

TURKEY AND RUSSIA MEET IN THE CAUCASUS

This article focuses on current Turkish-Russian relations which have been propelled by intensified energy cooperation. It draws attention to both the Turkish and the Russian foreign policy approaches that have changed significantly in the past decade, increasing both countries' leverage in regional affairs, including the Caucasus. The process of Turkish-Armenian rapprochement is analyzed, with a view to its potential implications for the prospective regional energy projects in the context of the Turkish-Armenian and Russian-Armenian bilateral relations.

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The establishment of full-fledged interstate relations between Turkey and Armenia –if realized– will change the political architecture of the Caucasus, and in particular dramatically affect the development of regional infrastructure projects, such as the construction of energy exporting pipelines.

Turkey-Russia Energy Cooperation

Energy is the backbone of modern interstate relations, and Turkey and Russia provide a good example of this. Their relations bear certain specifics: Russia is the richest country in natural gas having more than 30 percent of world reserves¹, while Turkey is an energy dependent country reliant on gas imports. As such, Turkey is one of the largest Russian gas importers and natural gas accounts to the highest share of the Turkish-Russian trade turnover. In 2008, the trade volume between the countries reached some 26 billion euros and is expected to more than double in the next four years, making Russia Turkey's biggest commercial partner.²

Russia annually exports more than 20 bcm of natural gas to Turkey.³ In terms of Russian gas imports, Turkey is second after Germany, however, Turkey receives a higher percentage of its gas imports from Russia than Germany does. 60 percent of Turkey's gas comes from Russia while for Germany this figure is 40 percent. This means that Germany's gas supplies are better diversified than Turkey's, heavy dependence on Russian gas does not pose as much danger to the country's energy security. As for Turkey, its overdependence on one supplier, namely Russia, for key energy resources continues to generate serious concern in the country and motivates the Turkish government to seek additional sources of gas imports for diversification. An option came in 2007 as a result of the construction of the Baku-Tbilisi-Erzurum (BTE) gas pipeline, which annually brings some eight bcm of Azerbaijani gas to Turkey⁴ at a price much lower than Russian gas. Still, these volumes remain modest in comparison to the Russian gas deliveries which reached 24 bcm by the end of 2008.⁵

¹ *Ru* (inoSMI.Ru), www.inosmi.ru, 16 August 2009.

² "Turkish Foreign Policy – Between East and West?", Amanda Akçakoca, *Today's Zaman*, 2 October 2009.

³ *BOTAŞ* statistics www.botas.gov.tr.

⁴ *Ibid.*

⁵ *Ibid.*

Moreover, Turkish energy dependence on Russia may continue growing, if Turkey's first nuclear power plants are built with Russia's involvement. This November the Turkish authorities finally cancelled the opened in 2008 tender for the construction of four nuclear reactors with a capacity of 1200 MW each, where the sole bidder was a Turkish-Russian consortium of Russia's Atomstroyexport, power producer Inter RAO UES, and Turkey's Park Teknik. Still, this development does not imply at all that Turkey has dropped down its plans to build nuclear power plants. According to Energy Minister Taner Yıldız, "decision on the nuclear power plant construction could be taken not necessarily on the tender results basis. Construction may be carried out through the public sector's partial involvement as well."⁶ If developments proceed this way and Turkey decides to go for the PPP model (private-public participation), than involvement of Russia's Atomenergoexport nuclear agency could be well expected. After all, at the press conference in Ankara last August Vladimir Putin mentioned an agreement reached at the level of prime ministers to build in Turkey through Russian participation four to five nuclear blocs within the next decade.⁷

Oil is another promising sector for the flourishing Turkish-Russian energy cooperation and relevant agreements were signed in August in Ankara to allow Russian oil companies to take active part in the construction of the Samsun-Ceyhan oil pipeline. Their mission is to establish a route for crude deliveries from the Black Sea to the Mediterranean, thus bypassing the congested Bosphorus straits. Thus, it is not an exaggeration to say that Turkish-Russian energy cooperation is sky-rocketing, and if continues this way, it will generate momentum for other areas of the interstate relations to also develop further.

Turkish-Russian Interstate Relations

Turkey-Russia relations have experienced many ups and downs in the past centuries. The intensification of relations back in the 1990s was boosted by the commercial ties established by small Turkish businesses and private Russian entrepreneurs, known as "shuttle" trading. It is no secret that high-level intergovernmental contacts were on stand-by at that time: the first high-level official visit to Turkey in almost 30 years was that by President Putin in 2004. Coincidence or not, the visit took place on the occasion of the official inauguration of the Blue Stream submerged/underground gas pipeline to establish transit-free deliveries

⁶ *RIA Novosti*, www.rianovosti, 22 November 2009.

⁷ "Russian and Turkish prime ministers have successfully discussed energy issues", www.5-tv.ru, 6 August 2009.

of 16 bcm of Russian gas a year to Turkey.⁸ Since then, Turkish-Russian relations have been intensely developing. Last August, the parties signed more than 20 bilateral agreements during a one-day visit of Prime Minister Putin to Turkey.

Among them, of major importance was the one in which Turkey consented to allow Russia's newly constructed underwater pipeline of South Stream to pass through the Turkish territorial waters on its 900-km long way from Novorossiysk on the Black Sea coast of Russia to Varna on Bulgaria's Black Sea coast. The mega pipeline of 63 bcm a year capacity⁹ is to establish a Southern export route for Russian gas to EU countries, bypassing conflict-prone Ukraine. Turkish consent on the pipeline's passage is of major importance for Russia, which is caught in an endless squabble over its gas transit with Ukraine. Furthermore, Russia's ultimate desire to change transit corridors for its gas deliveries to Europe has motivated the construction of the mega pipelines of North Stream and South Stream during the past several years.

Turkish and Russian Foreign Policy Approaches

Turkish consent is an evidence of Turkey's support for the Russia-planned South Stream pipeline, a natural competitor to the Nabucco pipeline project advocated by both the EU and the U.S., for which an intergovernmental agreement was signed again in Ankara just three weeks prior to the signature of the Turkish-Russian agreement on South Stream. The projects compete with each other by targeting the same customers in the EU countries and being expected to largely pass through the same transit countries, not to mention that their targeting the same resource base—at least for a start—namely the Azeri off-shore Shah Deniz gas deposits.

Turkey and Austria have worked hard for the past seven years to make the Nabucco project possible. One might expect Turkey to support Nabucco and be against the rival South Stream. However, this may have been the case a decade ago, but not today.

During the past decade, Turkish foreign policy has experienced a major reshuffle and is today more sophisticated, flexible, and oriented at building alliances with

⁸ BOTAŞ statistics . www.botas.gov.tr

⁹ "South Stream will increase capacity and settle down the marketing issues", *UGA.ru*, www.yuga.ru, 16 May 2009.

immediate neighbors. This is an effect of Turkey's new foreign policy approach based on the concepts of "strategic depth" and "zero problems with neighbors", masterminded by Foreign Minister Davutoğlu.¹⁰ According to these policies, Turkey positions itself as a regional power actively involved in the processes ongoing in the Caucasus, Central Asia, the Middle East and the Black Sea region, while pursuing good neighborly relations and economic cooperation with all regional players.

As such, Turkey balances the "Russia dimension" with the U.S.-EU element of its foreign policy, guided by respect to other countries' positions ("tolerant compromise") instead of taking sides. The Turkish position on the ongoing developments with Nabucco and South Stream is evidence of this new approach. "The South Stream and Nabucco projects should not be seen in the context of rivalry but of diversification", believes Prime Minister Erdoğan¹¹, while Russia's position is that Nabucco is not an economically viable project, since it lacks the required resource base. Besides, South Stream and Nabucco are generally believed not only to be competing with each other, but even excluding each other. Their projected capacity, if accumulated, would greatly exceed the EU forecasted gas demand to exist by the time their becoming operational.

Russia's international standing has changed significantly in the past decade as well. Current Russian foreign policy has a lot to do with the charismatic personality of Russia's Prime Minister Putin, known for his tough and uncompromising position on issues of vital importance for Russia. Since 2000, Russia has activated its efforts to regain a commanding position in the regions of its "traditional presence"¹² primarily Central Asia, the Caucasus and the Black Sea. Turkey is quite active in those regions as well, and while enjoying bilateral relations of cooperation with countries of those regions, it successfully interacts with Russia as well, including cooperation through multilateral frameworks such as the Black Sea Economic Co-operation Organization, BSEC.

Russia's interstate relations today are largely focused on developing regional energy cooperation and new export routes for oil and gas in particular. Today the "global nature of the energy issues and their increasingly political dimension

¹⁰ Ahmet Davutoğlu, *Stratejik Derinlik*, (Ankara, 2001).

¹¹ *Today's Zaman*, 6 August 2009.

¹² President Putin at a press conference on the occasion of BSEC Summit, *Izvestia*, 27 June 2007.

coped with a leading position of Russia's oil and gas sector in the world economy have made the energy factor a prime element of Russian diplomacy."¹³ Due to this, it is logical to expect Russian foreign policy to resort to the factor to supplement the tools of diplomacy and to apply means of state-to-state diplomacy when lobbying for the interests of Russia's major oil and gas corporations. Result oriented and beneficial for Russia, this uncompromising approach is prone to provoke a conflict of interest in the Turkish-Russian relations sooner or later.

Still, both Turkey and Russia acknowledge strengthening of bilateral relations as their top priority, while recognizing "mutual understanding and joint interests" as the backbone of the development of their relations. The goal of achieving this difficult end is a motivator strong enough for their search of a mutually acceptable compromise in matters of prime importance for Turkey and Russia.

Russian-Turkish energy cooperation opens new and promising horizons in different sectors and for all the parties involved, according to Prime Minister Putin, who recognized it as "extremely important for the European energy security and the Russian-Turkish relations complex development, while paving the way for the new broad-scope energy projects."¹⁴ It is of paramount importance as well for Russia's and Turkey's bilateral relations with their immediate neighbors, and especially those bordering on both Turkey and Russia.

Turkey and Russia in the Caucasus

The Caucasus is a prime region where Turkish-Russian interests meet and where both countries share a centuries-old history often tarnished by mutual distrust, enmity and war. Still, during the past decade the Caucasus has become a region of intense energy cooperation with the construction of the world's second longest export pipeline of Baku-Tbilisi-Ceyhan, BTC, to export Caspian crude and the first Caspian gas exporting line of Baku-Tbilisi-Erzurum, BTE. Both of them pass from Azerbaijan to Turkey through Georgia and are U.S.-backed energy projects – actually, the only two successful ones in the region. By coincidence or not, both of them end in Turkey making it a regional energy hub and sound player of the world energy market.

¹³ *Energy Strategy of Russia until 2020*, www.energypolicy

¹⁴ Prime Minister Putin's press conference in Ankara on 6 August 2009, *Izvestia*, 7 August 2009.

Until 8 August 2009 both pipeline projects were believed to be absolute success stories, and even during their construction nothing hinted at the fact that one day their security could be put at risk by military hostilities. The fragility of BTC became apparent when the pipeline was nearly hit by Russian bombs. This shocked the international community.

Those sad developments have commanded international attention to the issue of regional security in the Caucasus and practical means of how to protect it, which drew Russia and Turkey to the core of the matter. Turkish response became the Caucasus Stability and Cooperation Platform initiative to pursue the goal of resolving all regional issues (especially conflicts, frozen or not) through Turkish-Russian mediation excluding the U.S. and the EU. As an example of the “strategic depth” concept in practice, the platform has envisaged resolution of the conflicts in the Caucasus by means of Turkish-Russian mediation including establishment of normal relations with Armenia.

Besides creating an instrument for regional cooperation, the offered initiative supported by Russia has increased Turkish influence in the Caucasus without putting Turkey-Russia relations at risk. More so, Turkey’s increasingly closer high-level contacts with Russia and progressively developing energy cooperation have positively contributed during the past year to its ability to play a greater role in the Southern Caucasus, where until very recently it had strong ties, but rather limited influence both due to strong and long-established presence of Russia and its estranged relations with Armenia.

Armenia is Russia’s traditional partner in the Caucasus and probably its most reliable ally among all the post-Soviet countries, which is an issue requiring a pros-versus-cons consideration by Turkey in the process of crucially reshuffling its relations with Armenia. Russia supports the Turkish-Armenian rapprochement and the recent signing of Turkish-Armenian protocols in particular, as Russian Foreign Minister Lavrov said straight after the ceremony in Zurich: “I do not want to hide from you that we are sincerely happy with this development. Turkey and Armenia are Russia’s friends.”¹⁵

Still, friendship is a fragile commodity, and it easily falls apart when national interests are concerned. In the context of current developments in the Caucasus,

¹⁵ *Regnum.ru*, www.regnum.ru, 12 October 2009.

export pipelines have quite a potential to become both the backbone of new alliances and reason for future conflicts. Russia, the EU and the U.S. are the main regional partners of Turkey and Armenia in the Caucasus.

Armenia as a Regional Partner

The ongoing emergence of Armenia in the Caucasus as a friend and regional partner of Turkey is prone to change Turkish alliances with other countries. Actually, the process is already on its way and the Turkish-Azeri ties provide us with an example. Still, it remains to be seen how determined the countries are to crucially change their relations. Besides fiduciary and brotherly ties established since the early times of Azerbaijan's independence, energy cooperation is another pillar to keep Azerbaijan and Turkey closely tied together. Two energy exporting pipelines go to Turkey from Azerbaijan and pass on their way through Georgia. One of them, the BTC is built to deliver crude to the Southern Mediterranean for further shipment to the world markets. Another, the BTE, is to bring natural gas to the northern city of Erzurum for domestic consumption. These lay the ground for Nabucco to pass through Turkey on its way to supply with Caspian, Central Asian and Middle Eastern gas European clients.¹⁶

In the meantime, Georgia's image of a safe transit corridor for commodities and energy resources transportation from the Caspian region to the world markets got severely damaged as a result of the Russian-Georgian war last year, and it has motivated the international community to start looking for alternative transit options. Thus, the long-planned Nabucco pipeline construction became a matter of immediate attention to trigger research for transportation opportunities through the Caucasus.

Due to its geostrategic location, Armenia is in a position today to become another and potentially safer route for transportation of natural gas resources badly required for Nabucco. Suffice to recall that Soviet-built pipelines ran from Russia to Azerbaijan to Armenia, passing also Karabakh. These are not functional now, however could be made operational again with maintenance. Neverthe-

¹⁶ Days after the Turkish-Armenian protocols were signed in Zurich, Azerbaijan's President Aliiev addressed his Cabinet of Ministers meeting by arguing that the "lack of ability to resolve the issues of transit between Azerbaijan and Turkey makes Baku searching for new markets for Azeri gas." Also, he mentioned an "existing possibility to deliver gas to Iran, as well as to the EU countries by the Black Sea, though, bypassing Turkey." This could imply Azerbaijan's planning to join South Stream and to refuse from participation in Nabucco. www.panorama.am, 17 October 2009.

less, although bearing certain potential, until the Armenia-Azerbaijan conflict over Nagorno-Karabakh is resolved, the option remains a dream. This potential would be higher if Russia joins Nabucco, which it is currently against.

Moreover, how feasible the option becomes would depend upon the future of Turkish-Armenian relations in general, and the Armenian-Azeri progress in solving the Nagorno-Karabakh conflict in particular. Russia's involvement in the resolution process is an asset, considering its established presence in the Caucasus, high-level fiduciary relations with Armenia and recently increased presidential-level contacts with Azerbaijan. By coincidence or not, these contacts are strongly motivated by potential energy cooperation and largely by Russia's determination to buy as much natural gas produced in Azerbaijan as possible. Russia is specifically interested in the Shah Deniz off-shore gas deposits which would also be required for Nabucco for a blow of initial resources.

While closed Turkish borders kept Armenia in blockade for more than a decade and a half, its commercial and foreign relations with the West were largely developing through Georgia whose growing anti-Russia and pro-U.S. stance has become clearly pronounced since 2004. While successfully developing trade and economic, as well as socio-political cooperation with Georgia, Armenia has been no less successful to remain good friends with Russia. As a result, it is Russia's strategic ally in the Caucasus today, while being a host to different European and American government agencies, foundations and non-governmental organizations and the focus of attention of their sponsored initiatives and programs. In addition to this, Armenia's newly established relations with Turkey contribute to its fuller integration into the ongoing Caucasian processes.

Bright Future or a Dim Reality?

As a country with regional leverage, Armenia may well join the U.S.-EU backed energy projects and long-suffering Nabucco is an immediate focus of attention in this regard. Iran's enormous natural gas resources estimated to account to some 15 percent of the world reserves could help Nabucco to become a functional gas supplier for the EU countries. A branch pipeline could go from Iran to Armenia and further on to Turkey to finally join the BTE in order to become a line of Iranian gas supply for Nabucco. The option is quite grounded: it is worth recalling that the Soviet Union during its last decade of life back in the 1980s was

pursuing construction of the Armenia-Iran main gas pipeline, though its demise prevented those plans from coming to life. Nevertheless, they are still alive and continue focusing attention of Russia's all-powerful Gazprom.

However, to cool down premature projections: in line with even the best of scenarios, this construction could take years, which implies that gas-hungry Nabucco has to look for other options, if its launch is going to happen in 2014.

Apparently, construction of a pipeline to Armenia from Iran and further on to Turkey is quite feasible, although, for this brave development to come true, political will of the parties to contribute to the Caucasian processes has to be demonstrated. As such, Turkey-Russia consensus on the Caucasian energy matters is required, since without having it in place, neither Armenia, nor the U.S.-EU alliance would be comfortable to pursue tangible energy cooperation in the region. For the aforementioned consensus to be reached, the Armenian-Russian relations would have to remain as close as they are today, and the current Turkish-Armenian rapprochement has to continue gaining its momentum.

For the latter to proceed further, Turkish-Armenian protocols signed in Zurich on 10 October 2009 will have first to be ratified by the national parliaments and then implemented, these signatures would be worth little without Turkish and Armenian efforts to put to work their provisions. The documents' realization would increase among other things Turkish-Armenian cross-border trade and road transportation of goods, making Armenia a transit route for commodities from Central Asia, the Caspian and the Middle East to Europe.

The process would naturally result in the expansion of Armenia's energy cooperation with the West as well as with Turkey and Russia. However this also means that if a rift between Turkey and Russia were to take place, this would have immediate repercussions on the multilateral energy projects in the Caucasus. This assumption rests on projections that Russia will, in the next few years, remain strong enough to keep its commanding position at the world gas markets and maintain its impressive leverage in decision making in the Caucasus.