

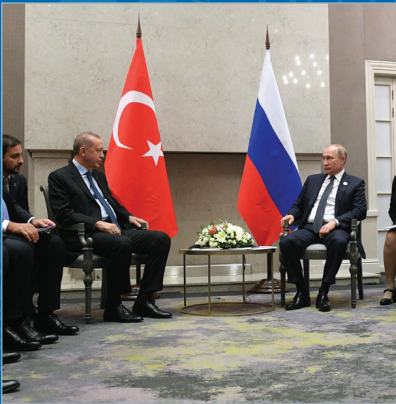


RIAC
**RUSSIAN
INTERNATIONAL
AFFAIRS COUNCIL**



**center for
strategic
research**

Republic of Turkey
Ministry of Foreign Affairs



REPORT

DEEPENING RUSSIA–TURKEY RELATIONS

41 / 2019

RUSSIAN INTERNATIONAL AFFAIRS COUNCIL

**CENTER FOR STRATEGIC RESEARCH
OF THE MINISTRY OF FOREIGN AFFAIRS
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Introduction: Deepening Turkey-Russia Relations

Andrey KORTUNOV¹ & Emre ERŞEN²

On 16 December 2016, the Center for Strategic Research (SAM) and the Russian International Affairs Council (RIAC) jointly organized a one-day conference in Ankara titled “Deepening Turkey-Russia Relations.” Leading experts from Turkey and Russia discussed the political, economic and social dimensions of relations between the two countries. The opening speech of the conference was delivered by His Excellency Andrey G. Karlov, Ambassador of the Russian Federation to the Republic of Turkey, who highlighted the long diplomatic history and potential fields of cooperation between Turkey and Russia.

Only a few days after this event, a horrendous act of violence in Ankara caused the death of Ambassador Karlov, which came as a painful shock to both the Turkish and Russian public. At the time, some argued that the assassination would lead to a new crisis in Turkish-Russian relations. On the contrary, however, the incident drew the two countries even closer to each other. Turkish and Russian authorities worked together to investigate the heinous terrorist attack, and political and economic relations between Ankara and Moscow have continued to improve in a very remarkable way in the 2017-2018 period.

Only one day after the assassination of Ambassador Karlov, the foreign ministers of Turkey, Russia and Iran came together in Moscow and confirmed their determination to launch a new peace process to resolve the Syrian crisis. To this day, this trilateral strategic dialogue has been the most effective instrument to deal with the difficult and extremely complicated challenges posed by the chaos in Syria. In fact, Turkey’s two cross-border military operations in Syria- Operation Euphrates Shield and Operation Olive Branch- were both conducted successfully as a result of the close dialogue between Ankara, Moscow and Tehran.

In addition to their strategic partnership in Syria, Turkey and Russia have also developed ties in the field of economic cooperation. Their two ongoing mega energy projects- the Akkuyu nuclear power plant and Turkish Stream natural gas pipeline- are clear indications of the deepening economic relations between the two countries. The bilateral trade volume and number of Russian tourists visiting Turkey also continue to rise steadily.

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Most recently, Turkey has decided to purchase the Russian S-400 missile defense system. When the deal is finalized, Turkey will become the first NATO country to host such an advanced Russian military system on its territories. Although there are still a number of issues that need to be resolved between the two countries, the strategic rapprochement between Ankara and Moscow is expected to continue in the near future.

The goal of this issue, which is dedicated to the memory of Ambassador Karlov, is to explore the various aspects of the present, ongoing rapprochement process between Turkey and Russia. Considering that the main dilemma of Turkish-Russian relations in the last quarter century has been to achieve a genuine strategic partnership in the presence of significant regional disagreements, it is important to discuss the prospects and challenges lying ahead of this relationship.

To this end, articles in this issue discuss the dynamics of cooperation and competition in four significant areas of Turkish-Russian relations: i) bilateral economic ties, ii) strategic challenges in the Middle East, iii) regional issues in the Black Sea and Caucasus, iv) the development of transport corridors in Eurasia.

In their articles, Seçkin Köstem and Nigyar R. Masumova elaborate on the economic ties between Turkey and Russia. Köstem argues that there is an asymmetric interdependence which currently favors Russia over Turkey; he uses foreign direct investment data to analyze the evolution of Turkish-Russian economic ties over the past decade. Masumova, on the other hand, focuses on the various areas of economic cooperation between the two countries such as trade, tourism, construction and energy, and concludes that Turkey and Russia are natural partners and should develop their economic cooperation further despite a number of difficulties.

Regarding the issues in the Middle East, Ruslan Mamedov and Grigory V. Lukyanov, elaborate on the four main issues that shape the Turkish-Russian relations in the region, namely: 1) domestic and international terrorism, 2) nuclear weapons and nuclear energy, 3) the Syrian crisis, and 4) regional security architecture; and analyze how these challenges influence the evolution of Turkish-Russian strategic relations in the region.

The goal of Mitat Çelikpala and Emre Erşen in their article is to understand the development of the new security environment in the Black Sea, as well as its implications for the future of regional dialogue between Turkey and Russia. The authors particularly focus on the radically altered strategic balance in the region after Russia's conflicts with Georgia and Ukraine. Pavel Shlykov also highlights the general patterns of cooperation and competition between Ankara and Moscow in the Black Sea region, including the Caucasus, but further analyzes how the contending geopolitical interests of the two countries can be turned into a wellgrounded cooperation in this region.

The articles of Altay Atlı and Egor Pak both elaborate on the implications of the regional transport systems in Eurasia. Atlı believes that Turkey is well poised to become a Eurasian transport hub connecting Europe with Asia, and advocates

closer cooperation with Russia in order to strengthen the Turkish position in the network of Eurasian connectivity. Pak particularly focuses on the Eurasian Economic Union (EAEU) and argues that Russia needs to consider the interests of other EAEU countries like Kazakhstan when dealing with Turkey on this issue. Both authors highlight the rising significance of other transport initiatives in the region such as the Transport Corridor Europe-Caucasus-Asia (TRACECA) and Belt and Road Initiative (BRI).

In conclusion, as guest editors, we hope this special issue will be a valuable contribution to the thriving academic literature on Turkish-Russian relations, and provide a new channel for discussion on the multidimensional nature of the ongoing strategic rapprochement between the two countries. We would also like to take this opportunity to remember the valuable personal efforts of Ambassador Andrey Karlov in the development of Turkish-Russian relations and offer our condolences to his family.

Turkey and Russia: From Shared History to Today's Cooperation

Turhan DİLMAÇ³

Turkey and Russia are two countries that share a long past and an extensive common neighborhood. Turkish-Russian relations have experienced times of competition and cooperation over the course of history, like the relationships of many neighboring countries. In the aftermath of the Cold War, new opportunities and prospects for cooperation have arisen. Particularly in the last 15 years, intensive Turkish-Russian bilateral contacts have led to today's frank dialogue and interaction in many fields, both bilaterally and at the international level.

The establishment of the High Level Cooperation Council in 2010 was a watershed in this regard. The Council and its sub-mechanisms, namely the Joint Strategic Planning Group, the Joint Economic Committee and the Civic Forum have laid the necessary groundwork for furthering relations. Solid high-level political will and the new institutionalized character of cooperation have paid dividends:

Russia is Turkey's third major trade partner with a \$22.2 billion trade volume in 2017, with vast potential for growth and improvement.

- Russia has been the number one market for Turkish constructors abroad for a long time.
- Reciprocal investments stand at 10 billion dollars each, not including the Akkuyu Nuclear Power Plant project.
- Turkey and Russia are key tourism partners. Last year, Turkey hosted 4.7 million Russian tourists, setting a new record.

Energy is yet another important aspect of bilateral relations. Turkey is the second largest importer of Russian gas, getting more than half of its natural gas and 10% of its oil from Russia. Turkey and Russia are diversifying their strategic energy cooperation with the construction of the Akkuyu Nuclear Power Plant and the TurkStream natural gas pipeline projects.

Turkey and Russia have well-developed cultural and person-to-person ties as well. This is not unexpected, since Russia is home to more than 10 million people of Turkic origin and over 20 million Muslims, and each year millions of Russians visit Turkey. Moreover, thousands of mixed Turkish-Russian families demonstrate how strongly and closely the two countries are connected. Russia

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and Turkey have designated 2019 as “The Reciprocal Year of Culture and Tourism”, creating a significant opportunity for strengthening social and cultural ties.

Being at the center of Eurasia, it is incumbent upon Turkey and Russia to contribute to peace and stability in their common neighborhood. Indeed, recent hectic developments in the region impel the two countries to closely coordinate their efforts. It is not a secret that Russia and Turkey diverge in their opinions on several issues. This renders Turkish-Russian regional and international cooperation based on uninterrupted dialogue, openness and sincerity even more crucial.

There are many heroes behind the scenes who play indispensable roles in supporting Turkish-Russian relations. The late Ambassador Andrey Karlov, who served in Turkey during a delicate period, was one of them. He lost his life in a heinous attack which was a deliberate act of provocation targeting Turkish-Russian friendship, on 19 December 2016.

When I served as a Counsellor at the Turkish Embassy in Moscow, I witnessed firsthand how eagerly Ambassador Karlov made every effort to ensure the conclusion of the visa exemption agreement as Director General of the Consular Affairs Department of the Russian Foreign Ministry. We would sometimes encounter each other during official visits as well. As Turkish Consul General in Kazan, I accompanied Rustam Minnikhanov, President of the Republic of Tatarstan, during his visit to Ankara. After the meeting between Minnikhanov and Foreign Minister Mevlüt Çavuşoğlu, I missed the motorcade and stood on the road waiting desperately for someone to pick me up to catch the next step of the visit. At that moment, Ambassador Karlov was passing by and he was more than kind to invite me into his vehicle. During our chat I once again realized how devoted he was in his work to promote Turkish-Russian relations. We will always remember him, and make sure this painful loss will turn into a token of everlasting friendship and cooperation between our countries.

In conclusion, the wide spectrum of Turkish-Russian interaction is continuing to deepen based on mutual understanding, respect and interdependence. Both sides adopt the gist of the Russian proverb: “A close neighbor is better than a distant relative” (Близкий сосед лучше дальней родни). Turkey and Russia are and will remain valuable neighbors and partners, and Turkish-Russian relations will further develop on this basis in the future.

An Ambassador of Peace and Good Will: Andrey Karlov

Irina KASIMOVA⁴

On behalf of the Embassy of the Russian Federation, we are grateful to the editorial staff of *Perceptions: Journal of International Affairs* for the opportunity to once again write about Russian Ambassador Andrey Karlov, who passed away before his time as a victim of a vicious terror attack in Ankara on the cold winter evening of 19 December 2016.

Much has been said and written about that ill-fated day, but today we would like to focus our attention on the period of Ambassador Karlov's life that he spent in Turkey.

Actually, it was a surprise for many of us diplomats working in Turkey, to find out that Andrey Karlov had been appointed as the Russian ambassador to the Turkish Republic, as his previous assignments included countries in the Asian Pacific region. However, his high competence, expanded vision of the situation, ability to assess developments "from the outside" as well as the political wisdom and staunchness he gained during his term of office in the Democratic People's Republic of Korea played a positive role at a time when relations between Russia and Turkey were in crisis.

Our diplomats still remember how accurately he chose his words while publicly addressing a Turkish audience during that difficult period of time, and how wisely he tried to prevent his interlocutors from sharpening the rhetoric, foreseeing that sooner or later our countries would have to mend fences and knowing that accumulated negative experiences would undoubtedly backfire and hinder our future activities.

The initiatives Ambassador Karlov proposed due to his broader outlook were fresh and forward-looking. For example, he advised the Turkish business community not to limit the sphere of their Russian investments to traditional destinations like Moscow, St. Petersburg or Kazan, inviting entrepreneurs to pay attention to other regions, including Russia's Far East.

Ambassador Karlov consistently and fearlessly promoted Russian interests. He often explained to his Turkish partners that politics should not impede the development of trade and economic cooperation between Turkey and Crimea, or prevent the Crimean Tatar diaspora of Turkey from communicating with their kin on the peninsula, and developing humanitarian and cultural ties.

⁴ Third Secretary, Press-Attaché of the Embassy of the Russian Federation in Ankara.

Ten years ago Andrey Karlov personally tackled the visa issue- working as Director General of the Consulate Department in the Ministry of Foreign Affairs, he held a thorough knowledge of all aspects of the issue, and contributed substantially to the visa liberation process for Turkish citizens.

Karlov's desire to strengthen friendship between the two nations lay behind his active efforts to promote memorial work. During his term of office, the governments of our two countries signed an agreement on the identification and registration of the military burial places located in Turkish territory, and to ensure their arrangement and maintenance. Karlov exerted considerable effort for the establishment of a Joint Commission to coordinate the implementation of this agreement. The embassy intensified its activities in search of both archival documents and eyewitnesses that could shed the light on the spots where Russian soldiers might have been buried in Turkey. Ambassador Karlov considered it important to pay a final tribute to Russian soldiers in Turkey as well as to Turkish soldiers in Russia, and by this symbolic step to reconcile our two nations and turn over the page of conflicts in our mutual history for good.

Underlining the significance of close cultural cooperation between our two countries, Andrey Karlov gave substantial support to cultural projects. During his term of office, Ankara gained one more place of interest related to Russia- the Square of St. Petersburg that is located in the heart of an old Ankara district- Altında?- where in the 1920s the first ambassadors appointed to Turkey by the young Soviet state used to work. Delivering a speech during the opening ceremony, Ambassador Karlov expressed hope that the realization of this project would give a new impetus to the development of cultural and humanitarian ties between our countries.

Unfortunately, from now on, the 19th of December will be a mourning day for all those serving in the Russian diplomatic and consular missions in Turkey, in Russian missions all over the world, as well as for the Russian people. Nevertheless, the cause to which Andrey Karlov remained faithful throughout all his life- being an ambassador of peace and good will, a person who dedicated his life to good undertakings and charity- will live on in the activities of the Andrey Karlov International Charitable Foundation established by Russian and Turkish diplomats, public figures and representatives of the business community, and headed by Karlov's widow, Marina. The Foundation will focus its activities on promoting bilateral cultural and humanitarian cooperation, and assisting in the rehabilitation of ill children.

The Political Economy of Turkish-Russian Relations: Dynamics of Asymmetric Interdependence⁵

Seçkin KÖSTEM⁶

Abstract

In examining Turkish-Russian economic relations, this paper puts forward three arguments. First, the relationship is characterized by an asymmetric interdependence that favors Russia over Turkey. The source of the asymmetry lies in the divergent domestic economic structures of the two countries. Moreover, the developments in the aftermath of the jet crisis of 2015 demonstrated Turkey's vulnerability to Russian economic sanctions. To support this argument, I use trade and foreign direct investment data to analyze the evolution of Turkish-Russian economic ties over the past decade. Second, international developments such as the global financial crisis and the West's sanctions against Russia have significantly diminished the capacity of Turkish-Russian economic cooperation. Third, Turkish-Russian economic interdependence cannot soon transform into complex interdependence that characterizes bilateral ties in the advanced capitalist world. Despite the growing role of business groups and humanitarian ties, politics will continue to shape the prospects of Turkish-Russian economic cooperation in the foreseeable future.

Key Words

Turkish-Russian Relations, Economic Cooperation, Asymmetric Interdependence, Economic Interdependence, Turkey, Russia.

Introduction

Economic cooperation has characterized Turkish-Russian relations in the post-Cold War era. Considering the history of conflict and lack of trust between the two countries prior to and during the Cold War, the improvement in bilateral trade and investments in the post-Cold War period, as well as the increase in humanitarian connections, have important ramifications not only for bilateral ties, but also for the transformation of the larger region of which the two countries are a part. Re-

⁵ The author would like to thank Mustafa Aldi, Ph.D. candidate, and Ömer Faruk Şen, Ph.D. student of Bilkent University, for their research assistance.

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cently, the literature has increasingly focused on various aspects of Turkish-Russian relations. However, little has been done to offer a political economy perspective, analyzing the dynamics of economic cooperation between the two countries.⁷

In exploring the evolution of economic relations between Turkey and Russia, this article puts forward three arguments. First, Turkish-Russian economic relations are marked by an 'asymmetric interdependence'⁸ which favors Russia over Turkey. The most recent crisis period in Turkish-Russian relations (November 2015-June 2016) demonstrated that Russia holds the upper hand in economic relations for various reasons, the most important being the structural difference of the two countries' economies. While natural resources dominate Turkey's imports from Russia, Russia in return imports mostly machinery and equipment, textiles and food products from Turkey. As I will explore, that inevitably gives Russia a structural advantage that can be used as leverage in times of political crises and disagreements over strategic issues. Similarly, while Turkey's investments in Russia are more diversified, Russian investments in Turkey converge around strategic sectors, a positioning that offers Russia leverage to be more influential over Turkey.

Secondly, Turkish-Russian economic cooperation is heavily influenced by global economic developments. In particular, the article will demonstrate the negative effects of two important developments for bilateral economic ties: the global financial crisis of 2008-2009 and the sanctions imposed by the United States (U.S.) and the European Union (EU) on the Russian economy after 2014. Finally, the paper argues that Turkish-Russian relations cannot evolve into complex interdependence that resembles economic relations between advanced capitalist states in the age of globalization in the foreseeable future. The main reason is again related to the difference between the two countries' economic structures. As the post-jet crisis period has demonstrated, the Russian economy is still state-centric, which prevents the flourishing of cooperation among non-governmental actors between the two countries without intervention by the state. This reality also highlights the importance of political will and leadership to intensify trade, investment and humanitarian ties between the two countries, which will continue to be influential neighbors and actors in various regions in the future.

Asymmetric Interdependence in Turkish-Russian Economic Relations

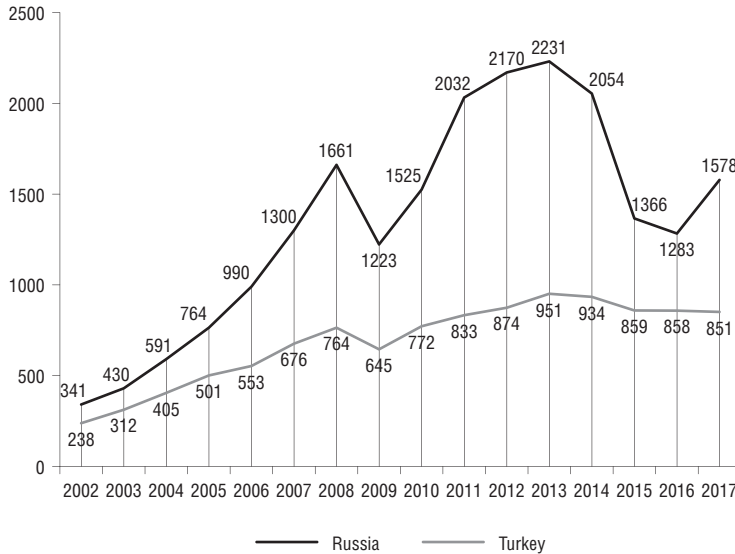
During the age of globalization, economic interdependence has characterized relations between many countries in various regions of the world. This has also been the case for Turkey and Russia, whose national interests have frequently

⁷ For recent exceptions, see Ziya Öniş and Şahnaz Yılmaz, "Turkey and Russia in a Shifting Global Order: Cooperation, Conflict and Asymmetric Interdependence in a Turbulent Region", *Third World Quarterly*, Vol. 37, No. 1 (2016), pp. 71-95; Tolga Demiryol, "Interdependence, Balancing and Conflict in Russian-Turkish Relations", Aharon Klieman (ed.), *Great Powers and Geopolitics: International Affairs in a Rebalancing World*, New York, Springer, 2015, pp. 65-86; Mitat Çelikpala, "Rusya Gazı Keser Mi?": Son Gelişmeler Işığında Türkiye-Rusya Enerji İlişkilerine Bakış", in Gencer Özcan, Evren Balta and Burç Beşgöl (eds.), *Türkiye ve Rusya İlişkilerinde Değişen Dinamikler: Kuşku İle Komşuluk*, İstanbul, İletişim, 2017, pp. 205-223.

⁸ I borrow the concept from Robert O. Keohane and Joseph S. Nye's seminal work entitled, *Power and Interdependence: World Politics in Transition*, Boston, Little Brown, 1977

diverged, especially regarding conflicts in the Black Sea region, the Caucasus and the Middle East. Russia and Turkey have both been regarded as emerging market economies despite the differences in their economic structures, populations and key sectors.

Figure 1: Russian and Turkish GDP (current US\$, million)



Source: World Bank Data, available at <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?end=2016&start=2002> (last visited 16 August 2018).

Different from a situation of dependence, interdependence rests on a reciprocity of economic transactions between two countries. Therefore, in a situation of economic interdependence between two countries, a break-up of bilateral relations is costly for both sides.⁹ Moreover, interdependence does not result in gaining equal shares from the bilateral economic relationship. On the contrary, the costs associated with a crisis in bilateral relations are in general higher for the weaker party. Therefore, any asymmetry in the economic relationship between two states provides a “source of influence” for the stronger party.¹⁰ The developments in the aftermath of Turkey’s downing of the Russian jet demonstrated that a crisis is costly for both sides, but costlier for Turkey.¹¹ In November 2015, the Russian government announced a decree with a package of economic restrictions on Turkey. Russia’s economic sanctions against Turkey included the abolishment of the visa-free regime which had been in effect since

⁹ Ibid., p. 8.

¹⁰ Ibid., pp. 8-9.

¹¹ For the economic impact of the jet crisis on the Russian economy, see Natalya Shagayda, “Resul’taty Embargo na Postavki Sel’skokhozyaystvennoy produkcii iz Turtsii”, *Ekonomicheskoye Rozvitiye Rossii*, Vol. 23, No. 7 (2016), pp. 31-37.

2011, restrictions on Turkish investments and labor in Russia, restrictions on Turkish goods exported to the Russian market, and the abolishment of charter flights to Turkey.

Different from a situation of dependence, interdependence rests on a reciprocity of economic transactions between two countries.

Keohane and Nye measure the power asymmetries in economic interdependence in two dimensions. The first dimension, 'sensitivity,' asks, "how quickly do changes in one country bring costly changes in another, and how great are the costly effects?"¹² The second dimension, 'vulnerability,' explores the alternative economic policy options that parties enjoy; the bigger the number of alternatives, the smaller the costs associated with economic interdependence.¹³ Russia's economic sanctions demonstrated that Turkey was highly sensitive to a change in Russian policy. Also, Turkey was more vulnerable to a change in the rules of the economic exchange with Russia. Three reasons exacerbated Turkey's vulnerability to Russian sanctions. Firstly, it was harder for Turkish exporters to find an alternative market that could replace Russia. As I demonstrate below, Turkey's exports to Russia fell from US\$ 5.9 billion in 2014 to US\$ 3.6 billion in 2015, and to US\$ 1.7 billion in 2016, and recovered to US\$ 2.7 billion in 2017. Secondly, it was very difficult to substitute Russian tourists, the number of which had risen to 4 million in 2014, constituting 12% of total tourist arrivals to Turkey in the same year. Russian tourists spent an estimated US\$ 3 billion in Turkey in 2014.¹⁴ Only seven hundred thousand Russian tourists visited Turkey in 2016, despite the gradual normalization of relations that had started in the summer of 2016. Finally, it was almost impossible to do without natural gas imports from Russia and immediately find alternative sources of energy. Russia supplied almost 55% of Turkey's natural gas imports, and almost half of Turkey's electricity consumption was produced by natural gas.¹⁵ We need a closer examination of bilateral trade and foreign direct investment (FDI) ties between the two countries to understand why the Turkish economy was so vulnerable to Russian sanctions. This is what the paper will turn to now.¹⁶

Bilateral Trade Ties

The most important source of the asymmetry in bilateral trade between Russia and Turkey is the difference in economic structures, which results in different comparative advantages. Bilateral trade has expanded significantly in the post-Cold War era, making Russia Turkey's top trade partner in 2008 (See Figure 2). As a re-

¹² Ibid., p. 10.

¹³ Ibid., p. 11.

¹⁴ Idil Bilgic-Alpaslan et al, "Economic Implications of Russia's Sanctions against Turkey", *European Bank for Reconstruction and Development*, at <http://www.ebrd.com/news/2015/economic-implications-of-russias-sanctions-against-turkey.html> (last visited 7 December 2017).

¹⁵ Emre Erşen, "Evaluating the Fighter Jet Crisis in Turkish-Russian Relations", *Insight Turkey*, Vol. 19, No. 4 (2017), p. 92.

¹⁶ For a similar approach, see Dimitris Tsarouhas, "The Political Economy of Greek-Turkish Relations", *Southeast European and Black Sea Studies*, Vol. 9, No. 1-2 (2009), pp. 39-57.

source-rich country, Russia enjoys a comparative advantage in energy production and exports. In 2016, almost 70% of Russian exports were made up of petroleum, crude oil and natural gas. Conversely, Turkey is dependent on imported energy in meeting its domestic consumption and power production needs. According to Çelikpala, Turkey's energy ties with Russia should be examined from a perspective of energy security in which Turkey should seek to mitigate its dependence on natural gas imported from Russia.¹⁷ In 2015, Turkey produced 0.38 billion cubic meters of natural gas, while importing 26.78 bcm of natural gas from Russia. In the same year, Turkey's total imports of natural gas stood at 48.43 bcm.¹⁸

Bilateral trade has expanded significantly in the post-Cold War era, making Russia Turkey's top trade partner in 2008.

Russia's place in Turkey's energy imports have grown gradually since the treaty signed in 1984 between Turkey and the Soviet Union. In the post-Cold War era, the Blue Stream pipeline running through the Black Sea has solidified the importance of Russia for Turkey's energy imports. The Blue Stream, which has been in operation since December 2002, has been criticized for increasing Turkey's energy dependence on Russia and preventing Turkey from focusing on the East-West corridor, which was supported by the U.S. and the EU in that period. However, Turkey saw the rival pipeline projects as a means of increasing its geopolitical leverage.¹⁹ Nonetheless, Turkey's increasing domestic energy consumption has resulted in a parallel increase in the importance of Russian gas for Turkey. As reported by Likhachev, Turkey's energy use increased from 45 million tons of oil equivalent in 2005 to 131 million tons in 2015.²⁰

From 2002 onwards, the European Union promoted the Nabucco pipeline project, which was planned to bring natural gas from Azerbaijan and Turkmenistan to Europe through Turkey.²¹ As an alternative to the Nabucco project, Russia developed the South Stream pipeline project in 2007 with an aim to deliver natural gas from the Russian port of Novorossiysk to Bulgaria. The project therefore sought to contribute both to Europe's energy security and Russia's goal of bypassing Ukraine.²² Pronouncing the South Stream dead in December 2014 during his visit to Ankara, Russian President Vladimir Putin touted a new project that would deliver Russian natural gas to European markets via Turkey, namely Turkish Stream. The Turkish Stream, or 'TurkStream' project should be understood in relation to Russia's geopolitical target of ending Ukraine's transit country status. While this remains a long-standing goal, it has intensified since 2014. Moscow's deadline is 2019, when the current Russia-Ukraine gas transit

¹⁷ Çelikpala, "Rusya Gazı Keser Mi?" p. 222.

¹⁸ Gareth Winrow, "Turkey and Russia: The Importance of Energy Ties", *Insight Turkey*, Vol. 19, No. 1 (2017), p. 18.

¹⁹ Volkan Ş. Ediger and Duygu Durmaz, "Energy in Turkey and Russia's Roller-Coaster Relationship", *Insight Turkey*, Vol. 19, No. 1 (2017), p. 139.

²⁰ Vladimir Likhachev, "State and Prospects of Russia-Turkey Energy Relations", in *New Stage of Russia-Turkey Economic Relations*, Moscow, Russian International Affairs Council, 2016, p.11.

²¹ Agnia Grigas, *The New Geopolitics of Natural Gas*, Cambridge, Massachusetts, 2016, pp. 160-161.

²² Ole Gunnar Austvik and Gülmira Rzayeva, "Turkey in the Geopolitics of Energy", *Energy Policy*, Vol. 107 (2017), p. 539.

contract is set to expire. This explains Russia's desire to increase the amount of gas delivered to Europe through Nord Stream and to build the Turkish Stream, a new pipeline through the Black Sea to Turkey.²³

During the World Energy Congress that was held in Istanbul in October 2016, Russia and Turkey signed an intergovernmental agreement for the project. The agreement pledges the two countries to the construction of two pipelines, each with a capacity of 15.75 bcm of gas. While one branch will supply gas to the Turkish market, the other will deliver gas to the European market through Turkish territory.²⁴ Turkish Stream, once completed, is expected to divert the 14bcm natural gas that is imported annually via the Ukraine-Moldova-Romania-Bulgaria route.²⁵ In November 2017, the Turkish Stream pipeline entered the Turkish exclusive economic zone, and as of December 2017, 30% of the offshore section of the Turkish Stream pipeline was completed. The future of the Turkish Stream project depends significantly on the political ties between Russia and Turkey. But even more importantly, the EU's stance on Russian plans to bypass Ukraine in exporting natural gas to Europe will shape the prospects of the project. So far, the EU has not demonstrated signs of willingness to import Russian gas through the Turkish Stream. Therefore, it is not clear yet whether the second pipeline that will deliver Russian gas to Europe will be constructed.²⁶

While Turkey is the more vulnerable player in the asymmetric interdependence game, it nevertheless continues to be an important energy partner for Russia. Several reasons help explain Turkey's importance for Russian natural gas exports. First of all, Turkey is a reliable trade partner for Russia. Despite several ongoing gas pricing problems between the two countries, Turkey has remained a reliable source of revenue for the Russian economy. As of 2017, with its consumption of 29.03 bcm of natural gas, Turkey is Gazprom's second biggest customer after Germany, which bought 53.44 bcm of natural gas from Russia in the same year.²⁷ Russia's annual revenue from its energy exports to Turkey amounts to US\$ 15 billion, which is higher than Russia's annual arms sales.²⁸ Secondly, the fact that Russia devised the Turkish Stream upon the cancellation of the South Stream demonstrates Turkey's ongoing geopolitical importance for Russia. Moscow's desire to bypass Ukraine and thereby reduce its reliance on Ukrainian territory to export natural gas to Europe has enhanced Turkey's position in the energy relationship. Currently, more than 40% of Russian gas exported to Europe (and Turkey) goes through the Ukrainian Gas Transmission System.²⁹ The Nord Stream-2 and Turkish Stream pipelines, therefore, serve a common purpose for

²³ Nicholas Gvosdev, "2019 Could be a Very Bad Year for Ukraine", *The National Interest*, 2 October 2017.

²⁴ Ediger and Durmaz, "Energy in Turkey and Russia's Roller-Coaster Relationship", p. 151.

²⁵ Volkan Özdemir, "Turkish Stream: Strategy Uniting Ankara and Moscow", *Russian International Affairs Council*, at <http://russiancouncil.ru/en/analytics-and-comments/analytics/turetskiy-potok-obedinyaya-ankaru-i-moskvu> (last visited 6 December 2017).

²⁶ For a discussion on potential scenarios for the future of the project, see Volkan Özdemir, "Türk Akımı Gaz Boru Hattı: Mavi Akım mı, Rus Tanap'ı mı?", *Eppen*, at <http://eppen.org/index.php?sayfa=Yorumlar&link=&makale=232> (last visited 6 December 2017).

²⁷ "Delivery Statistics", *Gazprom*, at <http://www.gazpromexport.ru/en/statistics> (last visited 27 November 2017). Turkey is followed by Italy, the United Kingdom and Poland.

²⁸ Çelikpala, "Rusya Gazı Keser Mi?", p. 218.

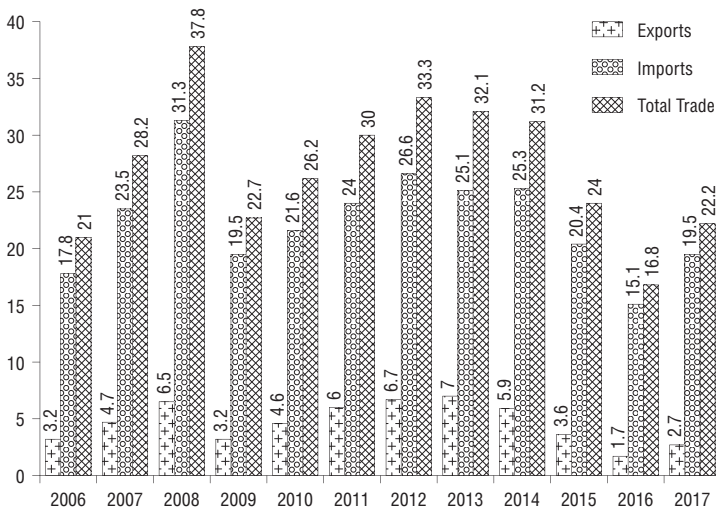
²⁹ Özdemir, "Turkish Stream".

Russia: they will allow Gazprom to continue to sell natural gas to Europe while isolating Ukraine economically.³⁰ Moreover, Russia's oil and petroleum exports to global markets are shipped through the Turkish straits, adding to Turkey's geopolitical importance for Russia; around 150 million tons of Russian crude oil pass through the Bosphorus and the Dardanelles every year.³¹

Moscow's desire to bypass Ukraine and thereby reduce its reliance on Ukrainian territory to export natural gas to Europe has enhanced Turkey's position in the energy relationship.

Conversely, Turkey mainly exports automobiles, machinery and equipment, textiles and food products to the Russian market. While the Turkish media has primarily paid attention to the Russian ban on Turkish tomatoes, the sectors that were most severely damaged by the Russian sanctions following the jet crisis are the automobile industry, and machinery and equipment. According to data from the Turkish Ministry of Economy, the value of Turkey's automotive exports to Russia fell from US\$ 289 million in 2014 to US\$ 44.6 million in 2016. Similarly, the value of machinery and equipment exports fell from US\$ 221 million in 2014 to US\$ 108 million in 2016. With an export value of US\$ 270 million, citrus fruits replaced automobiles as Turkey's top export item to the Russian market in 2016 following the jet crisis. Citrus fruits were followed by machinery and equipment, automobiles and fish.

Figure 2: Russia's Place in Turkey's Foreign Trade, 2006-2017 (Billion US\$)



Source: Author's calculations based on data from the Turkish Statistical Institute and the Turkish Ministry of Economy; at <http://www.tuik.gov.tr/UstMenu.do?metod=temelist>, <https://www.ekonomi.gov.tr/portal/faces/home> (last visited 16 August 2018).

³⁰ Jeffrey Mankoff and Jonathan Hillman, "Russia Seeks to Close Ukraine's Window to the West", *Financial Times*, 6 September 2017.

³¹ Likhachev, "State and Prospects of Russia-Turkey Energy Relations", p. 12.

In the past decade (2007-2016), with a share of 11.2%, Russia has been Turkey's top import partner. Russia has been followed by Germany and China with 9.7% each. Conversely, Turkey's exports to Russia in the same period accounted for only 3.7% of Turkey's total exports, placing Russia in the 7th position after Germany, the UK, Iraq, Italy, France and the U.S. In the same period, imports from Turkey accounted for 3.2% of Russia's total imports, while its exports to Turkey accounted for 8.8% of Russia's total exports.³² All in all, this discrepancy demonstrates the asymmetric interdependence in bilateral trade, which favors Russia.

Bilateral Investment Ties

Another important dimension of the economic interdependence between Russia and Turkey is investments. While the literature has paid considerable attention to trade and energy ties between the two countries, bilateral investment ties have been rather unexplored, despite the fact that foreign direct investment (FDI) and international production have become highly significant components of national economic power in the age of globalization.³³ In the past decade, Russian firms have increased their presence in the Turkish economy, which has closed the direct investment gap between the two countries in favor of Russia. That is primarily because Russian investments in Turkey concentrate on sectors such as energy, metallurgy, banking and the automotive industry, which are of higher strategic importance and added value compared to Turkish investments in Russia. Turkish investments in Russia concentrate on the construction sector, which is of socio-economic importance for Russia, as well as low to medium technology sectors such as alcoholic beverages, chemicals and glass production.

Unlike bilateral trade, Russia and Turkey have a rather balanced record of bilateral FDI stocks.

In the new millennium, Turkish outward FDI has increased significantly. As demonstrated by Bakır, from 2000 to 2013, Turkish outward FDI stock went up from US\$ 3.6 billion to US\$ 32.7 billion, while FDI outflows similarly increased from US\$ 870 million to US\$ 3.1 billion.³⁴ According to OECD data, Russia's outward FDI stocks increased from US\$ 139 billion in 2005 to US\$ 335 billion in 2016.³⁵ Its outward FDI flows, on the other hand, went up from US\$ 16.7 billion in 2005 to a historic high of US\$ 70 billion in 2013, to decrease to US\$ 26.9 billion in 2016.³⁶ In this context, it is meaningful to examine Turkish-Russian investment ties since the turn of the new century. Unlike bilateral trade, Russia and Turkey have a rather balanced record of bilateral FDI stocks. The Russian

³² Author's calculation based on data from the Central Bank of Russia and the Turkish Statistical Institute.

³³ Zachary Elkins, Andrew T. Guzman and Beth A. Simmons, "Competing for Capital: The Diffusion of Bilateral Investment Treaties", *International Organization*, Vol. 60, No. 4 (2006), pp. 811-846. On Turkish transnational companies, see Caner Bakır, *Dünyayla İş Yapanlar: Küreselleşme Sürecinde Türk Çokulusluları*, İstanbul, Koç Üniversitesi Yayınları, 2016.

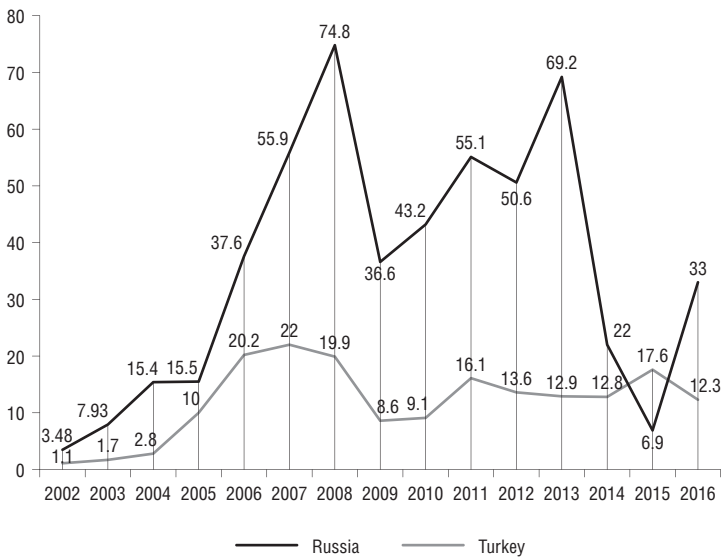
³⁴ Bakır, *Dünyayla İş Yapanlar*, p. 41.

³⁵ "FDI Stocks", *OECD*, at <https://data.oecd.org/fdi/fdi-stocks.htm#indicator-chart> (last visited 1 December 2017).

³⁶ "FDI Flows", *OECD*, at <https://data.oecd.org/fdi/fdi-flows.htm> (last visited 1 December 2017).

market has been an important destination for outgoing Turkish investments in the post-Cold War era. As stated recently by Russian Minister of Energy Alexander Novak at the Izmir International Fair, Russian investments in Turkey have amounted to US\$ 10 billion, which is almost equal to Turkish investments in Russia.³⁷ Turkish firms are more experienced in the Russian market as Turkish construction companies have been key players in the Russian construction sector since the early years of the post-communist period. In fact, Turkish contractors started to develop projects during the late 1980s thanks to the 1984 inter-governmental agreement permitting Turkish investments in the Soviet Union in return for natural gas imports.³⁸

Figure 3: FDI Net Inflows, Russia and Turkey (billion US\$)



Source: World Bank, available at: <https://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD?end=2016&locations=RU-TR&start=2002&view=chart> (last visited 26 November 2017).

Currently, the leading Turkish firms investing in the Russian market include Anadolu Efes (alcoholic beverages), Enka (construction), Renaissance (construction), Şişecam (glass), Trakya Cam (glass), Eczacıbaşı (tiles and ceramic ware), Hayat (fastmoving consumer goods and wood products), Koç (household appliances and banking) and Zorlu (household appliances and energy). While hundreds of smaller Turkish companies are also active in the Russian market, these big Turkish firms account for the majority of Turkish FDI in Russia. According to Bakır's calculations, from 2003 to 2013, Turkish firms operating in Russia made 105 greenfield investments with a total net investment

³⁷ "Turkish Investment in Russian Economy Amounts to \$10 Billion", *Sputnik International*, at <https://sputniknews.com/business/201708181056576740-turkey-russia-investments> (last visited November 21, 2017).

³⁸ Öniş and Yılmaz, "Turkey and Russia in A Shifting Global Order", p. 75.

amount of more than US\$ 9 billion.³⁹ Moreover, with investments worth US\$ 2.6 billion, Russia was also the first market in terms of Turkish investors' mergers and acquisitions in the same period.⁴⁰ The Turkish Ministry of Economy estimates that projects conducted in Russia account for around 20% percent of Turkish contracting businesses abroad. Beko and Vestel, similarly, accounted for 10% of the durable goods sector in Russia.⁴¹ Anadolu Efes, which has been operating in the Russian market since 1997, was the second biggest player in the beer market with a 14.9% value share in 2016.⁴² The head of Anadolu Holding's executive board, Tuncay Özilhan, also chairs the Turkish-Russian Business Council within Turkey's Foreign Economic Relations Board (DEİK). Şişecam, which is Europe's biggest and the world's 4th largest glass producer, currently has eight factories operating in Russia. In October 2016, Şişecam opened a flat glass and an automotive glass factory in Alabuga, Tatarstan. The company's investments in the Russian market have exceeded US\$ 1.1 billion.⁴³

While the value of Russian FDI in Turkey was quite minimal for the first two decades of the post-Cold War period, it started to rise significantly in 2011 (See Figure 4). That was mainly thanks to the world's biggest steel producer, Russia's Magnitogorsk Iron and Steel Works (MMK Metal), which opened a plant in Turkey in the southern town of İskenderun in 2011. MMK Metal is currently Turkey's largest industrial enterprise, which began as a greenfield foreign direct investment project. MMK Metal also currently operates Turkey's biggest privately owned port in Dört Yol, Hatay.⁴⁴ The company has another plant in Gebze. In 2012, Russia's state-owned Sberbank bought Deniz Bank for US\$ 3.6 billion from Belgian Dexia, a deal that became Russia's biggest overseas acquisition.⁴⁵ In the past decade, Russia's second biggest oil company Lukoil has also strengthened its presence in the Turkish market. After buying Akpet in 2008, Lukoil has rapidly expanded to become one of the biggest distributors in Turkey. So far, Lukoil's investment in Turkey has exceeded \$1 billion. Russia's largest commercial motor vehicles producer, GAZ Group has been producing its "Gazelle Next" brand in Sakarya since 2014.

While the value of Russian FDI in Turkey was quite minimal for the first two decades of the post-Cold War period, it started to rise significantly in 2011.

Nuclear energy has been the most strategic area in which the Russian and Turkish governments have agreed to cooperate so far. When completed, the Akkuyu nuclear power plant will increase the value of Russian FDI in Turkey substantial-

³⁹ Bakır, *Dünyayla İş Yapanlar*, pp. 66-67. Among the CIS, Azerbaijan, Ukraine and Kazakhstan followed Russia in terms of the total number and value of Turkish greenfield investments in the same period.

⁴⁰ *Ibid.*, p. 81.

⁴¹ Öniş and Yılmaz, "Turkey and Russia in A Shifting Global Order", p. 78.

⁴² "Operations", *Anadolu Efes*, at <http://www.anadoluefes.com/index.php?gdil=in&gsayfa=op&galtsayfa=operasyonlardetay&gicsayfa=rusya> (last visited 30 November 2017).

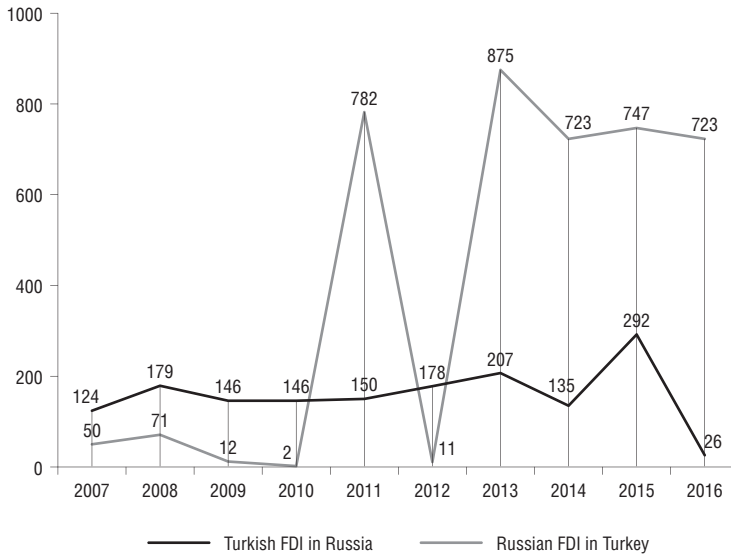
⁴³ "Şişecam'dan Tataristan'a 310 Milyon Dolarlık Yatırım", Şişecam, at http://www.sisecam.com.tr/tr/basin-odasi/basin-bultenleri/ssiecamdan_tataristana%20_yatirim (last visited 30 November 2017).

⁴⁴ "MMK Port", *MMK Metalurji*, at http://mmkturkey.com.tr/en/?page_id=68 (last visited 21 November 2017).

⁴⁵ "Russia's Sberbank 'Ready Support Big Projects in Turkey,'" *Hürriyet Daily News*, 25 October 2012.

ly. It is estimated that the Akkuyu project will cost US\$ 20 billion. This means that the Akkuyu nuclear power plant will exacerbate the asymmetric interdependence in terms of bilateral investment ties at Turkey's expense. It will be impossible for Turkish investments in Russia to catch up with Russian investments in Turkey after the Akkuyu nuclear power plant starts operating.

Figure 4: **Bilateral FDI Flows** (*million USD*)



Source: Author's calculations based on data from the Central Bank of Russia, Central Bank of Turkey and UNCTAD.

Similar to bilateral trade, bilateral investment ties also favor Russia. In the past decade (2007-2016), FDI originating from Russia has accounted for 2.8% of the total FDI inflow to the Turkish economy. Conversely, FDI originating from Turkey has accounted for only 0.3 % of the total FDI in the Russian economy.⁴⁶ This demonstrates that the two countries have a long way to go in terms of solidifying their investment ties. In March 2017, during President Erdoğan's visit to Russia, the Russian Direct Investment Fund (RDIF) and the newly-established Türkiye Wealth Fund (TWF) signed a memorandum "to work together to identify attractive investment projects that could strengthen bilateral economic ties and increase investment flows between Russia and Turkey."⁴⁷ Each country's sovereign wealth funds are expected to invest up to US\$ 500 million in the joint investment fund. This is an important project that can potentially boost mutual investments in the future if used wisely. However, the most important criteria for increasing FDI ties will be the health of the Russian and Turkish economies, the confidence of investors in each economy, and the prospects for deeper political cooperation between the two governments.

⁴⁶ Author's calculations based on data presented in the figures.

⁴⁷ "RDIF, Türkiye Wealth Fund Create Russia-Turkey Investment Fund", *Russian Direct Investment Fund*, https://rdif.ru/Eng_fullNews/2310 (last visited 1 December 2017).

The Importance of the International Context for Turkish-Russian Economic Ties

As Erşen has recently argued, it is quite difficult to examine Turkey's political relations with Russia in isolation from international developments and both countries' ties with the West.⁴⁸ This section aims to demonstrate that one can make the same argument with regard to Turkish-Russian economic relations. I show that Turkey's trade capacity with Russia has been negatively affected by the global financial crisis, the Eurozone crisis and the West's sanctions on the Russian economy. A close scrutiny of bilateral trade reveals the causes behind the fluctuations in economic ties. In the past decade, bilateral trade has experienced two major shocks. Firstly, in 2009, Turkey's trade with Russia fell by 50.8% to US\$ 22.7 billion compared to the previous year.⁴⁹ That was because of the credit crunch and pervasive recession due to the global financial crisis that erupted in the U.S. housing market and spread rapidly to the rest of the world.⁵⁰ It is important to recall that the year 2008 witnessed Russia's rise to a new status as Turkey's top trading partner, surpassing Germany as total bilateral trade hit US\$ 37.8 billion. The Russian economy experienced negative growth in 2009, as GDP contracted by 7.8%; the Turkish economy also experienced negative growth in the same year, contracting by 4.7%.⁵¹ As Figure 3 demonstrates, both countries experienced a sharp downturn in net FDI inflows in 2009, one year after the great recession. In both countries, incoming FDI flows fell by more than 50% from 2008 to 2009; from US\$ 74.8 billion in 2008 to US\$ 36.6 in Russia, and from US\$ 19.9 billion to US\$ 8.6 billion in Turkey. In both countries, the amount of incoming FDI has still not returned to 2008 levels. It is important to note that this trend in FDI has had more detrimental consequences for Turkey, which structurally runs current account deficits.

The second critical juncture was experienced in 2015 as Turkey's exports to Russia fell by 39.6% compared to the previous year. This time however, the downturn was caused not only by the jet crisis, but by the sanctions imposed by the U.S. and the EU on the Russian economy. Since April 2014, the West has expanded its sanctions on the Russian financial system, targeting Russia's banks and business community. While Ankara has officially condemned Russia's annexation of Crimea, it has not joined the sanctions imposed by the U.S. and EU on the Russian economy. Turkish decision makers and the business community initially expected that the sanctions would make Turkey an inevitable partner for Russia. For example, Mehmet Büyükekeşi, the head of the Turkish Assembly of Exporters argued that Turkey could boost its exports in the fruit, egg and poul-

⁴⁸ Emre Erşen, "The Transatlantic Dimension of Turkey's Strategic Rapprochement with Russia: The Turkish Perspective", in Sasha Toperich and Aylin Ünver Noi (eds.), *Turkey and Transatlantic Relations*, Washington, DC, Center for Transatlantic Relations, 2017, pp. 203-216.

⁴⁹ This calculation in this section is based on trade data that the author accessed from the Turkish Statistical Institute's website. For details please see, "Dış Ticaret İstatistikleri", *Türkiye İstatistik Kurumu*, at http://www.tuik.gov.tr/PreTablo.do?alt_id=1046 (last visited 7 November 2017).

⁵⁰ For a detailed account of the effects of the crisis on the global political economy, see Eric Helleiner, *The Status Quo Crisis*, New York, Oxford University Press, 2014.

⁵¹ Data accessed through the World Bank; for Turkey see <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?end=2016&locations=TR&start=1993>. For Russia see <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?end=2016&locations=RU&start=1990&view=chart> (last visited 26 November 2017).

try sectors.⁵² Initial hopes were soon replaced by pessimism, however, as Turkey's exports to Russia fell by 14% in 2014 compared to 2013 (from US\$ 6.9 billion to US\$ 5.9 billion). The immediate impact of the Western sanctions on the Russian economy was the main cause of this downturn. As the Russian economy started to experience negative growth, it became harder for Turkish exporters to expand their markets in Russia. Moreover, the sanctions resulted in a rapid depreciation of the Russian ruble vis-à-vis the U.S. dollar. Low oil prices in global energy markets, coupled with Western sanctions on the Russian economy, pushed the ruble to a record low of 86 rubles to one U.S. dollar in January 2016.⁵³

While Ankara has officially condemned Russia's annexation of Crimea, it has not joined the sanctions imposed by the U.S. and EU on the Russian economy.

The depreciation of the ruble indirectly meant that the ongoing economic sanctions on the Russian economy would hurt Turkish exports to the Russian market. Also, the Russian government wanted to turn the Western economic sanctions into an advantage for the Russian economy. Soon after the first wave of sanctions, the Russian government announced a program of import substitution with the goal of enhancing Russia's economic sovereignty.⁵⁴ The depreciation of the ruble was also regarded an opportunity to boost domestic businesses. Most importantly, the program aimed to reduce imported food and invest in the agricultural sector to contribute to Russia's food security. The Russian government imposed retaliatory sanctions on food imported from the European Union, and increased subsidies for domestic producers. Overall, the program has been successful. As reported by the *Financial Times*, agricultural products have surpassed arms sales to become Russia's second biggest export sector after raw materials.⁵⁵ The jet crisis between Turkey and Russia solidified the Russian government's commitment to decreasing Russia's dependence on imported food products. That is why it has proven so difficult for Ankara to convince Moscow to lift its ban on Turkish fruits and vegetables.

The depreciation of the ruble indirectly meant that the ongoing economic sanctions on the Russian economy would hurt Turkish exports to the Russian market.

All in all, bilateral trade volumes have not yet returned to the 2008 level. This marks an important lesson for the Turkish economy; if one of Turkey's major partners is going through an economic downturn, that immediately affects its ability to trade with that country. More importantly, because the Turkish economy enjoys a very high level of integration into the global economy, it does not

⁵² Quoted in "Turkey Hopeful of Boosting Exports to Russia Amid Ban on Western Products", *Hurriyet Daily News*, 8 August 2014.

⁵³ Juliet Johnson and David Woodruff, "Currency Crises in Post-Soviet Russia", *Russian Review*, Vol. 76, Issue 4 (2017), p. 630.

⁵⁴ Richard Connolly and Philip Hanson, "Import Substitution and Economic Sovereignty in Russia", *Chatham House Russia and Eurasia Program Research Paper*, June 2016.

⁵⁵ Neil Buckley, "Russian Agricultural Sector Flourishes amid Sanctions", *The Financial Times*, 19 August 2017.

benefit from political chaos in its neighborhood. On the contrary, the ongoing sanctions crisis demonstrates that Turkey's export capacity is highly contingent on its partners' economic well-being.

Towards Complex Interdependence in Russian-Turkish Economic Relations?

This section will discuss whether Turkish-Russian asymmetric interdependence can soon transform into complex interdependence, resembling for example, the relations between the U.S. and Canada, or France and Germany. In Keohane and Nye's framework, complex interdependence between two countries is measured by three main characteristics: multiple channels between societies, the absence of hierarchy among issues, and the disappearance of military force in bilateral intergovernmental relations.⁵⁶ First, for asymmetric interdependence to evolve into a more complex form, societies need to be strongly connected to each other without intervention from governments. Societal ties include, but are not limited to, humanitarian connections and cooperation among non-governmental organizations (NGOs). While Turkish and Russian societies know each other much better than they did three decades ago, the jet crisis clearly demonstrated the limits of trust between the two societies. The rapid and substantial decrease in the number of Russian tourists visiting Turkey in the aftermath of the downing of the Russian jet also reveals the delicate nature of intersocietal ties. According to Keohane and Nye, the second condition for complex interdependence is the absence of hierarchy among issues that connect the two countries. That, first and foremost, includes the fading dominance of military security in bilateral relations. The end of the Cold War has without doubt reduced the importance of military/strategic issues in the agenda of Russian and Turkish decision makers vis-à-vis each other. Nevertheless, as demonstrated recently by the disagreement over Crimea and the jet crisis, the two countries continue to have diverging strategic interests in the Black Sea region and the Middle East. Moreover, even if military issues are not on the agenda, bilateral ties can become entrapped in a rather narrow focus on energy security. Third, the threat of use of military force toward one another should be eliminated for two countries to enjoy complex interdependence. Although highly unlikely to be repeated, the jet crisis did reveal the possibility of a military conflict between Turkey and Russia.

Complex interdependence between two countries is measured by three main characteristics: multiple channels between societies, the absence of hierarchy among issues, and the disappearance of military force in bilateral intergovernmental relations.

Several factors in Turkish-Russian relations reinforce the status quo, and, with it, the absence of complex interdependence between the two countries. Most importantly, Turkey and Russia lack international regimes that bind them together. The Black Sea Economic Cooperation Organization (BSEC) has served an im-

⁵⁶ Keohane and Nye, *Power and Interdependence*, pp. 20-24.

portant function since its establishment in 1992, but today it can best be referred to as a loose form of regionalism that does not foresee any deep form of economic integration among its members.⁵⁷ Moreover, the ongoing crisis over Ukraine puts the prospects of the BSEC under doubt. Even though both Russia and Turkey are members of the World Trade Organization (WTO), they continue to be members of different regional integration mechanisms. Russia has pursued deeper economic integration with the post-Soviet states through the Eurasian Economic Union (EAEU), while Turkey is a party to the European Union's Customs Union. It would be unrealistic and economically irrational to expect Turkey to join the EAEU in the foreseeable future.

The activities and influence of nongovernmental actors such as business groups in policy-making is also important in examining the dynamics of economic interdependence between the two countries.⁵⁸ Traditionally, the semi-official Foreign Economic Relations Board (DEİK) is influential in Turkey's foreign economic strategy. As mentioned above, Tuncay Özilhan, head of the executive board of Anadolu Holding, chairs the Turkish-Russian Business Council within DEİK. The Russian-Turkish Business Council is headed by Akhmet Palankoev, who is a member of Russia's Federation Council. A businessperson, Cavit Çağlar, played a crucial role in solving the jet crisis in June 2016. Yet despite the growth of trade and investment ties among business groups since the early 1990s, the jet crisis demonstrated the ongoing dominance of the Russian state in guiding Russia's foreign economic relations. The radical decline in Russian tourists arriving in Turkey in 2016 is a clear indicator of the power of the Russian state to influence humanitarian ties as well. Finally, Russia's turn to import-substitution in response to the West's sanctions, coupled with Russia's state-led economic system, will continue to impede deeper forms of economic cooperation between the two countries.

Conclusion

Turkish officials have often touted the official target of Turkish-Russian bilateral trade as US\$ 100 billion. Albeit exciting, this number is unrealistic to achieve due to the asymmetric interdependence in bilateral ties that this paper has aimed to explain. Also, for Turkey to increase its exports to the Russian market, the two countries need deeper forms of economic integration, which do not seem likely to emerge any time soon. More importantly, a significant enhancement of wealth among both Turkish and Russian societies is required for economic ties to flourish. Finally, various regional and international developments with a security dimension interfere with the economic interdependence between the countries. While Turkey and Russia have been cooperating toward a peaceful solution to the Syrian crisis, for example, they continue to have divergent preferred outcomes regarding the future of Bashar al-Assad and the PYD.

⁵⁷ Öniş and Yılmaz, "Turkey and Russia in A Shifting Global Order", p. 80.

⁵⁸ Tsarouhas, "The Political Economy of Greek-Turkish Relations", p. 52.

As rightly observed by Öniş and Yılmaz, partnerships with asymmetric interdependence restrict the bargaining leverage of the weaker side.⁵⁹ In the case of Russian-Turkish relations, the intensification of economic ties has clearly strengthened Russia at the expense of Turkey. As explored above, the sanctions imposed by Russia in the aftermath of the jet crisis have highlighted the asymmetric nature of the countries' economic cooperation. However, Russia needs Turkey as a reliable energy partner at a time of deteriorating ties with the West and Ukraine. That is one reason why the jet crisis was resolved within a time span of seven months, despite the initial anger and shock experienced by both governments.

How can Turkey and Russia revitalize their economic ties and assure that economic relations will not be negatively affected by disagreements over strategic issues? One easy proposal might be to 'bring compartmentalization back' to Russian-Turkish relations. However, as Erşen has recently argued, the sharp disagreements around Crimea and Syria have demonstrated that the strategy of compartmentalization, characteristic of Turkish-Russian relations in the 2000s, is no longer sustainable.⁶⁰

Both countries' international economic activity depends to a significant extent on international political and economic developments. The ups and downs in Turkish-Russian relations demonstrate the primacy of politics for sustained economic interdependence in the future. As politics will continue to dominate the economic agenda, bilateral political ties through mechanisms such as the High Level Cooperation Council should be enhanced. In addition, despite the difficulties posed by both active and frozen conflicts in the region, the two countries could once again strive to revitalize BSEC as a platform for joint investments and trade in the region.

The ups and downs in Turkish-Russian relations demonstrate the primacy of politics for sustained economic interdependence in the future.

The jet crisis provides lessons for Turkey's foreign economic strategy. In its current form, economic interdependence favors Russia due to the structure of the two countries' economies. The structural difference, as explained above, affects economic relations in terms of both investments and trade. In the long run, bilateral economic ties can evolve toward a more equitable balance for Turkey due to its diversified economic structure. However, what is obvious at this point is that Turkey needs to reformulate its foreign trade strategy vis-à-vis Russia to reduce its vulnerability. Intensifying Turkish direct investments in Russia with a focus on sectors that are of higher added value should be a target. Employing a greater number of Russian citizens would allow Turkish companies doing business in Russia to increase their power and influence in the Russian market, and curb the Russian government's ability to restrict their economic activities in the future.

⁵⁹ Ibid., p. 88.

⁶⁰ Emre Erşen, "2000'li Yıllarda Türkiye-Rusya İlişkileri: Kompartımanlaştırma Stratejisinin Sorunları", in Özcan, Balta and Beşgöl (eds.), *Türkiye ve Rusya İlişkilerinde Değişen Dinamikler: Kuşku ile Komşuluk*, Fatih, İstanbul, İletişim Yayınları, 2017, pp. 147-161.

Turkey risks suffering significant economic losses in a potential disagreement with Russia on a strategic issue in the future. As long as Turkey exports medium-technology manufactured goods, foods and vegetables, and imports natural gas and petroleum products, it is destined to be vulnerable. The Turkish government should therefore focus on diversifying Turkey's energy import partners, while at the same time continuing to utilize Turkey's geopolitical importance for Russian natural resource exports. However, the most important goal of Turkey's foreign economic strategy should be to develop a long-term plan that fosters investments in high technology sectors, which can eventually lead to greater value added for Turkish exports. Such a strategy would not only reduce Turkey's vulnerability to external shocks, but also ameliorate its chronic current account deficit.

The most important goal of Turkey's foreign economic strategy should be to develop a long-term plan that fosters investments in high technology sectors, which can eventually lead to greater value added for Turkish exports.

Russia and Turkey: Resetting Economic Partnership

Nigyar R. MASUMOVA⁶¹

Abstract

Russian-Turkish economic relations, which were plagued by the global economic downturn as well as Russia's economic sanctions against Turkey in retaliation for the downing of a Russian fighter jet, are now recovering. Prior to these events, Russia and Turkey had enjoyed close economic ties since the collapse of the Soviet Union. Indeed, before the global economic crisis, bilateral trade between Russia and Turkey had been growing rapidly; foreign direct investments were increasing, the annual number of international tourists was on the rise, and cooperation in the field of energy was deepening. This article analyzes the current state and prospects of Russian-Turkish economic relations and concludes that the two countries are natural partners and should develop their economic cooperation despite several difficulties.

Key Words

Russia, Turkey, Energy Cooperation, Bilateral Trade, Pipelines, TurkStream.

Introduction

Russian-Turkish economic cooperation covers issues such as trade, tourism, construction and energy. Since Turkey is Russia's southern neighbor, it is quite important to develop cooperation between the two countries in the economic sphere- especially in areas such as industry, transport, agriculture and construction- in addition to political cooperation. It is also important that Ankara and Moscow maintain balanced bilateral links due to the unstable geopolitical environment and crises in their shared neighborhood, as well as the ongoing problems in the world economy.

Russia and Turkey play significant roles both in regional and global economic balances. Russia is currently the 6th largest economy, while Turkey is the 13th largest economy in the world (by GDP, PPP).⁶² The two countries are also strategic partners and have close economic ties with each other which began to develop actively in the early 1990s.

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⁶² *Worldbank Data*, 2018, at <http://databank.worldbank.org> (last visited 9 April 2018).

The sustainable economic development and prosperity of Russia and Turkey depend on their ability to find solutions for their bilateral political issues.

Several political factors influence the prospects for economic interaction between the two countries in the longer term. In the last few years, serious political problems between Turkey and Russia have negatively affected the development of their economic ties. However, the two countries felt obliged to overcome their political differences quickly as the geopolitical and economic balances in their region remained quite unstable. The sustainable economic development and prosperity of Russia and Turkey depend on their ability to find solutions for their bilateral political issues.

Historical Background

Before analyzing the current state of Russian-Turkish economic relations, we should take into account some historical factors that have helped shape the development of bilateral relations between the two countries before the collapse of the Soviet Union.

The economic relations between Ankara and Moscow were very complicated during the Soviet period. Before the Republic of Turkey was formally established, the Soviet Union provided financial and military support to the independence movement in Anatolia led by Mustafa Kemal.⁶³ After the Grand National Assembly declared the new independent Turkish state in 1923, the Soviet Union again provided financial aid to Ankara with a loan of US\$ 8 million. This low-interest loan which was given for a period of 20 years relieved the burden of the Ottoman era debts on the Turkish economy, and was used by Turkey to finance infrastructure projects as well as arms procurement and production.

The textile factories in Nazilli and Kayseri, built between the years of 1933 and 1936, were the result of economic cooperation between the Soviet Union and Turkey.⁶⁴ These two textile factories were later transferred to Sümerbank after their construction was completed. In addition, Moscow provided Ankara with goods, services and technology. At the end of the 1950s, the Çayırova glass factory was also established with Soviet credit. Yet the economic cooperation between Turkey and the Soviet Union slowed down afterwards, that happened due to political line of the countries. Soviet-Turkish economic relations only began to revive in the period of 1960-1970, due to transformations in Turkey's economic policy and a change of attitude regarding foreign investments.⁶⁵

As foreign capital became the main financial source of infrastructure development in Turkey, an economic and technical cooperation agreement was signed

⁶³ Jamil Hasanli, *SSSR-Turtsiya: Ot Neitraliteta k Kholodnoy Voynye 1939–1953*, [USSRTurkey: from Neutralities to Cold War: 1939-1953], Moscow, Tsentr Propagandy, 2008, p. 11.

⁶⁴ Nikolay G. Kireev, *Istoriya Turtsii: XX Vek*, [The History of Turkey: XX Century], (Moscow, Kraft, 2007), pp. 201, 211, 213.

⁶⁵ Nikolay G. Kireev, *Istoriya Etatizma v Turtsii* [The History of Etatism in Turkey], Moscow, Nauka, 1991, pp. 145, 181.

with Moscow in 1967. Turkey received a credit of US\$ 200 million for building iron and steel plants in İskenderun as well as the Seydişehir aluminum factory, the Aliğa oil refinery plant and the Bandırma sulphur acid factory.⁶⁶ Soviet investments helped Turkey satisfy its own domestic needs, and to start selling its products and services to foreign markets. The 1967 agreement also included programs for cooperation in education, research and training between the two countries.

Russian-Turkish Economic Relations in the New Era

Russia and Turkey's social and economic models have experienced profound changes in the last few decades. In the early 1980s, Turkey started building a modern economic system and settled on a liberal path of development. Today, Turkey is regarded as a regional leader, and as one of the most economically well-developed Muslim-majority countries, mainly because it is closely tied to the European market and aspires to become a fullfledged EU member in the future. This is also largely due to its successful market reforms and adoption of an export-oriented development model. Positive GDP growth, qualitative shifts in the industry composition of the economy, comprehensive development and encouragement of exports, all helped boost Turkey's foreign trade and enabled it to change the structure and geographical coverage of its economy.⁶⁷

Russia, on the other hand, initiated radical market reforms after the breakup of the Soviet Union, which aimed to replace the socialist economic model with a market-oriented capitalist model. This radical shift initially led to economic disaster and a significant slump in the country's macroeconomic indicators in the 1990s and early 2000s. It was only in 2008 that Russia achieved to reach the GDP figures of the pre-crisis period. However, despite its growth, Russia's economy is still dominated by commodity mining, wholesale and retail trade and real estate transactions, while the share of hi-tech and R&D-intensive industries is quite low.

The Soviet collapse facilitated closer cooperation between Russia and Turkey in various economic areas, elevating bilateral ties to a different level of development.

It has taken Turkey a fairly short time to transform itself from an agrarianindustrial economy into a manufacturer of hi-tech products. The Soviet collapse facilitated closer cooperation between Russia and Turkey in various economic areas, elevating bilateral ties to a different level of development. Russia has become one of the major investors in Turkey's economy and one of Turkey's key trading partners. Cooperation has been expanding in many areas of foreign economic activity, such as science-technology, tourism, foreign investment and trade, in line with the strategic interests of both countries.

⁶⁶ Ibid.

⁶⁷ Nigyar R. Masumova, "Osobnosti Sotzialno-ekonomicheskogo Razvitiya Turtsii na Rubezhe XX-XXI vv", [The Features of Social and Economic Development of Turkey at the Turn of XX-XXI Centuries], in Nina M. Mamedova (ed.), *Mezhdunarodnye Otnosheniya*, [International Relations], (Moscow, 2015).

Ankara and Moscow have recently signed many bilateral agreements to stimulate and support economic cooperation. The first document - the 1992 agreement on the basic principles of relations between Russia and Turkey - initiated deeper political, economic and cultural cooperation between the two countries. A new impetus to building bilateral ties emerged when Russian President Vladimir Putin made his first official visit to Turkey in 2004 and the two countries adopted a joint declaration for the deepening of friendship and multidimensional partnership. The most important stage in bilateral economic relations began in 2009, when the High-Level Russian-Turkish Cooperation Council was established. This council continued the work of the Russian-Turkish Intergovernmental Commission on Trade and Economic Cooperation.

The period from 2004 to 2015 was defined by the development of economic cooperation between the two governments. However, the fighter jet incident in 2015 caused substantial damage to Russian-Turkish economic relations, and revealed the fragility of the economic ties between the two countries in the face of political disagreements. Currently, economic relations between Russia and Turkey present opportunities and challenges for both countries. Russia traditionally exports oil, gas, and metals to Turkey, and imports some manufactured goods. For its part, Turkey is a popular destination for Russian tourists, and many Turkish employees work in ongoing construction projects in Russia. We will now examine several important points concerning the future development of economic cooperation between Russia and Turkey.

Areas of Economic Development

Foreign Trade

A high share of export quotas reflects the openness of an economy and the importance of exports in the national economy. As a result of foreign trade liberalization and policies encouraging investment in the past decade (1995-2016), Turkey's export quotas increased due to manufacturing, while Russia's export quotas increased due to commodities.⁶⁸

An analysis of trade relations between Russia and Turkey from 1995-2016 shows a steady increase in volumes, which recovered after a certain decrease during the 2008-2009 global financial crisis (see the table below). Turkey currently confronts a trade deficit, which means that its imports from Russia exceed its exports, mainly due to its high volume of Russian energy purchases.⁶⁹ In 2016, Russia accounted for 1.2% (2.5% in 2015) for Turkey's exports and 7.6% (almost 10% in 2015) of its imports. In other words, Russia accounts for almost 5% (7% in 2015) of Turkey's foreign trade – 16.9 USD billion. Meanwhile, Turkey accounted for 5.5% (6% in 2015) of Russia's exports and 1.3% (3% in 2015) of its imports in 2016, which makes up almost 4% of its trade turnover.⁷⁰

⁶⁸ Nigyar R. Masumova, "Vneshnyaya Torgovlya kak Draiver Razvitiya Ekonomiki Turtsii", [Turkey's Foreign Trade as a Driver of Economic Development], *Vestnik-MGIMO*, No. 2/47 (2016), pp. 111-117.

⁶⁹ Ahu Coşkun Özer, "Turkey's Foreign Trade and New Markets for Turkey", in Vasily Erokhin (ed.), *Global Perspectives on Trade Integration and Economies in Transition*, (Hershey, IGI Global, 2016), pp. 147-165.

⁷⁰ Turkish Statistical Institute, at <http://www.turkstat.gov.tr> (last visited 8 April 2018).

Figure 1: Export Quotas of Russia and Turkey

Years	Russia			Turkey		
	GDP in current prices, USDbillions	Exports		GDP in current prices, USDbillions	Exports	
		USD billions	% of GDP		USD billions	% of GDP
1995	395.5	115.8	29.3	169.5	33.7	19.9
2000	259.7	114.4	44.1	273.0	53.1	19.5
2005	764.0	269.0	35.2	501.4	105.4	21.0
2010	1,524.9	445.5	29.2	771.9	157.8	20.4
2015	1,365.9	391.6	28.7	859.4	200.5	23.3
2016	1,283.2	329.9	25.7	857.8	189.2	22.1

Source: World Bank Data. URL: <http://databank.worldbank.org> (last visited 26 March 2018).

In terms of products, Russia’s exports to Turkey are dominated by oil, oil products, natural gas, coal, and various metals and metal products, which account for more than 70% of total Russian exports. Russia’s imports from Turkey include textiles, food, household appliances, and machinery and equipment. After the introduction of Russian restrictions on Turkish imports after the fighter jet crisis of November 2015, 15% of Turkish exports were affected by the sanctions.⁷¹

Although most of the sanctions imposed by Moscow against Ankara have been gradually lifted since mid-2016, trade volume has been very slow to recover. Considering that the leaders of both Russia and Turkey announced their target to reach 100 billion USD in bilateral trade, this can only be possible with the advent of joint megainvestment projects.⁷²

Figure 2: Bilateral Trade Between Russia and Turkey

Years	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
USD billion	21.0	28.2	37.9	22.6	26.2	30.0	33.3	32.0	31.2	24.0	16.9	22.3

Source: TÜİK, at <http://www.turkstat.gov.tr> (last visited 24 March 2018).

Military Cooperation

An important field of Russian-Turkish economic cooperation involves military-technical issues. The Syrian crisis in particular has facilitated a quick rapprochement between the two countries in this sphere. Most importantly, Ankara decided to purchase the Russian S-400 anti-aircraft systems and has made a down payment to Moscow for this purpose. The contract is worth over US\$ 2 billion and the delivery of the first components of the S-400 system to Turkey is ex-

⁷¹ Nigyar R. Masumova, “The Current State of Trade and Economic Relations between Russia and Turkey”, at http://russiancouncil.ru/en/analytics-and-comments/analytics/sovremennoe-sostoyanie-torgovo-ekonomicheskikh-svyazey-rossi/?sphrase_id=10163904 (last visited 6 April 2018).

⁷² “Russian Envoy Anticipates \$100 Billion Trade with Turkey”, *Daily Sabah*, 28 August 2017.

pected to start in May-June 2020, the second in 2021. Ankara plans to finance 55% of the deal with a Russian loan.⁷³

Turkey will be the first NATO member country to purchase the Russian S-400 system. At the same time, Russian and Turkish armed forces have also started to develop their cooperation and communication to avoid an incident like the fighter jet crisis in their bilateral relations. In this regard, they are expected to deepen their militarytechnical cooperation.

Lifting the Ban on Turkish Products

Russia's ban on the import of Turkish tomatoes was gradually lifted, although the two countries have negotiated over this issue for months. At that time Moscow allowed only eight Turkish enterprises to export 50,000 tons of Turkish tomatoes per year, as the agricultural sector is one of the most sensitive fields of the Russian economy and tomato production in Russia rapidly increased after the introduction of sanctions against Turkey. Nevertheless, both countries achieved to lift the ban completely later.

Similarly, last year Moscow confronted some barriers on exporting wheat to Turkey which is the second largest buyer of the Russian wheat. The development of relations between the two countries is important for the wheat market because Russia is the world's top flour exporter, and Turkey buys large amounts of Russian grain. In addition, Russia needs buyers for its record wheat crop.⁷⁴ Currently the restrictions are lifted, but the recurrence of such problems creates constant tension and undermine the trust between the two countries.

Energy

Turkey's high economic growth rates, combined with increased power production since the mid-2000s, have created a large demand for new infrastructure and raw materials. Turkey's energy resources- especially oil and natural gas- are extremely limited and the country depends on energy imports for about 75% of its total primary energy supply. Almost 38% of Turkey's electricity is generated from natural gas, 29% from coal, 26% from hydro energy and 6% from renewable energy and wastes.⁷⁵

Since 2000, electricity consumption per capita in Turkey has doubled (see below). With the rapid development of the economy, electricity consumption has increased in industry driven economies. Russia holds the world's largest natural gas reserves after Iran with 11,40 trillion cubic feet, which accounts for almost 17% of the world's total proven reserves.⁷⁶ That is why energy cooperation between Russia and Turkey stands on a solid basis.

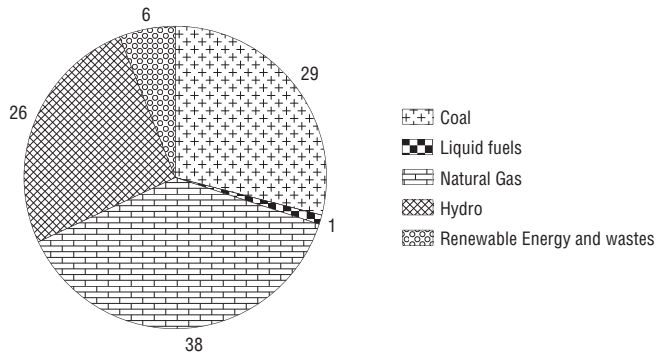
⁷³ "Turkey Buys 4 Russian S-400 Systems, Russian Loans to Cover 55% of Costs", *Sputnik News*, at <https://sputniknews.com/military/201712271060341881-turkey-buy-russias400-loan> (last visited 21 February 2018).

⁷⁴ "Russia Faces Hurdles on Food Sales to Key Wheat Customer Turkey," *Bloomberg*, at <https://www.bloomberg.com/news/articles/2017-10-09/turkey-to-place-additionalhurdles-on-some-russian-food-imports> (last visited 21 February 2018).

⁷⁵ Turkish Statistical Institute, at <http://www.turkstat.gov.tr> (last visited 21 February 2018).

⁷⁶ *BP Statistical Review of World Energy*, at <https://www.bp.com/content/dam/bp/en/corporate/pdf/energy-economics/statistical-review-2017/bp-statistical-review-of-world-energy-2017-full-report.pdf> (last visited 21 February 2018).

Figure 3: Electricity Generation and Shares by Energy Resources



Source: TÜİK. Çevre ve Enerji, at <http://www.turkstat.gov.tr> (last visited 12 April 2018).

Currently, tankers carry oil from the Russian Black Sea ports to the international markets through the straits of Bosphorus and the Dardanelles. In addition, Turkey is a large consumer of Russian natural gas (the second after Germany), which is delivered via two pipelines, the Blue Stream and the Trans-Balkan pipelines. Today 30% of Turkey’s gas imports are supplied from Russia.⁷⁷

Figure 4: Electric Power Consumption (kWh per capita) in Turkey

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1653	1613	1667	1772	1892	2014	2179	2347	2422	2314	2492	2696	2772	2761	2855

Source: World Bank Data, 2017 www.worldbank.org (last visited 12 April 2018).

TurkStream Pipeline

During Russian President Vladimir Putin’s state visit to Ankara on 1 December 2014, Gazprom and the Turkish company Botaş Petroleum Pipeline Corporation signed a Memorandum of Understanding on the construction of an offshore gas pipeline from Russia to Turkey across the Black Sea. Gazprom received a series of permits for the TurkStream project from Turkish authorities, including the first construction permit for the offshore section and the survey permit for the two strings of the offshore gas pipeline in Turkey’s exclusive economic zone and territorial waters.

On 10 October 2016, the agreement on the TurkStream project was signed in Istanbul, which provides for the construction of two strings of the gas pipeline from Russia to Turkey across the Black Sea, as well as an onshore string for gas transit to Turkey’s border with neighboring countries. Construction of the pipeline commenced on 7 May 2017 in the Black Sea near the Russian coast. The pipeline will surface near Kıyıköy, on Turkey’s European shore. A gas delivery point at Lüleburgaz will be built for Turkish customers, while the border cross-

⁷⁷ Republic of Turkey Ministry of Energy and Natural Resources, at www.enerji.gov.tr (last visited 21 February 2018).

ing between Turkey and Greece in Ipsala will serve as the delivery point for European customers.⁷⁸

The TurkStream project consists of two parallel lines, the first of which will fully satisfy Turkey's domestic needs for natural gas. This line will substitute the route from Ukraine and Moldova. Russian gas will be delivered to European markets via the second line, but there is still some uncertainty as to whether the second line will be constructed or not, because the EU has not confirmed the definitive route. Negotiations between Russia and EU on this issue still continue.

On 23 June 2017, the docking of the shallow and deep-water parts of the TurkStream gas pipeline took place and the laying of the deep-water section began. By mid-October 2017, a total of 373 km had been laid along the two strings of the offshore section.⁷⁹

Russia wants to ensure stable exports to the European market because of the risk of unstable gas flows via the Ukrainian route, while Turkey's goal is to achieve energy security.

The TurkStream pipeline project has strategic importance for both Russia and Turkey. Even when relations between the two countries deteriorated after the fighter jet crisis, this mega energy project continued uninterrupted; later it became one of the main steps in the normalization of relations between the two countries. This is because both Russia and Turkey need to diversify their natural gas delivery routes. Russia wants to ensure stable exports to the European market because of the risk of unstable gas flows via the Ukrainian route, while Turkey's goal is to achieve energy security. Moreover, according to the Turkish Energy Strategic Plan, the TurkStream pipeline will allow Turkey to become a gas trading hub in the region.⁸⁰

Figure 5: The TurkStream Route



⁷⁸ Nigyar R. Masumova and Ekaterina A. Vasilyeva, "Turtsiya: Novy Tsentr Raspredeleeniya Energoresursov v Evrazii", [Turkey is a New Center of Energy Resources Distribution in Eurasia], *Truboprovodnyy Transport: Teoriya i Praktika* [Pipeline Transport: Theory and Practice], No. 5/51 (2015), pp. 52-55.

⁷⁹ Gazprom Export, at <http://www.gazpromexport.ru/en/projects> (last visited 21 February 2018).

⁸⁰ Masumova and Vasilyeva, "Rossiya i Turtsiya: Gazovy Vopros", pp. 45-47.

The Akkuyu Nuclear Power Plant

Russia and Turkey also cooperate in the nuclear power industry. Turkey’s first nuclear power plant will be built in Akkuyu with an estimated investment of US\$ 25 billion.⁸¹ The Akkuyu plant is being constructed by Russia’s State Atomic Energy Corporation (Rosatom) in the southern Mersin Province on the Mediterranean coast. It consists of 4 units, each generating 1,200 MWT of electricity with a service life of 60 years.⁸²

The Akkuyu project is very important for both Ankara and Moscow, as it will enable Turkey to diversify its energy sources, while helping Russia improve its scientific-technical capabilities in the nuclear sphere. Construction started at the end of 2017 and officials from both countries hope to finish the plant in 2023, which will mark the centennial of the foundation of the Republic of Turkey.

Rosatom has held ongoing negotiations with a consortium of three Turkish companies – Cengiz Holding, Kalyon Construction and Kolin Construction to sell 49% of the shares of the Akkuyu plant. But according to the latest data, two of them (Kalyon and Kolin) have pulled out from the talks. The terms of the deal have yet to be divulged.

Investments and Construction

The Russian economy is based on oil revenues. This is also the main reason behind its rapid growth since the early 2000s when the price of the crude oil was high. During this period, Turkey was one of the target countries for Russian capital, and a breakthrough in investment cooperation has taken place over the past ten years.⁸³

Russian direct investment went both into manufacturing (metals, energy, etc.) and services (tourism, banking, etc.).⁸⁴ According to Turkey’s 2016 balance of payments data, Russia accounted for 6% of total foreign direct investment and less than 1% of outbound external investment. The two countries signed a memorandum in March 2017 to establish a joint investment fund with a capital of 1 billion USD in a bid to strengthen bilateral ties and investment flow.

Figure 6: **Residents’ Foreign Direct Investments Abroad (US\$ million)**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017*
World	1,065	1,677	2,275	2,604	2,040	1,823	2,542	4,335	3,226	5,234	5,242	3,114	3,177
Russia	7	14	50	77	101	74	88	162	107	84	62	10	16

* Provisional.

Source: Balance of Payments of Turkey, 2018. <http://www.tcmb.gov.tr> (last visited 12 April 2018).

⁸¹ Rosatom, at <http://www.rosatom.ru> (last visited 21 February 2018).

⁸² *New Stage of Russia-Turkey Economic Relations*, Moscow, RIAC, 2016, pp. 13-14.

⁸³ Nigyar R. Masumova, “Osobennosti Formirovaniya Investitsionnogo Klimata v Turtsii”, [Some Aspects of Investment Climate in Turkey], *Mezhdunarodnaya Ekonomika*, [International Economy], No. 10 (2015), pp. 69-75.

⁸⁴ A. S. Bulatov, “Geograficheskie Aspekty Uchastniya Rossii v Mezhdunarodnom Dvizhenii Kapitala”, [Geographical Aspects of Russia’s Participation in the International Movement of Capital], *Izvestiya Rossiiskoy Akademii Nauk*, [The News of Russian Science Academy], No. 2 (2012), pp. 187-193.

Figure 7: Foreign Direct Investments in Turkey (US\$ million)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017*
World	8,535	17,639	19,137	14,748	6,266	6,256	16,136	10,761	9,890	8,631	12,077	7,534	7,437
Russia	1,605	7	108	71	12	2	762	11	875	723	747	723	4

* Provisional.

Source: Balance of Payments of Turkey, 2018. <http://www.tcmb.gov.tr> (last visited 12 April 2018).

It is supposed that the fund will support major projects in energy and the defense industry. Moreover, it will promote the development of economic cooperation.

Some of the joint investment projects that have already been completed include:

- Magnitogorsk Metals, one of the world's largest steelmaking companies, bought a Turkish steel mill in Şkenderun with its own port and access to the EU market.
- Sberbank, the largest bank by capitalization in Russia, purchased Turkey's Denizbank in 2012 for about US\$ 3.5 billion, the biggest acquisition in the history of Sberbank.
- The Turkish Credit Europe bank, which was founded by Turkey's Finansbank, has been operating in Russia's banking market since 1994.

For many years, Turkish companies have been heavily engaged in the construction, restoration and renovation of public buildings, shopping malls, business and trade centers, hotels, guesthouses and restaurants, residential buildings, industrial facilities, hospitals and rehabilitation centers, historical, architectural and exhibition complexes and school and educational centers in various parts of Russia. As of June 2016, Turkish companies completed construction projects worth US\$ 64 billion in Russia. More than 3 billion dollars worth of these construction projects were completed in 2014 within the framework of the Sochi Winter Olympics. Russia ranked first with 20% of the total number of projects finished by Turkish companies abroad.⁸⁵

The Turkish companies ENKA Holding and Renaissance Construction Company are carrying out a number of investment projects in Russia's territories. ENKA entered the Russian construction market during the Soviet period. It is famous for the reconstruction of the Russian Parliament building (*Gosduma*) and Petrovsky Passage. ENKA also owned the Ramstore market chain. Renaissance Construction, which is one of the biggest construction companies in the world, which was founded in Saint Petersburg in 1993; it operates in the heavy industry and infrastructure sectors.

There are also several petroleum companies operating in Turkey. PJSC LUKOIL entered the Turkish market in 1998 with bunkering activities. After obtaining

⁸⁵ Fatma Aslı Kelkitli, *Turkish-Russian Relations: Competition and Cooperation in Eurasia*, New York, Routledge, 2017.

a distributor's license, it chose to actively promote its fuels in the retail market. Its first gas station opened in Turkey in 2006, and by late 2007 its total number of gas stations reached 70. At the end of 2015, LUKOIL's network of gas stations in Turkey comprised 610 stations. Its share in the retail motor fuel market increased to 5%. The company's operations in Turkey currently involve the wholesale and retail marketing of petroleum and gas products, jet fuel, lubes and petrochemicals.⁸⁶

Turkish workers were involved in the construction of the FIFA World Cup infrastructure in Russia, including sports facilities and tourist areas, as well as transportation infrastructure in the 13 host cities: Moscow, Saint Petersburg, Kaliningrad, Yaroslavl, Nizhny Novgorod, Saransk, Kazan, Yekaterinburg, Samara, Volgograd, Krasnodar, Sochi and Rostov. The Turkish side estimated that the amount of investment needed to bring the stadiums up to FIFA standards required US\$ 3.8 billion.⁸⁷

Russian construction companies have begun contracting activities in Turkey as well, but their field of activity is more limited and mostly concentrates on infrastructural work and the construction and renovation of industrial facilities. Technopromexport participated in the building of Orhaneli Thermal Power Reactor. A joint consortium of Technostroyexport, Turkish Erg Insaat and Swiss ABB, Sulzer Hydro, Hydro Vevey and Stucky companies started the construction of the Deriner Dam near the Black Sea town of Artvin in 1998. Also, Technostroyexport and Turkish Tekser cooperated in the electrification of the Turkish railways in addition to the building of bridges and dams.

Tourism

Turkey is the most popular holiday destination for the Russians, who accounted for 10% of all foreign visitors in 2015. Yet even before Moscow started the ban on tourism and charter flights in November 2015, the number of Russian tourists visiting Turkey declined to 3.7 million according to 2015 data. An analysis of the data from January-August of 2015 in comparison to the same period of 2016 shows dramatic drop in the numbers of tourists from Russia to Turkey – from 2.6 million to 0.3 million. The revenues from tourism (accounting for almost 20% of Turkey's total exports) are crucial for the successful development of Turkey's economy – including the optimization of its balance of payments.

The situation has changed since Russia's decision to lift the ban. The table below shows that from January-August 2017 the number of tourists from Russia visiting Turkey sharply increased to 3.1 million tourists or about 15% of the total visitors. The officials say that the number of Russian tourists coming to Turkey has reached "an all-time record" and that Turkey's resorts have regained their status as Russians' favorite destination.⁸⁸ The visa-free regime, high quality of services, low prices and favorable climate continue to attract Russian tourists to Turkey.

⁸⁶ Lukoil, at <http://www.lukoil.com/Company/BusinessOperation/GeographicReach/Asia/LUKOILinTurkey> (last visited 21 February 2018).

⁸⁷ FIFA, at <http://www.fifa.com/mm/document/tournament/competition/01/33/74/52/b5ruse.pdf> (last visited 21 February 2018). Also see *New Stage of Russia-Turkey Economic Relations*, p. 21.

⁸⁸ "Turkey Eyes Record Number of Russian Tourists Next Year", *Daily Sabah*, 6 December 2017.

Figure 8: **Number of Tourists Visiting Turkey** (*in million*)

Nationality	1995	2000	2005	2010	2011	2012	2013	2014	2015	2016	2017
Germany	1.6	2.2	4.1	4.4	4.8	5.0	5.0	5.3	5.6	3.9	3.6
Total Europe	4.5	6.7	14.0	16.6	18.2	18.3	18.8	19.5	19.2	13.3	13.2
Russia	–	0.7	1.9	3.1	3.5	3.6	4.3	4.5	3.7	0.9	4.7
Total C.I.S.	1.2	1.3	3.4	6.0	6.6	7.2	8.6	8.8	8.1	5.6	10.5
Total	7.2	10.0	20.5	28.5	31.3	31.3	33.8	35.9	35.6	25.3	32.1

Source: Balance of Payments, 2017, at www.tcmb.gov.tr (last visited 22 April 2018).

One of the most sensitive issues in Russian-Turkish relations is Moscow's suspension of visa-free travel for Turkish citizens. In addition, Russia banned the employment of Turkish workers by companies operating in Russia except for those working in the construction of the FIFA 2018 World Cup facilities. The ban started on January 1, 2016 in accordance with the Russian sanctions against Turkey and lasted for about a year. During this period, many Turkish companies had to leave the Russian construction sector. Yet, after the normalization of relations, the two countries declared their decision to ease and remove travel visas particularly for businesspeople. In March 2017, Russia also lifted the restrictions on Turkish companies operating in Russia and on employing Turkish workers in the country.

Conclusion

Following the 2008- 2009 global financial crisis, the economic ties between Russia and Turkey began to recover gradually in 2013. However, they have never returned to the precrisis level, mostly due to the global economic slowdown. The fighter jet crisis of 2015 and the sanctions imposed by Russia, which affected sensitive sectors of Turkey's economy, served as a serious test of resilience for economic relations between Russia and Turkey. The two countries now demonstrate their intention to rebuild their relations to their former level. This is a positive signal, considering that any restrictions will have an adverse effect on their national economies, particularly under the current global economic conditions. Moreover, huge infrastructure projects such as the TurkStream pipeline or the Akkuyu nuclear power plant are helping to draw the two countries closer to each other. Energy cooperation is the most important driver strengthening the normalization of political and economic ties between the two countries.

Russia and Turkey share a number of political interests. Russia is using the TurkStream project as a tool in its "war of sanctions" with the West, while for Turkey it offers the chance to bargain with Russia for better terms in natural gas supplies, depending on the state of its relations with the European countries. We also see that the tourism industry, which is an important sector of the Turkish economy, is recovering after the lifting of the Russian sanctions, and the number of Russian citizens visiting Turkey is increasing rapidly.

Following the 2008-2009 global financial crisis, the economic ties between Russia and Turkey began to recover gradually in 2013.

Since the lifting of the Russian ban on Turkish agricultural products, Ankara has also been trying to regain its lost position in Russia's domestic market. At the same time, however, both countries need to rebuild the confidence between their business communities, as lingering uncertainty may lead to a long pause in investment cooperation. This is particularly important for Russia, especially at a time when the Western economic sanctions remain in place.

Russia and Turkey: Approaches to Regional Security in the Middle East

Ruslan MAMEDOV⁸⁹ & Grigory LUKYANOV⁹⁰

Abstract

In recent years, Russia and Turkey have increased their presence in the Middle East, where several factors influence their views on security. This article analyzes Russia-Turkey relations in the context of recent developments in the Middle East, and considers the latest approaches to managing regional security there. Special attention will be given to four main issues: terrorism, nuclear weapons, the Syrian crisis and the region's security architecture. Despite residual differences in Russia and Turkey's approaches to Middle Eastern and global politics, the article concludes that there are a number of areas, such as combatting terrorism, resolving the Syrian conflict, producing "peaceful" atomic power, and engaging in economic cooperation in the MENA region, in which common interests and the potential for mutual benefit outweigh any obstacles.

Key Words

Regional and Global Security, Terrorism, Nuclear Weapons, Syrian Crisis.

Introduction

Transformational processes in the Arab world in the beginning of the 2010s led Russia and Turkey to an understanding of the need to form new foreign policy approaches towards the Middle East. This article seeks to identify the impact of the approaches Russia and Turkey have taken on this issue on relations between Moscow and Ankara. This topic is not only extremely relevant (and will remain so for years to come), but it is also quite voluminous and ambitious. For this reason, the authors propose focusing on the following four main issues: terrorism, nuclear weapons, the Syrian crisis and the security architecture in the Middle East.

At the beginning of 2010, Russia and Turkey had different views on the situation in the region. However, a certain degree of political involvement in the affairs of

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the Middle East and the development of other areas of bilateral cooperation allowed them to avoid overt conflict. The growing number of threats from the Middle East- international terrorism, the crisis of statehood, the proliferation and/or use of WMD-led to an increase in Russian and Turkish interest in the region, as Moscow and Ankara were forced to respond to the growing security challenges there. However, insufficient communication between the two influential players on harmonizing their interests and creating joint approaches to regional security led to a crisis on the Turkish-Syrian border on 24 November 2015. This incident again called into question the level of relations between Russia and NATO member states. Together with a military coup attempt in Turkey in 2016, the so-called “jet crisis” had a special importance for the role of Turkey in NATO.

The crisis in Russia-Turkey bilateral relations has been resolved and relations are now restored. The normalization of relations required revised approaches to regional policies and a frank dialogue between the parties. Both Moscow and Ankara now coordinate their regional security policies and try to be flexible to avoid future tensions. Russia and Turkey have significant potential for joint actions in stabilizing the region and taking part in a new regional security system.

Terrorism as a Threat to National and Global Security

Domestic and international terrorism is one of the key security issues for Russia and Turkey. For Russia, the struggle against extremist groups in the North Caucasus- particularly Chechnya and Dagestan- has been a vital issue since the mid-1990s. Despite the successful completion of the second Chechen campaign and the counter- terrorist operation in North Caucasus in 2009 which resulted in the restoration of Moscow’s control over all of Chechnya and Dagestan, the local terrorist groups did not completely cease their activity thanks to links to international terrorist groups of Islamist persuasion.⁹¹ After the referendum which resulted with the unification of Crimea and the city of Sevastopol with Russia in 2014, a number of Ukrainian and Crimean Tatar nationalist associations and other groups intensified their activities, which are defined by the Russian official structures as terrorism.⁹²

In their efforts to counter the domestic terrorist challenges in both regions, Russian law-enforcement agencies have repeatedly faced the need to cooperate with Turkish security agencies. The reason for this is the historically close cultural and religious ties between the Turkish population and the peoples living in Russia’s southern regions. Despite having a certain conflict potential, these ties also hold great promise for constructive development along the lines of mutual respect and understanding, to the benefit of both Russia and Turkey.

Since the disintegration of the USSR, Russia has maintained a zero-tolerance approach to terrorism, refusing to recognize it as a legal and legitimate method

⁹¹ Yuri Avdeev, “Contemporary International Terrorism: New Threats and Urgent Problems of Counteraction”, in *Urgent Problems of Europe*, Institute of Europe of the Russian Academy of Sciences, Moscow, 2003, p. 17.

⁹² Vladimir Smirnov, “Peninsula without Extremism: The FSB Stopped the Activities of the Cell “Hizb ut-Tahrir” in Crimea”, *Russia Today*, 11 October 2017.

of political struggle in the modern world in general, and in Turkey in particular. Therefore, despite the fact that a sizable Kurdish community resides in Russia, Moscow has never recognized organizations such as the Kurdistan Workers' Party (PKK), nor has it supported their objectives so long as terrorism remains the main instrument of achieving them. At the same time, however, Russia also does not officially recognize the PKK as a terrorist organization despite Turkey's requests. This is mainly because Russia considers an organization as a terrorist organization only when it causes a threat to Russia and operates on the territory of the Russian Federation.⁹³ On the other hand, respect for the territorial integrity and sovereignty of Turkey remains a permanent and paramount principle for Russia. Unlike the USSR, for which communist ideology was the cornerstone of its foreign policy, contemporary Russia approaches Turkey and the Middle East as a whole from the standpoint of pragmatism and appropriate responses to actual challenges and threats to security, both conventional and nonconventional.

International terrorism became one of the most important, non-conventional security threats at the turn of the 20th century. Network organizations like Al-Qaeda are capable of overcoming the ethnic differences which used to divide domestic terrorist cells, despite the fact that they have common or similar goals. By maintaining socioeconomic and politico-military instability, which is their preferred state of affairs, these organizations antagonize the traditional national states and undermine their monopoly on violence and the protection of citizens both at the local and global levels. The mutually beneficial multilevel cooperation between Russia and Turkey in fighting first Al-Qaeda and then DAESH in 2016-17, was an example of pragmatic rapprochement in addressing a number of common problems.

Despite the many contradictions that had accumulated over the past several decades of cooperation, and in the face of regular crises of mutual trust, Russia and Turkey have sizable experience in working jointly to combat terrorism.

Despite the many contradictions that had accumulated over the past several decades of cooperation, and in the face of regular crises of mutual trust, Russia and Turkey have sizable experience in working jointly to combat terrorism. There have been mutual criticisms, but there have also been moments of cooperation when required, and a certain amount of mutual understanding on specific aspects of the problem.⁹⁴ In the early 2000s, Moscow and Ankara managed to agree on a joint approach to coping with the internal challenges posed by the Chechen and Kurdish separatists, respectively, and to neutralize the terrorism problem that had surfaced repeatedly on the agenda.⁹⁵ This was largely due to

⁹³ For a unified list of organizations, including foreign and international organizations, that have been recognized as terrorist groups by Russian law, see the official website of the Federal Security Service of the Russian Federation, at <http://www.fsb.ru/fsb/npd/terror.htm> (last visited 23 December 2017).

⁹⁴ Didem Ekinci, "Russia-Turkey Relations (1991-2016): Diverging Interests and Compelling Realities", in Pinar Gözen Ercan (ed.), *Turkish Foreign Policy: International Relations, Legality and Global Reach*, Cham, Springer, 2017, p. 159.

⁹⁵ Oktay Tanrısever, "Turkey and Russia in Eurasia", in Lenore G. Martin and Dimitris Keridis (eds.), *The Future of Turkish Foreign Policy*, Cambridge, London, MIT Press, 2004, p. 148.

the economic growth the two countries enjoyed in the 2000s, which was accompanied by a sharp increase in the volume of bilateral trade.

The situation began to worsen in 2010, however, due to the consequences of the global economic crisis and the impact of the transformation processes taking place in the Arab world, including the socio-political upheavals brought about by the so-called Arab Spring movement. Turkey, which was more closely involved in regional affairs and shares a common border with some of the Arab countries, found itself under greater threat and was forced to respond more actively to the ongoing processes in the Arab world. By siding with the Syrian opposition in 2011, Ankara lost contact with the official Syrian government. Further deteriorating the security situation on Turkey's southern borders were the internal political processes in Iraq, the radicalization of that country's population, and the expansion of the territories controlled by the DAESH terrorist organization. In addition, the confrontation between the PKK and Turkish security forces gained speed in the summer of 2015. All of these events had a negative impact on Turkey's security.

Against this background, Russia's policy in the North Caucasus did not undergo any radical transformations during the same period: the role of Chechnya in domestic and foreign policy actually increased. In the context of the Syrian crisis, ever since the active phase of the Russian military operation in Syria began in September 2015, the so-called "Chechen factor" has in fact become an effective instrument of Russia's domestic policy, as well as its foreign policy in the Middle East and North Africa. Chechnya's role in establishing informal and formal ties in different parts of the region helped Russia resolve a number of issues, for example in Libya, Syria and Iraq.⁹⁶ By using Chechnya's informal foreign policy resources, Russia has successfully diversified its anti-terrorist toolkit while developing new ways of participating in efforts aimed at addressing acute humanitarian and economic problems. For example, established in Chechnya in 2004, the Akhmad Kadyrov foundation continues to deliver humanitarian aid to Syria.⁹⁷ A Russian military police battalion represented mainly by Chechens was also deployed to Syria as part of a law enforcement and peacekeeping force after the liberation of Aleppo in December 2016.⁹⁸

Both Russia and Turkey are officially committed to combating international terrorism. However, in the absence of a common understanding of this phenomenon (including at the international level), each works to develop its own criteria and approaches. As with several other areas of bilateral cooperation, the partnership between Russia and Turkey in countering terrorist threats still lacks a developed institutional foundation that would, within its scope, be based on strategic trust. Despite the differing approaches to international and third-country political crises, Russia and Turkey tend to view each other's internal prob-

⁹⁶ "Chechen Leader Calls on Libya to Free Russian Sailors," *Middle East Monitor*, 24 April 2017.

⁹⁷ "Chechnya Provides 10 Tonnes of Humanitarian Aid to Syria," TASS, at <http://tass.com/world/929875> (last visited 9 February 2017).

⁹⁸ "Chechen Soldiers among Russian Military Police in Aleppo to 'Ease Interaction with Locals,'" *Russia Today*, 30 January 2017.

lems as their domestic affairs, refusing to capitalize on them for political gain. This mutual restraint could contribute to unifying the countries' approaches to understanding the essence of terrorism and fighting it effectively.

Nuclear Weapons and the “Peaceful Atom” in the Middle East

The issue of nuclear weapons is not often raised when analyzing relations between Russia and Turkey, but it does come to the fore during times of crisis. In the 1950s, the U.S. and Turkey held talks on deploying nuclear warheads at İncirlik Air Base as part of NATO's deterrence and defense posture.⁹⁹ The fact that tactical nuclear weapons were in fact deployed in Turkey in 1961 urged the USSR to intensify its own program to deploy nuclear warheads in close proximity to U.S. borders. What followed was the Cuban missile crisis of 1962, which was resolved through direct negotiations between the heads of state of the two superpowers. The parties agreed that the USSR should dismantle its nuclear weapons in Cuba, while the U.S. agreed not to invade Cuba, and to dismantle the Jupiter missiles in Turkey.¹⁰⁰ The resolution alleviated the global tension. However, NATO retained its nuclear weapons in five countries that were not officially postnuclear powers- Belgium, Germany, Italy, the Netherlands and Turkey.¹⁰¹ Meanwhile, Turkey signed a number of international non-proliferation agreements, and supported the idea of creating a nuclear-free zone in the Middle East. Ankara signed the Non-Proliferation Treaty on 28 January 1969 and ratified it in 1980.

In the period that followed the Soviet-U.S. confrontation, it became clear to many observers that the availability of nuclear weapons to nations had grown irrelevant.¹⁰² Serious discussions began within NATO as to the future of nuclear warheads in Europe; these talks were largely related to the very sense of retaining the alliance now that the “communist adversary” was gone. NATO started looking for new “threats,” eventually identifying a number of Middle Eastern states, such as Iran, Syria and Iraq.¹⁰³ As Western rhetoric about the danger of the Iranian nuclear program and the need to “deter” Iran gained pace, many observers, including those in Turkey, began to believe that nuclear weapons were still of political and military significance. Other experts begged to differ, arguing that the presence of nuclear weapons in Turkey was counterproductive since there was no longer a threat to “deter,” and that NATO was unable to counter the new challenges and threats.¹⁰⁴

The nuclear control situation began to deteriorate in 2000-2010 against the backdrop of the U.S.-led coalition invading Afghanistan and Iraq, and also due to

⁹⁹ Gülnur Aybet, *Turkey's Security Challenges and NATO*, Brussels, Carnegie Endowment for International Peace, 2012, p. 2.

¹⁰⁰ Nur Bilge Criss, “Strategic Nuclear Missiles in Turkey: The Jupiter Affair, 1959-1963,” *Journal of Strategic Studies*, Vol. 20, No. 3 (1997), p. 97.

¹⁰¹ Ian Kearns, *Turkey, NATO and Non-Strategic Nuclear Weapons in Europe*, London, Royal United Services Institute for Defence and Security Studies, 2013, p. 3.

¹⁰² Mustafa Kibaroglu, “Reassessing the Role of U.S. Nuclear Weapons in Turkey”, *Arms Control Today*, at https://www.armscontrol.org/act/2010_06/Kibaroglu (last visited 17 April 2018).

¹⁰³ Kearns, *Turkey, NATO and Non-Strategic Nuclear Weapons*, p. 3.

¹⁰⁴ Kibaroglu, “Reassessing the Role of U.S. Nuclear Weapons”.

a series of nationhood crises in the region and the Saudi Arabia-Iran and Israel-Iran rivalries. The general belief is that Israel is the only country in the region that possesses nuclear weapons, while Israel maintains a “nuclear policy of ambiguity.” Even though Israeli nuclear arms can be considered a serious security guarantee for Tel Aviv, the topic hampers the establishment of a nuclear-free zone in the region.¹⁰⁵ The possibility of nuclear proliferation is linked to the threats perceived by other Middle Eastern states. It was in response to U.S. dominance in the Middle East and Washington’s invasion of Iraq, as well as to Israel’s refusal to as much as discuss its nuclear capability, that Iran launched its own nuclear program. Saudi Arabia followed suit, arguing that Iran’s nuclear efforts were a threat to the state. Given the deteriorating security situation in the Middle East and the ambiguity over the U.S. security guarantees for Saudi Arabia, the latter has increasingly turned to the idea of developing nuclear arms itself. Riyadh has developed strategic ties with Pakistan, which possesses nuclear capability.¹⁰⁶ Despite this, on the record, Saudi Arabia supports the non-proliferation regime.

Turkey had two options in the post-bipolar world. In a 2008 article, Turkish scholar Mustafa Kibaroglu noted that the country needed to have tactical nuclear arms withdrawn from its territory, which he said would improve the atmosphere of confidence in the region and strengthen international strategic stability.¹⁰⁷ There is, however, a conflicting opinion that favors keeping the warhead weapons in the country. Its proponents argue that the status quo will secure Turkey’s position as a NATO member, despite the fact that Washington and Ankara have harbored mounting mutual grudges ever since the 2003 war in Iraq.¹⁰⁸

The nuclear control situation began to deteriorate in 2000–2010 against the backdrop of the U.S.-led coalition invading Afghanistan and Iraq, and also due to a series of nationhood crises in the region and the Saudi Arabia-Iran and Israel-Iran rivalries.

Relations between the U.S. and Turkey had a direct impact on the rhetoric of the two countries and their actions within NATO, including in terms of the presence of nuclear weapons in Turkey. Tensions began to mount with the onset of the Syrian crisis and the increasing rift between Washington and Ankara with regard to the approaches of the two countries in fighting DAESH. Turkey, for one, was unhappy with the U.S. support for the Syrian Democratic Forces (SDF), which are dominated by the YPG (People’s Protection Units), the armed wing of

¹⁰⁵ Bruce Riedel and Gary Samore, “Managing Nuclear Proliferation in the Middle East”, in Richard N. Haas and Martin S. Indyk (eds), *Restoring the Balance: A Middle East Strategy for the Next President*, Washington DC, Brookings Institution Press, 2008, p. 95.

¹⁰⁶ Gawdat Bahgat, “A Nuclear Arms Race in the Middle East: Myth or Reality?”, *Mediterranean Quarterly*, Vol. 22, No. 1 (2011), p. 38.

¹⁰⁷ Mustafa Kibaroglu and Aylin Gurlzel, “US Nuclear Weapons in Turkey: Yankee Go Home?”, *Security Index: A Russian Journal on International Security*, Vol. 14, No 3.86 (2008), pp. 77–82.

¹⁰⁸ Rizwan Ladha, “A Regional Arms Race?: Testing the Nuclear Domino Theory in the Middle East,” *Al Nakhlah*, at <https://alnakhlah.org/2012/05/01/a-regional-arms-racetesting-the-nuclear-domino-theory-in-the-middle-east-by-rizwan-ladha-2> (last visited 17 April 2018).

the PYD (Democratic Union Party)- both, as Ankara stresses, affiliated with the PKK. The YPG gained control of major border towns in northern Syria after the withdrawal of the government forces.¹⁰⁹ Muted responses from the Western governments about the military coup attempt in Turkey also led to the deterioration of Turkey's relations with the U.S. and individual EU member states. The country's NATO membership and the maintenance of nuclear weapons on its soil were once again called into question. Reports began to circulate about plans to transfer the warheads from Incirlik to other countries (including Romania, although this rumor was subsequently denied).¹¹⁰

Another important nuclear issue in the Middle East was Iran's nuclear program. The signing of the Joint Comprehensive Plan of Action (JCPOA) between Iran and the P5+1 on 14 July 2015 was a major breakthrough. The agreement reflects Russia's position as a participant in the negotiation process regarding the Iranian nuclear program. The parties expected the implementation of the JCPOA to "positively contribute to regional and international peace and security."¹¹¹ In addition, the JCPOA "addresses the [P5+1] concerns, including through comprehensive measures providing for transparency and verification."¹¹² The document will "produce the comprehensive lifting of all UN Security Council sanctions as well as multilateral and national sanctions related to Iran's nuclear program, including steps on access in areas of trade, technology, finance and energy."¹¹³ Turkey welcomed the agreement. A statement by the Ministry of Foreign Affairs of the Republic of Turkey reads: "We expect the uninterrupted and full implementation of the JCPOA in full transparency under the supervision of the International Atomic Energy Agency."¹¹⁴

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The JCPOA, which came into force in January 2016, had been expected to ease global political tensions. However, no changes to the regional situation materialized.¹¹⁵ The developments in Syria, Yemen and Iraq, the establishment of, and de-facto lack of a regional institutional security framework exacerbated the Middle Eastern crises and regional rivalry. The Obama administration's revision of the U.S. approach to the region (manifested in Washington's distancing itself from Middle Eastern affairs) led to the activation of regional forces. Neverthe-

¹⁰⁹ Asli S. Okay, "Turkey's Post-2011 Approach to its Syrian Border and its Implications for Domestic Politics", *International Affairs*, Vol. 93, No 4 (2017), p. 835.

¹¹⁰ Maria Leyva and Anastasia Lyalikova, "Romania Has Denied Reports of the Transfer of US Nuclear Weapons from Turkey," RBC, at <https://www.rbc.ru/politics/18/08/2016/57b56fe99a79473fe80f4445> (last visited 18 August 2016).

¹¹¹ "Joint Comprehensive Plan of Action", *The Ministry of Foreign Affairs of the Russian Federation*, at http://www.mid.ru/foreign_policy/news/-/asset_publisher/cKNonkJE02Bw/content/id/1595858 (last visited 21 December 2017).

¹¹² *Ibid.*

¹¹³ *Ibid.*

¹¹⁴ "Turkey Welcomes Iran Nuclear Deal, Hopes for 'Constructive Contribution' on Regional Conflict", *Hürriyet Daily News*, 18 January 2016.

¹¹⁵ Sarah Burkhard et al, *Saudi Arabia's Nuclear Ambitions and Proliferation Risks*, Washington DC, The Washington Institute, 2017, p. 36.

less, the reluctance of the U.S. and the inability of regional powers to face up to the new challenges and threats gave Russia, as a long-standing regional player and a member of the nuclear club, the opportunity to step in.

Russia has consistently promoted non-proliferation and called for the development of nuclear capabilities for civilian use. This is corroborated by Moscow's projects to build nuclear power plants (NPP) across the world, including in the Middle East. In particular, Russia took part in building the region's first NPP, to the IAEA's requirements, in the Iranian city of Bushehr.¹¹⁶ More nuclear power units are expected to be built in the country. Russia's state-owned corporation Rosatom has also begun building the Akkuyu NPP in Turkey and the El Dabaa NPP in Egypt. Russia is participating in the tender for building an NPP in Jordan,¹¹⁷ while it is also in talks with Saudi Arabia and has reached a number of agreements with the United Arab Emirates.¹¹⁸

Just like the USSR in the bipolar configuration of the world order, Russia is critical of Turkey hosting U.S. nuclear munitions. The Ministry of Foreign Affairs of the Russian Federation continues to urge the U.S. to return its nuclear weapons to their home country, stressing that Moscow has already done a similar thing and now expects the Americans to follow suit.¹¹⁹ Global Research reports that the U.S. keeps around 200 B61 thermonuclear bombs in Europe. The U.S. National Resources Defense Council says a further 90 or so B61s are kept in Turkey.¹²⁰

Nevertheless, Russia currently views Turkey as a partner rather than a threat. The two countries have made significant progress in economic cooperation over the past two decades, including in the development of the peaceful atom. It was with Russia that Turkey signed the contract for the construction of the Akkuyu NPP in Mersin Province. The plant will be constructed on Build-Own-Operate terms: Rosatom will act as the general construction contractor, and will maintain and run the facility upon its completion. Rosatom plans to commission four power units fitted with VVER-1300 reactors.¹²¹

Despite the existing problems, Russia and Turkey are both officially committed to nuclear non-proliferation and support the establishment of a nuclear-free zone in the Middle East. Both countries understand the importance of the civilian use of nuclear energy and cooperate in this field.

¹¹⁶ Andrey Baklitskiy, "Nuclear Energy in the Middle East: The Interests and Place of Russia", *Security Index: A Russian Journal on International Security*, Vol. 19, No 2.105 (2013), p. 25.

¹¹⁷ Angelica Basisini and Svetlana Burmistrova, "Rosatom' Proposed to Change the Conditions of Construction of the Nuclear Power Plant in Jordan," RBC, at <https://www.rbc.ru/business/18/08/2017/599591ae9a7947562e90d4f3> (last visited 22 December 2017).

¹¹⁸ Anton Khlopkov, "Nuclear Power in the Middle East," *Valdai Discussion Club*, at <http://ru.valdaiclub.com/a/highlights/yadernaya-energetika-na-blizhnem-vostoke> (last visited 22 December 2017).

¹¹⁹ Eugeniya Malyarenko, "Russian Foreign Ministry Urged the US to Withdraw Nuclear Weapons from Europe", RBC, at <https://www.rbc.ru/politics/18/12/2017/5a37cc569a7947585504e589> (last visited 22 December 2017).

¹²⁰ Michel Chossudovsky, "Double Standards? Europe's Five 'Undeclared Nuclear Weapons States': Belgium, Netherlands, Germany, Italy, Turkey", *Global Research*, at <https://www.globalresearch.ca/europe-s-five-undeclared-nuclear-weapons-states/17550> (last visited 22 December 2017).

¹²¹ "In Turkey, the 'Akkuyu' NPP Project Being Built by 'Rosatom' Received Benefits", RBC, at <https://www.rbc.ru/rbcfreenews/5a3d715a9a7947830f2ac564> (last visited 25 December 2017).

The Syrian Crisis

The commencement of the Russian Aerospace Forces' military operation, which is defined as a counterterrorist operation by Damascus and Moscow, on 30 September 2015 at the request of the Syrian government made Ankara and Moscow realize that the Syrian situation was directly affecting relations between the two countries.¹²² The road towards understanding each other's positions and finding a compromise was long and difficult. The sensitive nature of the issue and the inability of the parties to compromise resulted in the incident on 24 November 2015, when a Turkish fighter downed a Russian warplane. This incident led to a drastic deterioration in Russia-Turkey relations and the introduction of Russian economic sanctions against Turkey. Simultaneously, Moscow significantly stepped up its assistance to the Syrian government in the latter's fight against terrorism, emphasizing the need, as Russia's MFA stated, "to fully separate the units of the so-called "moderate" opposition from ISIS and [Al-Qaeda-affiliated terrorist organization] Jabhat al-Nusra."¹²³ However, according to Russian officials this condition was not met; none of the actors supporting the opposition groups (including the U.S.) volunteered as the guarantor of the dissociation process.¹²⁴

While the interaction mechanisms needed to be improved and direct dialogue was required on a variety of institutional levels, economic prospects played an important role in the mending of ties between Ankara and Moscow.

The freeze of relations between Moscow and Ankara adversely affected both parties. As the U.S. continued to support the YPG in northern Syria, the Turkish leadership's pragmatism prevailed and resulted in Ankara sending a letter of regret for the incident in 2015. In 2016, Turkey, under new Prime Minister Binali Yıldırım, set a course towards mending relations and reducing tensions with its neighbors. Ankara began this process by restoring ties with Israel (the associated talks took several years), and then went on to make better relations with Russia.¹²⁵ The sheer volume of bilateral economic cooperation and the historic ties between Russia and Turkey going back to the 1990s helped the two countries overcome the crisis in their bilateral relations. While the interaction mechanisms needed to be improved and direct dialogue was required on a variety of institutional levels, economic prospects played an important role in the mending of ties between Ankara and Moscow. Nevertheless, Syria remained the key unresolved issue between the parties. Turkey continued to consider the Syrian opposition as the only legitimate representative of Syria, and was supportive of

¹²² Vladimir Putin, "Address of the President of the Russian Federation to the Federal Assembly," *Presidency of Russia*, at <http://kremlin.ru/acts/bank/40542> (last visited 25 December 2017).

¹²³ "Comment by the Information and Press Department on the Russian-US Agreements on Syria", Ministry of Foreign Affairs of Russia, at http://www.mid.ru/en/foreign_policy/news/-/asset_publisher/cKNonkJE02Bw/content/id/2473662 (last visited 26 December 2017).

¹²⁴ *Ibid.*

¹²⁵ Ruslan Mamedov, "Turkey's Pivot: Back on the Path to 'Zero Problems with its Neighbors'?" *Russian International Affairs Council*, at <http://russiancouncil.ru/analytcs-and-comments/analytcs/turetskiy-povorot-snova-naputi-k-nulyu-problems-soseydami-/> (last visited 26 December 2017).

antigovernment groups, while Russia remained committed to backing the Assad regime.

Turkey and Russia decided to interact on the Syrian issue in 2016, despite their totally opposite views of the problem. This interaction, and Ankara's revision of its foreign policy, began several weeks prior to the military coup attempt in July 2016.¹²⁶ Russia's support for Turkish President Recep Tayyip Erdoğan came as another sign of Ankara's commitment to restoring and developing bilateral dialogue. The presidents of the two countries and working groups began meeting more often, which resulted in a certain amount of mutual understanding, including the development of specific mechanisms for cooperation in Syria. Nevertheless, the issue of the YPG was a matter of principle for Ankara, which believed the YPG units operating in that country were affiliated with the PKK and did not allow them to participate in the intra-Syrian talks. Russia viewed the situation in a somewhat different light, believing it was necessary to bring all the influential Syrian actors, including various Kurdish representatives, to the negotiating table.¹²⁷

On 24 August 2016, Turkey sent ground troops to northern Syria. Acting in support of the pro-Turkish opposition groups, Ankara launched Operation Euphrates Shield in order to ensure the security of the border between Turkey and Syria, fighting against DAESH and pursuing the less explicitly mentioned objective of preventing the U.S.-backed SDF/YPG from establishing an autonomous corridor in the north of Syria.¹²⁸ The operation was completed on 29 March 2017 with the establishment of control over the town of al-Bab, which effectively cut Afrin in the northwest of the country from Kobani and Jazira in the northeast. The operation in Al-Bab was the first airstrike Russia executed to assist Turkey's fight against DAESH.¹²⁹

In September 2016, after the failure of the Lavrov-Kerry talks, Russia made adjustments to its own policy on Syria. Moscow temporarily halted attempts to resolve the Syrian conflict in concert with the U.S., which had come to be of little help as a partner in light of the upcoming U.S. presidential election. Instead, Russia decided to rely on those regional powers which had actual influence on the situation in Syria. This led, in late 2016, to the proposal of the Astana format of Syrian negotiations, with Russia, Turkey and Iran acting as guarantors. The process began at the same time that Aleppo returned to the full control of the Syrian government forces. Given these developments in the Middle East, at the theoretical level, Russian researchers concluded that with the decrease in the role of the U.S., the era of the unipolar world is ending and a world with elements of poly-centricity is emerging.¹³⁰

¹²⁶ Sener Aktürk, "Turkey's Role in the Arab Spring and the Syrian Conflict", *Turkish Policy Quarterly*, Vol. 15, No. 4, (2017), p. 88.

¹²⁷ "Lavrov Urges UN Envoy to Include Kurds in Syria Talks". *Al Monitor*, <https://www.al-monitor.com/pulse/sites/almonitor/contents/afp/2016/03/syria-conflict-russia-undiplomacy-kurds.htm> (last visited 25 December 2017).

¹²⁸ Okyay, "Turkey's Post-2011 Approach", pp. 829-846.

¹²⁹ Ministry of Defense of Russia, "Briefing of the Head of the Main Operations Directorate of the General Staff of the Russian Armed Forces, Lieutenant-General Sergei Rudskoy", at https://function.mil.ru/news_page/country/more.htm?id=12108689@egNews (last visited 26 December 2017).

¹³⁰ Maria Khodynskaya-Golenischeva, *Aleppo: War and Diplomacy: Geopolitics of the Syrian Crisis in the Context of the Transformation of the System of International Relations*, Moscow, Abris, 2017.

Moscow temporarily halted attempts to resolve the Syrian conflict in concert with the U.S., which had come to be of little help as a partner in light of the upcoming U.S. presidential election.

All the parties involved in the Astana process are committed to resolving the political crisis in Syria within the framework of the Geneva process and UN Security Council Resolution 2254. Russian officials have repeatedly stressed that the Astana process is aimed at resolving technical issues related to reducing the level of violence.¹³¹ The parties and participants have succeeded in reducing the level of violence in the country thanks to an agreement on setting up de-escalation zones in Syria. It should be noted that these zones do not establish any borderlines that would compromise Syria's sovereignty. From the standpoint of international law, Syria maintains sovereignty over its entire territory, and the de-escalation zones are merely a temporary measure.

Following the military defeat of DAESH in Syria and the liberation of territories previously occupied by terrorists, the situation generally has transformed. However, the conflict that began in 2011 is far from being resolved, and the potential for violence along the lines of existing political, economic and ethno-confessional schisms remains quite high. It is becoming increasingly obvious that it is impossible to postpone the solution of the whole set of humanitarian problems, and with it, the restoration of the destroyed social and economic infrastructure, as an indispensable condition for the survival of the Syrian population and the return of refugees. The latter is seen as an important goal, of clear interest to the countries in whose territories the displaced persons from Syria are currently located. First of all, these are the countries that have a common border with Syria-Lebanon, Jordan and Turkey.

Russia, Turkey, and Iran, despite their differing positions on other issues, are indispensable participants in facilitating the settlement in Syria. They have a wide range of tools to influence the situation and they are interested in the speedy normalization of the humanitarian, socio-economic and political situation. The key task for these countries in 2018 will be to preserve the compliance reached in 2017 and develop the experience of interaction.

There is a constant need to coordinate the interests of a large number of actors both inside and outside Syria. Many of these interests are amorphous and do not have a permanent political representation. In these conditions of objective complexity, none of the main areas of cooperation should become a "hostage" of another. Russia and Turkey in the medium term have the opportunity to continue developing cooperation in three main areas.

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¹³¹ "UN Envoy to Syria Stresses Importance of Astana, Geneva Peace Talks", *TASS*, at <http://tass.com/world/965763> (last visited 25 December 2017).

The first is to help overcome the humanitarian crisis and restore the social and economic infrastructure in Syria. In the medium term these issues will be strongly interconnected. Russia and Turkey have experience in conducting humanitarian operations in Syria and can develop cooperation both with each other and with third parties, including international organizations, to provide direct assistance to those in need. The already established institution of de-escalation zones and existing opportunities for their development may prove to be an important help. The experience of creating de-escalation zones can be used to create humanitarian zones designed to provide support to the population, regardless of whose political and military-political control they may be under.

The second area is the promotion of a political settlement. Russia and Turkey are able to develop existing formats, such as the negotiating platforms in Astana (under the auspices of the three guarantor countries) and Geneva (under the auspices of the UN), and to propose and create new ones. At the same time, new platforms can be developed at the local level, given in particular the experience of the Russian Coordination Center in reconciling the opposing sides on the territory of the Syrian Arab Republic in Khmeimim, as well as on the national level. In particular, the format of the Syrian National Dialogue Congress can become a lynchpin, if the work on its preparation and holding is supported and continued, taking into account all the shortcomings revealed in 2017. It is extremely important for Moscow and Ankara to promote the preservation and development of a trilateral format to help resolve the Syrian crisis with the participation of Iran. Iran will continue to be an important participant in what is happening in Syria due to a number of objective indicators, which makes it an indispensable participant in the negotiation process. Nevertheless, the trilateral format with the participation of Russia and Turkey remains the only one that recognizes and takes into account this factor as part of the objective reality. This makes the format valuable in the search for real solutions to the stalemate.

The third area is cooperation in the fight against terrorism. Using their accumulated experience and relying on the commonality of tactical and strategic interests, at least in the medium term, Russia and Turkey can significantly improve the effectiveness of the fight against terrorism both bilaterally and with the involvement of other countries in the region, including Iran and Iraq.

Following the events of 2015-2017, both Russia and Turkey have become inalienable participants in the process of political settlement and post-conflict reconstruction in Syria. Considering the enormous amount of money needed to revive the country as well as the limited resources of Moscow and Ankara, the parties are able to interact on the way to a pragmatic solution amenable to both.

Regional Platforms and Security Architecture Systems

The Russian military doctrine states that one of the main threats to the country's security is NATO's expansion to Russia's borders.¹³² However, a number of experts, as well as the President of the Russian Federation, believe that this threat

¹³² President of Russia, "Voennaja Doktrina Rossijskoj Federacii", [Military Doctrine of the Russian Federation], at <http://kremlin.ru/supplement/461> (last visited 25 December 2017).

has been largely offset in the past few years by Russia's choice of foreign policy, the successful rearmament of the Russian armed forces, and the development of other deterrence mechanisms.¹³³ In this context, even though Turkey is a NATO member, Moscow and Ankara have resolved many issues in the past through direct dialogue.

It follows from the Russian military doctrine that one of the objectives of military-political cooperation is "to develop the negotiation process for the purpose of creating regional security systems with Russia as a participant."¹³⁴ Both Turkey and Russia cooperate within a number of international security organizations, including the Organization for Security and Cooperation in Europe (OSCE) as member countries, and the Shanghai Cooperation Organization (SCO), of which Russia is a member and Turkey a dialogue partner.

The need for a regional security system in the Middle East with the participation of Russia and Turkey is becoming even more topical today. Both countries play a significant role in the region and have interests to protect. The Middle East is a poorly institutionalized region when it comes to security. The multilateral organizations that are active in the region have proven to be ineffective. One of these is the Arab League, which was founded in 1945 to serve the interests of individual actors. This organization has failed to respond to the emerging challenges in the context of current regional transformations. The creation of working groups on security issues and new multilateral interaction formats could have a positive effect on the restoration of post-war countries in the post-crisis period.¹³⁵

The region can only build an effective security architecture based on the principle of inclusiveness. Russia and Turkey seek to maintain working relations with all the regional powers. Regional affairs in 2017 were affected by the decision of the Gulf Cooperation Council (GCC) to isolate Qatar with a blockade. While Russia chose not to interfere in this regional conflict, Turkey largely sided with Qatar. Ankara's close relations with Doha urged it to deploy troops in Qatar, which also hosts the Al Udeid Air Base- the largest U.S. military installation in the region.¹³⁶ The GCCQatar dispute remains unresolved, but the excitement surrounding it has largely abated. Nevertheless, this incident is an indicator of the GCC being another regional association that has failed as a regional security format.

The fact that all the current integration formats in the Middle East and North Africa are either poorly equipped, or unable to perform effectively, directly affects the ability of regional actors to ensure not just their own national security, but also the security of the region as a whole. A format similar to what U.S. President Donald Trump proposed following his visit to Saudi Arabia in spring 2017- the so-called Middle Eastern NATO as it was dubbed by journalists- has no chance of success in the region in the 21st century.¹³⁷ Such an institution would

¹³³ "Putin: Moscow Controls the Activation of NATO in Europe", TASS, at <http://tass.ru/politika/4661598> (last visited 25 December 2017).

¹³⁴ "Voennaja Doktrina Rossijskoj Federacii".

¹³⁵ Timur Makhmutov and Ruslan Mamedov, *Proposals on Building a Regional Security System in West Asia and North Africa*, Moscow, Russian International Affairs Council, 2017.

¹³⁶ "Erdogan Responded to the Demand to Close the Military Base in Qatar", RBC, at <https://www.rbc.ru/rbcfreenews/594f46cc9a794700d5384151> (last visited 25 December 2017).

¹³⁷ Josh Rogin, "Trump to Unveil Plans for an 'Arab NATO' in Saudi Arabia", *The Washington Post*, 17 May 2017.

substitute the strategic aspirations of regional countries with the narrow agenda pursued by a handful of regional powers and certain external actors such as the U.S. The main disadvantage of such an association would be the lack of inclusive open dialogue among all the countries without exception. On the contrary, it would promote exclusivity, and even the exclusion of countries that have fallen from grace for whatever political reason.

This approach completely disregards the fact that the strategic long-term challenges to the effective development and security of the Middle East and North Africa are not so much political as they are economic and humanitarian. Its purpose would be to unite *against* someone, not cooperate for the sake *of* something. Iran, without whose support countries like Russia and Turkey cannot imagine a successful future for the region, has certainly found itself excluded from such formats.

The fact that all the current integration formats in the Middle East and North Africa are either poorly equipped, or unable to perform effectively, directly affects the ability of regional actors to ensure not just their own national security, but also the security of the region as a whole.

Another proposal calls for the creation of a format that would bring together the GCC, Iran and Iraq (so-called GCC+2).¹³⁸ In the initial phase, this new format might require the participation of external actors, such as the U.S. and Russia. Under its auspices, direct dialogue between the Gulf states could reduce the level of mutual negative rhetoric and strengthen confidencebuilding measures in the region. This is believed to be necessary to free regional policies from the ineffective and counterproductive mechanism of unilateral sanctions against individual states. In addition to Iran, which is the most glaring example of a state excluded from foreign political processes through sanctions, there are quite a few countries in the Middle East and North Africa whose full involvement is required in order to work effectively on the problems in the region. The role of Sudan, which has been under sanctions for many years now, in addressing such problems as counteracting terrorism, enforcing the safe navigation of the Red Sea, controlling migrant flows from Africa to Europe, and ensuring water and food security is enormous, if only because of the country's geographical location.

Many of the major regional conflicts, including the long-standing confrontations in Libya and Yemen, cannot be resolved solely by the neighbors of the affected countries, which are already affected, directly and severely, by the challenges and threats spreading from the zones of military, socioeconomic and humanitarian instability. Both Libya and Yemen might seem far away from either Russia or Turkey, but it would be wrong to say that the latter cannot play a positive role in resolving the local contradictions and disagreements while overcoming the consequences of the destructive wars.

Both Russia and Turkey have, at various stages in history, contributed positively

¹³⁸ Makhmutov and Mamedov, *Proposals on Building a Regional Security System*.

to the development of Libya and Yemen. Furthermore, they both have the economic potential required to solve the current problems of the Libyan and Yemeni populations in terms of their survival. Russia and Turkey are not economic rivals. Rather, they may be described as potential partners with regard to a very broad range of economic activities. For these two powers, the Middle East and North Africa represent an extremely promising long-term market for both state-run companies and private businesses. Both Turkey and Russia command enormous long-term potential for assisting the Arab countries in overcoming the natural limitations and consequences caused by water shortages. Such assistance is not just about food supplies in the form of Russian grain and Turkish food products, but also about strategic investment in transportation and energy infrastructure, and in the highly promising sectors of the mining and processing industries. Both Turkey and Russia are interested in regional security and they both have great opportunities to develop contacts with regional players in order to advance the cause of peace and stability in the Middle East and North Africa. By working together, Russia and Turkey would be able to offer a realistic regional security framework with the participation of the region's countries as well external players such as the European Union and China.

Conclusion

In the 21st century, Russia-Turkey relations gained unprecedented dynamism and intensity. Against this background, Russia's consistent "return" to the Middle East on the new geopolitical playing field is not a strategic threat to Turkey's interests either regionally or globally. Pragmatic partnership between the two states is characterized by de-ideologization and independence from the global conjuncture and previous trends. This makes this new stage of Russia-Turkey interaction remarkable in comparison to the dialogue between the Turkish Republic and USSR before and after the Cold War. Such cooperation is becoming a mutually beneficial format for interaction between the two countries, which together can offer a real alternative to the world order that existed previously in the Middle East and which had formerly determined the region's interaction with external players.

Despite the residual differences in Russia and Turkey's approaches to regional and world politics, there are no insurmountable obstacles to cooperation on those issues where real and potential mutual benefits and common interests outweigh any differences.

Turkey's Black Sea Predicament: Challenging or Accommodating Russia?

Mitat ÇELİKPALA¹³⁹ & Emre ERŞEN¹⁴⁰

Abstract

This article seeks to explore the development of the new security environment in the Black Sea and its implications for the future of regional dialogue between Turkey and Russia. The radically altered strategic balance in the Black Sea after the Russian-Georgian war in 2008 and Russia's annexation of Crimea in 2014 have urged Turkish policymakers to revise their traditional policies toward this region. Yet Ankara currently faces four main challenges in this quest: i) maintaining the status quo established by the Montreux Convention, ii) protecting its interests vis-à-vis Russia's strengthened military presence in the Black Sea, iii) dealing with the significant security implications of the three Russian anti-access/area denial (A2/AD) spheres built around Turkish territories, 4) accommodating the diverse Black Sea policies of its NATO allies without alienating Russia.

Key Words

Turkey, Russia, Black Sea, Caucasus, NATO, Montreux Convention, Jet Crisis.

Introduction

Turkey and Russia are the two most significant regional actors in the Black Sea region. While the former has the longest shoreline among all the littoral states surrounding the Black Sea, the latter has geopolitically dominated the region since the 18th century. Before the Treaty of Küçük Kaynarca in 1774, the Black Sea was mainly viewed as a "Turkish lake" due to the Ottoman Empire's centuries-long regional dominance in the Balkans and Crimea. For many years, this hegemony enabled the Ottomans to exercise absolute control over access to the Black Sea through the Turkish Straits. Yet the Ottoman supremacy was challenged by an ever-expanding Russian Empire, which strived to gain access to the Black Sea's warm waters. The Ottoman-Russian wars of the 18th and 19th centuries – including the Crimean War of 1853-1856 – were the most important signs of the fierce geopolitical rivalry between the Ottoman sultans and the Russian tsars over the Black Sea.

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Following the dissolution of the two empires after World War I, their successor states - the newly founded Republic of Turkey and the Soviet Union - succeeded in developing a different relationship with each other. Moscow's economic and military support for the Turkish War of Independence in Anatolia started a brand new period in Turkish-Russian relations. Eventually, during the 1920s and 1930s the Black Sea became a region of cooperation between the two countries in parallel with their improved political and economic ties. The Turkish-Soviet dialogue particularly played an important role in the diplomatic process that led to the signing of the Lausanne and Montreux conventions on the regime of the Turkish Straits. Signed in 1936, the latter became the main international document regulating access to the Black Sea for commercial ships and warships. Even though Turkey and the Soviet Union became adversaries as members of the two opposing blocs after World War II, the geopolitical balance that was established in the Black Sea with their cooperation managed to survive the Cold War.

Moscow's economic and military support for the Turkish War of Independence in Anatolia started a brand new period in Turkish-Russian relations.

The collapse of the Soviet Union in 1991 provided fresh opportunities for the establishment of a new environment of dialogue and cooperation between Ankara and Moscow. The two countries worked together in order to preserve their privileged status in the Black Sea, and built a number of regional mechanisms to check the expansion of Western military influence in the region. Yet the Russian-Georgian war in 2008 and Russia's annexation of Crimea in 2014 urged Turkish leaders to revise their policies about the Black Sea. The Turkish-Russian disagreement over Syria, which triggered a serious crisis between the two countries in late 2015, also significantly hampered the regional dialogue between Ankara and Moscow.

The goal of this article is to discuss and evaluate the development of the new security environment in the Black Sea, as well as its implications for the future of the Turkish-Russian regional dialogue. Although the two countries managed to normalize their relations following the fighter jet crisis of 2015, Ankara still finds it difficult to accommodate Moscow's interests in the region. The rising tensions between NATO and Russia also weaken Turkey's efforts to follow a policy of balance in the Black Sea. In this regard, it can be argued that Turkey currently faces four key challenges in reshaping its Black Sea policy: i) maintaining the status quo established by the Montreux Convention, ii) protecting its interests vis-à-vis Russia's strengthened military presence in the region, iii) dealing with the security implications of the three Russian anti-access/area denial (A2/AD) spheres built around Turkish territories, iv) accommodating the diverse Black Sea policies of its NATO allies without alienating Russia in the region.

Evolution of the Turkish-Russian *Modus Vivendi* in the Black Sea

Despite its longstanding strategic ties with NATO, Turkey's policy in the Black Sea in the post-Cold War period has largely been shaped by its desire to develop a regional cooperation scheme together with the Black Sea countries rather

than its Western allies. This so-called “regional ownership” approach brought Turkey’s position closer to that of Russia, as it is also in line with Moscow’s efforts to curb the rising influence of the EU and NATO in the region.¹⁴¹ The Black Sea Economic Cooperation (BSEC), which was established in 1992, in particular provided a significant platform in which Ankara and Moscow could gradually strengthen their regional dialogue as well as bilateral economic relations in the field of tourism, energy and trade. BSEC also helped the two countries develop new channels for regional economic cooperation in other sectors, including transportation, agriculture, banking and finance.¹⁴²

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A major outcome of the improved Turkish-Russian dialogue in the Black Sea has been the establishment of a number of additional multilateral cooperation schemes designed to strengthen regional stability and security. Although Turkey supported the full membership of Bulgaria and Romania in NATO, which eventually took place in 2004, it also launched some important security initiatives in cooperation with Russia and the other Black Sea countries. In April 2001, for instance, the Black Sea Naval Co-operation Task Group (Blackseafor) was formally established with the goal of fostering regional cooperation in spheres such as search and rescue operations, protection of the environment, and mine cleaning.

The idea behind the foundation of such multilateral mechanisms was not only to highlight the importance of Turkey’s geopolitical role as a major actor in the Black Sea, but also to prevent the region from turning into a theatre of military conflict between the West and Russia. Ankara’s decision to launch Operation Black Sea Harmony in March 2004, which was later joined by Russia and other Black Sea states, can be viewed mainly as a response to NATO’s plans to expand its military influence into the Black Sea through Operation Active Endeavour – launched as a U.S.-led initiative in 2001 in the Mediterranean Sea following the September 11 attacks. Although Operation Black Sea Harmony similarly aimed at deterring terrorism and other asymmetrical threats in the region, it also contributed to the deepening of the Turkish-Russian security dialogue in the Black Sea.

Regional initiatives such as Blackseafor and Operation Black Sea Harmony indicate that maintaining special relations with Russia without alienating its NATO allies was an important pillar of Turkey’s Black Sea policy in the 2000s. This has also been one of the main reasons for Ankara’s determination to strictly implement the clauses of the 1936 Montreux Convention, which regulates the transit

¹⁴¹ Regarding the regional ownership concept, see Sergiu Celac, “The Regional Ownership Conundrum: The Case of the Organization of the BSEC”, Ronald D. Asmus (ed.), *Next Steps in Forging a Strategy for the Wider Black Sea*, (Washington: German Marshall Fund, 2006), pp. 215-226.

¹⁴² See for instance Mustafa Aydın, “Regional Cooperation in the Black Sea and the Role of Institutions”, *Perceptions: Journal of International Affairs*, Vol. 10, No. 3 (Autumn 2005), pp. 62-66.

of warships through the Turkish straits of the Bosphorus and Dardanelles and guarantees the freedom of passage of civilian vessels in times of peace and war.¹⁴³

The Montreux convention includes a number of restrictions on the transit of warships from non-Black Sea countries, which are not allowed to have more than nine warships in the Black Sea. These vessels, the maximum aggregate tonnage of which cannot exceed 45,000 tons, are not able to stay in the Black Sea for more than 21 days. They must also notify the Turkish authorities at least 15 days before their transit through the Turkish Straits. While aircraft carriers are not allowed to transit at all, submarines of the Black Sea states may cross the Turkish Straits, although they are also subject to very strict conditions and limitations.

During the Cold War, the delicate balance established by the Montreux Convention played a key role in keeping the Black Sea region away from the geopolitical competition between NATO and the Warsaw Pact. This is also why Turkey and Russia refrained from changing this regime in the post-Cold War period, as it granted them a privileged status in the Black Sea. In 2008, for instance, Turkey invoked the clauses of the Montreux Convention in response to the U.S. request to send its military ships to the Black Sea via the Turkish Straits with the purpose of bringing humanitarian aid to Georgia right after the Russian-Georgian war. This was an indication of Turkey's desire to resolve the issues in the Black Sea together with the countries of the region, rather than with external powers, despite its alliance with the U.S. and NATO. It was also the main reason behind Ankara's active mediation between Moscow and Tbilisi during and after the Russian-Georgian crisis.¹⁴⁴ However, Turkey's diplomatic efforts could neither prevent Russia from recognizing the independence of South Ossetia and Abkhazia, nor facilitate the de-escalation of tensions between NATO and Russia in the Black Sea in the following period.¹⁴⁵

The importance of the Montreux regime was highlighted by Turkey once again in 2014 during the crisis in Ukraine. When Russian officials expressed their concerns about the presence of U.S. warships in the Black Sea, one of which was conducting a joint naval exercise with NATO members Romania and Bulgaria, Turkey once again assured Russia that everything was in line with the clauses of the Montreux Convention.¹⁴⁶ In this respect, Ankara continued to follow a cautious policy of balance between the West and Russia in the Black Sea. For instance, although it supported the territorial integrity of Ukraine and rejected the results of the referendum in Crimea, which eventually paved the way for the annexation of the peninsula by Russia, it refrained from using strong language against Moscow, unlike the other NATO members. More importantly, it refused to participate in the Western sanctions against Russia and continued its eco-

¹⁴³ See the English translation of the full text of the Montreux Convention online, at http://sam.baskent.edu.tr/belge/Montreux_ENG.pdf (last visited 10 December 2010).

¹⁴⁴ Also see Burcu G. Punsman, "The Caucasus Stability and Cooperation Platform: An Attempt to Foster Regional Accountability", *ICBSS Policy Brief*, No. 13, 2009.

¹⁴⁵ For Baev and Kirişci, the war in Georgia rendered the BSEC "practically defunct". See Pavel K. Baev and Kemal Kirişci, "An Ambiguous Partnership: The Serpentine Trajectory of Turkish-Russian Relations in the Era of Erdoğan and Putin", *Brookings Institute Policy Paper*, No. 13, 2017, at <https://www.brookings.edu/wp-content/uploads/2017/09/paveland-kirisci-turkey-and-russia.pdf> (last visited 1 Decemer 2017).

¹⁴⁶ Serkan Demirtaş, "Turkey under NATO and Russia Pressure over Black Sea", *Hürriyet Daily News*, 5 April 2014.

conomic cooperation with Moscow. The announcement of the Turkish Stream natural gas pipeline project during President Putin's visit to Turkey in December 2014 in this regard was an important sign of the special economic ties between Turkey and Russia.

At the same time, however, it should be indicated that the crises in Georgia and Ukraine significantly changed the already fragile balance between NATO and Russia in the Black Sea. Russia's growing tensions with NATO in the post-2007 period- as indicated by Moscow's decision to suspend its participation in the Treaty on Conventional Armed Forces in Europe (CFE) and resume long distance reconnaissance flights near NATO member countries including Turkey's Black Sea coast- weakened the influence of the multilateral regional cooperation initiatives that were founded in the 1990s and 2000s.¹⁴⁷

Russia's Black Sea Fleet played an important role in Moscow's new strategy against NATO's rising influence in the region. Moscow's objective, particularly after the Russian-Georgian war of 2008, was to possess a multi-regional naval power in the Black Sea, which would also allow it to sustain a much larger force in the Mediterranean Sea and the Middle East. This goal was hinted at by then-commander of the Russian Navy, Admiral Vladimir Masorin, who said in a speech at the Russian Black Sea Fleet headquarters in Sevastopol in 2007, "the operational zone of the fleet extends across the Black Sea and the Mediterranean all the way to the Atlantic Ocean. It is at the crossroads of Europe, Asia, and Africa, and here we must re-establish the permanent presence of the Russian Navy."¹⁴⁸

Impacts of the Fighter Jet Crisis

The annexation of Crimea in March 2014 further tilted the strategic balance in the Black Sea in Russia's favor, as Moscow started to directly control the Sevastopol naval base, which was previously leased from the Ukrainian government within the framework of an international agreement. This development, however, contradicted Turkey's efforts to maintain the status quo in the region. Sustaining the Turkish-Russian *modus vivendi* in the Black Sea became even more difficult after September 2015, when Russia started direct airstrikes in Syria.

Russia's decision to militarily intervene in Syria raised significant concerns in Turkey.¹⁴⁹ President Erdoğan even publicly criticized the Russian airstrikes, saying he could not understand the rationale of this military intervention given that Russia does not share a border with Syria.¹⁵⁰ Yet Ankara and Moscow failed to resolve their disagreements and eventually in November 2015, Turkish armed forces shot down a Russian fighter jet near the Turkish-Syrian border due to its

¹⁴⁷ Serhat Güvenç and Sıtkı Egeli, "Changing Naval Balances in the Eastern Mediterranean: Implications for Turkey," *Turkish Policy Quarterly*, Vol.15, No.1 (2016), pp. 102-103.

¹⁴⁸ Robert Coalson, "News Analysis: Russian Build-up Focuses Concerns around the Black Sea", *Radio Free Europe/Radio Liberty*, at <https://www.rferl.org/a/russia-black-seamilitary-buildup-turkey/27569877.html> (last visited 1 December 2017).

¹⁴⁹ The Turkish Defense Minister, for instance, claimed that 88 percent of the total Russian air operations in Syria were directed against the opposition groups. See "Rusya 7 Bin 200 Hava Saldırısı Düzenledi", *Yeni Şafak*, 16 February 2016.

¹⁵⁰ "Rusya Suriye'yle Niye Bu Kadar İlgileniyor", *Hürriyet*, 2 October 2015.

violation of Turkish airspace. Following the incident, Ankara sought the support of its NATO allies, while Moscow responded by declaring a series of economic sanctions against Turkey.

Following the incident, political, economic and cultural relations between Turkey and Russia were almost completely frozen until June 2016. During this seven-month period, Ankara found itself in a very complicated geopolitical situation which entailed the revision of its approach toward the Black Sea. For example, Russia and Armenia signed a security deal for a united regional air defense system.¹⁵¹ Armenia already hosted two Russian military bases as well as approximately 5,000 Russian soldiers and is a member of the Russia-led Collective Security Treaty Organization (CSTO). In addition, the two governments made an agreement in February 2016 enabling Russia to provide a 10-year state export loan of up to US\$200 million to Armenia with payment deferral until early 2018.¹⁵² Yerevan supported the Russian economic sanctions against Turkey following the fighter jet incident.

Strong military assistance from Russia is crucial to helping Armenia maintain its military advantage over Azerbaijan in the Nagorno-Karabakh conflict, even though Baku also invested immensely in the modernization of its army in the last decade, mainly with the support of Turkey. The strategic partnership between Turkey and Azerbaijan is represented not only by the “one nation, two states” slogan, but also by their grand energy transportation projects, such as the Baku-Tbilisi-Ceyhan oil pipeline which became operational in 2006.¹⁵³ The two countries have also been in close cooperation regarding the construction of the Trans-Anatolian Natural Gas Pipeline (TANAP), which is viewed by Turkish leaders as a vital project to decrease Turkey’s dependence on Russian natural gas.

Despite the strong political and economic links between the two countries, it should be noted that Azerbaijan does not have a formal military alliance with Turkey. Turkish military support to Azerbaijan has largely taken place within the framework of NATO’s Partnership for Peace (PfP) program. Although the two countries signed a strategic partnership agreement in 2010, which on paper allows Turkey to take “all possible measures” to help Azerbaijan in case the latter is militarily attacked by a third country, the clause is too vague to indicate a genuine alliance between Ankara and Baku.¹⁵⁴ Moreover, Turkey’s military assistance to Azerbaijan has so far been largely restricted to sending advisors and providing training to Azerbaijani soldiers.

Given the fragile geopolitical situation in the Caucasus and Turkey’s strategic ties with Azerbaijan, the sudden escalation of the military conflict between Yerevan

¹⁵¹ “Why Did Russia, Armenia Create Joint Defense System in Caucasus?”, *Sputnik News*, at from <https://sputniknews.com/military/201512231032214928-russia-armeniadefense-system-turkey> (last visited 8 December 2017).

¹⁵² “Russia Grants \$200 Million Loan to Armenia for Purchasing Weapons”, *Russia Beyond*, at https://www.rbth.com/defence/2016/02/19/russia-grants-200-million-loanto-armenia-for-purchasing-weapons_569219 (last visited 4 December 2017).

¹⁵³ Also see Murad Ismayilov and Norman A. Graham (eds.), *Turkish-Azerbaijani Relations: One Nation – Two States?*, New York, Routledge, 2016.

¹⁵⁴ The full text of the agreement is available online, at <http://www.resmigazete.gov.tr/eskiler/2011/05/20110528M1-30-1.pdf> (last visited 3 December 2017).

and Baku over Nagorno-Karabakh in April 2017 was quite alarming for Ankara. During the four-day violent clashes that killed at least 200 people in both sides, President Erdoğan gave a strong message of solidarity with Azerbaijan and blamed Armenia for the escalation of tensions in the region.¹⁵⁵ It should be noted that Ankara's political support for Baku during the crisis was criticized not only by Armenian President Sargsyan, but also by Russian Prime Minister Medvedev.¹⁵⁶

Given the fragile geopolitical situation in the Caucasus and Turkey's strategic ties with Azerbaijan, the sudden escalation of the military conflict between Yerevan and Baku over Nagorno-Karabakh in April 2017 was quite alarming for Ankara.

Although Russia played an important diplomatic role in the de-escalation of the latest crisis in Nagorno-Karabakh, some analysts viewed the incident as Moscow's signal to Baku that it should be careful about its special relationship with Ankara.¹⁵⁷ It is also important to emphasize in this regard that Azerbaijan chose to follow a neutral policy between Ankara and Moscow after the fighter jet crisis. President Aliiev, for instance, offered mediation to solve the Turkish-Russian spat.¹⁵⁸ It can be argued that close economic relations with Russia, and Moscow's significant influence on the Nagorno-Karabakh peace process, prevented Baku from openly siding with Ankara. Yet, Azerbaijan still opened its borders to Turkish commercial vehicles carrying goods to Central Asia after the entrance of these trucks to Russia was restricted by Moscow as part of the sanctions against Ankara.¹⁵⁹

Apart from the issue of Nagorno-Karabakh, Ankara and Moscow have remained at odds with each other regarding other regional conflicts in the Black Sea as well. For instance, Turkey continued to develop its political and economic relations with Ukraine and criticized Moscow's policies regarding the situation of the Tatars in Crimea. During the official visit of Ukrainian President Poroshenko to Turkey in March 2016, the two countries decided to enhance their cooperation in the military-technical field.¹⁶⁰ At the same time, Georgia, which has an uneasy relationship with Russia, emerged as a major strategic partner of Turkey in the Caucasus. Ankara supports the development of Tbilisi's relations with NATO, while the Georgian leaders actively cooperate with Turkey and Azerbaijan in regional energy and transportation projects including the Baku-Tbilisi-Ceyhan oil pipeline, the Baku-Tbilisi-Erzurum natural gas pipeline and the Baku-Tbilisi-Kars

¹⁵⁵ "Erdoğan: Karabakh will be returned to Azerbaijan One Day", *Daily Sabah*, 4 April 2016.

¹⁵⁶ See the full text of Medvedev's interview with the Rossiya TV Channel, at <http://government.ru/en/news/22541> (last visited 10 December 2017).

¹⁵⁷ See Can Kasapoğlu, "Is Armenia the Next Turkish-Russian Flashpoint?" *The Washington Institute*, at <http://www.washingtoninstitute.org/policy-analysis/view/is-armenia-the-next-turkish-russian-flashpoint> (last visited 10 December 2017).

¹⁵⁸ Durna Safarova, "Azerbaijan: Can Baku Broker Peace between Turkey and Russia?", *Eurasianet.org*, at <http://www.eurasianet.org/node/77386> (last visited 3 December 2017).

¹⁵⁹ "Türk TIR'larına Alternatif Güzergah", *Hürriyet*, 2 December 2, 2015.

¹⁶⁰ See <http://www.president.gov.ua/en/news/ukrayina-ta-turechchina-pogliblyuvatimutstrategichne-partne-36833> (last visited 22 December 2017).

railway. The foreign ministers and presidents of the three countries have been meeting on a regular basis since 2012, indicating their commitment to a trilateral strategic partnership.

Russia's Strengthened Military Presence in the Black Sea

As the Turkey-Azerbaijan-Georgia rapprochement continued in the Caucasus, Russia significantly strengthened its relations not only with Armenia, but also with Georgia's breakaway republics Abkhazia and South Ossetia.¹⁶¹ The modernization and expansion of the Black Sea Fleet also became an imperative for Russia, especially after the crisis in Ukraine. In 2014, Moscow announced its plans to spend more than US\$ 2 billion dollars by 2020 to bolster the fleet, including the procurement of more modern surface ships and submarines outfitted with advanced cruise missiles, as well as integrated air-defense and amphibious landing capacities.¹⁶² It also deployed three new advanced surface warships in the Black Sea, heavily equipped with Kalibr cruise missiles and other anti-aircraft and anti-ship missiles, in order to respond to all kinds of air, surface and submarine threats. By the time its modernization is completed in 2020, the Black Sea Fleet is expected to receive 30 new vessels of various sizes and classes, including six Bykov-class patrol ships, three additional Admiral Grigorovich-class frigates, and nine Project 21631 small guided missile corvettes.¹⁶³

As a result of this ambitious modernization program, just one year after the annexation of Crimea, the Black Sea Fleet had already reached a strategic capacity to serve Russia's regional objectives and become a "blue water" force capable of carrying out extensive operations in open waters.¹⁶⁴ The ships of the Black Sea Fleet are on permanent combat duty as part of the Mediterranean squadron which was re-formed in 2013. According to Admiral Igor Kasatonov, advisor to the Russian Chief of the General Staff, developments in Crimea and Syria justified the modernization of the Black Sea Fleet: "if strikes are launched on targets in Syria from the Caspian Sea, the Black Sea Fleet, if such a task is assigned, can fire at the Gulf area and even further. The fleet has good prospects as long as preference is given to its underwater component."¹⁶⁵

It should be noted that the Black Sea Fleet makes up only a fraction of Russia's military power in the Black Sea. Moscow's combined land, sea and air forces, as well as its electronic capabilities, enable it to effectively deny access to the NATO forces seeking to enter the Black Sea.¹⁶⁶ In other words, the main objective of the Russian antiaccess/area denial (A2/AD) "bubble" in the Black Sea is to hin-

¹⁶¹ Also see Thomas Ambrosio and William A. Lange, "The Architecture of Annexation? Russia's Bilateral Agreements with South Ossetia and Abkhazia", *Nationalities Papers*, Vol. 44, No. 5 (2016), pp. 673-693.

¹⁶² See Janus Bugajski and Peter B. Doran, *Black Sea Rising: Russia's Strategy in Southeast Europe*, Washington, Warsaw, Center for European Policy Analysis, February 2016, p. 12, at http://cepa.org/files/?id_plik=2096 (last visited 4 December 2017).

¹⁶³ Natalia Konarzewska, "A New Balance of Power in the Black Sea?", *The Central Asia-Caucasus Analyst*, at <https://www.cacianalyst.org/publications/analytical-articles/item/13393-a-new-balance-of-power-in-the-black-sea?.htm> (last visited 2 December 2017).

¹⁶⁴ See Coalson, "News Analysis".

¹⁶⁵ "Russian Black Sea Fleet Marks 233rd Anniversary", TASS, at <http://tass.com/defense/875406> (last visited 4 December 2017).

¹⁶⁶ Bugajski and Doran, *Black Sea Rising*, p. 12.

der NATO's ability to protect its member states and deliver military assistance to its partners in the region.

The annexation of Crimea has been a crucial turning point in this regard, as the peninsula has been turned into a base to reinforce the Russian naval infrastructure in the Black Sea. Moscow also significantly strengthened its air forces in Crimea and deployed 10 Tu-22M3 Backfire bombers along with patrol and anti-submarine aircraft. In addition, the peninsula was equipped with various missile and coastal defense systems, such as the S-300PMU surface-to-air missile system and the K-300P Bastion-P anti-ship missile complex. In August 2016, Russia also deployed the S-400 system in Crimea, which is known to be one of the most advanced anti-aircraft and missile defense systems in the world.¹⁶⁷

The radically altered strategic balance in the region was publicly acknowledged by President Erdoğan, who demanded only a few weeks before NATO's Warsaw Summit to introduce countermeasures against developments that had turned the Black Sea into a "Russian lake." In his address to the Balkan countries' chiefs of defense in Ankara, he emphasized the need to transform the Black Sea "into a basin of stability again on the basis of cooperation among riparian countries around the Black Sea."

A short while ago [NATO Secretary General Jens] Stoltenberg was in Turkey. During his visit I told him: 'You are not visible in the Black Sea. And your invisibility in the Black Sea turns it into a Russian lake, so to speak.' As riparian countries we should live up to our responsibilities. As NATO members, we should take all required steps in all spheres, including the sea, air and ground. Otherwise, history shall not forgive us. And we should also deepen our existing cooperation in accordance with an approach of regional inclusiveness.¹⁶⁸

Although the Warsaw Summit of July 2016 mainly focused on the enhancement of NATO's forward presence in Eastern Europe, as indicated by the alliance's decision to deploy four multinational battalion-size battle groups to Estonia, Latvia, Lithuania and Poland, some key decisions were also taken about the Black Sea. Most importantly, NATO member states agreed to initiate "tailored measures to increase NATO presence in the southeast of the Alliance on land, at sea and in the air with more multinational land training, combined joint enhanced training, more maritime activity and increased coordination."¹⁶⁹

The decisions taken at Warsaw demonstrated NATO's intention to move from reassurance to actual deterrence or defense measures vis-à-vis Russia, to reinforce the alliance's eastern flank, which includes the Black Sea region. Accordingly, NATO decided to deploy a multinational framework brigade to be based in Romania and to further discuss military measures to enhance the alliance's collective presence in the Black Sea in subsequent ministerial meetings. Although these measures have yet to be specified, NATO may decide to launch air or sea

¹⁶⁷ Konarzewska, "A New Balance of Power".

¹⁶⁸ See <https://www.tccb.gov.tr/en/news/542/43924/suriyede-tum-kirmizi-cizgilerinasilmasina-ragmen-bir-adim-atilmadi.html> (last visited 4 December 2017).

¹⁶⁹ See https://www.nato.int/cps/en/natohq/topics_136388.htm?selectedLocale=en (last visited 4 December 2017).

patrol missions or further increase the number or scope of its joint naval exercises in order to boost the interoperability between the Black Sea countries.

The success of NATO's tailored forward presence strategy in the Black Sea above all depends on the close cooperation of the three NATO members in the region. In other words, "the expansion and credibility of any NATO deterrent largely depends on three littoral NATO states to modernize and reinforce their maritime capabilities."¹⁷⁰ However, Romania, Bulgaria and Turkey have so far failed to unite their efforts in building joint defenses and developing a common framework for security and threat assessment in the Black Sea. Some of the impediments to subregional cooperation include budgetary limitations and the three countries' diverging regional interest perceptions.

Moreover, the degree of their bilateral relations with Russia- including their dependence on Russian natural gas influence Ankara, Bucharest and Sofia's willingness to work with each other regarding Black Sea security. Romania, for instance, has been much more eager to see a stronger NATO presence in the region in comparison to Bulgaria or Turkey, which both have very close economic relations with Moscow. Romania's Craiova and Mihail Kogalniceanu bases also play a very important role as the land and air components of NATO's tailored forward presence strategy in the Black Sea.¹⁷¹ Additionally, Romania has hosted the Aegis Ashore ballistic missiles of NATO's missile defense system at its Deveselu base since 2016.

The success of NATO's tailored forward presence strategy in the Black Sea above all depends on the close cooperation of the three NATO members in the region.

Starting a rotational NATO air patrol mission similar to the Baltic air policing mission, creating a regional maritime task group and establishing a joint fleet with the participation of Romania, Bulgaria, and Turkey, are some of the ideas on NATO's agenda regarding the Black Sea.¹⁷² However, it should be noted that none of the contemplated steps would be enough to balance Russia's power projection capabilities in the region. Indeed, some analysts believe that the Montreux Convention is an impediment to a robust NATO response against Russia in the Black Sea, since a strengthened NATO presence in the region would require frequent exercises by the navies of the non-littoral states, including the U.S.¹⁷³

So far NATO has only considered a rotational naval deployment in the Black Sea that does not compromise the Montreux Convention. Another proposal, which

¹⁷⁰ Janus Bugajski and Peter Doran, *Black Sea Defended: NATO Responses to Russia's Black Sea Offensive*, Washington, Warsaw, Center for European Policy Analysis, July 2016, p. 4, at https://cepa.ecms.pl/files/?id_plik=2684 (last visited 12 December 2017).

¹⁷¹ Boris Toucas, "NATO and Russia in the Black Sea: A New Confrontation?", *Center for Strategic and International Studies*, at from <https://www.csis.org/analysis/nato-andrussia-black-sea-new-confrontation> (last visited 3 December 2017).

¹⁷² Bugajski and Doran, *Black Sea Defended*, pp. 4-5.

¹⁷³ John C.K. Daly, "Hot Issue: After Crimea: The Future of the Black Sea Fleet", *The Jamestown Foundation*, at from <https://jamestown.org/program/hot-issue-after-crimeathe-future-of-the-black-sea-fleet> (last visited 1 December 2017).

appears to have some supporters especially in Washington, is to reflag the warships of the non-Black Sea NATO member states with either Romanian, Bulgarian or Turkish flags to circumvent the limitations of the Montreux regime.¹⁷⁴ Yet, it may not be an easy task to convince Turkish policymakers on this issue considering Turkey's historical experience with the reflagging of two German warships in 1914, which eventually triggered the Ottoman Empire's entry into World War I.

Turkey's Reconciliation with Russia

Relations between Turkey and Russia started to normalize in the summer of 2016. In Turkey's case, the fight against DAESH and the PKK became the most important factor as their attacks against Turkish security forces and civilians intensified during the 2015-2016 period. Reconciliation with Moscow, in this sense, became crucial for Ankara in order to take cross-border security measures in the north of Syria. Russia, on the other hand, required the cooperation of Turkey as an important regional actor to secure its long-term geopolitical interests in the Middle East and the Black Sea following its interventions in Ukraine and Syria.¹⁷⁵

The normalization process in Turkish-Russian relations officially began with President Erdoğan's letter to President Putin in June 2016.¹⁷⁶ The letter was warmly received by Moscow and the two leaders decided to meet in St. Petersburg in August. Yet the failed coup attempt that took place in Turkey on July 15 suddenly gave new meaning to the Turkish-Russian reconciliation process. Moscow expressed strong support for the Turkish government, while the official reactions of Turkey's NATO allies were unexpectedly hesitant and mixed.¹⁷⁷ This created disappointment in Ankara about its relations with the U.S. and the EU, providing another real impetus for the Turkish-Russian reconciliation.

In August 2016, only a few weeks after the coup attempt, Erdoğan and Putin finally came together for the first time since the fighter jet crisis, restoring the Turkish-Russian bilateral ties. In the following months, the two leaders met many more times and spoke frequently on the phone particularly regarding the situation in Syria. During Putin's visit to Istanbul in October 2016, they also signed an intergovernmental agreement for the construction of the Turkish Stream natural gas pipeline which is expected to supply large amounts of Russian natural gas to Turkey by the end of 2019.¹⁷⁸ In addition, Turkey and Russia confirmed their commitment to finish the construction of the Akkuyu nuclear power plant.

¹⁷⁴ Ariel Cohen, "NATO Should Stand up Black Sea Command before It's Too Late", Atlantic Council, at <http://www.atlanticcouncil.org/blogs/new-atlanticist/nato-shouldstand-up-black-sea-command-before-it-s-too-late> (last visited 4 December 2017).

¹⁷⁵ Emre Erşen, "Evaluating the Fighter Jet Crisis in Turkish-Russian Relations", *Insight Turkey*, Vol. 19, No. 4 (2017), pp. 94-95.

¹⁷⁶ See <http://kremlin.ru/events/president/news/52282> (last visited 10 December 2017).

¹⁷⁷ Also see Dimitar Bechev, "What's Behind the Turkey-Russia Reset?", *Aljazeera*, at <http://www.aljazeera.com/indepth/opinion/2016/08/turkey-russia-reset-160808103350290.html> (last visited 6 December 2017).

¹⁷⁸ Also see Mikhail Krutikhin, "Turetskiy Potok: Tsena Uporstva", [Turkish Stream: Price of Perseverance,] *Inosmi.ru*, at <http://inosmi.ru/economic/20161016/238027885.html> (last visited 4 December 2017).

Ankara also expressed its interest in purchasing Russia's S-400 system in order to develop its own national missile defense, despite the concerns of the NATO officials.¹⁷⁹

Although cooperation in Syria remained at the heart of the improving Turkish-Russian strategic relations, the two countries also declared their intention to revitalize their dialogue in the Black Sea.

Turkish-Russian relations also rapidly developed in the military sphere. In September 2016, Russian Chief of General Staff Valery Vasilyevich Gerasimov paid a significant visit to Turkey. The most important outcome of this military dialogue was Turkey's "Operation Euphrates Shield," which was launched in August 2016 not only against the DAESH, but also the PKK-affiliated PYD/YPG in northern Syria. More importantly, the foreign ministers of Turkey, Russia, and Iran came together in December 2016 and signed the "Moscow Declaration," which announced a comprehensive ceasefire in Syria and launched a new peace process in Astana between the Assad regime and opposition groups.¹⁸⁰

Although cooperation in Syria remained at the heart of the improving Turkish-Russian strategic relations, the two countries also declared their intention to revitalize their dialogue in the Black Sea. In line with this agreement, when the NATO Defense Ministers endorsed an enhanced NATO naval presence in the Black Sea, as well as a maritime coordination function between NATO Standing Naval Forces in February 2017, Ankara made reference to the clauses of the Montreux Convention and asked all of the countries to avoid actions that could trigger new tensions with Russia.¹⁸¹ In addition, the Turkish navy and the Russian Black Sea fleet held joint exercises in April.¹⁸²

Despite these signs of cooperation, it should be noted that Turkey chose to join the Sea Shield 2017 naval exercise with other NATO countries, even though the exercise was criticized by Russian officials.¹⁸³ This can be viewed as a sign of Turkey's security concerns regarding the network of A2/AD capabilities built by Russia simultaneously in the Caucasus, Syria and Crimea- given that Turkey is located right at the intersection of these three A2/AD spheres. Moscow also built a similar A2/AD bubble in Kaliningrad when it moved its nuclearcapable Iskander-M missiles into the enclave in response to the decisions taken at NATO's Warsaw Summit. It was also revealed at a military parade in Yerevan in September 2016 that Armenia possesses the same Russian Iskander-M missiles.¹⁸⁴

¹⁷⁹ Ali Ünal, "Turkey's Interest in Russian Missile System May Spark New Tension with NATO", *Daily Sabah*, 16 August 2016.

¹⁸⁰ For the full text of the document, see *Sputnik Turkey*, at <https://tr.sputniknews.com/ortadogu/201612211026428478-rusya-turkiye-iran-suriye-ortak-bildiri> (last visited 10 December 2017).

¹⁸¹ "NATO'dan Rusya'yı Kızdıracak Kritik Karadeniz Kararı", *Habertürk*, 18 February 2017; Mustafa Aydın, "Power Struggle in the Black Sea", *Hürriyet Daily News*, 30 March 2017.

¹⁸² "Russian, Turkish Navies Hold Joint Drills in Black Sea", *Sputnik News*, at <https://sputniknews.com/military/201704051052314680-russia-turkey-fleet-drills> (last visited 1 December 2017).

¹⁸³ "Russia Monitoring NATO Exercise in Black Sea", *Anadolu Agency*, at <http://aa.com.tr/en/todays-headlines/russia-monitoring-nato-exercise-in-black-sea/739436> (last visited 10 December 2017).

¹⁸⁴ Eduard Abrahamyan, "Armenia's New Ballistic Missiles Will Shake up the Neighborhood", *The National Interest*, 12 October 2016.

Although the Turkish public remains strongly skeptical about relations with NATO in the wake of the July 15 coup attempt, it can be argued that Ankara is very much concerned about the rising Russian military presence in the Black Sea. These concerns were aggravated by the statement made by General Gerasimov in September 2016 right before his visit to Turkey. In his assessment of the performance of the Black Sea Fleet in the Kavkaz 2016 military drills, which were held across Russia's entire southern military district on the border of Ukraine including the Crimean peninsula, Gerasimov said, "Several years ago the Russian fleet's combat capabilities were in stark contrast with that of the Turkish Navy. Some even said Turkey was in full command of the Black Sea. Now it's different."¹⁸⁵

It can be claimed that Gerasimov's statement was rather a response to NATO's plans to increase its military presence in the Black Sea with the deployment of more vessels and strengthening of the fleets of NATO members, particularly Bulgaria and Romania. Yet it also sent a message to Turkish leaders about the way Moscow perceives its military position vis-à-vis Ankara in the region. Therefore, it seems that despite some positive signs and efforts to revitalize their dialogue in the Black Sea in the last couple of years, the region's two most influential countries have changed their stance about the "regional ownership" approach.

Conclusion

In an article they recently penned together, the Turkish and Serbian foreign ministers warned that the political, economic and security challenges in the Black Sea region can only be effectively addressed through increased interaction, enhanced coordination, constructive dialogue, and focused and result-oriented cooperation."¹⁸⁶ This statement can also be regarded as an acknowledgment of the failure of the extant regional cooperation mechanisms to create effective structures for solving the complicated security problems in the Black Sea.¹⁸⁷ As Tanrısever argues, efforts at cooperation between Turkey and Russia "over a number of issues in the Black Sea region have been guided by their general foreign policy priorities rather than their shared approach to the regional issues."¹⁸⁸ The sheer number of unresolved ethnic-separatist conflicts in the region further complicates the problem. In 2014, Crimea and Donbas were added to the long list of frozen conflicts which already included Abkhazia, South Ossetia, Nagorno-Karabakh and Transnistria.

Rising tensions between NATO and Russia have also weakened efforts to enhance the security and stability of the Black Sea region. In February 2017, for instance, the U.S. military claimed that multiple Russian warplanes "buzzed a U.S.

¹⁸⁵ "General Staff: Russia-Turkey Balance of Force in Black Sea Has Changed over Years", *TASS*, at <http://tass.com/defense/899730> (last visited 3 December 2017).

¹⁸⁶ Mevlüt Çavuşoğlu and Ivica Dacic, "BSEC: A Useful Instrument in Promoting Culture of Cooperation and Synergy among its Member States", *Daily Sabah*, 12 January 2017.

¹⁸⁷ Mitat Çelikpala, "Escalating Rivalries and Diverging Interests: Prospects for Stability and Security in the Black Sea Region", *Southeast European and Black Sea Studies*, Vol. 10, No. 3 (2010), p. 290.

¹⁸⁸ Oktay F. Tanrısever, "Turkey and Russia in the Black Sea Region: Dynamics of Cooperation and Conflict", *EDAM Black Sea Discussion Paper Series*, 2012, p. 22, at <http://edam.org.tr/wp-content/uploads/2017/03/bsdsp3.pdf> (last visited 4 December 2017).

navy destroyer in the Black Sea in unsafe and unprofessional maneuvers.”¹⁸⁹ Both Moscow and NATO are seeking to strengthen their military presence in the region in a way that can potentially disrupt maritime trade, including energy routes. It is clear that the economies of the littoral states as well as the energy diversification schemes in Europe will be quite negatively affected in the event of a sudden Russia-NATO crisis in the Black Sea.

Yet the radically altered strategic balance in the Black Sea urges Turkey to revise its approach, even though Turkish-Russian relations have significantly improved in the last couple of years.

In its effort to keep the Black Sea a stable maritime domain, Turkey has traditionally preferred collective security mechanisms involving the littoral states in the region. Yet the radically altered strategic balance in the Black Sea urges Turkey to revise its approach, even though Turkish-Russian relations have significantly improved in the last couple of years. Ankara first of all needs to consider developing an effective A2/AD concept to protect its territories and reinforce the security of its allies in the region. This was the main rationale behind Turkey's endorsement of NATO's strategic concept in November 2010 that called for the development of a ballistic missile defense system. Eventually, Ankara agreed to the deployment of an early warning BMD radar in the town of Kürecik in Eastern Anatolia. Yet Russia countered this move by deploying S-300 and S-400 systems in its southern military district as well as in the territories of Armenia, Crimea and Syria – establishing three formidable A2/AD spheres that cover a large swath of Turkish territory.

Second, and more importantly, Turkey has lost its naval superiority in the Black Sea to Russia since 2014. The delicate Montreux balance which Ankara sought to maintain for so many years has been significantly changed by Russia's accelerated military buildup in the region. Although Ankara and Moscow are currently in a close strategic dialogue with regard to Syria, their differences regarding the conflicts in the Black Sea such as Nagorno-Karabakh and Crimea are far from being resolved. At the same time, Russia's developing military relations with Armenia are a major concern for Ankara, while Moscow is uneasy about Turkey's enhanced strategic ties with the governments of Ukraine and Georgia.

Although their influence has been significantly weakened due to the shifting geopolitical balances in the Black Sea, regional cooperation platforms may still play a key role in managing the disagreements between Turkey and Russia. BSEC, for instance, is still the most comprehensive and institutionalized structure in the region.¹⁹⁰ It should be particularly emphasized that the meeting between the foreign ministers of the two countries at the BSEC Summit in Sochi in July 2016 was a major step in the Turkish-Russian reconciliation process after the fighter

¹⁸⁹ “U.S. Says Russian Military Jets Buzzed U.S. Ship in Black Sea,” *Radio Free Europe/Radio Liberty*, at <https://www.rferl.org/a/us-says-russian-military-jets-buzzed-usdestroyer-uss-porter-black-sea-russia-denies/28310377.html> (last visited 11 December 2017).

¹⁹⁰ Mustafa Aydın, “Turkish Policy towards the Wider Black Sea and the EU Connection”, *Journal of Balkan and Near Eastern Studies*, Vol. 16, No. 3 (2014), pp. 383-397.

jet crisis. BSEC can also act as a platform for providing new momentum to important transnational projects such as the Black Sea ring highway, as well as promoting the development of Motorways of the Sea and visa liberalization policies for business initiatives.¹⁹¹

Although their influence has been significantly weakened due to the shifting geopolitical balances in the Black Sea, regional cooperation platforms may still play a key role in managing the disagreements between Turkey and Russia.

The tripartite official meetings which in the last few years have become increasingly popular among the countries of the Black Sea can also be helpful in handling the regional disagreements between Turkey and Russia. The creation of a regular meeting format between the presidents of Turkey, Russia and Azerbaijan in August 2016 was quite important in this regard. As indicated earlier, Turkey has held similar summits with Azerbaijan and Georgia since 2012, while there is also a recently started Russia-Azerbaijan-Iran summit mechanism which held its last meeting in November 2017 in Tehran. Such mechanisms can be utilized more efficiently in order to achieve a breakthrough in the resolution of the regional conflicts of the Black Sea. This could provide much needed momentum for the eroded “regional ownership” approach which had been quite successful in the post-Cold War period in keeping the rising tensions between Russia and NATO away from the Black Sea.

¹⁹¹ Özgür Özdamar, “What Should Turkey Do to Stabilize the Black Sea Region?”, in Anahit Shirinyan and Louisa Slavkova (eds.), *Unrewarding Crossroads? The Black Sea Region amidst the European Union and Russia*, (Sofia Platform, June 2015), pp. 187.

Russian-Turkish Relations in the Wider Black Sea Region: Cooperation and Competition

Pavel SHLYKOV¹⁹²

Abstract

In the long historical perspective, Russian and Turkish foreign policies have been deeply affected by the shared neighborhood of the wider Black Sea region and the Caucasus, where both countries possess multifaceted security, political, economic and cultural ties. This paper highlights the complex nature of Russia-Turkey cooperative and competitive relations with a special focus on the wider Black Sea region and the Caucasus since the 1990s. It argues that while the general features of cooperation between Ankara and Moscow in the region are well known, competition is equally strong. Given the fragile nature of the strategic partnership between Russia and Turkey, this cooperation-competition nexus demands a more comprehensive and multi-level approach to the ways in which the two countries' competitive interests in the Black Sea region might be turned into a well-grounded cooperation.

Key Words

Russian-Turkish Relations, Middle East, Black Sea Region, Caucasus, Regional Security, Energy Cooperation.

Introduction

This paper explores Russia-Turkey relations with regard to the wider Black Sea region, which includes the littoral states of Russia, Turkey, Ukraine, Bulgaria, Georgia, Romania, Moldova, Armenia and Azerbaijan. In this “shared geography,” Russia and Turkey represent “the leading powers with significant resources” and deep “historical, cultural, and economic ties with parts of this geography,” which give them “comparative advantages in the pursuit of resolving key issues in their neighborhood.”¹⁹³ Both countries have numerous interests in this

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¹⁹³ Mustafa Aydın et al., *Exploring the Prospects for Russian-Turkish Cooperation in a Turbulent Neighborhood*, in Memduh Karakullukçuoğlu and Dmitry Trenin (eds.), Moscow, Istanbul, Carnegie Endowment for International Peace and Global Relations Forum, 2014, pp. 19-20.

neighborhood, ranging from economic and energy cooperation to security interaction and cultural interrelations. After centuries-long rivalry between the Russian and Ottoman empires and afterwards during the Cold War period, Ankara and Moscow became closer following the collapse of the Soviet Union in 1991.

Russian and Turkish foreign policy has been deeply affected by the shared neighborhood of the wider Black Sea region and the Caucasus, where which both countries possess multifaceted security, political, economic and cultural ties.

This new environment opened up the shared neighborhood as a region of interrelation, interdependence and competition. In the early 2000s, driven by increasing trade volume, especially in the energy sector and tourism, Moscow and Ankara managed to develop a cooperative relationship. In 2010, then Russian President Dmitry Medvedev and his Turkish counterpart Abdullah Gül laid the foundation of the High-Level Cooperation Council. At that time, Medvedev even characterized Russian-Turkish relations as “reaching the level of fullscale strategic partnership.”¹⁹⁴ Russia indeed succeeded in becoming a strategic exporter of energy resources to Turkey. Both countries developed significant infrastructural and energy projects, such as the Turkish Stream pipeline and the Akkuyu nuclear power plant. Both countries are trying to enlarge their industrial and hi-tech cooperation, including in the sphere of hydro-electric engineering. Russian and Turkish elites seem to have similar views on the way they would like to see the functioning of the world system. Ideas of a polycentric world order, which theoretically should provide wider opportunities for global and regional interactions among countries with the ambitions to become new centers of this order, resonate well among decision-makers in both countries. Both Russia and Turkey regard the struggle against extremism and radicalism as one of their top international priorities.

However, by the middle of the 2010s, the cooperation pattern Moscow and Ankara had developed after the collapse of the Soviet Union, based on pragmatic economic interests, faced its limits of growth, while their dialogue on political issues did not move significantly forward. The conflict in Syria, which started in 2011 as an internal political struggle and later became an arena of confrontation involving many Middle Eastern powers, including Turkey, as well as extra-regional powers, including Russia and the U.S., revealed the vulnerability of the existing model of cooperation between Russia and Turkey. It also brought to the forefront the problem of a trust deficit between the political elites of the two countries.

The tragedy of the Russian Su-24 aircraft engaged in operations in Syria and shot down by the Turkish Air Force after crossing the border between Turkey and Syria in November 2015 initiated a seven-months-long Russia-Turkey “Cold War.” These developments indicated the necessity of revising the previously es-

¹⁹⁴ Dmitry Medvedev, “Russia and Turkey will Not Rest on their Laurels”, *Kremlin.ru*, at http://archive.kremlin.ru/eng/speeches/2010/05/09/2300_type104017_225991.shtml (last visited 12 November 2017).

established paradigm of bilateral relations. This necessity became even more obvious against the background of the extremely slow normalization of bilateral ties after the personal letter of President Erdogan to President Putin sent on June 27, 2016, despite the aspirations in both countries to look for alternative international partnerships beyond the U.S., the EU and NATO.

In the recent decade the dynamics of Russian-Turkish relations have become an issue of intense scholarly interest. Some experts debate whether this relationship could be qualified as a “strategic axis”¹⁹⁵ or an “Eurasian axis.”¹⁹⁶ Others argue that Russia and Turkey “developed an economic interdependence with strategic significance,¹⁹⁷ highlighting the economic dimensions of these relations. Many argue that Moscow and Ankara have managed to transform “century-long geopolitical disputes into a geoeconomic partnership,”¹⁹⁸ or that they “opted for a depoliticized model of economic cooperation.”¹⁹⁹ Before the Russian Su-24 incident in November 2015, most observers agreed that Russian-Turkish relations had reached an unprecedented level of cooperation in recent years.²⁰⁰

The phenomena of the Russian-Turkish “Cold War” hindered the economic determinism argument in the studies of the countries’ bilateral relations and made observers of these relations look beyond the previous paradigm, which stipulated that economic interdependence in a globalized world would prevail over political and security contradictions. The 2015-2016 crisis between Moscow and Ankara may well serve as an illustration of conflict between pragmatic interest and economic benefits, on the one hand, and aspirations for an appropriate international status and value-oriented policy, on the other.

Proceeding from the scholarly debate outlined above, this paper aims at highlighting the principal avenues of cooperation and competition between Russia and Turkey with a special focus on the wider Black Sea region. While the general features of cooperation between Ankara and Moscow in the areas of energy and regional security are well known, this paper argues that the competition is equally strong and takes place in the same fields in which cooperation is most

¹⁹⁵ Emre Ersen, “Turkey and Russia: An Emerging ‘Strategic Axis’ in Eurasia?”, *EurOrient*, No. 35-36 (2011), pp. 263-285.

¹⁹⁶ David Svarin, “Towards a Eurasian Axis? Russia and Turkey between Cooperation and Competition”, *Global Affairs*, Vol. 1, Issue 4-5 (2015), pp. 381-398.

¹⁹⁷ Lyudmila Vartazarova and Peter Stegny (eds.), *Turcija: Novaja Rol' v Sovremennom Mire*, [Turkey: A New Role in the Modern World], Moscow, Institute of World Economy and International Relations, 2012, pp. 45-69; Şener Aktürk, “Toward a Turkish-Russian Axis? Conflicts in Georgia, Syria, and Ukraine, and Cooperation over Nuclear Energy,” *Insight Turkey*, Vol. 16, No. 4 (2014), pp. 13-22; Natalia Ulchenko and Pavel Shlykov, *Dinamika Rossijsko-Tureckih Otnoshenij v Uslovijah Narastanija Global'noj Nestabil'nosti*, [The Dynamics of Russian-Turkish Relations vis-à-vis Rising Global Instability], Moscow: Institute for Oriental Studies of the Russian Academy of Science, 2014, pp. 4-16.

¹⁹⁸ Fatih O?zbay, “The Relations between Turkey and Russia in the 2000s,” *Perceptions: Journal of International Affairs*, Vol. 16, No. 3 (Autumn 2011), pp. 69-92.

¹⁹⁹ Pavel Shlykov, “Putin’s Visit to Turkey: Who Will Pay for the ‘Breakthrough in Bilateral Relations?’”, *Eurasia Outlook*, at <http://carnegie.ru/commentary/> (last visited 12 November 2017).

²⁰⁰ Erşen, “Turkey and Russia”; Özbay, “The Relations between Turkey and Russia”; Aktürk, “Toward a Turkish-Russian Axis?”; Duygu Bazo?lu Sezer, “Turkish-Russian Relations: The Challenges of Reconciling Geopolitical Competition with Economic Partnership”, *Turkish Studies*, Vol. 1, No. 1 (2000), pp. 59-82; Fiona Hill and Ömer Taşpınar, “Turkey and Russia: Axis of the Excluded?” *Survival*, Vol. 48, No. 1 (2006), pp. 81-92; Suat Kinklioglu and Valeriy Morkva, “An Anatomy of Turkish-Russian Relations”, *Southeast European and Black Sea Studies*, Vol. 7, No. 4 (2007), pp. 533-553; Şener Aktürk, “Turkish-Russian Relations after the Cold War (1992-2002)”, *Turkish Studies*, Vol. 7, No. 3, 2006, pp. 337-364.

intense. This paper intends to contribute to an understanding of what drives the current Russian-Turkish relations in the wider Black Sea region and what tendencies can determine their future development. In doing so, it first looks at the historical context and geopolitical significance of the Black Sea region for Russia and Turkey. It then explores the reasons for the convergence and divergence of Russian and Turkish interests in the wider Black Sea region, including the Caucasus, and shows the complexity of Russia-Turkey relations' projection in the region.

The seven-month-long Russian-Turkish "Cold War" demonstrated the vulnerability of the declared strategic partnership between Russia and Turkey.

Given the broader contemporary regional context, characterized by the armed conflicts in the Middle East, which either involve or strongly affect both Russia and Turkey, such analytical perspectives seem particularly relevant. The seven-month-long Russian-Turkish "Cold War" demonstrated the vulnerability of the declared strategic partnership between Russia and Turkey. It has also demonstrated how fast Moscow and Ankara managed to bring down their relations from the level of "strategic partnership" to the level of political and economic confrontation.

Historical Context and Geopolitical Significance of the Black Sea Region for Russia and Turkey

Since the early years of humankind, the Black Sea region, a historically and culturally rich area, has been at the crossroads of different civilizations. From a geopolitical point of view, it has witnessed the intersection of European and Asian great empires' interests to dominate the regions' maritime routes, and their ambitions to control this strategically important juncture. By the early 18th century, the Russian and the Ottoman empires had expanded geographically so that they directly collided with each other in this part of the world. Not surprisingly, they engaged in an intermittent struggle for dominance in the Black Sea region and for control over the straits nowadays known as the Turkish Straits (the Bosphorus and the Dardanelles), which provide direct access from the Black Sea to the Aegean and Mediterranean.

The dissolution of both empires in 1917 and 1922 correspondingly did not completely bring an end to Russian and Turkish confrontation in the Black Sea. Even though the Montreux convention of 1936 legally framed the status of the Bosphorus and Dardanelles- giving full control over them to the new Turkish state, restricting the passage of non-Black sea countries' naval ships, and protecting the freedom of navigation of civilian vessels- international controversies over this maritime area persisted.²⁰¹ The Cold War situated Turkey and Russia, at that time the Soviet Union, in rival camps, thus projecting the bipolar confrontation to this

²⁰¹ A.V. Ignat'ev, G.A. Sanin, E.P. Kudrjavceva et al., *Rossija i Chernomorskie prolivy (XVIII-XX stoletija)* [Russia and the Black Sea Straits (18th-20th centuries)], (Moscow: Mezhdunarodnye otnoshenija, 1999), pp. 8-9.

already divided region. Turkey joined the North-Atlantic Treaty Organization (NATO) in 1952 while the Soviet Union managed to gain control over the major part of the Black Sea's littoral zone due to the inclusion of Georgia (along with the present-day semi-recognized Republic of Abkhazia), Ukraine and Moldova into the USSR, and through cooperation with its Black Sea coastal satellites, Bulgaria and Romania. At the same time, however, the overall logic of relative strategic stability generated by the nuclear parity of both superpowers achieved in the 1960s resonated positively in the Black sea region as well.

The end of the bipolar confrontation generated several mutually contradictory trends in this region. Initially, in the 1990s, both Russia and Turkey hoped to turn the previously existing confrontation into a more cooperative relationship. In 1992, Turkey initiated the Black Sea Economic Cooperation (BSEC) process, which resulted in the creation of a regional organization comprising such countries as Azerbaijan, Albania, Armenia, Bulgaria, Greece, Georgia, Moldova, Russia, Romania, Serbia, Turkey itself and Ukraine. However, quite soon Russia and Turkey found themselves competing for regional influence in a vast area stretching from the Balkans and the Eastern Mediterranean up to the Caucasus and Central Asia.²⁰² While Russia struggled through a period of serious political and economic turbulence after the Soviet Union's dissolution, Turkey took the opportunity to claim its regional ambitions in the areas culturally, ethnically and linguistically close to Turkey but previously impenetrable to the expansion of its influence.

The Cold War situated Turkey and Russia, at that time the Soviet Union, in rival camps, thus projecting the bipolar confrontation to this already divided region.

At the same time, NATO's 1994 Partnership for Peace (PfP) program aimed at building stronger security cooperation ties with post-Soviet states, and the European ex-members of the communist block seemed to be able to downplay the old military-strategic rivalry patterns in the Black Sea region.²⁰³ The EU became yet another provider of technical assistance for the countries in question emphasizing, in its turn, support for their transition to democratic political regimes and market economies. In 2004, Bulgaria and Romania joined NATO and, in 2007, became members of the European Union. Multilaterally, in 2004, the EU initiated its European Neighborhood Policy, including in it, among others, such post-Soviet states as Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. These six countries also became a part of the EU's Eastern Partnership program in 2008.

The Georgian war of 2008 and the political crisis of 2014 in Ukraine, followed by a referendum in Crimea have changed the pattern of post-Soviet states drifting toward EU and NATO influence and away from Russia. For Turkey, these devel-

²⁰² *Vulnerabilities and Opportunities in the Black Sea Region. Romanian Perspective; Turkish Perspective*, Istanbul, Marmara Group Strategic and Social Research Foundation, February 2017, pp. 4-5.

²⁰³ John Borawski, "Partnership for Peace and Beyond", *International Affairs*, Vol. 71, No. 2 (1995), pp. 233-246.

opments signified a more assertive Russian presence in the Black Sea region. An important consequence of this assertiveness was a serious Russian military build-up in the Black Sea in the aftermath of the Ukrainian crisis. Thus, before 2014, NATO naval forces, including Turkey's military capacities, significantly surpassed those of Russia's Black Sea Navy. While Turkey, a member of NATO, had 44 surface ships and 13 submarines in the area, Russia's capabilities included 26 surface vessels, 26 submarines, 22 fixed-wing aircraft and 37 helicopters. By late 2015, Russia already had 41 surface vessels and 9 submarines headquartered in the Black Sea.²⁰⁴

The 2008-2014 developments in the wider Black Sea region brought it back to the military-strategic map of Russia-Turkey and Russia-NATO relations. However, the newly emerging Russian and Turkish interest in the Black Sea was not purely military and geopolitical in nature. The U.S. and EU sanctions imposed on Russia after 2014 and Russia's aggravated relations with Ukraine made Russia turn to Turkey in its search for wider international support and alternative transit routes for Russian oil and gas to Europe, bypassing Ukraine, thus adding a political-economy dimension to Russian-Turkish interaction in the Black Sea region.²⁰⁵

The newly emerging Russian and Turkish interest in the Black Sea was not purely military and geopolitical in nature.

These developments contrasted sharply with the diminished security dynamics in the Black Sea region that had taken place there throughout the 1990s and the first decade of this century. The common understanding then was that the rivalry between the world hegemon, the U.S., and its potential competitor, China, was shifting the high-intensity geopolitical struggle to the Asia-Pacific, the new world economic powerhouse. However, the security and geopolitical dynamics which accompanied, first, Russia's rising tensions with the EU and NATO over their "shared neighborhood" in the Caucasus and Ukraine, and, second, the unprecedented expansion of DAESH in the Middle East, reconfigured the geopolitical significance of the Black Sea region.

As Romanian professor Serban Filip Cioculescu aptly puts it, this region "allows NATO/EU countries to interact with the states of the South Caucasus and Central Asia, with the Middle East area, and to prevent revisionist challenges from contesters of the status quo inherited from the end of the Cold War."²⁰⁶ For Russia, this is a region of historical geopolitical significance and, more importantly, now an area which no longer has any meaningful buffer zone between Russian territory and NATO members. The current competition between the Russian-led

²⁰⁴ Igor Delanoje, "Sootnoshenie Vooruzhennyh sil v Chernomorskom Regione" [The Balance of Military Force in the Black Sea Region], *Russian International Affairs Council*, at <http://russiancouncil.ru/blackseamilitary/>; *Vulnerabilities and Opportunities*, p. 5 (last visited 12 February 2018).

²⁰⁵ Pavel Shlykov, "Politika i jekonomika «Tureckogo potoka»: interesy i raschety Ankary," [Politics and Economy of the 'Turkish Stream': Interests and Calculations of Ankara], *European Security: Events, Opinions, Estimates*, No 37 (2015), pp. 2-5.

²⁰⁶ Serban Filip Cioculescu, "Perceptions of Changing Power, Dyadic Rivalries and Security Dilemma Mechanisms in the Wider Black Sea Area", *Studia Politica: Romanian Political Science Review*, Vol. 16, No. 3 (2016), p. 379.

integration project of the Eurasian Economic Union (EEU) and the EU, which are poorly reconcilable one with another, as the Ukrainian crisis demonstrated, merely added a geo-economic dividing line to the region. For Turkey, the Black Sea is also an area of traditional geopolitical and economic interests connecting it to the wider reaches of central Eurasia.

Thus, in terms of geopolitical dynamics, the Black Sea region today represents a “security complex” with a strong intersection of interests, often of a mutually contradictory nature, of a number of regional and great powers, but also of various non-state actors. In this setting, Russia-Turkey relations represent one of the core geopolitical “dyadic rivalries”²⁰⁷ which overshadow the secondary lines of confrontation (Russia vs. NATO, Russia vs. Georgia, Azerbaijan vs. Armenia, Turkey vs. Armenia) and may well significantly shape the geopolitical dynamics in the Black Sea region in the days to come.

Russia and Turkey in the Black Sea Region: Convergence and Divergence

The overall progress of Russia-Turkey bilateral relations in the early 2000s and 2010s facilitated the formation of key spheres where Russian and Turkish interests simultaneously converged and diverged – first of all, security and regional strategic balance, then economic cooperation and, finally, energy and infrastructural projects.

Security

In the early 1990s, cooperation between Russia and Turkey on security in the Black Sea region was determined by the significant changes in the strategic balance after the end of the “Cold War.” The collapse of the Soviet Union in 1991 made Turkey, for two and a half decades, a state with the most powerful military resources in the Black Sea. In the 1990s, both Russia and Ukraine were unable to come to a sound agreement on the future development of the Black Sea Fleet. Serious economic problems impeded the technical and strategic development of the Russian Black Sea Fleet, while other post-Soviet states (Georgia) and members of the Warsaw Pact (Bulgaria, Romania) never had any significant marine power or ambitions. All this provided Turkey with quantitative military and strategic dominance in the Black Sea, which lasted until 2016 when Russia regained its military supremacy.²⁰⁸

In the 1990s and early 2000s, Turkey tried to convert these advantages into a strategy of creating a collective security complex with all the littoral states, including Russia, which, given Turkey’s long-lasting membership in NATO, could have potentially reinforced the influence of this alliance in the region. The first step in this direction was the establishment of the Black Sea Naval Cooperation Task Group (Blackseafor) in 2001 for coordinating and carrying out search-and-

²⁰⁷ *Ibid.*, p. 384.

²⁰⁸ In September 2016, Russian chief of general staff Valery Gerasimov claimed that Russia had regained supremacy in the Black Sea, which was lost to Turkey in the late 1990s. “General Staff: Russia-Turkey Balance of Force in Black Sea Has Changed over Years,” *TASS*, at <http://tass.com/defense/899730> (last visited 12 November 2017).

rescue operations, anti-mine and humanitarian missions, ecological projects and goodwill visits to Black Sea harbors.²⁰⁹ The next step, intended to integrate Russia into Turkey's Black Sea initiatives, was "Black Sea Harmony", initiated in 2004 in accordance with the UN Security Council Resolutions aimed at deterring terrorism, drug trafficking and asymmetric threats in the Black Sea.²¹⁰ All of these initiatives shifted the political-military balance in the Black Sea further in favor of NATO²¹¹ without altering the existing international regime of the Black Sea established by the Montreux Convention; it consequently led to rising tensions between Russia and Turkey, and Russia and NATO, in the Black Sea region.

Moscow regarded NATO's policy, embodied in the rise of Turkish capabilities in the region, as an intended economic, political and cultural expansion in the Black Sea region, not without justification. As noted above, Romania and Bulgaria joined NATO in 2004. The U.S. created military bases in Georgia and started to train its military personnel according to NATO standards. In 2008, the EU adopted a regional economic and political strategy named "Black Sea Synergy." The U.S., in its turn, voiced the idea of creating an anti-missile system in the Black sea region.

Russia's Black Sea fleet, headquartered in Crimea, became a focus for NATO containment efforts, as it emblemized the advancement of Russia's influence in the region. After 2014, the fleet received new elements of strategic aviation, namely strategic bombers Tu-22M3 and a modern guided-missile system, "Iskander-M". The overall geopolitical transformation made the Black Sea region key to Russia's strategic presence in the area stretching from the Mediterranean and the Balkans up to the Caucasus.

Divergences in the security strategies of Turkey and Russia in respect to the Conventional Forces in Europe (CFE) Treaty and NATO's European missile defense system constituted another reason for the clash of interests. The retention of the Russian military forces in parts of Moldova and Georgia, contravening the declarations of the 1999 OSCE Istanbul Summit and the suspension of the Treaty on Conventional Armed Forces in Europe, aroused Turkey's concerns and suspicions regarding Russia's security strategy in the region.

Economic Partnership

Another important juncture in the cooperation-contradiction nexus, affecting Russia-Turkey relations in the Black Sea region, is economic partnership. In the 2000s Russia became one of Turkey's main trade partners, while Turkey became Russia's fifth largest trade partner. Turkey's decade-long foreign trade deficit with respect to its trade with Russia reflected the structural features of their bilateral trade. Russia's main exports to Turkey included natural gas, petrol

²⁰⁹ Bülent Karadeniz, "Security and Stability Architecture in the Black Sea," *Perceptions: Journal of International Affairs*, Vol. 12, No. 4 (Winter 2007), pp. 95-117.

²¹⁰ "Rossija prisoeдинilas' k Operacii 'Chernomorskaja Garmonija,'" [Russia Joined the 'Black Sea Harmony'], *Rossijskaja Gazeta*, December 29, 2006, retrieved November 12, 2017 from <https://rg.ru/2006/12/29/chernomorgarmoniya-anons.html>.

²¹¹ Karadeniz, "Security and Stability Architecture."

and other energy resources (more than 65%),²¹² which made it very difficult for Turkey to increase the trade volume of its exports to Russia. The latter mainly included textiles, food and consumer commodities.

In the early 2000s and 2010s, Turkish construction companies began to actively participate in numerous largescale construction projects from Sochi to Saint Petersburg. In the same period, Russian companies increased their direct investments in the Turkish economy, mainly in the sphere of energy. On the regional scale, however, the obvious progress in the Russian-Turkish bilateral economic relations did not facilitate the emergence of an institutionalized framework for promoting regional economic cooperation. BSEC, which Turkey had initiated in 1992, remained more of a framework for diplomatic dialogue than a tool for strategic decision-making. The countries involved in BSEC lacked complementarity in the economic domain.²¹³ They did not enjoy free trade regimes or strong transnational links. As Serban Cioculescu explains, “for small states like Georgia, Moldova and Azerbaijan, the main players in the region- NATO, the EU and Russia are simply too big and too strong to deal with... they cannot freely choose their allies, they are not allowed to change their preferences by deciding between NATO and Russia, or between the EU and EEU.”²¹⁴ Moreover, the decisionmaking procedure within BSEC, which necessitates unanimity for all important decisions, makes BSEC a very uncomfortable format for regional cooperation, given the disagreements and rivalries among the BSEC member states.²¹⁵

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Large-scale energy projects constituted yet another very important sphere of Russia-Turkey cooperation in the Black Sea region throughout the 2000s and early 2010s. The history of Russian-Turkish cooperation in the energy sphere goes back to 1984, when the Soviet and Turkish governments signed the Natural Gas Agreement that constituted a turning point in bilateral relations.²¹⁶ Interestingly, in 1984 Turkey considered the agreement on natural gas supply from Soviet Russia as an important political development and measure enabling Turkey to diversify its energy sources. The implementation of the Blue Stream natural gas pipeline project opened a new chapter in Russian-Turkish cooperation in

²¹² Ziya Öniş and Şuhnaz Yılmaz, “Turkey and Russia in a Shifting Global Order: Cooperation, Conflict and Asymmetric Interdependence in a Turbulent Region,” *Third World Quarterly*, Vol. 37, No. 1 (2016), pp. 78-79. Ulchenko and Shlykov, *Dinamika Rossijsko-Tureckih Otnoshenij* [Dynamics of Russian-Turkish Relations], pp. 48-49.

²¹³ Alla Yazkova (ed.), *Bol'shoe Prichernomor'e: Poisk Putej Rasshirenija* [The Great Black Sea Area: The Search for Enhanced Cooperation], (Moscow: The Institute of Europe of the Russian Academy of Science, 2012), pp. 64-73.

²¹⁴ Cioculescu, “Perceptions of Changing Power,” p. 379.

²¹⁵ Ioannis Stribis, “Decision-Making in the BSEC: A Creative Cartography of Governance,” *Xenophon Paper*, No. 1 (2006), pp. 21-26.

²¹⁶ The Soviet and Turkish sides signed the Natural Gas Agreement in 1984 after two years of negotiations. Besides cooperation in the sphere of energy, the agreement opened up new opportunities in the fields of contracting services and trade exchanges. The agreement stipulated Turkey's obligations to buy, for a period of 25 years starting in 1987, 120 billion cubic meters of natural gas from the USSR. See Baskin Oran (ed.), *Turkish Foreign Policy 1919-2006: Facts and Analyses with Documents*, (Salt Lake City: University of Utah Press, 2010), pp. 619-622.

the field of energy, providing Turkey with Russian natural gas through a pipeline constructed under the Black Sea. However, the Blue Stream project remarkably increased Turkey's dependence on Russian natural gas. At the same time, Russia's natural gas monopoly Gazprom demonstrated rising interest in enlarging its share in the natural gas distribution networks inside Turkey.²¹⁷ Russia also managed to become one of the main suppliers of raw oil to Turkey. In 2008 Lukoil, Russia's second largest oil producer, penetrated Turkey's energy market by reaching an agreement to buy the Turkish fuel distributor Akpet for US\$500 million, securing 5% of Turkey's oil product retail market.²¹⁸

In the aftermath of the political crisis in Ukraine in December 2014 Putin and Erdogan declared that Russia and Turkey started to work on a joint project, the so-called "Turkish Stream", which aims at reducing Russia's dependence on Ukraine as a transit country for Russian energy resources to Europe. Turkey is a state with a rapidly developing economy. Its energy consumption is constantly rising, but it does not possess any meaningful energy resources of its own. Almost all of the gas processed by Turkish thermalpower stations comes from abroad. This situation makes Turkey constantly seek to diversify its sources of energy supply and to optimize the costs of imported gas. Russia remains the main gas supplier to Turkey and controls 56% of its gas market, Azerbaijan and Iran being the two chief alternative suppliers. Azerbaijan's share in the Turkish gas market is just 8%, while Iranian gas costs much more than Russian gas, the latter being subject to discounts provided by Gazprom. All of these circumstances made the Turkish Stream project highly relevant to Ankara geopolitically and geostrategically.

Turkey has strived for a long time to transform itself into an international energy hub. Despite the complete lack of its own energy resources, Turkey wanted to compensate for this deficit with its geostrategic abilities to build enduring connections between the key energy producers (Russia and the Caspian states) and their European consumers. The Turkish Stream project would add value to the "energy corridor" which will connect the Caspian states with Greece and Italy via the Transanatolian (TANAP) and Transadriatic (TAP) gas pipelines, while the Turkish Stream itself would ensure the flow of Russia natural gas supplies from Turkey to Hungary and other Central European states.²¹⁹

The current situation in Russian-Turkish energy cooperation is not new. In the middle of the first decade of this century, Turkey was in a very similar position in terms of the prospects which were opening up for Ankara to enlarge its influence on the international energy market. The actively debated Blue Stream-2, which was to become a channel for Russian gas supplies to cross Turkish territory en route to Israel (in the Southern direction) and to Europe (in the Western

²¹⁷ Hasan Selim Özerterem, "Türkiye-Rusya Hattında Enerji Pazarlıkları," Ulusal İlişkiler Portalı, October 4, 2011, retrieved November 12, 2017 from <http://www.uiportal.net/turkiye-rusya-hattinda-enerji-pazarliklari.html>.

²¹⁸ "Lukoil Buys Turkey's Akpet," *Tank Storage Magazine*, August 18, 2008, retrieved November 12, 2017 from http://www.tankstoragemag.com/display_news/237/Lukoil_buys_Turkey039s_Akpet.

²¹⁹ "Turkey Ready to Cooperate to Provide Energy Security for Central Europe," *Daily Sabah*, February 24, 2015, retrieved November 12, 2017 from <https://www.dailysabah.com/energy/2015/02/24/turkey-ready-to-cooperate-to-provide-energy-security-forcentral-europe>.

direction), was never implemented. In 2005, Turkey entered the official EU accession negotiations, a milestone in Ankara's 40-year long ambition. The Blue Stream-2 project could have become a challenge for Turkey's European partners in their efforts to diversify their sources and suppliers of natural gas. The EU member states wanted to solve this diversification problem via the construction of the gas pipeline "Nabucco" from Turkmenistan via Azerbaijan and Turkey to the EU. In order to avoid controversies with the EU, Ankara had to abandon the Blue Stream-2 project and switch to Nabucco. In 2007, Moscow began construction of a new gas pipeline, now called the "South Stream," by-passing Turkey.

Turkey's relations with its Western allies and partners may have an impact on the implementation of the Turkish Stream as well. Turkey may wish to balance between its partners in the East and in the West without taking the final decision up to the very last moment. The way the Turkish Stream project has moved forward since the normalization of Russian-Turkish relations in 2016 confirms this observation: initially, the now frozen South Stream project and its successor, the Turkish Stream, called for the construction of four threads with a general capacity of 63 billion cubic meters. One of these threads was to provide gas to Turkish consumers while three others were to transport gas to Europe, bypassing Ukraine. According to the intergovernmental agreement signed on 10 October 2016, Turkey guaranteed the construction of only one pipeline thread while the construction of the second one was preconditioned by the attainment of agreements between Russia and the EU.²²⁰ This twofold reduction of the pipeline capacity to 15,75 billion cubic meters did not correspond to the political and economic interests of the Kremlin or of Gazprom. In this new context, Gazprom's investments in the land and underwater infrastructure, as well as the discount on gas consumption Gazprom had to provide to the Turkish state company Botaş, significantly raised the price of implementing the project. Russian-Turkish disagreement over the amount of this discount was one of the factors which had slowed down the project in 2015; its cancellation after the tragedy with the Russian Su-24 led Turkey to seek international arbitration.

Serious conflicting interests in different spheres of bilateral relations obviously limit the scope of Russian-Turkish cooperation in the wider Black Sea region. The diverging energy and security strategies that Russia and Turkey have been openly demonstrating, and their opposing attitudes towards the protracted conflicts and democratization processes in the post-Soviet space, constitute the limitations of Russian-Turkish cooperation in the wider Black Sea region.

Despite the fact that throughout the last two decades Russia and Turkey managed to reach consensus on several joint energy projects and even started their realization, Russian and Turkish energy strategies are highly competitive and openly rival to each other. In its energy strategy, Ankara is focused on the estab-

²²⁰ Alena Mahneva, "Rossija i Turcija Podpisali Soglashenie po 'Tureckomu potoku,'" [Russia and Turkey Signed an Agreement on the 'Turkish Stream'], *Vedomosti*, October 10, 2016, retrieved November 12, 2017 from <http://www.vedomosti.ru/business/articles/2016/10/10/660321-rossiya-turtsiya>

lishment of an “East-West energy corridor” aimed at connecting the energy-producing states of the Caspian Sea region with European energy consumers. This East-West energy corridor is labelled the “Southern Energy Corridor” by the EU, which sees the project as a vital alternative to its dependence on the Russia-controlled “Eastern Energy Corridor”. The latter is considered highly unreliable by Western observers, due to Moscow’s use of energy as leverage in its foreign policy since the early 2000s.²²¹ The “Southern Energy Corridor” would offer EU consumers an opportunity to diversify their channels of energy supply and minimize their already high dependence on Russia as a key hydrocarbon energy supplier.

In its energy strategy, Ankara is focused on the establishment of an “East-West energy corridor” aimed at connecting the energy-producing states of the Caspian Sea region with European energy consumers.

As many observers note, Turkey has been partly successful in its task of “weakening Russia’s monopoly over the export routes of the Caspian hydrocarbon resources”.²²² With the support of the U.S. and in close collaboration with Azerbaijan and Georgia, Turkey installed the Baku-Tbilisi-Ceyhan raw oil pipeline and the Baku-Tbilisi-Erzurum natural gas pipeline projects, enabling Ankara to bring Azerbaijan’s raw oil and natural gas directly to Turkey. The successful realization of these projects has had a twofold effect: reducing Turkey’s dependence on Russia by diversifying its energy sources and decreasing Russia’s influence over Azerbaijan’s energy resources by providing Baku with direct access to international energy markets, bypassing Russia.

The limits of the interaction between Russia and Turkey in the Black Sea region is in some respects a consequence of “diverging visions” for the Black Sea region and sometimes even the “lack of a common vision” in both countries.²²³ Indeed in the 1990s and early 2000s, both Turkey and Russia showed very pragmatic attitudes towards regional developments. But their diverging attitudes towards a number of the regional issues analyzed above reflect the differences in their foreign policy priorities vis-à-vis the Black Sea region. The lack of an effective regional organization capable of mitigating regional controversies only reinforces these problematic relationships. While the BSEC is weak and mainly oriented toward economics,²²⁴ OSCE is not particularly effective in conflict resolution, the Eurasian Economic Union is perceived as “Russian instrument,” while the EU and NATO are unacceptable for Russia for political reasons.

²²¹ Jeronim Perovic, Robert W. Orttung, Andreas Wenger (eds.), *Russian Energy Power and Foreign Relations: Implications for Conflict and Cooperation*, (New York: Routledge, 2009).

²²² Oktay F. Tannrsever, “Turkey and Russia in the Black Sea Region: Dynamics of Cooperation and Conflict,” *Black Sea Discussion Paper Series -2012/1*, (Istanbul: EDAM, 2012), p. 17.

²²³ Tannrsever, “Turkey and Russia,” p. 22.

²²⁴ Elena Maslova, “Organizacija Chernomorskogo Ekonomicheskogo Sotrudnichestva (ChJeS): Proekty Sotrudnichestva i ih Realizacii,” [Organization of the Black Sea Economic Cooperation (BSEC): Cooperation Projects and Their implementation], *Mnogostoronnie instituty i dialogovye formaty. Materialy IX Konventa RAMI* [Multilateral Institutions and Dialogue Formats. Proceedings of the 9th Convent of RISA], (Moscow: MGIMO University, 2016), pp. 140-146.

Russian-Turkish Interaction in the Caucasus

The Caucasian republics, which geographically form part of the wider Black Sea region, represent an interesting case of an area where the “competitive conflict and cooperation” pattern of Russian-Turkish relations has become more visible over the past two decades.

Historically, Russian and Turkish interests in the Southern Caucasus have seriously diverged. In the post-Soviet period, marked by protracted conflicts in this region, Moscow and Ankara often stood on opposing grounds.²²⁵ Formally, Moscow became the key ally of post-Soviet Armenia, guaranteeing its existence within the present day borders and keeping a military base on its territory. Ankara engaged in a comparable alliance with Azerbaijan, which claims to be Turkey’s chief counterpart in the Caucasus in terms of the intensity of its economic, administrative and military ties.²²⁶ At the same time, despite its strong connections with Turkey and conflicts with Armenia, Azerbaijan nevertheless managed to build constructive and mutually beneficial relations with Moscow. Thus, in the case of Azerbaijan, Russia and Turkey enjoy the compatibility of regional interactions.

Armenia, on the contrary, stands on the opposite side of the cooperation-competition spectrum between Russia and Turkey. The most troublesome aspect of the uneasy relations between Yerevan and Ankara is the unresolved problem of the 1915 events. In the beginning of this century Turkey agreed to create a special parliamentary commission which announced its report in 2005, the year of the 90th anniversary of the tragic events of 1915. Despite its well-balanced assessments, it lacked the statements Yerevan persistently wanted to find there. The report did not recognize the Armenian claims about the 1915 events.²²⁷ Thus, Turkey and Armenia still remain very far away from a consensus on this issue. However, in the case of Russian-Armenian relations Turkey tends to perceive Russian military presence in Armenia more as a factor of stability rather than a factor generating regional tensions.

Georgia represents a point of Russian-Turkish divergence. Since the Russia-Georgia conflict of 2008, Moscow’s relations with Tbilisi have remained strained and diplomatic relations have not returned to full normalcy. Turkey, on the contrary, enjoys intense economic connections with Georgia. After the 2008 Georgian war Turkey did not recognize the independent status of Abkhazia and South Ossetia, but at the same time readily started to advance its economic interests in Abkhazia.²²⁸ This paradoxical situation made Ankara Moscow’s most obvious competi-

²²⁵ Ulchenko and Shlykov, *Dinamika Rossijsko-Tureckih Otnoshenij* [The Dynamics of Russian-Turkish Relations], p. 45.

²²⁶ Kerim Has, “Turcija i Azerbajdzhan – Ne Tol’ko Jenergetika,” [Turkey and Azerbaijan – Not Only Energy Issues], *Russian Council on Foreign Affairs*, March 9, 2016, retrieved February 12, 2018 from http://russiancouncil.ru/analytics-and-comments/analytics/turtsiya-i-azerbajdzhan-ne-tolko-energetika/?sphrase_id=1999066.

²²⁷ Lyudmila Vartazarova and Peter Stegny (eds.), *Turcija: Novaja Rol' v Sovremennom Mire*, [Turkey: A New Role in the Modern World], (Moscow: Institute of World Economy and International Relations, 2012), p. 61.

²²⁸ Vasilii Rukhadze, “Defying Georgia, Turkey Gradually Cultivates its Influence in Separatist Abkhazia,” *The Jamestown Foundation*, October 1, 2015, retrieved February 12, 2018 from <https://jamestown.org/program/defying-georgia-turkey-graduallycultivates-its-influence-in-separatist-abkhazia>.

tor for influence in this semirecognized Caucasian state. For Abkhazia, which strives to diversify its external partnerships and reduce its level of dependence on Russia, relations with Turkey bring new channels for enhancing its economic and political potential and strengthening its *de facto* sovereignty.

Russia and Turkey converge in their positions vis-à-vis the Minsk process in Nagorno-Karabakh, yet another *de facto* state in the Caucasus and a disputed territory between Armenia and Azerbaijan. They regard this process as an important international platform, which includes the U.S., the EU member states and other key stakeholders for the peaceful settlement of the Nagorno-Karabakh conflict through negotiation.²²⁹ Building a stable and secure South Caucasus represents an important avenue for both Moscow's and Ankara's policy in the region. Thus, Abkhazia and Nagorno-Karabakh constitute two areas where a more intense Russian-Turkish cooperation is possible.

In the present day context, the Caucasian region retains its strategic significance for both Russia and Turkey. For Russia, the South Caucasus is an area of geopolitical competition with the West. The Ukrainian crisis of 2014 temporarily overshadowed this competition but did not remove it from the agenda of Russia's relations with NATO and the EU. Indeed, the political crisis in Ukraine intensified the competition between the European and Eurasian integration projects in the region. Several post-Soviet states, Georgia (2016) and Ukraine (2017) among them, opted for Association agreements with the EU, others, for example- Armenia, joined the EEU (2015) while Azerbaijan opted for a balancing strategy between the EU and Russia.

For the West, this region is important in terms of "energy pluralism", meaning an alternative source of oil and gas for Europe and a point of leverage for curbing Teheran's and Moscow's ambitions. For Russia, home to seven North Caucasian republics, the situation on the other side of the Caucasian mountain chain is a continuation of Moscow's domestic security agenda. In the 1990s and in the early 2000s, some Turkish groups' support for the Chechen separatists negatively influenced Moscow's efforts to comprehensively solve the problem of separatism in Chechnya.²³⁰ Despite the formal end of the Russian federal government's military campaign in Chechnya, the republics of North Caucasus still remain an area of high military risk and socio-political instability. The Middle Eastern jihadist structures of the previous generation, for example, Al-Qaeda, never referred to the North Caucasus as a geographical priority for their expansion. DAESH, however, has different tactics, and is more actively recruiting people from the Caucasus.²³¹ Thus, the important focus for Moscow and Ankara cooperation there concerns joint efforts to curb the flow of financial assistance to the Islamic radicals of the North Caucasus.

²²⁹ Dmitri Trenin, "From Damascus to Kabul: Any Common Ground between Turkey and Russia?" *Insight Turkey*, Vol. 15, No. 1 (2013), pp. 47-48.

²³⁰ Robert Olson, "Turkish and Russian Foreign Policies, 1991-1997: The Kurdish and Chechnya Questions," *Journal of Muslim Minority Affairs*, Vol. 18, No. 2 (1998), pp. 209-227.

²³¹ Ahmet Yarlikapov, "'Islamskoe Gosudarstvo' i Severnyj Kavkaz v Blizhnjevostochnoj Perspektive: Vyzovy i Uroki dlja Rossii," [The 'Islamic State' and the North Caucasus in the Middle Eastern Perspective: Challenges and Lessons for Russia], *Mezhdunarodnaja Analitika*, [International Analytics], Vol. 17, No. 3 (2016), pp. 112-121.

Turkey has multifaceted and multilevel interests in the Caucasus. It cooperates with Azerbaijan in developing various energy projects (the Baku-Tbilisi-Ceyhan and Baku-Tbilisi-Erzurum, Transanatolian and Transadriatic pipelines) to create alternative energy transportation routes to the EU. Turkey also cooperates with Azerbaijan and Georgia in joint infrastructure programs such as the Baku-Akhalkalaki-Tbilisi-Kars railroad.²³² Turkey and Georgia are involved in intensive cooperation. Georgia has a long-lasting ambition of becoming a NATO member (pending resolution of its ethno-territorial disputes with Abkhazia and South Ossetia), or at least enhancing its military cooperation with the Alliance. For Ankara it is important to mobilize NATO's support for Turkey's regional ambitions.

According to various estimates, about 10% of the Turkish population has close connections with the North and South Caucasian population via diasporic ties. Turkey is now home to approximately 3-5 million people from the North Caucasus, and to 3 million Azeri and 2-3 million Georgians.²³³ Many of them are active in public life, forming various lobby groups, serving in the army, and standing for the parliamentary elections. Some of them work in the Turkish mass media and consequently represent an important electoral resource.

The Russian-Turkish "Cold War" of 2015-2016 provoked expectations of rising bilateral tensions in the Caucasus as well. Thus, since late 2015, Turkey has started to intensify its economic and military-strategic cooperation with Georgia and Azerbaijan, while Russia has expanded its military interaction with Armenia. However, despite the fact that Ankara, Baku and Tbilisi have very close international positions, these positions are not identical. Azerbaijan has very uneasy relations with the West. Recently the U.S. and EU have hardened their critique of Baku's political regime. It is no surprise that Azerbaijan perceives Russia as a counterweight to the West and an additional source of its political regime's international legitimation. Baku is interested in closer economic cooperation with Russia as well as joint struggle against the jihadist threat.²³⁴ Antiterrorist cooperation is equally important for Georgia, where since the 2000s, the Pankisi gorge has become a hotbed for terrorist activities. Russia, having lost much of its leverage on Georgia after the recognition of Abkhazia and South Ossetia in 2008, cannot now afford any escalation of tensions with Azerbaijan. Thus, Moscow is trying to balance between Armenia, its strategic ally, and Azerbaijan, its strategic partner, in search for an appropriate strategy to settle the Nagorno-Karabakh conflict.

The South Caucasus, where Russia and Turkey are not engaged in any serious conflict represents a potential area of cooperation on security and regional con-

²³² Sergej Markedonov, "Ne po-sosedski: RossijskoTureckie Otnoshenija i Problemy Bezopasnosti Kavkazskogo Regiona" [Not in a Neighbourly Way: Russian-Turkish Relations and Security Problems of the Caucasian Region], *Russia in Global Affairs*, Vol. 41, No. 3 (May-June 2016), pp. 80-94.

²³³ Orhan Gafarli, "The Role of North Caucasus Diaspora Groups in Turkey-Russia Relations," *Turkish Policy Quarterly*, Vol. 13, No. 1 (2014), pp. 177-178; Mustafa Aydın, "Changing Dynamics of Turkish Foreign and Security Policies in the Caucasus," in Annie Jafalian (ed.), *Reassessing Security in the South Caucasus Regional Conflicts and Transformation*, (London: Routledge, 2011), pp. 117-120.

²³⁴ Aleksandr Karavaev, "V Poiskah Toček Rosta: Družba Mezdu RF i Azerbajdžanom Sposobstvuet Razvitiju Jekonomiki," [In Search for Growing-Points: Friendship Between Russia and Azerbaijan Facilitates Economic Development], *Rossijskaja Gazeta*, May 12, 2016, retrieved February 12, 2018 from <https://rg.ru/2016/05/12/družbamezhdur-f-i-azerbajdžanom-sposobstvuet-razvitiiu-ekonomiki.html>.

flict management. Both countries obviously converge in their wish to see the Caucasus secure, politically stable and free of extra-regional powers' involvement.²³⁵ The existing, divergent visions of Moscow and Ankara regarding certain political issues cannot seriously hamper Russian-Turkish cooperation in this area. In this regard, it is worth mentioning Turkey's "Caucasus Stability and Cooperation Platform" initiated in 2008 and supported by Russia. Ankara envisioned the platform as a means of building cooperation ties among the South Caucasus republics with the engagement of only regional powers. This platform might well have become a framework for intergovernmental institutional cooperation for solving regional conflicts.

Conclusion

Throughout the past two decades, every time Russia faced a cold spell in its relations with the West, Turkey was ready to enhance its interaction with Russia. Both sides considered such interaction as geopolitically advantageous and economically profitable. In 2008, after the escalation of the conflict in South Ossetia and the deterioration of Russian-Georgian relations, together with the harsh reaction of the West, Turkey decided to further expand its relations with Russia. In 2009-2010, Russia and Turkey managed to reach several breakthrough agreements on the Akkuyu Nuclear Power Plant, the Samsun-Ceyhan pipeline, the visa free regime and the High-Level Cooperation Council. These agreements allowed the leaders of both countries to declare that Russian-Turkish relations had reached the level of "strategic partnership." The "breakthrough" and "game-changing" agreements, as different news media outlets called them, turned out to be much more beneficial for Turkey than for Russia, which considered these large-scale projects in Turkey more as a political investment.

Throughout the past two decades, every time Russia faced a cold spell in its relations with the West, Turkey was ready to enhance its interaction with Russia.

In 2014, after the crisis in Ukraine and the rise of confrontation between Russia and the West, Ankara once again demonstrated that Turkey prioritizes its economic interests over ideological solidarity with its NATO allies. Turkey did not join the EU and U.S. anti-Russian sanctions. Rather, Ankara supported the Turkish Stream project and managed to receive a discount on imported Russian natural gas. However, at the same time, Turkey continued its work on alternative routes for petroleum and natural gas from Central Asia, bypassing Russian territory.

By 2015, the mechanism of the "gamechanging" agreements compensating for the divergence of Russian and Turkish stances on key-issues of world politics was virtually exhausted. The difficulties of normalization and slow thawing of Russian-Turkish relations since the summer of 2016 have proven this.

²³⁵ Vartazarova and Stegny, *Turcija: Novaja Rol' v Sovremennom Mire*, [Turkey: A New Role in the Modern World], p. 61; Ulchenko and Shlykov, *Dinamika Rossijsko-Tureckih Otnoshenij* [The Dynamics of Russian-Turkish Relations], pp. 46-47.

The analysis of Russian-Turkish relations in the wider Black Sea region and the Caucasus in the last two decades demonstrates a multi-dimensional competition-cooperation nexus. One can trace its elements of equal intensity in several spheres, including security, economic interaction, and energy infrastructure.

Security issues remain the top priority of Russia-Turkey relations in the Black Sea region. Existing ethno-religious and socio-political cleavages within and among the Black Sea states, as well as their positioning in relation to competing security and integration projects make the regional dynamics highly complex and hinder the Black Sea states' ability to perform as a bloc. Russia faces numerous challenges in its North Caucasus neighborhood and is deeply involved in the struggle against DAESH, both there and in the Middle East. Ankara is fighting the PKK and YPG, while the terrorist attacks of DAESH extremists against Turkey have significantly risen in number since 2014. Other Black Sea littoral states, such as Georgia, Ukraine and Moldova, are mired in internal ethnoterritorial conflicts.

These complicated regional dynamics make the wider Black Sea region, including the Caucasus, an arena of competition for power and security, with Russia and Turkey as the key actors. Both countries are unanimous in their wish to preserve a relative status-quo in this region. However, an evident arms race between Russia and Turkey and between Russia and NATO in the region reflects a lack of trust among regional actors. Given the absence of an effective pan-regional international organization capable of conflict resolution, regional security risks retain a high potential to disturb the positive dynamics of the fragile relations between Russia and Turkey.

These complicated regional dynamics make the wider Black Sea region, including the Caucasus, an arena of competition for power and security, with Russia and Turkey as the key actors.

The large-scale energy and infrastructure projects in the Black Sea region represent another dimension of cooperation and competition between Russia and Turkey. Despite their truly regional scale and ambitious design, their ups and downs visibly demonstrate the vulnerability of the declared strategic partnership between Moscow and Ankara. In short, cooperation and competition go hand in hand in Russia-Turkish relations and demand a more comprehensive and multi-level approach to the ways in which the competitive interests of Russia and Turkey in the Black Sea region might be turned into a wellgrounded cooperation.

Turkey as a Eurasian Transport Hub: Prospects for Inter-Regional Partnership

Altay ATLI²³⁶

Abstract

Turkey is well poised to become a Eurasian transport hub connecting Europe with Asia, the East with the West. While the country is blessed with a prime geographical location in this respect, it also needs infrastructure development within its territory, and enhanced connectivity with neighboring countries and the region in general. Turkey's recent cooperation with China within the framework of the latter's Belt and Road Initiative is an important development in this sense; however, there should be more cooperation with other regional powers as well, especially with Russia. Transport corridors favored by Turkey and by Russia, or routes that cross the territories of these countries, do not necessarily compete with or substitute for each other; they could rather function as parts of a holistic network of Eurasian connectivity.

Key Words

Turkey, Russia, China, Transportation, Connectivity, Belt and Road Initiative, Eurasian Economic Union.

Introduction

On 30 October 2017, the inauguration of the long-awaited Baku-Tbilisi-Kars Railway was held in Azerbaijan. Addressing the participants during the ceremony, the leaders of the countries involved emphasized the strategic importance of the region, underlining its great potential with respect to transportation, trade, tourism, and energy. "We are putting into service one of the links of the new Silk Road venture, initiated with the goal of connecting Asia, Europe and Africa," Turkey's President Recep Tayyip Erdoğan remarked, stating, "we have now finalized the most important phase of the Middle Corridor project with the first train embarking on its journey as part of the Baku-Tbilisi-Kars Railway project. We thereby announce the establishment of an uninterrupted railway line from London to China"²³⁷.

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²³⁷ Presidency of the Republic of Turkey, "The Baku-Tbilisi-Kars Railway is One of the Links of the New Silk Road", at from <https://www.tccb.gov.tr/en/news/542/86168/thebaku-tbilisi-kars-railway-is-one-of-the-links-of-the-new-silk-road.html> (last visited 12 December 2017).

While the country is blessed with a prime geographical location in this respect, it also needs infrastructure development within its territory, and enhanced connectivity with neighboring countries and the region in general.

The Middle Corridor project mentioned by Erdoğan is an initiative that aims to link Turkey with railways to Georgia, Azerbaijan, Turkmenistan, Kazakhstan and China, with a ferry crossing on the way through the Caspian Sea.²³⁸ While this project is certainly vital in the sense that it will enhance Turkey's connectivity with neighboring countries, its real value lies in the "London to China" dimension, in other words in the fact that it positions Turkey along a massive transportation corridor spanning the entire width of the Eurasian supercontinent.²³⁹

Currently a fierce competition is going ahead full steam between Eurasian powers in order to shape the region's geoeconomic structure. Ambitious plans are being put forward to this end in the form of gargantuan infrastructure projects covering vast territories, such as railroads, highways, pipelines, ports, and so on. China's Belt and Road Initiative (BRI) is very much drawing attention today; however, as will be discussed later in the article, other powers such as Russia and the European Union (EU) have their own plans too.

All of these competing projects and visions, however, do not necessarily need to be formulated and brought to life at each other's expense. Infrastructure is not a zero-sum industry, as competing initiatives can and do complement each other. Indeed, this article argues that various infrastructure projects in the Eurasian region are forming into an expansive logistics network that will serve to increase connectivity between East and West thus leading to higher trade volumes and greater numbers of people-to-people exchanges. In the meantime, as this article attests, Turkey is well poised- thanks to its prime geographical location and developing economy- to function as a connector between the two sides of the Eurasian landmass.

With the opening of the Baku-Tbilisi-Kars Railway, Turkey has taken another step toward becoming a Eurasian transport hub. Turkey has its own projects and its own vision, and the more efficiently it can harmonize and complement them with those of other regional powers, the more consolidated Turkey's position will be as a transport hub connecting the East with the West.

Turkey's Transportation Vision

Currently existing transportation routes connecting Asia with Europe can be examined in three groups.²⁴⁰ First, there is the Northern Route, which includes routes running across the territories of China, Kazakhstan and Russia and con-

²³⁸ Turkish Ministry of Foreign Affairs Information Note: Modern Silk Road, "Middle Corridor" and the "Belt and Road" Initiative, October 2016.

²³⁹ There are numerous definitions of the term "Eurasia" in scholarly literature. This article adopts a pragmatic definition where Eurasia is defined as including both Europe and Asia. For a discussion on different interpretations of Eurasian geography, see Evgeny Vinokurov et al., "The Scope of Eurasian Integration", in Evgeny Vinokurov and Alexander Libman (eds.), *Eurasian Integration: Challenges of Transcontinental Regionalism*, London, Palgrave Macmillan, 2012.

²⁴⁰ Sergey Karaganov (ed.), *Toward the Great Ocean-3: Creating Central Eurasia*, Moscow: Valdai Discussion Club, June 2015, pp.14-18.

necting with the EU. Second, there is the Middle Corridor, which includes Turkey's initiative with the same name; this group of routes connects China to Europe through Kazakhstan, the Caspian Sea, Southern Caucasus, and Turkey. Thirdly, there is the Southern Route, which runs from China through Kazakhstan and Iran. All of these routes are directly related to the economic progress of the countries in question and therefore there is high demand for all of them. What matters is, as previously stated, that they are built in a way where they would complement rather than substitute for each other.

While the Middle Corridor is clearly favored by the Turkish government- as evident in the words of former Deputy Minister of Foreign Affairs Ali Naci Korum, who stated, "it is a big gain for Turkey to have the Middle Corridor as an alternative for both the Northern Route, which includes Russia, and the Southern Route, which covers Iran"²⁴¹-Turkey's quest to become a regional transport hub requires the country to cooperate with and become a part of all the different projects. The weakest link here is the railroad network. Turkey already has a large network of modern highways²⁴² and one of the largest lorry fleets in the world. According to the most recent figures, 80.6% of all cargo transportation and 89.6% of all passenger transportation within the country is conducted via land roads. The share of railways is 4.8% and 2.2% respectively. In terms of foreign trade, 54.8% of Turkey's exports and 58.4% of its imports are carried through maritime routes, whereas the shares of land roads are 35.1% and 15.4%, and the shares of railroads are only 0.6% and 0.5% respectively.²⁴³

Turkey's transportation vision is based on the objective of increasing the share of railway transportation- both inside the country and internationally- and reducing the share of the land roads. According to Turkey's 2023 Transportation Plan, the share of land roads in cargo freight transportation within the country is planned to be reduced from 80.6% to 60% by 2023, whereas the share of railways will be increased from 4.8% to 15%, and the share of maritime routes from 2.7% to 10%. In passenger transportation, the target set for 2023 is to reduce the share of land transportation from 89.6% to 72%, and to increase the share of railways from 2.2% to 10% and the share of airlines from 7.8% to 14%. In terms of railway infrastructure, achieving these targets will require increasing the total length of Turkish railways from 12,000 km. to 25,000 km. by 2023; the Turkish government's plan is to increase this length further to 31,000 km by 2035.²⁴⁴ All of these efforts and initiatives,

²⁴¹ Önder Yılmaz, "Türkiye ve Çin'den Orta Koridor Hamlesi", *Milliyet*, 24 May 2016.

²⁴² As of the beginning of 2017, Turkey had a road network of a total length of 66,774 km., including motorways, state highways and provincial roads. See, Turkish Ministry of Transportation and Communication General Directorate of Land Transport, "Yol Ağı Bilgileri", at <http://www.kgm.gov.tr/Sayfalar/KGM/SiteTr/Kurumsal/YolAgi.aspx> (last visited 12 December 2017). Moreover, Turkey's land road network is part of a number of international road networks, such as the European Highway Network, the Trans-European Motorway, and Transport Corridor Europe-Caucasus-Asia (TRACECA). See, Turkish Ministry of Transportation and Communication General Directorate of Land Transport, "Uluslararası Karayolu Güzergahları", at <http://www.kgm.gov.tr/Sayfalar/KGM/SiteTr/Kurumsal/GlobalProjeler.aspx> (last visited 12 December 2017).

²⁴³ "Türkiye Ulaştırma ve Lojistik Meclisi Sektör Raporu", Ankara, Turkish Union of Chambers and Commodity Exchanges, 2015, p.16.

²⁴⁴ General Directorate of Turkish State Railways, "Demiryolu Sektör Raporu 2016", at <http://www.tcdd.gov.tr/files/istatistik/2016sektorraporu.pdf> (last visited 13 December 2017).

such as the Middle Corridor and the Baku-Tbilisi-Kars Railway will “expand Turkey’s transportation networks and strengthen their connections with Asia and Europe.”²⁴⁵

Turkey’s transportation vision is based on the objective of increasing the share of railway transportation- both inside the country and internationally and reducing the share of the land roads.

Turkey’s Middle Corridor initiative is major undertaking aiming to connect Turkey to Central Asia and onward to China via the Southern Caucasus and the Caspian Sea. A number of diplomatic efforts have been made in order to establish a platform suitable for overseeing the progress of the project. Transportation ministers of member countries of the Turkic Council have signed a joint cooperation protocol, which was followed by the establishment of a coordination council with the objective of settling possible disputes among member countries. The Baku-Tbilisi-Kars Railway, which forms the backbone of the Middle Corridor, has the capacity of carrying 6.5 million tons of cargo and 1 million passengers, and these numbers will be increased to 17 million tons of cargo and 3 million passengers by the year 2034.²⁴⁶

The bottleneck here is funding. Ankara plans to invest US\$ 11 billion in infrastructure projects by the end of 2018; a total of US\$ 45 billion will be needed by 2035.²⁴⁷ There is a substantial shortfall in funding for the rail investment plans, and while new changes in legislation make it possible for private companies to enter the sector and undertake the financing and construction of new rail lines in return for 49-year operating licenses, foreign investment will also be needed.²⁴⁸ This is precisely why cooperating with other countries in the region is crucial.

Cooperation with China

China’s BRI initiative, which was announced in 2013 by Chinese President Xi Jinping, aims to connect China with Europe and to establish a belt through joint investments. BRI drives across the Eurasian supercontinent through two major branches: one is the overland Silk Road Economic Belt (SREB), which relies on railway and land road connections to be developed between Europe and Asia, and the ocean-based 21st Century Maritime Silk Road (MSR), which connects China with Europe through a series of ports developed along a route following the Indian Ocean, the Red Sea and the Mediterranean.²⁴⁹

Turkey is along the route of both branches of the BRI. Powered by this grand initiative, China has become a major partner for Turkey in the field of railway develop-

²⁴⁵ “Competing Visions”, *Reconnecting Asia*, at <https://reconnectingasia.csis.org/analysis/competing-visions> (last visited 12 December 2017).

²⁴⁶ “Bakü-Tiflis-Kars Demiryolu’nda İlk Tren Yola Çıktı”, *Anadolu Agency*, at <http://aa.com.tr/tr/dunya/baku-tiflis-kars-demiryolunda-ilk-tren-yola-cikti/951643?amp=1> (last visited 13 December 2017).

²⁴⁷ *Turkey Infrastructure Report Q4 2016*, London, BMI Research, 2016, p.18.

²⁴⁸ *Ibid.*, p.19.

²⁴⁹ The State Council of the People’s Republic of China, “Full Text: Action Plan on the Belt and Road Initiative”, at http://english.gov.cn/archive/publications/2015/03/30/content_281475080249035.htm (last visited 30 January 2018).

ment. The foundations of this cooperation have been strengthened with two inter-governmental agreements signed during the G20 summit in Antalya, Turkey in November 2015, namely the memorandum of understanding on “Aligning the Silk Road Economic Belt and the 21st Century Maritime Silk Road with the Middle Corridor Initiative,” and the Agreement on “Cooperation in the Field of Railways.”²⁵⁰

Before going into the details of the two agreements mentioned above, it is worth noting that China was already active in the Turkish railroad infrastructure sector before they were signed. The beginning of the relationship can be traced back to 2005, when China won the contract to develop the high speed railway line between Ankara and Istanbul, which has now completed its second phase. Chinese companies are also undertaking the Yozgat-Sivas segment of the Ankara-Sivas highspeed railway, and there has been an agreement for a US\$ 30 billion loan for Turkey’s high-speed railway projects which are planned to have a total length of more than 10,000 km. For the 20 major transportation projects that have been recently completed in Turkey or are under construction, the Turkish government has signed a total of 25 contracts with a number of foreign companies, among which there are four companies from China.²⁵¹ Industry experts expect “that the market share China has created within the Turkish market will continue to afford Chinese companies opportunities within this high growth sector.”²⁵²

The first agreement signed in Antalya refers to the alignment of the Middle Corridor with the BRI.²⁵³ According to Article II of the agreement, Turkey and China will cooperate in the following areas:

- i) Policy cooperation:* Carrying out dialogue and exchanges on major development strategies, plans and policies.
- ii) Connectivity facilities:* Formulating plans on cooperation in bilateral infrastructure projects in Turkey, China and third countries, including highways, railroads, civil aviation, ports, oil and gas pipelines, power grids and telecommunication networks.
- iii) Unimpeded trade:* Supporting mutual efforts to open markets to each other, expanding two-way flow of trade, and discussing the establishment of a bilateral free trade zone.
- iv) Financial integration:* Taking advantage of the Turkish-Chinese currency swap agreement to improve the arrangement for renminbi cross-border settlement and the use of home currencies in trade and investment to meet the need of bilateral cooperation.

²⁵⁰ “Türkiye ile Çin 7 Anlaşma İmzalandı”, Anadolu Ajansı, at <http://aa.com.tr/tr/ekonomi/turkiye-ile-cin-7-anlasma-imzalandi/473607> (last visited 30 January 2018).

²⁵¹ Spain and Italy top the list with five companies each; China has four; Korea, Japan, France and the United States have three each; and Germany has two. The Chinese companies involved are CRCC (China Railway Construction Corporation) and CMCIEC (China National Machinery Import and Export Corporation) which are undertaking the Ankara-Istanbul high-speed railway project with their Turkish partners; China Major Road Bridge Engineering which is involved in Ankara-Sivas high-speed railway project again with Turkish partners; and CSR Electric Locomotive Co. which has supplied more than 300 hundred cars for Ankara Metro. See, Turkish Ministry of Transportation and Communication, “Yabancı Ortak ile Yürütülen Ulaştırma Projeleri”, at www.ubak.gov.tr/BLSM_WIYS/.../tr/.../20121205_144053_66124_1_66958.doc (last visited 12 December 2017).

²⁵² “Turkey Infrastructure Report Q4 2016”, p.19.

²⁵³ The agreement was signed on November 14, 2015 and ratified by the Turkish Parliament on February 15, 2017.

v) *People-to-people bonds:* Promoting people-to-people exchanges, building medium to long-term cooperation models of cultural exchanges, pushing for the establishment of a sister city network.²⁵⁴

As can be seen from these details, this is a remarkably comprehensive agreement covering several areas of bilateral cooperation. However, at the heart of the agreement is- as explicitly stated in the text- the “coordinated implementation of the Belt and Road Initiative.”

For the Turkish government, the BRI is a good opportunity for cooperation with China. As President Erdoğan stated during his visit to China in July 2015:

Initiatives (like the BRI) provide significant opportunities for both enhancing the integration between the countries of the region and integrating them with the global economy. Due to its geographical position, Turkey is one of the most key countries within the Belt and Road project. This project matters profoundly for the strategic cooperation between Turkey and China as well.²⁵⁵

For its part, the Turkish bureaucracy is actively preparing for cooperation within the framework of the BRI. An ambassador from the Ministry of Foreign Affairs has been appointed as Special Envoy for the Silk Road Project. The new “China Action Plan” of the Ministry of Economy has the BRI at its core. Turkey has also established an intra-bureaucracy working group on the BRI, which held its inaugural meeting in January 2016 and will cooperate with a Chinese counterpart. The Turkish working group includes representatives from the ministries of Foreign Affairs, Economy, Transportation, Energy and Customs.²⁵⁶

The Turkish business community is also enthusiastic about the prospects offered by the BRI. “The Chinese are reviving the Ancient Silk Road with their BRI project” said Murat Kolbaşı, chairman of the Turkish-Chinese Business Council, “it is all the way from Xi’an to Venice, touching 65 countries in total, with a business volume of US\$ 20 trillion. These countries are now doing more business with China, having increased their volumes by 50% over the first eight months of 2015.”²⁵⁷ According to Canan Başaran-Symes, former chairwoman of the Turkish Industry and Business Association (TÜSİAD), “[BRI] is a giant project that will profoundly affect the economies of several countries. Turkey has to be in the project, as a connector between China, Central Asia and the Caspian on the one side and Europe on the other, as this is the shortest and most competitive route.”²⁵⁸

The second agreement signed between Turkey and China in November 2015 has a specific focus on railway cooperation.²⁵⁹ According to Article II of this agreement, the two countries will cooperate in the following:

²⁵⁴ Full text of the agreement is available on the website of the Turkish Parliament: <http://www2.tbmm.gov.tr/d26/1-0673.pdf> (last visited 12 December 2017).

²⁵⁵ “Cumhurbaşkanı Erdoğan, Türk-Çin İş Forumu'na Katıldı,” at <https://tccb.gov.tr/haberler/410/34000/cumhurbaşkanierdogan-turkiye-cin-is-forumuna-katildi.html> (last visited 12 December 2017).

²⁵⁶ Altay Atli, “Turkey Seeking its Place in the Maritime Silk Road”, *Asia Times*, 26 February 2017.

²⁵⁷ Interview with Murat Kolbaşı, chairman of the Turkish-Chinese Business Council, conducted by the author on 16 December 2016.

²⁵⁸ Keynote speech by Canan Başaran-Symes, chairwoman of the Turkish Industry and Business Association (TÜSİAD) during the “Understanding China, Doing Business With China” Conference held in Istanbul on 16 December 2016.

²⁵⁹ The agreement was signed on 14 November 2015 and ratified by the Turkish Parliament on 5 April 2016.

- i) Information exchange on fast and high speed railway planning, design, construction, operation and management.
- ii) Promotion of Turkish and Chinese companies to cooperate in the upgrading of existing lines and the construction of new lines in Turkey and China.
- iii) Promotion of Turkish and Chinese companies to jointly develop the Euro-China railway corridor section crossing through Turkey.
- iv) Cooperation in research for railway technologies and the development of railway technical standards.
- v) Cooperation in the training of railways administrative and technical staff.
- vi) Cooperation in the realization of railway projects in third countries.
- vii) Cooperation in the conduct of feasibility studies for fast and high speed railway projects.²⁶⁰

Chinese companies have had an interest in the project for a long time, but until recently little had been achieved.

Number iii in the above list refers particularly to the construction of the Edirne-Kars high-speed railway, which connects the westernmost point of Turkey to its easternmost point, thus spanning the entire country. This US\$ 35 billion project, which will form the Turkish section of the Euro-China railway corridor, will link the continents of Europe and Asia through the Marmaray rail tunnel in Istanbul.²⁶¹

Chinese companies have had an interest in the project for a long time, but until recently little had been achieved. As a senior bureaucrat from the Turkish Ministry of Economy explains, both sides are now looking forward to taking concrete steps in the very near future:

The Edirne-Kars railroad project is something that the Chinese are very much interested in. They have been visiting us frequently, and they want to be in it by all means. But first it could not be understood what they wanted. A finance model was discussed with the (Turkish Undersecretariat of) Treasury. It has to be opened to bids, but the Chinese wanted it without a tender, which is not possible. A feasibility study has been conducted and we are discussing the technical details now... The Chinese are preparing their offer. I am sure that their offer will be accepted, as long as it conforms to our legislation."²⁶²

Development of railway infrastructure is at the core of Turkish-Chinese cooperation on the BRI; however, recent developments have shown that emphasis is placed on intermodal transportation, i.e. a combination of different modes such

²⁶⁰ Full text of the agreement is available on the website of the Turkish Parliament: <http://www2.tbmm.gov.tr/d26/1/1-0700.pdf>.

²⁶¹ *Turkey Infrastructure Report Q4 2016*, p.19.

²⁶² Interview with a senior bureaucrat from the Turkish Ministry of Economy, conducted by the author on 16 December 2016.

as railways, maritime and land routes. In May 2017, Turkey and China signed an Agreement on “Land Transportation,”²⁶³ while in an earlier and more concrete step, a consortium of Chinese companies had purchased a major stake in Kumport, a port near Istanbul which is Turkey’s third largest seaport in terms of container processing capacity.²⁶⁴ This move has enabled the Chinese side to launch new regional container shipping services connecting ports in Northern Europe with those in the Mediterranean.²⁶⁵ The Turkish government is planning to add three more seaports, Çandarlı on the Aegean Sea, Mersin on the Mediterranean, and Zonguldak Filyos on the Black Sea into this framework.²⁶⁶ The idea here is that Turkish ports can supplement – rather than substitute – Greek ports, which have already received significant Chinese investment and are under Chinese operation on the MSR, thus consolidating Turkey’s position on the BRI as a whole.

The Russian Dimension

Another key player actively shaping the Eurasian geoeconomic sphere is Russia. Moscow’s primary instrument for economic integration in Eurasia is the Eurasian Economic Union (EAEU), which was founded in 2015 by Russia, Kazakhstan, Kyrgyzstan, Belarus and Armenia, as the “first successful post-Soviet initiative to overcome trade barriers and promote integration in a fragmented, under-developed region.”²⁶⁷

The EAEU pays special attention to transport integration and the liberalization of transport services between the member states; so far important steps have been taken to those ends, such as the transfer of transport control to the border of the Union, the establishment of unified cargo railway tariffs, the definition of principles of access to railway infrastructure, and the regulation of land cargo transport permits.

The EAEU’s next step will be a merger with the Silk Road Economic Belt (SREB) part of the BRI. After signing a gas deal in worth US\$ 400 billion in 2014, the presidents of Russia and China- Vladimir Putin and Xi Jinping announced at a meeting in Moscow on 8 May 2015 that the two projects would be integrated with each other. This endeavor envisages “coordinating political institutions, investment funds, development banks, currency regimes and financial systems- all to serve a vast free-trade area linking China with Europe, the Middle East and Africa.”²⁶⁸ The Eurasian Commission lists the tasks which will be undertaken throughout the merger process, in the field of transportation solutions:

- i) Interaction in logistics, transport infrastructure and intermodal transportation will be reinforced.

²⁶³ This agreement makes it possible for TIRs and other land transport vehicles from Turkey and China to carry cargo into each other’s territories.

²⁶⁴ A consortium of COSCO Pacific, China Merchants Group and China Investment Corporation purchased a 65% stake in Kumport for US\$ 940 million. Kumport has a container processing capacity of 1.3 million TEU. This is so far the largest Chinese investment in Turkey in terms of value.

²⁶⁵ “China’s COSCO Shipping Lines Opens New Service for Northern Europe, Mediterranean,” at http://news.xinhuanet.com/english/2017-04/10/c_136194731.htm (last visited 12 December 2017).

²⁶⁶ “Cumhurbaşkanı Erdoğan’dan Çin’de Flaş Açıklamalar,” *Milliyet*, 14 May 2017.

²⁶⁷ *The Eurasian Economic Union: Power, Politics and Trade*, Brussels, International Crisis Group, 20 July 2016.

²⁶⁸ Robert Skidelsky, “Eurasia is an Idea Whose Time has Come Around Again,” *The Guardian*, 21 June 2015.

- ii) Infrastructure development projects will be implemented to expand and modernize regional production networks.
- iii) Modern systems of international logistics centers and hubs on major international transport corridors passing Eurasian territory will be created, with these corridors named by the Commission as:
 - a. Western Europe-Western China (corresponds to SREB)
 - b. North-South Corridor (connects Russia with Azerbaijan, Iran and India).
 - c. East-West (corresponds to the Northern Route, connecting China with Russia)
 - d. Northern Sea Route (corresponds to the Arctic route).
- iv) These plans to be supplemented by meridian transport links passing Mongolia and Kazakhstan and connecting Siberia with the central and western regions of China and the countries of South and Central Asia.²⁶⁹

Whether- and how- the EAEU and SREB can actually be merged into one single grand project so far remains to be seen. Some scholars believe that the abstract nature of SREB and the complexity and multifaceted form of relations between Beijing and Moscow make integration between the two projects a complicated and poorly feasible task, and will lead the two countries to a collision course.²⁷⁰ Others assert that from an economic point of view the two projects actually complement each other, as SREB will stimulate cooperation in the transport sector, thus helping EAEU countries hosting SREB projects to secure their interests. With China advancing into Central Asia, the EAEU will become an effective instrument of trade protection for the national market while maintaining its investment attractiveness; the bond with SREB will strengthen the position of EAEU members vis-à-vis external partners. Moreover, SREB will provide EAEU members with an influx of new investments in transport infrastructure.²⁷¹

Regardless of whether a merger between the Russian and Chinese initiatives can and will occur, cooperation between the two countries in the field of transportation infrastructure is already in place. The 772-km long Moscow-Kazan high-speed railway, which is currently being designed with an estimated completion date of 2020, comes with a price tag of US\$ 22.4 billion. China has plans to set up joint ventures in Russia for the construction of this railroad, and China will grant a 20-year loan of US\$ 5.9 billion to Russia for the financing of the project.²⁷² The Moscow-Kazan rail line may eventually become a part of the Moscow-Beijing high-speed railway (of which the construction is estimated to cost

²⁶⁹ Eurasian Commission, "Transport", at http://www.eurasiancommission.org/ru/Documents/transport_eng.pdf (last visited 12 December 2017).

²⁷⁰ Kaneshko Sangar, "Russia and China in the Age of Grand Eurasian Projects: Prospects for Integration between the Silk Road Economic Belt and the Eurasian Economic Union", *Cambridge Journal of Eurasian Studies*, Vol. 1, No. 1 (2017), pp.1-15. Also see Gilbert Rozman, "Asia for the Asians: Why Chinese-Russian Friendship is Here to Stay", *Foreign Affairs*, at <https://www.foreignaffairs.com/articles/east-asia/2014-10-29/asia-asians> (last visited 12 December 2017).

²⁷¹ Sergey Karaganov (ed.), *Toward the Great Ocean-3*, pp.12-13.

²⁷² "China to Grant 20-year \$5.9 bln Loan for Moscow-Kazan High-Speed Railroad Project," TASS, at <http://tass.com/economy/879917> (last visited 13 December 2017).

US\$ 120 billion) thus also making Russia a part of SREB. According to Russian authorities, the Moscow-Beijing line may be launched into operation as early as 2022.²⁷³

Regardless of whether a merger between the Russian and Chinese initiatives can and will occur, co-operation between the two countries in the field of transportation infrastructure is already in place.

While Russia connects to China in the East, it also connects to Europe in the West, despite all of the political issues affecting relations between Russia and the EU since the Ukraine crisis in 2014. The EU has a well-developed transportation network within its boundaries, and it aims to extend this network toward the East. The Trans-European Transport Network (TEN-T) has nine corridors, five of which extend eastward into the heart of the Eurasian region, with one particular corridor- Orient/East-Mediterranean extending into Turkey.²⁷⁴ For Russia, connectivity with Europe remains of vital importance; in fact, in 2006, the EU renewed its Northern Dimension policy with Russia (and also with Norway and Iceland) that had been initiated back in 1999. One of the four sectorial partnerships established within the framework of the Northern Dimension is related to transport and logistics (others are related to culture, environment, public health and social well-being), of which the backbone is the Northern Axis, which connects the northern EU with Norway to the north and with Russia and Belarus to the east. The development of the Northern Dimension network implies both the improvement of infrastructure links and the harmonization of measures to facilitate passenger and cargo freight flows among the partner countries along the Northern Axis.²⁷⁵

The EU has its own vision for Europe-Asia connectivity. In 2015, the EU-China Connectivity Platform was established with the intention of exploring synergies between EU initiatives such as the TEN-T and China's BRI initiative. In order to understand how the EU approaches Eurasian connectivity and China's BRI, the remarks of Jyrki Katainen, Vice President of the European Commission, at the High Level Dialogue Session of the Belt and Road Forum for International Cooperation held in Beijing on May 14-15, 2017, need to be quoted at length here:

The EU supports initiatives to upgrade infrastructure, which contribute to sustainable growth in the Euro-Asian region... Done in the right way, and carefully evaluated, more investment in cross-border infrastructure links would unleash growth potential with benefits for all. This should include all modes of transport (maritime, land and air) as well as digital and energy co-operation and people-to-people contacts. The EU therefore welcomes China's initiative to bring this to the center of the debate today. We support co-

²⁷³ "Russian Rail Operator Asks China to Boost Moscow-Kazan Fast-Speed Rail Project Financing," TASS, at from <http://tass.com/economy/946460> (last visited 13 December 2017).

²⁷⁴ The nine corridors of TEN-T are as follows: i) Scandinavian-Mediterranean; ii) North Sea-Baltic; iii) Rhine-Danube; iv) Mediterranean; v) Orient/East-Mediterranean; vi) North Sea-Mediterranean; vii) Atlantic; viii) Rhine-Alpine; ix) Baltic-Adriatic. Out of these nine corridors, the first five listed here extend eastward toward Eurasia.

²⁷⁵ "NDPTL Regional Transport Network", Northern Dimension Partnership on Transport and Logistics, n.d., at <http://www.ndptl.org/ndptl-regional-transport-network> (last visited 30 January 2018).

operation with China on its One Belt, One Road initiative on the basis of China fulfilling its declared aim of making it an open initiative which adheres to market rules, EU and international requirements and standards, and complements EU policies and projects, in order to deliver benefits for all parties concerned and in all the countries along the planned routes. The EU has a big stake in better connectivity in and with Asia that contributes to sustainable growth; the European Union is also a big trade and investment partner of all Asian countries – indeed, the top partner of many – meaning that our economic prosperity is deeply interdependent. Europe and Asia share the same landmass. Intra-European and intra-Asian infrastructure links should therefore not be designed in isolation. In order to promote productive investment we need to think holistically and take into account inter-continental links and trade flows in order to build a true network and not a patchwork.²⁷⁶

At first sight, the Moscow-Beijing line, the Northern Route in general, and European interest in connecting with China through routes including the Russian one, can be seen as competitors against Turkey's Middle Corridor initiative, which runs through the Southern Caucasus and Central Asia, bypassing Russia. In fact, however, rather than being possible substitutes for each other, these lines could complement each other in a Eurasiawide network of transportation linkages. As Katainen mentioned in his remarks in Beijing, this issue needs to be thought about “holistically,” and transportation links in Eurasia “should not be designed in isolation.” What is being built in Eurasia is not again borrowing Katainen's words- a “patchwork” where different routes compete with each other, but it is rather a network where different routes complement each other.

In Lieu of Conclusion: Turkey as a Eurasian Transport Hub?

Turkey is blessed with a prime geographical position, and if it can combine this advantage with the right synergies to be established with other players in the region, Turkey can truly transform itself into a Eurasian transport hub- a crucial transit center within a fully-fledged Eurasia-wide network rather than just another stopover inside a patchwork of isolated routes.

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The opening of the Baku-Tbilisi-Kars railway line has been a great stride in this respect. What is needed at this point is an overall improvement in Turkey's domestic transportation infrastructure, toward the targets set by the Turkish gov-

²⁷⁶ “Remarks by Jyrki Katainen, Vice President of the European Commission at the High Level Dialogue Session of the Belt and Road Forum for International Cooperation”, *European External Action Service*, at from https://eeas.europa.eu/delegations/china/26047/remarks-jyrki-katainen-vice-president-european-commission-high-leveldialogue-session-belt-and_en (last visited 13 December 2017).

ernment for the year 2023. For instance, if and when the Edirne-Kars railway line is completed and operational, the entire Turkish crossing of the Middle Corridor or the SREB could be made at high speed; in other words, the Caucasus and Central Asia will be connected with the European Union via high speed railways.

Turkey's cooperation with China and its involvement in the BRI project are significant developments and although concrete results of this collaboration are yet to be seen, a stronger partnership between the two countries is likely to contribute significantly to Turkey's aspiration of becoming a transport hub between Europe and Asia.

This paper's argument is that while Turkey's cooperation with China is a positive development, Turkey also needs to cooperate more with Russia in order to achieve the status of a transport hub. Eurasian routes passing through Turkey on one hand and through Russia on the other would constitute parts of a whole network where they complement each other. Turkey and Russia are already well connected through energy links; with the Blue Stream pipeline delivering Russian natural gas to Turkey across the Black Sea; the Trans-Balkan gas pipelines connecting Russia to Turkey through Ukraine, Moldova, Romania and Bulgaria; and a proposed new line, the TurkStream, to provide another gas transport corridor between the two countries across the Black Sea. There is no reason for Russia and Turkey not to cooperate more in the field of transportation within the Eurasian network. There are four ways in which the two countries can take concrete steps towards greater collaboration in transportation:

First, Russian companies can be more active in the development of Turkey's transportation infrastructure, both by laying down tracks and other groundwork, and by supplying cars and other equipment. Turkish and Russian companies are already cooperating in infrastructure-related fields such as energy and construction, and this cooperation can be extended to the field of transportation infrastructure as well.

Second, Turkey can integrate its own transportation network with Russia's. While the Middle Corridor remains Turkey's preferred route, it can be integrated with other routes to Turkey's West and East. In the West, Turkey is well connected to Europe through land roads; however, rail connections are still poor and underdeveloped. Turkey can better integrate with its western neighbors with railroads, connecting itself to Trans-European routes, and in this way making it possible to provide uninterrupted rail transportation between Turkey and Russia through the Balkans. To the West, Turkey can consider ways of connecting to Russia's North-South corridor, which goes through Azerbaijan to Iran and onward to India. Turkey is already connected to Azerbaijan via the Baku-Tbilisi-Kars railway line; if it can be integrated with the North-South corridor, rail transportation between Turkey and Russia will also be possible through this eastern route.

Third, even the Middle Corridor itself although it bypasses Russia- can be developed more efficiently if it is done with Russia's support. Selim Koru and Timur Kaymaz accurately note that since Moscow sees the Caspian region as its own backyard, trade routes that would utilize the Middle Corridor would require Rus-

sia's blessing.²⁷⁷ Cooperation instead of competition with Russia within the framework of the Middle Corridor can provide mutual benefits and add greater value to the project.

Fourth, transportation infrastructure development is a multilateral undertaking by nature; therefore Turkey's cooperation with Russia (and China as well as other regional countries) within Eurasian multilateral platforms is also valuable. In this sense, Turkey's engagement with the Shanghai Cooperation Organization (SCO) is a positive development. Turkey is a dialogue partner of the SCO, where Russia, China, India, Pakistan, and most of the Central Asian republics are full members. In 2017, Turkey held the chairmanship of SCO's Energy Club, a noteworthy assignment since Turkey is not a full member of the organization. However, a more relevant multilateral platform with respect to Eurasian transport initiatives is the EAEU. Turkey is not a member of this organization, but has repeatedly expressed interest in joining it in some capacity, for instance by becoming part of the customs union or signing a trade agreement.²⁷⁸ The EAEU itself appears to be interested in having Turkey on board, and Russia's President Vladimir Putin has already announced that there are plans for a free trade agreement between the organization and Turkey.²⁷⁹ Given there are already plans for the EAEU to merge with SREB, with which Turkey is already involved, a closer, functional relationship of some kind between Turkey and the EAEU will be beneficial for all sides involved.

Turkey is well poised to become a Eurasian transport hub connecting Europe with Asia. However, while a proper geographical location is a necessary condition for this status, it is not sufficient. Infrastructure development within the country and enhanced interconnectivity with neighbors and other regional countries are required. Transportation in Eurasia is not a zero-sum but rather a mutually beneficial endeavor; by increasing its cooperation with other regional powers, especially with Russia and China, Turkey can strengthen its position as a Eurasian transport hub. Being a "bridge" between the East and the West requires close collaboration with both East and West.

Transportation in Eurasia is not a zero-sum but rather a mutually beneficial endeavor.

²⁷⁷ Selim Kuru and Timur Kaymaz, "Turkey: Perspectives on Eurasian Integration", *European Council on Foreign Relations*, at http://www.ecfr.eu/article/essay_turkey_perspectives_on_eurasian_integration (last visited 13 December 2017).

²⁷⁸ "Economy Minister: Turkey Eyes Eurasian Customs Union", *Daily Sabah*, 18 August 2017.

²⁷⁹ "Türkiye'nin Avrasya Ekonomik Birliği ile İşbirliği için Yol Haritası Hazırlanıyor", *Sputnik News*, at <https://tr.sputniknews.com/analiz/201412251013265606/#ixzz3tfG1c9y7> (last visited 12 December 2017).

Turkey and the EAEU in Regional Transport Systems: Rivals or Partners?

Egor PAK²⁸⁰

Abstract

The economic and political climate between Russia and Turkey has become milder recently, as ongoing global turbulence and regional conflicts have forced the two states to reach compromises. As a member of the Eurasian Economic Union (EAEU), Russia has to balance its national interests with those of other EAEU members when dealing with Turkey. The EAEU and Turkey possess solid, albeit underutilized, transit potential for East-West trade as parties to the Transport Corridor Europe-Caucasus-Asia (TRACECA) and the Belt and Road Initiative (BRI). Both corridors take the same route and offer quicker delivery dates compared to seaborne options, although they face similar constraints. However, TRACECA's economic feasibility is questionable, as its politically-driven logic of bypassing Russia turns Russia and Turkey into rivals for transit flows. BRI, although yet to be clearly defined, appears more infrastructure-oriented and focused on a region-wide economic impetus, turning Russia, other EAEU states and Turkey into partners under the framework of Greater Eurasia.

Key Words

Eurasian Economic Union, Turkey, Regional Transport and Logistics System, Transport Corridor Europe-Caucasus-Asia, Belt and Road Initiative, Transport Corridors.

Introduction

Regional economic integration and its transport and logistics (T&L) aspect in particular have become important features of the current development of the global economy. Global manufacturing processes have been broken down into various stages located in different parts of the world, and require smooth, barrier-free and punctual transregional flow of materials between these stages. Under the framework of regional integration, this objective can be attained by cutting down the number of customs borders to cross, establishing common regulations and

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procedures, increasing multimodality, adopting common technical standards, unifying tariffs all together leading to an overall rise in economic efficiency. According to Organization for Economic Cooperation and Development (OECD) estimates, a 10% increase in transport efficiency leads to a 0.8% increase in GDP.²⁸¹

The economic and political climate between Russia and Turkey has become milder recently, as ongoing global turbulence and regional conflicts have forced the two states to reach compromises.

The T&L aspect of regional cooperation has also become a sound factor of the geopolitical and geoeconomic dominance of the global powers. To link up its member-states and enlarge its influence in the Eastern Partnership Program, the EU is actively developing the Trans-European Transport Network (TEN-T), a seamless, multimodal and eco-friendly system spanning the continent. Another EU-led transport project- Transport Corridor Europe-Caucasus-Asia (TRACECA)- designed in 1993, aims at binding the EU with China via ex-Soviet Asian and Caucasian republics, and bypassing Russia.

In its turn, Russia, together with its partners in the Eurasian Economic Union (EAEU), is setting up a system of Eurasian transport corridors- East-West and North-South- to switch part of transit flows from (i) the Asia-Pacific region to the EU and (ii) from the EU to India and the Middle East from maritime routes onto land via its territory.

In order to tackle Chinese and Russian regional T&L efforts, the U.S. is striving to establish a New Silk Road corridor binding the EU with Central Asia, India and Pakistan via Afghanistan.

The Chinese Belt and Road Initiative (BRI) endeavors to develop a multimodal and diversified land route, stretching through 18 Asian and European states with an overall population of 3 billion people.²⁸² The underlying idea of this project is to diminish China's dependence on the Southern Maritime Route, with its constraint of the Malacca Strait, through the complex development of several land routes.

In order to tackle Chinese and Russian regional T&L efforts, the U.S. is striving to establish a New Silk Road corridor binding the EU with Central Asia, India and Pakistan via Afghanistan. The prospects of this project remain unclear, as security issues in Afghanistan remain unsettled.

Taking into account these trends, the main aim of this paper is to critically position the EAEU (hereinafter with objective ascendancies of Russia's transport and transit role in the EAEU) and Turkey in regional T&L initiatives with a neat focus on the TRACECA and BRI corridors. Here and more fundamentally, the research strives to investigate the rivalry or partner statuses of the EAEU and Turkey in

²⁸¹ Sergej Tkachuk, "EAJeS i Vse-Vse-Vse", [EAEU and Everyone], *Rossija v Global'noj Politike*, No. 3 (2016), p. 100.

²⁸² Sergej Luzjanin, "Rossija i Kitaj: Global'nye i Regional'nye Izmerenija Bezopasnosti i Sotrudnichestva", [Russia and China: Global and Regional Changes in Security and Cooperation], *Kitaj v Mirovoj i Regional'noj Politike, Istoriya i Sovremennost*, No. 20 (2015), p. 34.

these formats. At first sight, due to their strategic location and lack of region-wide synchronization on transit issues, the EAEU and Turkey might appear to compete for land transit volumes in East-West trade. Ongoing confrontation between Russia and the West strengthens Turkey's logic to set alternative routes bypassing Russia, for instance TRACECA, binding Central Asia with Turkey. Some routes under the Chinese BRI initiative also bypass Russia (i.e. the Silk Wind via Kazakhstan, Azerbaijan and Georgia), yet this is arguably not a matter of politics, but a desire for route diversification. Thus, the paper contends that in the long-run the BRI corridor might create a mutually beneficial development agenda for both the EAEU and Turkey, making them partners to a massive Chinese infrastructure-building program.

The paper consists of three main parts and is structured in a way to concisely address the research question using primary and secondary sources. The first part conveys a comparative analysis of the T&L complexes of the EAEU and Turkey, given their unique transit potential. The second and third parts critically study the role of the two in the TRACECA and BRI projects, pointing at their competitive and failing points but overall stressing the prospects of cooperation between the EAEU and Turkey in the more infrastructure-oriented and – so far – less politicized Chinese initiative.

EAEU- Turkey Relations: Transport and Geopolitics

Turkey is emerging as a regional leader in terms of energy and transport.²⁸³ Two strings of the *TurkStream*, to be put into operation in 2018 and 2019, will equip the country with a sound transit reservoir system on the Turkish-Greek border to further channel Russian gas into Southern and Southeastern Europe. Turkey is a party to a number of regional transport initiatives, such as TEN-T, TRACECA, the Central Asia Regional Economic Cooperation Program (CAREC) and BRI bundled together with one strategic goalturning itself into a secure, efficient and multimodal land bridge between China and Europe.

Turkey's long non-accession into the EU is forcing its decision-makers to search for regional alternatives. In 2016, president Erdogan called for Turkey to revisit its multi-vector foreign and security policies, for instance by becoming a full member of the Shanghai Cooperation Organization (SCO) along with India and Pakistan, as a more efficient and agile means of tackling regional security issues.²⁸⁴ There have also been a number of speculations on Turkey's possible format of partnership with the EAEU in spite of its intense relations with Russia.²⁸⁵

²⁸³ Ole Austvik and Gulmira Rzayeva, "Turkey in the Geopolitics of Energy", *Energy Policy*, No. 107 (2017), pp. 540-541; Şenay Oğuztemir and Kenan Çolak, "The Analysis of Turkey's Freight Transport in Terms of Transport Mode", *53rd Congress of the European Regional Science Association*, at from https://econostor.eu/bitstream/10419/123959/ERSA2013_00528.pdf (last visited 11 September 2017); Saul Cohen, "Turkey's Emergence as a Geopolitical Power Broker", *Eurasian Geography and Economics*, Vol. 52, No. 2 (2011), pp. 218-219.

²⁸⁴ Erdem Eren, "Shanghai Cooperation Organization and Future Perspective in Turkish Foreign Policy", *Strategic Public Management Journal*, Vol. 3, No. 5 (2017), p. 79.

²⁸⁵ Yaşar Yakış, "Eurasian Union and Turkey", Valdai Discussion Club, at <http://valdaiclub.com/a/highlights/eurasian-union-and-turkey> (last visited 27 September 2017); Elena Kuzmina "Expansion and Free Trade", in Felix Hett and Susanne Szkola (eds.) *The Eurasian Economic Union. Analyses and Perspectives from Belarus, Kazakhstan, and Russia*, at <http://library.fes.de/pdf-files/id-moe/11181.pdf> (last visited 29 September 2017).

More fundamentally, the Eurasian integrative logic has forced Russia to sensitively take into account the interests of other members, i.e. Kazakhstan and Armenia, when dealing with Turkey.

Turkey's long non-accession into the EU is forcing its decision-makers to search for regional alternatives.

Kazakhstan, as one of the founding members of the EAEU and a country with a large population with Turkic roots, has been constantly strengthening its economic, energy, cultural and humanitarian ties with Turkey since gaining independence in the early 1990s. As of today, Kazakhstan's overall trade turnover with Turkey is estimated at around US\$ 2 billion. According to recent estimates, there are 1,600 Turkish companies registered in Kazakhstan, employing up to 15,000 local people.²⁸⁶ In 2014, Kazakhstan's president Nursultan Nazarbayev suggested that Turkey cooperate with then the Single Economic Space (SES) of Russia, Belarus and Kazakhstan in the associate format, something similar to the existing mechanism of the EU associate membership under the Eastern Partnership logic.²⁸⁷ Later on in 2016 during its chairmanship in the EAEU, Kazakhstan took the opportunity to deepen the Union's cooperation with third countries and other regional blocks. As a result, in keeping with Turkey's multi-vector foreign policy and status as a steadfast bastion of regional stability, president Nazarbayev heavily contributed to the normalization of Russia-Turkey relations acting as a conciliator.

However, as of today, Turkey's joining the EAEU is technically impossible.²⁸⁸ From the EU perspective, as Turkey is already a member of the European Union Customs Union, it cannot simultaneously be a party to a similar integrative entity elsewhere. From the EAEU perspective, Kazakhstan's suggestion has no institutional basis, as the Astana Treaty dated 29 May 2014 does not include any mechanism for associate membership in the Union. Besides, any benevolent EAEU-Turkey initiative might cause protest from Armenia due to the historically lasting tensions between the two. Consensus, set in the Astana Treaty as the method of decision-making in the Supreme Eurasian Economic Council, allows Armenia to veto any initiative the EAEU might undertake with Turkey.

Regardless of their level of cooperation or institutional relationship, both the EAEU and Turkey are parties to substantial trade flows passing through them in the East-West direction. In this context, the EAEU-Turkey regional dialogue fits into the 'Greater Eurasia' concept, under which regional prosperity and security

²⁸⁶ Alibi Saruar, "Skol'ko Inostrannyh Kompanij Rabotaet v Kazahstane. Infografika", [Number of Foreign Companies Operating in Kazakhstan], LS *Kazakhstan*, at <https://ism.kz/skol-ko-inostrannyh-kompanij-rabotaet-v-kazahstane-infografika> (last visited 20 September 2017).

²⁸⁷ Dinara Urazova, "Nazarbayev Invites Turkey to Join Eurasian Economic Union", *Tengrinews*, at https://en.tengrinews.kz/politics_sub/Nazarbayev-invites-Turkey-tojoin-Eurasian-Economic-Union-253994 (last visited 14 February 2018).

²⁸⁸ Ümit Nazmi Hazır, "Is Eurasian Economic Union Membership Possible for Turkey?" *Turkish Weekly*, at http://www.academia.edu/12415625/Is_Eurasian_Economic_Union_Membership_Possible_for_Turkey (last visited 27 September 2017).

(not politics) are at the top priority.²⁸⁹ According to United Nations Conference on Trade and Development (UNCTAD) figures, trade between the Asia-Pacific region and Europe levelled at US\$ 800 billion in 2014 and is expected to reach US\$ 1.2 trillion by 2020, which is roughly equivalent to cargo flows of 240 million tons. In particular, trade between the EU and China is expected to account for US\$ 800 billion or 170 million tons.²⁹⁰

Regardless of their level of cooperation or institutional relationship, both the EAEU and Turkey are parties to substantial trade flows passing through them in the East-West direction.

More than 90% of the cargo in EUChina trade is seaborne. The delivery is affected via the Suez Canal and on average takes 35-40 days. The Suez Canal, with its infrastructural constraints, may not be able to service the increasing cargo volumes, freeing up the possibility for a land option. Annual volumes of containers transported from the EU to China equal 4.5 million TEU,²⁹¹ compared to the load in opposite direction of 11.2 million TEU.²⁹² Thus, China ships roughly three times more than it receives. Such load divergence makes counter-parts at this route either pay for an empty run or wait for co-direction cargo.

The cost of land transportation in East-West direction is on average 5-6 times higher than that of seaborne, although it is 3-3.5 times quicker.²⁹³ So, land transit is economically viable for goods for which speed, not cost, is crucial, i.e. high value-added goods, (electronics, IT products, aeronautics, pharmacy, high-tech machinery etc.). These goods are typically transported in containers with the overall index of containerization (a commonly accepted economic indicator to measure the share of goods transported in containers in the overall amount of goods shipped under a given itinerary) in this direction of about 60%.²⁹⁴

Thus, being placed at such trade crossroads, the EAEU and Turkey's T&L complexes have a number of similarities and differences, which critically position them either as rivals or partners to regional T&L initiatives. Their similarities come from the underutilized transit potential, low capitalization of the T&L market, and insufficient development of multimodality.

²⁸⁹ Dmitry Yefremenko, "The Birth of a Greater Eurasia", *Russia in Global Affairs*, No. 1 (2017), at <http://eng.globalaffairs.ru/number/The-Birth-of-a-Greater-Eurasia-18591> (last visited 17 September 2017); Michael Emerson, "Toward a Greater Eurasia. Who, Why, What and How?", *Global Journal of Emerging Market Economies*, Vol. 6, No. 1 (2014), pp. 39-41.

²⁹⁰ "Novyj Shelkovyj put' Otkroet dlja Kazahstana Unikal'nye Vozmozhnosti Dostupa na Mirovye Rynki", [New Silk Road will Provide Kazakhstan with Unique Access to Global Markets], *Prem'er-Ministr Respubliki Kazahstan*, at <https://primeminister.kz/ru/news/7/novyj-shelkovyj-put-otkroet-dlja-kazahstana-unikalnye-vozmozhnosti-dostupanamirovye-rynki> (last visited 15 September 2017); Urynbasarov Baurzhan "Evrazijskie Transportnye Arterii: Integracionnyj Jeffekt", [Eurasian Transport Routes: Integrative Effect], *Kazahstanskij Institut Strategicheskikh Issledovanij Pri Prezidente Kazahstana*, at <http://www.kisi.kz/uploads/33/files/KuXXVFLd.pdf> (last visited 10 September 2017)

²⁹¹ Twenty-foot equivalent (TEU) is an internationally recognized measure of freight volume based on the size of a typical twenty-foot container with the following dimensions l=6.1 m., w=2.44 m., h=2.59 m. and roughly equal to 21.6 tons.

²⁹² "K Velikomu Okeanu – 4: Povорот na Vostok", [Toward the Great Ocean – 4: Turn to the East], *Mezhdunarodnyj Diskussionnyj klub Valdaj*, 2016, p. 32, at <http://ru.valdaiclub.com/files/11701> (last visited 20 September 2017).

²⁹³ Egor Pak, *Challenges and Prospects of Transport and Logistics Cooperation in the Eurasian Economic Union*, Ph.D. thesis, Moscow State Institute of International Relations, 2017, p. 142, (in Russian).

²⁹⁴ *Ibid.*, p. 116.

Given their unique geography, the EAEU and Turkey possess relatively untapped transit potential. According to Turkish official figures, the state has the potential to be a hub for over US\$ 2 trillion of East-West and North-South trade, which, as of today, is fulfilling this capacity at only roughly 40-45%.²⁹⁵ For instance, Turkish ports annually handle around 63 million tons of transit cargo.²⁹⁶ Should Turkey keep firm in its cooperation with Iran, most notably by cultivating rail cargo transit from Iran to Germany via its territory, the existing 1 million tons of rail transit figure might easily triple.²⁹⁷

In its turn, the EAEU accounts for around 1% of overall cargo flows in the East-West direction, with the potential of reaching 8-10% by 2020 via the Transsib and Trans-Asian Railway routes.²⁹⁸ In particular, the EAEU's East-West transit potential (the containerized transit flow of which is estimated at more than \$2 billion) is utilized only at about 30-35%, whereas in the North-South direction the utilization rate is a mere 50%.²⁹⁹

In terms of the size of the T&L market, the EAEU has outperformed Turkey, yet both lag behind the U.S., the EU and China. Turkey's T&L market is levelled at US\$ 80-100 billion with a projected rise to US\$ 140 billion.³⁰⁰ The EAEU is far ahead with a volume of US\$ 318.1 billion, although this is still 3.7 times smaller than that of the EU, 4.5 times smaller than that of the U.S. and 3.8 times smaller than that of China.³⁰¹

The structure of freight turnover (tonekilometer) in the EAEU and Turkey is similarly imbalanced with both parties facing a multimodal-development agenda. In the EAEU case, rail mode accounts for 45% of the overall EAEU freight turnover. If the structure of freight turnover is considered without pipeline (due to its limited range of goods transported, i.e. oil, gas and petrochemicals), then rail's share is far ahead, reaching almost 86%.³⁰² In the case of Turkey, auto mode accounts for more than 88% of the overall freight turnover.³⁰³

Three key differences in EAEU and Turkey's T&L market put Turkey in a more competitive position: (1) the structure of the T&L market, (2) the wider practice of usage of authorized economic operators (AEO), (3) higher ranks in the Logistics Performance Index (LPI).

²⁹⁵ "The Logistics Industry in Turkey", *Investment Support and Promotion Agency of Turkey/Deloitte*, 2013, p. 6, at <http://invest.istanbul/media/24618/the-logistics-industry-inturkey.pdf> (last visited 19 September 2017).

²⁹⁶ "Infrastructure and Logistics", Invest in Turkey, at www.invest.gov.tr/en-US/investmentguide/investorguide/Pages/InfrastructureANDLogistics.aspx (last visited 19 September 2017).

²⁹⁷ Sead Jalili, "Iran, Turkey Target 1 m Tons in Rail Cargo Transit", *Financial Tribune*, at <https://financialtribune.com/articles/domestic-economy/70430/iran-turkey-target-1m-tons-in-rail-cargo-transit> (last visited 19 September 2017).

²⁹⁸ Egor Pak and Sergey Sarkisov, "Ideals and Realities of the Transport Complex of the Single Economic Space of Russia, Kazakhstan and Belarus: Implications for Kazakhstan", *The International Journal of Interdisciplinary Global Studies*, Vol. 4 (2014), p. 20; Altynai Khassenova-Kaliyeva, Nailiya Nurlanova and Aida Myrzakhmetova, "Central Asia as a Transcontinental Bridge Based on the Transport and Logistic System of the Countries of this Region", *International Journal of Economic Research*, Vol. 14, No. 7 (2017), p. 375.

²⁹⁹ Pak, *Challenges and Prospects*, pp. 129-135.

³⁰⁰ "The Logistics Industry in Turkey", p. 6.

³⁰¹ Pak, *Challenges and Prospects*, p. 47.

³⁰² Structure of freight turnover in the EAEU has been calculated based on the official statistics of the national statistic agencies of the EAEU-states. See, <http://www.armstat.am>, <http://www.belstat.gov.by>, and <http://www.stat.gov.kz>, <http://www.stat.kg>, <http://www.gks.ru>.

³⁰³ "The Logistics Industry in Turkey", p. 14.

Turkey's T&L market structure is more advanced than that of the EAEU. 3 and 4 PL³⁰⁴ segments in Turkey consist of both international (e.g. DHL, DB Shenker, UPS) and domestic (e.g. Omsan, Netlog, Borusan) sectors, with the latter having shown a substantial CAGR (Compound Annual Growth Rate) of 21% in 2008-2012.³⁰⁵ As of today, 3 and 4 PL operators account for more than 35% of Turkey's overall national T&L market.³⁰⁶

In the EAEU's case, 3 and 4 PL segments together secure only 5% of the overall T&L market of the Union, while 95% of operations are still rendered by providers of level 1 and 2.³⁰⁷ This means higher T&L costs in the overall price of goods for EAEU customers, ranging from 20% to 25% against a worldwide average of 11%.³⁰⁸ Moreover, integrated T&L solutions in the EAEU are predominantly rendered by international operators. To tackle this problem and raise the efficiency of the T&L market at large, in 2014 Belarus, Kazakhstan and Russia founded a United Transport and Logistics Company (UTLC) to provide the market with straightthrough rail delivery under a singlewindow policy.

Turkey is doing better than the EAEU in introducing an e-solution singlewindow approach to simplify customs procedures. As of today, Turkish customs authorities have liaised with almost 1,270 private customs brokerage companies to act as AEOs whereas in the EAEU there are only 600 AEOs in place.³⁰⁹

Turkey is doing better than the EAEU in introducing an e-solution single-window approach to simplify customs procedures.

In terms of global T&L efficiency measured by the World Bank indicator of Logistics Performance Index (LPI),³¹⁰ in 2016 Turkey was ranked substantially higher than any of the EAEU member states. In particular, Turkey did better in each of the functional areas of the LPI index, proving the greater efficiency of the Turkish T&L complex (table 1).

Thus, in terms of the qualitative characteristics of its T&L complex, Turkey has overperformed the EAEU. This fact, *ceteris paribus*, places Turkey in a more com-

³⁰⁴ Logistics service providers offer various packages of T&L services: the higher the rank, the more integrated the range of services a provider renders. 1PL (first-party logistics) providers operate locally and render a limited range of services, i.e. transportation their using own vessels. 2PL (second-party logistics) providers still have their own vessels, but already render a greater range of services globally. 3PL (third-party logistics) providers, usually referred to as operators, are responsible not only for their stage of transportation, but manage all the stages done by subcontractors under a single-window framework. Thus, a 3PL provider renders a fully integrated range of services. 4PL (fourth-party logistics) providers, in addition to 3PL's range, offer optimization throughout the whole supply chain under the criteria of price, speed, service, safety and sustainability.

³⁰⁵ "The Logistics Industry in Turkey," p. 16.

³⁰⁶ Ibid.

³⁰⁷ Pak, Challenges and Prospects, p. 49.

³⁰⁸ Egor Pak, Valery Meshalkin, Rafkat Kantyukov, Artem Kolesnikov, "Organizacionnoekonomicheskij analiz perspektiv razvitiya truboprovodnogo kompleksa i transportnologicheskoy infrastruktury Kazahstana v ramkah Evrazijskogo jekonomicheskogo sojuza", [Organizational and Economic Analysis of the Development Prospects of the Pipeline System and Overall Transport and Logistics Infrastructure of Kazakhstan in the Format of the Eurasian Economic Union], *Menedzhment v Rossii i za rubezhom*, No. 2 (2015), p. 35.

³⁰⁹ "The Logistics Industry in Turkey", p. 18; Ibid., p. 118.

³¹⁰ The Logistics Performance Index (LPI) was introduced by the World Bank and scholars from Turku Business School (Finland). It varies from 1 to 5: the higher the rank, the more efficient a state's T&L complex.

Table 1: LPI index for the EAEU-states and Turkey in 2016

	Overall LPI Rank	Customs	Infrastructure	International Shipments	Logistics Competence	Tracking and Tracing	Timeliness
Armenia	141	148	122	146	137	147	139
Belarus	120	136	135	92	125	134	96
Kazakhstan	77	86	65	82	92	71	92
Kyrgyzstan	146	156	150	152	151	115	126
Russia	99	141	94	115	72	90	87
Turkey	34	36	31	35	36	43	40

Source: Compiled based on International LPI Global Ranking 2016, at <http://lpi.worldbank.org/international/global/2016?sort=desc&order=LPI%20Score#datatable> (last visited 23 September 2017).

petitive position in the regional struggle for transit flows. However, similar constraints lay the basis for the two parties' would-be mutually beneficial cooperation in regional transit.

The EAEU and Turkey in the TRACECA Transport Corridor

TRACECA is a transregional transport corridor that embraces both the EAEU and Turkey. Originally TRACECA was designed as a rail and ferry route from China to the EU traveling in two directions via 1) Dostyk-Tashkent-Ashgabat-Turkmenbashi-Baku-Tbilisi-Poti and 2) Dostyk-Aktau-Baku-Tbilisi-Poti with further water connections to Odessa, Varna and Istanbul, creating an agile, albeit politically-driven transport corridor from China to the EU via Turkey, bypassing Russia. Since 1993, the EU has directly financed 82 investment and technical assistance projects worth €179 million, whereas the overall amount of direct and indirect EU financial inflows into the project is believed to be roughly up to \$1 billion.³¹¹

The economic feasibility of the TRACECA project is highly questionable. As of today, it carries only around 1-1.5% of total East-West freight volumes despite the fact that the parties involved have initiated a number of incentives to make the project work.³¹² For instance, TRACECA states have agreed to offer a 50% discount on the empty run of wagons, abolish taxes and fees on transit cargo, and enhance measures of safety for cargo and vehicles. Overall, some sections of TRACECA have proved relatively efficient in transporting oil, gas and cotton, with oil and gas still accounting for almost 70% of the overall corridor load.³¹³

³¹¹ Anar Ismayil, "Road and Rail Transport Corridors along Europe and Asia," UNECE, at https://unece.org/fileadmin/DAM/trans/doc/2015/wp5/WP5_workshop_7_Sept2015_Mr._Anar_Ismayil_TRACECA.pdf (last visited 11 September 2017)

³¹² "Railway Infrastructure. Upside Transit Potential", *Samruk Kazyna*, p. 11, at <https://sk.kz/upload/iblock/163/163ab4a8664698e41ea183b116b75205.PDF> (last visited 11 September 2017); Stanislav Pritchkin "Transport Potential of the Caspian Sea: Prospects and Limitations", *Caucasus International*, Vol. 6, No. 1 (2016), p. 129, at http://cijournal.az/storage/posts/128/files/CI_Vol6_No1_INSIDE_DIJITAL_119-128.pdf (last visited 18 September 2017).

³¹³ Evgeny Vinokurov and Alexander Libman, *Eurasian Integration: Challenges of Transcontinental Regionalism*, UK, Palgrave Macmillan, 2012, pp. 97-99.

The failing points of TRACECA are as follows: i) the number of transshipments, ii) several customs border crossings, iii) the cost of transportation, iv) infrastructural constraints on the Caspian Sea, v) substantial empty runs in the Eastern direction.

The necessity of transshipments, i.e. the shipping of cargo to an intermediate destination prior to its final destination, often requiring loading and unloading, comes from the multimodal nature of the route involving rail and ferry options. Currently, the multimodal status of the route necessitates a minimum of four transshipments: at Dostyk railway station (Kazakhstan), the port of Aktau (Kazakhstan)/Turkmenbashi (Turkmenistan), the port of Aljat (Azerbaijan) and the port of Batumi (Georgia). Major transshipment occurs at the Dostyk-Alashankou railway hub due to differences in rail gauge: 1435 mm in China and 1520 mm in Kazakhstan.

In order to be delivered from China to the EU via Turkey along the first route of TRACECA, cargo crosses 6 customs borders, whereas the second TRACECA link requires 5 crossboarding operations. Overall, the lack of a region-wide practice of e-solutions in border crossing procedures, the number of AEOs in the game and the excessive bureaucracy at some parts of the corridor hamper the efficient movement of cargo.

At first, freight rates on transportation of containers and oil via TRACECA were 1.7 and 1.2 times higher, respectively, than those via Russia.³¹⁴ However, in 2015-2016 TRACECA members managed to reduce the cost of transportation to roughly US\$ 5,500 per 1 TEU, which is closer to, but still costlier than the Russian rates.³¹⁵ In terms of speed, TRACECA delivery dates are pretty much the same as via Transsib, i.e. three times quicker (on average 14 days) than those of seaborne shipments.³¹⁶

TRACECA's infrastructural constraints mainly come from the capacity and existing transit infrastructure of its ports on the Caspian Sea, which specialize in bulk and liquid cargo, not containers.

The Turkmen port of Turkmenbashi is the basic sea pillar of TRACECA on the Eastern side of the Caspian Sea dealing with oil, gas and textiles. Currently it is undergoing a massive expansion executed by a Turkish company (*Gap İnşaat*) and worth about US\$ 2 billion. The planned capacity of new port infrastructure is 15 million tons.³¹⁷ The Azerbaijani port of Aljat (near Baku) serves as a basic pillar of TRACECA on the Western side of the Caspian Sea. Conducted renovation allows it to service ro-ro ferries³¹⁸ with an annual volume of freight of 25 million

³¹⁴ "Mezhdunarodnye Transportnye Koridory EvrAjES: bystree, deshevle, bol'she", [EurAsEC International Transport Corridors: Quicker, Cheaper, Greater], *EvrAzijskij Bank Razvitija*, 2009, pp. 28-29, at http://www.vinokurov.info/assets/files/Corridors_rus.pdf (last visited 18 September 2017).

³¹⁵ Ardak Bukeyeva, "Kak Kazahstan razvivaet tranzit iz Kitaja i chto emu meshaet", [How Kazakhstan is Securing Transit from China and what Hampers the Process], *Forbes Kazakhstan*, at http://forbes.kz/finances/markets/po-past_vkoleyu_1 (last visited 17 September 2017).

³¹⁶ "K Velikomuu Okeanu 4", pp. 14-16.

³¹⁷ Gusein Gasanov, "Turkmenistan Stroit na Kaspii Sovremennyj Port", [Turkmenistan is Building a Modern Port on the Caspian Sea], *Trend.az*, at <http://trend.az/casia/turkmenistan/2683681.html> (last visited 19 September 2017).

³¹⁸ Roll on-roll off (ro-ro) ferries are vessels that carry wheeled cargo (trucks, semi-trailer trucks, rail cars, etc.) that is driven on and off the vessel on their own wheels.

tons and 1 million TEU.³¹⁹ The Kazakh port of Aktau is mainly focused on shipping oil and related products, whereas its container facilities remain underdeveloped. Aktau is a shallow port, just 10 m. in depth, which only allows it to service tankers with 3-5 k. tons deadweight.³²⁰ Without deepening, Aktau will not be able to accept tankers with an optimal deadweight (13 k. tons).³²¹ The port has also undergone massive expansion with the construction of a 1.5 million ton capacity grain terminal, and two terminals for general cargo and containers with total capacity of 1.5 million tons. Thus, under full load the port is expected to service up to 20 million tons annually.³²²

Finally, one of the major financial risks to the corridor, logically leading to higher transportation costs, is the empty run phenomenon heavily present on shipments from the EU to China. In 2016, Chinese exports to the EU equaled \$452 billion, whereas EU exports to China accounted for \$187 billion, logically bringing the problem of empty run containers in the Eastern direction to the front.³²³ This has a direct bearish effect on the efficiency of the Caspian and Black Sea ferry legs.

To sum it up, as of today, TRACECA is a well-established corridor to deliver goods from China to the EU via Turkey and bypassing Russia, yet it is burdened with high costs of transportation, the empty-run phenomenon, and inefficient cross-border procedures along the route.

The EAEU and Turkey in the BRI Transport Initiative

Another regional transport initiative that might critically influence both the EAEU and Turkey is the China-led BRI. BRI is one of the most ambitious, albeit not clearly defined, regional infrastructural projects.

On the one hand, the project could massively stimulate the EAEU, Turkey and the region at large through the modernization of the existing stationary infrastructure, the creation of sophisticated hubs rendering a full range of T&L services, the development of multimodality by increasing the number of 3 and 4PL in the structure of the T&L market- all together contributing to shorter delivery dates. All these issues are expected to be mainly funded by the China-dominant Silk Road Fund (US\$ 40 billion) and the Asian Infrastructure Investment Bank (US\$ 100 billion). The global economic downturn, and with it a slowing down of China's national economy (to 6.7% in 2016 according to World Bank³²⁴) and the an-

³¹⁹ Natal'ja Abbasova, "Novyj Bakinskij Morskoy Port Prinjal Turkemskij Parom "Berkarar", [The New Seaport of Baku Welcomed a Turkmen Ferry "Berkarar"], *Interfax.az*, at <http://interfax.az/view/629433> (last visited 19 September 2017).

³²⁰ Deadweight is a vessel's maximum carrying capacity in tons including cargo, fuel, crew, etc.

³²¹ "Kaspij: Porty, Tankery, Perevozki", [The Caspian Sea: Ports, Tankers, Shipments], *Partner Zhurnal Evrazijskogo Jeconomicheskogo Sojuza*, at <http://eurasmedia.ru/2015/12/163/> (last visited 19 September 2017).

³²² Amina Dzhalilova, "Masimov Oznakomilsja s Hodom Rasshirenija Porta Aktau", [Masimov Inspected the Works on Enlargement of the Port of Aktau], *365info.kz*, at <http://365info.kz/2016/masimov-oznakomilsya-s-hodom-rasshirenija-porta-aktau> (last visited 19 September 2017).

³²³ Figures on EU-China mutual trade have been derived from the UN Comtrade Database.

See <https://comtrade.un.org>. (last visited 31 October 2017).

³²⁴ "China GDP Growth Annual", *World Bank*, at <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=CN> (last visited 30 September 2017).

nounced exodus of American and European manufacturers from China, have forced Chinese authorities to search for additional impetus for its development. BRI implementation will load Chinese industries facing overproduction, i.e. metallurgy, construction, transport machinery, with orders.

On the other hand, the introduction of 6 diversified land corridors within the BRI project could breed competition between the transit states for the upcoming flows. Furthermore, and more strategically, given the absence of a truly common T&L policy within the EAEU and the predominant national regulation of the T&L industry, the functioning of relatively independent BRI routes might raise a number of internal EAEU tensions, namely between Russia and Kazakhstan. For instance, the Kazakh segment of the East-West corridor has a number of competitive advantages over the Russian one. First, it is multimodal, offering a rail connection via the Trans-Asian Railway network and an auto connection via the Western Europe-Western China road corridor. Second, its auto delivery option via Western Europe-Western China corridor is quicker (10-12 days) than an average EAEU-wide rail (14 days), provided Kazakhstan makes auto delivery economically feasible, as it is 2-2.5 times more expensive than rail delivery. Third, it has a more developed T&L infrastructure along the route, with the central role played by the multimodal T&L hub of Korgas at the Kazakh-Chinese border.³²⁵

The part of BRI's Southern route, commonly referred to as the 'Silk Wind,' links China with Turkey and Southern Europe via Kazakhstan (Dostyk-Aktau), Azerbaijan (Aktau-Aljat) and Georgia (Aljat-Batumi), but again bypasses Russia. Silk Wind is a multimodal and containerized corridor involving a rail leg (Urumqi-Dostyk-Aktau), a water leg (Aktau-Aljat), a rail leg (Aljat-Batumi) and a water leg (Batumi-Istanbul). Its projected load is estimated at more than 10 billion tons annually.³²⁶

The Silk Wind's route generally follows TRACECA's, involving rail and ferry legs via Turkey to the EU. Logically it has the same failing points as TRACECA does, i.e. several transshipments to be done, infrastructural constraints in the Caspian Sea, empty runs, lack of region-wide synchronization of transit tariffs and procedures. Yet Silk Wind's strategic difference from TRACECA (even though it still bypasses Russia) is that the Chinese initiative does not intend to isolate Russia from the transit flows. On the contrary, the fact of bypassing Russia in the Silk Wind corridor is a geographical, not geopolitical notion, as by diversifying its transport routes China aims at creating a multi-layered, interdependent and inclusive regional T&L infrastructure. In this regional framework Russia, the EAEU as a regional body and Turkey are not viewed by China as contenders, but as partners to a holistic regional infrastructure building.

And it is here where the idea of the EAEU-BRI conjunction may foster both further conceptualization and implementation within the Chinese initiative.³²⁷ Through

³²⁵ Pak, *Challenges and Prospects*, pp. 131-133.

³²⁶ "Proekt Silk Wind vdvoe sokratit sroki perevozok", [Silk Wind will Halve the Delivery Dates], *Kapital*, at <https://kapital.kz/economic/34396/proekt-silk-wind-vdvoe-sokratitsroki-perevozok.html> (last visited 21 September 2017).

³²⁷ Andrey Skriba, "The Eurasian Economic Union and the Silk Road Economic Belt: Players, Interests and Implementation Challenges", *International Organizations Research Journal*, Vol. 11, No. 3 (2016), pp. 76-78.

the conjunction of its project with the already established and recognized regional integrative entity of the EAEU, the Chinese authorities seek the grounds to institutionalize BRI. Introduced in 2015, the EAEU is the most advanced regional economic block in the post-Soviet space with an established supranational body of the Eurasian Economic Commission (EEC) and a common trade policy in action.

Currently there is no common transport policy (CPT) of the EAEU *per se*; in fact, the EAEU is executing a coordinated (agreed) transport policy. Under this policy the industry is predominantly regulated at the national level of each EAEU-member. This logically hampers the announced conjunction. Yet the parties have succeeded in establishing common rules and regulations for transportation by rail and auto, which fully reflects their role in the economy of the EAEU. According to EEU estimates, a finalized CPT of the EAEU covering all modes of transport and functioning without any exemptions will be put into operation in 2025.³²⁸ Nonetheless, the level of T&L synchronization achieved already allows the Union to execute a secure and customs-free land transit in EU-China trade directions via its territory 3-3.5 times quicker compared to the Southern Maritime Route.³²⁹ Reliability and cost of land delivery via the EAEU might also strike the air volumes of EU-China trade (estimated at the level of 700,000 tons in 2016), provided that Russia relieves its agricultural sanctions against European foodstuff manufacturers.³³⁰

In this context, conjunction of the T&L agenda of the EAEU and BRI may serve as the economic basis of the Greater Eurasia Project in which Turkey, Russia and other EAEU states are partners to an inclusive regionwide initiative strengthened by SCO and Association of South-East Asian Nations (ASEAN) format.

In economic terms, Silk Wind corridor turns out to be the shortest route to deliver goods from China to Southern Europe. The route shortens the maritime option of delivery from China to the EU by roughly 4 times. The launch of the Baku-Tbilisi-Kars railway in October 2017 might give a considerable impetus to the corridor. It reduces the distance of the Azerbaijan-Georgia-Turkey section of the Silk Wind by 1,000 km., which results in shorter delivery dates (minus 4 days).³³¹ Its starting capacity is expected to be about 5-6 million tons with a projected increase of up to 15 million tons.³³² Thus, overall transportation might take around 10-12 days; 9 days to Georgia and 12 days to Turkey.³³³

³²⁸ "EAEU Development Prospects up to 2025", Working Paper [I. Ivanov ed.], Moscow: Russian International Affairs Council, 2017, p. 40, at <http://russiancouncil.ru/papers/EAEU2025-Paper-en.pdf> (last visited 29 September 2017).

³²⁹ Pak, *Challenges and Prospects*, p. 142.

³³⁰ "New Rail Routes between China and Europe Will Change Trade Patterns", *The Economist*, at <https://www.economist.com/news/business/21728981-new-silk-railroadwill-challenge-airlines-and-shipping-firms-new-rail-routes-between-china> (last visited 30 September 2017).

³³¹ Nailia Bagirova, "Azerbaijan, Georgia, Turkey Launch 'Silk Road' Rail Link", *Reuters*, from <https://www.reuters.com/article/azerbaijan-railway/azerbaijan-georgia-turkeylaunch-silk-road-rail-link-idUSL8N1N52XR> (last visited 31 October 2017).

³³² "The Baku-Tbilisi-Kars Railway to be Commissioned in the First Quarter of 2017", *Trans-Caspian NewsLetter*, No. 1, 2017, at <http://www.transcaspianforum.org/TransCaspianNewsLetter.pdf> (last visited 21 September 2017).

³³³ "Role of Transport and Transit Corridors in Ensuring International Cooperation for Sustainable Development", UN General Assembly, p. 8, at http://www.un.org/ga/search/view_doc.asp?symbol=A/70/262&referer=http://www.un.org/en/ga/second/70/documentslist.shtml&Lang=E (last visited 21 September 2017).

BRI turns out to be a balanced and development-oriented regional project, focused on creating a diversified set of routes linking China with the EU via both the EAEU and Turkey.

To sum up, BRI turns out to be a balanced and development-oriented regional project, focused on creating a diversified set of routes linking China with the EU via both the EAEU and Turkey. In its essence, the fact of Russia's bypass is not of a political origin, but a mere consequence of transport diversification beneficial for all parties involved.

Conclusion

Efficiency in T&L has become a serious factor of competitiveness and geopolitical dominance, with major global policy-makers leading a number of regional transport initiatives. In this vein, the paper has critically positioned the EAEU (with objective attention paid to Russia) and Turkey in key regional transport systems at the promising EU-China trade direction by investigating transit rival or partner statuses of the two.

Russia and other EAEU states, particularly Kazakhstan, have longstanding trade, investment and T&L relations with Turkey. Recent economic, security and geopolitical turbulence has tuned Russia-Turkey relations laying grounds for potential multi-layered economic cooperation, including T&L, already in the EAEU-Turkey format.

In qualitative terms, i.e. share of 3 and 4PL providers; number of national 3 and 4PL providers; practice of usage of authorized economic operators; overall efficiency of its T&L industry measured by the LPI, T&L complex of Turkey is relatively more developed than that of the EAEU. This fact puts Turkey into a more competitive position in its struggle for transit volumes, for instance, compared to Russia. Yet, judging by the sheer size of its T&L market, the EAEU surpasses Turkey.

The EAEU and Turkey are parties to TRACECA and the Southern part of the BRI, i.e. the Silk Wind, transport initiatives. It has been revealed that the EAEU and Turkey in this case are transit partners rather than rivals. This research has critically studied the strengths and weaknesses of these two corridors taking the same geographical route. Both corridors are multimodal (involving both rail and ferry legs) and offer shorter delivery dates compared to the seaborne route. What is more crucial about the corridors in question is that they both bypass Russia, which at first sight might give Turkey a competitive advantage in channeling Russia-designed transit flows via its territory.

However, TRACECA and the Silk Wind have common bottlenecks. Namely, they suffer from empty-runs in the eastern direction and face similar infrastructural constraints on the Caspian Sea. In this case, the EAEU states and Turkey can be referred to as partners in the overhaul of regional transport infrastructure.

More fundamentally, the difference between the corridors comes from the underlying paradigm of bypassing Russia. EU-led TRACECA is a predominantly

politically-driven project intended to isolate Russia from transit flows towards Europe. As of today, the economic feasibility of TRACECA is still disputable. In contrast, the Chinese BRI implies an inclusive infrastructural and depoliticized regional impetus, where the fact of bypassing Russia in the Silk Wind case is a mere fact of China's desire to form a diversified system of transit routes in trade with Europe, not an isolation *per se*.

Thus, the paper strongly believes that Russia, Turkey and other EAEU members will benefit from the implementation of the BRI project by entering a region-wide infrastructural partnership, which in the long run might lay the economic basis for the Greater Eurasia project.

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Russian International Affairs Council (RIAC)

Russian International Affairs Council (RIAC) is a non-profit international relations think-tank on a mission to provide policy recommendations for all Russian organizations involved in external affairs.

RIAC engages experts, statesmen and entrepreneurs in public discussions with an end to increase the efficiency of Russian foreign policy.

Along with research and analysis, the Russian Council is involved in educational activities to create a solid network of young global affairs and diplomacy experts.

RIAC is a player on the second-track and public diplomacy arena, contributing the Russian view to international debate on the pending issues of global development. Members of RIAC are the thought leaders of Russia's foreign affairs community – among them diplomats, businessmen, scholars, public leaders, and journalists.

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Center for Strategic Research of the Ministry of Foreign Affairs of the Republic of Turkey (SAM)

Center for Strategic Research of the Ministry of Foreign Affairs of the Republic of Turkey (SAM) is a think-tank and a research center which is chartered by law and has been active since May 1995. SAM was established as a consultative body to provide Turkish Foreign Policy decision makers with scholarly and scientific assessments of relevant issues, and reviews Turkish foreign policy with a futuristic perspective.

SAM conducts research, organizes scholarly events relevant to the ever expanding spectrum of Turkish Foreign Policy in cooperation with both Turkish and foreign academicians, its counterparts from around the world as well as various universities and government agencies. SAM provides consultancy to the foreign ministry departments as well as some other state institutions in foreign policy issues while also establishing regional think-tank networks.

In addition to its role of generating up-to-date information, reliable data and insightful analysis as a think-tank, SAM functions as a forum for candid debate and discussion for anyone who is interested in both local and global foreign policy issues. Increasingly, SAM has become a center of attraction since it successfully brings scholars and policy makers together for exchange of ideas in panels, in-house meetings, seminars and training programs for young diplomats.

SAM has a widening range of publications. Along with its traditional publication, *Perceptions*, which is a quarterly English language journal that hosts distinguished Turkish and international scholars within its pages, SAM recently initiated Vision Papers which expresses the views of the H.E. Foreign Minister and SAM Papers that will cover the current debates of foreign policy by various scholars.

With its commitment to contribution to the body of knowledge and constructive debate particularly in Turkish Foreign Policy, SAM will continue to serve as an indispensable think-tank and research center given its role promoting interaction and mutual benefits among the MFA, NGOs, other think-tanks and the broader scientific community and hence strengthen the human and intellectual capital of Turkey.

Russian International Affairs Council
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DEEPING RUSSIA-TURKEY RELATIONS

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