Does Economic Interdependence Promote Political Cooperation?
Political Economy of Russian-Turkish Energy Relations

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Introduction

The relationship between economic interdependence and political cooperation has been a central motif in the debate between liberal and realist schools of thought in international relations. Liberals hold states that are linked to each other through trade would rather avoid conflict due to potential welfare losses. Realists, on the other hand, object that unbound economic exchange undermines the security of states.

This article evaluates the competing claims of liberal and realist theories on the causal relationship between economic interdependence and political cooperation against the critical case of Russian-Turkish relationship since 2002. The exceptional level of cooperation between Russia and Turkey over the last decade poses a puzzle for the realist theory, which postulates that economic interdependence is prohibitive of cooperation. In comparison to the realist view, liberal theories of cooperation appear on stronger grounds to explain the puzzle as liberals hold that interdependence – even it is an asymmetric interdependence as in the Russian-Turkish case – facilitates political cooperation. It is my argument however that it is not economic interdependence but rather the critical alignment of security interests of Russia and Turkey that paved the way for the Russian-Turkish rapprochement.

First, I contend that the parallel growth of trade and cooperation between Russia and Turkey over the last decade does not necessarily indicate that the former variable caused the latter. Alternative explanatory variables need to be taken into consideration, including the strategic environment at the onset of cooperation. More specifically, I show that the primary impetus behind the cooperation between Russia and Turkey was not
trade but rather the alignment of the regional security interests of Moscow and Ankara. Particularly after the 2003 invasion of Iraq, Moscow and Ankara found themselves on the same side of the regional security issues from the “color revolutions” in the South Caucasus to the issue of Iranian nuclear program. To the extent that trade played a positive role in the relations between Russia and Turkey, it was primarily because Moscow and Ankara strategically used trade to lock each other into cooperating on shared political interests.

Second, the Russian-Turkish energy relationship contradicts one of the key implications of the liberal theory of interdependence. A key implication of the liberal proposition that interdependence fosters cooperation is that it is in the interests of states to maintain, even improve, interdependence, assuming that they prefer more cooperation to less. Nonetheless, the analysis of the energy strategies of Russia and Turkey indicates that both countries actively seek to break out of the status quo where Moscow and Ankara are both dependent on each other and thus highly vulnerable. Both Moscow and Ankara follow a strategy of diversification, which seeks to reduce their dependence on other countries for energy supplies (in case of Turkey), export markets (in case of Russia) and for transit routes (both Turkey and Russia).

Thus the article finds very limited evidence in the Russian-Turkish case that trade promotes cooperation. The role that trade, energy ties in particular, played in reinforcing the positive climate between Russia and Turkey was highly contingent on the larger security environment. Indeed, economic interdependence between Russia and
Turkey, and the mutual vulnerability appears as likely to promote conflict between
Moscow and Ankara as cooperation.

The article proceeds as follows. First section gives a brief history of Russian-
Turkish relations since 2002. Second section overviews the liberal and realist approaches
to the relationship between economic interdependence and political cooperation. Third
section discusses how the contending liberal and realist perspectives would explain the
puzzle posed by the Russian-Turkish rapprochement. Fourth section explicates the
empirical and theoretical limitations of the liberal explanation of the Russian-Turkish
case from a realist perspective. The concluding section discusses possible scenarios on
how the Russian-Turkish relations are likely to evolve in the near future.

1. Brief History of Russia-Turkey Rapprochement

Until recently, Russia-Turkey relationship was considered one of the great
enduring rivalries. Since the imperial times, the two powers vied for influence in Central
Asia, the Caucasus, and the Mediterranean basin. As a member of NATO and a close ally
of the US, Turkey was a natural adversary of the Soviet Empire during the Cold War.
Despite the gradual relief of ideological tensions throughout the 1990s, Moscow and
Ankara found themselves in opposite camps during the crises in Bosnia, Kosovo and
Chechnya. Turkey’s cultural association with the Turkic peoples of the region and
Ankara’s eagerness to reconnect with them politically and economically made Moscow
nervous.
Given the long-standing geopolitical rivalry between Russia and Turkey, the improvement of relations between the two countries improved over the last decade poses a puzzle. The extent of the Russian-Turkish rapprochement is evidenced by the frequency of high-level strategic contacts. Putin visited Ankara in late 2004, becoming the first Russian head of state to visit Turkey for more than three decades. During the visit, the two sides signed six cooperation agreements involving energy, trade, finance, and security as well as a “Joint Declaration on the Deepening of Friendship and Multidimensional Partnership.”

Political contacts continued after 2004 with regular senior-level intergovernmental meetings. Turkish PM Erdogan met with Putin in July 2005 in Sochi; the two leaders reportedly have a close personal friendship now. In 2009, Turkish President Gul visited Moscow, becoming the first Turkish head of state to do so. During the visit, Medvedev described the relations between Turkey and Russia as “multifaceted cooperation and multidimensional partnership.”

During his excursion, Gul also visited Tatarstan, a federal subject of Russia with a predominantly Muslim population, which signaled that Moscow’s traditional concerns regarding Turkey’s ties to its Muslim subjects had considerably subsided.

During this period, Russia and Turkey assumed chiefly compatible positions on political issues in their neighborhood. Turkey shared Russia’s concerns regarding the “color revolutions” and the subsequent regime changes in Georgia in 2003, Ukraine in

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2004, and Kyrgyzstan in 2005. Turkey and Russia have been on the same side of the fence regarding Iran’s nuclear program; both criticized the US-backed international sanctions regime against Tehran. Ankara was also surprisingly compliant vis-à-vis the much debated military decisions of Moscow at the time. During the 2008 conflict between Russia and Georgia, Turkey voiced little criticism against Russia, even though Ankara was highly concerned about the destabilizing effects of the conflict for the South Caucasus region. The extent of political cooperation between Moscow and Ankara is also evident by Moscow’s increasingly accommodating position vis-à-vis the Kurdish and Cyprus issues, which used to be sources of tension between Turkey and Russia in the 1990s.

The high point of the political rapprochement between Russia and Turkey was President Medvedev’s May 2010 visit to Ankara. During the visit the two governments signed 17 cooperation agreements and officially launched a “strategic partnership.” The partnership agreement involved the establishment of a High-Level Cooperation Council, annual summits, and a Joint Strategic Planning Group in charge of advancing cooperation. During the 2010 meetings, the two parties reiterated their commitment to cooperate on energy projects, including the South Stream natural gas and the Samsun-Ceyhan oil pipeline projects. Turkey and Russia also agreed to boost their trade level from 40 billion USD to 100 billion USD, an improbable goal that is still significant as signal of mutual positive intents.

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4 Stephen J. Flanagan and Bulent Aliriza, “Turkey’s Evolving Relations with Russia and Iran,” in *Driving Forces and Strategies in Turkey, Russia, Iran Relations*, ed. Stephen J. Flanagan et al. (Center for Strategic and International Studies, 2013), 5.
As evidenced by the 2010 strategic talks, trade plays a critical role in Turkish-Russian relations. As discussed below, the volume of economic exchange between Turkey—particularly driven by energy trade—has grown significantly over the last decade. Indeed, most observers hold that the booming trade between Turkey and Russia has been the primary factor facilitating the political cooperation between the two countries, which is very much in line with the prevailing liberal postulate that trade promotes cooperation.

2. Economic Interdependence and Political Cooperation

The liberal proposition that trade promotes peace be traced as further back as Adam Smith and Thomas Paine in the 18th century and J.S. Mill and Richard Cobden in the 19th century and Norman Angell in early 20th century. Liberals since then have offered a number of causal mechanisms to explain how exactly economic interdependence facilitates cooperation. One argument says that trade and war are substitute means to acquire resources, and trade is the more cost effective to achieve that goal.\(^5\) Conflict becomes costlier as interdependence increases. Polachek has famously argued that the cost of conflict equals the welfare gains lost as a result of potential trade disruptions.\(^6\) States are thus deterred from initiating and escalating conflicts with a trade partner for fear of

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losing the welfare gains generated by trade. A stronger version of this proposition can be found in Rosecrance’s concept of the “trading state.”

Another critical component of interdependence is the increasing use of multiple channels of communication between states. Interdependence empowers domestic actors who have a vested interest in the continuation of trade relations. Domestic actors such as business associations not only serve as conduits of information but also lobby their governments for a peaceful resolution of potential conflicts. The domestic causal mechanisms of the interdependence-cooperation nexus are particularly relevant to democratic governments that are more susceptible to the political effects of trade disruption.

Realists reverse the liberal proposition and claim that interdependence actually raises the probability of conflict. Realists’ skepticism of interdependence is a corollary of the assumption of anarchy and the implication that states maximize security above all else. According to the realist view, interdependence undermines states’ security in various ways. First, gains from trade are distributed disproportionately among trading partners, shifting the balance of power at the expense of the states that benefit less from trade in relative terms. Unlike the liberals that emphasize absolute mutual gains from trade, realist hold that states are more concerned about relative gains, i.e. the possibility that the other side will accrue more benefits from trade, which can later be turned into political and military

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Second, dependence on others will hurt states’ security in an event of supply cut-off during a crisis. This is a particularly daunting possibility when “vital goods” like oil and natural gas are involved, as the disruption of their supply can cripple the economy and military of the dependent state.\textsuperscript{12}

The disparity between the liberal and realist positions on trade is mirrored in their contrasting approach to pipeline politics. Liberals believe that pipelines facilitate cooperation by reinforcing mutual gains from energy interdependence.\textsuperscript{13} Unlike realists that are concerned about the negative effects of trade disruption, liberals hold that the costs of disrupting energy transit actually help constrain the opportunistic behavior of states that share a mutually valued strategic resource. Realists, in contrast, argue that pipelines are instruments at the hands of governments seeking to exploit their energy reserves to further political goals. The trade-cooperation debate ultimately boils down to whether the gains from trade outweigh the costs associated with economic interdependence.\textsuperscript{14}

There have been several attempts to transcend the unfruitful aspects of the liberal-realist debate on economic interdependence. Gasiorowski, for instance, argued that interdependence is a multifaceted phenomenon containing costly as well as beneficial


aspects, the effects of which can be differentiated\(^\text{15}\) Gasiorowski’s quantitative analysis indicated that while costly aspects of interdependence are likely to produce greater international conflict, beneficial aspects appear to reduce it.

Yet another attempt to bridge the liberal-realist divide on the trade-cooperation nexus was made by Keohane and Nye, who took seriously the realist objection that interdependence does not necessarily generate mutual gains to all; and conceded that costs and benefits of trade are in fact unequally distributed.\(^\text{16}\) Interdependence can create asymmetries between states, according to Keohane and Nye, which can in turn act as a source of power. The less dependent state can use this power to not only set the terms of the economic interaction but also to affect political outcomes.

Keohane and Nye distinguish between two types of asymmetric interdependence: sensitivity and vulnerability.\(^\text{17}\) Sensitivity interdependence involves the costly effects of changes; i.e. the change in Country A causes a parallel change in Country B. Vulnerability interdependence denotes situations where severing the economic relationship would incur significant costs to one or all countries involved. The defining feature of vulnerability is that the dependent party is liable to suffer the costs imposed by external events even after the policies have been altered.\(^\text{18}\) In addition to how quickly and efficiently a country can respond to the change (i.e. disruption of trade), the availability and costliness of proper substitutes shape the vulnerability of the dependent party.


\(^{16}\) Keohane and Nye, *Power & Interdependence*.


All else equal, vulnerability is more important than sensitivity in terms of power
terms of power relations between actors: if an actor can effectively reduce its costs by altering its policy,
then sensitivity is a weak proxy for power. Vulnerability is particularly relevant in
analyzing energy trade. Depending on how effectively the altered policies of the
dependent country can bring in sufficient quantities of comparable energy resources and at
what cost, vulnerability can affect the distribution of power.

While asymmetric interdependence can be a source of power, it does not
necessarily determine the outcomes of conflicts in favor of the less dependent party. Even
in the most asymmetric situations the dependent party can invert situations of power
asymmetry. Negotiation literature shows that weaker parties in asymmetric situations
–such as a downstream riparian that shares a water resource with a basin-dominant
riparian– can use issue-linkage and quid pro quo strategies to exercise influence on the
outcomes.\(^{19}\)

Furthermore, some argue that the less dependent country involved in an
asymmetric interdependence could be as much vulnerable as the more dependent party.
Analyzing the asymmetric energy trade between Russia and Czech Republic (which buys
almost all of its natural gas from the former), Binhack and Tichy argue that Russia might
not be as dominant as it seems in this relationship. With a large chunk of its revenue tied
up to energy sales, Russia would be exposed as highly vulnerable if other countries
imported a smaller amount of raw materials or if Russia’s profit from these transactions

were to decline. Russia’s dependence on transit states is also a point of critical vulnerability, as discussed further below.

3. Liberal and Realist Perspectives in Action

Russian-Turkish relations of the past decade indicate an anomaly for the realist perspective. The economic exchange between Russia and Turkey is highly skewed in favor of the former, which realist scholars hold, should have been prohibitive of cooperation. Liberal scholars that hold even asymmetric interdependence can facilitate cooperation by generating mutual gains (and possibly a reciprocal vulnerability) appear better equipped to explain the puzzle.

At first glance, the case of Russia and Turkey offers some evidence in favor of the liberal proposition. There is a discernible growth in the volume of economic exchange between Russia and Turkey since 2002, which overlaps with the period in which political cooperation between Moscow and Ankara was consolidated. Turkey’s trade volume with Russia grew from less than 6.8 billion USD in 2003 to 33 billion USD in 2012 (reaching as high as 37.8 billion USD in 2008). Turkey’s imports from Russia rose from 5.5 billion USD in 2003 to almost 27 billion USD in 2013 (peaked at 31.3 billion USD in 2008) whereas exports jumped from 1.4 billion USD in 2003 to 6.7 billion USD in 2013 (See Chart 1). Turkey’s exports-to-imports ratio remained unchanged –continuing to favor Russia- from 2003 to 2012 at 25 per cent, dropping as low as 16 per cent in 2009.

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Table 1: Turkey’s Trade with Russia and the World, 2003-2012

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<td>12.91</td>
<td>17.81</td>
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<td>21.60</td>
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<td>20.6</td>
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Turkey's Foreign Trade

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<td>97.55</td>
<td>116.77</td>
<td>139.58</td>
<td>170.06</td>
<td>201.96</td>
<td>140.93</td>
<td>185.54</td>
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<tr>
<td>Total Export</td>
<td>47.25</td>
<td>63.17</td>
<td>73.48</td>
<td>85.53</td>
<td>107.27</td>
<td>132.03</td>
<td>102.14</td>
<td>113.88</td>
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<td>Total Trade</td>
<td>116.59</td>
<td>160.72</td>
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<td>225.11</td>
<td>277.33</td>
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<td>243.07</td>
<td>299.42</td>
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<tr>
<td>Export/Import %</td>
<td>68.1</td>
<td>64.8</td>
<td>62.9</td>
<td>61.3</td>
<td>63.1</td>
<td>65.4</td>
<td>72.5</td>
<td>61.4</td>
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Russia's share of Turkey's Trade

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<tr>
<td>Imports</td>
<td>7.9</td>
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<td>11.1</td>
<td>12.8</td>
<td>13.8</td>
<td>15.5</td>
<td>13.8</td>
<td>11.6</td>
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<td>Exports</td>
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<td>2.9</td>
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<td>3.8</td>
<td>4.4</td>
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Source: Turkish Statistical Institute

Chart 1. Imports and Exports between Turkey and Russia, 2003-2012
Russia’s share of Turkey’s foreign trade grew as well despite the fact that Turkey’s total foreign trade also rose from 117 billion USD in 2003 to 389 billion USD in 2012. Russia’s share of Turkey’s total foreign trade jumped from 5.8 per cent in 2003 to 11.3 percent in 2012 (peaked at 15.5 per cent in 2008).

**Chart 2. Russia’s Share of Turkey’s Foreign Trade, 2003-2012**

Source: Turkish Statistical Institute. Units equal billion US dollars.

Russia ranks first among Turkey’s trading partners in terms of exports, sixth in terms of imports and second in terms of total volume of trade. Turkey’s exports to Russia are
rather diversified: food and food products (25%), textiles (20%), chemicals (9.6%), and cars, equipment and vehicles (7%). Turkey’s imports from Russia are dominated by hydrocarbons and raw materials: oil and oil products (37.6%), natural gas (32.4%), steel (8%), coal (5.8%) and other metals.21

In addition to trade, Turkey has considerable FDI in Russia. Turkish businesses invested more than 7.3 billion USD in Russia as of the end of 2011.22 Turkish construction firms are involved in more than 1191 projects throughout Russia, valued at a total of 32 billion USD.23 Similarly, Russian investments in Turkey, particularly in the field of energy, are noteworthy. Turkey’s aspiration to become a major energy hub requires massive investments in infrastructure, including pipelines, refineries, storage facilities and power stations. Russian energy giants Gazprom and Transneft have been very interested in investing in the energy infrastructure in Turkey.24 Lastly, tourism between Turkey and Russia has grown exponentially, primarily due to the efforts of both governments. Following President Medvedev’s visit to Turkey in 2010, Ankara and Moscow prepared the “2010-2011 Joint Action in Tourism Plan.” Visa-free travel after April 2011 allowed the citizens of Russia and Turkey to visit each other’s country without hassle. More than three million Russian tourists vacation in Turkey and a growing number of Turkish businessmen and tourists travel to Russia.

23 Ministry of Foreign Affairs, “Turkiye Ve Rusya Federasyonu Ekonomik Iliskileri [Economic Relations Between Turkey and Russia],”
There is some evidence that the core causal mechanisms suggested by liberal theory of economic interdependence and political cooperation are at work in Turkish-Russian relations. One mechanism discussed is that the possibility of the disruption of trade incentivizes the policymakers to de-escalate tensions. There is indeed anecdotal evidence that the trade did help diffuse potential crises between Turkey and Russia. During the 2008, Russia-Georgia conflict for instance, Turkey responded to Russia’s military operation in a very measured manner. Even when Moscow later listed Turkey as one of the countries that had supplied military equipment to Georgia, Turkey chose not to confront Russia.25 Turkish PM Erdoğan accounted for his governments reaction to the conflict by directly citing Turkey’s economic ties to Russia. He said,”Russia is our number one trade partner and has risen to the first rank in tourism. [W]e are supplying two-thirds of our energy needs from them. Two-thirds of natural gas comes from them…We cannot ignore this.”26

Yet another causal mechanism proposed by the liberals regarding the link between economic interdependence and cooperation involves, as discussed above, the multiple channels of communication between states. Domestic actors that have stake in the continuation of good economic relations pressure their governments. In Turkey a growing number of business associations with ties to Russia actively lobby Ankara to maintain good relations with Ankara. The most influential members of the Russian-Turkish lobbies

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in Turkey include Russian-Turkish Businessmen Union, Russian Turkish Business Association, Middle Black Sea Development Agency, as well as the Chambers of Commerce throughout the Black Sea region. Foreign Economic Relations Board (DEIK), the major business association with close ties to the Turkish government, houses the Turkish-Russian Business Council, which has been very influential as a conduit between the private sector and the government.

Turkey’s trade with Russia is heavily lopsided, primarily because of the predominance of energy, which constitute at least 75 percent of Turkey’s imports from Russia. Turkey is a resource poor country with a growing energy demand. Turkey’s primary energy consumption rose from 88.4 bcm/year in 2000 and to 143 bcm/year in 2011. Demand is expected to grow by 5.9 per cent annually until 2025. Natural gas is the fastest growing energy type; the share of natural gas in total primary energy consumption increased from 17 percent in 2000 to 35 percent in 2011. The demand is expected to grow by 50 per cent by 2030. Currently, Turkey imports 98.3 percent of its natural gas and Russia supplies at least 55 percent of Turkey’s natural gas needs.

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28 The rest of the imports come from Iran (21 per cent), Azerbaijan (10 per cent) via pipelines and from Algeria (11 per cent) and Nigeria (3 per cent) via LNG trade. Directorate of Natural Gas Markets, *2011 Natural Gas Sectoral Report*. 
Turkey’s demand for oil has increased rapidly over the last decade. Turkey also imports more than 90 per cent of its total oil consumption; and the oil imports are expected to double over the next decade. Iran supplies about half of Turkey’s oil. Russia, once the largest source of Turkey’s crude oil, has ranked third among Turkey’s suppliers in 2011 with 12 per cent (Iraq is now the second largest importer with 17 percent). Because of the international sanctions regime, imports from Iran are likely to fall. Given the political instability in Iraq, and the persistent difficulties guaranteeing the security of

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oil Kirkuk-Ceyhan pipeline, Russia will continue to be a major source of oil imports for Turkey.

Despite the asymmetric nature of energy trade, the economic interdependence between Turkey and Russia is still a source of cooperation rather than conflict according to the liberal perspective. While trade imbalance and the asymmetric interdependence suggests that Turkey is vulnerable, so too is Russia for a number of reasons. First, Turkey is a major market for Russian hydrocarbons, particularly natural gas. Turkey is Russia’s second major gas recipient after Germany. Given that the majority of Russian state revenues come from energy exports (which is also the primary source of rent for the state elite), it is clear that any disruption in the energy sales would have immense political as well as economic consequences for Russian decision makers. Given the nature of natural gas as a largely regional commodity the transit of which largely depends on the availability of pipelines, Russia does not have a large portfolio of alternative buyers that it can turn to in case of crisis with Turkey or its other major buyers.

Turkey is not only a major buyer of Russian hydrocarbons but also a critical transit corridor to European markets for Russian and Caspian natural gas, which in turn grants Ankara considerable bargaining power vis-à-vis Moscow. Turkey currently receives Russian natural gas from the Blue Stream and Bulgaria-Turkey pipelines. While Turkey’s excess export capacity is currently limited (due to growing domestic demand and contractual re-export limitations), Turkey’s long-term plan is to become a major energy
Turkey is also major transit point for seaborne traded oil. About 3 million bbl/d of Caspian and Russian oil is transported by tankers through the Turkish Straits.

Turkey has so far proved keen on using its geopolitical location as bargaining tool to achieve political and economic objectives. On the one hand, Turkey is central to the EU’s Southern Gas Corridor, which combines several major pipeline projects that aim to bring Caspian and potentially Middle Eastern gas to Europe bypassing Russian control. On the other hand, Turkey is cooperating with Russia who wants to prevent and/or coopt the Southern Gas corridor in order to retain its control over the transit of Caspian gas to Europe. To that end Russia proposed the South Stream project as an alternative to the (now largely defunct) Nabucco and TAP projects backed by EU. South Stream will transport Russian gas through the Black Sea to Bulgaria and then to Greece and Italy (and possibly Austria).

Turkey used its role as a transit country to as a bargaining chip vis-à-vis Russia. Ankara was initially hesitant to openly support South Stream, primarily because Ankara wanted to avoid further reliance on Moscow and was also worried that supporting South Stream could have been perceived by the EU as undermining Nabucco, which was at the time the main alternative to South Stream and the backbone of the Southern Gas Corridor.

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Throughout early 2011, Moscow put pressure on Ankara to secure its support for South Stream. Turkey used the pending decision to grant Russia access to its EEZ for South Stream as leverage to renegotiate Ankara’s gas contracts with Moscow and secure lower prices from Gazprom.\(^{32}\) On 1 October 2011, declared that it would not renew the Western Balkan Route contract with Russia after 2012. Following the decision, Turkey signed a gas deal with Azerbaijan on 25 October 2011, to receive 6 bcm/year of gas from Shah Deniz II field, to make up for the amount that was originally supplied via the discontinued contract with Russia. As part of the deal with Azerbaijan, Turkey would serve as a transit point for an additional 10 bcm/year gas to Europe. Turkey’s bold move partially paid off; Moscow agreed to contracts for long-term delivery of gas to Turkey at discounted prices in return for Turkey’s permit for South Stream to be built through its EEZ in the Black Sea.\(^{33}\)

The 2011 negotiations between Turkey and Russia where Ankara leveraged its geopolitical position to achieve concessions from Moscow lends credence to the liberal claim that even an asymmetric interdependence can foster cooperation, provided that the weaker party has enough leverage to engage in bargaining.


4. The Limits of the Liberal Explanation

The Strategic Environment of Cooperation

In the previous section, I reviewed some evidence in favor of the liberal explanation of the Russian-Turkish rapprochement as a product of the growing economic interdependence between the two. In this section I argue that the liberal explanation of the Russia-Turkish cooperation is nonetheless limited to the extent that it ignores the larger strategic parameters under which these two countries are operating. Unless one discusses any potential alternative explanatory variables such as security interests of Russia and Turkey at the time of the onset of cooperative relations, it will be misleading to assign any independent causal impact to trade as the primary driver of cooperation. It is my argument that it is not trade but rather the critical alignment of security interests of Russia and Turkey that paved the way for the extraordinary level of cooperation between the two powers over the last decade. Any role that trade may have played in facilitating cooperation is contingent on the favorable constellation of security interests.

The alignment of Russian and Turkish interests began as early as late 1999 when Putin became president, Russia signaled its intention to cultivate better relations with Turkey. Moscow had considered Turkey a potential ally against what was perceived as a growing encroachment of the US and NATO in Russian sphere of influence in Central Asia and the Caucasus. When the current governing party in Turkey, AKP, first came to power in Turkey, it also made improving relations with Russia a priority.34 Maintaining

34 Weitz, “Russian-Turkish Relations.”
“zero problems with neighbors” was the a critical element of the broader aspirations of the AKP government to become a regional leader.

The invasion of Iraq in 2003 was the turning point in the critical alignment of Russia’s and Turkey’s security interests. With Putin in power, Russia had already demonstrated its resolve to resist any American advance in its sphere of influence. Ankara, too, was increasingly worried about the potentially destabilizing effects of an American military operation in the region. Following the March 2003 parliamentary vote that denied Turkish air space to the US forces entering Iraq, Turkish-American relations entered a period of crisis, which further incentivized Ankara to seek stronger regional partnerships.

The invasion of Iraq and the deterioration of relations between Ankara and Washington after 2003 had critical repercussions for the Kurdish issue as well. Ankara was worried that the power vacuum left behind in Northern Iraq following the overthrow of the Iraqi regime could seriously exacerbate the threat posed by the PKK. Also, Ankara’s falling out with Washington meant the disruption of the intelligence, military and political support that Turkey had been receiving from the US regarding the Kurdish issue. Moscow stepped in to fill the void left by the US and Moscow emerged as a critical security partner of Ankara. Indeed, during Turkish PM Erdogan’s visit in Sochi in 2005, the two governments reached an agreement to support each other’s policies on Chechnya and the Kurds. This security partnership stood in direct contrast to the situation in early 1990s when Moscow was keen on playing the Kurdish card and Ankara implicitly supported the Chechen cause.

35 Hill and Taspinar, “Turkey and Russia,” 84.
In addition to their cooperation on Iraq and Kurdish/Chechen issues, Moscow and Ankara assumed similar postures on the political crises in the Caucuses, which once again used to be an area of tension between Russia and Turkey before the rapprochement. Both Moscow and Ankara were concerned by the American support for the revolutions in Georgia in November 2003, Ukraine in 2004 and Kyrgyzstan in 2005. For both Russia and Turkey, the US was clearly behind these so-called color revolutions. While Moscow was concerned about what it perceived as an American intrusion into its backyard, Ankara feared that the American attempts to rapidly democratize these regimes could destabilize the entire region. Indeed, on many issues related to Central Asian and Caspian security Ankara’s position had more in common with that of Moscow than Washington at this time.

Similarly both Russia and Turkey have resisted the US efforts to tighten the international sanctions regime on Iran in order to force it to give up its nuclear program, which Tehran maintains has peaceful purposes only. Russia opposed stricter sanctions on Iran. Turkey actively sought to mediate between Iran and the international community towards a diplomatic solution of the nuclear issue. In 2010, Turkey, along with Brazil, brokered a deal, which would have revived a stalled nuclear-swap deal originally backed by the UN. Turkey claimed that the deal removed the need for more sanctions against...

36 Ibid., 85.
39 Under the deal, Iran would send 1,200 kg of low-enriched uranium to Turkey to be swapped with 120 kg fuel for a research reactor.
Iran while the US dismissed the nuclear swap as a negotiating ploy by Iran.\textsuperscript{40} The deal fell through due to American opposition.

The Russian-Turkish rapprochement after 2003 was more a pragmatic partnership of necessity, a product of traditional alliance seeking behavior as a response to the shifts in regional balance of power. As Hill and Taspinar suggest, Turkey and Russia came together “more out of frustration with the United States than a new strategic vision of world affairs.”\textsuperscript{41} Both countries were primarily interested in excluding outside powers from their spheres of influences.

As discussed in the previous section, the growing economic ties between Russia and Turkey did have positive effect on the political relations between the two countries over the last decade. However, the analysis of the convergence of security interests of Moscow and Ankara during the same period suggests that the effect of economic interdependence was highly contingent on the positive political climate between the two countries. Indeed, it is highly probable that both Moscow and Ankara had an instrumental view of trade and strategically used their deepening economic and energy ties to further cement their cooperation on political and security issues.

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\textsuperscript{41} Hill and Taspinar, “Turkey and Russia,” 81.
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**Do Russia and Turkey want more Interdependence or less?**

The previous section suggested that the liberal explanation is limited to the extent that it fails to properly take into account the security environment within which the cooperation between Russia and Turkey emerged and evolved. To demonstrate that trade had any discernable causal impact on cooperation, one has to account for other potential explanatory variables, most notably the security interests of Moscow and Ankara at the onset of cooperation. This second section tests one of the key implications of the liberal theory of cooperation against evidence from the Russian-Turkish case. If the liberal proposition that interdependence promotes cooperation is valid, then it follows that the countries taking part in this relationship will seek to maintain, even deepen, their interdependence assuming that they prefer more cooperation to less.

The preference for more interdependence as a means to achieve more cooperation should be present even under conditions of asymmetry, according to the liberal logic. The reasons for this preference are straightforward. In an asymmetric economic relationship, the less dependent country has a clear incentive to maintain/strengthen the interdependence as it benefits from the status quo. However, it is likely that the more dependent country would also prefer the status quo, not only because the alternatives would be costly but also the weaker country might have the necessary bargaining position to compensate for its vulnerability.

As argued above, this is indeed the case in the Russian-Turkish energy relationship. Turkey relies heavily on Russian natural gas and oil. In the absence of any feasible supplier alternatives, reliance on Turkey indicates that Turkey is vulnerable. At
the same time, Russia, too, is vulnerable to the extent that it relies on Turkey not only because Turkey is a major export market and potentially lucrative investment area, but also because it is a critical energy transit corridor to Europe. It is this reciprocal nature of vulnerability between Russia and Turkey that should incentivize both countries to cooperate, according to the liberal perspective.

A key testable implication of the liberal theory of cooperation as espoused here is that the interdependent countries prefer more interdependence which should produce, *ceteris paribus*, more cooperation. However, a closer look at the external energy policies of Russia and Turkey indicate that the opposite is true. Instead of maintaining the *status quo*, both Russia and Turkey are actually seeking to break out of the situation of interdependence and reduce their vulnerability vis-à-vis each other. The long-term energy strategies of both Turkey and Russia are guided by the goal of diversification: Turkey seeks to reduce its vulnerability by diversifying its energy suppliers and transit routes, while Russia plans to gradually shift its energy exports into new markets, using a multiplicity of transit routes. The clash of these two diversification strategies are more likely to produce conflict than cooperation.

Let us start with Turkey’s efforts to diversify its suppliers and supply routes. To meet its growing natural gas needs, Turkey has been seeking independent (i.e. non-Russian) access to Caspian reserves. Turkey has a particularly close energy partnership with Azerbaijan. Baku-Tblishi-Erzurum (a.k.a. South Caucasus) gas pipeline and Baku-Tblishi-Ceyhan oil pipeline constitute the critical energy route between Azerbaijan and Turkey. Turkey and Azerbaijan signed a major gas deal in October 2011, whereby Baku
agreed to sell 6 bcm/year gas to Ankara. Ankara and Baku are also cooperating closely on the new Trans-Anatolian Pipeline (TANAP) project, which will carry gas from Stage II of Shah Deniz gas field to Turkey and to the EU.\(^4\)

In addition to Azerbaijan and other Caspian countries, Turkey is planning to diversify its suppliers by further branching out into the Middle East. In 2006, Egypt, Syria, Jordan, Lebanon, Romania and Turkey signed an agreement to extend the Arab gas pipeline through Syria to Turkey. Turkey had been planning to buy 4 bcm/year of natural gas from the Arab Gas Pipeline. While the current political instability in the region in the aftermath of Arab Spring clearly undermined these plans, it is still in the long-term interests of Turkey to diversify its natural gas portfolio by raising the profile of Middle Eastern suppliers.

Turkey is seeking to diversify its oil suppliers as well. Due to the recent tightening of the international economic sanctions against Iran, which used to supply more than half of Turkey’s imports, Ankara has been gradually lowering its oil purchases from Iran. In 2013, Turkey reduced its imports from Iran by 22 per cent. In order to compensate for the reduction, Turkey has ramped up its crude oil purchases from Saudi Arabia and Iraq. Ankara has particularly high expectations regarding Iraqi oil. Iraq has the fifth largest proven crude oil reserves in the world and it passed Iran at the end of 2012 to become the

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\(^4\) This project was announced in 2011 and the intergovernmental agreement was signed in 2012, with an estimated completion date of 2018. The initial capacity will be 16 bcm/year, with 6 bcm being purchased by Turkey. Capacity will be increased to 23 bcm/year by 2023, 31 bcm/year by 2026 and ultimately 60 bcm/year.
second largest producer of crude.\textsuperscript{43} Iraq’s largest oil export outlet is the Kirkuk-Ceyhan oil pipeline that runs from Northern Iraq to Southern Turkey.

Turkey is very much interested in extending its energy partnership with Iraq. Turkey imports oil (and to a lesser degree natural gas) from Iraq and exports electricity, gasoline, LNG and diesel fuel back to Iraq.\textsuperscript{44} In addition to TPAO, private firms are developing various oil fields in Northern Iraq. The Kurdish Regional Government is also working on a new oil pipeline to Turkey, which will reportedly have an initial capacity of 300,000 barrels per day.\textsuperscript{45}

The last major component of Turkey’s diversification strategy to shore up its energy security involves raising the share of renewable energy sources. The share of renewable energy in electricity generation is planned to reach 30 per cent by 2023.\textsuperscript{46} To that end, the government is planning to take full advantage of the considerable wind, solar, geothermal and hydraulic energy potential of Turkey in electricity generation.\textsuperscript{47} By 2023, Turkey plans to increase the number of hydroelectric plants from 213 to 1300 and raise the capacity of wind turbines from 1100 MW to 15000-20000 MW.\textsuperscript{48}

\textsuperscript{43} Despite the fact that Iraq has ramped up production, infrastructural problems and the dispute between the Kurdish Regional Government and Baghdad over the distribution of oil revenue have prevented Iraq from reaching its full export potential.
\textsuperscript{44} Ahmet K. Han, “Turkey’s Energy Strategy and the Middle East: Between a Rock and a Hard Place,” \textit{Turkish Studies} 12, no. 4 (December 2011): 611, doi:10.1080/14683849.2011.622511.
As Turkey is the more dependent party in the Russia-Turkey relationship, its efforts to diversify its energy sources and routes and thereby reduce its vulnerability is perhaps less than surprising. Yet Russia, too, is actively pursuing a strategy to diversify its export markets and transit routes, in order to depend reduce its reliance on a few critical countries for markets and transit. In the official documents of the Russian government the priorities of Russian energy strategy till 2030 have been specified as: 1) lowering transit dependence 2) diversify export paths to Europe 3) diversify export markets (particularly into Asia). 49

Russia’s heavy dependence on Ukraine and Belarus for the transit of natural gas to European markets has caused quite a bit of problems for Moscow over the last decade, as evidence by the 2006 and 2009 crisis between Ukraine and Russia. The two major pipeline projects developed by Russia, the South Stream and Nord Stream projects, are products of this strategy of transit route diversification. While Turkey is part of the Russian diversification strategy as partner to South Stream, Russia is still concerned about its reliance on Turkey as a transit corridor. Russia already makes heavy use of Turkish Straits, through which the bulk of the oil exports to Western markets pass. In fact, Russia proposed the Burgas-Alexandroupoli pipeline which would carry Russian and possibly Caspian oil bypassing the Turkish straits and taking an overland routes through Bulgaria and Greece. 50 Turkey, who is also interested in reducing the tanker traffic through the straits due to security reasons, suggested an alternative overland route for Samsun-

Ceyhan pipeline, also known as the Trans-Anatolian Pipeline. For years, Russia showed no interest in Samsun-Ceyhan pipeline project and endorsed it only in 2009 in order to convince Ankara to come on board the South Stream project.

Lastly, it should be noted that the changing realities of Russian energy production are likely to force Moscow to rethink its export policies, increasing the importance of the Asian markets at the expense of the west. Production in Russia’s gas and oil fields is declining; the New Policy Scenario of IEA’s World Energy Outlook 2010 predicted a reduction of 50 million tons by 2030.\(^{51}\) Since the domestic consumption of oil in Russia will remain unchanged, the capacity available for exports will decline.\(^{52}\) The older fields in West Siberia and Volga-Urals region are maturing. The newer fields in Siberia and far east are relatively more promising even though experts doubt that the reserves here are sufficient to make up for the declining capacity.\(^{53}\) Furthermore, the cost-efficiency of Russian oil industry is already low compared to most OPEC countries. The investments required to further develop the eastern fields and even more importantly to transfer them over long-distances to Western markets will be substantial. Considering the growing energy demand in Asia, in China in particular, eastern markets are likely to play an even greater role in Russia’s export diversification strategy.

Russian gas production displays a similarly bleak picture. Large gas fields in Russia are maturing.\(^{54}\) According to one estimate, Russia needs to invest 50 billion USD

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\(^{52}\) Ibid.

\(^{53}\) Ibid., 14.

to develop new fields in Barents Sea and to increase the efficiency of mature fields like Yamal.55

**Conclusion**

Economic interdependence played a role in cementing the political cooperation between Russia and Turkey over the last decade. Yet the analysis in this article indicated that causal effect of interdependence on cooperation was contingent on the broader strategic environment. The alignment of Russian and Turkish regional security interests, particularly their shared aversion towards the US’ presence in their sphere of influence, facilitated the alliance between Moscow and Ankara in the first place. Trade emerged as an important tool in the hands of the two governments towards incentivizing each other towards cooperation.

The second major finding of this article is that the Russian and Turkish governments did not quite behave the way that a liberal theory of economic interdependence would have expected them to. If interdependence, even the asymmetric variety, promotes cooperation as liberals postulate, we would expect trading states to try to maintain and even deepen their level of interdependence, assuming that they prefer more cooperation to less. The Russian-Turkish case however revealed quite the opposite. The external energy strategies of Turkey indicate that Moscow and Ankara are actively seeking to break out of this vulnerable status quo by diversifying their options in external energy policy.

What awaits Russian-Turkish relations in the near future? The security environment appears to have shifted since 2010. Arab Spring has revealed rather fundamental differences in policy between Turkey and Russia. Ankara has mostly sided with forces of change throughout the Middle East; while Moscow has weighed in to protect the status quo as long as possible. These contrasting approaches to the post-Arab Spring Middle East have found its strongest expression in the Syrian crisis where Moscow and Ankara once again found themselves on the opposite sides of the ongoing civil war. Moscow is standing by its long-term regional ally Assad, while Turkey threw its entire weight behind the opposition forces while at the same time spending great effort trying to convince the US and the international community to intervene in Syria. Regardless of the outcome of the conflict in Syria, the divergence in the interests of Russia and Turkey vis-à-vis the post-Arab Spring Middle East is likely to have lasting impact on the bilateral relationship.

In the Caucasus, too, Russia and Turkey’s positions have diverged rather notably: Ankara seeks to promote interdependence among the three South Caucasus states in order to expand their trade and energy ties to Turkey. This new assertiveness of Turkey goes against the interest of Russia in the region, which not only prefers to maintain the status quo in the region but is also trying to control the energy transit between the Caucasus and Europe. Indeed according to one recent report, Russian analysts discuss the potential for a more intense competition with Turkey in the Caucuses. According to the analysis, Turkey’s bid for leadership in the Middle East will soon fail, prompting Ankara
to redirect its attention back to the Caucasus.\textsuperscript{56} Russia and Turkey are also likely to clash in the Caucasus in the near future, given the centrality of the region for the energy strategies of both Russia and Turkey.

If the recent trend towards a more competitive security relationship between Russia and Turkey continues, we will have a chance to further test the limits of the cooperation-inducing effects of economic interdependence.

\section*{Bibliography}


\textsuperscript{56} Flanagan, “The Turkey–Russia–Iran Nexus,” 168.


