



TURKISH INDUSTRIALISTS' AND BUSINESSMEN'S ASSOCIATION
WASHINGTON OFFICE

Seismic Shifts in Eurasia

*The Changing Relationship Between Turkey and Russia,
And its Implications for the South Caucasus*

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*This is an article that will soon appear on the Journal of Southeast European and Black Sea Studies. Website link of this journal is <http://www.eliamep.gr/main.asp?cat=4&scat=3>

October 31, 2002

Introduction

May and June 2002 were the months of 'Russian summits'—the U.S.-Russia summit, which consolidated the steady progress made in relations since 2001; the Russia-NATO summit, which inaugurated a new Russia-NATO Council; the Russia-European Union (EU) summit, which gave the first acknowledgement of Russia's status as a market economy; and the G8 summit, which saw Russia finally accepted as a member of the club of advanced economies after a decade of distinctly second-class status. Together, the series of summits consolidated the positive trajectory in U.S.-Russian relations and thus in Russia's relations with "the West" since the events of September 11, 2001. This improvement in U.S.-Russian relations could ultimately have a transforming effect on the geopolitics of Eurasia and particularly of the South Caucasus, in part because it opens up the possibility of a new relationship between Russia and Turkey, America's primary strategic ally in the region. After centuries of imperial competition, frequent wars, and Cold War rivalry, a rapprochement and a pragmatic, stable economic and political partnership between Turkey and Russia in Eurasia would be tantamount to the reconciliation of France and Germany after the Second World War in Europe. It would change the nature of conflicts in the South Caucasus that have often been shaped by Russian and Turkish enmity, and it would open

up prospects for economic development and integration in the Caucasus and elsewhere in Eurasia.¹

Seismic Shifts From Europe to the Middle East and Asia

From the perspective of the United States and its European allies, the terrorist attacks on the United States on September 11, 2001 underscored how much the world has changed in the decade since the dissolution of the Soviet Union. In the 1990s, while foreign policy strategists and western governments were preoccupied with the final shape of the post-Cold War European order, the major strategic dilemmas shifted from Europe to Asia. Today, they are concentrated in a broad zone stretching from the Middle East into Central Asia and South Asia, containing four nuclear states (Russia, China, Pakistan, and India), one NATO member (Turkey), and significant hydrocarbon resources in the Middle East and the Caspian Basin. As a result of this shift, both Turkey and Russia are now at the heart of the current strategic dilemmas rather than at their periphery. In stark contrast to the past, today, Turkey's and Russia's strategic locations are beginning to bring them together rather than pushing them apart.

For three centuries, Russia saw Turkey as blocking its approaches from the Black Sea to the Mediterranean and the world's seaways. The two states vied with each other for military, political and economic influence in the Balkans and the Caucasus. Indeed, since the reign of Catherine the Great in the 18th Century, Russia and Turkey have fought repeated wars for control of the territory around the Black Sea—culminating in the Russo-Turkish War of 1877-1878, which consolidated Russian gains in the Caucasus, but saw Russia pushed back from the Balkans by the intervention of the European Great Powers. During the Cold War, the USSR and Turkey confronted each other across the Caucasus. Turkey was the southern flank of NATO—the furthest bulwark of European security against the Soviet Union—and the government in Ankara greatly feared the extension of Communist influence into Turkey. In the immediate post-Cold War era, Russia, divested of its former imperial holdings with the dissolution of the USSR, came to view Turkey as a proxy for the United States in the Caucasus and Central Asia. Russia and Turkey found themselves in diametrically opposed camps on a number of crucial issues in the 1990s such as Bosnia, Kosovo, and Chechnya—due to Turkey's close historic association with the Turkic Muslim peoples of the region, and the presence of significant Balkan and Caucasus Muslim diasporas on Turkish territory. Turkey's position in NATO, and the threat of NATO enlargement beyond eastern Europe to the Caucasus, further rankled Russia. This all combined to produce a consistently tense bilateral relationship.

Today, however, for the first time in several hundred years, Turkey and Russia have lost their direct border.² Turkey has maintained its role as a bulwark for Europe, and Russia's position has changed dramatically. It has graduated from the status of the former Soviet enemy of Europe, and, like Turkey, become a bastion against instability in the Middle East and across Asia. Together, Turkey and Russia stand between Europe and conflict in the Middle East, the U.S. confrontation with both Iran and Iraq, continued chaos in Afghanistan, the prospect of nuclear war in South Asia, and the uncertain outcome of reform in China. Turkey is the frontline state for Iran and Iraq and maintains ties with its Ottoman-era Arab colonies throughout the Middle East. Russia has extensive borders with China and Central Asia. Both Turkey and Russia share borders with the South Caucasus. Russia has long-standing economic and political relations with Iraq and

¹ The general conclusions of this article are drawn on the basis of interviews conducted by the author with Russian officials in Moscow in February 2002, and Turkish officials in Istanbul and Ankara in May 2002.

² Although Russian border guards technically still man the frontier between Armenia and Turkey.

Iran, and a strategic partnership with India. Turkey and Russia both have a long history of relations with Afghanistan. The early Turkish republic after World War I was instrumental in assisting the first political reforms in Afghanistan, and, in June 2002, Turkey stepped forward to assume command of the new international security force for Afghanistan (ISAF). Russia's engagement with Afghanistan was more troubled in the Soviet period, moving from economic and military assistance to invasion and protracted conflict. But, in sum, Russia and Turkey have a complex web of relationships in each of the regions that have been elevated in post-September 11 American and European security priorities.

The Changing Dynamic of Turkish and Russian Foreign Policies

In the 1990s, the dynamic of both Turkish and Russian foreign policies shifted considerably. Russia gradually withdrew from its global military and political role to focus its foreign policy on the transformation of the former superpower relationship with the United States and its relationship with Europe, and on the development of relations with the other states immediately on its borders. Turkey's foreign relations also changed, with an expansion of its focus beyond the strategic partnership with the United States, and the management of its volatile relationship with Greece, to increasingly strenuous efforts to become a member of the European Union.

In the wake of the series of summits in May and June 2002, between Russia and the U.S., Russia and NATO, Russia and the EU, and the G8, Turkey and Russia are increasingly on the same page. The sting has been taken out of the U.S.-Russian relationship, as well as out of NATO enlargement, mitigating two of the factors that have complicated Russian-Turkish relations, and both Russia and Turkey find themselves in complex negotiations with the EU that have critical implications not only for the development of their economies but for their future political and cultural identities as European countries. Although, unlike Turkey, Russia does not have a customs union with the European Union, it is closely tied to Europe by virtue of its status as one of the primary energy suppliers to the European market. The EU currently imports more than 50 percent of Russia's total oil exports, which accounts for 16 percent of EU oil consumption; and over 62 percent of Russian gas exports, which in turn amounts to 20 percent of the EU's overall gas consumption.³ In 2001, Russia concluded an ambitious agreement with the European Union on long-term energy cooperation that would increase these exports. With the potential future enlargement of the EU to the east and countries like Poland, Russia is poised to become the major force in EU energy supply. The importance of the energy relationship with Europe cannot be underestimated. Oil and gas account for nearly a quarter of Russian GDP, about half of its export earnings, and around one third of government tax revenues.⁴

But beyond issues of energy and trade, Russia and Turkey's relationship with Europe has more political resonance and symbolism—will they eventually become accepted as part of Europe or will they forever remain on its fringes? In many respects Turkey and Russia have been grappling with this same question for the last 500 years, in which both have been respectively designated the Muslim, or Russian Orthodox and East Slavic “other,” the final frontiers for Europe to the south and east. Since the dissolution of the USSR, both Russia and Turkey have become members of the Organization for Security and Cooperation in Europe (OSCE), which has

³ This increases to 24 percent of Europe's gas consumption if non-EU members are factored in. See “EU/Russia Energy Dialogue: An Overview,” June 1, 2001, http://europa.eu.int/comm/energy_transport/library/russia_energy_Dial-over.ppt.

⁴ See Clifford Gaddy and Fiona Hill, “Putin's Agenda, America's Choice,” Brookings Institution *Policy Brief No. 99*, April 2002.

brought them together on a range of issues with European Union member states, as well as with each other, but relations with the EU itself have been fraught with difficulty.

Turkey was declared a candidate country for EU accession at the Helsinki Summit in December 1999, having been initially rebuffed in 1997. But, its prospects for accession remain clouded by, among other issues, difficulties in meeting the stringent political and economic criteria for entry, persistent tensions in the relationship with Greece, the continued division of Cyprus, which is likely to become an EU member in the near future, and cultural differences.⁵ For Russia, even candidacy is an unlikely prospect in the foreseeable future, and for many observers in Moscow, Turkey's failure to become a member would make Russia's relationship with the EU even more difficult, especially if the perceived cultural differences with Turkey prove insurmountable for Europeans.⁶ European political commentators have frequently expressed alarm at the idea of an EU border with Iraq, if Turkey were to become a member, or effectively with China, if Russia were brought into an association. Furthermore, prevailing Russian and Turkish views on the use of military force in internal conflicts, on human rights, and international law are quite similar, but are also both out of step with EU norms. If Turkey is unable to find an accommodation with the European Union on these issues, it may find itself drawn away from Europe and closer to Russia.

In addition to Europe, Russia and Turkey have found common ground on other foreign policy issues, particularly in the Middle East. As a result of their respective geographical locations and strong mutual energy and trade interests with Iraq and Iran, Russia and Turkey have both tried to maintain economic relations with these two states in spite of pressure from the U.S. to sever ties. Turkey's southeastern region of Adana remains heavily dependent on trade with Iraq, for example, while Ankara has foregone an estimated \$30 billion in revenues due to the curtailing of Iraqi oil flows and U.S. sanctions imposed on Baghdad since the Gulf War.⁷ Likewise, Russia is owed an estimated \$8 billion in outstanding Soviet-era debt by Baghdad and its largest oil company, LUKoil, has preferential contracts for the refurbishment of Iraqi oilfields worth several billion dollars should sanctions be lifted.⁸ Turkey and Russia are concerned by the aftermath of a United States attack on Iraq and the removal of Saddam Hussein. Turkey seeks to avoid the disintegration of Iraq and the creation of an independent Kurdish state in the country's north, as well as the further disruption of cross-border trade. While Russia wants to ensure that its economic stakes in Iraq are not completely negated by prospective U.S. action. Both states, as a result, have become somewhat anxious observers of U.S. policy and activity in the region.

With Iran, Turkey and Russia have more complex relations. Both have strong trade interests in Iran—Turkey in purchasing Iranian gas, and Russia in selling civilian nuclear technology and arms to Iran (which have brought Moscow into sharp disagreement with the U.S.)—but there is also a degree of rivalry. While Russia has tended to see Iran as one of its most important strategic allies in the Middle East, and has welcomed Tehran's support for Moscow's position in the war on Chechnya and Iran's unwillingness to support any of the radical groups operating there or elsewhere in the Russian Federation, differences have also emerged. Although Moscow

⁵ For a detailed discussion of Turkey's relations with the EU, see Erkan Erdogan, "Turkey and Europe: Undivided but not United," *Middle East Review of International Affairs Journal*, Volume 6, Issue 2 (June 2002), pp.40-51.

⁶ Interview with Russian official in Moscow, February 5, 2002.

⁷ Interviews with Turkish officials in Ankara, May 16-17, 2002.

⁸ See "Russian Energy Minister in Baghdad," *RFE/RL Newslines: Iraq Report*, February 2, 2001, Volume 4, Number 5.

and Tehran were initially in consensus on the division of the energy resources of the Caspian Sea in the early 1990s, they have since moved apart. Since 1999, Russia has pursued a series of bilateral agreements on demarcation with other littoral states, in spite of Iran's strong preference for a multilateral agreement. This has caused friction in the relationship, and a feeling in Moscow that the two states may not always remain partners.⁹ Turkey and Iran already see themselves as political rivals in the region, and respectively as opposing secular and religious state models for the Muslim world. Ankara has been greatly concerned by evidence of Tehran's support for marginal Islamic and terrorist groups in Turkey, which has cast a shadow over the more positive bilateral trade relationship.¹⁰

In addition, Turkey and Russia have moved toward increasingly close links with Israel since 1991. Turkey has forged a security alliance with Israel based on mutual concerns about Syria's military intentions in the region, as well as both states' strategic relationship with America. Moscow's relations with Jerusalem have developed as a consequence of Jewish immigration from Russia to Israel. Since 1989, almost one million Jews have left the former Soviet Union for Israel. Native Russian-speakers now account for an estimated 15 percent of Israel's population, becoming an important cultural and political force in the state, as well as facilitating trade between the two countries.¹¹ All three states, Turkey, Russia, and Israel, share the same interest in containing radical Islamic movements that either originate in, or have links to, the Middle East. Although Russia's relationship with Iran has provided some cause for alarm in Israel, Moscow has tended to push secular and moderate Sunni Muslim Turkish examples as models for relations between the state and religion in regions of the Russian Federation, such as Tatarstan, with large Islamic populations.

Even previously contentious issues such as Chechnya and the Kurds have begun to retreat as major flash points in Russo-Turkish relations. During the first war in Chechnya, in 1994-1996, Chechen and other North Caucasus diaspora groups in Turkey, including Abkhaz and Cherkess, were active in their support for the Chechen cause. Groups raised money, engaged in demonstrations, and in some instances seized hostages to draw attention to the war—including a celebrated case in 1996 where a militant group seized a Turkish Black Sea ferry with a large number of Russian passengers on board and threatened to blow it up in the Bosphorous Straits.¹² The Turkish government did not take particularly aggressive action in response. Likewise, Russia turned a blind eye to the activities of Kurdish associations with links to the PKK based in Moscow, which continued to operate with impunity.¹³ However, in 1999, in spite of rumors to the contrary, Russia did not provide sanctuary to PKK leader, Abdullah Öcalan, who was later captured by Turkey. And, since the beginning of the second round of war in Chechnya, Turkey's response to the activities of Chechens on its soil has been markedly different. In contrast with the first war, Islamic groups in Turkey became the main source of support for the Chechen cause

⁹ Interview with Russian official in Moscow, February 5, 2002.

¹⁰ See Ely Karmon, "Radical Islamic Political Groups in Turkey," *Middle East Review of International Affairs*, Volume 1, Number 4 (December 1997).

¹¹ See Jason Keyser, "A decade later, Russian Jews and Israel have profoundly changed each other," *Associated Press*, December 15, 2001.

¹² For a review of these incidents see: "Hostage-taking Action by Pro-Chechen Rebels Impairs Turkey's Image" *China People's Daily*, April 24, 2001, http://english.peopledaily.com.cn/200104/24/eng20010424_68515.html. During the first war in Chechnya, Turks tended, erroneously, to regard Chechens as ethnically Turkish, which bolstered general popular sympathy for their cause.

¹³ See David Nissman, "Competition for Pipeline Route Heats Up," *Caspian Crossroads Magazine*, Volume 1, Issue Number 1 (Winter 1995), Article 6.

after 1999. Ankara's fears of Islamic fundamentalism and of the radicalization of its own Islamic groups encouraged a major change in attitude. After a series of incidents, including the hijacking of a plane, and a raid on Istanbul's Swissotel in 2001, by some of the same people involved in the 1996 ferry episode, the Turkish government moved to curb the activities of militant groups.

In the wake of the September 11 terrorist attacks, in January 2002, during a visit by Russian Chief of the General Staff, Anatoly Kvashnin, to Turkey, Moscow and Ankara concluded a military cooperation agreement that also involved an undertaking to prohibit the operations of terrorist organizations on their soil that could threaten the other.¹⁴ Kvashnin's visit was a particularly significant event in Russo-Turkish relations. It was the first by a highly placed Russian military official to Turkey since the collapse of the USSR.¹⁵ Not long after this meeting, in light of persistent difficulties in negotiations between Turkey and the EU, one of Turkey's most prominent Generals, Major General Tuncer Kilinc, the Secretary of the National Security Council, remarked that Turkey should perhaps abandon its efforts to secure EU membership and seek out alternative alliances with other neighbors such as Russia or Iran.¹⁶ The comment underscored that fact that seismic shifts in Eurasian geopolitics, mutual interests, and mutual difficulties are gradually pushing Russia and Turkey together.

From Competition to Cooperation in the 1990s

Calls for a closer relationship with Russia from a Turkish General would have seemed very much out of place a decade ago. After the collapse of the Soviet Union, the history of Russo-Turkish rivalry and ruinous war seemed to set the scene for an intense post-Cold War geopolitical competition between Turkey and Russia in Eurasia. The scene, however, did not play out quite as anticipated. After the independence of the South Caucasus and Central Asian states, neither Turkey nor Russia gained a great deal of new traction in the regions. Instead, increasing trade, tourism, and especially large-scale gas exports from Russia to Turkey, changed the nature of Turkish-Russian relations.

In the 1990s, although the South Caucasus and Central Asia were placed relatively high on its foreign policy agenda, Turkey did not live up to expectations. Late Turkish President Turgut Ozal had a fairly clear vision for Turkey's role in the regions as a model of secular Muslim political and economic development.¹⁷ There was a great deal of anticipation in Turkey that the 1990s would be a new era for Turkish influence in Eurasia.¹⁸ And the idea that Turkey would come to the aid of its cultural brethren and help them to achieve post-Soviet modernization was widespread in Turkey itself, as well as in the South Caucasus and Central Asia. But, apart from a considerable increase in trade and communications, the creation of cultural programs such as the funding of mosques, schools, scholarships for regional students to study in Turkey, and some military assistance to Azerbaijan and Central Asia, Turkey was unable to project itself as a major political influence in either the South Caucasus or Central Asia. Turkey's soft power was never translated into hard power. In part, this was the result of the ethno-political conflicts in the South Caucasus, particularly in Nagorno-Karabakh given the legacy of Turkey's tragic history with

¹⁴ TUSIAD-US, *Selected News on Turkey*, January 14-20, 2002.

¹⁵ See "Russian Chief of General Staff Ends Visit to Turkey," *RFE/RL Newslines*, January 17, 2002.

¹⁶ Owen Matthews, "Europe's Orphan: A Showdown is Brewing Between Turkey and the EU," *Newsweek International*, April 22, 2002, p.22.

¹⁷ See Berdal Aral, "Dispensing with Tradition? Turkish Politics and International Society During the Ozal Decade, 1983-1993," *Middle Eastern Studies* (London), January 2001, pp.72-88.

¹⁸ See Gareth Winrow, *Turkey in Post-Soviet Central Asia* (London: Royal Institute of International Affairs, 1995).

Armenia and its historic support for, and cultural affinity with, Azerbaijan. But, in larger part, it was the result of Turkey's financial weakness, its own preoccupation with internal political and economic problems, and the demands of competing foreign policy priorities in Europe and the Middle East. In the course of the 1990s, Turkey became fixated on finally establishing its credentials as a "Western" state and becoming part of Europe and the EU. Politicians in Ankara gradually left the development of relations with Eurasia to marginal political groups, non-governmental organizations, and, most importantly, the business community.

The same holds true for Russia. In spite of its strong historical ties and economic and political interdependencies with the regions from the Soviet era, Moscow saw its influence in the South Caucasus and Central Asia steadily decline. New inter-state political and economic arrangements that excluded Russia—such as the "GUUAM" group that brought together Georgia, Ukraine, Uzbekistan, Azerbaijan and Moldova—became increasingly attractive to regional states.¹⁹ Russia's influence faded through its own economic crises, and as trade between the South Caucasus, Central Asia, Iran, Turkey, and Ukraine increased, along with U.S. and other Western regional investment. Russia's strategic communication routes with the South Caucasus were cut off by regional conflicts and Russia's own dubious role in these conflicts soured its relations with the states even further. In the early-mid 1990s, Russia often intervened in Caucasus conflicts in such a way as to promote their escalation and/or continuation instead of resolution. As a result, Russia compromised its position as a political honest broker. In Georgia and Azerbaijan, in particular, Russia came to be viewed as an overbearing and volatile neighbor to build firewalls against by forging strategic alliances with the U.S. and other regional powers. By the end of the 1990s, only Tajikistan and Armenia remained dependent on Russia and then primarily out of desperation, faced by economic deprivation, political instability and perceived threats from immediate neighbors. And, again, like Turkey, Russia was diverted from the region by competing foreign policy priorities, also in Europe, but, moreso in defining its post-Cold War relationship with the United States.

Russia's weakening influence in Eurasia in the 1990s and Turkey's inability to fill the vacuum had a discernible effect on inter-state relations in the South Caucasus and Central Asia. The growing interest and investment of U.S. and international energy companies in the rich oil and gas deposits of the Caspian Basin, the thrust of U.S. policy toward pipelines and energy security, declarations by Georgia and Azerbaijan that they intended to join NATO, and increasing military-military ties between the U.S. and Central Asia, all led to sharp differences between Russia and the United States. In addition, Russia, Azerbaijan, Kazakhstan, Turkmenistan, and Iran squabbled continuously over dividing the spoils of the Caspian Sea, with Azerbaijan, Kazakhstan, and Turkmenistan periodically attempting to play Russia, Iran, Turkey and the U.S. off against each other to gain advantage. For most of the decade, Russia tried to preserve the old Soviet-era legal regime for the Caspian, which would have precluded the division of its sub-sea resources. It also fiercely resisted U.S. plans to break its pipeline monopoly and to transport Caspian oil across the Caucasus to Turkey. Regional rivalries served to divide states into camps, with Russia, Armenia and Iran firmly on one side, the U.S., Turkey, Azerbaijan, and sometimes Georgia, on the other, and the other states maneuvering in between.

¹⁹ Uzbekistan announced in 2002 that it would withdraw from full membership in GUUAM and only participate in the group's activities on a case-by-case basis.

However, at the same time that this geopolitical competition raged around Caspian oil, the bilateral relationship between Russia and Turkey developed apace in a surprisingly pragmatic fashion—in large part thanks to gas, which became the primary element and driving force in Russian-Turkish relations. Indeed, one might even describe gas as the transforming force in the bilateral relationship. Disputes over oil may have divided regional states, but agreements on gas served to bind Russia and Turkey together.

Gas as a Transforming Force in Bilateral Relations

Although the Caspian was touted in the 1990s as a new global source of oil, its future is also in gas. The bulk of reserves are in Turkmenistan, Kazakhstan, and Uzbekistan, with some significant new finds in Azerbaijan, which are already destined for export to Turkey. But it is Russia that is the dominant player in gas. Russia has the world's largest gas reserves—about one third of total world supply. Most of Russian gas is concentrated in Siberia rather than in the Caspian, but Russia also enjoys considerable control over Central Asian gas production and exports. All existing gas export pipelines run through Russia, and international energy companies have failed to make the same inroads into Central Asian gas production as they have in Caspian oil.²⁰

Along with Eastern Europe and the European Union, Turkey is Russia's major market for gas, purchasing more than 10 billion cubic meters of gas a year. Seventy percent of Turkey's gas imports come from Russia.²¹ Russia's gas monopoly, Gazprom, has concluded deals to supply Turkey with natural gas that extend well into the next two decades. In addition to the extremely ambitious Blue Stream pipeline and gas export project across the Black Sea,²² some of the largest energy business deals in Russia have been signed with Turkey, including a \$13.5 billion deal in 1997 between Gazprom and the Turkish government to construct gas pipelines and carry out equipment upgrades.²³ In recent years, Russia and Turkey have also discussed constructing gas pipelines from Russia through Georgia and Armenia to the Turkish market; building a pipeline under the Mediterranean to Haifa in Israel, which would capitalize on Turkey's strategic partnership with Israel in the Middle East; constructing a Middle East gas loop stretching to the Gulf of Oman; and building additional pipelines from Turkey to Greece to offer more routes for Russian gas to the Balkans and then the rest of Europe.²⁴

In each of these cases, Turkey and Russia have a clear shared interest—Turkey in purchasing energy and levying transit fees, and Russia in exporting its gas and earning hard currency from the energy sales. Russia would also have control over the supply and a direct stake in the

²⁰ For a detailed discussion of Central Asian energy issues, see the Energy Information Administration country analysis briefs at: <http://www.eia.doe.gov/emeu/>.

²¹ U.S. Energy Information Administration, "Turkey Country Report," July 2001, <http://www.eia.doe.gov/emeu/cabs/turkey.html>.

²² The Blue Stream project was first announced in 1996 as a joint venture between the Russian gas monopoly, Gazprom, and the Italian energy company, ENI, to bring Russian gas 1,400 kilometers by pipeline across the Black Sea. After a series of crucial inter-governmental agreements in 1999, the project secured sufficient funding to move ahead with construction in 2000. The final stages of the pipeline under the Black Sea were completed in October 2002, well behind the original construction schedule. The project remains one of the most ambitious in the region—Blue Stream is the world's deepest underwater pipeline, hitting an unprecedented depth of 2,150 meters. See Michael Lelyveld, "Russia: Blue Stream Pipeline A Technological Feat, But an Economic Misadventure," *RFE/RL*, October 23, 2002.

²³ Sanobar Shermatova, "Gas Brings Turkey and Russia Closer," *Moscow News*, December 25, 1997, p.6.

²⁴ Haitham Haddadin, "United States, Turkey Try to Speed Baku-Ceyhan Pipeline," *Journal of Commerce*, April 23, 1999.

transportation routes in the projects. This shared interest in gas exports has opened up some interesting possibilities for the future. Russia is beginning to see Turkey as a partner in its energy development rather than simply as an export market, or as a source of competition in the Caspian Basin. In October 2000, for example, during a visit to Ankara to discuss Russian gas sales to Turkey, Russian Prime Minister Mikhail Kasianov noted that “Russia and Turkey are not rivals but partners, and our governments will from now on proceed from this understanding.”²⁵

In fact, in the 1990s, Turkey became one of Russia’s most important overall trading partners with total annual trade amounting to between \$10-12 billion.²⁶ Turkish construction companies, such as Enka, have concluded multi-billion dollar contracts in Russia, including undertaking a number of high-profile projects in Moscow such as the refurbishment of the “White House”—the former building of the Russian parliament and now the home of the Russian government, which was severely damaged during President Yeltsin’s military standoff with the parliament in 1993.²⁷ Russian shuttle traders flocked to Turkey to purchase goods for resale at home, pushing the numbers of special charter flights between Moscow and Istanbul to an average of 40-50 per week in the mid-1990s.²⁸ And tourists from Russia have made Turkey their preferred vacation destination, with Russians dominating resorts such as Antalya on Turkey’s Mediterranean coast.²⁹ Although the total volume of Russian-Turkish trade fell off sharply as a result of the 1998 Russian financial crisis and repeated financial crises in Turkey in 1999-2001, the overall trend in trade since the collapse of the USSR has been extremely positive. Indeed, tourism and trade have fostered a set of human contacts, close connections, and alternative means of communication between entrepreneurs, local politicians, and diplomats in both countries. With a patient and pragmatic approach, the Turkish business community built up an equity stake in Russia in the 1990s, that is now being mirrored by Russian energy companies such as Gazprom and LUKoil in Turkey. All of this activity and these mutual stakes have created a popular base for further progress in political relations.

Transforming the South Caucasus

While Russia and Turkey themselves clearly have much to gain from their evolving economic and political relations, the South Caucasus, in particular, seems most likely to benefit from the development of a Russo-Turkish partnership in Eurasia. Independence has not been kind to the countries of the South Caucasus. The transition from the Soviet command economy and authoritarian political system has been much more complex and difficult than anticipated, and progress in market reforms, institutional development, and democratic reform has been limited. Attempts at macro-economic reform have led to economic stabilization but, in the process, extensive borrowing from international financial institutions has also saddled the states with high debt burdens. Intractable ethnic conflicts in Nagorno-Karabakh, Abkhazia, and South Ossetia, as well as across the Russian border in Chechnya, threaten further progress.

²⁵ Cited in Robert Freedman, “Putin and the Middle East,” *Middle East Review of International Affairs*, Volume 6, Issue 2, (June 2002), pp.1-16, p.9.

²⁶ Cited in Freedman, “Putin and the Middle East,” p.8.

²⁷ Nina Planck, “Builders Of A New Russia: Turkish firms are quietly winning scores of big contracts in the former Soviet Union,” *Time Magazine*, June 15, 1998, Volume 151, Number 24, p.16.

²⁸ Freedman, “Putin and the Middle East,” p.11.

²⁹ “Russian Tourists Prefer Turkey,” *Turkish Press Review*, August, 13, 2001, citing a July 16-22, 2001 poll in the Russian newspaper, *Moskovski Komsomolets*, in which Turkey gained 36.76 percent of preferred responses, followed by Spain with 22.89 percent.

Over the course of the 1990s there has been a massive exodus of highly-skilled members of the population from the South Caucasus. Expert estimates suggest, for example, that more than one million people may have left Armenia alone—in effect de-populating what was one of the most advanced republics in the USSR and stripping it of the human resources vital to its economic recovery. Not only does Armenia lack a natural resource base, but it has seen the collapse of its once significant manufacturing sector, and has been bypassed in regional transportation and pipeline projects to Turkey as a result of the conflict with Azerbaijan. The country is now dependent on international assistance and the support of its diaspora population in Russia and the West. Indeed, remittances from diaspora and migrant populations are crucial to all three South Caucasus economies. The annual income of an estimated one million Azerbaijani migrants in Russia, for example, ranges between \$700 million and \$1 billion according to different estimates from international financial institutions,³⁰ while more than 500,000 Georgian workers in Russia are thought to produce about one quarter of the country's GDP.³¹ The loss of human resources in the region through out-migration and persistent dependencies on Russia for temporary and migrant employment, and remittances have all skewed development. Russia also serves as the main market for South Caucasus goods, primarily foodstuffs, especially as other international markets remain closed thanks to political instability in the region and a dearth of transit routes, as well as trade tariffs.

Turkey's new importance as a commercial partner to Russia, its trade potential, and its economic links to Europe are significant factors for the South Caucasus. Like Russia, Turkey has become a window to Europe and the U.S. for the South Caucasus, and Istanbul is now a transportation hub for the region. Turkey has diaspora as well as linguistic links with the Caucasus and there has been no perceptible backlash to date to the influx of Russian-speakers from the region into Istanbul and other Turkish cities. Turkish merchants and tour operators have, in fact, moved quickly to accommodate the newcomers with Cyrillic signs, while Azeris can communicate freely within Turkey in their own language. Turkish trade with the region increased considerably in the 1990s in parallel with the rapid development of Turkey's trade with Russia.

In spite of the absence of diplomatic relations, tentative economic relations between Armenia and Turkey also developed after the 1994 ceasefire in Nagorno-Karabakh. These have been facilitated by flights between Istanbul and Yerevan, and the establishment of non-governmental organizations to foster relations, such as the Turkish-Armenian Business Development Council, which was set up in 1997 to create trade links between Armenian businesses, the Armenian diaspora, and Turkish businesses in Anatolia.³² However, for Armenia, the closure of its land border with Turkey as a result of the conflict over Nagorno-Karabakh, has proven to be one of the most significant obstacles to its economic development, costing the country an estimated \$62 million annually in blocked exports, and leaving it dependent on tenuous lines of communication through Iran and Georgia.³³ Opening the Armenian-Turkish border would have a profound effect not only on Armenia but on the rest of the Caucasus, where the full development of regional

³⁰ Cited by *Bilik Dunyasi* news agency, Baku, in Russian, June 4, 2001, reprinted as extract in English in "Azeri Migrants in Russia Generate over 700mn dollars per year," *BBC Monitoring Service*, Trans-Caucasus Unit, Azeri-Russia-Economy, June 4, 2001.

³¹ Cited in Zeyno Baran, *Georgia Update*, January 10, 2001 (Center for Strategic and International Studies, Washington, DC).

³² See TABDC, "Turkish-Armenian Business Development Council Celebrates Fifth Anniversary," *Press Release*, May 3, 2002, at <http://www.tabdc.org>.

³³ Cited in Janin Friend, "Abandoning a Sinking Country," *Business Week*, October 30, 2000, p.4.

economies has been stymied by the ongoing conflict between Armenia and Azerbaijan and the stalemate in Armenian-Turkish relations.

Open borders between the South Caucasus and Turkey will provide additional transportation and communication linkages to the West as well as to the Middle East. It will also pave the way for realizing promising economic prospects in Caucasus tourism and freight forwarding from Central Asia and the Caspian to the Black Sea and Europe, as well as from Russia to Turkey and Iran. During the Soviet period, the three South Caucasus republics were major tourist destinations within the USSR with millions of visitors annually. Tourism was a major factor in regional economies, but dropped off sharply after independence as a result of the violent conflicts and border closures, with the sharpest decreases in Armenia and little subsequent revival. The World Bank and a number of other international institutions operating in the region have initiated a series of programs to revitalize the sector.³⁴ Many regional groups anticipate being able to tie these programs to the already booming tourist industry in Turkey given the prospective ease of travel between Turkey and the Caucasus and the similarities in topography and climate. In Turkey, the tourist industry is one of the country's most important sectors, earning it \$12.5 billion in revenues in 2001 (roughly equivalent to 6 percent of 2001 GDP).³⁵

The stalemate in Armenian-Turkish relations remains one of the most significant obstacles to moving forward. But the gradual development in Russo-Turkish relations, combined with the recent improvement in U.S.-Russian relations, has created some space for a new dialogue between Turkey and Armenia. Ironically, so has the lifting, in early 2002, of the restrictions on U.S.-Azeri relations and cooperation under the Section #907 amendment to the 1993 Freedom Support Act. These restrictions were imposed by the U.S. Congress against Azerbaijan in response to its blockade of Armenia in the early stages of the war in Nagorno-Karabakh and precluded the implementation in Azerbaijan of a range of U.S. government programs, including military assistance, otherwise offered to former Soviet states under the terms of the Act. The U.S. government responded to the Congressional amendment by foregoing military cooperation with both Azerbaijan and Armenia. The two countries' support for the American campaign in Afghanistan and the war against terrorism, after September 2001, paved the way for lifting these restrictions, and the initiation of U.S. military cooperation with Armenia and Azerbaijan. In addition, their support for the American campaign also effectively made Armenia, Azerbaijan, Russia, and Turkey all part of the same—albeit loose—coalition with the United States for the very first time.

The fact that Turkey and the U.S. on the one hand, and Russia on the other, are no longer seen to be in opposing camps after September 11 has transformed the South Caucasus from an object of competition among the three powers to a potential arena for mutual contact and cooperation. In response, Turkey has pushed to improve relations with Armenia.³⁶ In summer 2002, there were several significant developments, including a meeting between Armenian Foreign Minister Vartan Oskanian and Turkish Foreign Minister Ismail Cem at a summit of the leaders of the

³⁴ Information on World Bank regional initiatives in the South Caucasus is available on the Bank's website at: <http://www.worldbank.org>.

³⁵ Figure cited in interview with the Secretary General of the Banks Association of Turkey in Istanbul, May 14, 2002.

³⁶ Interviews with Turkish Foreign Ministry officials and representatives of parliament in Ankara, May 16-17, 2002.

member countries of the Black Sea Economic Cooperation organization in Istanbul.³⁷ Rumors circulated in the Caucasus on the initiation of secret talks between the two states.³⁸ And, on June 26, 2002, the Armenian Foreign Minister formally announced that Armenia sought a dialogue with Turkey that could lead to full diplomatic relations.³⁹

Clouds on the Eurasian Horizon

In spite of these positive developments since September 11, clouds remain on the Eurasian horizon. There are obstacles to a more rapid development of Russo-Turkish relations beyond the bilateral relationship. While Russia is moving forward in building ties with the U.S. and Europe, Turkey is becoming increasingly bogged down in a confluence of internal and external problems. Turkey's economy is still in crisis following the financial collapse of 2001, and the challenges of implementing domestic restructuring under the conditions of its new IMF reform program are immense. In addition, in summer 2002, the increasing ill-health of Prime Minister Bulent Ecevit, a weak coalition government, and an unreformed political party system all led to early elections in November 2002—casting an additional pall of uncertainty over the Turkish political scene.

Turkey's external international environment is equally unpredictable, which threatens to distract the state from domestic reform, if not overwhelm it entirely. A crisis with Europe over Cyprus has loomed for some time, as the division of the island persists and the European Union looks likely to accept the Greek Republic of Cyprus as a member—to the evident disadvantage of the Turkish population of the island. Cyprus is a national issue for Turkey and any development in Brussels that is seen to threaten the status of Turkish Cypriots will lead to a popular backlash, undermining Turkey's already tense relationship with the EU. Turkish officials fear that a clash with the EU over Cyprus could derail Turkey's economic reform program and the progress Turkey has made so far in meeting the criteria for EU accession.⁴⁰ Not least of all, U.S. plans to invade Iraq and overthrow the regime of Saddam Hussein, in response to Hussein's continued attempts to develop Weapons of Mass Destruction, casts a shadow over every other issue for Turkey. Senior officials in Ankara fear that an American offensive in Iraq could lead to complete political destabilization given the range of other issues Turkey has to deal with.⁴¹

In the South Caucasus, residual suspicion lingers between Turkey and Russia and the long history of rivalry cannot be quickly erased—nor can the other stains of the past. Turkey and Russia are still at odds over issues such as the construction of the Baku-Tbilisi-Ceyhan pipeline for Caspian oil, and Turkish objections over the increased passage of Russian oil tankers through the Bosphorous Straits. And, in October 2002, Chechnya reemerged as a point of contention after Chechen terrorists seized hundreds of hostages in a theater in Moscow and were reported by the Russian *Interfax* news agency to be in contact with “accomplices” outside the Russian Federation, including in Turkey. Russian officials also complained about the press coverage of the hostage crisis in Turkey, which they saw as unduly sympathetic to the Chechens and critical

³⁷ Jon Gorvett, “Armenia, Turkey Move Cautiously Towards Rapprochement at Istanbul Meeting,” *Eurasia Insight*, June 28, 2002.

³⁸ “Azeri Paper Says Secret Turkish-Armenian Talks Under Way,” *BBC Monitoring Service*, Trans-Caucasus Unit, June 12, 2002, citing *Ekho*, Baku, in Russian, June 12, 2002.

³⁹ TUSIAD-US, “Armenia Asks for Improved Relations with Turkey,” *Selected News on Turkey*, June 24-30, 2002.

⁴⁰ In October 2002, the European Union's evident reluctance to offer Turkey a date for the beginning of accession talks at the December 2002 Copenhagen Summit was seen as a further blow to Turkish-EU relations and the progress of reforms. See, for example, “Turkey Again Disappointed By The EU,” *turkishpress.com* “Daily News,” Thursday, October 31, 2002 (summarizing a column by Derya Sazak in *Milliyet*).

⁴¹ Interviews with Turkish business leaders and government officials in May 2002.

of the Russian government.⁴² If bilateral relations are to progress, this and other sensitive issues will have to be handled carefully by both Turkey and Russia.

In addition, the Armenian diaspora in Europe and the U.S. remains resistant to Armenia's rapprochement with Turkey—absent an acknowledgement of responsibility for the terrible events of 1915, and an explicit admission of “genocide,” which Turkey refuses to entertain. This is compounded by the fact that Turkey's ally in the South Caucasus, Azerbaijan, has serious reservations about a new relationship between Armenia and Turkey and its implications for Baku. A substantial portion of Azerbaijani territory is still under Armenian occupation after a major military offensive in the war over Nagorno-Karabakh in the 1990s. Unlike in Armenia, where refugees from the war over Nagorno-Karabakh have often left the Caucasus for Russia, in Azerbaijan the population was internally displaced and has been stuck in temporary camps and shelters for a decade. Internally Displaced People (IDPs) in Azerbaijan form a disaffected political force that is an obstacle to improved relations with Armenia.⁴³ Although Turkey has consistently stressed that any progress in its own relationship with Armenia is contingent on an Armenian withdrawal from the occupied territories, Azerbaijan fears that the desire to secure a diplomatic breakthrough in Ankara will eventually outweigh these considerations. As one proposal for moving forward, Baku has pushed for an Armenian withdrawal from four of the occupied territories that would be immediately reciprocated by the simultaneous reopening of both the Turkish-Armenian border and the Baku-Nakhichevan-Yerevan railway line. This would restore the pre-conflict network of communications among Azerbaijan, Iran, Armenia and Turkey. The synchronicity of the proposal, however, would clearly be ruptured by a bilateral Turkish-Armenian move to open their border.⁴⁴ From the point of view of Baku, as well as of the Armenian diaspora in Europe and the United States, Ankara's negotiations with Yerevan are a trilateral if not quadrilateral affair, and not a bilateral matter.

Azerbaijan is also a potential source of friction in Turkey's relations with Russia in the event of a succession crisis after the death of Azerbaijan's elderly President, Heydar Aliyev. Turkey has, in the past, tried to play a direct role in Azerbaijani politics, while, one of Azerbaijan's opposition leaders, former Communist leader and first Azeri President, Ayaz Mutalibov has been in exile in Moscow for several years and is seen as one of Moscow's “candidates” for the Azeri succession.⁴⁵ In addition, Vagit Alekperov, the influential head of Russia's giant oil company, LUKoil, is an ethnic Azeri with roots and substantial contacts in Baku and has occasionally been touted in the Russian press as another possible contender for Azerbaijan's presidency.⁴⁶ Both Turkey and Russia will have to tread cautiously in their response to this eventuality to prevent damage to their bilateral relationship as well as to their individual relations with Azerbaijan. There is a precedent, however, for Russo-Turkish cooperation in Azerbaijan in a recent incident in the Caspian Sea. In July 2001, an Iranian gunboat forced a British Petroleum oil exploration vessel to retreat from waters claimed by Azerbaijan but disputed by Iran. This was followed by

⁴² See, *Reuters*, “Turkey Seeks to Heal Russia Ties in Chechen Row,” Wednesday, October 30, 2002.

⁴³ The United Nations High Commission for Refugees estimates that there are still more than 573,000 IDPs in Azerbaijan. See UNHCR, Basic Facts, “Refugees by Numbers 2002 Edition: Estimates of Major Populations of IDPs of Concern to UNHCR,” online at: <http://www.unhcr.ch>.

⁴⁴ Interviews with Azeri diplomats in Washington, DC, June 2002.

⁴⁵ See Svante Cornell, “Democracy Falter in Azerbaijan,” *Journal of Democracy*, Volume 12, Issue 2 (April 2001), pp.118-131.

⁴⁶ Andrew Jack, “A Better Class of Baron,” *Financial Times*, December 1, 2001, p.11.

Iranian warplane incursions into Azerbaijani airspace in August 2001.⁴⁷ Turkey responded forcefully to the Iranian action with diplomatic complaints as well as arranging a symbolic overflight of Turkish warplanes over Azerbaijan. Russia's response was more cautious and less demonstrative, but Moscow also signaled its support for Azerbaijan's claim and its displeasure with Iran's show of force during an August 2001 summit with other regional leaders in the southern Russian city of Sochi.⁴⁸ After a decade of rivalry in Azerbaijan, Turkey and Russia were seen, for the first time, to be on "the same side."

Beyond Armenia and Azerbaijan, instability in Georgia and extremely poor relations between Georgia and Russia pose perhaps one of the most serious problems for Turkish-Russian bilateral relations. The increasing unpopularity of Georgian President Eduard Shevardnadze, social unrest, entrenched corruption, increasing criminality, the spill-over of fighters and refugees from Chechnya, armed clashes between militant groups, and the threat of the possible resumption of war in Abkhazia, all make the future of Georgia extremely unpredictable. Although in April 2002, the introduction of U.S. military trainers to strengthen the capacity of the Georgian military gave a boost to the Georgian government and improved the country's general security,⁴⁹ by September 2002, Russian-Georgian relations had deteriorated dramatically over the presence of Chechen forces in Georgia's Pankisi Gorge. Following a tense period of mutual recriminations, covert Russian bombing raids inside the Gorge and Russian threats to send troops into Georgia, the Georgian government launched its own operation in the Pankisi Gorge. A number of Chechens, and Arab militants with reported links to Al Qaeda, were rounded up and handed over to Russia and the United States respectively.⁵⁰ This operation and a Russo-Georgian agreement to carry out joint border patrols were seen, however, as only temporary solutions to the festering problems in relations extending well outside Pankisi.

Russia and Georgia continue to be at odds over Abkhazia. Having played a significant role in the initial secession of Abkhazia, Russian forces continue to man the cease-fire and demarcation line with Georgia in the disputed Gali region. Russia also remains Abkhazia's only link with the outside world and the secessionist republic's economy depends heavily on its ties to Russia. The Russian ruble is the republic's official currency and, in summer 2002, Moscow also issued passports to Abkhazian residents in place of their expired Soviet-era travel documents. Ethnic Abkhazians, Armenians, Greeks, Russians and others living on Abkhazian territory became citizens of the Russian Federation—turning the secessionist region's *de facto* dependence on Russia into a quasi-*de jure* status. Around 70 percent of the Abkhazian population has now assumed Russian citizenship and Tbilisi has sharply protested Moscow's intervention.⁵¹ These developments greatly complicate Russo-Georgian relations as well as efforts to find a solution to the conflict between Abkhazia and Georgia. With both Abkhazian and Georgian diasporas on its territory, Turkey is watching events unfold with some anxiety.

⁴⁷ Michael Lelyveld, "Iran: Hurdles Remain In Improving Ties With Azerbaijan," *RFE/RL Newswire*, August 21, 2001.

⁴⁸ Arkady Dubnov, "Tehran Guns for Caspian Oil," *Institute for War and Peace Reporting*, CRS Number 95, August 24, 2001, online at: http://www.iwpr.net/index.pl?archive/cau/cau_200108_95_3_eng.txt.

⁴⁹ *Eurasianet.org*, "U.S Advisors Prepare to Help Train Georgian Military in Counter-Terrorism Operations," May 21, 2002, online at: <http://www.eurasianet.org/departments/recaps/articles/eav052102.shtml>.

⁵⁰ *Associated Press*, "Georgia extradites 5 suspected Chechen militants," Friday, October 4, 2002; *Associated Press*, "Russia, Georgia agree to patrol border together," Monday, October 7, 2002; and Peter Baker, "15 Tied to Al Qaeda Turned Over to U.S.," *Washington Post*, Tuesday, October 22, 2002, p.A17.

⁵¹ Inal Khashig, "Abkhaz Snap up Russian Passports," *Moscow Times*, Monday, July 1, 2002, p.1.

While there is every reason for anxiety, especially in the wake of the series of tumultuous events in Turkey and the Caucasus in summer 2002, the trajectory of the last ten years gives greater grounds for optimism in the future. The expansion of economic, commercial and personal connections between Russia and Turkey, the changing dynamic of Turkish and Russian foreign policies, and shifts in regional security priorities after the events of September 11, 2001, all point toward continued improvement in Turkish-Russian relations. In sum, in spite of the persistent problems, the prospect of a partnership between Turkey and Russia over the long-term appears as a bright spot on what has tended to be the rather gloomy horizon of Eurasia since the collapse of the Soviet Union.

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