It was decided to expand ties in trade and economic cooperation, including in the areas of transport, telecommunication, oil and gas, environmental and humanitarian spheres at the meeting. I International Conference and Exhibition on "Oil and Gas potential of Azerbaijan and Turkmenistan: Energy, Economy, Ecology, cooperation strategy was held in Baku, 9 September, 2008. Thirty-one countries presented in the conference and exhibition. Turkmenistan was represented by an extensive delegation. At the event, the congratulations of both Presidents were read. The address of the President of Azerbaijan Ilham Aliyev was awarded for the growing international interest in the Caspian Basin, in particular Azerbaijan and Turkmenistan. Gurbanguly Berdymukhamedov stressed that the strategic partnership, in particular to the relations in the petroleum sector strengthened the transition and neighbourly relations between two countries. Trade ties between Azerbaijan and Turkmenistan in 2008 were weak (in \$million): import-45.9, export-14.0, the trade surplus-(-31.9). In quarter of 2010, trade relations between Azerbaijan and Turkmenistan are expressed as follows (in millions of US Dollars): Import-3068.9, export-12823.6, the foreign trade balance-9754.7.

In Azerbaijan have always been a special interest to the Turkmen literature. Salman Mumtaz in his article "The Turkmen poets «in the journal "Maarif ve medeniyyet"(Education and Culture) especially mentioned the name of the great Turkmen poet Ahmed Yasevi. Members of the Institute of ANAS published in the Azerbaijani language book "Selected Works Molla-Nepes". The book was presented to President Gurbanguly Berdymukhamedov. Turkmen President praised the book as another successful step towards developing the Turkmenistan- Azerbaijan relations. In 2009, Gurbanguly Berdymukhamedov gave the State Reward to the Azerbaijani Embassy in Turkmenistan-Vahdat Sultanzadeh Mammadaga oglu, for his contribution to the development of relations between two countries. May 21, 2010 it was hosted a conference on the life and work of a prominent Turkmen poet Magtymguly at Baku State University. During his visit to Turkmenistan Ilham Aliyev on November 28, 2008, was awarded the title of Honory Professor of the

Turkmen State University, which is named Makhtumkuly. Ilham Aliyev made a speech at the ceremony. In 2009, November 3-6 Days of Azerbaijani Culture were held in Turkmenistan. In connection with the organization of high-level events, the President Gurbanguly Berymuhammedov signed a disposal. During the Days of Azerbaijani Culture in Turkmenistan, masters of culture and art of the Nakhchivan Autonomous Republic presented Azerbaijan. Turkmenistan Musical Dram Theatre, which is named after Magtumguly was, staged the musical comedy of famous Azerbaijani composer Uzeyir Hajibeyov "Arshin Mal Alan". In the anniversary of the birth of national leader Heydar Aliyev on may10, 2010, it was hosted the presentation of the Turkmen language the version of book "Heydar Aliyev" from the series " Life of remarkable people" in Ashkhabad, in the capital of Turkmenistan. May 11, 2010 the Embassy of Turkmenistan in Azerbaijan published the book in Azerbaijani language, which included an article entitled" Economic strategy of Turkmenistan: Relying on the people, for the people" the President of Turkmenistan. Despite of the very close ties that link Azerbaijan and Turkmenistan, a number of claims impeded the development of Turkmenistan's relations to the level of strategic partnership. However, compared to previous years, the relationship develop more in recent times. Now the states keen on to cooperate and develop the trade economic relations between two states. Both of these states have large energy reserves and play an essential role in ensuring energy security and other countries. Upon reaching the two countries relations at a high level can further strengthen their role in the international arena. ²⁰

20 Sebastien Peyrouse, *Turkmenistan : Strategies of Power, Dilemmas of Development*, (London and New York, 2012) 201,212

2. The influence of regional processes on Azerbaijan-Turkmenistan bilateral relations

2.1. Legal status of the Caspian Sea - areas of discords

Caspian region is considered one of the oldest oil-producing regions in the world. It is a 700-mile-long body of water in Central Asia, landlocked between Azerbaijan, Russia, Kazakhstan, Turkmenistan and Iran, and between two continent-Europe and Asia. The width ranges from 435 km and 1,030 km long, the surface level is around -26, 5 m below MSL. The northern part of Caspian Sea is very shallow and the average depth is less than 5 m. However, the depth of the southern part is approximately 1025m. The number of small and large rivers, which flow into the Caspian Sea, is approximately 130. The largest of these is The Volga River that drains 1,400,000 km² into the northern part of the sea. ²¹ The Caspian Sea is also the largest lake in the world, because it is not linked with the sea, and is attached to the Black Sea and the Baltic through the Volga-Don Canal. During history, several names were given several names like "the Sea of Mazandaran", "Tabarestan", "Abescun", "Ghazvin", "Deylam", "Gorgan", "Sari" and "Khazar". "Khazar" is also widely used name of Caspian Sea. Caspian actually is used in Latin languages, because of the "Caspis" who was the indigenous people and lived in the around the sea, just as "Khazars", thus Azerbaijani people call it as "Khazar -deniz". The production of Caspian region has been higher, but unfortunately, it suffered during the collapse of Soviet Union. After collapse of the Soviet Union, the new era opened in the history of oil production in the Caspian region and turned into an important international issue. Despite the several problems during Soviet period, The Caucasus region is remains the huge oil potential region. This region also have unexploited oil sources and some of them have not been developed yet. ²² This region is important in international arena. First, because of its

21 Bahman Aqayi, *Caspian Sea in the Twenty-first Century*, (USA, 2003) 9

22 Michael P Croissant, Bulent Aras, *Oil and Geopolitics in the Caspian Sea Region*, (USA, 1994) 214- 215

geo -strategic position: the Caspian new independent states holds the central and important position in the heartland of the Eurasian continent, and the essential trade routes from Europe to Asia pass from there, and it cause the interest of the major extra-regional powers such as the USA, Europe, China and Russia. They want to formulate their own policies in the region. The second factor can be the international interest in this region. It is associated with the large reserves of oil and natural gas, which lie here. The Caspian region have large resources of crude oil and natural gas. However, there are some obstacles to increase the production of oil and gas of the region. Actually, the natural gas supplies of region is larger than oil resources. It is difficult to estimate the exact size of these reserves. However, according to possible estimate of recoverable oil reserves are 40-60 billion barrels and natural gas are between 10 and 20 trillion cubic meters. ²³ The average of 2,6 million barrels per day of crude oil and around 3,4 percent of World supply are produced by the Caspian Basins area in 2012. Oil field in the Kazakhstan's onshore - Tengiz field has been the biggest contributor the production of region. The majority of oil resources in the Caspian basins contain in Azerbaijan and Kazakhstan, but the biggest natural gas fields are on the onshore of Turkmenistan and Kazakhstan. Turkmenistan is considered the major gas producer and the majority natural gas production comes from the southeast fields of Turkmenistan. ²⁴ The Caspian oil reserves are to the equivalent to the gas reserves of either the North Sea or the United States. This region is divided into three basins-The South Caspian basin, which contain gas, reserves while the North Caspian-basin appears more likely contain oil and the Middle Caspian basin, which is thought not to be as prospective as the North and South Caspian Basins. Large gas resources were discovered in the South Caspian Basin in Azerbaijan, and large oil discovered on the Russian Caspian Sea coast and one of the largest oil discoveries in 20 years, offshore Kazakhstan, in

23 Gennady Chufirin, *The Security of the Caspian Sea*, (USA, 2001) 238

24 Tunc Aybak, *Politics of the Black Sea: Dynamics of Cooperation and Conflicts*, (London, New York, 2001) 20

the North Basin. The reserves of Caspian Sea gives an opportunity to the region states become a large exporters of oil and gas, and this region has several markets. Recent times, nearly all Caspian crude oil goes west, via pipeline to and through Russia to European markets, and other part goes through the Bosphorus straits to the Western European markets via the Mediterranean Sea by tankers. Natural gas also mainly goes to West through Russia and Russia collects transit fees on Caspian energy shipped through its territory and sells own gas oil and gas output to European countries in a harder currency.

In the beginning 19th century, one of the main interest of tsarist Russia was to expand to southward. It caused a series of wars between Russia and Persian Kingdom (Iran). Iran was defeated and as result of this, two treaties were signed. The first of them was Gulustan Treaty of 1813 prevented Iran to develop its naval forces in the Caspian Sea. Second was Turkmenchai Treaty, which signed in 1828, it again put limitations on Persian naval shipping. Iran could have only merchant navy in the sea.

Caspian legal regime remained until the Russian Revolution of 1921. The Treaty of Friendship in 1921 abolished all previous treaties and restored Iranian rights for shipping in the Caspian. Two states, under the Treaty of Establishment, Commerce and Navigation in 1935, August 25, both sides determined the land border without delimiting the Caspian Sea boundary. Iran and Russia's vessels could flying with their own flag and they had right in their coastal waters up to 10 nautical miles. In 1940, March 25, with the Treaty of Commerce and Navigation they affirmed the 10-mile fishing zone. Soviet and Iran only could do fishing beyond the 10 mile zone and Caspian Sea was affirmed as "Soviet-Iranian Sea". In 1954, a sea boundary treaty without delimiting the sea boundary, determined land border between two countries across the Caspian Sea.²⁵

25 Kamyar Mehdiyoun, International Law and The Dispute Over Ownership of Oil and Gas Resources In The Caspian Sea, (USA, 2000) 3,4,7-9,11

Soviets doctrine and Iran's municipal law viewed the legal regime of the Caspian Sea as a closed sea it is controversial and limited the military and commercial activities of littoral states. Soviet-Iranian Treaty in 1940 did not apply to the delimitation of subsoil resources and continental shelf of the Caspian Sea. The legislation neither stated nor applied the shared ownership principle in the treaty of 1940. Both Soviet Russia and Iran supported "common sea" principle.

Treaty regarding the fishing rights in the Caspian Sea was signed in 1972 between Iran and USSR and both sides agreed to establish a joint fishing company. Another important treaty was the cultural, technical and scientific agreement between Iran and USSR, according to this agreement, both sides signed memorandum that the two agreed to study and review of the ecosystem of the Caspian Sea. It was agreed to establish a permanent working group on related to the pollution of the Caspian Sea. After the collapse of Soviet Union, the legal status of the Caspian Sea has become an important international issue with the emerging of five independent states: The Republic of Azerbaijan, Turkmenistan, Kazakhstan and The Russian Federation. Now the five sides were interested to define clear the legal status of the Caspian Sea. However, large scale of oil and gas resources make it impossible. After collapse of Soviet Union Russia and Iran lost their territories of being neighbours, and after the Caspian Sea have been divided into national territories. The countries, which have borders with, Caspian Sea started to take separate positions toward the legal regime in the Caspian Sea. It emerged the new geopolitical situation during the 1990s. It was due to: Russia withdraw its troops from the Caucasus and central Asia, second, the new external actors- both state and non -state actors increased their involvement in political and economic issues, the third competition increased between Russia and USA. Russian role reduced and it gave the opportunity to the regional states to increase international cooperation, as they wanted to strengthen their independence. This attempt of course was supported by the foreign actors, which were interested in to weaken the Russian power. The international actors can be divided into the states and organizations of states in the Caspian region. The sates conduct the regional policy according to their interests in

the energy resources. Two major factors that have influence on the Caspian Sea region on world energy supply. First factor is the amount of oil and gas resources, second is the level of committed investment in the region.²⁶

After 1991, Russia has changed its position on the legal regime of the Caspian Sea. Russia claimed as the successor of the USSR declared that it was fully committed to the 1921 and 1940 treaties, and held other countries responsible to observe these treaties at last to the emergence of new regime. Russia also argued that, the treaty, which had signed in the 1921, had laid the mutual condominium for shipping in the Caspian Sea and the same rule should be applied to exploitation of the resources of Caspian Sea. Russian government also declared that use of the Caspian Sea emergence of new emergence of coastal states did not violate the existing regime and the Russian Federation sent a letter to the Office of the United Nations. This letter, which declared that it considered the newly independent states committed to the 1921 and 1940, was about the law of sea and requested that the letter be registered as an official U.N document. Russian side even warned the new states that they should not enter into separate arrangements. Iran also wanted to convince that others it was condominium between Iran and Soviet Union and as the Soviet Union was divided into several new countries, Iran should have its original share of 50%. This argument, of course needed more persuasion however, Iran did not had it. In addition, Iranian side did some suggestions like to fix or to extend the 10-mile exclusive fishing zones or make them more general than fishing zones. Some scholars in Iran even wanted the government to ask establishment of a 40 or 50-mile exclusive coastal zone. The meeting of Caspian's littoral states was held in Tehran, in 1992, and the Organization for Cooperation among the Caspian Littoral States was created, since this issue, the countries' foreign ministers meet once a year. According to this cooperation and meetings, three subject were approved in

²⁶ Aleksandr Antonovich, *Contemporary Issues of the Law of the Sea: Modern Russian Approaches*, (Netherland, 2004)

1996, which were important for countries.²⁷ First was that the organization was established because of to supervise the activities in the Caspian Sea, the second was that all countries agreed about the legal regime of the countries should be based on common use. Finally, Iran, Russia and Turkmenistan established Oil Company for activities in the Caspian Sea. Now, the position of Russia is that, the Caspian Sea seabed should be divided into national sectors. The five coastal states should agree on the status of waters, because it is relates to the managing the fishery, the protection of the marine environment, and navigation.²⁸

Iran is not seems very enthusiastic about national division of Caspian Sea. After 1997, Iran in the political-security approach figured that it did not need to share the same area with others, before Iran's approach was based on the condominium system. The fact was that buffer zone would serve to keep Russia from the lower areas of the sea. Iranian Parliament approved a bill, which authorized the National Iranian Company to explore, and develop oil, gas resources in the Caspian Sea. It strengthened the position of oil establishment of Iran, and its deal with foreign companies the exploitation of resources in the field of Iranian part in the Caspian Sea. Iran had already signed contracts with European Companies for exploration to oil, prior to this bill. In the speech of Khatami in the summer of 2000, the common use shifted totally for dividing the sea, which was started from 9March, 2001. The Oil Ministry-Zanganeh mentioned that Iran had waited the determination of the legal status of Caspian Sea and never did any explorations, but now Iran would proceed with activities in this field, despite the adoption of Caspian legal regime. Because Iran should not wait the determination of the Caspian legal regime from the other countries.²⁹

27 Lee McGowan, David Phinnemore, *A Dictionary of the European Union*, (London and New York, 2015)196-198

28 P.J.J. Welfens,B. Meyer,W. Pfaffenberger,P. Jasinski,A. Jungmittag, *Energy Policies in the European Union: Germany's Ecological Tax Reform*,(Berlin, 2001) 79

29 Sascha Müller-Kraenner,*Energy Security: Re-measuring the World*, (London, 2007) 77,82,84

The Republic of Azerbaijan showed its position on that, it will not feel itself bound by the treaties which were signed in 1921 and 1940 years by the Iran and USSR, and claimed that it should have own territories across the Caspian Sea, as they entered into contracts with big oil companies. According to the Azeri authorities, the principle of "Clean Slate"- which gives a free hand in choosing their destiny to the newly independent countries, the treaties in 1921 and 1940, are not valid now, and Caspian Sea must be divided among the states, according to international law. They also argued that shipping issues have been limited because of the treaties, which signed in 1921 and 1940. They had nothing to do with the seabed resources. Azerbaijan have claimed that Iran as the only other party of the 1921 and 1940 treaties has never objected to the existing practice on the basis of the contradiction, however Azerbaijan has been exploited oil resources of Caspian Sea since long time ago. The date even go to back to 1871, which considered the oldest oil fields in the world. The wooden pipeline, which considered one of the oldest oil pipeline in the world, connected Baku to the Black Sea, the capital of Azerbaijan. Swedish Albert Nobel-The founder of Nobel Prizes, who became a rich because of these oil operations, designed this pipeline.³⁰

Heydar Aliyev visited the USA in August 1997, for to sign a 10 billion dollar agreement with the Western oil companies, to exploit Caspian oil resources. In November of this year, Iran informed UN's Secretary -General and protest it. Iran and Turkmenistan also protested when the President of Azerbaijan inaugurated the Shah Cheragh oil installations on November 12, 1997. The position of Azerbaijan toward the legal status of Caspian regime actually has been driven by the belief that, the northern part of Caspian Sea, which is rich with oil and gas resources, are to be found in Azeri sector. Azerbaijan joined the Russian Camp in 2001, Putin, the President of Russia, visited Azerbaijan. During this visit, President Heydar Aliyev and Putin agreed to sign a joint statement, between two states, about the delimitation of the seabed of the Caspian Sea. However, Iran reacted angrily to this

30 Francesc Morata, Israel Solorio Sandoval, *European Energy Policy*, (UK, 2012) 141-143

issue, and reminded Russia that it must be consulted with other Caspian Sea states, bordering the Sea. A draft agreement was prepared for signature by heads of both states for following summer. It also specified the modified median line's geographical coordinates, and in agreement was emphasized that, it will not prevent the conclusion of a general agreement by all coastal states. Aliyev and Putin signed the agreement on 23 September 2002.³¹ Because of the lack of clear delineation of Caspian Sea, countries argue on ownership over certain offshore resources, Azerbaijan also claim the Serdar (Turkmenistan), Kyapaz (Azerbaijan) field as does Turkmenistan, which discovered in 1959 by Azerbaijani geologists.

Iran also proposed the establishment of a regional cooperation organization in the Caspian Sea. The Russian Federation and Kazakhstan welcomed, Turkmenistan did not respond but Azerbaijan rejected this proposal. The Azerbaijani representative stated that, it is impossible to talk about any regional cooperation organization, as long as the legal regime of Caspian Sea is not determined in the Almaty Conference in 1995, May. Iran actually is satisfied with the option of condominium, but it is difficult for Iran to convince others to accept this option. Iran wishes to insist the division of Caspian Sea into 5 equal sectors, 20% for each states. In the southern part of Caspian Sea, for exploration activities, Iran began to enter into the negotiations with oil companies, and began include these parts of Caspian Sea in its exploration projects, this also showed its readiness to claim the sovereignty of these areas.³²

The position of Turkmenistan was a sectoral division. Turkmenistan during Niyazov's presidency adopted different position. The problem was not the delimitation along median lines, but the method of defining median lines became a major question. Azerbaijan considers that, the median line should be determined from the end of the Absheron Peninsula. This division would palace Kyapaz field in

31 Gorkmaz Askerov, *Oil and Gas Pipeline Strategy of A Landlocked Country: Case of Azerbaijan*, 12-13

32 Bahman Aqayi, *Caspian Sea in the Twenty-first Century*, (USA, 2003) 9

Azerbaijani waters. Kyapaz (Serdar) field located between the coasts of Turkmenistan and Azerbaijan and was discovered by Azerbaijani geologists in 1959. It is a rich oil field and according to experts, contains 80 million tons of oil and 32 billion cubic meters of gas. However, Turkmenistan's position is that, Absheron Peninsula of Azerbaijan protrudes far into the sea to median line. It would lie far to the east according to normal practice from the actual shoreline of each states. Therefore, Kyapaz field would lie the medial line dividing two sectors between Azerbaijan and Turkmenistan. For that reason, Turkmenistan supports a model that ignores the Absheron peninsula's existence.³³

A National Service for the Exploitation of the Turkmen Sector of the Caspian Sea was created in 1999, August. It gave the powers to Turkmenistan Republic to regulate navigation and license fishing in the "national sector of Turkmenistan" and Russia has cautioned Turkmenistan that, it is contrary to the prevailing regime of the Caspian Sea. In 2002, Putin met with Niyazov in Moscow. The Presidents of both countries agreed to find a solution as soon as possible about the solution problems concerned the legal regime of Caspian Sea, and of course, to take consideration the opinion of other countries as well. They also mentioned that, the determination of new legal status would give opportunities such as the creation of exploitation of hydrocarbons and biological resources and protection of Caspian's ecological system.

The President of Turkmenistan Saparmurat Niyazov noted that while the forming of new international legal status of the Caspian Sea it must be take consideration that a 20-mile zone free navigation must be separate out in the middle of the body of water. Only after the adoption of new legal status of the Caspian Sea, it can be the creation of different type of economic centres and cooperation. Therefore, the states should solve problem as soon as possible³⁴

33 *Human rights Watch World*, (USA, 2003) 442

34 Gorkmaz Askerov, *Oil and Gas Pipeline Strategy of A Landlocked Country: Case of Azerbaijan*, 12-13

The position of the Kazakhstan is clear and constructive on the legal status of the Caspian Sea. Kazakhstan actually is ally with Azerbaijan over the status of the Caspian Sea, but the differences between them in their respective position. The position of Kazakhstan is not strictly in the line with the "open sea" variants. Kazakhstan proposed that the Caspian Sea, according with a central line, must be divided into economic zones. Kazakhstan stated that, the littoral states should delimited the Caspian seabed and subsoil asset, which should enjoy national jurisdiction and exclusive rights for exploration and development of the mineral resources of the seabed. International regulations and practice concerning mineral resources deposited beneath frontier waters should be taken into account. Kazakhstan and Russia signed the Agreement on delimitation of the bottom of the northern part of the sea. Protocol to this Agreement was signed in 2002, May. Azerbaijan together with Kazakhstan and Russia agreed on delimitation of the sea in early 2000 and agreement on the delimitation among them was signed in 2003, May14. Kazakhstan has also involved private foreign ownership by selling the majority of shares of Kazakhstan's state oil company, in the oil sector. KazMunaiGas- state holding company was created by the government and it sell its assets to foreign companies.³⁵

It seems possible to reach the agreement among the coastal states according to the determination of legal status of Caspian Sea, which will satisfy at least, the interests of five coastal states. Until the consensus will be found on disputes, it is necessary to conclude multilateral intergovernmental agreements, which may adopt urgent collective measures about protecting the ecology of the Caspian and its resources. There were three agreements, which have been proposed in such issues. They are: "Agreement on the Conservation and Use of Biological Resources of the Caspian Sea", " Agreement on Protection of the Natural Environment of the Caspian Sea", and " Agreement on Cooperation of the Caspian States in Hydrometeorology and

35 Francis McGowan, *European Energy Policies in a Changing Environment*, 9

Monitoring of the Natural Environment of the Caspian Sea". All of these agreements are under the consideration of five coastal States. The creation of the independent international agency could be desirable for to settle the different problems of the Caspian Sea. ³⁶

2.2. The role of the EU-backed gas pipelines in re-approachment between Baku and Ashgabat

The geopolitics of the 21st century has symbolized by the energy and it reflects countries to diminish reliance on military and political power. Energy today, became an instrument of geopolitical competition. International influence has become more diverse but the goals of the states are the same: to protect national security, to maintain power and control over resources and territories.

The unification of European states actually began with the energy policy, as we know the European Union formed by the Treaty of Paris in 1951, 18 April, by the formation of The European Coal and Steel Community (ECSC). This was essential for the reconstruction of Europe after the war. The European Coal and Steel Community based on the French foreign Minister, Schumann Plan. Robert Schumann and Jean Monnet- French pro-European politician wanted by collectivizing coal and steel, to create common interests and stability in the Europe. The foreign policy of EU follows the "Monnet method"-which refers to creating common political interests and culture of political cooperation through economic integration. European Economic Community was established in 1957, which developed the EU, the European Atomic Energy Community was launched. To promote nuclear technology in all member states was the main task of this Community. The European Atomic Energy Community agreement is become a part of the Treaty of Lisbon. The European integration began with the joint management of coal and the joint promotion of nuclear energy, but these have failed during the

36 Olga Oliker, Keith Crane, Lowell H. Schwartz, Catherine Yusupov, *Russian Foreign Policy*, (2009) 14-16

production an integrated concept for European energy policy. It was a due to the interests of major states in the European Union.³⁷

In sociological sense, Europe has been institutionalized, and it reduced some problems across the member states. The Institutionalization actually developed in Europe during 1980s. However, this also caused the problems in several policy areas of European integration, which is also concerns energy policy. One of the main aims of EU is to protect environment while international competition. The white paper on Energy Policy of the European Union clearly declared the main objectives of EU energy policy. European Union energy policy is based on deregulation, market integration, and the intervention of government must be efficient and effective, it also should be in the public interest, and to contribute consumer protection, economic and social cohesion according to this paper. The Energy Council actually agrees funding of this policy and additional funds can be allocated to projects in cohesion fund countries or to all Member States. The main structural objectives that European Union emphasized are: to increase the share of natural gas, to achieve highest safety standards in nuclear energy, to develop of alternative energy resources, like nuclear fusion and other projects.³⁸

In spite of EU is considered as a greatest economic and trading power in the world, it lacks its own policy. There have not been a coherent European Union foreign policy in the question of economic survival. Europe is dependent on energy imports from its southern and eastern neighbours, and neighbours in Eastern Europe, and the Near, Middle East. Ukraine, Turkey and Southern Caucasus states are key states in this issue, because they serve as a political bridge and transit countries. That is why Europe interested in to bring these countries politically and economically closer to the EU. In order to combine the economic, environmental and security interests of

37 Sebastien Peyrouse, *Turkmenistan : Strategies of Power, Dilemmas of Development*, (London and New York, 2012) 197, 201-212

38 Michael Mandelbaum, *New Russian Foreign Policy*, A Council On Foreign Relations Book, (USA, 1998) 125,130-133

all parties, and to regulate it by international treaty, Europe has been strived to sign the European Energy Charter- on energy political principles with all neighbours since the 1990s. Not only a reliable and affordable, but also an environmental, friendly energy supply have been included in the declared objectives of European Union. Because it can reduce the dependence on imports of fossil fuels. One of the main of European Union policy is to protect and secure the stability and good neighbourly relations on the European continent. ³⁹

Because of the forecast by the European Commission, the dependence of European Union on energy will be continue in the next few decades. First, it is true, because of imports of natural gas consumption of the EU members will increase two-and-a-half fold between 2000 and 2020. Oil and gas resources in the North Sea are running out. Russia continues being one of the most important exporter of fossil fuels and uranium to the European Union. By 2020, oil imports will increase by 20 per cent and gas imports by 150 per cent from Russia, according to the forecast of European Commission. Iran also has the potential to become the important gas supplier of European Union, thus Turkey will become the most important transit country in this case. The EU, of course, wants to secure its natural gas supply and it faces three geostrategic challenges: First, how to structure the relations with Russia, second is will Iran be integrated into the international political system and a global economy, third will Turkey become a member of the European Union? However, at the same time EU wants to diminish the economic and political dependence on energy resource imports.

Until the 1990s, most European energy suppliers had been controlled by the different individual states. Electricite de France -the state owned French company focuses on nuclear energy. Climate protection and the promotion of renewable energy play an important role in the Germany, and Poland gets most of its electricity and heating power from hard coal, Baltic States depend on gas imports

39 Sebastien Peyrouse, *Turkmenistan : Strategies of Power, Dilemmas of Development*, (London and New York 2012) 197, 201-212

from Russia. European states such as- Netherland and Germany try to make an excellent business with energy of Russia. However, in its turn Russian Gazprom also has entered the German gas distribution. German France and Italy governments are transforming their formerly state-owned companies into competitive national champions. Especially in Germany, such companies have maintained their territorial monopolies. Germany, without any participations, arranges its energy supply with Russia and wants to become the hub for energy imports from Russia to Western part of Europe. This policy is actually has been initiated by the federal government of Angela Merkel. German companies wish to become a key political position in the EU and Russia relationships and it makes unhappy Poland and the Baltic States for this fact.

The European Energy Charter was signed in 1994, December. It considered a basic treaty for a common pan-European energy policy and its main objectives are the creation of a regime of energy management, which is based on the principles of market economy, the regulation of trade, investment in the energy area and mediation in any disputes. It should be found a balance between different interests of energy exporters. The investment and business interests of the private energy industry also have to be protected. During the implementation of interests of the economy and the investors, the other objectives of European Union energy policy should not be forgotten. Primarily the protection of the environment and climate includes to these objectives.⁴⁰

All European States, and Russia, Australia and Japan also are the members of the European Energy Charter. During the beginning of the 1990s, the first version of the Charter was formulated. The objective of formulation such energy community of the countries based on the complementarities of the Western markets, technology and natural resources of the Eastern states. However, the Charter was not ratified by the Russia. Russia criticized The Transit Protocol- which is the part of the Energy

40 Sebastien Peyrouse, *Turkmenistan : Strategies of Power, Dilemmas of Development*, (London and New York, 2012) 197,201,212

Charter with the aim that, Russian parliament made Gazprom the only exporter of Russian gas. Nevertheless, the EU wants to have option of purchasing gas directly from Central Asian exporters, such as from Turkmenistan and to transport it via the Russian network. Interrupting the energy transport where a dispute before the international mediation process has not been adjudicated, it will be outlawed in future according to Charter.

For the energy imports from Russia to the Europe, Ukraine is the main transit country. European energy policy cannot be complete without the participation of Ukraine. Ukraine itself also depends on Russian gas imports and as well as other CIS states, Turkmenistan the most important being. Ukraine imported 80% of the natural gas from Russia and from Central Asia via the Russian pipelines. There is a huge gap in front of Ukraine- whether to integrate into the domestic energy market of the EU, or to remain in the pressure or domination of Gazprom and the Kremlin. Now Ukraine needs outside help to invest in its dilapidated energy infrastructure and to reduce its dependence from the Russian imports. To make Ukraine part of the trans-European energy network and common domestic market is according to the interests of Ukraine. Because European Union with Ukraine on its side could act more confidently towards Russia.⁴¹

European Union have been many desire to formulate a common energy policy. However, it was only limited success. The reluctance of member states to pool sovereignty in this policy area was the main reason of the failure of its success. The integrated European economy, international competition, the common challenges of the environment and the increased activism of the Commission in the energy sector are the factors that would pull the energy policies of member states in the same direction and creating the basis for a truly European energy policy. However, such kind of convergence is not yet a reality.⁴²

41 Sebastien Peyrouse, *Turkmenistan : Strategies of Power, Dilemmas of Development*, (London and New York, 2012) 97,202

42 Ibid 201,212

Azerbaijan has no direct border with the European Union. When the EU and Azerbaijan partnership and Cooperation Agreement was signed in 1996, and entered into force at 1999, it established the relations between them. The agreement stated that the both sides will get more benefit from the relations. The relations were strengthen when Azerbaijan become the 43rd state of join the Council of Europe, in 2001, 25 January. It gave the opportunity to Azerbaijan to open itself even more to Europe and the West. In the areas of the political dialogue, the legal framework has provided trade, investment, economic, cultural and legislative cooperation, EU and Azerbaijan relations. A regular dialogue have been ensured at the political and technical level. The key foreign policy of European Union toward its neighbours was The European Neighbourhood Policy (ENP), and Azerbaijan has been covered by the ENP since its inception in 2004. IT showed the willingness of European Union to extent its cooperation with Azerbaijan, and the first attempt in this direction was publishing a Country Report assessing the progress in Azerbaijan towards economic and political reform. It showed the areas in which the cooperation between Azerbaijan and EU could be valuable strengthened. EU developed action plan in the context of ENP. Bilateral Action Plans, agreed between the European Union and each partner, and concentrate on concrete aims and actions to be achieved in the short time. Substantive Home Affairs elements, democratization, socio- economic reform, poverty, energy, conflicts issues, human rights, border management, migration, the struggle against organized crime and corruption, police operation were included the Action Plans. Azerbaijan signed A Memorandum of Understanding in the context of the ENP Action Plan in 2006, 7 November, which is aimed at establishing a partnership in the energy field. It represents an important step to strengthen Azerbaijan energy relations with European Union, and to help at the same time, to modernize and make efficient the domestic energy sector. Azerbaijan is also part of the Eastern Partnership, which

was established in May 2009 and deeper the current relations with European Union.⁴³

The Russia and Ukraine gas crises in 2006, caused to the need supply away from Russia, through a Southern Gas Corridor that will supply 10- 20 % of European Union gas demand by 2020. The historical specialization of Azerbaijan in the energy security made Azerbaijan an attractive country for European Union and, Azerbaijan and European Union are good partners on energy policy. They are working together on different projects. To connect the Caspian oil supply to Europe is the main project, which is aimed to provide a viable route for oil and gas to reach consumers. The state sponsored program for the increasing the alternative and renewable energy resources of Azerbaijan have been supported by European Union. Azerbaijan is also a partner country of the EU INOGATE energy program. This program have four key topics, they are: to strength the energy security, unification of the member states energy markets on the EU's basis of internal energy, market principles, supporting energy development and to attract the foreign investment for energy projects of common and regional interests. European Union has energy interests in the cooperation with Azerbaijan, and relies on the external imports more than 70% of its energy supply by 2030. Barroso- the President of European Commission and Commissioner Oettinger visited several times with the related to negotiations for a Trans-Caspian Gas Pipeline, to Baku, and the Agreement was signed in September 2011. ⁴⁴

When Azerbaijan become an independent, it proclaimed the European integration as a priority in its foreign policy, and Azerbaijan began to develop its energy strategy, with main emphasis on diversification of the transit routes. Heydar Aliyev, the President of Azerbaijan Republic designed the energy strategy as a leading power in the economic development of Azerbaijan, and because of the effectiveness of this strategy, Azerbaijan attracted billions of dollars to Azerbaijani

43 Francis McGowan, *European Energy Policies in a Changing Environment*, (United Kingdom, 1996) 9

44 Jacqueline Hale, *Belgium EU relations with Azerbaijan: More for Less?*(2012) 3-6

economy. The most investment were challenged to the oil sector. Government took some measures to develop also the non-oil sector, and the most important attempts in this issue is to establishment of the State Oil Fund, at the same time the government is busy with the implementation different state programs on different social-economic problems. Today Azerbaijani economy is developed at unprecedented speed in the result of complex measures taken by the leadership of Ilham Aliyev. These were possible due to the wisdom of Azerbaijan President Heydar Aliyev during 1990s with the signing of the Contract of Century in 1994 and in 1996- the Contract for development of Shahdeniz gas field. After these issues, the volume of oil and gas increased into the world markets. During Soviet Union, Azerbaijan had been left with the legacy, that could deliver its oil into the world oil markets and were stretching northward, but it did not meet the required capacity of increasing volumes. For that reason, National Leader-Heydar Aliyev had taken a crucial decision of diversifying exportation routes and building new pipelines. However, this decision was criticized in the market from different players. In spite of these difficulties, Azerbaijan and its partners has demonstrated their firm conviction in project. By these efforts, Azerbaijan and its partners created a new geography of pipeline infrastructure-that promotes the alternative supply and contributes to the regional markets integration in the European continent. This strategy was successful and the Baku-Tbilisi-Ceyhan, Baku-Novorosiysk, Baku-Supsa pipelines and construction of Baku-Tbilisi-Erzurum gas pipeline and oil shipments through rail to Batumi, are evident of that strategy. Therefore, Azerbaijan together with its partners in region developed a unique pipeline infrastructure that delivered directly from the Caspian Sea to Black Sea and Mediterranean Sea and guarantees on a competitive basis. 1, 3 trillion of gas reserves are only in Shahdeniz gas field, but the gas fields are estimated at 1.6 trillion cubic meters in the Azerbaijani fields, the gas is already exporting to Georgia and Turkey via Baku-Tbilisi-Erzurum gas pipeline.⁴⁵

45 Jacqueline Hale, *Belgium EU relations with Azerbaijan: More for Less?*(2012) 4-6

The political stability and economically development in the Southern Caucasus is in the strong interests of the EU. The Nagorno-Karabakh conflict is the major obstacle to development of the overall regional stability. In the way of conducting, the dialogue between the EU and Caucasus region was the creation of the EU Special Representative for the Southern Caucasus position-, which held by the Swedish diplomat Ambassador Peter Semneby. It will help to the EU a developing policy towards the region and to support the conflict-prevention and peace-settlement mechanisms in operation are includes into the mandate of the EU Special Representative for the Southern Caucasus. EU Special Representative works closely together with co-chairs of the OSCE Minsk Group for conflict settlement on Nagorno- Karabakh region.⁴⁶

In future, Turkish-European gas demand will increase. A new route from Caspian region for energy resources opened by TAP project. (Trans-Adriatic-Pipeline) contest to move Azeri gas to Europe, crossing Northern Greece, Albania and the Adriatic Sea where it will connect to the Italian natural gas network. The route is 900 km long and capacity is 10 billion cubic meters of gas per year. This project is vital for Southern Gas Corridor and shareholders are large companies such as SOCAR, BP, Statoil, Axpo and Enagas.⁴⁷

Another important project is TANAP (Trans Anatolian Natural Gas Pipeline Project) which will be completed in 2018 with the 7 billion dollar investment. Eighty percent of project is owned by SOCAR and 20 percent by Turkey, later BP also joined by splitting eighty percent of SOCAR. This pipeline will enable Azerbaijan to export its gas to through Georgia and Turkey to Europe without Russian and Iranian control and access to multiple buyers, transportation routes and pipelines. Because of this strategy, Azerbaijan and Georgia gained additional autonomy from Russia. Significance of TANAP is equal to BTC (Baku-Tbilisi-

46 Carlo Cambini and Alessandro Rubino, *Regional Energy Initiatives: MedReg and the Energy Community*, (New York, 2014) 73-74

47 Ibid 74

Ceyhan) oil pipeline, which will mark Azerbaijan's emergence as a major and significant gas exporter and oil industry player in the region.

EU and Turkey being foreign-dependent about gas import, mainly from Russia made this project compulsory. Becoming a transit hub is the best option for political and economic interests of Turkey. Turkey worries about the increasing need of gas and via TANAP wants to break its gas dependency of Russia and Iran. Therefore, TANAP represents both Azerbaijan and Turkey's interests.⁴⁸ TANAP has some implications: first, it will allow greater volumes of imported energy are regulated under Western regulatory regimes. Western rules on construction, will lead to competition and distribution of market. It will develop economic, social and political institutions in participant states. Second, this project will weaken the dominant mechanism of Gazprom by the contribution of non-Russian gas supplies. TANAP is considered only a small step for EU energy goal, but an important step toward developing the southern gas corridor. It will expand EU regulatory norms to the Caspian and accelerate bilateral natural gas policy. Turkmen president Gurbanguly Berdimukhamedov also stressed the willingness of his country on participation in this project. However, Turkmenistan's dependence on its bilateral relations with Russia and the conflict over legal status of Caspian Sea between Azerbaijan and Turkmenistan may delay the second step of the project. Delays of the construction of the pipelines is of benefit to Russia, since the project would undermine the Russian energy monopoly over Europe. (32)⁴⁹ Azerbaijan is ready to offer a multi system of oil and gas pipelines and other opportunities for Turkmenistan to implementation of projects. Joining of Turkmenistan to TANAP gas pipeline project can add economic feasibility to this project. Thus, TANAP will bring Azerbaijan, Turkey, Georgia and Turkmenistan closer and will pave the way for further projects in future. (33)⁵⁰

48 Andre Dorsman, Timur Gok Mehmet Baha Karan, *Perspectives on Energy Risk*, (2014) 132

49 Rovshen Ibrahimov, Fevzi Bilgin, Michael Cain, *Linking the Caspian to Europe*, (USA, 2012) 4, 5, 22, 24

50 Proceeding of IAC-EMM 2014: International Academic Conference on Economics, Management and Marketing in Prague, (2014) 130

Turkmenistan with Azerbaijan is also one of the key player in the Caspian region with its energy resources. EU as in other strategic places also wants to find its place in Turkmenistan. However, the relations of EU with Central Asian states have until recently remained limited. There were some reasons such as: the absence of general long lasting strategy, the inability of Brussels to make direct economic and political objectives and the failure of different programs, and leaving the image of a bureaucratic institution, made relations costly, difficult and ineffective.

A partnership and Cooperation Agreement between Turkmenistan and EU has been signed in 1998, May. However, it was not ratified by the EU Parliament and a number of EU states. Then, bilateral relations developed through the implementation of Technical aid to the CIS.

After Independence, Turkmenistan stood apart also from the other States of Central Asia, and isolated itself from them. The reforms about liberalization of economy was not effective and the government gave attention to the development of private sector. Actually, then political regime was created by the Niyazov. Turkmenistan has rich energy reserves and of course, government could provide its population with subsidized goods and sometimes Turkmenistan referred to " Sultanistic", while other Central Asian states' political system were classified as authoritarian. In 2006, after the death of lifelong President-Saparmurad Niyazov, the relaxation of the isolation began. Under the presidency of Gurbanguly Berdymukhamedov, the country passed a partial normalization process. Berdymukhamedov visited Brussels during 2007. During his visit, he met with high-ranking officials of EU and after 5 months in April 2008, the European Commission (Benita Ferrero European Union External Relations Commissioner) opened the Europa House in Ashgabat in 2008. Turkmenistan became opening up to the world and some sufferable policies and laws were revoked. Nevertheless, Turkmenistan remained state-controlled economy. Turkmenistan still classifies as not free, highly authoritarian. Because of that, it is not very comfortable partner for the European Union.

As we know, Turkmenistan has vast natural gas resources and keen on increasing its huge volume gas to Europe. The relations with the EU in terms of energy cooperation are according to the interests of both sides. In 2008, Turkmenistan and the EU signed Memorandum of Understanding (MoU) in the energy cooperation field. This Memorandum recognized the important strategic role and the development of Turkmenistan in the energy sector. According to this Memorandum, both sides began to strength the security of energy supply. It also stated that both sides will exchange the information, to create conditions for the investment in the Turkmenistan energy sector and to develop the infrastructure of the energy transportation. In 2007, March 8-9 in the conclusion of the meeting of the Brussels European Council, the importance of strengthening cooperation between EU and the Central Asian states and the Caspian region in the energy field was underlined. EU is also interested cooperation with Turkmenistan in terms of human rights. Other interest was to socialize Turkmenistan into Western norms. The government in Turkmenistan is averse to foreign influence. Therefore, the assistance of the European Union to this country is minimal. EU allocated €22 million (10 per cent) of its budget to Turkmenistan, for bilateral programs. The energy sector, rural development and promotion of civil society were the main points in the assistance program. In 2007, EU saw an adoption of a "Strategy for a New Partnership with Central Asia», this strategy signals an evolution and perception of European Union what needs to be achieved. Turkmenistan is also interested in the investment of EU in the energy sector of state. According to the document both sides agreed that there is, an essential potential for cooperation and it also specified each Central Asian states and identified strategic priorities such as: rule of law, education common security issues and the protection of environment. These priorities combined the regional and bilateral approaches, and the policy of EU toward Central Asia became a full part of the Common Foreign and Security Policy of the European Union. Current projects of European Union in Turkmenistan focus on- Education and capacity building, economic reforms, promotion of civil society, agriculture and rural development, market and regulatory reforms good governance

and rule of law. However, sometimes, experts think that, Turkmenistan just use Brussels as a kind of puppet towards Russia in its policy.⁵¹

Azerbaijan is the main energy projects initiator in the region and Turkmenistan is capable to provide European market. The development of new routes via Azerbaijan is necessary in this case. Iran and Russia are main obstacle to any deal between Azerbaijan and Turkmenistan. Russia wants to withdraw Turkmenistan from this project. Russia and Europe compete over Turkmen gas. Another obstacle is associated with the legal status of the sea.

2.3 Impact of regional states on Azerbaijan-Turkmenistan bilateral relations: Russia, Turkey and Iran

Caucasus is unstable region with ethnic conflicts and it increased the geopolitical competition among Russia, Turkey, and Iran. Russia has traditionally been the key actor on the Eurasian energy map. It has the world's eighth largest crude oil reserves, and 48 trillion cubic meters natural gas reserves. Today the foreign policy of Russia is focused on its increasing prestige and supporting its economic growth as well as to demonstrate power to keep Russia secure. The government seeks to enlarge the influence of Russia internationally, because of that other states are forced to limit their influence and power. Moscow also worries about the instability of the countries, which are neighbour of it, because the political change in those states can involve Russia in violent unrest. Russian involvement in Asia and the Middle East focuses on increasing its international prestige and building economic relations. In this field China is a big and key partner of Russia in spite of residual distrust on both sides. The relations with USA also was not so warm in recent years, as Russia feels that USA wants to diminish its prestige and power in the

51 Sebastien Peyrouse, *Turkmenistan : Strategies of Power, Dilemmas of Development*, (London and New York, 2012) 201-212

international arena. Russian and EU relations are bounded most of for trade relations. However, these relations have often been tense in the recent years, and Russia began to focus its efforts on building bilateral relations with important states in EU, perhaps most successfully with Germany, and Turkey outside the Europe.⁵²

Ten years after collapse of Soviet Union, in 2001 Russia had come a long way to define the key direction of its foreign policy towards West and Europe. In the Russian approach to the Caucasus have been always dominated by the military security. Because conflict in the one of the Caucasian republics can easily spill over in another part of regions because of cultural and ethnic issues. Russia has been dominated Caspian region since the 19th century and this region is actually still in the interests of Russia, and Caspian want and seek to withdraw from its shadow.⁵³

Turkey is a traditional and key geopolitical rival of Russia in the Caucasus and Central Asian region. However, the decline of the former forces of the Soviet Union in the Caucasus changed the balance of forces in favour of the Turkey. Strong Turkish air forces and Field Army based at Erzurum, across the Turkish border. Joint exercises with Armenia and Russian air defence agreements is principally directed at Turkish potential threat. Turkish potential alliance with Azerbaijan and Georgia intended to supply a geostrategic counterbalance to Russia. Russia, from this perspective has viewed Turkish proposals to supply troops for an OSCE forces in Nagorno- Karabakh with suspicion. For Russian nationalists Turkey is also characterizes as the leading power of the Turkic people seeking ascendancy over the Central Asian States. Turkmenistan and Kazakhstan have also discussed technical assistance and military training with Turkey. Azerbaijan signed a declaration- "Deepened Strategic Cooperation" with Turkey in 1997, May. The President of Azerbaijan Republic, Heyder Aliyev proposed Turkish military to extend the protection of pipeline security in the Caucasus. Russia also alarmed over Turkish

52 Vitaly Naumkin, *Russia's national security interests in the Caspian Region*, (2000) 16-17

53 Robert Ebel, Rjan Menon, *Energy and Conflicts in Central Asia and the Caucasus*, (USA, 2000) 182-183, 225

and Ukrainian military cooperation. Therefore, Moscow wants to normalization relations with the Ankara in the regions, in terms of its security issues.⁵⁴

Energy is a fundamental way to rise of Russia. Possession of huge oil and gas resources fulfils a similar function to its nuclear weapons in the soviet era. The boom in the world oil prices has undermined Russian's re-emergence as a great power in 1999. According to Russian politicians, energy is not simply as an instrument of influence in itself, but as increasing other powers such as military, political, economic, technological, cultural and soft power.

Central Asia have always been for Russia area in which it has traditionally enjoyed essential political advantage and economic influence. Russia thought to maintain its influence directly through economic and bilateral contracts with these states by building regional organizations such as Commonwealth of Independent States, (CIS). Another one Eurasian Economic Community was established in 2000 but had little practical relevance. A regional military alliance- Collective Security Treaty Organization, signed in 2002, by Russia, and Armenia, Belarus, Kazakhstan, Kyrgyzstan and Tajikistan. The integral part of Russia's efforts to maintain its dominance in the region, has been energy. These states wanted to open up to the global market. However, being the part of the Soviet Union their energy sectors are still integrated with Russian production and pipeline networks.⁵⁵

Iran and Russia insist that before building any pipelines, Caspian Sea must first be delineated. There have no agreement among all the Caspian Sea, just a series of bilateral treaties between littoral states. There are also disputes if the Caspian Sea is lake or a sea. A trans-Caspian link would weaken Russian control of Caspian energy and undermine its ability to block direct gas shipments from Turkmenistan to the EU. That is why Russia opposes to pipelines, which link Azerbaijan,

54 Rajan Menon , Yuri E. Federov, Ghia Nodia, *Russia The Caucasus And Central Asia: The 21st Century Security Environment*, (USA, 1999) 35-36

55 Zbigniew Brzezinski, Paige Sullivan, *Russia and the Commonwealth of Independent States: Documents, Data and Analysis*, (USA, 1997) 175

Turkmenistan and EU. However, Azerbaijan and Turkmenistan have disputes over an offshore gas field, between these states, which called Kyapaz by Azerbaijan and Serdar by Turkmenistan. It has been thought by some observers that Turkmenistan becomes more active in trying to remove the obstacles to a trans-Caspian link, which would be a departure from the country's stance of selling gas at the border. It also appears that Turkmenistan is still concerned about the reaction of Russia to force the issue to the possible gas contract with European companies.

The emergence of the newly independent states after the collapse of Soviet Union was a painful process for Russia. For preserve, its position in the south Caucasus, Russia's diplomatic role in the Nagorno- Karabakh has been an essential for Russia. Azerbaijan has lost its seven districts: Lachin, Kelbajar, Fuzuli, Agdam, Jibrail, Gubadly, and Zengilan, during the war, which happened in 1992-1993. There is one reality that Karabakh is no longer under Azerbaijan's control. This conflict continues with an uneasy cease-fire that breaks down intermittently. However, actually the roots of conflict is deep. Armenians, who live in the Karabakh do not want to re-join Azerbaijan. None of Azeri leader have yet been concede the loss of Nagorno Karabakh. Armenia became dependent on Russia for its security, after owing to the conflict with Azerbaijan. CIS members supported desire of Russia to dominate mediation and peacekeeping in the Nagorno-Karabakh dispute. In 1993, June, Russia withdrew its troops from Azerbaijan, but kept in Armenia. Russia and Armenia signed an agreement in 1995. This treaty formalized Russia's deployment and basing rights at Gyumri and Yerevan. Russia's troops are estimated nearly 12,000 to 15,000, that stayed in Armenia across the borders from Turkey and Iran. Armenia and Russia signed a comprehensive security treaty in 1997, August, which supersedes the previous one, signed in December 1991. This new document provides "mutual assistance", the coordination of defence production, and not to join to treaties or alliances with another party. The provisions of the treaty creates the closer alignment sought by Russia. It creates a security relationship, which also includes joint military manoeuvres. Russian continuing economic aid and closer to Armenia than that with any other state. Azerbaijani leaders criticized it as a hostile

act. Armenia's dependence from Russia and the security treaty between them strengthen the position of Russia in the Caucasus. Azerbaijan has also realized that Russia is not just force but also the dominant one in the region. Russia signed a Treaty of Friendship, Cooperation and Mutual Security with Azerbaijan in 1997, July. However, it does not provide for mutual assistance in the event of war, coordinate defence policies or arms supplies of Russia as was in the treaty between Armenia and Russia. It again shows that, Russia is aware of the rising strategic and economic significance of Azerbaijan. The importance of territorial integrity was noted in the treaty. Russia is also a member of OSCE "Minsk Group" in which with United States and France seeking to settle the Nagorno- Karabakh dispute and never endorsed that Nagorno-Karabakh should be allowed to join Armenia. Russian role in OSCE, Minsk Group efforts is to protect its interests and not to harm them while decisions taken by the organization is important for Russia. Russia wants that, its troops be as the sole members of the peacekeeping force in Nagorno- Karabakh. However, Azerbaijan rejected it in the negotiations that preceded the cease -fire in 1994. Turkey and USA supported the insistence of Azerbaijan on a multinational force. According to the decision of OSCE to assemble, a peacekeeping force stipulated that no more than 30 percent from the member state soldiers. Russia yet wants to attempt for dominating diplomacy and peacekeeping in these areas. It shows again that Russia has special interests that Russian led CIS contingents, which Azerbaijan joined in 1993, should conduct the peacekeeping there. According to OSCE's decision on peacekeeping, it suggested that Russia would have to settle its fall-back position. In 1997, in the summer, the Minsk Group set a plan that Armenian troop withdrawal from the Azerbaijani district, which were occupied by Armenia, returning Azeri refugees to their lands, to reduce the size of Armenian forces in the Karabakh, and to give autonomy for Nagorno-Karabakh within Azerbaijan. However, it was rejected by the Karabakh Armenians.

Russian foreign policy toward Central Asian States is ambitious, in the recent years. During the third term presidency of V. Putin, started new approach towards these states and it increased the interest of Russia to assert presence in these areas.

Especially, during the last two years Russia showed its interest to restore its dominance over Central Asian States. It was seen from Central Asian States as a sphere of Russian dominance. However, this perception is not new for them, they have been seen it even before the independence.⁵⁶

The long-lasting changes for the country and its people began after the arrival of the tsarist empire in the Turkmenistan. The colonial domination of Russia was relatively short, nearly half a century but it effectively helped people to face with modernizing European culture. Russia, wanted to keep its military influence in Turkmenistan, particularly along the former southern border of the Soviet Union with Afghanistan and Iran. After independence, however, Ashgabat announced the creation of its own border troops in order to prevent the Russian presence, but at the same time, it was hard to establish an efficient army in such short time. According to a first bilateral agreement, between two countries, which has been signed in 1992, placed all border units under Russian-Turkmen leadership for five years period, and Russia contributed financially, for the development of the borders of Turkmenistan. After 1994, this unified command was abolished. However, Moscow maintained a representative in the Defence Ministry of Turkmenistan and another representative in the National Security Council. Turkmenistan, until this date has hosted approximately 15,000 soldiers under joint Russian-Turkmen command. They were charged with guarding the with Iran and Afghanistan borders. Numbering between 2000 and 3000 men, a group of special operation forces from Russia were tasked for the land and maritime borders protection. For to support the Turkmen troops, an operational group of Russian border soldiers were created, but two-thirds of these military personnel left the country, because of the rapid worsened diplomatic relations between Russia and Turkmenistan.

Diplomatic relations between Russia and Turkmenistan were chaotic during 1990s. Declarations of independence, which the Turkmenbashi levied against "big

56 Michael Mandelbaum, *New Russian Foreign Policy, A Council On Foreign Relations Book*, (USA, 1998) 130-133

brother" was unacceptable for Russia. Niyazov wanted to divert gas exports outside of Russian networks. However, Kremil neither politically nor physically eliminated him several times. Economic relations between them based primarily on hydrocarbons. Because of protectionist policies of Turkmenistan, trade in food products was limited. Russia remains one of the main customers of Turkmen cotton exports. After the Agreement with Gazprom, relations between them developed after 2003 April. In 2007 bilateral relations between Russia and Turkmenistan developed, with the change of regime in Turkmenistan. President Berdymammedov, in contrast to his predecessor, tried to restore the place of Russia in the Turkmen foreign policy. Energy cooperation was developed and Russian companies benefited from the bilateral relations and began to invest in the Turkmen market. The construction sector has also developed and ITERA got a contract to construct a ten-thousand stadium in Turkmenabat and construction projects in the tourist zone of Avaza. In 2009, March, Turkmenistan, for the purpose to export vegetables and fruit, and to develop its textile trade there, opened an air link with Saint Petersburg. Cultural relations also developed; under the rule of Niyazov these relations were no existed. Russian language regained its place within Turkmen universities and schools.⁵⁷

Turkmenistan is even more dependent on Russia for export channels, which has the world's third largest natural gas reserves. The pipelines, that Turkmenistan needs to export gas, are controls by Gazprom, and for the upkeep of its natural gas infrastructure, Turkmenistan relies on Gazprom specialists. Turkmenistan formed a joint company in 1995 with Gazprom, which called Turkmenrosgaz to retrain access to Gazprom's expertise. In 1997, when it terminated the venture, head of Gazprom announced that he was ready to give "up entirely" on Turkmenistan, a serious development considering the extent of its dependence on the pipelines of the company and technical expertise. Turkmenistan has been trying to develop pipeline

57 Michael Mandelbaum, *New Russian Foreign Policy, A Council On Foreign Relations Book*, (USA, 1998) 131-133

routes, like Azerbaijan and Kazakhstan that would ease its predicament. However, the mix of financial and political factors make the outlook uncertain. A gas pipeline from Turkmenistan through Afghanistan and on to India is one possibility. Unocal, Delta, (Saudi Arabia) the Turkmen government and different companies from Japan, Pakistan and South Korea formed a consortium in 1997, October. It lead by Unocal and called Central Asia Gas Pipeline limited that Gazprom was expected to join. In December 1998, the construction began and end in 2001 with a 1, 271 km pipeline to Multan in Pakistan, an extension to India was also envisaged. The leaders of Turkmenistan have also spoken about a gas pipeline through Kyrgyzstan and China to Japan. However, it has much higher cost. Through Iran and on to Turkey is another possible export route. In April, 1995, it has been signed agreement between them and Iran agreed to fund a 287 km pipeline from the Korpedzhe fields in western Turkmenistan to Kord Kuy in northern part of Iran and link it with the existing 1000 km line running west across northern part of Iran into Turkey. Turkey agreed to purchase 28 billion cubic meters of Turkmen gas a year via the Iranian pipeline in 1997, April. However, sending of Turkmen gas from Turkey to Western Europe is sceptical for experts because of political and financial reasons. Therefore, when it comes to the question of getting the Caspian oil and gas to market no matter which, Russia remains an important player.⁵⁸

Because of earlier Ottoman Empire ideas and ethnic Turkish link, Turkey consider itself as a central player in the geopolitical issues in South Caucasus and Central Asia. Being a transit country in the East and West corridor Turkey wishes to get more benefit. Its independence from Russia and Iran helps Turkey to get support from USA. Turkish policies even were criticized for being to follow the footsteps of global power-USA. Turkish position in Middle East, Iraq war, Caucasus, Cyprus are example for that. USA wants to diminish the power of Iran and Russia in the region. The principle of Turkey in the Caucasus region is to protect the territorial integrity and independence of the newly independent states. Because the emergence of these

58 Michael Mandelbaum, *New Russian Foreign Policy, A Council On Foreign Relations Book*, (USA, 1998) 132-133

states has created new opportunities for Turkey. After Cold War, Turkey began to establish closer relations with the region, especially with Azerbaijan. Caspian energy development was one of the main objectives of Turkey in the relations. Turkey also did many diplomatic efforts to promote the Baku-Ceyhan pipeline project, which exports the Azerbaijani oil to western market. Another policy is to make joint action with Western allies and international organizations.

Russia of course, is uncomfortable with new active foreign policy of Turkey toward Azerbaijan and Central Asian Turkic republics, which is based on pan-Turkism, which increases the influence of Turkey in the region. This conflict also goes back to the expansion of Russia in the Caucasus at the expense of Ottoman Empire. Now Russia wants to regain its dominance over the former Soviet Union's territories. It increase the conflict between Turkey and Russia. Because, Russia wants to limit influence and power of Turkey in the region. Military cooperation between Russia and Armenia on the border of Turkey caused the expansion of military ties of Turkey and Azerbaijan. The rival relations and competition policies between two states are actually characterized regarding on geostrategic and security issues in the region, but they also have commercial and trade relations, and these relations are expanded. After collapse of Soviet, union Turkey became one of the major trading partners of Russia. Russia imports foods and consumer goods from Turkey. Turkish trading companies and construction firms caused strong business relations between two states. Russian lobby in Turkey also has strong influence on political relations of these countries. Geopolitical, economical and commercial concerns are shaping the key policy of Turkey toward Russia. ⁵⁹

For Turkey, another geopolitical and regional rival is Iran. None of them trusts each other and see other's effort as to gain political and economic influence in the South Caucasus and Central Asia. Iran is apprehensive about the close political economic and cultural relationships of Turkey and Azerbaijan in the region. When Elçibəy openly announced pro-Turkish and anti-Iran policy, Iran worried that it

59 Robert Ebel, Rjan Menon, *Energy and Conflicts in Central Asia and the Caucasus*, (USA, 2000) 225-226

could change the regional balance to its disadvantage. Turkey also worried that the influence of Iran in Azerbaijan could cause an obstacle to pursue its economic and political interests. These perceptions continue to shape their regional policies and behaviours.⁶⁰

Turkey and Iran despite of periodic crises and geopolitical rivalries in their relations have expanded their economic and commercial relations. According to Turkey, Iran is the important market for its exports. At the same time Iran, also see Turkey as the potential market for its gas and petroleum products as well as a cheap market for import of manufactured goods and consumer products.

After the collapse of Soviet Union, and the emergence of newly independent Turkic Republics, gave opportunity to Turkey, wanted to expand its regional role and to establish political, economic and cultural relations with them. During Cold War, these relations did not exist. The new policies and relations in the region made political sharpness among regional rivalries such as Russia, Iran and Turkey. During 1990s, Turkey noticed the relative weakness of Russia in the region and began to cooperate with Azerbaijan and Georgia militarily within NATO. Actually, Turkey has no the same relations with these three countries. Azerbaijan is considered a small brother, Georgia is strategic gateway to the Central Asia and Caucasus, and relations with Armenia is officially hostile.⁶¹

In the south Caucasus, Azerbaijan is important country for Turkey, first, because it was the only Turkic Caucasus state, which is situated on the Caspian Sea it was important for Turkey to access to Central Asia, second, for its energy resources. Because of that, Turkey had some priorities in the policy toward Azerbaijan. They are: to protect the independence and sovereignty of Azerbaijan, to support the sovereignty of Azerbaijan over Karabakh, to prevent a Russian return to the region again, to participate joint oil projects and to export Azerbaijani oil through Turkey

⁶⁰ Carlo Frappi, Reshad Karimov, Azad Garibov, *The Caspian Sea Chessboard: Geo-political, geo-strategic and geo-economic analysis*, (Milano, 2014) 226-227

⁶¹ Robert Ebel, Rjan Menon, *Energy and Conflicts in Central Asia and the Caucasus*, (USA, 2000) 225-226,238

and of course, and to preserve a friendly relations with Azerbaijan. On November 9, 1991, Turkey was the first country, which recognized the independence of Azerbaijan. After independence, it was predicted that the ties with Azerbaijan and Turkey will develop in the best way. When Elçibey was elected as a president, he chose a "Turkish model" of governance and he had strongly anti-Iranian views. At the same time, he had no political tactics and Turkey saw him as a destabilizing factor and unfitting govern, as well as it hindered Turkey's regional objectives. During those times Demirel, Prime Minister of Turkey had a warmer relations with Heydar Aliyev, who still was in Nakhichevan. However, nationalist faction in Turkey strongly supported Elçibey. In June, the government of Elçibey was ousted and this process was in favour of Russia. Of course, the fall of Elçibey meant the end of the "Turkish model". During that time, Turkey actively involved to bring Heydar Aliyev to power. Demirel also supported Heydar Aliyev and prompted Elçibey to ask him to come to Baku. He invited Heydar Aliyev to stabilize the situation in the country. Ankara wanted to put Moscow's plan, to put Surat Huseynov, insurgent commander, in power in the place of Elçibey in obstacle. However, Heyder Aliyev was smarter and unlike Elçibey, he did not give a principle priority to Turkey and kept relations with Turkey according to his purposes. Turkey also feared that Aliyev might become closer to Russia and to lose relations with Azerbaijan meant to lose the access to Central Asia and energy resources of Caspian Sea. It meant too much risk for Turkey. Nevertheless, the relations strengthened due to mutual trust. Heydar Aliyev also tried to show that not only Azerbaijan that needed Turkey, Turkey also needed Azerbaijan. In 1995, in the Turkish Parliament Heydar Aliyev stated "We are one nation but two states". Aliyev was a great strategist and he developed good relations with other countries as well while keeping close relations with Turkey.⁶²

From 1994, because of Karabakh conflict, Turkey woke up from its Turkic euphoria because its inability to influence to this conflict and it weakened Turkish

62 Robert Ebel, Rjan Menon, *Energy and Conflicts in Central Asia and the Caucasus*, (USA, 2000) 226,238

dominant role in the region. Initially, Turkey began to be a mediator of two parts, but when Armenian military advances intensified on Azerbaijani territories, Turkey stand more on the Azerbaijani side. During this time, Turkish press criticised government for being mild toward Armenian side. Turkey closed its borders with Armenia in 1993, April. Since 1994 after cease-fire, when Azerbaijan lost Karabakh, the policy of Turkey toward Armenia has been tied to policy of Azerbaijan towards Armenia. Turkey also with Azerbaijan, decided to keep away Armenia in the regional integration processes, regional projects and its access to western markets via Turkey. Baku-Ceyhan oil pipeline was the most important loss for Armenia. Because of these issues, Armenian economy became depended on Iran and Russia, people began to leave the country since 1989.

On the other hand, Azerbaijan does not recognize the Turkish Republic of Northern Cyprus, because of Nagorno Karabakh, others also may recognize the Karabakh region apart from Azerbaijan. As Azerbaijan may choose to send its oil via alternative route such as via Russia and Iran, Turkey soften its policy toward Azerbaijan because in this case Turkey's foreign policy and interests in the region may be damaged. Turkish leadership was encouraged by USA in order to prevent further regional polarization. Actually, there are two axes, which were formed in the region: First, Turkey-Azerbaijan-Georgia-United States, and second, Armenia-Russia-Iran.

Turkey allowed flights to Armenia to pass from Turkish airspace. In spite of that, the relations between them became more strained. The resolutions to recognize "Armenian genocide" of 1915 were introduced to European parliaments and in the USA Congress by Armenian diaspora. Turkey consider that, the economic relations are favour to Armenia but Armenia does not want peace in the region and will never break off relations with Russia and Iran. According to Turkey, many international efforts are also in favour of Armenia for example: The Co-Chairs of OSCE Minsk Group, which are, consist of US, France and Russia. Turkey and Azerbaijan argue that Armenia has strategic political relations with Russia and Armenia's diaspora has strong influence in Paris and Washington, so this group is favour of Armenia.

However, Turkey's involvement in this group was rejected as it has been seen too pro-Azerbaijani.

Caspian region is important for Turkey, as it is the key link between Central Asia and Turkey. Oil and gas resources made it more essential region for Turkey. After the collapse of USSR Western interests to oil and gas resources of this region has been grown. Of course, it also connected with the demand for energy and economic growth of western countries. In other side, the exploitation of energy resources of Caucasus and Central Asia can cause the opening up them to new foreign investments and international cooperation. In this case, Turkey is considered one of the most important market of the Caspian region for oil and gas production. Turkey's main goal of its energy policy is to become hub for the transport of oil and gas in the region. There are strategic important regional projects, such as: Baku - Tbilisi- Ceyhan Oil Pipeline, Baku-Tbilisi- Erzurum Natural Gas Pipeline and Baku-Tbilisi -Kars Railway Project between Azerbaijan and Turkey.⁶³

The reasons of Turkey supporting Baku- Tbilisi -Ceyhan were geopolitical, environmental and economic reasons. This pipeline transports crude oil 1, 776 km from Caspian Sea, Azeri-Chirag-Guneshli oil field to the Mediterranean Sea. In Azerbaijan, the length of pipeline is 440 km long, in Georgia is 260 km and in Turkey is 1076 km long. It is considered the second longest oil pipeline after Russian Druzhba pipeline which transports oil to EU. Construction began in September 2002. However, the officially pipeline was opened in 2005 May. Oil had started to flow through pipeline by May 26 and reached Ceyhan on May 28, 2006. The transportation of Caspian energy actually was a political manoeuvre. It was competition among producing states, neighbouring states and western oil companies including USA wanted to influence the choice of the routing new pipelines. In this term, Turkey began actively to pursue the Baku- Tbilisi- Ceyhan pipeline project, which transport Azerbaijani main crude oil to world markets. This construction also intertwined the political and economic competition between Turkey Iran and

63 Idris Bal, Brown Walker Press, *Turkish Foreign Policy in Post Cold War Era*, (USA, Florida, 2004) 273-276

Russia. According to Turkey, the construction of this pipeline has been political and strategic superiority of the country and its position as an energy transit country between Caspian Basin and western markets. This pipeline from Azerbaijan through Georgia to Turkey also could establish closer ties with these states and brought positive economic advantages to the development of region. The political and military elites in Turkey has seen this project as an effective mechanism and great national prestige.

The President Ilham Aliyev and Turkish President Abdullah Gul signed the «Agreement on Strategic Partnership and Mutual Assistance» in 2010. A "Joint Statement on the establishment of High Level Strategic Cooperation Council" was signed between the President Ilham Aliyev and the Prime Minister of Turkey- Mr. Recep Tayyip Erdogan, on the 10th Summit of the Heads of States of Turkic-Speaking Countries, which held in Istanbul, 2010, September 15-16. These documents developed and consolidated the further bilateral relations between two countries. Under the chair of the President Ilham Aliyev and Prime Minister of Turkey Recep Tayyip Erdogan, the first and second meeting of the High Level Strategic Cooperation Council between two countries were held in Izmir in 2011, October 25, and in Gabala in 2012, September 11. The third meeting held in Ankara, in 2013 on November 13. During meeting, all aspects of bilateral relations were discussed and reviewed. Several agreements were signed and concerning the decisions which have been taken at the meeting was signed the Joint Statement. In the efforts of OSCE Minsk Group Turkey, wants actively participate to make an appropriate platform for achieving the solution of Nagorno -Karabakh conflict and believes that the creative initiatives will overcome the today's deadlock in the peace process.⁶⁴

There were some aspects, which affected to these relations such as: historical, cultural and linguistic links between Azerbaijan and Turkey. Turkey have always

64 Richard Weitz, Turkey-Azerbaijan Summit Consummates Reconciliation, Central Asia-Caucasus Institute & Silk Road Studies Program Joint Center, (2012)

expressed strong support to Nagorno- Karabakh issue. The expression- "One nation- Two States " which is used by both sides, is also evidence of strong relations. Cooperation is actually is focused on political economic and strategic interests, actually to the opposed to Russia, especially in the oil and gas field. In terms of military cooperation, both countries are close partners. ⁶⁵

Turkey was one of the first countries, which recognized the independence of Turkmenistan and opened its Embassy in Ashgabat. Because of common history, religion, culture, language factors, two states have close and special relations. The main cooperation fields between them are: trade, economy, foreign policy, education and culture. The high-level visits have developed the relations between Turkey and Turkmenistan in 2012. The twice visit of the President of Turkmenistan Berdymukhamedov to Turkey brought the two states together in different projects and plans for investment. The agenda of the visit was included the priority events of interstate cooperation and its further possibility diversification. During his official visit, Berdymukhamedov was decorated with the State Medal of Turkey. The President of Turkey, Gul presented the highest medal of Turkey and declared president Berdymukhamedov to be the President of Turkey's sister country. Abdullah Gul also officially visited Turkmenistan in 2013, May 29-31. During a tete-a-tete meeting, their views on the regional and international issues were exchanged and bilateral relations between two states were reviewed. Various agreements were signed during visit to further deepen cooperation between them. Berdymukhamedov introduced the State Medal of Turkmenistan to Abdulla Gul. He also received an Honorary Professorship Medal of Turkmenistan Institute of Economics and Management.

Approximately 600 Turkish companies were registered in Turkmenistan since the early years of its independence and from Central Asian states, the most projects by Turkish companies undertook in Turkmenistan. Turkish companies assumed more than 34 billion USD after the Turkmenistan's independence until today. Turkish

65 Robert Ebel, Rjan Menon, *Energy and Conflicts in Central Asia and the Caucasus*, (USA, 2000) 238

active private involvement areas are included-construction sector, textile and tourism sector. In 2012, the bilateral trade rapidly increased and reached at 3.5 billion USD. In humanitarian field the relations between two countries is developed each year a lot of Turkmen citizens travel to Turkey for trade and tourism and numerous Turkmen students get university education in Turkey. Approximately 10 thousand Turkish citizens live and work in Turkmenistan. These relations build an important bridge between Turkey and Turkmenistan and of course their people. The cost of construction projects, which were carried by Turkey in Turkmenistan since the early 2013, is 10. 2 billion dollars.

Turkey has a great willingness to bring Turkmen gas to Turkey. The current gas supplier of Turkey is Russia. Turkey wants to add Turkmenistan and Iran to the list. In December 1996, Turkish, Iranian and Turkmen ministers met in Tehran and discussed the possible ways of transfer Turkmen and Iranian gas to Turkey. Ministers signed a letter of understanding about the gas need of Ankara and export of Turkmen and Iranian gas to Europe through Turkey. Iranian president received them, Hashemi in 1996, December the cooperation of these three states are according to their national interests. During Turkish minister Recai Kutan's second visit to Turkmenistan, he met with Saparmurad Niyazov and said that the aim of his visit is to bring Turkmenistan rich natural gas to Turkey. A memorandum was signed by Niyazov, Demirel and Hashemi to construct a gas pipeline from Turkmenistan to Europe in Ashgabat, on May. In 1997, December, Mesut Yilmaz, the Prime Minister of Turkey made visit to Ashgabat, and held talks with the President Saparmurad. They confirmed their willingness to build a pipeline from Turkmenistan to Turkey and a memorandum on mutual understanding for building a pipeline, which will run from Turkmenistan to Turkey and then to Europe was legalized and was signed by energy ministers of these countries. Thus, the project of Trans Caspian route to transfer Turkmen gas to Turkey and Europe market was formalized by this document at the intergovernmental level. As we know Turkmenistan has 12 % proven natural gas resources in the world, which is considered essential reserves to meet current demand of Turkey for natural gas and

even for 500 years by itself. Because of successful foreign policy of Berdymukhamedov, the investment environment developed and it increased local and foreign oil companies' interests. Turkey, For Turkmenistan is a huge and rapid growing gas market and one reason of it is its strategic location and energy policy. The growing of Turkey natural gas market helped Turkey to reach a higher level of natural gas market in Europe. Current relations of Turkmenistan and Turkey include the transfer of Turkmen oil via Baku-Tibilisi-Ceyhan pipeline to Ceyhan which delivering tens of thousands of Turkmen oil products to Turkish market. In January-June 2013, around 1, 6 million tons of oil from Turkmenistan was transported via BTC. The transportation of Turkmen oil via BTC pipeline began from July 2010. Therefore, natural gas is essential factor for Turkmenistan relations with Turkey. There are thousands of Turkish citizens who work in Turkmenistan, as well as Turkmen citizens in Turkey. The projects that are carried out by Turkey are equipped by Turkish equipment and materials, which directly causes to increase of Turkish exports. Therefore, both states get benefits from the natural gas trade and both states develop the regional and global security. We can claim that the relations between them is seen as a "win-win" situation.⁶⁶ Turkmenistan can find more opportunities to build more democratic and pluralistic societies, to increase competitiveness and to integrate outside world. It is also beneficial for Russia as Russia will not worry that the Central Asian areas is contested by pan- Turkic alien power due to their friendly and sustainable partnership and inclusive identity building within which, Russia is a power. Western powers also get benefits from these relations because of building sustainable economies and for not producing narcotics and extremists.⁶⁷

66 Galym Zhussipbek, *The Washington Review Of Turkish & Eurasian Affairs*, (August 2013)
<http://www.thewashingtonreview.org/turkey-central-asia/>

67 Anita Sengupta, *Myth and Rhetoric of the Turkish Model: Exploring Developmental Alternatives*, (London, 2014)

Another powerful regional state is Iran and it was the only Caspian coastal state, which was not a part of the Soviet Union. Iran considered Russia the biggest, the most powerful player in the Caucasus as it has 1002 km border with Caucasus, and it for its geopolitical location has always been important for Russia. Putin build the strong relationship between Iran and Russia. Before, when Boris Yeltsin signed several arms sales agreements with Iran and Russia provided Iran with submarines, tanks and fighter jets. Russia began to work on main nuclear reactor of Iran. ⁶⁸

Russian economic relations has been expanded with China and EU it also increased the interests of Russia to China and EU and lessened its economic interests in the Caucasus and Central Asia. This event gave opportunity to Iran to be more active in its trade relations with former Soviet Republics-Azerbaijan, Armenia, Georgia and Turkmenistan, Tajikistan, in the South Caucasus. Iran also cooperate with Russia in the economic and security issues of the region, by the time does not want the heavily involvement of Russia in the Caucasus. Iran also benefited from its mistrust to Turkey in the region. During 2008, War between Russia and Georgia Iran was very active and diplomatically influenced to protect its own interests, economic relations, and energy routes in the region. ⁶⁹

The relationship of Iran with Turkey is complex and by periods, it is marked as conflict. Turkey was one of the first states that recognized the independence of Iran Islamist Republic and attempted to develop the economic and energy relations with Iran. The energy relations between them are based on oil and natural gas. When moderately-Islamist, AKP party was elected in 2002 the relations became closer. For Iran, Turkey is serves as a route to withdraw from sanctions, and to reduce its isolation. However, for Turkey, Iran serves as a new market for its goods and the economy of Turkey based on rapidly expanding exports. However, development of relations between Iran and Turkey also helps to both states to cooperate against the PKK (Partiya Karkerên Kurdistan) and to protect security issues in the region.

⁶⁸ Alidad Mafinezam, Aria Mehrabi, *Iran and Its Place Among Nations*, (USA, 2008) 72-74

⁶⁹ Frederik Coene, Routledge, *The Caucasus*, (USA, New York, 2010) 180-184

However, Turkish General Staff and the Iranian military had no high-level military meetings.

The trade between Iran and Turkey has been increased rapidly to \$16 billion in 2012 and Iran became the sixth largest trading partner of Turkey. However, Turkey's energy imports from Iran has been decreased to 30% because of sanctions of EU and USA on oil and gas industry of Iran in 2012. Turkey, as USA also believes that Iran can obtain a nuclear weapon and it would have the negative consequences and instability in the region. It also would be impossible to prevent the proliferation of nuclear weapons through the region.⁷⁰

In the mid-1990s, Iran began to open its oil and gas sectors to foreign investment. In 2001, July, the Supreme Energy Council was established for to oversee the energy sector. National Iranian Oil Company, which is responsible for all oil project is under the supervision of the Petroleum Ministry. This Company also controls the domestic distribution networks and its subsidiary. USA policy in the Caucasus is opposed to Iran and it USA wants to prevent Iran from the presence in the transportation of energy from the region. The policy of Iran in the Caspian region is pragmatic and convergence with Russian interests as both countries think that the USA wants to marginalize their role in the transportation of Caspian energy. None of them wants upheaval in the Caucasus and Central Asia. However, they are also competitors in the Caspian region and both of them are potential corridors for transportation of energy of the region.

Iran was internationally isolated by the USA, and began fear from the dominance of USA in the Caspian region. Then Iran started to look at region as a new market for transportation its energy resources and trade goods to the region. Iranian role as exportation of the energy in the region is limited for some conditions. The energy resources are situated in the south part of the country, but the population live in the north part of Iran. Turkmenistan, which is encouraged by the US as its best option,

70 Alidad Mafinezam, Aria Mehrabi, *Iran and Its Place Among Nations*, (USA, 2008) 74-75

is looking not Iran, but Turkey and Azerbaijan. Because, Iran's energy infrastructure is in the trouble.

Iran has friendly ties with Georgia and Armenia. Because of these friendly relationship and regional stability. Iran also understood its need to strength cooperation with regional states in the global war and terrorism issues. There is no common border between Iran and Georgia and that is why the relations between them are not in the public eye. Georgia recognize that Iran partially supports the regional integrity and stability. Georgia and Iran eliminated visa requirements for developing the Iranian tourism in Georgia in 2001. In Iran, people saw Georgia as the "western" country, which is easy to reach. Despite of diplomatic relations and high-level meetings, Iran does not rely on Georgia so much. The reason of these neutral relations between them is the Georgian policy, which follow pro-Western policy and when Saakashvili came to power, the policy of Georgia toward Iran began to be guided by America, but Iran favours anti-Western front in its foreign policy in the world. However, Georgia bought Iranian gas against of the policy and wishes of the USA administration, just for to reduce its energy dependence from Russia. Because of USA pressure on Iran, Georgia restricts its commercial and strategic willingness in the relations with Iran. During war between Russia and Georgia in 2008 Iran was not on the side of Russia and after the war, Manouchehr Mottaki's, the foreign affairs minister visited to Tbilisi and stated that Iran wants stability in the region.⁷¹

Iran and Armenia have a strong relationship, despite of that they have different ideology and religion, as both of them was isolated. Armenia wants to find the ways to survive as it has been blockade by Azerbaijan and Turkey, and Iran looks for partners in the world. However, Iran is sceptical of the principles of Armenia and unhappy with its some pro-Western policies. The cooperation between them is actually based on energy and trade goods and this need is based on historical perspective in their relations. Another reason of the close ties is the fear and rival relations of Iran with Turkey in the region. The anti-Iranian attitude of Azerbaijan

71 Hooman Peimani, *Conflicts And Security In Central Asia and The Caucasus*, (USA, 2009) 72-73

toward Iran is also other factor, which make Iran become closer with Armenia. During 1990s, Armenia from the region states warmly welcomed Iran and it became the larger trade partner of Armenia in the region and helped Armenia to mitigate the Azeri-Turkish embargo. In 1997, the trade partnership between Armenia and Iran has reached its peak but after it gradually reduced and Iran became tenth largest for export and eight for import partner of Armenia in 2007. Iran is essential and important country for Armenian energy security. Armenia also relies on Iranian gas but as Russia control, the Armenian gas sector these imports end up. Since 2007 a gas pipeline has been operational on the Araks River, a hydropower is under the construction. ⁷²

The relations between Iran and Azerbaijan have problems, especially the entente with Israel. In logically, Iran have to develop its closest bilateral relations with Azerbaijan. There are several aspects for that, such as: same culture, same religion and etc. However, their relations sometimes have undergone ups and sometimes downs. Iran was one of those countries, which recognized the independence of Azerbaijan, but, when Elçibey came to power, he accused Iran of being to oppress Azerbaijani minority in Iran and wanted Azerbaijani autonomy in Iran. According to him, Iran favored Armenia and he denounced the peace initiatives of Iran in the Nagorno Karabakh conflict.

The leadership in the Iran is also know that the war in the Nagorno Karabakh will directly increase the domestic instability in Iran and cause chaos especially in the northern part of the region. Because more than one-third of the population living in this part is ethnic Azerbaijani. There are also 300 strong Armenian communities in this part. Because of attempts of Turkey and USA influence in the region, Iran had no success to mediate over Nagorno Karabakh conflict. Because, Iran is a neighbor country and it has directly, strong influence over Azerbaijan and Armenia, which could worsened the solution process of conflict. Iran not only provided Armenia with its energy supplies, but also, the population of Nagorno Karabakh

72 Frederik Coene, Routledge, *The Caucasus*, (USA, New York, 2010) 183-184

during the most critical times, because of that, according to Azerbaijani side Iran cannot be considered as a guarantor of stability. ⁷³

The bilateral relations between Azerbaijan and Iran gradually improved under the presidency of Heydar Aliyev. However, in 2001, July, warship and two jets of Iran attacked Azerbaijani vessel, which carried out exploration in the south part of Caspian. This occasion reached a new depth in the relations. There was a dispute between two countries over Araz in Azerbaijan and Alborz (Azerbaijani side call it Araz-Alov-Sharg field) in Iran, the ownership of an offshore oil fields in the Caspian Sea, in that year. Azerbaijan thought to develop the Araz-Alov-Sharg field with the assistance of foreign oil company (with British Petroleum-BP), and Iran wanted to prevent it. That is why Iranian navy began to force Azeri oil exploration ship to leave this disputed oil field. Then Iranian aircraft flew over parts of Azerbaijan. Iran Government evaluated the event as a minor issue, but Azerbaijani side considered the incident as a danger to its economic interests and territorial rights. For reduce the tension in the region, some developments contributed. One of them was Turkey's dispatch of few fighter jets to Azerbaijan for arranged air show, but it was a clear and direct message to defend Azerbaijan in any confrontation with Iran, in future. ⁷⁴ The opening of gas pipeline from Iran to the Nakhchivan autonomous region, which has been isolated by Azerbaijan, was other attempt to develop bilateral relations in 2004. Azerbaijan also deliver its gas to the northern part of Iran. Despite of some conflicts, today the relations seem friendly. However, Iran is still fear that, one day the leadership of Azerbaijan in future will change and the policy will be detrimental to Iranian national interests in the region. ⁷⁵

Turkmenistan has a long border with Iran, near Mashad, its larger city. However, the trade relations between them are not large. Turkmenistan actively developed trade relations with Iran during 1940s and 50s, but Soviet Union's policy with

73 Frederik Coene, Routledge, *The Caucasus*, (USA, New York, 2010) 183-184

74 Hooman Peimani, *Conflicts And Security In Central Asia and The Caucasus*, (USA, 2009) (262

75 Frederik Coene, Routledge, *The Caucasus*, (USA, New York, 2010) 183-184

Iranian leadership was complex. In 1979, because of The Iranian Islamic revolution, the borders of Turkmenistan and Iran was sealed by iron curtain. Other reason of the complicated relations between them was the support of anti-Soviet resistance movement in Afghanistan by Iran in the 1980s. After 1991, the collapse of the Soviet Union, Iran and Turkmenistan established bilateral and direct diplomatic relations. Iran was one of the first countries, which opened its embassy in Ashgabat. There were three main issues in the relationships between Iran and Turkmenistan. First is economic cooperation, second is border delimitation of the Caspian Sea and third the construction of oil and gas pipelines, through the territory of Iran, from Central Asia to the Persian Gulf. During 1990s, Iran became Turkmenistan's third most important trading partner and the trade between them increased rapidly. For export its gas to northern Iran, Turkmenistan opened, its first new gas pipelines in 1997, and it connected the Central Asian railway system with the network of Iran. However, the negotiations about a pipeline to the Persian Gulf or Turkey failed during 1990s. It was due to the trade sanctions of the USA, against Iran, low oil prices in the international oil market and the region's worsened geopolitical environment.⁷⁶ The President of Iran Khatami attended in the conference of the countries bordering on the Caspian Sea, which was sponsored by Turkmenistan in 2002, April in Ashgabat. However, this conference did not produced any agreement, the leaders just discussed the raising capacity of the Korpedzhe-Kurt- Kui gas pipeline to 8 billion cubic meters for per year. The construction of this pipeline date back to 1997 and connects South Caspian gas from Turkmenistan side to the northeastern provinces of Iran. The Doviehat-Sarakhs- Khangiran, gas pipeline opened in 2010, January. For inauguration, Ahmadinejad, the President of Iran traveled to Ashgabat and met with Gurbanguly Berdymukhamedov at the ceremony. The length of this pipeline is 182 km and it begins from the Dauletabad gas field, Central Asia, runs to Khangiran, Iran. While making successful relations with Central Asia, Iran try to make it clear that, its activities sis not contrary to third side,

⁷⁶ Rafis Abazov, *Historical Dictionary of Turkmenistan*, Scarecrow Press, (USA, 2005) 79-81

especially to Russia. Because the mutual trust and close relations are essential for the security of the region as well as states. Iran has cautious policy toward Russia first, because of the necessity of economic relations between Russia and Central Asia, as the interest of these parts helps to maintaining economic relations. Second, because of the importance of relations with Russia as it is the main trading and military partner of Iran.⁷⁷ Membership of Russia in the United Nation's Security Council makes the relations of Iran with Russia more essential. The ownership of Caspian Sea resources also made these relations closer to each other. Both Iran and Russia are opposed to the extensive economic presence of West in the Caucasus and they have common interest to receiving a share of resources of Azerbaijan and Turkmenistan. Therefore, Russia remains the main factor in the relations of Turkmenistan and Azerbaijan with Iran. Now, the main ambition of Iran, besides of Russia, Turkey and USA, is to become the fourth regional power in the Caspian region and to have more influence in this region.⁷⁸

3. New trends and remaining challenges in Azerbaijan-Turkmenistan bilateral relations

3.1. Azerbaijan-Turkmenistan: perspectives for new areas in bilateral co-operation.

After collapse of Soviet Union, the Caspian Region became the scene of international struggle. There are several problems with the cooperation of the region's states. First, the region countries have some difficulties after they gained their independence. The GDP of these countries fell between 1989 and 1997. The falls were the result of military conflicts within or between the states of the region.

⁷⁷ M. Wesley Shoemaker, *The World Today Series 2012, Russia & The Commonwealth Of Independent States*, Rowman & Littlefield Publishing Group, since 1970, 290-291

⁷⁸ Annie Jafalian, *Reassessing Security in the South Caucasus, Regional Conflicts and Transformation*, England, Ashgate Publishing Limited, (2011) 152

It reduced the demand for energy in the region. Second, there was a serious political instability in the region. Such as Nagorno-Karabakh conflict, the separatist struggles in Abkhazia and South Ossetia, Russia and Chechnya war, civil war in Tajikistan, the involvement of Uzbeks in the conflict in Afghanistan. Third, the new independent states have political and economic dependence on their neighbours such as: Iran, Turkey, Russia and China. Pipelines cross some of these neighbours' territories. Fourth, the USA is opposed to growing influence of Russia in the region and the cross of pipelines from Iranian area.⁷⁹

After collapse of Soviet Union, the unequal distribution of resources among states also increased current militarization of sea. Azerbaijan reached a 75 million dollar agreement with Russia in 2010 for the purchase of the "Uran-E" shipborn missile systems. In 2012, Azerbaijan also received more equipment and spent 1.6 billion dollar for purchase of arms from Israel. Azerbaijan plans to increase its capabilities and deploy modern ships within the framework of a navy power modernization program by 2020. Azerbaijan also developed air support capability to its fleet. Three major airbases of the country: Nasosnaya, Lenkoran and Qala are located on the Caspian coast. The militarization of the Caspian Sea caused a security dilemma and separate Azerbaijan and Turkmenistan. IN 2010, Turkmenistan also made 79.8 million dollar order to Russia for naval missiles "Uran-E". In 2012, September, Turkmenistan performed its first naval military exercises in the sea. The purpose was to prepare navy to prevent any attack on ships and oil refineries. However, it was evident that, Turkmenistan responded to action when patrol ship of Azerbaijan took "illegal action" against a civilian ship, which carried scientific research work. Then, Berdymukhamedov announced that Turkmenistan must protect its borders and even his country does not want to spend too much money to naval militarization, Turkmenistan want to be sure about its security. Turkmenistan was the only country that did not have a naval force in the Caspian Basin, however, its

79 Moshe Gammer, *The Caspian Region, Volume1: Re-Emerging Region*, (London and New York, 2004) 132

decision to establish a naval base and coast guard in the Caspian Sea increased mistrust with neighbouring states.⁸⁰

Main reasons for cooperation are: economic goals, the primacy of security, Russian sensitivities and etc. Turkmenistan rapprochement with Azerbaijan will be beneficial for both sides by the facilitating the exploration of the southern Caspian. However, Russia will resist such relations. According to region policy of Russia, it is in Russia's best interest to extend dispute between Azerbaijan and Turkmenistan. Because both countries want to supply EU with oil and gas. It reduce their and EU dependence on Russia. The rapprochement of Azerbaijan and Turkmenistan in 2008, March outbreak of fighting along Azerbaijan and Armenian ceasefire line was observed that, Russia warned Azerbaijan with this signal. After war with Georgia in 2008, Russia sent a message that it is ready to defend its desire by using military force in the region and any pipelines cross through Georgia are within its reach.⁸¹

Because of the history of littoral states' practice in the sea, our argument that the sea is the common property of these states. In the beginning of 1949, the Soviet Union alone engaged in oil operations without consent of its southern neighbour and Iran because of its fear of political tensions forced Iran to be forty year silent regarding to Soviet oil operations and oil pollution. Now, general ecological situation in the region is getting worse. Because of pollution and exploration of the coastal shelf, Azerbaijani coastline was declared unsafe for human. Baku Bay and Turkmen Bays are polluted areas in the Caspian Sea. It also has no less risky for the construction of gas and oil pipelines in the sea. However, the disputes among coastal states over access to resources is a major obstacle for effective solution of problems and preservation of biological resources.⁸²

80 Keith Weber, *Azerbaijan and Turkmenistan Disputes and The Tragedy of the Commons*, Washington, (2012)

81 Joachim Ahrens and Herman W. Hoen, *Institutional Reform in Central Asia: Politico-economic Challenges*, (London and New York, 2013) 78

82 Andrey G. Kostianoy, Aleksey N. Kosarev, *The Caspian Sea Environment*, (Berlin, 2005) 232

The current problem is that energy resources are far from its potential consumers and transcontinental pipelines. Azerbaijan and Turkmenistan pay attention to development of energy sector and willing to continue develop traditional cooperation. Turkmenistan also interested in to sell is gas to Europe. As Turkmenistan wants to diversify its pipeline routes, being with Russia and Iran is not profitable for Turkmenistan. Azerbaijan is the best alternative for that reason. Azerbaijan, being supplier of oil and gas, also highlighted its willingness to become a transit country for Turkmen and Kazakh oil and gas. Being with In 21 century, the development will be in three ways interactions among producing, transit and consumer countries. This formula will help to the solution of global problems. This new formula based on an equal benefit for all sides. It will also replace dangerous competition. The multiple pipeline infrastructure will help to create new jobs, will require regional cooperation and stabilize international distribution of energy resources. Using pipelines as a tool for own interests and political or economic goals must be totally eliminated. The globalization in economic world requires developing International Conventions, guaranteeing the functioning and treatment of trans-national pipelines. Turkmenistan view it as one of the important challenges in the 21st century.⁸³ The negotiations between Azerbaijan and Turkmenistan failed for several years and result of this, many projects has been lost. Azerbaijan and Turkmenistan share Caspian Sea border and cooperation is in the economic interests of both countries. States adopted accelerate regional stability and economic development models. These models undoubtedly will establish a stability in the region. In 2013, trade turnover between Azerbaijan and Turkmenistan amounted to 88.15 million dollar and exports from Azerbaijan to Turkmenistan amounted 39.85 million dollar.⁸⁴

83 Turkmenistan Oil and Gas Sector, Business, Investment Opportunities, International Business Publication, (USA) 137

84 Vedat Yucel, Salomon Ruysdael, *New trends in Turkish Foreign Affairs: Bridges and Boundaries*, (USA, 2002) 250

Turkish government is seeking grounds for future cooperation between Azerbaijan and Turkmenistan. Azerbaijan, Turkey and Turkmenistan decided to establish tripartite format in 2013. Turkey has great influence in Turkmenistan being its second biggest trading partner after China. The first meeting in trilateral format was held in Baku, 2014. Elmar Memmedyarov, Azerbaijan Foreign Minister and his counterparts adopted The Baku Declaration during meeting. According to this Declaration, the cooperation among three countries will cover energy industry, tourism, humanitarian and political sphere. Azerbaijan, Turkey and Turkmenistan's Foreign Ministers stressed that they will make common effort to struggle against terrorism, organized crime and extremism.⁸⁵ The second Trilateral Meeting of Turkey, Azerbaijan and Turkmenistan's Ministers of Foreign Affairs met in Ashgabat in 2015, January, after first Trilateral Meeting which held in Baku 2014, May. In this meeting, Cavuşoğlu stated that three countries have common values and parties strengthen the relations. The security of energy supply and resources were main items on the agenda. The Ministers also discussed how to deliver Azerbaijani and Turkmen gas to Europe through Turkey. The meeting ended with the signing of a joint statement on cooperation.

Gurbanguly Berdymukhamedov attended the opening ceremony of the first European Games and met with Ilham Aliyev in 2015. President Ilham Aliyev welcomed Gurbanguly Berdymukhamedov and stressed the importance of friendship and development of bilateral relations. The president of Turkmenistan also thanked Ilham Aliyev for invitation and added common language, cultural and historical values and expansion of bilateral relations. The head of Turkmenistan on his turn invited Azerbaijani President to the 20th anniversary of the country's neutrality conference, which took place in December.

Now, Turkmenistan and Azerbaijan recognize the need of environmental cooperation. Uncertainty of legal status Caspian Sea is the major obstacle for cooperation with many areas, including preservation of the biological resources

85 Sara Rajabova, Baku, Ankara, Ashgabat focus on transportation, energy projects, (2015)

protection environment and establishment of a joint monitoring group. International and national safety must be a key issue. EU and Turkey are trying to persuade both Azerbaijan and Turkmenistan to resolve their problems and disputes and to enter a new era of cooperation, which will be more beneficial for other countries too. However, Turkmenistan does not hurry to resolve the legal dispute over Caspian Sea and more involved in natural gas infrastructure projects. The governments should do their best to maintain communication and avoid unilateral action that could be perceived as a risk to security of other. Otherwise, Russia will tighten its grip on European Union gas demand and leave Azerbaijan and Turkmenistan to find other alternatives.⁸⁶

3.2. Impact of warming relations on settlement of the Caspian Sea-related disputes

The Caspian Region is important because the interests of many states cross here. First, the states bordering Caspian Sea- Azerbaijan, Russia, Iran, Turkmenistan and Kazakhstan. Second, Central Asian States and Turkey, Moldova and Ukraine which oil and gas of the region is crucial for them.⁸⁷ The region faced the most contentious international problem by the emerging the legal status of the sea. Now, there are five states bordering the Caspian Sea: Azerbaijan, Iran, Turkmenistan, Kazakhstan and Russia. All of these states has its own resolution to the problem. Several confrontations took place during the ongoing disputes among five countries. It is because of that oil, gas pipelines have vital importance for these states, and the interests of big powers are intertwined here because of strategically important oilfield and fish stocks. The largest part of explored oil in the sea concentrated near the shores of Azerbaijan and Kazakhstan. Deposits on the Russian part of the shelf are not developed and need further exploration. After independence, Azerbaijan

⁸⁶ Keith Weber, *Azerbaijan and Turkmenistan Disputes and The Tragedy of the Commons*, (Washington, 2012)

⁸⁷ Gennady Chufirin, *The Security of the Caspian Sea*, (USA, 2001) 238

opened its industry to foreign investment and signed the greatest number of production-sharing agreements. Turkmenistan's coast is the least well explored of all. Iran is least interested in the immediate development of the oil deposits in the Caspian Sea. Turkmenistan government adopted a ten-year development plan in 1993, to become a "second Kuwait" but restricted foreign investment in the sector. These restrictions resulted a limited development in the energy resources of Turkmenistan.⁸⁸

Some analysts think that the dispute arose from the question if the Caspian Sea should be defined as a sea or a lake. However, it does not seem to be either of them. The Caspian Sea is defines as a lake because, it is not directly or indirectly connected to an ocean basin. Secondly, it is located 22 meters below the sea level, while all the other seas located at an attitude 0 or sea level. If it is a lake, it would be a boundary lake and shared by the littoral states. Because of the delimiting lakes among littoral states practices, each coastal states should have exclusive sovereignty over the natural and biological resources, shipping and water surface in its national sector. In general, there are no internationally accepted rules for division lakes and more often, lakes are divided by countries on the basis of the median line, or coastal line without restriction for using its waters. However, according to many scientists the large size of the Caspian Sea is not common for lakes. Its salinity and depth comparable to semi-enclosed seas and has connection to the ocean, therefore it defined as a sea.

However, if it is a sea, it should apply to the 1982 United Nations Convention on the Law of Sea. United Nations Law of the Sea (UNCLOS) governs international waters. It was approved in the third United Nations Conference, 1982 and came into force in 1994. The responsibilities and rights of nations in the use of the world's ocean and established the way of division, exploitation of ocean resources and management of marine natural resources and 158 countries joined to this Convention. Articles 86-89, Section I, Part IV it was declared that, high seas are

⁸⁸ Yusin Lee, *Toward a New International Regime for the Caspian Sea*, (South Korea 2005) 37- 39

open to all states and no state can claim to sovereignty. Coastal states have territorial sea, breadth not exceeding 12 miles and continental shelf. In Article 122, Part IX “enclosed and semi-enclosed sea” defines as a “sea which is surrounded by two or more states and connected to another sea or ocean by a narrow outlet” The basic principle definition of water as a sea is depends on its connection to an ocean according to Law. The Caspian Sea is 1000 miles away from ocean and does not had natural connection to it. However, a narrow outlet is not defined and if it natural geographic feature or connecting canals as the Volga-Don Canal system which connects the Caspian Sea to the Black Sea. According to Article 123, semi-enclosed seas’ littoral states should cooperate with each other. International law determined what a semi closed sea is but left other questions to bordering states. UN Convention on the Law of the Sea can be useful for clarifying littoral states’ rights. However, it similarly the analysis of the legal regime of international lakes cannot help to determine how boundaries should be traced. There is not a single and generally accepted method of delimitation, and it is up to coastal states to decide.⁸⁹

Azerbaijan’s position is that The Caspian Sea must be divided by “median line” principle. Azerbaijan also support the division of the Caspian Sea into sectoral zones and claim that the inter-republic division among Azerbaijan, Russia, Kazakhstan and Turkmenistan was approved by Viktor Chernomyrdin –Russian Prime Minister, two years after breakup of the Soviet Union, in 1993. Actually, the insistence of Azerbaijan to this division is based on economic, political and geographic considerations. First of all, the largest part of gas and oil resources would be situated in Azerbaijani part. Second, these resources are in the shallow portion of the sea and it allow easy offshore drilling. Finally, Azerbaijan being ally of the USA, does not want Iran to be involved in development of its Caspian Sea resources, as it will gain more resources in the sea than Iran. The USA supports Azerbaijan’s legal and political position on the Caspian Sea. Azerbaijan announced that Russia was supporter of shared ownership and agreed the division of the seabed

89 Yusin Lee, *Toward a New International Regime for the Caspian Sea*, (South Korea 2005) 38- 39

with “median line” principle in 1998, August. Azerbaijan and Turkmenistan agreed on the division of seabed with a “median line” principle at the same year, in February. Iran initially rejected the “median line” method, but in 2000 agreed, feeling that it lacked the power to overcome the position of other states but indicated certain conditions, such as: Iran’s share should not be less than 20% and the division of the surface and of the seabed should match exactly. UNCLOS formed an international Tribunal for the Law of the Sea, a United Nations body with special expertise in sea law. Tribunal is empowered by the Article 286 of UNCLOS to issue binding rulings in cases where the parties cannot settle their differences.

The southern part of the Caspian Sea is the deepest and contains the most productive, large oil and gas fields, which extends across the sea from the Absheron Peninsula in Azerbaijan and to Peri- Balkan Region in the western Turkmenistan. The Caspian problem is a priority in the politics of Turkmenistan and Azerbaijan. Relations between Azerbaijan and Turkmenistan worsened due to disputes over Caspian Sea fields.⁹⁰ Then, both countries closed their embassies in 2001 and direct flights between two countries’ capitals were cancelled. In November 2002, Niyazov even accused Azerbaijan attempting assassination against him. Due to these tensions, new negotiations on the status of the Caspian Sea failed in Ashgabat.

Since 2007, oil production from Turkmenistan has increased and it is highly dependent on new investment and technological capacity to bring new fields on stream and solving disputes with Azerbaijan. There are also political aspects of the problem. First, Iran and Russia have a great influence over Turkmenistan as it has a close economic relations with them. However involving in this dispute, being under pressure of Russia, is contrary to political interests of Turkmenistan. This disputed is the main obstacle for development of regional gas and oil projects, as dispute over a middle line location where majority of oil reserves are located there. However, can sides solve this problem? The first step towards solving the problem

⁹⁰ Kamyar Mehdiyoun, *International Law and The Dispute Over Ownership of Oil and Gas Resources In The Caspian Sea*, (USA, 2000) 12-17

have been taken by Azerbaijan. Because Azerbaijani side considered this problem created by artificial means. In 1997, Heydar Aliyev met with Saparmurat Niyazov and both agreed to establish a joint expert commission. Parties met at the level of ministries and established joint expert commission in 1998, February in Ashgabat. However, negotiations did not progress. Initially it was perceived that new president Gurbanguly Berdimukhamedov would be more flexible, but an agreement has not been reached since then. Both states hopes to draw the line in which will benefit them and provide the majority of oil fields. in spite of that, Transport and energy are still remain the main areas of cooperation, Azerbaijan and Turkmenistan are ready to develop cooperation in the spheres of health, tourism, technology, agriculture research, food industry and etc.⁹¹

The first Summit of the five littoral states of the Caspian Sea took place in Turkmenistan, in 2002, 23-24 April. The summit failed to make any important steps toward legal status of the sea and ended without any progress. The second Summit held in 2007, in Tehran and concluded with a Tehran Declaration, which was ratified as the first political document by the Heads of the Caspian Sea coastal countries. Document stated that the littoral states will make every effort to keep peace and stability in the region, work together for the efficient use of natural resources of the sea, deepen economic cooperation and agree on sailing, fishing and navigation rights under the flag of the littoral states until the resolution of the legal status of the Caspian Sea. Declaration also notes that no other countries has the right to deploy ships or military forces into the Caspian Sea and sea should be used only for peaceful matters. The leaders of the five littoral states signed an agreement on security cooperation at the third Summit in Baku, which held in 2010. Only the littoral states are responsible for the security of the sea according to this agreement. The reason of for this agreement was the militarization of the sea. However, this Summit also failed to make any progress.

⁹¹ Kamyar Mehdiyoun, *International Law and The Dispute Over Ownership of Oil and Gas Resources In The Caspian Sea*, (USA, 2000) 15-17

All five littoral states' leaders- Vladimir Putin, Gurbanguly Berdymukhammedov, Ilham Aliyev, Hassan Ruhani and Nursultan Nazarbayev attended in the fourth Caspian Sea Summit in Astrakhan, Russia in 2014. This meeting was more significant than other summits the parties agreed on some issues. Five leaders reviewed their commitment about keeping non-Caspian states from establishing a military presence in the Caspian Sea. Parties also agreed to ensure “a stable balance of arms in the sea” and limit military construction according to interests of all parties without harming the security of all. They reached a new agreement about two types of maritime zones. One granted sovereignty over area out to 15 nautical miles area beyond shores of littoral states and second delimiting exclusive fishing rights up to 25 nautical miles from their coasts. Customs, joint rescue missions and taxation also were included to their discussion. The jointly development of waters which extend beyond fishing zones also was agreed. States also began dispute how to divide the seabed. Iran, the country with the shortest coastline argued that each state should have an equal area in floor and surface of the Caspian Sea and major construction on seabed should be with the consent of all coastal states. Russia was favour the latter proposal because it would protect its pipelines which connect Central Asia and Europe and the division of seabed according to median line and to leave the adjacent waters open to all littoral states for common navigation. Azerbaijan and Kazakhstan supported it but Iran remained opposed. In this occasion, Kazakhstan would receive 28.4, Azerbaijan 21, Russia 19, Turkmenistan 18 and Iran 13.6 percent.⁹²

There is no concrete proposal which supported by more than one state now. According to comments of experts in international law, in the solution of legal disputes of the Caspian Sea, littoral states might select to employ rules should be relevant to international watercourses, including lakes. Thus, everything is in the hands of littoral states. Whether it is sea or lake, it is up to the five Caspian littoral states to negotiate. To reach an agreement among littoral states is difficult because

⁹² Lavrov: Third parties to operate in Caspian Sea region on rules set by littoral states, Interfax, World Politics Review, (2014)

of the fact that the sub-soil resources unevenly distributed and states will not get benefit equally. ⁹³

Now, all the littoral states are favour to sectoral division of seabed. Nevertheless, there are still some issues that need to be discussed. The discussions will last as long as the parties make an agreement. The question is if seabed should be divided or how the division must be accomplished. If the past of Sea guide to its future we can easily predict that the seabed division will not be so much determined by littoral states' legal arguments as by geostrategic and political concerns. A “great game” with its new rules and different players is expected spectacle because of the importance of the Caspian energy resources. ⁹⁴ As a final point, many maritime boundaries are unsettled because of long disputes. Many questions remain uncertain, as political issues will exist in this situation. The solution is either negotiation or third party intervention. It is important for littoral states to sign multilateral convention. ⁹⁵

Conclusion

Bilateral relations between Azerbaijan and Turkmenistan are still in transition. Lack of clarity in the legal status of the Caspian Sea and continuing geopolitical games over the energy pipelines will continue shaping relations between these two countries. However, one is clear that existing challenges have negative impact on political and economic dimensions of Azerbaijan-Turkmenistan ties. ⁹⁶

Roots of the disputes between Azerbaijan and Turkmenistan on Caspian legal status began in 1997, with the interview, in which the President of Turkmenistan,

⁹³ Shirin Akiner, *The Caspian: Politics, Energy and Security*, (USA, 2004) 172

⁹⁴ Aleksandr Antonovich, *Contemporary Issues of the Law of the Sea: Modern Russian Approaches*- 170

⁹⁵ David A. Colson, Robert W. Smith, *International Maritime Boundaries*, (Netherland, 2005) XXXI

⁹⁶ Barbara Janusz Pawletta, *The Legal Status of the Caspian Sea: Current Challenges and Prospects for Future Development*, (Berlin, 2015) 164

Saparmurad Niyazov claimed that Azeri oil field was situated in Turkmen territorial water and belonged to his country. Turkmenistan protested over Azerbaijani development plans on Azeri and Chirag oil fields and accused Azerbaijan for illegal exploitation of two oil fields. He also warned to sue the oil companies, which involved in this process. Then, attention shifted to dispute over Kapaz field. Russian Companies Lukoil and Rosneft withdraw from the project of development in Kapaz oilfield by the pressure of Turkmenistan at the same time.

Then Azerbaijan's Foreign Minister Hasan Hasanov claimed that former Soviet Ministry for the Oil industry divided the Caspian into sectors in 1970, assigning to each of the littoral Soviet states. It was done by using something "called middle line method." Azeri field with Chirag and Guneshli covered by the "Contract of Century," which was signed between eleven foreign companies and Azerbaijan in 1994, September. They were explored by Azerbaijani geologists since 1970s and Azerbaijan logically has ownership right to fields for historical reasons.⁹⁷ It will be clear that Azerbaijan and Turkmenistan dispute over oilfields will have an impact on future delimitation of the Caspian Sea. The latest bilateral tension began after announcement of Turkmenistan's plan to start geological sampling at the Kyapaz field. Azerbaijani side claimed that it violates a 2008 bilateral agreement. This dispute raises different problems on main areas of international law such as: Law of the sea, law of treaties, environmental law, territorial sovereignty, state succession and state sovereignty.⁹⁸

Caspian Sea region is strategically and politically sensitive. It is a fact that, the region players each has different preferences based on their individual rationality combines to make for complex negotiations. Russian factor, because of its important geopolitical role cannot be excluded from this process. Russia has a great influence on the negotiations process between Azerbaijan and Turkmenistan, and their relations with Western countries. When Putin came to power, the Caspian Sea

97 Andrew Harris, *The Azerbaijan – Turkmenistan Dispute in the Caspian Sea*, 1997-98, p (6)

98 William Ascher and Natalia Mirovitskaya, *The Caspian Sea: A Quest for Environmental Security*, 2000

had become one of the priorities in his foreign policy. Some analysts even think that Russia has a hand over dispute. Turkmenistan's actions were mostly encouraged and pushed by Russia. Moscow has strong dominance over Turkmenistan because of historical dynamics, instrument and geographical reasons. The claim on fields by Turkmenistan side overlap with the project on Baku-Tbilisi-Ceyhan oil pipeline came to forefront. Russia is not in favour of transportation of Azerbaijan and Turkmenistan's oil and gas resources to Europe through alternative routes and continues its policy in order to monopolize this field and subordinate transportation routes to its network. Thus, it is in Russian's best interest to extent the dispute between two countries further and the both states should not wait its help as a mediator. ⁹⁹

Iran being an important international actor also has a crucial role as a littoral state on the region. It has borders and extensive trade links with both Azerbaijan and Turkmenistan and at the same time tries to maintain good relations with Russia. Iran does not want any issues in the Caspian Sea to be resolved bilaterally without consent of all littoral states. Together with Russia, Iran have common interest in prevention of Turkic-speaking countries' dominance and alliance in the region. ¹⁰⁰ However, the recent developments related to the Iranian nuclear programme and following rapprochement between Iran and the United States, the US and the EU-supported sanctions against Russia and the following drop in oil prices, as well as worsening situation in the Middle East make situation further complicated. ¹⁰¹ It is most likely that the above-mentioned developments will have influence on political and economic developments in the Caspian region, which consequently could influence bilateral relations, including between Azerbaijan and Turkmenistan. The interest of Turkey in the region is political and economic. Turkey wants to continue its important role in the extraction of Azerbaijan's oil to the West. Being oil transit

⁹⁹ David A. Colson, Robert W. Smith, *International Maritime Boundaries*, (Netherland, 2005) XXXI

¹⁰⁰ William Ascher and Natalia Mirovitskaya, *The Caspian Sea: A Quest for Environmental Security*, (2000)

¹⁰¹ Mehdi Parvizi Amineh, *Towards the Control of Oil Resources in the Caspian Region*, (Germany, 1999) 230

country, Turkey reduce its dependence on Middle Eastern oil. Turkey also interested in the development of Caspian markets for its industrial goods. Turkey can feel both countries' needs better than others because this country has close historic, cultural, ethnic and political ties with both states. Thus, Turkey can be a mediator between Azerbaijan and Turkmenistan ¹⁰²

Recent steps indicate that Turkmenistan and Azerbaijan are keen on to expand political and economic ties. They are no longer represented by the USSR and each of them has its own rule, government. The relations of two countries were unfriendly and hostile for a long time. There is a great potential for investment opportunities in the region. Economic cooperation has the key role in solving disputes. In this way, oil and pipelines from the Caspian could be a source of both reconciliation and prosperity. In the current regional scenario, the problem of the disputed fields between Azerbaijan and Turkmenistan has no win-win solution. It is also clear that the conflict must be resolved as soon as possible. Baku and Ashgabat should negotiate themselves, without outside interference. This is an important period in history. If countries cannot solve it by bilateral talks, it is better to appeal to international arbitration, than to block cooperation, endlessly keeping the problem unresolved and to harm bilateral relations. Otherwise, the problem of the disputed fields can accelerate arms build-up in the Caspian Sea not only by the disputing parties, but also by other regional players. ¹⁰³

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¹⁰² Oystein Noreng, *Crude Power: Politics and the Oil Market*, (New York, 2006) 93

¹⁰³ M. Wesley Shoemaker, *The World Today Series 2012, Russia & The Commonwealth Of Independent States*, Rowman & Littlefield Publishing Group, since 1970. 290-291

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