

Energy Cooperation in the Caucasus

Kuhn, Mosler and Richter

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**Energy Cooperation in the Caucasus:
Continuity and Change in Russian-Turkish Relations**

Sascha Kuhn

David Mosler

Katharina Richter

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Sascha Kuhn, David Mosler and Katharina Richter

Abstract This article explores the links between the remarkable change in Russian-Turkish foreign relations in the early 2000s and the geostrategic importance of the Caucasus for global energy security. For much of the 1990s, domestic instability and power distribution distracted both countries' focus on regional issues. Mutual suspicion dominated the bilateral relations, when Turkey, a longstanding NATO stronghold with close ties to the United States and Europe, set out to gain ground in Russia's traditional sphere of influence. The resulting strategic division of the Caucasus marked a period of continuity in Russian-Turkish relations and resembled the bipolar bloc formation of Cold War times. By drawing on the distinct accounts of Neo-Realism and Liberal Intergovernmentalism, this analysis provides an *understanding* of the determining factors that changed Russian-Turkish relations from standstill to intensified cooperation despite that national interests in the region proved to be largely consistent. Russia seeks to maintain its traditional hegemonic position and Turkey strives to become a 'soft power' in the region. However, central to the new phase of Russian-Turkish relations is a mutual interest in the Caucasus as a stable transport corridor for Caspian energy resources to European and global markets, and both Ankara and Moscow stand to benefit greatly from reconciling geopolitical competition and cooperation in the region.

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1. Introduction

1.1 Aim and Research Question

1.2 Material and Method

1.3 Delimitations

1.4 Disposition

2. Theory

2.1 Neo-Realism

2.2 Neo-Realism and Energy Security in the Caucasus

2.3 Liberal Intergovernmentalism

2.4 Liberal Intergovernmentalism and Energy Security in the Caucasus

3. Continuity in Russian-Turkish Foreign Relations

3.1. Russian Foreign Policy until the End of the Second Chechen War in 2000

3.2. Turkish Foreign Policy until the AKP's Accession to Power in 2002

4. Change in Russian-Turkish Foreign Relations

4.1 Between Integration and Agitation – The Russian Regional Agenda

4.1.1 Russian New Cooperation - Unchanged Interests in a Changing Environment

4.1.2 Relics of Great Power Behaviour

4.2 Strife Towards Integration – Turkey As a Regional Soft Power

4.2.1 BSEC - Institutionalisation of the Economic Sector

4.2.2 CSCP – A Step Towards Independent Regionalism

4.3 Pipeline Politics – Reconciliation of Geopolitical Competition and Cooperation

5. Conclusion

6. References

6.1. Primary Sources

6.2. Secondary Sources

1. Introduction

In the face of rising concerns over global energy security, the Caucasus has attracted a great deal of attention in recent times. While it is not only a region rich in natural resources, it serves a key function as an energy corridor linking Caspian resources to European and global markets. The position of Russia as the biggest regional energy producer and Turkey's role as a key transit state invited our interest in the mutual impact of Russian-Turkish foreign relations and the politics of energy security in the Caucasus.

1.1 Aim and Research question

We set out to generate an *understanding* of the development of Russian-Turkish foreign relations in the context of energy security since the end of the Cold War. For much of the past two decades, the Caucasus (including neighbouring Turkey) has been characterised by a bloc formation similar to that of Cold War times, dividing the region into two opposed camps. On one side, Armenia and the Georgian breakaway provinces of Abkhazia and South Ossetia have maintained close relations to the Russia Federation, whereas on the other side, Azerbaijan and Georgia developed strong relations to Turkey and the West. From the onset of the Cold War, Turkey has been strongly committed to NATO and the United States, which caused distrust and strained bilateral relations to Russia until the early 2000s. We argue that in recent years Russian-Turkish relations have clearly improved as both countries were increasingly prepared to accommodate their foreign policy goals. Our analysis shows that although national interests did not change dramatically over the years, Turkey and Russia reconciled their approaches to assure their stake in the Caspian energy game, which is plainly demonstrated by the current high level of cooperation.

Russia continues to pursue hegemonic ambitions in the Caucasus and thus opposes attempts by the United States, NATO and the EU to gain a foothold in the region. Henceforth, we argue that in order to minimise the impact of these outside-actors, Moscow has displayed increased willingness to cooperate with Ankara, the strongest actor in the immediate vicinity. One of Russia's main intentions is to maintain control of the Caucasus because of the leverage it provides over energy-dependent Europe. Therefore, Russia's main concern is to nullify competition in the transport of energy resources from the Caspian Sea to the West by keeping its stronghold in the Caucasus.

Turkey in turn expanded its ambitions to become a regional ‘soft power’. While the 1990s were nearly exclusively determined by strong lobbying towards the accession to the EU, its approach today is multidimensional. Turkey continues to strive for EU membership, but has also shown an increased interest in securing its energy supply on the regional level, mainly via cooperation with Russia. This has led to more independent Turkish policy initiatives on the way to become a regional ‘soft power’ and a regional energy hub, which provides Turkey with increasing bargaining power not just in face of Russia, but also the EU.

We identified two decisive turns in the bilateral behaviour of both states. Russia’s foreign policy approach towards Turkey and the region as a whole changed significantly with the end of the Second Chechen War in 2000, whereas the deteriorating relations with the United States following the Iraq invasion of 2003, as well as the election and subsequent policy change under the Justice and Development Party (AKP) between 2002 and 2005 gave rise to a new cooperation doctrine in Turkey.

This analysis will therefore be constructed around the following **research question**:

How can we understand the shift in Russian-Turkish relations from continuity of the bipolar Cold War structure during the 1990s to a changing pattern of open engagement and cooperation in recent years?

Special focus will be placed on the issue of energy security and its direct impact on the bilateral relations as well as on the Caucasus as a region.

1.2 Material and Method

In our choice of material, we sought to obtain as much information as possible from official sources. In this way we rely heavily on official statements and documents which provide first-hand access to both countries’ foreign political agendas towards each other and the Caucasus region as a whole. We are aware of the fact that such information may contain all sorts of bias, manipulation and lopsided viewpoints due to its function to present the state’s official agenda. There may be further discrepancies between the officially stated position and the actual motivation behind a certain foreign policy effort. To avoid selection bias, we

ensured quantitative parity and equivalent treatment of the sources issued from the Russian and Turkish side, respectively. By denying the possibility of objective access to information, our epistemological approach places us amid the wide sphere of the constructivist philosophy of science. However, we do, of course, aspire to the greatest degree of impartiality and credibility for our analysis through careful evaluation of the sources at hand. Our material is therefore complemented by relevant secondary literature that provides analytical insights from various different perspectives across the academic field as well as newspaper articles which allow us to include late-breaking developments relevant to our argumentation.

We will not try to explain the foreign policy shift in the relations between Turkey and Russia, our goal is to provide a hermeneutic analysis that helps *understand* the meaning of the undergoing change in its specific context. Consequently, our analysis is an interpretative case study in which research is led by an interest in the case as such (Moses and Knutsen, 2007: 132). In contrast to naturalists whose objective is to produce general insights that can be tested against the ‘falsification principle’ and ‘correspondence theory’ – suggesting “a statement is true when it corresponds to the facts in the Real World” (Popper, 1994, as in Moses and Knutsen, 2007: 29) – we do not attempt to infer a generalised claim from our particular case. Instead, we seek to identify and provide a comprehensive understanding of changes in Russian-Turkish relations in the context of energy security in the Caucasus region.

1.3 Delimitations

Due to the special confines of this work, our analysis will rely exclusively on two theories, Neo-Realism and Liberal Intergovernmentalism. Although we acknowledge the impact of theoretical accounts such as the actor-driven model, dependency theory and others, we will not use those as the framework of our analysis. Furthermore, we would like to point out that our focus lies on the impact of bilateral relations between Turkey and Russia emphasizing energy security policy and not on all security related issues in the region of the Caucasus. We acknowledge the existence of other essential security threats in the region. Ethnical divisions among the populations of the Caucasian countries and the resulting regional conflicts play a large role in the concerns about energy policy, but will only be touched upon lightly, due to their complexity. In order to be able to analyse the foreign policy of both countries we deem it to be essential to have an unvarying structural framework as a point of departure. Consequently, we decided to analyse the development of Turkish-Russian

relations from 1991 until this day, because the regional structure changed with the fall of the Soviet Union and the resulting end of the Cold War. Russia changed drastically after the declared end of Socialist rule by its former President Boris Yeltsin in the aftermath of his election in June 1991, the first direct presidential election in Russian history. This development also led to the first instance of separate declarations on foreign policy by the individual states of the Caucasus, which were to no further extent determined by policy-makers in Moscow.

1.4. Disposition

Our dissertation will be constructed in the following way. In chapter two we deliver an account of the theoretical framework we draw upon. We will introduce strengths and weaknesses of the accounts presented by Neo-Realism and Liberal Intergovernmentalism, and assess how they contribute to the *understanding* of our case at hand. According to our research question, we set out to identify a shift in Turkish-Russian relations from bipolar continuity to a change towards increased bilateral cooperation efforts. This shift is clearly visible in the structure of our analysis, as we divided the foreign policies of Russia and Turkey in the aftermath of the Cold War into two respective sections in the third chapter under the heading of ‘Continuity in Russian-Turkish Foreign Policies’.

By contrast, this division appeared unfeasible in the following chapter concerning ‘Change in Russian-Turkish Relations’ due to increased interconnectedness between both actors, as cooperation gradually intensified. Part four therefore approaches the recent developments in Turkish-Russian relations from a multidimensional stance. This is why we decided to articulate our findings by directly combining both the Russian and Turkish regional strategies, taking into account the inextricable interdependence in which both actors operate. This is true despite differences in the Russian and Turkish position and intention towards regional integration, as demonstrated in section 4.1 ‘Between Integration and Agitation – The Russian Regional Agenda’, and section 4.2 ‘Strife Towards Integration – Turkey As a Regional Soft Power’. In the final section of our analysis, 4.3 ‘Pipeline Politics – Reconciliation of Geopolitical Competition and Cooperation, we emphasise the relevance of energy security for the emergence of cooperation.

For this purpose, we conceptualise ‘pipeline politics’ as a decisive factor for the recent increase in Russian-Turkish regional cooperation and integration efforts, as energy security

forms the mainstay of regional politics in the Caucasus. Pipeline negotiations are not only impacted by competing interests of the private sector but also highly politicised by all involved actors. This inseparable duality between private and national interests lies at the core of the ultimate outcome, which we define as ‘pipeline politics’. We conclude by restating our findings in chapter five.

2. Theory

In order to compare the foreign relations of Russia and Turkey, it is necessary to specify the time periods we use in the course of our analysis. The departing point for our study is the dissolution of the Soviet Union in 1991, the declaration of the Russian Federation and its subsequent recognition by Turkey. The period of relative continuity, as we argue, stretches throughout the 1990s to the turn of the decade, when the end of the Second Chechen War, the accession of the Turkish Justice and Development Party and strained Turkish-US relations surrounding the Iraq War in 2003 marked decisive turns in Turkish-Russian relations. Since then Moscow and Ankara have been prepared to engage more actively in regional cooperation. As our analytical focus lies on energy security, we use the concept defined as a condition in which business and population have ‘access to sufficient energy resources at reasonable prices for the foreseeable future free from serious risk of major disruption of service’ (Barton et al. 2004:5).

The theoretical section divides into four parts. The first provides an overview of the key ideas of the powerful neorealist system approach, as famously outlined by Kenneth Waltz in *Theory of International Politics* (1979), which holds that state interests and resulting foreign political agendas are *a priori* determined by the structural impact the international system that constrains individual states in their room for manoeuvre. In section two, we will present our *ex ante* expectations of the Neo-Realist position towards energy security in the Caucasus, which is to be explored in more detail throughout our work. In the third section, we introduce Andrew Moravcsik’s theory of liberal intergovernmentalism (subsequently abbreviated LI) which was firstly presented in his article “*Liberalism and International Relations Theory*” (1993). LI offers a powerful challenge to the neorealist “third image” approach, placing analytical focus on *how* state preferences are determined on two levels, as the combined result of domestic competition between interest groups and interstate bargaining on the international level. Finally, in the fourth section we will also relate LI directly to our

research problem and evaluate strengths and weaknesses in terms of applicability and explanatory power before we will turn to our analysis in which we explore the matter in more detail.

2.1 Neo- Realism

The purely structural account provided by Neo-Realism sees causal security factors located on the system level of analysis and accordingly treats states ‘top-down’ as functionally equal units whose interaction is essentially determined by the system itself. In Waltz’s holistic view, it is not the internal making of a state which ultimately shapes its behaviour but the structural forces of anarchy and polarity that characterise the international system (Hollis & Smith 1990: 104). In absence of an overall authority, states find themselves caught in the ‘security dilemma’, a concept realists use to describe the uncertainty states encounter when calculating other states’ intentions. As the primary national interest is survival, states seek to enhance their security through the maximisation of power, which Neo-Realists define first and foremost in terms of improved military capacity. This is likely to be perceived as a threat by others and threatens to trigger reciprocal armament and a deteriorating overall security situation, and according to Waltz explains why ‘results achieved seldom correspond to the intentions of actors’ (Waltz, 1979: 60f.)

Neo-Realism does not dismiss cooperation out of hand; however, it is severely impeded by relative gain considerations. Despite the fact that cooperating is the only way to overcome the ‘security dilemma’ in the international system, neo-realists believe that states perceive the world as a zero-sum game, in which security or wealth can only be expanded at the expense of another state. Consequently, states will only cooperate if they expect to gain more from the arrangement than others.

The concepts of ‘hegemonic stability’ and ‘balance of power’ are central to realism in order to explain cooperation in international relations. According to neo-realism, the prospects for cooperation are higher in a hegemonic system in which a single economic power can dominate the international system while decisively reducing security concerns and thus facilitating cooperative arrangements (Hollis & Smith 1990: 104). In the long run, this stability will be preserved in form of regimes that promote the economic and political interest of the hegemon, even in times of waning hegemonic power (Hollis & Smith 1990: 37). Furthermore, Neo-Realism attaches utmost importance to the balance-of-power principle.

Accordingly, states have a crucial interest in preserving the stability of the system by balancing the power of the strongest states in order to reduce the risk of foreign domination.

2.2 Neo-Realism and Energy Security in the Caucasus

For much of the 1990s, the power structures in the Caucasus (including Turkey) bore a striking resemblance to the bipolar bloc formation of Cold War times. Russia's support for Armenia in the dispute with Azerbaijan over the occupation of Nagorno-Karabakh and the Georgian breakaway regions of Abkhazia and South Ossetia led Baku and Tbilisi turn to Turkey in a coalition of pro-Western states. At the end of the Cold War the traditional bipolar power structures in the Caucasus were exposed to a new reality due to the disintegration of the former Soviet Republics from the Soviet Union. While the US maintained its traditionally strong ties to Turkey, it also managed to increase its impact on the former Soviet Republics of Georgia and Azerbaijan. Turkey was able in this regard to establish itself as a stronger regional player in cooperation with the US. In the meantime, Russia strove to re-establish its traditional hegemonic status in the region, especially through the use of traditional intimidation and active engagement by its military force. The question at hand is if this power maximizing behaviour led to hegemonic stability, and therefore helped to overcome the existing security dilemma, or if a balance of power is prevalent and the security dilemma therefore prolongs. One of the main conflicts of interest between the two camps is to secure a stable energy supply for each side, while hindering the other from doing so. From a Neo-Realist perspective energy security is a zero-sum game, in which each actor seeks gains giving it a relative advantage over the other. In this regard the security dilemma is further expected to play a major role, as the military capacities of the respective actors are an important tool to advance their interest, as seen for instance in the bombing between pipelines by Russian military at the peak of the Russian-Georgian conflict in August 2008 (Aptsiauri, 2010).

2.3 Liberal Intergovernmentalism

Although LI has acquired prominence for its influential account of the European integration process, its scope is not delimited to this specific case. On the contrary, LI claims the status of a 'grand theory' that offers explanation for the evolution of regional integration in general (Moravcsik and Schimmelfenning, 2009: 68). We regard it therefore an excellent

tool for the analysis of crucial causal factors that determine the interests of states to either promote or avoid international cooperation and regional integration in the Caucasus region.

LI rests on basic liberal assumptions about the international system. Firstly, in the absence of any central authority, states are the crucial actors in the anarchical system and achieve their goals through intergovernmental negotiation and bargaining (Moravcsik and Schimmelfenning, 2009: 68). Secondly, states are rational actors who calculate the utility of possible actions according to their national interest and choose the option which maximises utility in a given context (Moravcsik and Schimmelfenning, 2009: 68). In contrast to Neo-Realism, this approach refutes the notion that state interests are exogenously defined by the system. Instead, ‘the behaviour of states – and hence the levels of international conflict and cooperation, reflect the nature and configuration of state preferences’ (Moravcsik, 1993: 10). On the domestic as well as on the international stage, conflict is therefore an integral element of liberal politics, as it results from heterogeneous and often contradictory private goals that translate into foreign policy ambitions. To illustrate the forces that drive states, LI puts forward a ‘multistage model’ that seeks to identify multiple causal relations operating through three different, albeit interrelated, processes: national preference formation, inter-state bargaining and supranational institutions.

How are national preferences shaped? Importance is attached to the liberal concept of agency, and the relationship between society and state. What a government perceives as national preferences are the combined interests of the segments of society it represents (Moravcsik, 1993: 9). The foreign policy goals of governments are hence responses to varying pressure of domestic interest groups, whose issue-specific preferences are accrued and expressed through national institutions (Moravcsik and Schimmelfenning, 2009: 69). LI recognises the potential for “evolutionary social process” under the conditions of guaranteed individual rights and regulated competition (Moravcsik, 1993: 9). It follows directly that states with excessive internal power disparities are more likely to pursue foreign policy goals at the expense of others, instead of engaging into cooperation (Moravcsik, 1993: 9).

How do states bargain internationally? As national preferences tend to collide over the distribution of benefits, the road to cooperation is often obstructed and unilateralist approaches prevail (Moravcsik and Schimmelfenning, 2009: 71). According to LI, the outcome of international negotiations depends on each state’s relative bargaining power.

Besides the level of information available about the preferences of potential cooperative partners, bargaining power is greatly affected by the degree of ‘asymmetrical interdependence’; that is, states which see little need to alter the status quo are less dependent on an agreement and thus enjoy high bargaining power, as they hold all the aces to improve their relative benefits by threatening others to opt out (Moravcsik and Schimmelfenning, 2009: 71).

When and for what purpose do states establish international institutions? As states are anxious to preserve a maximum of sovereignty, they have to calculate the utility of institutionalised arrangements. By delegating authorities to supranational bodies, states hope to stretch the *shadow of the future* and reach ‘collectively superior outcomes’ through institutions that reduce the costs for negotiations and establish concrete rules for cooperation, monitoring and sanctioning non-compliance (Moravcsik and Schimmelfenning, 2009: 72). As Moravcsik highlights, ‘it is the pattern of *‘demand’* for certain political outcomes, not the specific institutional and geopolitical constraints imposed by the international political system on the *‘supply’* of these outcomes’, which shapes state behaviour, leaving no doubt that for LI ‘state purpose, not state power is the most essential element of world politics’ (Moravcsik, 1993: 11).

2.4 Liberal Intergovernmentalism and Energy Security in the Caucasus

Energy security in the Caucasus increasingly demands international cooperation in order to ensure safe transport and sustainable supply because none of the countries is able to achieve this by themselves due to their different functions as producer or transit states. Negotiations and bargaining about oil and gas prices, and the construction of pipelines therefore lie at the heart of the cooperation process due to the absence of an over-all authority that could provide fair shares for each state. Both Turkey and Russia aim at maximising the utility of their available resources and their role in the energy game. Russia consequently seeks to increase its gas exports to Turkey, whereas Turkey aspires to lower the gas prices, diverting the delivered energy, for example, to Europe in order to play a bigger role in the regional energy politics despite its lack of resources. Additionally, due to the unequal distribution of energy resources in the Caucasus, state preferences are very distinct from each other, ultimately determining state behaviour, such as economic cooperation between Azerbaijan and Russia in form of the crude oil pipeline between Baku and Novorossiysk

notwithstanding ideological and political differences. LI contends that conflict is unavoidable through different interest groups shaping foreign policy. National energy preferences hence are expressed by domestic institutional agents, such as governments implementing policies that aim at diversifying energy supply, as in Turkey's case for instance. The outcomes of these policies then rely on various factors, including Azeri bargaining power through its enormous oil resources, Turkey's and Georgia's key role as crucial transit states for Azeri oil exports, and an arguably asymmetrical interdependence when it comes to Russian hegemony in the natural gas sector giving Russia a high degree of bargaining power. Another causal determinant for state behaviour according to LI is the role institutions, such as the Organization for Black Sea Economic Cooperation, play in increasing bargaining power and facilitating (economic) negotiations in the face of future cooperation. LI hence shifts the focus from Neo-Realist power politics towards the role of the single states and their different functions in the energy game according to utility, preference and bargaining power.

3. Continuity in Russian-Turkish Foreign Relations

3.1 Russian Foreign Policy until the End of the Second Chechen War

In making assessments of foreign policy ambitions, we argue in line with LI that national preferences are largely the product of internal competition between interests groups and not determined by exogenous factors. The Yeltsin administration, serving from 1991 to 1999, was known for its 'notoriously poor' and 'dysfunctional' policy-coordination wracked by nepotism and factional fighting between the various bureaucracies and state agencies, which was strikingly exemplified in the Russian defeat in the first Chechen intervention 1994-1996 (Gillette, 2000: 38). However, with his accession to presidency in 1999, Putin set out to tackle the deeply-rooted incapacities by pursuing institutional and procedural reforms that would dramatically enhance Russia's ability to pursue its national interests (Gillette, 2000: 38). In the eyes of LI, Putin's disempowerment of the oil and gas oligarchs of the Yeltsin era in favour of such parastatal energy companies as Gazprom and Rosneft may have altered the distribution of power among the leading interests groups of the country and hence allowed for change in the pursuit of national interests. Although the fundamental transformation of the international system from a bipolar to a multipolar structure had naturally an impact on the formation of Russian foreign interests, there is no reason to believe that Russian national interests in the Caucasus have significantly altered from the Soviet leaders over Yeltsin and

Putin to Medvedev. In fact, rather the political environment has changed and along with it the Russian foreign policies approach to the region with its vast natural resources. However, we argue that a turning point for Turkish-Russian relations has been the end of the second Chechen campaign in May 2000 after which Moscow intensified efforts to engage in regional cooperation with Ankara.

There has been a clear sign of continuity as to Moscow's incessant interest to preserve a hegemonic position in the Caucasus by thwarting Western efforts to gain a foothold in the military, political and economic affairs of the region. As foreign investments targeted Azeri oil and gas production, and Western policy-makers pushed for integration of the region in the global energy supply system, Russia was determined to defend its key role in the region (Kelkitli, 2008: 70). A number of disputes arose in this context over Azerbaijan's pipeline policies, most notably the construction of pipelines running west, such as the Baku-Supsa and the Baku-Tbilisi-Ceyhan projects which both avoid Russia as a transit state (Gillette, 2000: 42). As far as political and military interests were concerned, Russian support for Abkhazia, South Ossetia and the Armenians in Nagorno-Karabakh has hardened the relations to Georgia and Azerbaijan and encouraged their drift towards the West. The opposition to both countries' flirts with NATO and the European Union continues to lie at the heart of Russian foreign interests in the region. However, due to the split among the member states, initiatives to collocate the former Soviet republics, including Georgia, Armenia and Azerbaijan, under the umbrella of the Commonwealth of Independent States proved to be an ineffective instrument for advancing Russian interests in the region (Gillette, 2000: 37). Ties with Iran and Turkey were therefore crucial to preserve Russia's power status as a regional hegemon. Nevertheless, during the Yeltsin years, Moscow treated Ankara with suspicion as it long feared the emergence of a strong pan-Turkic alliance with Azeris and the Turkic people in the Northern Caucasus that would narrow Russian influence in the region (Lo, 2002: 112).

A decisive turn in the Russian foreign policy towards the Caucasus was precluded by the end of the second intervention in Chechnya when Russia began to engage more actively in cooperation with Turkey. For most of the 1990s, Russian politics were dominated by two precarious domestic challenges, which doubtlessly limited her ability to shape the changing economic landscape in the Caucasus. Internally, Russia had to perform the transition to a market economy and to stem the economic turmoil that pervaded this process. At the same time, Moscow had to get a grip on the Chechen insurgencies that threatened to erode Russian

integrity and destabilised the Caucasus as a whole. Finding a solution to the conflict was therefore a pivotal criterion for the active pursuit of Russian political and economic interests in the region. Before he handed over power to PM Vladimir Putin, President Yeltsin pointed out that '[i]nternational terrorism is throwing down a challenge and not just to Russia' (Yeltsin, 1999). Putin met this challenge, as he flexed Russia's military muscle, helped the pro-Moscow President Akhmad Kadyrov into office and thus ushered into an era of relative peace and stability in Chechnya. Georgian and Azeri reluctance to assist in the Chechen campaign further stained the relations to Russia and affirmed their focus towards Turkey and the West.

After the siege of Grozny, we argue that the primary Russian interest - to minimise Western influence in the region – moved up to the top of the foreign agenda again. Russia's main goal has always been to keep the United States out of its own neighbourhood, which explains the refusal of the first Turkish proposal for a 'Stability Pact for the Caucasus' in 2000, which envisaged the involvement of the United States (Fotiou, 2009: 3). Consequently, not Russia's foreign policy goals have undergone significant change, but its approach to achieve them. Ankara's initiatives to become an energy corridor and regional 'soft power' thus make Turkey a vital partner in the Caucasus. The concept of 'soft power' will be defined in section 4.2.

3.2. Turkish Foreign Policy until the AKP's Accession to Power in 2002

Despite the system change that occurred with the fall of the Soviet Union, Turkish foreign policy of the 1990s was characterised by a continuation of its Cold War orientations (Hale, 2008: 191), namely consisting of an ideological and institutional Western connection, including military ties in form of Turkey's NATO engagement and non-military relations, first and foremost with the EU. Under President Özal (1989-1993) political and economic liberalisation was to be promoted for the creation of better political relations with trading partners, which in turn led to an increased interdependence (Hale 2008: 208), particularly with the Commonwealth of Independent States (CIS). At the beginning of the 2000s, the improving economic ties with Russia and the Caucasus also turned into warmer political relations between Turkey and Russia.

During the 1990s, Russian-Turkish relations were strained by domestic terrorism in both Turkey and the Muslim Northern Caucasus. This was due to Russian support of the

Kurdish Marxist worker's party and Turkish allegiance to the separatists in Chechnya, which resulted in mutual suspicion in the face of Russia's first Chechnya campaign. Turkey's internal struggle against the PKK impeded major foreign policy steps towards regional integration. Additionally, a military memorandum issued in early 1997 pressured PM Erbakan into retirement while not dissolving the parliament or suspending the constitution, unlike previous military coups (Narli, 2005: 242). From a LI perspective, this internal instability hindered domestic interest groups from promoting closer economic cooperation with other states in region.

Moreover, Turkey's Western orientation, as well as the self-perceived ethnic relation to the Turkic people of Azerbaijan posed a threat to Russian hegemonic interest in the Caucasus. For a brief period Turkey displayed pan-Turkic tendencies in the articulation of its foreign policy, which was perceived as threatening not only to the Russian sensitivity towards its ideological ties with its former satellite-states, but also to the ability to control the transport of energy resources through the region. In Neo-Realist terms, Russian hegemony would have stabilised the region by reduction of the security dilemma, since it was still the dominant military power of the region. However, powerful insurgencies in Chechnya undermined its alleged military might so that ultimately the security dilemma prevailed. Conversely, direct military conflict between Russia and Turkey was just once within the realms of possibility. During the Armenian-Azeri conflict surrounding Nagorno-Karabakh there were domestic calls in Turkey to support its Turkic-Muslim 'brothers' in Azerbaijan. These calls were never favoured by the Turkish government due to economic considerations towards Russia, who supported Armenia (Cornell, 1998: 61, 63). In 1992 the Organisation for Security and Cooperation in Europe (OSCE) established an international working group referred to as the Minsk group, following international attention to the conflict. Chairmanship is held by France, Russia and the US, while Turkey is a permanent member of the group, whose intent it is to provide a "forum for negotiations towards a peaceful settlement of the crisis" (OSEC, 2010: Minsk Process). The group holds power to deploy OSCE multi-national peacekeeping forces and still functions today as a mediator in Nagorno-Karabakh, although direct military confrontation ended in 1994 as the result of a ceasefire put forward by Russia.

After the establishment of the Turkey-friendly regime under President Aliyev in Azerbaijan 1993, an outline agreement with Turkey was signed to establish a crude oil pipeline connecting Baku and the Turkish Mediterranean coast via Tbilisi (Cornell, 1998:

71).. This attempt to move away from Russian oil and gas dependency represents another dividing point in Russian-Turkish relations at the time, and can partly be seen as a response to the CIS collective security treaty of 1992, which stationed Russian troops in Turkey's neighbouring countries Georgia and Armenia. The direct display of military prowess was interpreted by many as an attempt to intimidate Turkish ambitions to advance its impact on energy transport.

Despite political tensions, economic cooperation of the states in the Caucasus was crucial to promote prosperity and explore new markets, especially with regard to the new market economies that emerged from the former Soviet Union. Therefore, the Black Sea Economic Cooperation Zone (BSEC) was established in 1992, with the aim to “[foster] interaction and harmony among the member states, as well as to ensure peace, stability and prosperity [...] in the Black Sea region” (BSEC homepage). Due to lacking implementation mechanisms and cooperation in the organisation at the time, Turkey's over-all trade share with the CIS nevertheless only increased from 5% in the early 1990s to 12,7% in 1998, whereas the EU still represented the largest trading partner with a share of 49% in 1998 (Hale, 2008: 211). In addition, as mentioned before, the weak institutionalisation of the Turkish state at the time and the resulting lack of implementing agency contributed to the rather low levels of interaction with its Caucasian neighbours. Though acknowledging the importance of economic ties with Russia and the Caucasus, Ankara's orientation was still exclusively Eurocentric during the 1990s, demonstrated also by its entry into the European Customs Union in 1996.

Turkey's economic growth resulted in an energy deficit in the late 1990s. In order to compensate for its increased energy demand Turkey struck a deal with Russia to build a gas pipeline to connect the two countries directly. The agreement for the construction of the Blue Stream gas pipeline linking Russia and Turkey under the Black Sea was negotiated in 1997, but because of ongoing price negotiations between Turkey and Russia only started full operation in August 2003 (Winrow, 2004: 29). This led to the call for diversification of sources and supply, in response to the increasing role of natural gas imports from Russia. In the beginning of the Millennium, Turkey strove to renegotiate its take-or-pay obligations with Russia that require Turkey to compensate for the entire contracted amount of gas even if not imported (Winrow, 2004: 29). It furthermore sought price reductions and attempted to resell

some of the Russian gas, which made up 66% of Turkey's gas imports in 2002 (Winrow, 2004: 29).

We identified two decisive turns in Turkish foreign policy that heralded change in the relations to Russia. The first is Turkey's refusal to open its Southern border to allow U.S. forces to establish a second front during the Iraq invasion of 2003, while the second is domestic in nature and closely related to the change of government in Turkey a year earlier. The Justice and Development Party (AKP) campaigned with the intention to revivify the negotiations with the EU concerning Turkey's accession, and showed a strong stance in that regard during the first two years of its tenure. However, since 2006 there has been a clear shift towards a focus on the Caucasus, partly due to the disappointment over the stalling negotiations with the EU. Hence, it was only at the beginning of the 2000s that Turkey diversified its foreign policy through an eastward aim, while the 1990s were dominated by a Western outlook in both Turkish foreign policy and in its economic agenda. Turkey's strife for energy security as a response to its heightened demand then altered the focus towards the Southern Caucasus and Russia as a way to secure supply, but also to diversify trade.

4. Change in Russian-Turkish Foreign Relations

4.1. Between Integration and Agitation – The Russian Regional Agenda

The Russian regional agenda in the Caucasus is somewhat ambiguous, as it provides evidence for increasing integration efforts without abandoning the possibility of using 'hard power' as a way to further Russian interests. In contrast to Turkey's unconditional reliance on 'soft power', the war in South Ossetia in 2008 shows traditional Russian power politics reminiscent of imperial ambitions of former times. Russia's use of 'hard power' through the excessive military campaign in Georgia is consistent with the Neo-Realist understanding of power as the determining factor to pursue national interests. A brief discussion of this matter follows in 4.2.2 Relics of Great Power Behaviour.

4.1.1. Russian New Cooperation - Unchanged Interests in a Changing Environment

As argued earlier, the accession of Vladimir Putin to presidency in 1999 has not led to nameable changes of Russian foreign interests in the Caucasus. On the contrary, observers have noticed a ‘strong continuity’ in Russian foreign policy goals towards the Caucasus (Gillette, 2000: 40). However, there is evidence for a paradigm shift in the way Russia seeks to pursue its traditional national interests more effectively. Putin has provided Russia with new confidence, as he domestically earned a lot of credit for reforming the country and leading it out of the rampant political chaos of the Yeltsin era. Under his leadership, Russia left behind the traumatising defeat in the First Chechen War; however, the Northern Caucasus remains the country’s ultimate soft spot not only in relation to energy security. The long-term stabilisation is essential for Russian interests to integrate the region in the wider energy supply system. With the end of the Second Chechen War in 2000, the Putin administration began actively pursuing energy and pipeline deals in the Caspian region (Gillette, 2000: 42). However, four years later the terrorist attacks in Beslan illustrated the continuous instability of the region. “We are dealing with direct intervention of international terrorism against Russia, with a total, cruel and full-scale war” (Putin, 2004). The precarious security situation thus continues to be an obstacle to Russian attempts to consolidate a hegemonic position in the Caspian energy game.

Despite a shared interest in combating terrorism, Russia remains opposed to expanding U.S. influence in the region and views Turkey as the most favourable and valuable partner to promote its national interests. Since 2002, the United States participates in initiatives to enhance the security for Caucasian pipelines and other energy infrastructure, for instance by training Georgian units in guarding potential terrorist targets (Winrow, 2007: 229). In 2001, the Presidents Bush and Putin affirmed in a joint statement their willingness to engage in ‘multilateral counterterrorism efforts’ which specifically include the participation of the Caucasus states and Turkey among others (Bush & Putin, 2004). However, Russia has mixed feelings about such efforts, as it stands to lose influence with the advancement of transatlantic structures in the Caucasus. This has not only been evidenced by a strong opposition to Georgian plans to join NATO, it was also made more than clear when Moscow categorically refused US attempts to extend Operation Active Endeavour to enhance naval security in the Black Sea. Russia’s regional strategy seeks to maintain a hegemonic status in the region but the policy-makers in Moscow are naturally aware of the need for cooperation. As emphasised in Putin’s speech at the Munich Conference on Security Policy in 2007, Russia knows it

would limit its own potential by refusing cooperation with “responsible and independent partners” (Putin, 2007). While the influence of the US and Europe is to be limited, there is no doubt that Turkey is supposed to be this key partner in regional affairs. The special role of Russia and Turkey has been recently emphasised by President Medvedev who send a clear signal to Washington and Brussels declaring that both countries “bear direct responsibility for the situation in the region.” (Medvedev, 2010).

The current Russian approach embraces cooperation with Turkey as a central pillar in foreign policy affairs in the Caucasus. Following the annual Russian-Turkish Talks earlier this month, President Medvedev stressed the importance of the bilateral partnership between both countries which has “undergone radical change over these last years” and forms now a solid basis for fruitful cooperation to promote “global and regional stability” (Medvedev, 2010). In a joint action Russia and Turkey refused the extension of the NATO mission Operation Active Endeavour in the Black Sea. Instead they count on military cooperation in the context of the 2001 established Black Sea Naval Co-operation Task Group (BLACKSEAFOR). Russia supports the Turkish initiative which seeks to enhance cooperation between the Black Sea littoral states Bulgaria, Romania, Ukraine, Georgia, Russia and Turkey. As Russia is interested in minimising NATO’s influence in the region, it supports the BLACKSEAFOR-operated mission Black Sea Harmony which ensures security of the Turkish Straits. In that way, Moscow ensures that not NATO but Turkey takes on the key function as security provider for the vital transport routes along which much of the world’s energy supply is shipped and pumped. Moreover, Turkey has become Russia’s most important economic partner, with a steadily growing bilateral trade volume which already in 2009 amounted to more than 32 billion dollars (Medvedev, 2008).

However, Russian-Turkish cooperation efforts are characterised by an ‘asymmetrical interdependence’ favouring the Russian side which enhances Moscow’s bargaining power in negotiations with Ankara. Again, Moscow seeks to maximise its own share in the Caspian energy game and resolutely counters trends that run contrary to these national interests. Competition between Russia and Turkey over influence on the European energy market is fierce. This became clear last year, when the proposal for the ‘South Stream’ pipeline was issued, which would transport natural gas from Russia through Turkish territorial waters, over Bulgaria to Austria and Hungary. The project is seen by critics as a political response to the planned NABUCCO pipeline between Turkey and the EU (Adamowski, 2009). With ‘South Stream’ Russia will thus regain influence in the transportation of Caspian energy to Europe.

The issue of 'South Stream' will be explored in further detail in Chapter 4.3 'Pipeline Politics - Reconciliation of Geopolitical Competition and Cooperation'.

LI provides a powerful explanation for Turkey's comparatively stronger commitment to cooperation efforts. Initiated by the Turkish side, BLACKSEAFOR, BSEC and CSCP illustrate a somewhat unbalanced engagement in regional cooperation, as Turkey immediately stands to gain from cooperative arrangements while Russia has to a certain extent long been interested in preserving the status quo, that is, relative regional hegemony. Russia has more power to opt out than Turkey, as it holds more energy resources, and is less dependent on Turkey due to a larger set of trading partners. This might account for Moscow's rejection of the 2000 proposal, and helps understand why Turkey initiated CSCP without US or EU involvement.

4.1.2 Relics of Great Power Behaviour

Despite increasing Russian participation in regional cooperation, Moscow did not hesitate to resort to the use of 'hard power' and commence a military campaign in Georgia. Although it is impossible to fully clear up doubts about Russia's actual ambitions in the 2008 South-Ossetia War, there is evidence that Moscow's intentions went beyond the protection of the local population in the Georgian breakaway region. The Kremlin claimed the necessity to intervene in the face of 'aggression against Russian peacekeepers' and atrocities against civilians committed by Georgian police and military forces (Medvedev, 2008). However, critical voices hold that the deep advance into the Georgian mainland to the city of Gori can hardly be justified based on this rationale. In the context of regional energy security, this becomes particularly controversial. In this vein, the Russian thrust may be seen as attempt to gain control of the closely located Baku-Supsa pipeline which carries Azeri oil westwards to the Georgian Black Sea port Supsa, which is vital for Europe's energy supply (Sourander, 2008: 7). As in direct consequence the Baku-Supsa deliveries had to be temporarily suspended, it is tempting to draw a comparison to the gas disputes with Ukraine in 2005. At the time, Russia was heavily accused of using its energy resources as leverage to promote national political interests. In analogy, the demonstration of military dominance in Georgia in 2008 may be interpreted as a measure to reinforce claims for strong influence in the country and the region at large. Russia's course of action in South Ossetia can therefore be *understood* as a return to Great Power politics and fits neatly into the structural Neo-Realist account, in

which the system pushes states to maximise their power by all ways and means whatsoever, including military campaigns.

4.2 Strife Towards Integration – Turkey As a Regional Soft Power

The traditional Realist concept of power is based on the sovereignty of national territory, access to resources and economic as well as military strength, which attribute power to one over others. This concept is based on direct impact of actors on each other (Nye, 1990: 154). In the face of more intangible power resources due to economic interdependence, technological cooperation and a changing political agenda, 'soft power' then refers to the influence states indirectly exercise over others. "When one country gets other countries to want what it wants" (Nye, 1990: 166), it is capable of shaping national preferences through institutions, as seen in the case of Turkey. For instance, Turkey's active engagement in the BSEC both promotes Turkish national interest of increasing economic interdependence in the energy sector in the Black Sea region and the Caucasus, but also pushes other member states' agendas towards these institutionalised aspirations. The latter is reliant on the perceived legitimacy of Turkey as an agenda-setting power by others, wherefore Turkey finds itself in the position of the 'Soft Power' in the region.

4.2.1 BSEC - Institutionalisation of the Economic Sector

The Organisation of the Black Sea Economic Cooperation (BSEC), encompassing twelve states around the Black Sea, has been founded upon initiative of Turkish President Özal in 1992 to facilitate economic growth and stability in the region (Özer, 2002: 154). However, due to political and military turmoil in the Southern Caucasus during the 1990s, the charter of the BSEC that was to constitute its binding status as an international organisation only entered into force 1st May 1999. Today, the BSEC represents a valuable platform to Turkey for promoting its national interest with regards to the EU, for fostering economic growth and cooperation with its neighbours and for enhancing its importance as a regional power in the Caucasus.

Strengthening the institutional relations with the EU was one of the three main goals Turkey dedicated itself to during its chairmanship in the second half of 2007, in consistency with domestic policies of the desired accession of Turkey (Turkish Ministry for Foreign Affairs, BSEC, Turkish Chairmanship). Consequently, in May 2007 the BSEC Troika consisting of Turkey, Russia and Serbia signed a declaration with the EU Council of Ministers

regarding improving institutional relations and deepening of interactions; however, an agreement of cooperation was also signed with the United Nations Development Programme (UNDP) (BSEC, Black Sea News, June 2007), diversifying the organisation's international relations. The EU Commission obtained observer status in 2007. Furthermore, the 'Black Sea Synergy' enhanced BSEC-EU cooperation concerning energy and transport (BSEC, Black Sea News, April 2010). Turkey hence presented itself as committed to supra-regional cooperation with a strong emphasis on BSEC-EU relations.

With President Gül as first head of state amongst the organisation's members to visit the BSEC headquarters in 2008, Turkey acknowledged the special role the BSEC plays in promoting regional cooperation and stability and during its chairmanship sought to increase the level of cooperation, particularly in energy issues (Turkish Ministry for Foreign Affairs, BSEC, Turkish Chairmanship). Increased cooperation with Russia within the framework of the Organisation advanced as can be seen in the Black Sea Ring Highway project, a 7100 km long transportation line connecting the member states. According to a study conducted by the UNDP, Turkey's business potentials within the BSEC are estimated around US\$ 110bn (ESEC, Black Sea News, June 2007), further integrating Turkey as a strong economy into the region. Economic incentives thus foster cooperation and contribute to the reduction of tensions and security concerns.

Turkey's role in the BSEC aims at enhancing its regional power through the organisation by playing a major role in the restructuring process of the organisation. The third aim of Turkey's chairmanship was to actively strengthen its financial structures and improve decision-making mechanisms and their more effective implementation (Turkish Ministry for Foreign Affairs, BSEC, Turkish Chairmanship). The Turkish proposal at the side meeting of the BSEC Ministers for Foreign Affairs during the 63rd session of the UN General Assembly in September 2008 advocated efforts to enhance the effectiveness and efficiency of the institutional conduct and was adopted at the BSEC summit in Tirana in October 2008 (BSEC, Black Sea News, November 2008). This strengthened Turkey's active role not only in transforming the organisation, but also in actively engaging in dialogue with the countries of the region. Turkey aspires to increase its economic and political role in the region through the institutional framework of the BSEC, thereby deepening cooperation with Russia as well.

4.2.2 CSCP – A Step Towards Independent Regionalism

During the past years a tendency in Turkish foreign policy has become visible to modernise its approach away from traditional security dilemma tools like a strong military and a focus inwards, towards its establishment as a ‘soft power’ in the region. Turkey’s aim is to realise its ambitions to become an energy hub with a specific focus on transport, rather than resource exploitation, which is reflected in the furthering of institutions with a largely economic intention (Fotiou, 2009: 5). The ‘soft power’ approach should be seen as a supplement to an EU-oriented foreign policy in order to enhance close ties with the West. Regional integration in order to minimise the conflicts in the area is now the declared preference of Turkey. According to Turkish President Abdullah Gül “[t]here are a lot of frozen conflicts, but it would be wrong to attempt to keep them in the freezer forever.” (Ghazinyan, 20.02.2009).

The Caucasus Stability and Cooperation Platform (CSCP) is one of the latest initiatives for regional cooperation in the Caucasus proposed by Turkey. It was first made public on August 13, 2008 by Turkish PM Erdogan in a meeting with the Russian leadership in Moscow, although first talks started earlier that year in Helsinki at the OSCE. The main idea behind the proposal is to fill the power vacuum in the region on a political level in order to minimise the conflict potential by ensuring equal status to Russia and Turkey (Taspinar, 13.07.2009). It has been widely understood, especially after the Georgian-Russian war of August 2008, that the protracted conflicts put stability at risk. One specific instance scaring not just Turkey, but also the Europeans was the bombing by Russian military right between two arms of a pipeline in Georgia during the armed conflict. The Russians showed that, although they did not destroy parts of the pipeline with their strike, they possess the ability to do so at any given time (David Aptsiauri, open lecture on 11.05.2010).

Structurally the platform is supposed to be a forum for further dialogue between the different actors in the region, but not to replace any existing spheres of cooperation. The emphasis lies on security, stability and cooperative development. Turkey continues its traditional pursuit of relations with the Caucasus states, but is now able to elaborate these relations due to the lessening impact of the Nagorno-Karabakh conflict, as well as the limited strains between Russia and the US as a result of the end of the Cold War (Fotiou, 2009:5). The Russians have very *realpolitische* reasons to support the initiative, as it helps their interest to minimise the impact of NATO and the US in the region, but also to limit EU

expansion. (Fotiou, 2009:14). Since multiple mechanisms with the intent to stabilise the region are strongly affected, if not completely conducted by the EU, this new framework gives the Russians the chance to exercise their dialogue with other involved parties more directly. Both, EU and US, are not official partners under the proposal, which is why the Russians approach it with a positive attitude. In the words of Russian foreign minister Lavrov, “[CSCP] is visualised as ‘something like ASEAN’, a loose forum for dialogue.” (Fotiou, 2009:14). This, however, does not mean that they are willing to make it one of their major foreign policy agendas, although the official priorities of limiting conflict and increasing stability are also the essence of CSCP. So far, Russia seems to be reluctant to put a major effort into the establishment of CSCP, instead its focus lies on increased bilateral interaction with Turkey, which it perceives as a potential ally to help contain the influence of the US.

Turkey’s intentions visual in the promotion of CSCP are very clearly structured towards free market integration in the region. The proposal identifies globalisation as a driving force, and emphasises free trade and even as specific a feature as privatisation as a goal of the policy. Although seen as a supporting mechanism to the OSCE Minsk group, the Turkish strife shows an intention to gain strength towards its own decision-making ability. While not as clearly opposed to the EU and US as Russia, the Turks are motivated to lessen their dependence on these actors, partly as a result of the freezing negotiations towards EU-accession. In a sense the strife of Turkey to become an energy hub in the Caucasus will give it additional bargaining chips in further negotiations on EU-membership. Meanwhile they are very clear that CSCP is supposed to be a platform, and not a pact, which gives all involved sides more room to adjust their foreign policy in accordance to future developments, without giving up sovereign power (Babacan, Turkish Press, 26.09.2008). This is another reason why Russia was opposed to the proposed ‘Stability Pact for the Caucasus’ in 2000, but remains more positive towards the new proposal.

In this regard it is important to mention that the rapprochement between Russia and Turkey has been pushed chiefly by the private sector in both countries. Empirically this can be proven by looking at the overall trade flow between the two. While in 1990 trade between the Soviet Union and Turkey accumulated a worth of 1.7 billion USD, in 2000 Russian-Turkish trade went up to 4.5 billion USD and reached 28 billion USD in 2007 (Babali, 2009). Russia is now the biggest trading partner of Turkey, followed by Germany and the US (Babali, 2009). Bilateral partnerships in the areas of energy, tourism, trade, military and defence industry are already in place (Fotiou, 2009: 4). Turkey’s increasing energy demand

left them no choice, but to intensify trade with Russia, the biggest supplier in the region. Today more than two third of natural gas imports as well as 30 percent of oil imports come from Russia (Babali, 2009). Additionally, Turkey is also the third largest buyer of coal from Russia, and receives assistance in building nuclear energy capacities by Russian engineers. In return, foreign direct investment of Turkey in Russia has surpassed 6 billion USD in 2007 (Babali, 2009).

The warming economic relations are also mirrored in the political arena, where Vladimir Putin was the first Russian president since 1972 to visit Turkey in December 2004 (Babali, 2009). However, economic relations remain unbalanced, as Turkey seems to be more reliant on Russian energy supplies than Russia on Turkish money. Therefore, “[...] relations largely depend on Moscow’s vision of energy security for Europe and the world” (Babali, 2009). The process in recent years shows causalities along the lines of the LI account, especially in terms of Russia’s greater bargaining power relative to Turkey due to ‘asymmetrical interdependence’. Moreover, LI proves useful in *understanding* the internal value shaping which to a large extent defines foreign policies. In Turkey, cooperation has been spurred through an intensive process of privatisation in the 2000s; hence, private business is the dominant push factor behind the new cooperation initiatives. On the other hand, the impact of the Putin administration on private industries, especially in the energy sector, has significantly increased in Russia and yet resulted in a similar outcome, that is, intensified efforts from both the Russian and Turkish side to foster cooperation.

It is important to consider the change in Russian-Turkish relations in the light of continuing Russian interests to preserve its hegemony. Why are they able to cooperate more now than in 1991? From a Neo-Realists perspective, the changed threat perception is the deciding factor why increased cooperation came about (Torbakov, 2007:5). In order to mitigate the security dilemma, both countries needed time to evaluate the other’s intentions. While Turkey may have feared a revival of Soviet power politics, the Turkish ambitions in the Caucasus were equally unclear to Russia. The Özal administration began to emphasise the region in Turkish foreign policy, and for a brief period, a pan-Turkish alliance across the Caucasus was feared by the Russians. However, this sentiment did not last for long, and both nations managed to build more trust in each other, shifting Russian-Turkish relations from a period of so-termed “cold peace” in the early 1990s to “virtual rapprochement” today (Sabhani, 2005 in Yanik, 2007: 349). From a Turkish standpoint, it made sense to embrace the relation with Russia since it is a profitable market for Turkish entrepreneurs. In the same vein,

Putin attempted to make foreign economic relations a priority of Russian foreign policy, and therefore stepped closer to Turkey (Yanik, 2007:349).

4.3 Pipeline Politics – Reconciliation of Geopolitical Competition and Cooperation

Since the Caucasus is not only itself rich in natural resources, but also the most relevant transit point for energy resources from the Caspian Sea, it is important to assess the interests of all involved actors. Over the years, the rising energy demand of the EU, but also of Turkey itself has increased the pressure for cooperation in the region.

Already in 1997, a proposal was on the table to build the “Blue Stream’-pipeline between Turkey and Russia. Since 2003, natural gas is flowing from Beregovaya in Russia to Durusu Terminal in Turkey, although due to some minor political disagreements the official inauguration of the line did not take place until November 2005 (Daly, 02.04.2009). This line is the major gas supply to Turkey, and therefore established a strong dependence on Russia.

The Turkish main focus in recent years has been to diversify its energy supply in multiple ways. On the one hand, this means to vary the sources through edging away from fossil fuels; on the other hand it also means to contain the might of Russia as the biggest supplier by increasing its involvement in oil and gas transport to Europe. A major step in this direction has been taken through the deal to build the NABUCCO pipeline. NABUCCO will extend the BTE pipeline (Baku-Tbilisi-Erzurum) and transport natural gas from the Caspian Sea to Europe without passing Russian territory. This project is supported by the EU with 200 million Euro of funding, which - although it is a rather small amount - shows the commitment of the EU to expand its influence in the region (Euractiv, 14.07.2009).

It is however not the case that Turkey is attempting to deliberately push Russia out of the market. Instead, it manages to gain impact on the pricing mechanism of oil and gas by challenging Russia through its unique geographic position. The Russians seem to understand the importance of Turkey as a transit country, as they responded to NABUCCO with the proposal of the South Stream pipeline, which will provide yet another alternate route for Russian gas to Eastern and Southern Europe. For Russia, it seems important to find a solution avoiding transport through Ukraine, which it wants to control by using the gas supply as a pressure tool, but cannot do so without also cutting off Europe (Taspinar, 10.08.2009). South Stream would solve this problem, but is reliant on the cooperation of Turkey. One of the Turkish fears surrounding South Stream is that it would decrease the gas supply by sending

more gas to Europe instead of Turkey via Blue Stream. But since Russia needs Turkish approval to build the pipeline through Turkish territorial waters, this actually gave Turkey an invaluable bargaining chip. The Russians had to go far in convincing the Turkish leadership of the benefits of this project by promising to finance multiple projects in Turkey, including a pipeline from Samsun to Ceyhan and assistance in building nuclear power facilities (Taspinar, 10.08.2009). The lessening of reliance on fossil fuels by developing advanced nuclear capacities has been part of the Turkish agenda since the empowerment of the AKP in 2002.

In general, there has been a favourable shift of power in Turkey's direction. Not only did it increase its bargaining power through NABUCCO, but also through the opening of the BTC pipeline in 2005, which bypasses Russia through Georgia. Furthermore, the Samsun-Ceyhan pipeline is important for Russia in order to advance its exports south while decreasing the dependence on the Turkish straits, which lack capacity (Yanik, 2007: 352). While Turkey may not be able to relinquish Russian energy supplies, it has definitely managed to increase the pressure on Russia to cooperate.

This has been very beneficial to Turkey in a multitude of ways. Recently Russian President Medvedev signed multiple cooperation agreements with his Turkish counterpart, promising both the construction of a four reactor nuclear power plant in Akkuyu, which will be entirely financed by the Russian company Rosatom, as well as price cuts on Russian gas exports to Turkey, which in turn will be delivered to European markets (Paul, Today's Zaman, 19.05.2010). In return Russia hopes to secure bigger shares of the Turkish market. Moreover, Medvedev expressed his favour of the establishment of a High Level Cooperation Council between Russia and Turkey by stating that it "serves as evidence that things are going quite well." (Paul, 19.05.2010). The recent power shift in Russian-Turkish relations is partly due to the slowing negotiations between Turkey and the EU about the former's membership. While it was the basis of AKP's election campaign leading up to the win in the 2002 national elections to increase the discourse with the EU, the party did not embrace this goal for long. Especially since 2006, there has been both an increased national and regional focus on the wider Caucasus.

While it is not the case that Turkey lost interest in EU membership, it revised its approach to doing so because the negotiations stalled. By focusing more on the energy sector especially in striking the NABUCCO deal with the EU, Turkey forced Russia to act. The

Russian need to establish a supply line to Europe, which bypasses Ukraine, allowed Turkey to make more demands.

While this shift from Russian hegemony in the region to increased balance-of-power between Russia and Turkey should according to Neo-Realist theory have increased the security dilemma, it actually led to more cooperation between the two. In this regard, LI seems to be more applicable to the development in Russian-Turkish relations. Through intergovernmental negotiations and bargaining both actors managed to maximise their utility in the energy sector. The outcome of negotiations was and is dependent on relative bargaining power, which is much more balanced now than it was in the 1990s and early 2000s. Both countries see a need in altering the status quo, as ‘asymmetrical interdependence’ has significantly decreased, as an increase in relative bargaining power has reduced Turkey’s dependence on Russia. Furthermore, both entities have shown response to internal pressures, respectively from private businesses. The different interest groups determined the outcome of foreign policy through interaction between state and private sector.

In accordance with our analysis, we conclude that ‘pipeline politics’ are very relevant in creating leverage for the new power distribution. While Russia may hold very pertinent amounts of energy supply, Turkey managed to increase its impact by becoming a relevant transit point for resources extracted in the Caspian Sea, but also by providing Russia with a much needed alternate route bypassing Ukraine.

5. Conclusion

On reflection, we demonstrated the continuous pattern of Russian-Turkish relations during the 1990s. We identified decisive temporal turns along with the end of the Second Chechen War in 2000, the change of Turkish foreign policy under the AKP and the strained Turkish-American relations between 2003 and 2005. In consequence, both countries changed their foreign policy approach towards increased bilateral cooperation and regional integration, which gave rise to several new institutions. The focus of LI on domestic preference formation has provided us with an explicit *understanding* of how internal characteristics shape foreign policy, and thus rendered the system account of Neo-Realism less applicable to our case. While the growing impact of Turkish private actors stands in contrast to increased state influence on energy politics in Russia, these different developments have ultimately translated into intensified efforts to cooperate. Moreover, its role as a regional ‘soft power’ endowed

Turkey with additional international bargaining power, which is essential to its pursuit of becoming a regional energy hub. On the contrary, Russia has been selective in its use of cooperation and did not hesitate to resort to a 'hard power' approach in order to assert its claims for regional hegemony. Realism's emphasis on military capacity and power maximising behaviour is therefore not to be dismissed out of hand. However, central to the new phase of Russian-Turkish relations is a mutual interest in the Caucasus as a stable transport corridor for Caspian energy resources to European and global markets, as reflected in efforts to reconcile geopolitical competition and cooperation in regional 'pipeline politics'.

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