
8. Turkey's objectives in the Caspian region

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I. Introduction

The emergence of the trans-Caucasian and Central Asian states as independent actors has significantly changed the geopolitics of Eurasia. The new republics are facing the problems of transition to a market economy and making efforts to open up to the international economic system. They are seeking ways to be the masters of their own resources and to change the terms of their relationship with Moscow. Their major concern is the consolidation of their independent status. Moreover, after the cold war, the Caspian region has grown in importance as a source of energy. In the words of Geoffrey Kemp and Robert E. Harkavy, the resources of the Caspian Sea Basin should be considered together with those of the Persian Gulf and the 'Gulf-Caspian energy ellipse' has become 'one of the most significant geostrategic realities of our time'.¹ The Caspian region is also an essential link between Central Asia, the Black Sea and Turkey. The issue of energy and possible oil transport routes has come to be regarded by regional and extra-regional states as a significant 'determinant for the long-term geopolitical orientation of the region'.² This has in turn has exacerbated rivalries among the regional states as well as between Russia and the United States.

Since the breakup of the USSR Turkey has become increasingly involved in this new and dynamic geopolitical environment, which presents it with opportunities as well as challenges. The Turkic world which was previously closed to Turkey has opened up to it. Turkey's foreign relations have acquired new political and economic dimensions with a new Russia and with the emergence of independent Azerbaijan, Georgia and Ukraine. For various reasons, however, Turkey's initial high expectations about the expansion of its influence in the newly independent states have not fully materialized. This is particularly true of Central Asia; in the South Caucasus, by contrast, Turkey has gradually consolidated its position since the early 1990s.

The South Caucasus is of particular geopolitical interest for three reasons. First, the region is a gateway to Central Asia. Second, it provides direct access to the markets of the West for the Caspian oil and gas. Here Iran's anti-Western policies and US 'containment' of Iran have made the region even more significant. Third, Azerbaijan and Georgia are of the utmost strategic importance

¹ Kemp, G. and Harkavy, R. E., *Strategic Geography and the Changing Middle East* (Brookings Institution: Washington, DC, 1997), p. 111.

² Ruseckas, L., 'Turkey and Eurasia: opportunities and risks in the Caspian pipeline derby', *Journal of International Affairs*, vol. 54, no. 1 (fall 2000), p. 223.

to Turkey. Their independence and territorial integrity are regarded as indispensable for the security and stability not only of the Caucasus but also of Central Asia.

This chapter examines Turkey's objectives and strategies in the Caspian region in general and in the South Caucasus in particular. It focuses on Turkey's priorities not only from a regional perspective but also in terms of trans-regional linkages which usually exert considerable influence on Turkey's decisions and actions.

Turkish policy is widely viewed as being motivated almost solely by economic considerations, particularly by the energy (oil and gas) issue. Turkey's political and other non-economic interests are often neglected or, at best, only touched on briefly. In fact, Turkey's primary long-term objective is political—the creation and maintenance of a pluralistic Eurasia which is open to the West in general and to Turkey in particular. It also has other serious concerns—environmental concerns about the transport of oil by tanker through the narrow straits of the Bosphorus and the Dardanelles (the Turkish Straits) and the maintenance of good, cooperative relations with Russia in the interests of regional stability and economic benefit. This, however, is not to overlook the energy issue, which is undoubtedly important both in itself and because of Turkey's rapidly growing energy needs. It is also regarded as an instrument for the realization of the long-term political objective of building a pluralistic Eurasia. In this sense, the exploitation of energy resources and the transport of oil and gas are often seen as promoting stability, nation-building and independent statehood rather than the causes of rivalry and conflict. The energy issue is in one way or another related to other objectives.

This raises the question of the compatibility of different objectives. To what extent does Turkey's policy in the region contribute to minimizing conflictual tendencies and promoting stability?

Finally, trans-regional linkages should be taken into account in dealing with Turkey's objectives in the Caspian region. Turkey's regional policies cannot be adequately understood separately from its Western vocation and its relations with the United States and the European Union (EU).

II. Energy and the economy

Since the breakup of the Soviet Union there has been growing Western interest in the Caspian region's oil and gas resources. It is expected that sustained economic growth in North America, Europe and Asia during the first decade of the 21st century will bring about a considerable increase in demand for energy. Although the significance of the Caspian energy reserves is modest, they have the potential to supplement the Persian Gulf production on which most countries are expected to be increasingly dependent. Consequently there is a growing need to exploit the energy resources of Central Asia and the Caucasus by opening up these regions to foreign investment and international cooperation.

Turkey is one of the most important potential markets for the oil and gas production of the Caspian region and Russia. Its need for energy has been increasing rapidly and will continue to do so if the present rate of economic growth is to be sustained. Energy security is also extremely important for sustained economic growth.

Turkey is estimated to import around 28 million tonnes of crude oil in the year 2000 and over 40 million tonnes by 2010. The increase in the demand for natural gas is even more striking. On one very conservative estimate it is expected to rise from 10 billion cubic metres (bcm) in 2000 to over 30–40 bcm in 2010. Turkey currently depends on imports for approximately 62.6 per cent of its energy consumption and for more than 95 per cent of the oil and gas it consumes. The major suppliers of crude oil are the Persian Gulf countries and Libya; the major supplier of natural gas is Russia.³ This trend has prompted Turkey to diversify its energy suppliers and to regard the Central Asian and trans-Caucasian states as important energy partners.

Turkey is already beginning to suffer a shortage of gas supply. It plans to build new gas-fired power stations in order to meet the growing demand for electricity and a shortage of natural gas to supply them could cause economic crisis. All this makes it a very important market for the Caspian region's gas and gives additional economic significance to Turkey's relations with the region, which has the potential to become its main gas supplier in the very near future.⁴ Its growing demand for natural gas has led to Turkey concluding agreements to buy additional gas from Azerbaijan, Iran, Russia and Turkmenistan.

All these new supplies require new pipelines connecting the suppliers to the Turkish market. However, the construction of infrastructure may take years, while the country's gas shortage worsens in the meantime. Gas is therefore an urgent issue for Ankara which requires a short-term solution. This also makes the gas issue primarily an economic one, which hardly lends itself to longer-term political considerations. Russia currently supplies more than 11 bcm of natural gas to Turkey per year through a pipeline across Ukraine, Moldova, Romania and Bulgaria. The parties are planning to upgrade the capacity of this pipeline. Moreover, Turkey and Russia have concluded an agreement providing for the transport of 16 bcm per year of Russian gas to Turkey by an underwater pipeline across the Black Sea shelf. The project, which is called Blue Stream, has already received the support of Russia's Gazprom, Italy's ENI, three Japanese companies and a French company. The Blue Stream pipeline is to be built by ENI.⁵ In contrast to the politics of oil, Russia is thus becoming 'an important partner for Turkey rather than a rival in the field of gas'.⁶

³ On Turkey's energy needs and policies see Söylemez, Y., 'Turkey as an energy terminal in the 21st century', *Turkish Daily News* (15 Feb. 2000), p. 16. The figures concerning Turkey's energy needs that appear here are taken from this article.

⁴ Kramer, H., *A Changing Turkey: The Challenge to Europe and the United States* (Brookings Institution: Washington, DC, 2000), p. 101.

⁵ Pamir, A. N., 'Is there a future for the Eurasian corridor?', *Insight Turkey*, vol. 2, no. 3 (July/Sep. 2000), pp. 35–38. On this and other pipeline projects see also chapter 3 in this volume.

⁶ Winrow, G. M., 'Turkey and Caspian energy: the importance of geopolitics', *Insight Turkey*, vol. 2, no. 2 (Apr./June 2000), p. 64.

There are two more gas pipeline projects at issue.

The second project is the US-backed Trans-Caspian Gas Pipeline (TCGP) project, which Turkey is pursuing simultaneously with Blue Stream. The TCGP is envisaged to transport Turkmen gas to Turkey via the Caspian, Azerbaijan and Georgia. Although the Turkish Government believes otherwise, most experts in the United States and Turkey argue that demand for natural gas in Turkey means that only one of the pipelines is economically feasible and that it should choose between Blue Stream and the TCGP. Furthermore, they contend that the TCGP is politically more appropriate than Blue Stream, which will inevitably increase Turkey's energy dependence on Russia.⁷

Turkish officials believe that Blue Stream is less costly because it is geographically more direct. It is also politically simpler to realize because Russia is Turkey's only partner. As a US analyst has pointed out, 'Blue Stream also tracks with traditional Turkish strategic thinking regarding Russia . . . Turkey has always been loath to antagonize Moscow.'⁸ Thus, one of the political reasons why Turkey prefers Blue Stream is probably that it will help to moderate Turkish–Russian rivalry in the Caucasus and the Black Sea.

The third project is for a pipeline across Iran. Given its huge oil and gas reserves, Turkey has always regarded Iran as a potential economic partner. Cooperation with Iran is also seen as important in order to diversify sources and avoid excessive dependence on Russia. Hence, Turkish policy makers have not been comfortable with the US-led policy of 'dual containment'. Turkey signed gas agreements with Iran in 1996 and 1997 which provide for the transport of Turkmen and Iranian gas to Turkey. Iran has already finished constructing the pipeline on its own territory while Turkey has failed to fulfil its obligations. This has brought about a dispute between the two countries. Nevertheless, the parties have agreed to postpone the fulfilment of Turkey's obligations.

It should be noted that the gas deal with Iran has not been welcomed unanimously in Turkey. At times it has been criticized because of Iran's support for terrorist groups such as the separatist Kurdish Workers' Party (PKK) and Turkish Hizbollah.⁹

III. The environmental risks of oil transport

While Turkey has adopted a mainly economic approach to the natural gas issue, its policy towards the oil transport issue is dominated by environmental concerns and political considerations.

The present low-level Caspian production ('early oil') is being carried by the existing pipelines. One connects Baku to the Russian Black Sea terminal at Novorossiysk; a second links Baku to the Georgian port of Supsa; a third goes through Russia to the Black Sea coast from Kazakhstan. The total capacity of

⁷ Makovsky, A., 'US policy toward Turkey: progress and problems', ed. M. Abramowitz, *Turkey's Transformation and American Policy* (Century Foundation Press: New York, 2000), p. 242; and Pamir (note 5), p. 37.

⁸ Makovsky (note 7), p. 243.

⁹ Pamir (note 5), p. 40.

all three is limited to about 150 000 barrels a day (b/d). This will not be sufficient when the exploitation of the bulk of the Caspian reserves ('main oil') begins. Setting aside the Russia–Balkan route, which is under consideration, and the Iranian–Persian Gulf route, which is vehemently opposed by the USA, there are today three more or less equally viable options for transporting the 'main oil' from the region to consumers in the West. One is to expand and refurbish the northern route from Baku to Novorossiysk; the second is to build a new pipeline from Baku to Georgia's Black Sea coast; and the third is to build a pipeline from Azerbaijan through Georgia to Turkey's Mediterranean port of Ceyhan. This is called the Baku–Tbilisi–Ceyhan (BTC) pipeline.

Turkey is energetically promoting the BTC project, which will avoid all transport by sea through the Black Sea and the Turkish Straits. One of its major objectives in doing this is to restrict tanker traffic through the straits because of the growing risk of accidents that would particularly affect Istanbul, Turkey's largest city and business metropolis. The passage from the Black Sea into the Aegean and the Mediterranean is through two narrow straits, the Bosphorus and the Dardanelles, as well as the semi-enclosed Sea of Marmara. The 1936 Convention Regarding the Regime of the Straits (the Montreux Convention) provides for the free passage of commercial vessels through the Turkish Straits and makes no environmental protection provisions. The size and speed of vessels have increased since 1936 and the volume of traffic has grown considerably: the number of vessels passing through the straits annually increased from 4500 in 1934 to 47 000 in 1995 and 49 304 in 1998.¹⁰ Occasional accidents have brought the environmental risks to the forefront and each successive shipping accident has hardened Turkey's position on the limitation of tanker traffic through the straits.

The adaptability of the Montreux Convention to changing circumstances has recently been a matter of debate in Turkey. Some experts emphasize the need for revision, arguing that as it applies today the convention considerably limits the powers of the Turkish Government. The Turkish authorities should be given the necessary powers to take measures of environmental protection and to stop and search vessels for security reasons. They also insist that pilotage must be obligatory for merchant vessels.

Turkey, however, has always been unfavourable to any modification of the Montreux Convention. Turkish officials believe that its main provisions are still quite satisfactory with respect its interests and that even further discussion of its detailed provisions might open a Pandora's box. Thus, while acknowledging the need for a certain degree of adaptation, they argue that this could be done through an evolutionary process of interpretation.¹¹ Accordingly, in January 1994, the Turkish Government adopted new Maritime Traffic Regulations for

¹⁰ Turkish Ministry of Foreign Affairs, *Rapport Annuel sur le Mouvement des Navires à Travers les Détroits Turcs* [Annual report on the movement of shipping through the Turkish Straits], (Ministry of Foreign Affairs: Ankara, 1999).

¹¹ Karaosmanoglu, A. L., 'Naval security in the Black Sea and the Mediterranean', *International Spectator*, vol. 28, no. 4 (Oct./Dec. 1993), pp. 139–44. For recent developments see Yuksel, I., 'The current regime of the Turkish Straits', *Perceptions*, vol. 6, no. 1 (Mar./May 2001).

the Turkish Straits and the Marmara Region. These introduced a rigorous regulatory regime for passage through the straits without violating the Montreux Convention principle of free passage. The purpose of the regulations was 'to regulate the maritime traffic scheme in order to ensure the safety of navigation, life and property and to protect the environment in the region'.

Turkey implemented the regulations, with the approval of the International Maritime Organization (IMO), but in November 1998, in response to Russia's objections to the new regime, replaced the 1994 regulations by new Maritime Traffic Regulations for the Turkish Straits.¹² The 1998 regulations are simpler than those of 1994 and strengthen the principle of freedom of passage. At the same time, however, they maintain a rigorous regulatory regime not only in the interests of the security of passage and navigation but also for the security of the lives and property of the people living in the Istanbul area and that of the environment. Turkish officials believe that because of the new regulations and the approval by the IMO Russia is now tending to moderate its position and limit its objections to technical issues, demanding only certain exceptions for its vessels on the traffic separation schemes provided for by the 1998 regulations. Moreover, in April 2000 Turkey signed a contract with Lockheed Maritime Overseas for the construction of a high-technology Turkish Straits Vessel Traffic Management and Information System.

Turkey's environmental concerns are to some extent shared by the South Caucasian states. They also believe that a substantial increase in tanker traffic would do great harm to the Black Sea, which is already dangerously polluted. As a result of a Turkish initiative, the Ankara Declaration of 29 October 1998, signed by the presidents of Azerbaijan, Georgia, Kazakhstan and Turkey, pointed out 'the importance of protection of the natural environment of the Turkish Straits, the Black Sea and the Mediterranean coast'. It also emphasized that 'the transportation of oil through pipelines is a vital matter for reducing the threat caused by tanker traffic'.¹³

IV. The geopolitics of pipelines

From the beginning, with the exception of the State Oil Company of the Azerbaijan Republic (SOCAR) and the Turkish Petroleum Corporation (TPAO), almost all the major oil companies have opposed the BTC as the main export pipeline, for two reasons: (a) the inadequacy of reserves; and (b) its high cost compared to the other possible routes such as Baku–Supsa, Baku–Novorossiysk and the Iran–Persian Gulf route.

These economic impediments seem to have lost some of their significance recently as a result of a number of developments.¹⁴ The objection of high cost

¹² The new regulations were approved by IMO document MSC 71/ WP.14/Add.2 of 27 May 1999, which continues the IMO rules and recommendations adopted in 1994 (Res. A7857).

¹³ For the Ankara Declaration see *Turkish Probe*, no. 304 (8 Nov. 1998), p. 15.

¹⁴ Demirmen, F., 'Baku–Tbilisi–Ceyhan: the project enters a new phase, Part 1', *Turkish Daily News*, 20 Oct. 2000, p. 5.

was mitigated when Turkey granted tariff reductions and guaranteed to cover construction costs above \$1.4 billion for the section of the pipeline that passes through Turkish territory. Objections based on the insufficiency of reserves were mitigated by the recent discovery of oil on the Kashagan East-1 field in Kazakhstan and by the recent announcement of new reserves on the Azerbaijani fields of Muradhanli, Gobustan, Mishovdag, Kemaleddin and Dan-Ulduzu-Ashrafi (offshore condensate). During a visit by the Turkish President, Ahmet Necdet Sezer, to Kazakhstan in October 2000, President Nursultan Nazarbayev declared that he would support the BTC project by supplying 15 million tonnes of crude oil from Kazakhstan's newly opened reserves.¹⁵ Another development was the increase in the price of crude in the second half of 2000 to \$30 per barrel. It is expected that the price will stabilize at around \$20 per barrel, and this will positively affect the economic viability of the project.¹⁶ These new developments are expected to change the negative attitude of the oil companies towards the BTC project.¹⁷

Despite these economic factors, political considerations dominate the entire issue of oil pipelines. Regional states and other interested governments such as the USA's view the question of oil pipeline routes as a crucial factor which will directly influence the long-term geopolitical orientation of the Caucasus. The Baku–Novorossiysk route would increase Russia's control of the region. The Iranian route would violate the USA's policy of containment and increase Iranian and other Middle Eastern influence in the Caspian region. The BTC route would make regional states such as Azerbaijan and Georgia more inclined towards the West and Turkey, and it is believed that this is precisely why Iran and Russia are against it.¹⁸

Turkey is willing to buy a considerable share of the oil flowing through the BTC pipeline. Moreover, it expects some financial benefit from the pipeline. Its main interest, however, is political. Turkey regards a main export pipeline (MEP) crossing its territory as an instrument for extending its influence in the region and, and more significantly, as an opportunity to consolidate its role as a crucial link between Central Asia, the Caspian region and Europe.¹⁹ Turkish policy makers believe that their country's importance for the West in general, and for the EU in particular, will increase to the extent that its role and influence are solidified in the Caspian region and Central Asia.

Energy resources and pipeline routes in the Caspian region are also considered a convenient instrument to create a web of interdependence which, in turn, will promote welfare, stability and independent statehood in the region.

¹⁵ *Turkish Daily News*, 21 Oct. 2000, p. 9.

¹⁶ Demirmen, F., 'Baku–Tbilisi–Ceyhan: the project enters a new phase, Part 2', *Turkish Daily News*, 21 Oct. 2000, p. 5.

¹⁷ In Oct. 2000 Azerbaijan, Georgia and Turkey signed the Full Handover Agreement, the Transit Country Agreement, the Guarantee Documents Agreement and the Host Country Agreement, which are regarded as a major step towards implementation of the BTC project. *Turkish Daily News*, 20 Oct. 2000, p. 5.

¹⁸ Ruseckas (note 2), pp. 223–24.

¹⁹ Rubin, V., *The Geopolitics of Energy Development in the Caspian Region*, Conference Report (Stanford University, Center for International Security and Cooperation: Stanford, Calif., 1999), p. 15.

The consolidation of the independence of regional states, especially Azerbaijan and Georgia, is Turkey's highest stake in the region.²⁰ In the Ankara Declaration of October 1998 this is clearly stated as the major political objective: 'The Presidents affirm that it is necessary to carry the oil and gas resources of the region through multiple pipelines, which is also optimal economically and commercially for strengthening the independence and security of the Caspian states and their neighbors'. In the same declaration the presidents also agreed on 'giving directives to the relevant authorities in their countries for the realization of the East–West energy corridor and Baku–Tbilisi–Ceyhan pipeline'.²¹

This approach to the pipeline issue, including the BTC project, is being actively promoted by the USA. Ambassador Richard Morningstar, Special Advisor to the President of the United States, described his government's position quite clearly in a conference on December 1998. After emphasizing the BTC project as the best solution for transporting oil from the Caspian to foreign markets, he listed the USA's main policy objectives regarding the Caspian energy resources as: (a) strengthening the independence and prosperity of the new states; (b) encouraging political and economic reform; (c) mitigating regional conflicts by building economic linkages between regional states; (d) bolstering the energy security of the USA and its allies and regional states by ensuring the free flow of oil and gas to the world market; and (e) enhancing commercial opportunities for US and other companies.²²

With a few exceptions, Turkey shares the US approach to the South Caucasus. Turkish officials, like their US counterparts, view the pipelines as a useful tool to consolidate the independence and territorial integrity of the new states and reduce regional tensions through regional and inter-regional cooperation. The region's energy resources should be exploited to the benefit of all the states of the region. To this effect it is essential to create a web of multiple pipelines in the region, involving all the states of the South Caucasus and Russia.

Although there is a striking parallel between Turkish and US policies on the MEP issue, Turkey differs from its ally and supporter where Iran and Russia are concerned. First, it puts stronger emphasis on economic and political cooperation with Russia. Second, it is uncomfortable with the policy of containment of Iran. Turkey wants to transfer Turkmenistan's natural gas through a pipeline across Iranian territory. It would also like to develop closer trade relations with Iran. Third, Turkey believes that the present US approach to the Nagorno-Karabakh conflict is biased in favour of Armenia. This is especially observable in US assistance to the region: while Armenia receives US economic aid, sanctions passed by the US Congress in 1992 impede all US assistance, including aid for privatization, to Azerbaijan. The restrictions imposed by the Congress are not consistent with US policy objectives in the Caucasus, prevent the USA

²⁰ Karaosmanoglu, A. L., 'Turkey and the new geoeconomics in the Black Sea region', eds H. Bagci, J. Janes and L. Kuhnhardt, *Parameters of Partnership: The US, Turkey, Europe* (Nomos: Baden-Baden, 1999), pp. 187–89.

²¹ See note 13.

²² *Turkish Daily News*, 10 Dec. 1998, p. A3. See also Rubin (note 19), p. 9.

from acting as an effective mediator and constrain its ability to become fully involved in the development of Azerbaijan's oil sector.²³

V. Cooperation with Russia

Turkey values its cooperation with Russia highly. Despite acute rivalry over issues such as the oil pipeline, the status of the Turkish Straits, and Turkey's and NATO's increased naval presence in the Black Sea, economic relations have grown rapidly since the end of the cold war, to the benefit of both countries.²⁴ Turkey's growing activism, on the one hand, and Russia's considerable loss of power after the end of the cold war, on the other, have made the two states more cooperative in dealing with each other more or less on the footing of equality.²⁵ Each today has a strong economic interest in business with the other. Russia has become one of Turkey's leading trading partners and will soon become its major energy supplier. Both governments are increasingly careful in their rhetoric. They play down their differences but emphasize the mutual benefits to be derived from cooperation. As a result of growing business interests, a significant pro-Russian lobby is becoming increasingly influential in Turkish business and political circles.

From the end of the cold war to Russia's economic crisis in 1998, the value of trade between Turkey and Russia increased to \$8–10 billion annually. Official trade represented only \$3.5 billion in 1998, the remainder being accounted for by the unregistered 'suitcase trade' which largely worked in favour of Turkey's balance of trade.²⁶ Russia's economic crisis mainly affected Turkish exports. The 'suitcase trade' almost stopped. Turkey's foreign trade deficit, according to the official statistics, soared to \$807 million following Russia's cutting down its imports in the 1998 financial crash. The deficit grew even further in 1999, to the detriment of Turkey. In 1999 Russian imports from and exports to Turkey were \$588 million and \$2.37 billion, respectively.²⁷

Another cause of Turkey's trade deficit is the steady increase of its gas purchases from Russia. These rose from 6.5 bcm in 1997 to 11 bcm in 2000 and are expected to increase to 30 bcm in 2012 when Blue Stream is completed. If natural gas prices remain the same, Russian gas will then cost Turkey \$2.5 billion each year. In order to solve the trade deficit problem, Turkey proposed to reactivate the barter trade system which functioned from 1984 until 1994, when Russia started liberalizing its foreign trade policy. Russian officials

²³ On sanctions against Azerbaijan see Cohen, A., 'US policy in the Caucasus and Central Asia: building a New Silk Road to economic prosperity', *Heritage Foundation Backgrounders*, no. 1132 (24 July 1997), pp. 3, 13; and Larrabee, F. S., 'US and European policy toward Turkey and the Caspian Basin', eds R. D. Blackwill and M. Sturmer, *Allies Divided* (MIT Press: Cambridge, Mass., 1997), p. 173.

²⁴ On the contradictions in Turkish–Russian relations see Sezer, D. B., 'Turkey–Russian relations: the challenges of reconciling geopolitical competition with economic partnership', *Turkish Studies*, vol. 1, no. 1 (spring 2000), pp. 59–82.

²⁵ Markuskin, V., 'Russia–Turkey: doomed to be eternal neighbors', *Perceptions*, vol. 2, no. 1 (Mar./May 1997), p. 98.

²⁶ Sezer (note 24), p. 73.

²⁷ *Turkish Daily News*, 26 Oct. 2000, p. 6.

argue that there is no imbalance in the trade between the two countries when the 'suitcase trade' is taken into account. Nevertheless, when Russian Prime Minister Mikhail Kasyanov visited Ankara in October 2000, both governments agreed to hold talks on reactivating the old system of payment by adapting it to the requirements of liberal economies.²⁸

The activities of Turkish construction firms in Russia are another aspect of economic relations. The total value of this work exceeded \$6 billion by 1996 and Turkish officials hope that reactivation of the barter system will encourage this as well. Tourism is growing between the two countries. Finally, arms deals are another item on the economic agenda. Russian companies seem to be eager not only to sell arms to Turkey but also to start co-production projects.

Turkish businessmen, referring to Russia's vast resources and industrial infrastructure, believe that in the long term a collapse of the Russian economy is out of the question. This sanguine view is shared by many Turkish officials. A recent exchange of visits between the two countries highlighted the significance of economic links and made clear that the effects of the 1998 financial crisis in Russia had to a considerable extent been overcome. Economic cooperation even encouraged speculation on the possibility of a strategic relationship between Russia and Turkey. When Alexander Lebedev, Russia's Ambassador to Turkey, was asked in an interview if cooperation between Russia and Turkey could grow into a strategic partnership, he said: 'After all, Russia and Turkey are two major Eurasian countries. In fact, because of the coexistence of national interests in many ways, I do believe that Russia and Turkey can cooperate very closely in the former Soviet republics of Central Asia and in the Caucasus. The two countries' positions towards the region are very close if not identical'.²⁹

The growth of economic relations has yet to lead to political cooperation. Turkey's relations with Russia seem likely to involve serious misunderstandings, if not tension, for several decades to come. Nevertheless, in spite of the presence of influential Caucasian groups in Turkey and Moscow's complaints that they were sending military assistance to Chechnya, Turkey has supported Russia's territorial integrity and Turkish officials consider the Chechen war as a matter of Russia's domestic jurisdiction (although they also believe that the use of excessive and disproportionate force by Moscow is an international human rights issue). Russia has responded accordingly. Despite the Duma's anti-Turkish attitude, the Russian Government in October 1998 refused to give asylum to Abdullah Öcalan, leader of the PKK, and expelled him from the country. Russia's attitude was welcomed by public opinion in Turkey.

Turkey's major concern is in fact the possibility of a Russian military intervention in Georgia under the pretext of stopping incursions from Georgia into Chechnya. It does not want to see any curtailment whatsoever of the political independence or territorial integrity of Georgia.

²⁸ *Turkish Daily News*, 26 Oct. 2000, p. 6.

²⁹ *Turkish Daily News*, 4 Dec. 1988, p. A4.

VI. Multilateralism and Western orientation

Multilateralism and cooperation with the West are the principal characteristics of Turkey's diplomatic and strategic approach to the Caspian region. Its policy is far from being unilateralist and adventurist. Its activism in the region is a 'measured activism'. Most manifestations of Turkey's assertiveness 'are in the realm of diplomatic relations, not the use of force'.³⁰ Moreover, it prefers to act together with its Western allies. Its multilateralism extends from participation in peace operations, such as the Organization for Security and Co-operation in Europe (OSCE) Minsk Group in Nagorno-Karabakh and the UN Observer Mission in Georgia, to the initiation of regional arrangements such as the Black Sea Economic Cooperation (BSEC) scheme. Turkey's starting point is often its own Western vocation and Western values. Statements by Turkish officials clearly reflect the way Turkey views its mission in the region. A recent example is an article by Ismail Cem, Turkey's Minister of Foreign Affairs: 'As the only country with a predominantly Muslim population and that has the ideals and practices of a pluralist democracy, secularism, the rule of law, human rights and gender equality, Turkey enjoys the privilege of being a paradigm of modernization . . . Turkey thus becomes a center for the emerging Eurasian reality and constitutes Western Europe's major historical, cultural and economic opening to Eastern horizons'.³¹

In this ideological context, Turkey views NATO and the EU as the linchpins of stability not only in Europe but also in the new transatlantic area extending to the Black Sea region and to the Caucasus and Central Asia. Turkey contributes enthusiastically to NATO's Partnership for Peace (PFP) programme, including military and naval exercises in the Black Sea in which Azerbaijan, Georgia and Ukraine participate. Units from Azerbaijan and Georgia are also participating in the Kosovo Force (KFOR) as part of a Turkish battalion. In 1998 Turkey set up a PFP Training Center in Ankara whose function is to provide training and education to military and civilian personnel of partners, including Azerbaijanis and Georgians, to prepare them for NATO standards. Turkey also proposed a project for a multinational Black Sea Naval Cooperation Task Force which is at present being discussed among the regional states.³² Furthermore, in pursuance of PFP objectives, Turkey has carried out special military training and educational programmes in Azerbaijan and Georgia.

The purpose of the PFP programme is not only to encourage military cooperation or promote interoperability and transparency among NATO members and partner countries. Its final objective is to project stability eastwards by substituting cooperative security for balance-of-power policies.³³ Institutions such

³⁰ Makovsky, A., 'The new activism in Turkish foreign policy', *SAIS Review*, vol. 19, no. 1 (winter-spring 1999), p. 94.

³¹ Cem, I., 'Turkey and Europe: looking to the future from a historical perspective', *Perceptions* (Turkish Ministry of Foreign Affairs), vol. 5, no. 2 (June/Aug. 2000), p. 9.

³² See the interview with Gen. Hüseyin Kivrikoglu, Chief of the General Staff, 'Turkish armed forces: peace in the nation, peace in the world', *Military Technology*, vol. 23, no. 9 (1999), pp. 9–20.

³³ Ruggie, J. G., *Winning the Peace: America and World Order in the New Era* (Columbia University Press: New York, 1996), p. 88.

as the PFP ‘help mobilize material and normative resources for the development of a transnational liberal collective identity’.³⁴ In this way a ‘we feeling’ is expected to develop, replacing fragmentation, balance of power and unilateralism.³⁵ Thus, the Turkish foreign policy elite, by actively supporting the PFP, expect their multilateralist activism to consolidate Turkey’s ‘unique position’ to project Western values to the newly independent states in the Caucasus and Central Asia; this, in turn, will strengthen Turkey’s Western identity.

Both Azerbaijan and Georgia have further expectations of NATO. They look forward to becoming full members of the alliance and seek solid security guarantees. NATO members, however, will not be able to respond to these expectations for some time to come, for several reasons. The USA has other commitments in other parts of the world. The European allies have priorities in their own vicinity. NATO is careful about Russia’s sensitivities. In the long run, the interest of the West will most probably increase in the South Caucasus. In the medium term, however, NATO engagement in the Caspian region will be confined to advisory assistance, training, joint military exercises, and restructuring the military establishments of the Caspian states along Western lines.³⁶

The same vision of integration with the Western community of nations was part of the BSEC scheme, which was a Turkish initiative. The BSEC’s Charter of 25 June 1992 confirmed the participants’ intention to develop economic cooperation as a contribution to the Conference on Security and Co-operation in Europe (CSCE) process,³⁷ to the establishment of a Europe-wide economic area, and to greater integration into the world economy, and stated that economic cooperation would be developed in such a way as not to prevent the promotion of the participating states’ relations with the European Community.³⁸ These provisions in its founding document show that the BSEC initiative is viewed by all the participants as complementary to the broader scheme of European integration.³⁹

Another example of multilateralism is the Turkish initiative for the creation of a Stability Pact for the Caucasus. On the occasion of President Suleyman Demirel’s visit to Tbilisi in January 2000, Georgia and Turkey proposed that a Stability Pact for the Caucasus should be concluded which would include Azerbaijan, Armenia, Georgia, Turkey, Russia, the United States, the EU, the OSCE and possibly Iran. The purpose of the pact would be the promotion of cooperative security and conflict resolution. It has already received support

³⁴ Adler, E., ‘Seeds of peaceful change: the OSCE’s security community-building model’, eds E. Adler and M. Barnett, *Security Communities* (Cambridge University Press: Cambridge, 1998), p. 152.

³⁵ Waever, O., ‘Insecurity, security and asecurity in the West European non-war community’, eds Adler and Barnett (note 34), pp. 98–101.

³⁶ On NATO’s limitations see Sokolsky, R. and Charlick-Paley, T., *NATO and Caspian Security: A Mission Too Far?*, Report MR-1074-AF (RAND: Santa Monica, Calif., 1999); and Bhaty, R. and Bronson, R., ‘NATO’s mixed signals in the Caucasus and Central Asia’, *Survival*, vol. 42, no. 3 (autumn 2000), pp. 129–46.

³⁷ The CSCE became the OSCE in Jan. 1995.

³⁸ Charter of the Organization of the Black Sea Economic Cooperation (BSEC), 25 June 1992, URL <<http://www.bsec.gov.tr/Charter.htm>>.

³⁹ Çeviköz, Ü., ‘Sub-regional cooperation and pan-European integration’, Thesis for the Master’s degree presented at the Université Libre de Bruxelles, July 1993, pp. 42–44 (unpublished).

from Azerbaijan and Western governments and attracted positive attention from the EU. The Centre for European Policy Studies, a research institute in Brussels which works mostly for the EU, published in May 2000 a working document on the initiative for a Caucasus Stability Pact.⁴⁰

The EU has strongly supported the idea of the Transport Corridor Europe Caucasus Asia (TRACECA)⁴¹ and, to that affect, signed a series of Partnership and Cooperation Agreements with the South Caucasus and Central Asian states. The EU engagement, however, has also its limitations. The EU does not seem comfortable with its present aid policy, which mainly consists of grants. It is beginning to adopt a more political approach, putting emphasis on conditionality, trade and investment.⁴²

Turkey would like to see the EU make further efforts to contribute to the stability and development of the South Caucasus, but West Europeans are ambivalent as regards the region and Turkey's role there. Although Turkey's role is generally viewed positively, there is at the same time a certain suspicion about its new activism. Many Europeans think that its activist policies could indirectly and inadvertently embroil the NATO allies in regional conflicts.

VII. Turkey's internal and external constraints

Turkey's ability to achieve its objectives in the Caspian region faces important internal and external constraints. First, Turkey has been unable to supply large amounts of aid because its own resources are limited. The Turkish public sector could not undertake large-scale investment in the South Caucasus while its own state enterprises were facing a dwindling budget for domestic investment. Many private companies in Turkey regarded the region as a high-risk area and refrained from investing, preferring Russia for trade and investment. Second, Turkey's own internal political problems, such as terrorism, separatism and Islamic extremism, and its human rights problems have preoccupied politicians and the civil and military bureaucracy and diverted their attention away from the South Caucasus. Third, Turkey has had to deal with other foreign and security policy issues in Western Europe, Cyprus, the Aegean, the Balkans and the Middle East. Most of these problems touched on its vital or major interests and required urgent treatment. Turkey has had to deal with all these issues with an understaffed foreign ministry which was overwhelmed by routine work and lacked a tradition of policy planning.

Turkey also faces even more formidable external constraints and policy dilemmas in the Caspian region. First, Russia's political objectives and military presence (bases in Armenia and Georgia)⁴³ often clash with Turkey's interests

⁴⁰ For the Executive Summary of Working Document no. 145 of May 2000 see Emerson, M., 'A Stability Pact for the Caucasus', *Insight Turkey*, vol. 2, no. 3 (July/Sep. 2000), pp. 23–30 and 199–204.

⁴¹ See, e.g., the TRACECA Internet site, URL <<http://www.traceca.org>>.

⁴² Wittebrood, C. F., 'Towards a partnership with the countries of the Eurasian Corridor', *Insight Turkey*, vol. 2, no. 3 (July/Sep. 2000), pp. 11–21.

⁴³ In Nov. 1999 at the OSCE Summit Meeting in Istanbul Russia agreed to evacuate its 4 bases in Georgia. It has begun to withdraw from the bases at Gudauta and Vaziani, and withdrawal is expected to

in the region. Russia is Turkey's major economic partner and its most important energy supplier. Moreover, despite its deficiencies in conventional weapons, it is still a significant nuclear power. These factors lead Ankara to act cautiously so as not to antagonize Moscow.

The Nagorno-Karabakh conflict and Turkey's poor relations with Armenia are also obstacles to the realization of Turkey's objectives. If the events of 1915 can be put aside, a Turkish-Armenian rapprochement will primarily depend on the resolution of the Karabakh conflict and the evacuation of the occupied Azeri territories by Armenian forces. Although Turkey strongly supports Azerbaijan's (as well as Georgia's) territorial integrity, it also favours a considerable degree of autonomy for Nagorno-Karabakh on the condition that the Armenian and Azerbaijani peoples accept this solution. Such a settlement would greatly contribute to regional stability, open the region and Armenia itself to the West even further, and lead very soon to cooperation between Armenia and Turkey, to the benefit of both as well as the region as a whole.

VIII. Conclusions: future trends

In the Caspian region Turkey has political, economic and environmental interests. Its first priorities are political and its main political objective is to contribute to the creation of a favourable milieu in the region for cooperation in every field. To this effect, the development of a web of multiple pipelines is instrumental. Moreover, for the security and stability of the region, the maintenance of the independence and territorial integrity of regional states is of the utmost importance.

Western involvement, together with Turkey's activism, has so far contributed particularly to the consolidation of the independence of Azerbaijan and Georgia and promoted cooperation especially between these two states and the West. Turkey's economic cooperation with Russia has also been successful. Turkish and Western involvement has not caused new instabilities in the region, but it has not been able to minimize power politics. Today the trends of power politics and cooperation are juxtaposed. To change the balance in favour of cooperation, Turkish, US and European policy makers should work to fill a number of gaps.

The most formidable problem arises from the uncertain future of Russia. The prospects for sustained cooperation depend on the future of Russia more than anything else. Russia's future will be determined primarily by internal developments. However, the policies of the West will definitely affect Russia's orientation in both the domestic and the international arenas. More than any other country in the region, Russia reflects contradictory tendencies. On the one hand,

be completed in July 2001. However, it is seeking a 15-year lease on the 2 largest bases at Akhalkalaki and Batumi. Although several rounds of negotiations have been held, the parties have not yet reached agreement on these 2 bases or on the issue of the Vaziani military airfield, over which Russia insists on retaining control. 'Russian withdrawal from Georgia bases in doubt', *Jane's Intelligence Review*, Sep. 2000, p. 4.

influential foreign and security policy circles view the Caspian region in terms of power politics and wish to see Russia as the dominant power in the region. On the other hand, the new business circles promote a more liberal policy towards the region, advocating cooperative approaches and the benefits of integrating Russia and the region in the world economic system.

Russia will certainly remain a very important actor in the region. Its role and influence will grow to the extent that its economic and financial possibilities increase. A powerful Russia will be a stabilizing factor if it can get away from its imperialistic tendencies and heavy-handed tactics, and if it agrees to play its role in a truly competitive economic environment. Should Russia return to its anti-Western and anti-liberal traditions, the Caspian region is very likely to become an area of incessant tension and power politics. Russia can never be a fully credible partner for the West and regional states if it persists in its present ambivalent position. As a NATO member on the front line, Turkey will be most vulnerable to the risks of such an eventuality. Turkey, therefore, has a vital security and economic interest in Russia's future.

The best way to influence Russian behaviour in a constructive direction is to induce Russia to enter into cooperative relationships as an equal partner. If it is crucial to include Russia in regional cooperative arrangements, it is equally important to take the necessary measures to prevent it from dominating these arrangements.