

Shanghai Cooperation Organization, Turkic Republics and Turkey:

Economic and Business Dimensions

ORGANISATION DE COOPÉRATION DE SHANGHAI, RÉPUBLIQUES TURQUES ET TURQUIE:

DIMENSIONS ÉCONOMIQUES ET COMMERCIALES

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Abstract: An ever-increasing globalization in last century is enforcing many countries to come together and create organizations to take advantage of a greater power in the global stage both in political and economic issues. Regional organizations are one form of such organizations. In addition to many of such groups, Shanghai Cooperation Organization (SCO) is an intergovernmental mutual-security organization which was founded in 2001 by the leaders of China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan. In a short period of time since then SCO has proved itself to be a powerful organization promising to be an authority in Central Asian region. The research at hand is formed to investigate the development of this organization along with its effect on Turkey as well as the member countries. This effect is also analyzed in two dimensions. The place of SCO in region is analyzed not only in terms of economic side but also the business side. The fact that business and economics are difficult to isolate from each other, makes it a necessity to use this approach, thus, making this study a valuable source.

Key words: Shanghai Cooperation Organization; Turkic Republics; Central Asia; Transitional Economies

Résumé: Une mondialisation en constante croissance dans le siècle dernier oblige de nombreux pays de se réunir et de créer des organisations afin de profiter d'un plus grand pouvoir dans les événements politiques et économiques au niveau international. Les organisations régionales sont une forme de ces organisations. A part de ces groupes, l'Organisation de coopération de Shanghai (OCS) est une organisation intergouvernementale de sécurité mutuelle, fondée en 2001 par les dirigeants de la Chine, la Russie, le Kazakhstan, le Kirghizistan, le Tadjikistan et l'Ouzbékistan. Dans un court laps de temps depuis lors, OCS s'est avérée être une organisation puissante promettant d'être une autorité en Asie centrale.

La présente recherche est menée pour enquêter sur le développement de cette organisation ainsi que son effet sur la Turquie et les pays membres. Cet effet est également analysé en deux dimensions. Le statut de l'OCS dans la région est analysé non seulement du point de vue économique mais aussi commercial. Le fait que le commerce et l'économie sont difficiles à isoler l'un de l'autre exige une nécessité d'utiliser cette approche, ce qui rend cette étude une source précieuse.

Mots clés: Organisation de coopération de Shanghai; Républiques turques; Asie central; Économies transitionnelles

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1. INTRODUCTION

The Shanghai Cooperation Organization (SCO) is an intergovernmental mutual-security organization which was founded in 2001 by the leaders of China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan. Except for Uzbekistan, the other countries had been members of the Shanghai Five, founded in 1996; after the inclusion of Uzbekistan in 2001, the members renamed the organization. Creation of the Shanghai Five became possible after the dissolution of the Soviet Union. The reason which has brought together five countries was solution of border disputes between countries of former Soviet Union and the China. Before disintegration of the Soviet Union, the USSR and China were discussing the conditions of borders and frontier territories.

In April 1996 four former Soviet republics-Russia, Kazakhstan, Kyrgyzstan and Tajikistan together with China have created the mechanism of regional cooperation-the "Shanghai Five" nowadays the "Shanghai Cooperation Organization". The overall objectives of this organization, first of all, were problems of strengthening of trust in military area, frontier areas. The beginning of interaction in frameworks of the "Shanghai Five" has been put by the agreement on strengthening of trust in military sphere of 1996 and the agreement on mutual reduction of armed forces in frontier regions of 1997. April 1996 was marked as a birth of a new organization created on the basis of trust and mutual understanding between five states. So the "Shanghai Five" was created with the purpose of settlement of border disputes that took place between Russia, China and new independent states of the Central Asia, namely Kyrgyzstan, Tajikistan and Kazakhstan. The Shanghai Agreement of 1996 and the Moscow Agreement of 1997 have been the most important documents in this context.

One of the main purposes of the creation of the "Shanghai Five" was settlement of the border disputes between the states of the former Soviet Union and China. Negotiations on settlements of boundary questions between the USSR and China started in 1989 after the official visit of the USSR president M. Gorbachev to the China. In 1992 the joint delegation was formed including the representatives of the government of Kazakhstan, Kyrgyzstan, Tajikistan and Russia. With the disintegration of the Soviet Union the format of boundary negotiations has changed. After having discussed questions of military power and questions on frontier sites, "The Shanghai forum" has decided to proceed to discussion of new questions and to proceed from borders to security issues and economic stability.

Except for these, big attention has been paid to the development of economic cooperation between these states. In the signed joint statement the heads of the delegations have emphasized mutual interest in the field of creation of a pipeline infrastructure of the "Shanghai five" with an exit to other countries. In the final document of the summit it is said that the long-term economic partnership should be created under the following principles:

- Elimination of trade barriers;
- Support of various forms of trade and economic cooperation between the large enterprises of five states;
- Activation of trade and economic cooperation between frontier regions;
- Improvement of an investment climate.

The official working languages of the Shanghai Cooperation Organization are Chinese and Russian. The SCO is primarily centered on its member nations' Central Asian security-related concerns, often describing the main threats it confronts as being terrorism, separatism and extremism. The establishment of the Shanghai Cooperation Organization (SCO) was prompted by the desire of some states, sharing Russia's views on trends in global development, to pool their efforts in the search for common approaches to find solutions to international and regional problems, and to develop regional economic and cultural cooperation. The SCO, which is not anyone's enemy, has become an association aimed at finding positive solutions to specific problems in the interests of its member states (Lukin, 2007). A Framework Agreement to enhance economic cooperation was signed by the SCO member states on 23 September 2003. At the same meeting the Chinese Premier, proposed a long-term objective to establish a free trade area in the SCO, while other more immediate measures would be taken to improve the flow of goods in the region. A follow up plan with 100 specific actions was signed one year later. On 26 October 2005, the Moscow Summit of the SCO, the Secretary General of the Organization said that the SCO will priorities joint energy projects; such will include the oil and gas sector, the exploration of new hydrocarbon reserves, and joint use of water resources. The creation of an Inter-bank SCO Council was also agreed upon at that summit in order to fund future joint projects. The first meeting of the SCO Interbank Association was held in Beijing in February 2006. Cultural cooperation also occurs in the SCO framework. Culture ministers of the SCO met for the first time in Beijing on 12 April 2002, signing a joint statement for continued cooperation. The third meeting of the Culture Ministers took place in Tashkent, Uzbekistan, on 27-28 April 2006. Together, SCO full and observer members form not only the world's biggest economic and military power, but also the world's biggest producer and consumer of energy. Moreover, SCO countries (full members and observers) comprise 25% of Earth's land area. Although the declaration on the establishment of the Shanghai Cooperation Organization contained a statement that it "is not an alliance directed against other states and regions and it adheres to the principle of openness", many observers believe that one of the original purposes of the SCO was to serve as a counterbalance to NATO and the United States and in particular to avoid conflicts that would allow the United States to intervene in areas near both Russia and China.

China's backing for an SCO charter, permanent secretariat and anti-terrorism centre for the past three years reflects its desire to strengthen the SCO in countering United States influence in Central Asia. Diplomatically, China fears that the American presence means that regional states will be less accommodating to China's political demands. Economically, China worries that the United States' support for American petroleum companies will compromise Chinese efforts to wrest concessions from Central Asian governments. Security-wise, with bases close to China's western borders, Washington can assist Beijing in flushing out Xinjiang separatists operating in Central Asia, or put military pressure on China, should it be perceived as a threat. The American presence and resurgent Russian involvement in Central Asia seem to have put China's influence in the region on the defensive (Chung, 2004).

2. TURKEY AND TURKIC CENTRAL ASIAN REPUBLICS

Turkey's policy towards the Caucasus and Central Asia can be classified into two periods. The first period covered transition era in the Caucasus and Central Asia between the years of 1989-1991. In this period, Turkish foreign policy towards these republics was cautious in the sense that it was trying to avoid alienating Moscow and until the last days of the USSR, Turkish government was not interested in Central Asia and the Caucasus. The second period of Turkey's policy towards the Caucasus and Central Asia covered the period between the late 1991 and 1993. Turgut Ozal, the late president of Turkey, in his augural speech at the TGNA (Turkish Grand National Assembly) stated that the end of the cold war and the dissolution of the USSR provided Turkey with a historical opportunity to be leader of the region. He said that Turkey should have not missed such an opportunity that appeared first time after 400 years. In this period, many high-level visits between Turkey and the region culminated in the conclusion of many agreements. Officials of the republics declared many times that they would adopt the "Turkish model" as restructuring and development model, and they would attach great importance to their relations with Turkey.

New economic and business opportunities were another reason for Turkey's involvement with the region. Turkish private sector entered the newly emerged market and undertook huge projects (Sayari, 2000). Another aspect of Turkey's policy towards the region was cultural and educational cooperation with the Turkic states, with particular emphasis on common "Turkish culture". In addition to encouraging the republics to adopt the Latin alphabet instead of Cyrillic, Turkey established many Turkish Culture Centers and schools including several universities in the Caucasus and Central Asia, aside from the project of granting scholarships to students from the Turkic world. On the other side, after declaring their independence, the newly independent states were eager to establish good relations with Turkey. Their immediate need was recognition by the "international community", and thereby, to strengthen their independence. Thus, Republics' leaders turned to Ankara as their principal intermediary in integration into the international political and economic system, hoping that Ankara's close ties with the West, particularly with the USA would enable them to receive US backing (Sinkaya, 2005). Economic Cooperation Organization (ECO), established in 1985 between Turkey, Iran, and Pakistan, provides such an opportunity for the Turkic Republics and Turkey to improve their economic relations since this is the only regional economic organization in which both Turkey and the Turkic Republics are member countries (Sen, 2005). The strong role of Turkey in the organization, the development level and its relations with the international community increase the influence of Turkey in this organization, thus providing opportunities for the Turkic Republics as well.

2.1 Economic Relations and Potential

As a result of the globalization trend all nations are interacting with each other in the fields of economics, culture, and many others. The countries which have been using former socialist economic system are now moving towards free market economy (Acarturk, 2004). The policy that the Turkic Republics have followed after their independence is based on supporting the political independence with economic independence. In this period, efforts are made to become self-sufficient economically while developing the nationalism in order to build a nation-state. After 1991, the economies of the Turkic Republics have entered into a troublesome transition period as a result of the collapse of current structure, and the lack of social, political, and law organizations to make the free market system run efficiently.

The Ankara Declaration signed in October 1998 by the presidents of Turkey, Azerbaijan, Georgia, Kazakhstan, and Uzbekistan with the USA Minister of Energy as an observer, foresees the Hazar-Akdeniz (Baku-Tiblisi-Ceyhan) Pipeline to become the "Main Petroleum Pipeline" to transport the hydrocarbon sources of Caspian Sea to the global markets. Another agreement has been signed on the same days by the presidents of Turkey and Turkmenistan to enable the transportation of Turkmenistan gas resources to the global markets through another pipeline (Karluk, 1999: 628). The technical knowledge and the experiences of Turkey in the industrialization processes have increased the importance of collaborating with Turkey for these young republics. Upon the independence of these countries, Turkey has involved in many versatile and specific economic relations with them. The vital role of transportation and communication in the improvement of economic and commercial relations has resulted in agreements in the fields of air and ground transportation. The ground satellite and telephone stations established have enabled the communication of these countries with the rest of the world through Turkey. Meanwhile, agreements have been reached for joint investments in the fields of petroleum, gas, mining, agriculture and service industries (Seyidoglu, 1999).

Significant cooperation potential exists between Turkey and Turkic Republics in technology field along with the commercial relations. Possessing qualified work-force, technologic information capacity, market economy, and experience in the international relations along with the industrialization level it has reached, Turkey has the capacity to provide these republics with technical assistance in many fields and export technology to them. Being the 16th country in terms of population size, 32nd in land size, 20th in GDP, among the first 10 fastest-developing countries, and composing the 90% of its total exports from industry products, Turkey is in a position of being a role-model and a leader for these countries.

On the other hand, the economies of these countries are still dependent on each other and especially Russia, although they are free of a central economy in which the production and trade is mutually dependent on each other. While the dependency on Russia continues in these countries in spite of their independence, macroeconomic stability and liberalization are being worked on by the governments. These transition economies are being challenged by the heavy problems caused by economic crisis, inflation, and low living standards (Ari, 2007).

Possession of rich energy resources along with the difficulties of a system transition has made the Turkic Republics in Central Asia vulnerable to all sorts of foreign effects. The excessive amounts of capital in the western countries and the availability of the raw materials in Central Asia that these countries will need in the long term, has attracted many of them to the region (Akdis, 1999).

Table 1: Petroleum Reserves in Turkic Republics

Country	Proven Reserves	Share in Global Reserves	Production (million tons)	Share in Global Production
Kazakhstan	5.4	3.3	60.5	1.6
Azerbaijan	1	0.6	15.7	0.4
Uzbekistan	0.1	0.05	6.6	0.2
Turkmenistan	0.1	0.05	10.1	0.3
Total	6.6	4	92.9	2.5
Russian Fed.	9.9	6.1	458.7	11.9
Middle East	100	61.7	1186.6	30.7
USA	3.6	2.5	329.8	8.5
Africa	14.9	9.4	441.1	11.4
Asia-Pacific	5.5	3.5	379.5	9.8

Source: Statistical Review of World Energy, BP, 2006

Table 2: Gas Reserves in Turkic Republics

Country	Proven Reserves (trillion m ³)	Share in Global Reserves	Production (billion m ³)	Share in Global Production
Kazakhstan	3	1.7	18.5	0.7
Turkmenistan	2.9	1.6	54.6	2
Uzbekistan	1.86	1	55.8	2.1
Azerbaijan	1.37	0.8	4.6	0.2
Total	9.13	5.1	133.5	5
Russian Fed.	48	26.7	589.1	21.9
Ukraine	1.11	0.6	18.3	0.7
Middle East	72.83	40.6	279.9	7.7
USA	5.29	2.9	542.9	20.2
Africa	14.06	7.8	145.1	2.6
Asia-Pacific	14.21	7.9		5

Source: Statistical Review of World Energy, BP, 2006

Especially the large petroleum-gas resources in the Caspian region have attracted USA to the region, increased the interest of UN and China as the largest importers of petroleum and gas; while Russia has started to develop strategies to keep the region which has economic significance, under influence (Turhan, 2009).

The impressive natural resources and the consumer potential with a fast-increasing income level, have resulted in the flow of foreign direct investments into the region following the independence.

Table 3: Foreign Direct Investments

Country	FDI (billion \$)	Total FDI Stock (billion \$)
Kazakhstan	1.74	22.73
Uzbekistan	1.68	13.90
Azerbaijan	0.06	1.36
Turkmenistan	0.05	0.96
Kyrgyzstan	0.05	0.70
Total	3.58	39.65
Turkey	9.68	29.69
Eurasia Total	36.7	69.86

Source: UNCTAD

A fast growing trend is apparent in the economic performance of the Turkic Republics during the period of 1992-2006. Experiencing tough times economically during the 1997 Asia and 1998 Russia Crisis, these countries have once again entered into a growth period after 2000. An economic stability has been reached in the region, in spite of the lack of diversity in the production an economic growth trend has started as a result of utilization of the petroleum and gas resources and the big increase in the prices of them, and a growth of 8% has been realized. The total GDP of the Turkic Republics in 2006 is 116 billion dollars (Turhan, 2009).

Table 4: Foreign Trade of Turkey with Central Asian Republics (2006-million\$)

Country	Import	Export	Volume
Azerbaijan	332.6	691.9	1,024.5
Kazakhstan	965.7	694.2	1,659.9
Turkmenistan	187.1	281.2	468.3
Uzbekistan	396.5	175.8	572.3
Tajikistan	118.4	71.5	189.9
Kyrgyzstan	27.4	130.4	157.8
Total	2,027.7	2,045.0	4,072.7
World	137,449.0	85,309.0	222,758.0

Source: Undersecretariat of the Prime Ministry for Foreign Trade Country Reports

In spite of all the challenges, important improvements, successes, and developments have been realized between Turkey and Turkic Republics in the period of 1991-2006.

The economic relations between these parties continue in multi-dimensions today. These relations are being improved in the framework of “Strategy of Improvement of Economic Relations with Neighbors and Countries in the Region” stated in 2000 by the Undersecretariat of the Prime Ministry for Foreign Trade. This strategy aims to strengthen the relations with many countries including the Turkic Republics in all fields.

However, the trade figures stated above do not reflect the true potential. The low levels per capita income in these young republics and the inability of utilizing their rich resources can be mentioned among the reasons of this. The trade levels are expected to increase along with the increase in income levels in these countries. The complementarity characteristic among these countries is another reason of the high potential for economic relations (Seyidoglu, 1999b: 175).

Table 5: Construction Services of Turkey in Central Asia (USD)

Country	Before 2003	2003	2004	2005	2006	Total
Azerbaijan	1.739.545.237	63.235.045	278.120.025	15.414.760	115.040.610	2.211.355.677
Kazakhstan	3.733.641.661	288.251.309	232.158.046	1.486.299.256	1.159.519.556	6.899.869.828
Kyrgyzstan	330.603.843	0	24.954.602	10.432.456	43.500.000	409.490.901
Uzbekistan	1.543.316.874	12.470.161	33.154.307	33.000.000	0	1.621.941.342
Tajikistan	102.615.771	16.298.000	6.096.326	6.743.063	81.927.441	213.680.601
Turkmenistan	5.446.553.410	250.882.472	290.935.419	246.404.983	458.899.206	6.693.675.490
Total	12.896.276.796	631.136.987	865.418.725	1.798.294.518	1.858.886.813	18.050.013.839

Source: Undersecretariat of the Prime Ministry for Foreign Trade Country Reports

In terms of investments, Turkish investors have invested more than 5.7 billion dollars in the fields of textile, food, tourism, communication, retailing, education, construction, furniture, baking, and electronics. They have helped the economies by adding value, creating job opportunities, and paying tax.

Turkic Republics move toward becoming one of the attraction points for international economy and trade with 4 million m² of area, population size of 60 million, 83 billion dollars of GDP, foreign trade volume of 74 billion dollars, and 8-10 % of growth rate. Possessing 4% of the global petroleum reserves, 5% of gas reserves, and inflow of 39 billion dollars of foreign direct investments into the region in the last 15 years reflect the strategic importance of the region as well as its economic importance.

The well-being of the region is highly dependent on how well the energy resources will be utilized. These resources should be benefited in a way to vitalize the trade and investments in the region, thus strengthening the economies of the countries in the region and diversifying the economic structure which currently depends highly on natural resources. For instance, despite the fact that the region has one of the best quality cotton in the world, it is yet to advance in textile industry.

The countries in the region have made significant improvements towards developing the energy resources and delivering them to the global markets. Economic growths as high as 10% are recorded in petroleum and gas exporting countries such as Kazakhstan, Azerbaijan, and Turkmenistan. Baku-Tbilisi-Ceyhan petroleum pipeline and

Baku-Tbilisi-Erzurum gas pipeline along with some projects yet to be realized with China will further speed this growth process. New cooperation models between Turkey and Turkic Republics looks possible at this stage.

The globalization movement has increased the importance of regional cooperation in order to be able to stay competitive in the international competition; resulted in regional cooperation models in Africa, Far East, Europe, and America.

Considering cultural, political, and economic proximity among Turkic Republics, the opportunities for a similar union exist in the region. The current performance of these countries with complementary economies will reach a higher level by acting in coordination. One of the most vital factors that require a regional cooperation is that the countries of this region were established and governed with the same system for a long period of them, thus, all efforts of developing the region need to be based on a regional perspective (Delice, 2005). The regulations and standards must be harmonized in financial markets, communication, and all other investments in order to support the private sector.

Another issue worth considering is related to the transportation. A fast, dependable, and cheap transportation is the main parameter in distributing the production to the global markets. Railways are especially vital in this matter. In order to advertise Istanbul-Almaty route, many steps have been taken such as the “Silkroad Exhibition Train Project” since 2005. By the realization of Kars-Tbilisi Railways Project, a seamless transportation will be established on Turkey-Caucasia-Central Asia route, and the railway connection of Europe and Asia will be ready.

2.2 USA and Russian Views of Turkey in the Region

US interests and objectives in Turkey have steadily expanded since the end of the cold war. The primary US foreign policy vision after the cold war was one based on preventing regional disputes from threatening its own and its allies’ interests and on expanding market reforms, democratic principles and practices. Without a serious Russian threat to European security, US attention shifted to mid-level powers that have had ambitions to acquire non-conventional weaponry and the means to deliver it, such as Iran and Iraq. This policy vision lacked the simplicity of containment, but it would impact Turkey significantly. Turkey’s proximity to many regions in flux or conflict, together with Ankara’s long-standing adherence to the NATO alliance, helped Washington to re-interpret this country’s geo-strategic importance. Turkey has proven to be source of stability in the region. It has collaborated with the allies in both Bosnia and Kosovo, improved relations with Bulgaria and Romania, and took the lead in organizing Black Sea regional institutions. Successive US administrations in the early 1990s encouraged Turkey’s efforts to reach out to the Turkic Central Asian countries and the Caucasus as well, to provide them with technical and economic know-how, all designed to counter the growing Iranian and Russian influence in the region (Barkey, 2003).

In the short term, Turkey’s Western-oriented foreign policy is beneficial for Russia. Turkey’s regional outlook has resulted in closer relations with Central Asia and some regions where the Turkic population prevails, more than with Russia as a whole. Despite the fact that bilateral relations these days are not classified as confrontational but as regulating competition, Russia’s apprehension of pan-Turkism is still alive. In addition, Russia is the main gas supplier for Turkey – with a minimum market share of 40%, it already has an efficient control lever. Rem Vyahirev, the former head of the Russian gas company Gasprom, was right when he said that whoever started first in Turkey would win. Now Russia’s two gas pipelines are preventing alternative gas projects from realization and keeping the Turkish gas market under control. Turkey’s dependence on Russian gas offers some guarantees of Turkey’s political loyalty (Oultchenko, 2003)

3. EUROPEAN UNION RELATIONS WITH TURKIC CENTRAL ASIAN COUNTRIES

The relations of EU with Central Asian Countries are usually in the framework of PCA (Partnership and Cooperation Agreement). These relations are one-on-one relations rather than regional. The agreements signed in this framework consist of eliminating the quotas, competition, and state funding. The table below lists the PCAs signed between EU and Turkic Republics.

Table 6: PCAs Between EU and Turkic Republics

Country	Date
Azerbaijan	1 July 1999
Kazakhstan	1 July 1999
Kyrgyzstan	1 July 1999
Turkmenistan	1 May 1998
Uzbekistan	1 July 1999

Source: European Commission

The trade volume between EU and Turkic Central Asian countries has significantly increased. As presented in the table below, the total export of EU to the region has increased from 1.121 million euro to 7.574 million euro between 1995 and 2006.

Table 7: EU Export to Turkic Republics (million euro)

Country	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Azerbaijan	120	168	256	330	254	354	396	557	786	1.232	1.486	1.944
Kyrgyzstan	52	79	74	89	87	69	73	107	107	95	109	180
Kazakhstan	447	566	1.393	1.255	1.104	1.412	1.786	1.835	2.059	3.230	3.607	4.694
Turkmenistan	82	142	142	160	224	195	264	333	338	411	326	353
Uzbekistan	420	696	762	591	577	579	617	509	443	464	560	603
Total	1.121	1.651	2.627	2.435	2.246	2.609	3.136	3.341	3.733	5.332	6.088	7.574

Source: EU Market Access Database

The same trend is apparent in terms of the import of EU from the Turkic Republics in the same time period. The import figure of 1.110 million euro in 1995 has reached 19.559 million euro in 2006. The main reason of such a significant increase is the energy import of EU from the region. The high levels of growth in the energy production and export has occurred during this period. The price increases in oil has also magnified this effect.

Table 8: EU Import from Turkic Republics (million euro)

Country	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Azerbaijan	48	30	67	49	451	993	1.305	1.344	1.300	1.165	2.395	5.376
Kyrgyzstan	33	22	46	191	144	139	126	29	20	25	16	17
Kazakhstan	359	468	1.442	937	1.881	3.489	3.294	3.844	3.738	6.343	9.138	12.667
Turkmenistan	171	71	61	120	278	246	180	201	285	519	774	534
Uzbekistan	499	518	541	465	504	630	819	924	583	604	521	965
Total	1.110	1.109	2.257	1.762	3.258	5.497	5.724	6.342	5.926	8.656	12.844	19.559

Source: EU Market Access Database

Along with the increase of production and export of the region, the consumption of EU has increased simultaneously. Eight percent of the energy consumption of EU is satisfied from petroleum, gas, and coal. A significant portion of this is imported which causes EU to be vulnerable to the global changes in the energy market.

4. CONCLUSION

In the period of 1991-1992 immediately after the independence of the Turkic Republics, both Turkic Republics themselves and the Western countries supported the idea of applying the Turkish model to the Turkic republics of the Caucasus and Central Asia. The Turkic republics were eager to develop the relations with Turkey, choose it as a role model and get acquainted with the rest of the world through Turkey. The reasoning behind the support of Western countries to this idea on the other hand, was to export Western ways to a new region through Turkey and a method to prevent Iranian and other unwelcome influences.

The Turkish model refers to a development model that included "secularism in a Muslim society, a market economy, closeness and cooperation with the West, and a multi-party system" (Bal, 2000). He documents how in the period 1991-92 Then, Bal shows, support for the Turkish model began to decline by the end of 1992 and by the end of 1993 it ended almost completely. In the West, this change resulted from a realization that Iranian influences were limited, that Russian strengths in the region remained fairly intact, and also from a fear of resurgent pan-Turkism. In the Turkic republics themselves, the model's decline resulted from a fear of taking on a new "big brother" to replace the old Soviet one. And the intermediary role of Turkey to the West was weakened when the West started to come directly to the Caucasus and Central Asia, especially in the form of oil companies (Pipes, 2001).

Similarly, the Turkic republics' inclination towards Turkey as a role model lasted for about two years. This fact could be explained in several ways. Firstly, leaders of the republics gradually began to realize the limitations of Turkey. Another reason was Turkish support for the Azerbaijan Popular Front that alienated the leaders of the Turkic republics, because they viewed it as Turkish meddling in internal affairs of the newly independent states. Finally Russia's return to the region adversely affected the rise of the Turkish model (Sinkaya, 2005).

The relations between Turkey and the Turkic Republics after this period have gained a somewhat different perspective. The private sector of Turkey has started to play a significant role in these young republics. Investments in a large spectrum of fields have started to flow into the region along with an increasing population of Turkish citizens. Especially the investments in the education sector reflects the build-up of relations, although the results to be seen in a longer period.

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