

Economic Cooperation for Stability in the Caucasus Prospects for Abkhazia-Turkey Economic Relations

Erol Taymaz

Department of Economics
Middle East Technical University
Ankara 06531 Turkey
e-mail: etaymaz@metu.edu.tr

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Erol Taymaz

Department of Economics

Middle East Technical University

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e-mail: etaymaz@metu.edu.tr

Abstract

The brief war between Georgia and Russia that erupted after the vicious attack by the Georgian army on Tskhinval, on August 8, 2008, has radically changed the unstable and unsustainable *status quo* in the region. The war and the subsequent recognition of the independence of Abkhazia and South Ossetia by the Russian Federation (and, later on, by Nicaragua and Venezuela) helped to resolve “frozen conflicts” by eliminating the possibility of a new armed conflict. The solution for the conflicts in Abkhazia and South Ossetia has encouraged, for different reasons, Armenia, Turkey and other players in the region to intensify the search for solving decades-old problems. The new realities in the Caucasus, by providing a basic level of stability and security in the region, have opened the room for bilateral and multilateral cooperation at the local level. The paper explores the potential for economic cooperation in the region and to suggest specific measures that could foster bilateral relations between Abkhazia and Turkey.

Keywords: Economic cooperation, Caucasus, Abkhazia, Turkey

1. Introduction

The brief war between Georgia and Russia that erupted after the vicious attack by the Georgian army on Tskhinval, the capital of South Ossetia, on August 8, 2008, has radically changed the unstable and unsustainable *status quo* in the region. After the collapse of the Soviet Union, the Caucasus region was plagued with regional conflicts that could not be solved and were kept “frozen” for almost two decades. However, the war and the subsequent recognition of the independence of Abkhazia and South Ossetia by the Russian Federation (and, later on, by Nicaragua and Venezuela) helped to resolve “frozen conflicts” by eliminating the possibility of a new armed conflict. The solution for the conflicts in Abkhazia and South Ossetia has encouraged, for different reasons, Armenia, Turkey and other players in the region to intensify the search for solving decades-old problems between Armenia and Turkey, and Armenia and Azerbaijan.

There were two approaches aimed to solve the problems in the Caucasus. The first approach aims at “solving” the root-causes of problems with political, and sometimes, military ways. For example, the Georgian governments and some international organizations suggested to “solve” the Abkhazian-Georgian problem within the “territorial integrity” of Georgia without any due respect for security concerns of the Abkhazia people. However, this approach proved to be counter-productive, and led to disastrous outcomes for all peoples in the region.

The second approach aims at first creating the conditions for stability through bilateral and multilateral cooperation at the local level. This approach emphasizes the importance of economic aspects, and attempts to address acute problems experienced daily by the ordinary people to promote peace in the region.

The new realities in the Caucasus, by providing a basic level of stability and security in the region, have opened the room for pursuing the second approach. In line with this approach, the aim of the paper is to explore the potential for economic cooperation in the region and to suggest specific measures that could foster bilateral relations between Abkhazia and Turkey.

The paper is organized as follows: after this brief introduction, the second section presents some data on the patterns of economic growth in the countries in (Armenia, Azerbaijan and Georgia) and around the region (Iran, Russian Federation and Turkey). Section 3 is focused on trade relations between these countries. The next section explores the importance of the region as a route for energy transmission. Section 5 proposes a number of specific actions. Section 6 presents basic findings of the paper.

2. The context

Before analyzing economic relations in the Caucasus, we first need to define the actors. The actors in the region can be represented by a simple formula: 1 + 2 + 3 + 4. The first one is Nagorno-Karabakh, a landlocked region in Azerbaijan. It is *de facto* governed by the Nagorno-Karabakh Republic which is not recognized by any state. The next two are Abkhazia and South Ossetia, two states that have been partially recognized since September 2008. There are three South Caucasian states, namely Armenia, Azerbaijan and Georgia. The last category includes the countries around the region, Iran, Russian Federation, Turkey and the West (the EU and the USA). Although the northern part of the Caucasus belongs to the Russian Federation, it is included in the last group because its

main body lies outside the region. Although the EU and the USA play and will continue to play an important role in economic and political changes in the region, we will not present the data on these countries.

The data on country size and population are presented in Table 1. The total population of the regions associated with armed conflicts, Nagorno-Karabakh, Abkhazia and South Ossetia, is very small (less than half a million), as well as their total area (only 20,500 square-km). The largest South Caucasian country is Azerbaijan (about 9 million people), and there are about 4.4 and 3.0 million people living in Georgia and Armenia, respectively. The countries around the region, Iran, Russia and Turkey are much larger in terms of both population and size (area).

The highest income per capita in the region is observed in Russian Federation and Turkey (about \$9,000 at the current exchange rate in 2007), whereas Azerbaijan and Iran reach about half of that level. The poorest countries are Georgia (only \$2,300) and Armenia (\$3,100). There is no reliable statistics on Nagorno-Karabakh, Abkhazia and South Ossetia. However, the basic data on the number of tourists, external trade and state revenue suggest that the income per capita in Abkhazia could be around \$3,300 in 2007.

The data on remittances sent by workers working in foreign countries back to the homeland provide information on the role of diasporas and external links for economic development. The share of workers' remittances in GDP is quite high for all South Caucasian states: Armenia 9.2%, Georgia 6.8% and Azerbaijan 4.1%. Substantial shares of workers' remittances in GDP can be explained by migration experienced by these countries in the last two decades, and the low level of GDP in these countries. Workers' remittances/GDP ratio is low for Iran, Russian Federation and Turkey.

In order to understand the dynamics of growth and the prospects for the future, we need to look at the evolution of GDP per capita. Figure 1 presents the data for all countries for the period 1990-2007. The data is normalized to the world average such that the values in the figure are GDP per capital relative to the world average in that year.

All post-Soviet countries, and most significantly, the Russian Federation, experienced a sharp decline in relative GDP per capita in the 1990s. For example, GDP per capita in Russia was about 85% of the world average in 1990, but it dropped to 26% in 1999. Per capita income declined in Armenia, Azerbaijan and Georgia during the same period, but since the starting point was already very low, the decline does not seem to be so dramatic. Turkey's income per capital dropped significantly in 1994 and 2001 as a result of economic crises it experienced in these years.

Income per capita has recovered in the Russian Federation in the 2000s at a rate even higher than its decline in the 1990s. As a result, the income per capita in Russian Federation jumped from its historically low level of 26% in 1999 to 110% in 2007, i.e., GDP per capita in relative terms increased by more than 4-fold (in current dollars) in only eight years. The recovery of the Russia Federation can partially be explained by changes in oil prices. For example, the price of one barrel of crude Ural-grade oil increased from \$10 in 1999 to \$56 in 2007 (and \$94 in mid-2008).¹ Meanwhile, Russia was also able to increase the volume of its oil exports so that oil revenue increased faster than oil prices.

¹ US Energy Information Administration, *International Energy Annual* (Table Posted: June 10, 2008).

Increasing oil and natural gas revenues, together with the “nationalization” of oil companies, helped Russia to achieve high growth rates in the 2000s.

Turkey also achieved very high growth rates from its 2001 crisis until the world economic crisis first triggered in the US in 2008. As a result, GDP per capita in Turkey increased from 55% of the world average in 2001 to 108% in 2007. The South Caucasian states have improved their income level gradually since the early 2000s, and Azerbaijan, thanks to increasing oil and natural gas revenue, had the best performance among the Caucasian states. Georgia was the worst performer: its income per capita was the highest among the South Caucasian states in 1990 (34% of the world average), it declined to 10% in 1994, remained around the same level until the late 1990s, and reached only 28% of the world average in 2007. In other words, Georgia was much poorer, in relative terms, in 2007 than it was in 1990. Iran’s performance in raising the standards of living of its population was poor. Its relative income per capita remained almost unchanged since 1996.

Population dynamics had a rather different pattern: from 1990 to 2007, Turkey, Iran and Azerbaijan had positive population growth rates. During this time period, the population growth rates in these countries were 32%, 31% and 20%, respectively. However, other countries lost significant amounts of population: the decline in population was modest in the Russian Federation (4% from 1990 to 2007), but Georgia and Armenia experienced enormous losses due to migration. Georgia’s population dropped from 5.46 million in 1990 to 5.15 million in 1994 and to 4.40 million in 2007, i.e., more than 1 million people (about 20% of total population) left the country in less than two decades. Armenia also experienced a substantial migration, and population declined by 15% in the same time period.²

The data on income and population indicate that only Russian Federation and Turkey, among the countries in the region, had achieved quite rapid growth in the last decade, and they reached a sizeable income level in 2007. Azerbaijan and Iran had a mediocre performance in spite of their oil and natural gas resources. Georgia and Armenia were the worst performers: they failed to improve the standards of living of their population in the last two decades, and, consequently, lost substantial portions of their populations through migration.

Since the region is plagued with “frozen” conflicts for almost two decades, it is necessary to look at the data on military expenditures because these expenditures could have a negative impact on economic growth through crowding out public and, in many cases, private investment. Figure 2 presents the data on the share of military expenditures in GDP for the 1990-2007 period. We use the *share* of military expenditures in GDP to compare its relative costs for the country.

All the countries in the region have spent about 2-4% of their GDP on military purposes. Although there are some fluctuations in military expenses, Armenia, Turkey and, to some extent, the Russian Federation have reduced the share of military expenses in GDP in recent years whereas Azerbaijan and Iran had fluctuating levels without any strong trend.

² There are significant differences in population statistics provided by the World Bank’s *World Development Indicators* and the National Statistical Service of the Republic of Armenia (NSS). According to the NSS, 125,300 people migrated to other countries from 1995 to 2007, whereas the number of immigrants was only 23,700 (see National Statistical Service of the Republic of Armenia, *Statistical Yearbook of Armenia*, selected years).

Georgia is a notable outlier: its military expenses declined slightly from 1996 to 2000 and remained around 1% until 2003. However, Georgia started to build up a massive military after Saakashvili became the president of Georgia on 4 January 2004 following the coup against Shevardnadze. The share of military expenses in GDP increased rapidly, from a mere 1.1% in 2003 to 9.2% in 2007 by surpassing by a large margin the level observed in all other countries in the region. It is notable that the share of military expenses in GDP in Georgia was even higher than the share Israel spent in 2007 (8.6%).³ Georgia's massive military buildup, that was largely destroyed during the five-day war between Russia and Georgia in August 2008, is certainly a factor that contributed to its poor economic performance.

3. Trade relations in the Caucasus

The most important economic link between the countries in the region is trade relations. Thus, we will first analyze the extent of foreign trade for these countries, and, then, we will focus our attention on bilateral trade relations.

The data on the value of imports and exports for a selected set of years are presented in Table 2. Although the value of exports increased rapidly for all countries in the region in the last decade (about 15-20% per year), its level is still low for all but oil-producing countries. The share of exports in GDP was only in the range of 12-15% for Armenia and Georgia, and around 20-22% in Turkey and Iran. Because of the inflated oil and natural gas export revenue, the share of exports in GDP was much higher for the Russian Federation and Azerbaijan. Azerbaijan had a phenomenal jump in export revenue in 2008 but almost half of its exports are accounted by multinational oil companies.

There is a strong correlation between trade deficit and energy-dependence. Oil producing countries of the region (Azerbaijan, Iran and the Russian Federation) accumulated huge trade surpluses whereas others (Armenia, Georgia and Turkey) had large deficits. Turkey had the highest trade deficit in 2008 (\$70 billion). However, Armenia and Georgia had the worst deficits relative to their GDP (33% in Armenia and 45% in Georgia), i.e., they need substantial amounts of capital inflow to finance their imports.

The composition of imports and exports provide valuable information on a country's level of development and its mode of articulation with the world economy. The structure of imports for Armenia, Azerbaijan, Georgia and the Russian Federation is quite similar (see Table 3). Machinery and transport equipment, manufactured goods and food account for a large part of imports for these countries. Of course, oil (mineral fuels) is also an important import item for Armenia and Georgia. Machinery and transport equipment, manufactured goods and oil imports have large shares in Iran's and Turkey's imports.

Oil is the single most important product exported by Azerbaijan (97%), Iran (83%) and the Russian Federation (66%). These countries are heavily dependent on oil exports, and their export revenues are sensitive to changes in world oil prices. Armenia and Georgia have very low levels of exports that are characterized by labor and resource-intensive products

³ The EU's Independent International Fact-Finding Mission on the Conflict in Georgia mentions that "Military spending in Georgia under President Saakashvili's rule increased quickly from below 1 % of GDP to 8 % of GDP, and there were few who did not see this as a message." (IFFMCG, 2009: 14-15)

(manufactured goods including non-metallic mineral manufactures and iron and steel, crude materials and beverages and tobacco). Turkey's export structure reflects the fact that Turkey has a rather diversified industrial structure: manufactured goods, machinery and transport equipment and other manufactured articles account for 75% of Turkey's exports.

The data on bilateral trade relations between the countries in the region reveal that intra-regional trade is not well-developed in spite of geographical proximity. Table 4 presents the data on the share of imports for each country by exporters for two broad categories of products, raw materials (SITC 0, 1, 2, 3, 4 and 9 categories) and manufactured products (SITC 5, 6, 7 and 8 categories). The rows in the table denote importers, and the columns exporters. The last column refers to the "Rest of the World" (all other countries). For example, the figure in the first row (Azerbaijan) and fifth column (Russian Federation) of the table indicates that 6.8% of Azerbaijan's imports are raw materials imports from the Russian Federation. The figures higher than 5% are printed in bold characters.

As shown in the table, the Russian Federation is an important supplier of raw materials, most importantly oil, in the region. Although there was a decline in oil and natural gas imports of Georgia from the Russian Federation in 2008 due to the 5-day war, it accounted for 4.8% of all Georgian imports. Azerbaijan has been the main energy supplier for Georgia (9.8% of imports). Turkey and Armenia seem to be heavily dependent on oil and natural gas imports from the Russian Federation. Iran is another important energy supplier for these two countries.

The Russian Federation supplies a significant share of manufactured products imports by Azerbaijan and Armenia. However, Turkey appears to be the most important supplier of manufactured products in the region, especially in Azerbaijan and Georgia. Although the border between Armenia and Turkey is closed, imports of manufactured products from Turkey accounts for 5.5% of all imports by Armenia. Turkey's share in the Russian market is still low (only 1.8%) but it has increased rapidly in the last decade. In other words, the data reveal that the Russian Federation is the main energy supplier for the non-oil producers in the region, whereas Turkey is the main supplier for manufactured products. The effect of regional conflicts is apparent in the case of bilateral trade flows (most importantly, in the case of Turkey's export to Armenia). There seems to be a substantial welfare-enhancing potential for trade relations between the countries in the Caucasus.

A detailed analysis of trade relations between the Russian Federation and Turkey would provide insights for the prospects of economic cooperation because they are two major exporters in the region. Tables 5a and 5b summarize the data on sectoral composition of imports of these countries from each other. Russian Federation's imports from Turkey increased rapidly since 2002, and reached \$6.1 billion in 2008. Turkey's share in the Russian market increased from 1.6% in 2002 to 2.3% in 2008. The low level of market share could be taken as an indication for an untapped potential for Turkey in the Russian market. Turkey is quite competitive in machinery and transportation equipment, consumer electronics, textile and clothing in the European markets (Taymaz and Voyvoda, 2009), and it is expected to increase its market share in these products in the Russian market as well.

Turkey's imports from the Russian Federation experienced even a faster increase in the same period, from \$3.9 billion in 2002 to \$31.4 in 2008. Oil and natural gas account for about two-third of imports from the Russian Federation. As a result of that increase, caused

fairly by the rise in oil and gas prices, Russia's share in imports of Turkey jumped from 7.5% in 2002 to 15.5% in 2008. In addition to oil and natural gas, iron and steel and non-ferrous metals (included in "manufactured products" category) are among the products imported extensively by Turkey from the Russian Federation. The pattern of trade and its change show that Turkey could increase its exports of machinery and transportation equipment to the Russian Federation, and import raw materials and energy in the short- and medium-term. Of course, there could be a potential for cooperation in the production of relatively more sophisticated products, because there is a scope for interactions between scientifically and technologically advanced Russian enterprises/institutions and Turkish enterprises that are competent in industrial production.

4. Economics of energy (transmission)

The Caucasus has attracted attention since the early 20th century for its oil reserves. The discovery of new oil and natural gas fields in the Caspian Sea and the Central Asian countries and growing demand for energy by European countries has augmented the so-called strategic importance of the region as a transit route for energy transmission.

The Baku-Tbilisi-Ceyhan (BTC) pipeline is the most important pipeline that was constructed in the region after the collapse of the Soviet Union. The 1,800 km long crude oil pipeline connects the Chirag-Guneshli oil field in the Caspian Sea (Baku/Azerbaijan) to Ceyhan on the Mediterranean coast (Turkey) via Tbilisi (Georgia). The construction of the pipeline was completed in May 2005 and the first oil pumped from Baku reached Ceyhan in May 2006.

Azerbaijan and the multinational corporations are among the most important beneficiaries of the pipeline. It is designed to transport 1 million barrel of oil per day at normal capacity, i.e., if the price of oil is \$70 per barrel, total revenue for oil producers would be \$25 billion per year.

Georgia and Turkey collect transit fees and operating services depending on the operating capacity of the pipeline. Turkey is expected to get \$140-200 million per year for the first 16 years, and up to \$300 million per year in the second phase (years 17-40) (see BTC Proje Direktörlüğü, n.d.). Georgia is expected to get about \$50 million as transit fees when the pipeline operates at full capacity in 2012. According to the IMF forecasts, the transit fees from the BTC are unlikely to increase government revenue by more than 0.6% of GDP per year over the medium term (Billmeier et al., 2004). The pipeline could generate more revenue for Georgia if the Kazakh oil fills the gap that would be caused by declining oil production in the Chirag-Guneshli oil field.

There are a number of proposals and projects for new oil and natural gas pipelines in the region. Two most important ones are the South Stream and Nabucco projects. The South Stream project, supported by Russia, is proposed to transport natural gas from Russia to the European countries (Italy and Austria) via the Black Sea and Bulgaria. The Nabucco pipeline is planned to be constructed from Erzurum (Turkey) to Austria to diversify current natural gas routes for Europe. Thus, it is supported by the EU, the USA and the main transit country, Turkey. The intergovernmental agreement between Turkey, Romania, Bulgaria, Hungary and Austria was signed by five prime ministers on 13 July 2009 in Ankara. Although President Saakashvili of Georgia attended the ceremony, Georgia is not a signatory to the agreement.

Current and planned routes for energy transportation are determined by political factors. Georgia has been successful in exploiting the conflicts between Armenia on the one hand, and Turkey and Azerbaijan on the other. However, recent initiatives in the region that could enhance stability and security are likely to weaken Georgia's strategic position regarding energy transmission.

5. Prospects for Abkhazia-Turkey economic relations

The political landscape of the Caucasus was apparently "frozen" since the ceasefire agreements were signed in the conflict regions in the mid-1990s. However, there were gradual but fundamental changes in underlying political relations. The five-day war in August 2008 marked the end of unsustainable *status quo* and opened the way to launching new initiatives to enhance security and stability in the region.

After decades of political competition, Turkey and the Russian Federation started to establish a new bilateral relationship in 2003. The main motivating factor was the potential for trade, especially in energy. Although these two countries have adopted competing positions regarding specific oil/gas pipelines, they have been careful not to antagonize each other.

In the 1990s and 2000s, Turkey considered Georgia as a strategic ally. Georgia provided the only route for transporting Azeri oil/gas to Turkey and to European countries because Armenia was not an option as a result of the Nagorno Karabakh problem. Turkey has even turned a deaf ear to the appeals of the Meskhetian Turks who wanted to return to their homeland in Georgia, and the Adygean-Abkhazian diaspora in Turkey who wanted to have trade and family links with their compatriots living in Abkhazia.

After the five-day war, Turkey has attempted to play a more active role in the South Caucasus, and proposed the Caucasus Security and Cooperation Platform for the region (Gultekin Punsmann, 2009). Although the Russian Federation had a cautious positive response to the idea, Georgia has refused to participate by citing its problems with the Russian Federation. The USA also expressed its dissatisfaction with the Turkish proposal that does not include the USA.

There are two important factors behind Turkey's new initiatives and policies in the region. First, Turkey is indeed in a strategic location for energy transportation between main user and supplier countries. There is a demand to build pipelines both in the East-West and in the North-South directions, and Turkey is located just at the intersection of these routes. In order to play its role as a transfer route for oil and natural gas, Turkey needs to have stability around its neighborhood. Second, independent of its position as an energy corridor, Turkey has adopted an active policy stance in international relations to become a regional player while strengthening its position in Europe. The new policy is based on the principles of "zero-problem" with neighbors and "multi-dimensional foreign policy" (see Davutoğlu, 2008; Öniş and Yılmaz, 2009).

Turkey has a unique position in the Caucasus that enables it to pursue a "multi-dimensional foreign policy". First, Turkey has good relations with all countries but Armenia in the region, and has taken major steps in normalizing its relations with Armenia. Second, there is a large Adygean-Abkhazian and Ossetian diaspora in Turkey that could facilitate links

with Abkhazia and South Ossetia. There are indeed more Abkhazians living in Turkey than those in Abkhazia. Third, as we have seen in the preceding section, Turkey has a relative strong industrial base, and could play an important role in initiating economic cooperation projects and in providing industrial products that the countries in the region may need.

Since a comprehensive settlement of all problems in the Caucasus is not feasible, at least in the short and medium term, there is a burning need and a strong desire to initiate incremental, concrete projects that would provide some relief for the peoples of the region. This approach would also contribute to building confidence, and to securing peace and stability. In this context, Turkey needs to cooperate with Abkhazia and South Ossetia on specific projects in order to be successful in its multi-dimensional foreign policy in the region.

What are the specific measures and projects Turkey could pursue? First, there is an urgent need to establish direct and secured transportation links between Turkey and Abkhazia. Opening Sukhum-Trabzon maritime and Sukhum-Istanbul air transportation should be a priority. Second, Turkey should encourage free trade with Abkhazia and provide incentives for opening trade representations in Abkhazia by Turkish chambers of trade. Third, Turkey could support, through joint ventures and technical support, private sector development, especially small and medium-sized enterprises, in tourism, agro-business, construction, health and education sectors. Fourth, Abkhazia could open its transportation infrastructure (ports, railroads, Sukhum airport, etc.) to facilitate transportation of products to be exported from Turkey to the Russian Federation. Finally, civil society and diaspora organizations could be supported to contribute establishing close trade and cultural links between Abkhazia and Turkey.

6. Conclusions

The Caucasus has been imagined by many people as a region of conflict and controversy. However, the region is rich in natural resources, and is known historically by its natural beauty and cultural diversity. The cycle of violence and oppression that was carried out by irrational nationalisms in the early 1990s created an unstable and unsustainable *status quo* that deprived the region of economic growth and prosperity.

The international recognition of the independence of Abkhazia and South Ossetia after the five-day war in August 2008, and the recent rapprochement between Armenia and Turkey have opened the way for constructive bilateral and multilateral cooperation in the region. The basic level of stability and security secured by these changes could bring prosperity to the region if they are supported by bilateral and multilateral economic cooperation that does not exclude any country in the region. In this context, the relations between Abkhazia and Turkey would play a special role. Abkhazia and Turkey need to find creative solutions to strengthen trade and cultural links between each other.

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Tables and Figures

Table 1. Population, GDP per capita and workers' remittances, 2007

	Population (million)	Area (000 km ²)	GDP per capita (\$ per year)	Workers' remit/GDP (%)
Nagorno-Karabakh	0.14	8.2		
Abkhazia	0.22	8.4	3300	
South Ossetia	0.07	3.9		
Armenia	3.01	29.8	3059	9.2
Azerbaijan	8.56	86.6	3652	4.1
Georgia	4.40	57.4	2313	6.8
Iran	71.02	1648.2	4028	0.0
Russian Fed	142.10	17075.4	9079	0.3
Turkey	73.89	783.6	8877	0.2

Source: GDP, population and workers' remittances, World Bank, *World Development Indicators 2007*

Table 2. Imports and exports, selected years
(million \$)

	1997	2002	2006	2008
<i>Imports</i>				
Armenia	754	963	2194	4101
Azerbaijan	794	1666	5267	7162
Georgia	942	793	3675	6056
Iran	14181	20336	40686	
Russian Fed	66327	46177	137728	267051
Turkey	47515	51270	139576	201961
<i>Exports</i>				
Armenia	215	527	1004	1055
Azerbaijan	781	2168	6372	47756
Georgia	240	346	992	1497
Iran	18425	28186	63247	
Russian Fed	85889	106692	301551	467994
Turkey	26245	35762	85535	132002
<i>Trade deficit (imports-exports)</i>				
Armenia	539	436	1190	3046
Azerbaijan	12.691	-502	-1105	-40594
Georgia	702	447	2683	4559
Iran	-4244	-7850	-22561	
Russian Fed	-19562	-60515	-163823	-200943
Turkey	21270	15508	54041	69959

Source: UN, *Comtrade*

Table 3. Sectoral composition of imports and exports, 2008
(percent)

Sectors	SITC	Armenia	Azerbaijan	Georgia	Iran ^a	RF	Turkey
<i>Imports</i>							
Food and live animals	0	13.0	11.4	12.2	4.6	9.7	2.5
Bever and tobacco	1	3.6	3.2	2.1	1.0	1.4	0.2
Crude materials	2	2.3	2.9	2.1	3.2	3.0	8.0
Mineral fuels	3	15.6	1.6	18.0	9.7	1.5	16.2
A/V oils and fats	4	1.2	0.9	1.0	1.7	0.7	0.8
Chemicals	5	8.9	8.4	9.1	10.8	10.1	12.5
Manufactured goods	6	21.3	16.8	16.0	20.2	11.7	18.0
Mach and transport eqmnt	7	22.4	47.6	29.2	37.0	47.8	25.5
Other manuf articles	8	7.9	6.1	9.6	2.9	9.0	5.6
Others	9	3.8	1.1	0.6	9.1	5.0	10.6
Total		100.0	100.0	100.0	100.0	100.0	100.0
<i>Exports</i>							
Food and live animals	0	4.1	0.9	7.0	3.3	1.4	6.9
Bever and tobacco	1	15.3	0.0	9.2	0.1	0.2	0.7
Crude materials	2	14.8	0.2	22.0	0.8	3.6	2.2
Mineral fuels	3	0.6	97.1	3.0	83.1	65.7	5.7
A/V oils and fats	4	0.0	0.2	0.1	0.1	0.2	0.4
Chemicals	5	1.8	0.4	10.5	2.7	4.8	4.3
Manufactured goods	6	52.0	0.9	26.1	4.8	12.0	30.8
Mach and transport eqmnt	7	3.8	0.4	12.9	0.8	3.4	29.6
Other manuf articles	8	7.0	0.0	2.3	0.8	0.6	15.6
Others	9	0.5	0.0	6.9	3.6	8.2	3.8
Total		100.0	100.0	100.0	100.0	100.0	100.0

Source: UN, Comtrade

^a 2005

Table 4. Import-export matrix, 2008
(percent of total imports)

Importer	Exporter						
	Azerbaijan	Armenia	Georgia	Iran	RF	Turkey	RoW
<i>Raw materials</i>							
Azerbaijan		0.0	0.2	0.4	6.8	0.6	13.2
Armenia	0.0		0.6	2.1	12.3	1.0	23.4
Georgia	9.2	0.2		0.3	4.8	2.0	19.5
RF	0.1	0.1	0.0	0.1		0.5	20.6
Turkey	0.4	0.0	0.2	3.8	12.4		21.6
<i>Manufactured products</i>							
Azerbaijan		0.0	0.5	1.0	12.1	10.7	54.6
Armenia	0.0		0.4	2.8	8.0	5.5	43.8
Georgia	0.8	1.0		0.6	2.2	13.1	46.3
RF	0.0	0.0	0.0	0.1		1.8	76.7
Turkey	0.1	0.0	0.0	0.3	3.1		58.0

Source: UN, Comtrade

Note: Raw materials: SITC 0, 1, 2, 3, 4, 9; Manufactured products: SITC 5, 6, 7, 8

Table 5a. Sectoral composition of imports of Russian Federation, 2002, 2008
(million \$)

	Imports from Turkey		Share in total	
	2002	2008	2002	2008
Food and live animals	123	873	1.6	3.4
Bever and tobacco	40	82	2.9	2.2
Crude materials	28	329	1.3	4.1
Mineral fuels	0	26	0.0	0.6
A/V oils and fats	1	4	0.1	0.2
Chemicals	61	387	1.1	1.4
Manufactured goods	129	1459	2.2	4.7
Mach and transport eqmnt	147	2348	1.0	1.8
Other manuf articles	201	594	5.1	2.5
Others	0	37	0.0	0.3
Total	729	6140	1.6	2.3

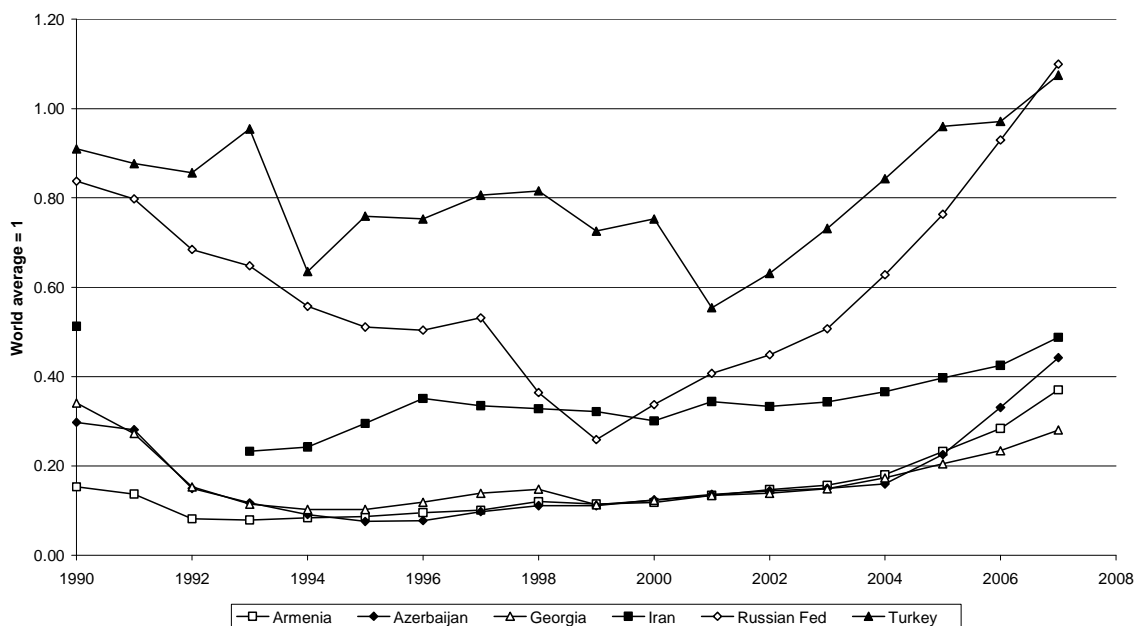
Source: UN, Comtrade

Table 5b. Sectoral composition of imports of Turkey, 2002, 2008
(million \$)

	Imports from Russia		Share in total	
	2002	2008	2002	2008
Food and live animals	52	664	5.0	13.2
Bever and tobacco	1	10	0.4	2.3
Crude materials	291	1491	7.9	9.2
Mineral fuels	1481	11841	20.7	36.1
A/V oils and fats	0	118	0.0	6.9
Chemicals	126	801	1.6	3.2
Manufactured goods	700	5455	8.0	15.0
Mach and transport eqmnt	10	31	0.1	0.1
Other manuf articles	1	3	0.0	0.0
Others	1200	10951	33.1	51.1
Total	3863	31364	7.5	15.5

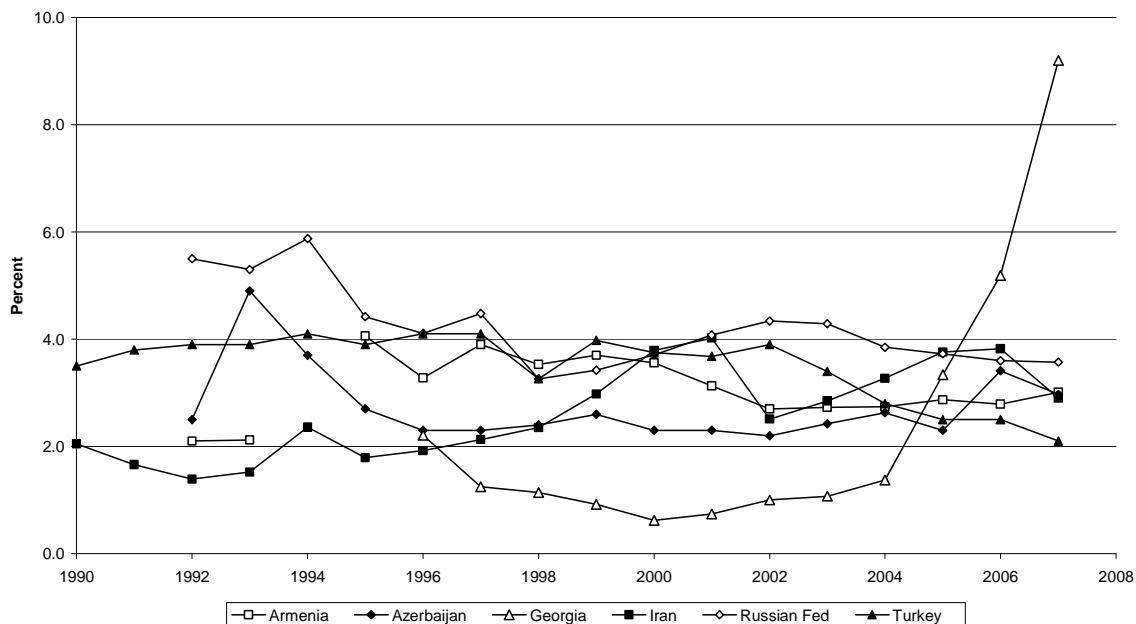
Source: UN, Comtrade

Figure 1. GDP per capita relative to the world average, 1990-2007



Source: World Bank, World Development Indicators 2007

Figure 2. Share of military expenditures in GDP, 1990-2007



Source: SPIRI, SIPRI Yearbook 2009, Table 5A.4.