

## ARTICLE

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# The Organization of Turkic States' Economic Potential and Cooperation Prospects among its Members

Orkhan BAGHIROV\*

### Abstract

*In recent years, the Organization of Turkic States (OTS) has significantly increased its global influence and has attracted new member and observer states. In this process, its economic potential has played an important role. Thus, the main goal of this article is to analyze the OTS' present economic potential and the extent of economic cooperation within the organization, and to determine the future prospects of such cooperation. For this purpose, the article examines the economic potential of OTS member and observer states and the total potential of the organization by focusing on major economic sectors such as trade, transport and energy. It then analyzes the current extent of cooperation among member and observer states in these sectors. Based on the results of these analyses, the article determines the OTS' economic cooperation prospects and discusses the measures that could be taken for the further development of cooperation within the OTS. In general, the results of the research presented in the article reveal that the OTS has a large and comprehensive economic potential, and that despite the level of economic cooperation that has already been achieved within the organization, there are many unrealized opportunities. Therefore, the economic prospects and measures identified in the article could enable member and observer states to focus on those opportunities, thereby increasing the economic strength of the OTS.*

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\* PhD Candidate & Leading Advisor, Center of Analysis of International Relations (AIR Center), Baku, Azerbaijan. E-mail: b.orxan07@gmail.com. ORCID: 0000-0002-6517-615X.

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## Keywords

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## Introduction

The Organization of Turkic States (OTS) is an intergovernmental organization with the goal of promoting and developing comprehensive cooperation among the independent Turkic States. The organization was formerly called the Cooperation Council of Turkic Speaking States (Turkic Council). Its name was changed via a joint declaration of the organization's 8<sup>th</sup> Summit held in Istanbul in 2021.<sup>1</sup> The OTS was founded on October 3, 2009, on the basis of the Nakhchivan Agreement signed by the founding member states of Azerbaijan, Kazakhstan, Kyrgyzstan and Türkiye,<sup>2</sup> becoming the first voluntary alliance of Turkic states in history. In subsequent years, other states joined the organization. During the 6<sup>th</sup> Summit in Cholpon-Ata, the Kyrgyz Republic became a member, and in September 2018, Hungary received observer status.<sup>3</sup> At the next summit held in Baku in October 2019, Uzbekistan joined the organization as a full member. And at the latest 8<sup>th</sup> Summit held in November 2021 in Türkiye, Turkmenistan joined as an observer member.

The OTS is committed to the principles of the Charter of the United Nations (UN) and the norms of international law, including sovereign equality, territorial integrity and the inviolability of internationally recognized borders. Although the organization brings together Turkic states, it does not take an exclusive approach. By promoting solidarity and deeper relations among the Turkic-speaking states, it aims to become an effective regional instrument not only for developing cooperation between its members, but also for expanding international cooperation in the Eurasian continent. To achieve this aim, the OTS does not limit itself to working solely within the framework of its members and cooperates with its neighboring states in order to ensure regional and global peace and stability.

As the first organization of Turkic states, the OTS was formed on the basis of the four main shared characteristics of its members: common history, common language, common identity and common culture. The organization aims to broaden existing cooperation in areas such as the economy, science, education, transportation, customs and tourism.

Multilateral cooperation in these areas within the OTS will positively contribute to regional development, particularly in Central Asia and the Caucasus.

While the OTS promotes cooperation in many different sectors, economic cooperation is one of its highest priorities. The organization's purposes and tasks in the economic sector, outlined in Article 2 of the Nakhchivan Agreement, demonstrate that economic cooperation is one of the main pillars of the OTS. The agreement's economic goals include creating favorable conditions for trade and investment; simplifying customs and transit procedures to facilitate the effective movement of goods, capital, services and technologies; and simplifying financial and banking operations to achieve comprehensive and balanced economic growth.<sup>4</sup> The aims to which the summits of the OTS are dedicated also demonstrate the importance of economic cooperation within the organization. Three of the last seven summits have been entirely dedicated to economic issues such as transport and connectivity, cooperation in tourism and support for small and medium-sized enterprises. At the 8<sup>th</sup> Summit, the members agreed to establish a Turkic Investment Fund.<sup>5</sup>

Taking into account the importance of economic issues for the OTS, the main goal of this article is to analyze the economic cooperation opportunities within the organization. For this purpose, the first section focuses on revealing the economic potential of the OTS by analyzing the economic potential of its member and observer states and assessing the total economic potential of the organization. The second section examines the current level, and the weak points of economic cooperation between the member and observer states of the OTS. The last section articulates the prospects for economic cooperation within the organization.

## Economic Potential

In order to analyze the extent of economic cooperation between OTS member and observer states and the prospects for developing their cooperation, it is important to determine the economic potential of the organization as a whole. Therefore, in this section,

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we briefly describe the economic potential of the member and observer states and the total economic potential of the organization by analyzing the level of GDP, trade potential, main trade partners and areas of specialization of the economies of the member states. Determining the economic potential of the OTS enables us to identify the areas in which economic cooperation could be effectively developed, as well as the prospects for further integration.

### *The Economic Potential of OTS Member and Observer States*

Among the member and observer states of the OTS, Türkiye has the biggest economy. In 2020, despite the effects of the COVID-19 pandemic, Türkiye's economy grew by about 1.6%.<sup>6</sup> The following year, the growth level of Türkiye's economy was about 11%, which resulted in the formation of a GDP of \$803 billion.<sup>7</sup> Türkiye's significant economic growth in 2021 affected its levels of trade, and its export volume increased by about 32% to \$225.3 billion.<sup>8</sup> In the same period, Türkiye's level of imports increased by about 23% to \$271.4 billion. The manufacturing industry is the most developed sector of the Turkish economy, and the products of this sector had the biggest share of exports in 2020 (79%).

The second biggest economy in the OTS is Kazakhstan, with a total GDP of \$164.79 billion in 2020.<sup>9</sup> Unlike Türkiye, the size of Kazakhstan's economy decreased in 2020 by about 2.6%; after the bounce-back in 2021, the Kazakh economy expanded by about 4% to reach a total GDP of \$171.4 billion.<sup>10</sup> The structure of Kazakhstan's exports is not very diversified as fuels constitute about 61% of its total exports. Kazakhstan's other main export products are manufactured goods, and ores and metals, which have a share of 17% and 6%, respectively.

The third biggest economy among the OTS member states is Uzbekistan, which proved resilient against pandemic-related problems and expanded by about 1.6% in 2020.<sup>11</sup> In 2021, according to preliminary calculations, Uzbekistan's GDP increased by about 6.2%.<sup>12</sup> Compared to the other member states, Uzbekistan has a more diversified economy, since the main products it exports are manufactured goods (26%) and fuel products (22%).

Azerbaijan has the fourth largest economy among the OTS member states, with a total GDP of \$42.6 billion as of 2020. In 2020, because of pandemic-related economic problems, its economy shrank by 4.3%.<sup>13</sup>

According to preliminary calculations, Azerbaijan's GDP increased by about 5.6% the following year to reach \$54.52 billion.<sup>14</sup> The structure of Azerbaijan's exports is not very diversified, and mostly consists of fuel products. In 2020, the share of fuel products in its exports was 86%, whereas the shares of manufactured goods and food products were 4% and 6%, respectively.

In terms of economic size, Kyrgyzstan ranks last among the member states. In 2020, Kyrgyzstan's GDP was about \$7.4 billion, 8.6% smaller compared to 2019.<sup>15</sup> However, in 2021, Kyrgyzstan's GDP level increased by about 3.6% in real terms.<sup>16</sup> As Kyrgyzstan has a diversified economy, the structure of its exports is also diversified. The largest share belongs to manufactured products (17%).

Among the observer states, Hungary has the biggest economy, with a GDP of \$154.3 billion as of 2020.<sup>17</sup> Hungary has a diversified economy, and most of its exports are manufactured products. In contrast, Turkmenistan, the other observer state, has a less diversified economy, and its exports mostly consist of fuel products (88%).<sup>18</sup>

### *Total Economic Potential of the OTS*

After analyzing the economic potential of the member and observer states separately, we can now determine the total economic potential of the OTS. According to the official statistical numbers of the OTS, the Turkic States have a combined population of approximately 150 million, which constitutes 2% of the world's population. They comprise an area of over 4.5 million square kilometers, 0.9% of the world's total area.<sup>19</sup> The total GDP of the member states is around \$1.5 trillion, ranking 13<sup>th</sup> as a whole globally. The proportion of the total GDP of the OTS members in the world's GDP is about 1.8%.

After 2015, the OTS member countries' trade relations improved significantly. According to the official calculations of the organization, since 2015, the trade turnover among the founding member states of the Turkic Council has increased by 22%, reaching almost \$9 billion.<sup>20</sup> If we include Uzbekistan's trade turnover with that of the

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member states (Uzbekistan joined the organization as a full member in 2019), then the increase in member states' total trade turnover was about 35% higher in 2020 compared to 2015.<sup>21</sup> Considered separately, Uzbekistan's trade turnover with the member states has increased by 40% since 2016. Adding the trade turnover of the observer states (i.e. Turkmenistan and Hungary) to that of the other members, we come up with a total trade turnover number of \$19.9 billion.<sup>22</sup>

It is instructive to consider the total trade turnover of the OTS members in comparison with countries around the world. According to Türkiye's Union of Chambers and Commodity Exchanges, in 2020, the total foreign trade volume of the OTS member states was about \$560 billion, constituting about 3% of global trade.<sup>23</sup> This represents a huge market in which all the member and observer states could increase their share. By engaging more fully in each others' markets, the OTS members could enter other markets in different parts of the world. An increase of integration between the member states would also create new opportunities to deepen integration with other countries.

To determine the OTS' general economic potential, it is important to analyze the changes in the organization's GDP and total trade volume in recent years, and to look at the structure of its total trade based on product groups and main trade partners. If we look at the data regarding GDP growth, we can observe that during 2020, most of the economies of the member and observer states were affected by the pandemic and their economic growth decelerated. Growth in GDP was recorded only in Türkiye, Uzbekistan and Turkmenistan. The greatest decrease in the size of the economy was recorded in Kyrgyzstan (-8.6%). Despite the pandemic, Türkiye and Uzbekistan were able to maintain a growth rate because their economies are more diversified compared to other members. The economies of the member states in which the oil and gas sectors play an important role were hit hard by the pandemic. However, in 2021, the GDP of all member and observer states increased, as they were able to restore their economies. The highest increase in the level of GDP was recorded in Türkiye, at about 11%. So, the total GDP of the OTS was mostly affected by the pandemics in 2020, and the next year its growth was restored. Compared to other organizations, such as the European Union (EU) and Eurasian Economic Union (EAEU), the effect of the pandemic on the economies of the OTS (including observer states) was moderate.

In 2020, the export levels of most of the member and observer states were also affected by the pandemic. The most significant decreases in

the level of exports were recorded in Turkmenistan, Azerbaijan and Kazakhstan, at 34.1%, 30% and 19%, respectively, due to sharp decrease in the prices of crude oil

and natural gas, which were the main export products of these countries.<sup>24</sup> However, the dependence of their exports on the oil and gas sector enabled these countries to achieve the highest growth in export levels in the following year. Azerbaijan's export level increased by approximately 64%,<sup>25</sup> while Turkmenistan's and Kazakhstan's export levels increased by 61%<sup>26</sup> and 26%,<sup>27</sup> respectively, in 2021. Türkiye also had a huge increase in the level of exports—32%—in 2021. Similar changes were recorded in the volume of imports in the last two years. In 2020, the level of imports of the OTS member and observer states, with the exception of Turkmenistan, fell as a result of contractions in GDP.<sup>28</sup> In the subsequent year, the import levels of all of the OTS member and observer states increased. All these changes show that fluctuations in the international oil and gas markets affect the trade level of the organization. However, the richness of some member states in terms of oil and gas resources contributes positively to the energy security of the organization as a whole.

An analysis of the structure of OTS trade in general indicates that fuel products, especially oil and gas, along with manufactured products, constitute most of the exports. Some member and observer countries specialize in the export of fuels, and others in the export of manufactured products. This fact reveals that the OTS can effectively meet the demand of the members for energy and manufactured products, which increases the economic security of the organization as a whole. Additionally, some member and observer states specialize in the production of food products, ores and metals, which could play an important role in maintaining food security and supplying the necessary raw materials for the heavy industries of the other members.

Unlike the structure of its trade, the geography of the OTS' trade relations is not very diversified.<sup>29</sup> Because the majority of the member and observer states are post-Soviet countries, they have highly developed trade relations with Russia, making Russia one of the OTS' main trading partners. Russia is one of the top five trade partners of the majority of OTS member and observer states. The members and observer states from Central Asia also have good trade relations with China, their neighboring country. China is one of the top five trade partners of four

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out of seven member and observer states. Along with Russia and China, EU members, especially Italy and Germany, are among the countries with which OTS member and observer states have strong trade ties. Oil and gas products play an important role in the formation of trade relations between OTS members and EU states; most of Kazakhstan and Azerbaijan's exports go to Europe. Through these countries, then, the OTS plays an important role in contributing to Europe's energy security. Most of the remaining oil and gas products are exported to China. Manufactured goods and agricultural products are mostly exported to Russia. In short, the geography of OTS trade relations mostly includes Russia, China and Europe—with one major exception: Russia and China are not among Türkiye's top five export partners, while the EU countries are Türkiye's main export partners.<sup>30</sup> Among the member and observer states, Türkiye is the only member country on the list of the top trade partners of the other members, with the exception of Kyrgyzstan.

## Economic Cooperation within the OTS

As detailed in the previous section, the OTS has huge economic potential and many opportunities for its members and observer states to develop bilateral relations. The development of economic relations between members could effectively contribute to their economic growth and financial and energy security. Although economic relations between the member states have significantly improved since the establishment of the organization, there are still untapped opportunities that could expand the scale of their cooperation. In order to determine the potential directions in which their economic cooperation could proceed, it is important to analyze the current extent of economic cooperation between the member and observer states. Thus, in this part, we will analyze the current extent of economic cooperation and compare it to the total potential of the OTS. Comparing the current cooperation level with the total potential will help us determine the OTS' economic cooperation prospects in the subsequent section. For the purpose of analyzing the current extent of cooperation, it is important to look at the main areas of cooperation within the OTS, such as trade, transport and energy.

If we review the total trade turnover of each member and observer state in comparison with other members, we can see that Türkiye has the biggest economy and the greatest volume of trade turnover with other



member and observer states—more than \$14 billion as of 2020.<sup>31</sup> The products with the greatest share in Türkiye's trade turnover with other member states are natural gas and manufactured products. Türkiye imports gas from and exported manufactured products, especially those of the light industry, to other members. After Türkiye, Kazakhstan has the highest level of trade turnover with other members, which in 2020 reached a level of more than \$7 billion.<sup>32</sup> Most of the trade turnover between Kazakhstan and other OTS members consists of oil, wheat and gas products. Azerbaijan, the other oil- and gas-rich member of the OTS, had a trade turnover of more than \$4.5 billion with the other member and observer states in 2020.<sup>33</sup> Uzbekistan also has a high level of trade turnover with other members. Its total trade turnover with other OTS states amounted to \$6.5 billion in 2020,<sup>34</sup> and consists primarily of fuels, fruits, metals and manufactured goods. Kyrgyzstan has the lowest level of trade turnover with other member and observer states, at about \$1.7 billion in 2020.<sup>35</sup> Hungary had a trade turnover with other OTS members of \$3.9 billion at the end of the 2020.<sup>36</sup> Although the total trade volume between member and observer states increased from \$11 billion to more than \$20 billion between 2010–2020, it still constitutes only 3% of the total trade of the member and observer states.<sup>37</sup>

To see a clear picture of the trade relations between the member and observer states and the importance of these relations for the countries involved, it is worthwhile to calculate and analyze the share of the trade relations of each member and observer state with the OTS in their total trade. The results of calculations based on the data provided above indicate that Kyrgyzstan had the biggest share of the trade with OTS in its total trade in 2020 at 32%. Although Kyrgyzstan's total trade turnover with other member and observer states is not that high, three members of the OTS—Türkiye, Kazakhstan and Uzbekistan—are included in the country's top five trade partners. Kyrgyzstan's trade with other OTS member and observer states mostly consists of food products, metals and manufactured products. Among the other members, Uzbekistan, Azerbaijan and Turkmenistan also had a high share of trade with the organization in their total trade turnover, which in 2020 was 17%, 18% and 19%, respectively.<sup>38</sup> Among them, Azerbaijan and Turkmenistan have one each, and Uzbekistan has two other member states in their top trade partners list. Although Türkiye has the biggest economy and the highest level of trade among the members of the OTS, its share of trade with the member and observer states constitutes only 3% of its total trade.<sup>39</sup> In the case of Kazakhstan, trade with OTS member and observer states also has only a small share in total trade volume, which in 2020

was about 8%. That is why none of the other member or observer states are on the list of Türkiye or Kazakhstan's top trade partners. Although most of the members have a great share of trade with other OTS members in their total trade, the two biggest economies in the organization have a low level of trade with other members and observer states.

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The transportation sector is one of the main areas that member and observer states are striving to develop within the framework of the OTS. From a geographical point of view, the members of the organization are spread horizontally across Eurasia, which makes them a natural segment of the East-West transportation corridor and necessitates the development of transportation connections with each other. Such connections would empower OTS countries to become major players in the transportation of cargo between

Europe and China. Taking into account the importance of cooperation in this sector, member states are working together on the realization of different transportation projects, especially the Trans Caspian International Transportation Corridor (TITR) or the Middle Corridor.

The Middle Corridor is a rail freight corridor linking China and the EU through Central Asia, the Caucasus, Türkiye and Eastern Europe. The history of the establishment of this route dates back to 2013, when the main railway companies of Kazakhstan, Azerbaijan and Georgia signed an agreement on the establishment of a Coordination Committee for the Development of the TITR.<sup>40</sup> The work of the Coordination Committee led to the adoption of an effective, complex rate schedule for container transportation, and preferential tariffs for the transportation of important products such as fuel, oil and grain. The technology of interaction between transport companies for the passage of container trains via China-Kazakhstan-Azerbaijan-Georgia-Türkiye was also approved. In 2022, Azerbaijan, Kazakhstan and Georgia agreed to establish a joint venture to develop the TITR by addressing the issues of tariff setting, cargo declaration and the use of unified IT solutions.<sup>41</sup> The Middle Corridor has the potential to transport up to 10 million tons annually, in up to 200,000 containers.<sup>42</sup> The efforts of OTS members

to develop the Middle Corridor have already begun to yield significant results as the volume of freight transportation via this route increased by 101% in 2021 compared to the previous year.<sup>43</sup>

While the Middle Corridor is the primary transport project on which the OTS members have coordinated, other transport routes connect these states as well. These include China's Belt and Road Initiative (BRI), which connects Türkiye, Kazakhstan, Uzbekistan, Azerbaijan and Kyrgyzstan; the International North-South Transport Corridor, which runs through Azerbaijan, Uzbekistan and Kyrgyzstan; the Southern Trans-Asian Railway, which runs through Kazakhstan, Türkiye and Turkmenistan; and Lapis-Lazuli, which runs through Türkiye and Azerbaijan. Most of these projects, including the Middle Corridor, connect to each other, given that the members of the OTS in the South Caucasus, Central Asia and Türkiye are in the center of Eurasia, and serve as connectors for different transportation corridors. The comprehensive connection of the member states through different communication and transport lines creates great opportunities for the development of cooperation in the transportation sector. Therefore, transportation remains one of the main areas of cooperation within the organization.

In contrast to the transportation sector, cooperation between member and observer states in the energy sector is not very developed. Although three members of the organization are major global oil and gas producers, they mostly export their fuel resources to Europe and China, two of the main economic centers in the world. Among the member and observer states, Azerbaijan and Türkiye have the most developed energy cooperation. In recent years, Azerbaijan has become one of the main natural gas suppliers to Türkiye. Especially after the launch of the Southern Gas Corridor in 2020, gas exports to Türkiye have substantially increased (more than 20% in 2021).<sup>44</sup> The other member of the OTS that engages in energy cooperation with other member and observer states is Kazakhstan, which exports oil and gas to Kyrgyzstan and Uzbekistan, albeit in low volumes. Kazakhstan's export of these products to Kyrgyzstan made up 17% (\$103 million) of its total exports to Kyrgyzstan in 2020.<sup>45</sup> In the case of Uzbekistan, it was only 6%. Turkmenistan, another OTS member rich in oil and gas resources, exports these products only to Uzbekistan among the member states. In 2020, it exported about \$161 million worth of refined and crude petroleum to Uzbekistan.<sup>46</sup> All of these factors indicate that, despite progress in cooperation among the OTS countries in the energy sector, its level is too small compared to the capabilities of the member states that are rich in oil and gas resources.

All of the factors and development trends in different economic sectors mentioned above suggest that even though economic cooperation within the OTS has been increasing, many prospective opportunities remain that could be realized in the future. It is worth mentioning that although the OTS was established in 2009, the most noticeable increase in the development of relations within the organization has taken place in more recent years, and the full economic potential of the organization has yet to be realized. Thus, continuing the growth trend of economic cooperation within the OTS in upcoming years could significantly expand the OTS' capabilities to positively contribute to the development of the economies of member states and cooperation within Eurasia.

### Prospects for Economic Cooperation

After analyzing the economic potential and extent of economic cooperation within the OTS, we can now determine its future prospects by focusing on the directions and measures that could expand cooperation within the organization. As noted in the previous sections, cooperation between the member states in the early years of the organization was not highly developed, and this lag affected the OTS' total potential. Over time, as new members and observer states joined the organization, its economic potential expanded in different sectors such as trade, transportation and energy. Today, the OTS still has significant potential that could be realized in the future. So, it is important to identify the main directions and measures that could unleash the unused potential of the OTS in different sectors.

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According to our research, as presented above, trade volumes between member and observer states have been increasing in recent years. After experiencing a decrease in total trade turnover within the OTS from 2013–2016, the total level of trade turnover among the member and observer states increased by about 1.5 times during 2015–2020 and

reached its highest level in 2019—close to \$21 billion. Nonetheless, the level of trade turnover remains low compared to the total trade poten-

tial of the OTS. Specifically, trade turnover within the OTS constitutes only 3% of the total trade of the member and observer states. Thus, a huge amount of potential for the development of trade relations within OTS remains unused. Taking this factor into account, the member states and management bodies of the OTS should take the necessary measures to promote the development of trade relations between member and observer states. These measures could include the application of tax and customs concessions and the opening of trade houses in order to promote the products of member and observer states in the local markets of other members. Although several measures of this kind have already been taken, it is important to intensify this process and offer more effective concessions. In particular, the members with more diversified economies should be active in this process.

With its large and diversified economy, Türkiye could play a leading role in expanding trade relations within the OTS. Currently, trade with member and observer states makes up only a small part of Türkiye's total trade. Thus, additional measures should be taken to attract Turkish producers and sellers to the markets of OTS member and observer states, and special concessions should be offered by the Turkish side to the other members to allow them to easily enter its market. Observer states could also play an active role in the expansion of the OTS' trade relations. For example, Hungary could play a key role as a bridge between the markets of member states and the EU. Other members' products in the manufacturing and food industries, unlike Türkiye's, cannot easily enter the European market due to standardization differences. Therefore, along with Türkiye, Hungary as an EU member state could play an important role in the OTS member states' adoption of the EU's production standards. In doing so, Hungary could help the local producers of the member states enter the European market and significantly contribute to the development of the OTS' trade potential.

There are also promising prospects for the development of transportation relations between the member and observer states of the OTS, as global and regional geopolitical processes continue to increase the role of the Middle Corridor, the main transportation project on which the member states are working. It is clear that the heavy sanctions imposed against Russia because of the Russia-Ukraine war will weaken its position as the main transit country connecting Europe with China. Therefore, the importance of the Middle Corridor as an alternative route will increase, and it could become the main overland transportation route in Eurasia. As a result, the OTS member states that are part of

the Middle Corridor will strengthen their position as primary transit countries. However, for this to happen, some technical issues, especially the harmonization of policies and legislation in relevant countries of the OTS, should be finalized as soon as possible in order to make the Middle Corridor ready for the expected increases in cargo. The first steps toward addressing the harmonization issues have already been taken. Recently, Kazakhstan, Azerbaijan and Georgia agreed to establish a joint venture for the development of the TITR.<sup>47</sup> The main goal of this venture is to consolidate transit cargo by contributing to tariff setting, cargo declaration and unified IT solutions.

Along with the Russia-Ukraine war, the intensification of US-China rivalry in the Indo-Pacific region will also increase the importance of the Middle Corridor, as this confrontation is expected to redirect some Chinese cargo from sea to overland transportation through Eurasia. Another geopolitical event generating new prospects for the development of OTS relations in the transportation sector is the end of the Armenian occupation of Azerbaijan's territories in the South Caucasus

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after the 44-Day War. As a result of the war, the parties agreed to the establishment of the Zangezur Corridor, which will connect the mainland of Azerbaijan with the Nakhchivan Autonomous Republic, an exclave of Azerbaijan that had been isolated due to the Armenian occupation.<sup>48</sup> Due to the closure of the Azerbaijan-Armenia border because of the occupation, direct land connections between Azerbaijan and Türkiye had also been interrupted. After the estab-

lishment of the Zangezur Corridor, this connection will be restored, and Türkiye will be able to connect directly not only with Azerbaijan, but through Azerbaijan to the other members of the OTS in Central Asia.

Recently, Azerbaijan signed a memorandum of understanding with Iran for the establishment of communication lines connecting the mainland of Azerbaijan with its exclave of Nakhchivan through Iranian territory.<sup>49</sup> The opening of the two parallel communication lines between the mainland of Azerbaijan and Nakhchivan will add new arteries to the

Middle Corridor, increasing its capacity to meet the expected increase in cargo volumes in the future. All of these processes and their anticipated results create advantageous prospects for the development of cooperation within the OTS in the transportation sector. The realization of these new opportunities will not only strengthen the positions of the OTS member states but also increase the geopolitical role of the organization.

Opportunities abound in the energy sector as well. While cooperation in the energy sector has developed to some extent, especially in recent years, and Azerbaijan has become one of Türkiye's main gas suppliers, there is a large gap between the capabilities of the oil- and gas-rich members of the OTS and their actual performance in exporting these resources to other members. The wealth of their capabilities presents opportunities for resourced OTS countries to become the main guarantors of other members' energy security. Thus, in order to strengthen the energy security of the OTS as a whole, the member and observer states should work together on new energy projects and expand cooperation in this direction. To strengthen energy security within the organization, some of the member and observer states could cooperate to become the main transit countries for exporting the oil and gas resources of other members.

Some preliminary steps in this direction have already been taken; for example, discussions on the establishment of the Trans-Caspian Pipeline (TCP) intensified after the completion of the Southern Gas Corridor (SGC).<sup>50</sup> The TCP's purpose is to transport natural gas from Turkmenistan to the EU through Azerbaijan. In 2021, the American company Trans Caspian Resources presented its project for the Trans-Caspian Interconnector.<sup>51</sup> Some plans propose a connection with Kazakhstan. At a recent meeting between the official representatives of Azerbaijan and Kazakhstan, the potential for cooperation in the transportation of Kazakh oil through Azerbaijan was discussed.<sup>52</sup> Discussion on the export of Azerbaijani oil to Hungary has also started, and Hungary could receive Azerbaijani gas starting in 2023.<sup>53</sup> The implementation of these projects will contribute substantially to the development of cooperation within the OTS in the energy sector. It will also increase the role of some member and observer states in the energy security of other members.

In exploring the OTS' economic cooperation prospects, it is worth looking at "Turkic World Vision-2040", which was approved at the 8<sup>th</sup> Summit of the OTS. The vision statement lays out the organization's medium- and long-term goals and tasks.<sup>54</sup> It also includes a section

titled “Economic and Sectoral Cooperation”, which covers general economic development priorities and economic sectors such as transport and customs, energy, tourism and agriculture. The directions indicated in the document for the development of cooperation in these sectors include the prospects mentioned above. The realization of the directions and prospects identified in our analysis, along with the cooperation directions laid out in “Turkic World Vision–2040” will greatly expand the scale of cooperation within the OTS and significantly affect the economic potential of the organization.

## Conclusion

The research conducted in this article brings us to the conclusion that the OTS has great, untapped economic potential, as its total GDP is ranked 13<sup>th</sup> in the world. The total trade turnover, on the other hand, constitutes 3% of the global trade. Although in 2020, because of the pandemic, the economic potential of OTS decreased, in the following year all member and observer states were able to restore their economies. Compared to other organizations such as the EU and EAEU, the effect of the pandemics on the economy of the OTS was moderate.

The article also analyzed the extent of economic cooperation within the OTS in different sectors such as trade, transport and energy, and revealed that there are still a lot of unused opportunities that could be realized. A noticeable increase in the development of relations within the organization has begun in recent years, which was not enough to realize the full economic potential of the organization. Despite the fact that the total trade volume between the member and observer states increased about 1.8 times from 2010–2020, it constituted only 3% of the total trade of the member and observer states. Among the member and observer states, Kyrgyzstan has the largest share of trade with the OTS in its total trade. However, unlike the other member and observer states, Türkiye and Kazakhstan, the two biggest economies in the organization, have a low share of trade with OTS in their total trade.

Cooperation in the transportation sector within the OTS has also developed in recent years. Member states have worked jointly on the realization of different transportation projects, especially the Trans Caspian International Transportation Corridor or Middle Corridor. The efforts of the members to develop the Middle Corridor have begun to yield significant results, and in 2021, the volume of freight transportation via this route increased by 101%. Cooperation in the energy sector



is less developed, although the three members of the organization are the major oil and gas producers in the world. Among the member and observer states, Azerbaijan and Türkiye have the most developed energy cooperation, as in recent years, Azerbaijan has become one of the main natural gas suppliers to Türkiye.

Based on the analyses in the previous sectors, the last section of the article determined the economic cooperation prospects and the measures that could strengthen cooperation within the OTS. Member states and OTS management bodies could take the significant steps to expand trade cooperation, such as implementing more effective tax and customs concessions and opening trade houses to promote the products of member and observer states. With its large and diversified economy, Türkiye could play a leading role in expanding trade relations within the OTS. Taking into account that trade volume with member and observer states makes up only a small part of Türkiye's total trade, additional measures should be taken to attract Turkish producers and sellers to the markets of OTS countries, and special concessions should be offered by the Turkish side to the other members. Hungary along with Türkiye could play a role as a bridge between the markets of member states and the EU.

There are also promising prospects for the development of transportation relations within the OTS, as recent global and regional geopolitical processes such as the Russia-Ukraine conflict and US-China rivalry in the Indo-Pacific region will increase the importance of the Middle Corridor, which has a chance to become the main overland transportation route in Eurasia. However, for this to happen, some technical issues, especially the standardization of policies and legislation in the relevant countries of OTS, should be finalized. The 44-Day War also created prospects for the development of cooperation in transportation sector. As a result of the war, the establishment of the Zangezur Corridor was agreed upon. Using this corridor, Türkiye will restore direct land connections with Azerbaijan and other members of the OTS in Central Asia. Also, the laying of parallel communication lines to the Zangezur Corridor through the territory of Iran, the establishment of which was recently approved, will also positively contribute to cooperation in the transportation sector within the OTS.

An abundance of capabilities in the energy sector within the OTS creates opportunities for the development of cooperation there as well. Some preliminary steps in this direction have already been taken, and discussions on the establishment of the Trans-Caspian Pipeline, which

will transport natural gas from Turkmenistan to the EU through Azerbaijan, have intensified. Some plans also include a connection of the pipeline with Kazakhstan. In 2021, the American company Trans Caspian Resources presented its project for the Trans-Caspian Interconnector. The export of Azerbaijani gas to Hungary is scheduled to begin in 2023. The implementation of these projects will also increase the role of some member and observer states in the energy security of other members.

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