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Turkey as a mid-sized power in the post-Soviet region: implications for the EU

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Policy Paper

Introduction

In the early 1990s, Russia had a monopolistic position in the post-Soviet region. Now, the game of 'post-Soviet chess' is being played by several parties. They are the four giants: Russia, China, the EU (internally diversified) and the USA. The leverage of the two neighbouring medium-sized powers, Turkey and to a lesser degree Iran, as well as India, Japan, and South Korea is also on the rise.

Tectonic shifts in the balance of power between the key players in the post-Soviet region are likely to continue over the next few decades. Taking into consideration economic and demographic perspectives, a further gradual weakening of Russian influence should be expected. Nevertheless, Moscow will certainly remain one of the main stakeholders in the post-Soviet region.

One of the main beneficiaries of this geostrategic earthquake could be Turkey, an emerging medium-sized power. However, its influence in this region will depend on its ability to resolve

considerable internal problems. Turkey's rising influence in the region constitutes both a challenge and an opportunity for the EU. On the one hand, Turkey, alongside the US, is the closest and the most relevant third actor in the post-Soviet region for the EU. On the other, Ankara often does its own thing without coordination with Brussels.

The massive pro-European demonstrations in Ukraine and a spectacular tour de force of the Chinese president in September 2013 in Central Asia are just two of the most recent examples of the post-Soviet region's importance to the EU and Turkey. Moreover, the crisis of the EU neighbourhood policy both in the East and South makes a search for options and strategies in the EU's approach to both regions indispensable. This paper is part of a joint project of the ECFR Warsaw Office and demosEUROPA (supported by the Ministry of Foreign Affairs of the Republic of Poland) investigating the role of Turkey as a key player in EU's Eastern neighbourhood. It draws conclusions from an international expert conference held in Warsaw in October 2013.

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Turkey and the Wider Caspian Region

The Wider Caspian Sea region, comprising Central Asia and Azerbaijan, is an area of key importance in the New Great Game in Eurasia. The EU and Turkey play a significant role in the region, albeit a secondary one. Because of their similar levels of influence, an overlap of agendas and the impressive and quick rise of China's leverage, the EU and Turkey should establish close cooperation in the region which will be mutually beneficial. The establishment of an EU-Turkey axis together with more active engagement with the US and Japan could be a game changer in the region.

The EU's and Turkey's further position in the region will to a large degree depend on their ability to get Kazakh oil and Turkmen gas into Europe via Anatolia. In the other cases their influence will gradually diminish in favour of China and Russia.

For many social, economic, political, cultural and historical reasons, Central Asia and Azerbaijan comprise a relatively coherent region which can be referred to as the Wider Caspian Sea region. Central Asia is the heart of Eurasia and a key crossroad between, on the one hand Europe and China¹, and on the other hand Russia and India. At the same time, Azerbaijan is a bridge between Central Asia and the Caucasus and outer Anatolia. Central Asia constitutes China's and Russia's underbelly because it borders the Chinese Xinjiang and the Russian Volga Federal District, respectively.² As a consequence, the region has a high priority in the foreign agenda of

both countries. Moreover, Azerbaijan is situated between Russia and Iran, bordering the Northern Caucasus and the Iranian province of Azerbaijan. Due to its on-going guerrilla war and serious internal crisis the Northern Caucasus constitutes Russia's Achilles' heel. On the other hand, the Iranian province is a home to an Azeri community almost two times larger than the population of their co-nationals living in Azerbaijan. Central Asia is also an immediate neighbour of Afghanistan, a hotbed of radical Islam. The Central Asian nationalities like the Tajiks, Uzbeks and Turkmens comprise around 40% of Afghanistan's population. For instance, the Tajik community in Afghanistan is larger than the Tajik population of Tajikistan. Afghanistan itself constitutes one of the biggest challenges to hard and soft security on a global scale (Islamic terrorism, heroin production and smuggling). The region possesses huge natural reserves and is marked by a high level of instability. The significance of the region in the international arena also stems from its position as a playground for the key world and regional players (China, the US, the EU, Russia, Iran, Turkey and others including India, South Korea, Pakistan and Japan). China is currently gaining the status of the most important player in Central Asia, although in the medium term Russia will remain a key stake holder in the Wider Caspian Sea region.

Central Asia and Azerbaijan are struggling with a lot of serious deficiencies which undermine their stability. Some problems are related to basic issues like the decaying state of infrastructure. As the International Crisis Group's report rightly points out "Quietly but steadily Central Asia's basic human and physical infrastructure – the roads, power plants, hospitals and schools as well as the last generation of Soviet-trained specialists who have kept this all running – is disappearing. [...] All the countries in the region are to some degree affected, but the two poorest, Kyrgyzstan and Tajikistan, are already in dire straits."³ In fact, both countries are on the verge of becoming failed states. On the other

1 Maritime routes dominate in Chinese-EU trade, but land routes are gaining in importance and this trend is supposed to intensify in coming years.

2 Xinjiang makes up approximately 17 per cent of China and is inhabited mostly by the Muslim Turkic peoples (Uyghurs, Kazakhs and Kyrgyz). Ethnic separatism and Islamic extremism in Xinjiang, strengthened by Chinese colonization politics, represent the most serious challenges to China's internal security. Xinjiang's importance for China is derived from its huge natural reserves (natural and shale gas, conventional and shale oil, coal and rare earth elements). The Volga Federal District in Russia is very rich in mineral re-

sources (oil, gas, copper, etc.) and inhabited by large Muslim communities (Tatars, Bashkirs and Kazakhs).

3 ICG, Central Asia: Decay and Decline, Asia Report N°201 – 3 February 2011, p.i, <http://www.crisisgroup.org>.

hand, the authoritarian character of political regimes (excluding Kyrgyzstan) deprives the societies of a safety valve: fair and free elections as a way of channelling social disappointment and grievances. The countries of the Wider Caspian Sea region have mostly multi-ethnic and kin-based structures and by default are vulnerable to deep ethnic and regional divisions (particularly in Kyrgyzstan). The regional states also struggle with serious social tensions (i.e. frequent strikes in Kazakhstan) and their societies are suffocating under the burden of rampant corruption. In the coming years Kazakhstan and Uzbekistan will have to sort out the unresolved issue of the succession of power. A subsequent fierce confrontation within the political elites should not be excluded. It could provoke a domino effect by triggering the eruption of suppressed social tensions and in the worst case scenario it could result in a violent domestic conflict (particularly in Uzbekistan). And last but not least, the region has to cope, to a varying degree in each individual country, with a rise in radical Islam, including its most extreme forms such as terrorism.⁴ Currently, Islamic terrorism does not pose an immediate vital threat to the region, but its importance may increase and its rise would have global ramifications. Unfortunately, the already described political, social and economic deficiencies create quite favourable conditions for the further growth of radical Islamic groups.

org/~media/Files/asia/central-asia/201%20Central%20Asia%20-%20Decay%20and%20Decline.pdf

4 This phenomenon is to a certain degree caused by domestic issues, while on the other hand it has been strengthened by external interference (the Middle East, Northern Caucasus, Afghanistan and Pakistan). The radicalization is also provoked by the repressive policy of the political regimes which use collective responsibility and exploit the Islamic threat as a pretext for fighting the opposition. Although the level of religious practice and obedience have increased significantly since the fall of communism, the Muslims in Central Asia and Azerbaijan remain substantially more secular than the average in the Muslim world. Azeri Turks, Kazakhs and Turkmens should be perceived as some of the most secularized Muslim societies in the world. The correlation between fundamentalism and the phenomenon of terrorism cannot be denied, but it should not be overestimated. The social research conducted in recent years showed that a clear and direct correlation between the Salafist or Wahhabi movement and terrorism cannot be proved.

More importantly, the region is exposed to negative spill-over from Afghanistan and between the regional countries. It should be noted that the Uzbeks from Central Asia are over-represented in terrorist groups active in Pakistan and Afghanistan. The terrorist organizations led by the Uzbeks went global: they have attempted to organize terrorist attacks and launched recruitment activities in Western Europe. In effect, the future of Afghanistan after the US exit in 2014 is of key importance for the region. The worst case scenario would be the creation of safe havens for terrorists with a global agenda at local level in the failing states of Central Asia.

However, contrary to that gloomy image and the Cassandric prophecies evoked many times since the dissolution of the USRR, the region has managed to muddle through for more than 20 years. Indeed, the region should not be perceived only as a threat but also as an opportunity. The Wider Caspian Sea region, inhabited by around 75 million people, has substantial economic potential. The region's GDP (PPP) approaches 550 billion USD and its GDP (PPP) per capita exceeds seven thousand USD. Kazakhstan, without doubt the biggest economy in the region, has GDP (PPP) per capita greater than the countries in South East Europe. Azerbaijan and Turkmenistan have per capita national incomes that are higher than most countries in the European Neighbourhood. The region has experienced a very fast pace of growth since 1998. For instance, between 2000–2007 Kazakhstan had an annual growth rate of around 10% and Azerbaijan witnessed an even more impressive pace of growth in the same period (around 15%). Moreover, the Caspian economies have good forecasts for economic growth in coming years. According to the IMF, between 2014–2018 they will grow at a pace of around 6% per annum. According to the World Bank, conditions for doing business in Kazakhstan or Azerbaijan are considerably more favourable than in several European countries, most of the CIS states and the BRIC countries.

The region contains very large quantities of strategic natural resources (almost 15% of the world's recorded reserves of uranium, 11% of gas, 4% of coal, and almost 2.5% of oil). And last but not least, according to the estimations

substantial deposits of rare earth elements are also located in the region (around 5–10% of the world's reserves). Moreover, new discoveries of deposits of various resources are expected in coming years, taking into consideration recent successful explorations.

There is a striking discrepancy between the region's importance in Eurasia and the level of the EU's engagement, which is certainly insufficient. The EU is an important player in the region, but its leverage is substantially weaker than that of Russia or China. The EU's under-performance can be exemplified as follows: very limited engagement in the hard security sphere, "traditional" insufficient coordination of national foreign policies within the framework of the CFSP, relatively limited diplomatic presence of EU countries and a rather feeble position concerning soft power and decreasing economic leverage in the region. On the other hand, huge levels of FDI and shares in the trade balances of Kazakhstan and Azerbaijan constitute the strongest points of the EU in the region. The EU is the main trade partner of Kazakhstan (with 30% of Kazakh trade volume) and Azerbaijan (45%). In the case of other Central Asian states, the EU countries have limited importance as economic partners. The EU share of their trade volumes varies from 5% to 10%. Meanwhile, the levels of FDI originating from the EU in Turkmenistan, Uzbekistan, Kyrgyzstan and Tajikistan are modest. It should be also taken into consideration that the EU's advantage over China concerning the volume of trade with Kazakhstan is not substantial and will probably decrease further due to the intensification of trade between China and Kazakhstan. Moreover, China's investment in pipeline infrastructure, the production of oil and gas and the signing of new contracts has resulted in a substantial increase in China's dominance in the Central Asian energy sector since 2008. China's key importance for the economies of the region is confirmed by the very large loans provided by Beijing to Central Asian countries. The EU's significance for the region in this aspect is modest. Contrary to Russia, the EU plays an extremely limited role as a destination for labour immigrants from the region and by default, as a source of remittances.

The EU treats Central Asia as one of main area of engagement for the work undertaken within the framework of the CFSP. In 2005 the EU established a Special Representative for Central Asia. In 2007 the EU launched its strategy for Central Asia for 2007–2013. However, the EU member states' diplomatic presence in the region is below needs and expectations. The UK, France and Germany are the only three EU member states to have established diplomatic missions in every Caspian country. Besides the "Big Three", only a few Central European states and Italy have a relatively strong representation in the region. In Uzbekistan, the most populous country of the region and the second biggest economy (by GDP [PPP]) the EU is only represented, excluding the "Big Three" by the embassies of Bulgaria, the Czech Republic, Italy, Latvia, Poland, Romania and Slovakia. Romania also has an embassy in Turkmenistan. By comparison, Spain only has an embassy in Kazakhstan. The EU does not have a delegation in Turkmenistan. Moreover, in July 2013 the Europa House in Ashgabat was closed down. While it is true that Turkmenistan is the most authoritarian regime in the region, the EU has still managed to establish delegations in such countries as Zimbabwe and Gabon.

Turkey in the region

Turkey is part of a group of a few third countries for which the Wider Caspian Sea region is of strategic importance – albeit not "the number one priority" – and at the same time has significant leverage in the region, though substantially less than that of Russia or China. Nevertheless, in some countries Turkey's leverage is similar or even greater than that of the most important EU member states and less often even China or Russia. Turkey belongs to a small group of countries outside of the former USSR that have embassies in every Central Asian country.⁵ In terms of bilateral political relations at the highest level, Turkey is, alongside Russia and China, the most important partner for Azerbaijan, Kazakhstan, Kyrgyzstan, and Turkmenistan. Turkey main-

⁵ These countries are France, Germany, the United Kingdom, the USA, China, India, Iran, Pakistan, Afghanistan, Saudi Arabia, Korea, and Japan.

tains substantially more intensive diplomatic relations with these countries than the EU has.⁶ On the other hand, difficult political relations with Uzbekistan, which seriously limits the development of economic cooperation, constitutes Turkey's Achilles' heel in the region.⁷ Because of the Turkic kinship, Turkey often perceives Azerbaijan and Central Asia as one region, namely the Wider Caspian Sea region. Turkey also at time uses a more wide ranging definition of Central Asia, which includes the Chinese province of Xinjiang (most of its residents are Muslim and Turkic Uyghurs and Kazakhs, Afghanistan (especially the northern part inhabited by the Central Asian Tadjiks, Uzbeks, and Turkmen) and even Mongolia. Turkey is the main promoter of the cooperation between Turkic countries. In 2008-2009, based on Turkey's initiative, the cooperation between Turkic countries was institutionalised. At the end of 2008, the Parliamentary Assembly of Turkic Speaking Countries (TURKPA) was established, while in the autumn of 2009, the Cooperation Council of Turkic Speaking States was founded. In subsequent years further institutions were established under its umbrella. The Council was not accepted by all Turkic states, however. Its formal members are Azerbaijan, Kazakhstan, Kyrgyzstan and Turkey. Thanks to Turkey's efforts, Turkmenistan participates in summits, supports the idea of the Council, but has not joined it. Turkmenistan has justified its posi-

6 Between 2003 and 2013, Prime Minister Erdogan met with President Ilham Aliyev of Azerbaijan or spoke with him by telephone more than 25 times. In comparison, 7 years passed between the last two visits of Vladimir Putin to Azerbaijan (2006 and 2013). Gurbanguly Berdimuhamedov, the President of Turkmenistan, has visited Turkey five times since 2007, while the President of Turkey responded with four visits to Turkmenistan. Almazbek Atambayev, President of Kyrgyzstan has visited Turkey three times since the end of 2011. In the same period of time, the President of Turkey visited Kyrgyzstan twice, and met the Prime Minister once. In 2007–2013, the President of Turkey visited Kazakhstan five times, while the President of Kazakhstan responded with four visits.

7 Turkish exports to Uzbekistan are currently much lower than Turkish exports to Kyrgyzstan and Tajikistan. Taking into account the sizes of the Central Asian economies, these proportions should be opposite.

tion based on the requirements of neutrality which it considers to be the fundamental part of its foreign policy. However, it does not rule out the possibility of changing its position. On the other hand, as a result of the crisis in Turkish-Uzbek relations, Uzbekistan has been boycotting the Turkic summits since 2004. As part of the development of cooperation in Central Asia, at the beginning of 2013, Turkey established the Organization of Eurasian Law Enforcement Agencies with Military Status (TAKM), the purpose of which is the cooperation of military police in the soft security sector. Its members are Azerbaijan, Kyrgyzstan, and Mongolia. Kazakhstan was also invited to join.

Without doubt, the most serious challenge to Turkish ambitions regarding the strengthening of Turkic cooperation is its bad relations with Uzbekistan which, after Turkey, is the most populous Turkic country. Uzbekistan also has the biggest economic potential (size of economy) in the region after Kazakhstan.⁸ Turkish-Uzbek relations already began to worsen in the 1990's, when leaders of the Uzbek opposition found refuge in Turkey. However, the main crisis in relations took place in 2005, when Turkey strongly condemned the brutal crackdown against anti-government demonstrations in Andijan which was carried out by the Uzbek regime and resulted in the deaths of hundreds of protesters. Since then, Uzbekistan perceives Turkey as a trouble-maker. Only a change in the ruling regime in Uzbekistan could lead to a significant improvement in relations with Ankara. It would be, to a certain degree, a similar scenario to the one which occurred in Turkmen-Turkish relations after 2006.

Turkey possesses quite substantial economic leverage in the region, comparable to the most involved EU players. Turkey's strong economic position is best illustrated by its slightly smaller, and sometimes even greater, share in the trade balance of Kyrgyzstan, Turkmenistan, Uzbekistan, and Tajikistan than that of the entire EU. Moreover, for Azerbaijan Turkey is a more important trading partner than Russia

8 The most serious challenge to Turkish ambitions regarding the strengthening of Turkic cooperation is definitely the bad relations with Uzbekistan.

and China and for Turkmenistan it's more important than Russia. Turkey plays a key transit role for Azerbaijani gas (the Baku–Tbilisi–Erzurum gas pipeline), Azerbaijani oil (the BTC), and an important role in the case of Kazakh oil (tankers that sail through the Straits).⁹

Ankara has the greatest economic influence in Azerbaijan and Turkmenistan, followed by Tajikistan and Kyrgyzstan. Turkey's share in the trade balance of Azerbaijan, Turkmenistan and Tajikistan varies from 8% to almost 15%.¹⁰ Despite the political tensions and under-performance, Turkey remains a rather important economic partner of Uzbekistan. Its share in Uzbekistan's trade balance approaches 5% or even 7% (according to the EU statistics). However, the economic relations between Turkey and Kazakhstan, the largest economy in the region, are definitely below the potential level. Turkey's share in the trade balance of this country does not exceed 3%. Turkey's problem is its low level of exports. According to Turkish data, Turkish exports to Turkmenistan in 2013 (January–October) were nearly twice as big as exports to Kazakhstan, even though the Kazakh economy is six times bigger than the Turkmen one. The rise of Turkey's importance to Kazakhstan can occur under the condition that the flow of Kazakh oil through the BTC oil pipeline is increased.¹¹

Turkey's specialty in the region lies in the construction sector. Turkey has a dominant position in Turkmenistan's very dynamic construction sector (according to estimates, approxi-

mately 90% of construction contracts are executed by Turkish companies). The contracts executed by Turkish construction companies are worth USD 38.5 billion. This is a huge amount taking into account the size of Turkmenistan's economy (2012 GDP [PPP] was USD 48 billion). Turkey also plays a very important role in Azerbaijan's construction sector. In the year up to November 2013, Turkish companies carried out contracts worth USD 7.5 billion. On the other hand, after Turkmenistan the value of construction contracts completed by Turkish companies is – in absolute numbers – greatest in Kazakhstan. In the year up to November 2013, Turkish companies have undertaken construction contracts worth USD 17.5 billion in Kazakhstan.¹²

On the other hand, unlike the EU, Turkey does not possess a strong position in the region regarding direct investments. The only exception is Azerbaijan. Turkey is one of the top investors in Azerbaijan. Its share of the total foreign direct investment in this country is estimated to be 10–15%. Turkey is definitely the most significant destination for Azerbaijani investments and its importance will clearly increase as a result of the implementation of the energy projects which will boost Azeri FDI in Turkey to 17 USD billion by 2018.¹³ And last but not least, Turkey shares a very limited importance with the EU as a source of remittances and loans.

Turkey plays a substantially more important role as a soft power actor in the region than the EU does. After the USA, Turkey provides the largest amount of development aid to the region. Turkey also plays a role regarding security in Central Asia. Turkey is a particularly significant country for Kyrgyzstan as the main donor of development aid. In total development aid constitutes more than 7%

9 The importance of Turkey as a transit country for Kazakhstan may increase substantially if Kazakh oil starts to be pumped through the BTC pipeline. Azerbaijan and Kazakhstan concluded an agreement regarding this in 2009. In the event of the implementation of the Azerbaijani-Kazakh agreement, Kazakhstan would become the most important supplier of oil to the BTC pipeline (half of capacity), while 1/3 of the oil currently exported by Astana would flow through this pipeline.

10 Turkey accounts for approximately 3.5% of Kyrgyzstan's trade turnover.

11 Kazakh oil constituted approximately 10% of the oil transported through the BTC in 2009. However, in 2010 Kazakhstan stopped using the BTC for the transit of its oil. In October 2013, the company Tengizchevroil, which is operated by US Chevron, announced that it is going to resume oil transportation via the BTC.

12 Turkey also plays a significant role in the construction sector of Kyrgyzstan (the value of completed construction contracts is nearly USD 650 million as at 2013). The share of Turkish companies in the Tajik construction sector is also significant (contracts worth more than 530 million have been completed by 2013). The value of the contracts performed by the Turkish construction companies in Uzbekistan exceeds USD 2 billion.

13 Turkey is one of the more important investors in Kyrgyzstan (a nearly 5% share in FDI, 7th place).

of its GDP. In 2005–2011, Turkey provided Kyrgyzstan with nearly USD 540 million in aid. Turkish aid constitutes nearly 20% of the development aid received each year by Bishkek. Turkey operates six universities in the region (two in Kyrgyzstan, two in Kazakhstan, one in Turkmenistan and one in Azerbaijan). According to international rankings, the large university in Manas, Kyrgyzstan is the best university in Central Asia. It also hosts many students from Kazakhstan, Uzbekistan and Tajikistan. Azerbaijanis often travel abroad to study. Their main destination is Turkey, which hosted 7.4 thousand Azerbaijani students in the 2012/2013 academic year. This number has increased six-fold over the last 10 years. On the other hand, Turks make up the biggest group of foreign students in Azerbaijan. In 2012, there were nearly 3,000 Turks at Azerbaijani universities. There are currently 6,100 Turkmen students in Turkey. Their number has increased five-fold in the last 10 years.¹⁴ However, the number of students from Kazakhstan, Tajikistan and Uzbekistan studying in Turkey is considerably below the potential level. The post-Soviet region is the main area for the activities of Turkish religious structures. In 1995, Turkey created the Euro Asiatic Islamic Council, in which the leaders of all Islamic communities from the former USSR except for Uzbekistan participate. Turkey has also established faculties of theology in Azerbaijan, Kazakhstan, and Kyrgyzstan, at which most of the Sunni imams in these countries study.

As far as person-to-person relations between Turkey and the region go, they are considerably more intensive than relations between the region and the EU. Contacts between Azerbaijani and Turkish societies are particularly strong. Turks make up the biggest group of foreign visitors to Azerbaijan. After Russia, Turkey is the main travel destination for Azerbaijanis. Turkey is one of the most popular travel destinations for Kazakhs and Turkmens. The soft power of Turkey in the Wider Caspian Sea region is also based on the popularity of mass

culture, especially TV shows, a large number of which have recently been purchased by Kazakhstan, Azerbaijan and Uzbekistan.¹⁵

Turkey has closer ties with the region in the military sphere than the EU countries. Nevertheless, its leverage is definitely of secondary importance compared to Russia. Turkey is the main Western partner of the countries in this region in the NATO “Partnership for Peace” programme and in the bilateral formats (with Azerbaijan, Kazakhstan and Kyrgyzstan). Turkey is a key partner of Azerbaijan for security (education, military manoeuvres and financial aid). In 2010, both countries concluded a treaty of mutual defence in the event of aggression by another country. Azerbaijani soldiers served under Turkish command in Kosovo. However, Russia is definitely Azerbaijan’s most important weapons supplier.

The EU and Turkey in the region

Turkey and the EU share the region’s strategic interests (flow of fossil fuels to the West and geopolitical pluralism). Their current stakes in the region are more or less at a similar level. As a consequence, separately Turkey and the EU are secondary players, but if they were to join forces they could advance to the first league. Unfortunately, two of the main European players in the region, namely France and Germany, have rather difficult relations with Turkey. Without a general rapprochement between them a serious improvement of cooperation between the EU and Turkey is unlikely to be expected.

Despite its multi-vector policy, in the post-Soviet region Turkey has the closest agenda to the EU and the USA, while Russia’s and China’s positions are much stronger. Without Western support, Turkey has no chance to realise some of its key goals such as the southern energy corridor. Turkey cooperates with

¹⁴ Turkey is also a popular study destination for ethnic Kyrgyz students from Kyrgyzstan. More than 900 of them studied at Turkish universities in the 2012/2013 academic year.

¹⁵ In 2010, out of 65 television shows that were exported by Turkey, Kazakhstan purchased 42, Azerbaijan bought 23, and Uzbekistan 13. On the other hand, Azerbaijan prohibited the broadcasting of foreign television shows, including Turkish shows, on Azerbaijani TV channels. However, they are still very popular, as they are watched on Turkish channels via cable and satellite TV.

the EU and the USA for example by supporting bringing the regional states closer to the West and cooperation in the energy sector (Turkish-Western-Azerbaijani BTC, BTE and TANAP oil and gas pipelines, joint talks with Turkmenistan regarding the shipment of gas to Europe). Turkey strives to play the role of an intermediary between the Caspian states and the West. In a certain sense, Turkey would like to obtain the status of the main representative of the latter in this part of the world. For this reason, it is important for Ankara to have its opinion and position taken into account by the EU and the USA when they conceptualize and implement their policies for Central Asia and Azerbaijan. There are no unbridgeable differences in terms of values between Turkey and the West in the region. Ankara is certainly not a promoter of human rights as is the case with certain EU member states. However, it should not be viewed, like Russia, as a country that views democratisation *a priori* with suspicion. Turkey repeatedly declared its support for Kyrgyzstan as an island of democracy in the region. Turkey was also one of the sharpest critics of the crimes committed by the regime in Uzbekistan in 2005 during the anti-government protests there.

A new framework of the EU Strategy for Central Asia (2014–2020) provides the EU with a window of opportunity to reinvigorate its engagement in the region. Turkey should be involved as strongly as possible in the implementation of the strategy. It is shocking that Turkey was not even mentioned in the Progress Report on the implementation of the EU Strategy for Central Asia (2007–2013) published in 2012. The future of the EU's and Turkey's position in Central Asia depends mostly on their ability to repeat the scenario from Azerbaijan, namely to engage decisively in cooperation with the US and Japan

in the energy sector in Turkmenistan (production and transit). Ashgabat has to be convinced that the inflow of FDI from the West will not mean interference in its internal political affairs (looking at the example of Azerbaijan) and will be highly beneficial for the Turkmen elite because it will allow Turkmenistan to counterbalance the current Chinese dominance of the Turkmen economy. In order to confirm their determination, Turkey, the EU, the US and Japan ought to achieve, through political support and financial guarantees, the establishment of joint ventures between the energy companies that have stakes in the BTC, TANAP or BTE and intend to invest in Turkmenistan gas fields. Ankara, Brussels and Washington should also engage more decisively in negotiations between Baku and Ashgabat on disputes concerning the gas and oil fields located in the Caspian Sea. Furthermore, the EU, the US and Turkey should also persuade Kazakhstan to substantially increase the pumping of oil via the BTC. A Russian backlash silently endorsed by Beijing is inevitable. It can only be deterred by the firm and common stance of Turkey, the EU, the US and Japan. The EU and Turkey cannot compete with Russia when it comes to hard power cooperation in the region. However, they do possess impressive potential when it comes to soft power. In effect, the cooperation in this respect (common projects concerning the ODA, education and NGOs) should become a second pillar of the EU-Turkey partnership in the region. Democracy in the region scores badly due to the serious deficiencies in Kyrgyzstan. Therefore, the best way to promote democratic values in the region would be the sustainable improvement of Kyrgyzstan's performance with the support and assistance of the EU and Turkey.

Dimitar Bechev

Russia, the EU and Turkey in the Black Sea Region

- The interests of Russia and the EU intersect in the Black Sea area, with Turkey trying to establish itself as a pole in its own right;
- The region is characterised by a growing trend of economic interdependence and Turkey has expanded trade and investment links with Black Sea littoral states;
- Turkey and the EU share interests in the stability and peaceful integration of the Black Sea area. They could and should do more to co-ordinate their policies.

The region

The Black Sea is a region where the interests of several powers, the EU, Russia and Turkey, intersect. In recent years it has been witness to a tug-of-war between the European Union (EU) and Russia, with Turkey watching from the sidelines. Two rival projects, the EU's Eastern Partnership (EaP) and the Eurasian Union pioneered by Vladimir Putin, offer alternative visions of the region's political order. Countries like Moldova, Ukraine and Georgia are stuck in-between, with their domestic politics fractured by the gravitational pull of Moscow and Brussels driving them in opposite directions. Belarus and Armenia, by contrast, are firmly in Russia's orbit, owing to their dependence on oil and gas imports and security. But even their governments seek to maintain a degree of autonomy in critical areas, at times resist pressure from the Kremlin and flirt with the EU. Azerbaijan is in a league of its own. While Baku does find itself compelled to strike a complex balancing act, its large off-shore deposits of oil and gas give it much greater leeway compared to the rest of the pack. Nevertheless, autonomy in its case is a convenient shield to buttress one of the most repressive regimes in the neighbourhood, rivalled only by Lukashenka's Belarus.

It would be wrong to view the competition between the EU and Russia exclusively through the lens of power, as it has a lot to do with principles and values too. While Brussels champions, via its conditionality policy, democratic rule and the modernisation of these economies, Moscow wants to preserve the

status quo. An autocrat like Vladimir Putin is fully comfortable with the presence of authoritarian regimes or weak, unconsolidated democracies and the oligarchic model of state-business relations, so long as the elites in power act in compliance and do not go too far off line. The second point of divergence is the fact that Russia is not intrinsically interested in solutions to conflicts like those in Nagorno-Karabakh and Transnistria. While it does participate in joint initiatives with either the EU or its members geared towards finding a settlement, Moscow's default position is to either act as spoiler or manipulate conflict dynamics to twist the arms of the parties involved. A fresh piece of evidence is Russia's threat to sell weapons to Azerbaijan in order to blackmail Armenia into walking out of EU association talks. And last but not least, the approach of Russia and the EU to the critical gas sector differ. The Kremlin and Gazprom often, although not always, use gas as a political tool to exert pressure on neighbours and cement vassalage ties. The EU seeks to foster competition, open markets, empower consumers and transform the gas issue to one associated with business dynamics, not geopolitics. This approach is at the core of the European Commission's anti-trust case launched against Gazprom on allegations that the Russian giant has engaged in unfair commercial practices in a number of member states.

Relations between EU and Russia in their shared "near abroad" have only lately become more antagonistic. To a large degree, the tensions have resulted from the withdrawal of US under the presidency of Barack Obama. Previously, the Kremlin used to look down on the Union due to its lack of military power, viewing the US as its principal rival and NATO expansion as the threat. Now that the Alliance has halted its enlargement into the post-Soviet region, the EU has come to the top of the adversaries' list. The economy rather than military affairs represents the main field of strategic competition. The rift between Moscow and Brussels is driven by the design of the Eurasian Union as an economic entity that emulates, in form if not in content, the EU. Its cornerstone is the Russia-Belarus-Kazakhstan Customs Union that came into existence in 2010. The prospect of Ukraine signing an as-

sociation agreement with the Union at the forthcoming Vilnius Summit has ignited full-blown rivalry, with the Kremlin using all manner of economic levers to pressurise President Viktor Yanukovich. The loss of Ukraine and Moldova – and potentially Georgia – to the EU is seen as a core threat, not unlike the prospect for NATO enlargement prior to the Bucharest Summit of April 2008. Putin's bullying tactic could, however, prove counterproductive. Eager to defend their turf and safeguard their own clientelistic networks, predatory elites in EaP countries are likely to resist pressure and opt for expanding and deepening institutional ties with the EU. The tensions in Ukraine following Yanukovich's decision to reject the EU's Association Agreement in the run-up to Vilnius and turn to Moscow for financial support, has deepened the internal rift. It has posed a tremendous challenge to the EU: on the one hand, engagement in Ukraine is a must in order to de-escalate domestic polarisation and wrestle Kiev out of the Kremlin's orbit. On the other hand, the Union has to uphold its values and principles, denounce the repression against pro-European protestors unleashed by Yanukovich and stick to its conditions, including the demand to release Yulia Tymoshenko, imprisoned on trumped-up charges.

EU remains a top trading partner for all the countries in the region. Its share varies from 26.6% in Georgia to 54% in Moldova. Ukraine, where the Union accounts for roughly one third of the turnover, is the most important market, and the country exports iron, steel, mining products and machinery to the EU.

Turkey's approach

Like the EU and Russia, Turkey has also been pursuing an outreach policy which dates back to the early 1990s. The overarching aims are to gain economic benefits and expand the country's political clout, and also to make the most of the opportunities provided by the end of the Cold War. President Turgut Özal was behind the Black Sea Economic Cooperation (BSEC) which was inaugurated in 1992 by the Black Sea littoral states, as well as Greece and Albania (Serbia and Montenegro joined in 2004). Russia, Ukraine and Romania are all key trading partners for Turkey whose

overall turnover with the region has gone from USD 10bn in 2002 to about 50bn (or 16% of Turkey's total trade) in 2012. Turkey is the main counterpart for Georgia. Ukraine, one of Turkey's largest partners in the ex-Soviet Union, has received USD 12 bn in Turkish FDI and has a total turnover of USD 6 bn, running a large surplus.

Russia is the principal supplier of energy to meet the needs of the booming Turkish economy, while Azerbaijan is becoming ever more prominent thanks to strategic projects such as the Baku–Tbilisi–Ceyhan (BTC), Baku–Tbilisi–Erzurum (BTE) and TANAP (projected for 2018) pipelines carrying Caspian oil and gas. Turkey's construction sector is present in all Black Sea countries. In Russia alone, Turkish contractors are involved in projects worth USD 50bn, with ENKA Insaat, one of the bigger players, behind large undertakings such as Terminal 3 at Moscow's Sheremetyevo Airport, the Toyota factory near St. Petersburg and a stadium in Donetsk. Millions of tourists flock annually to Istanbul and the Turkish Black Sea resorts. The Black Sea region is both a source and destination of FDI: in 2010 Turkey received USD 517m from the region and invested USD 349m into it. Azerbaijan alone has received USD 7 bn in investment, and itself invested USD 4 bn as of 2012.

Turkey's vision also prioritises the forging of close institutional links with the region as a means to expand economic interdependence. To that end, it has established High-Level Cooperation Councils (joint cabinet meetings) with a number of Black Sea countries, including Russia (2010), Ukraine (2011) and Bulgaria (2012). Furthermore, it has lifted visa requirements for citizens of all Black Sea littoral states, except Moldova whose agreement is yet to enter into force. These bodies are central to Ankara conducting its neighbourhood policy across more than one neighbouring region, especially under the rule of the Justice and Development Party (AKP) from 2002 to the present day. Of course, the intensity of commitment and interest varies according to distance. One should therefore distinguish between several sub-regions with varying significance for Turkey. The Southern Caucasus (Armenia, Georgia, Azerbaijan) comes on top thanks to the nexus of security, energy and historical issues that link it to Turkey. Ukraine

and Moldova are primarily viewed through an economic and functional perspective, while Bulgaria and Romania cannot be considered outside of Turkey's tangled relations with the EU as a whole.

Russia, quite understandably, is at the centre of Turkey's Black Sea policy. Though a NATO member, Turkey has traditionally tried, as far as possible, not to antagonise Russia. It armed Georgia in 2008-9, supported its NATO ambitions but during the conflict of August 2008 refused to let three US military vessels through the Bosphorus. Russia and Turkey have agreed to disagree on Syria and proceed with the development of business links. Trade is booming, with Russia being one of Turkey's most significant partners, especially regarding imports. Energy comprises more than half of Turkish imports from the Black Sea, with Russia taking the lion's share. This goes beyond gas, however. Russia's Rosatom is involved in building Turkey's first nuclear power plant at Akkuyu near Mersin. Furthermore, Ankara and Moscow are the chief stakeholders in regional initiatives such as BLACKSEAFOR which focusses on maritime security. In addition, Turkey has not supported the closer involvement of NATO in the Black Sea area (as pushed by Romania, for instance). What also matters to Russia is Turkey's co-operative stance on conflicts in the Northern Caucasus. Ankara has long kept at bay radicals amongst the numerous diasporas from the area in order not to create extra points of friction with its mighty neighbour across the Black Sea. While Turkey is pushing for the integration of the region into the Western sphere of influence, it is treading cautiously to limit damage in relations with Moscow.

Azerbaijan is another key partner due to close ethnic and linguistic ties and extensive hydrocarbon resources. Indeed, Turkey relies on Caspian gas to diversify its growing needs away from Russia (50% of imports) and Iran. Since the early 1990s relations between Baku and Ankara have been on an upward trajectory, and in both Turkey and Azerbaijan the talk of a "one nation in two states" is commonplace. The construction of the BTC oil pipeline is an important milestone in adding economic depth to the relationship, although one should not forget that the US has been a key player in the project. In addition, Azerbaijan received

support from Turkey in the conflict about the breakaway province of Nagorno-Karabakh which is controlled by Armenia. The Turkish-Armenian border is sealed off and Ankara has made its re-opening based on the condition that Armenian forces' withdrawal from several counties adjacent to Karabakh. But to view Azerbaijan as Turkey's "little brother" or client misses the point. The ability of Ilham Aliyev, Baku's authoritarian ruler, to undermine the Turkey-Armenia rapprochement which was under way in 2009-2010 by leveraging joint gas projects testifies to the complexity of the relationship. Furthermore, Azerbaijan has managed to establish a significant business presence in Turkey, especially in the gas and oil sector.

Despite the lasting strategic significance of hydrocarbons and the political importance of countries such as Russia and Azerbaijan in Turkey's foreign affairs, the Black Sea has moved in a downwards direction regarding the overall neighbourhood strategy pursued by Ankara compared to the 2000s. The reasons for this are quite straightforward. The Arab Awakening and the turmoil in Syria has caught the attention of policymakers and the public at large, leaving little space for the regions laying to the North and West of Turkish borders (in fairness, however, the turmoil in the south has taken its toll on Turkish trade and construction, while the upward trend in the Black Sea area has kept up). The only exception is, of course, Russia which remains a central partner – as well as an adversary in Syria. But Russia is in a league of its own, regarding its leverage in global affairs and, not least of all, its involvement in key Middle East dossiers, from the future of Syria to nuclear talks with Iran, thanks to its permanent seat on the UN Security Council.

What can the EU and Turkey do together in the region?

Turkey and EU have convergent interests when it comes to the Black Sea basin. Both parties seek stability through economic integration. The difference, of course, is that EU is more willing to confront Russia, even if constructive engagement is what most member states converge around as a policy. Turkey, by contrast, is much less willing to take risks and eschews a policy based on democratic conditionality. Its

realist stance in part also reflects the flaws in the Turkish democratisation process, with AKP widely blamed for sliding back towards authoritarianism. Despite such caveats, Brussels' policy with the Eastern Partnership (EaP) benefits Turkey, directly and indirectly. For instance, the new association agreements with Ukraine, Moldova and Georgia, which include a broad free-trade component, will deepen integration not only with the EU but also with Turkey which is part of the Customs Union. At the same time, EU has not done much to involve Turkey in the multilateral formats and initiatives it sponsors, such as the Black Sea Synergy (although this is somewhat moribund at the moment).

Turkey has a stake in the EaP but cannot take part in it as it could be seen as a diversion from its path to accession. Ankara keeps itself an arm's length from the European Neighbourhood Policy (ENP) and rebuffed French President Nicolas Sarkozy when he attempted to add it to the Mediterranean Union as a substitute track to membership talks. Turkey is already a member of the informal group of the friends of EaP but more can be done to co-ordinate issues on a bilateral level. Despite political constraints, EU and Turkey should find ways to align policies in the EaP areas. The existing dialogue between the European External Action Service (EEAS) and Turkey is an obvious vehicle to that end. One can also envisage cooperation in such fields as trade, energy and the free movement of people involving the European Commission and

the respective ministries in Turkey. And last but not least, there's the multilateral route – the EU could do more to breathe life into regional bodies such as BSEC through Black Sea Energy and similar initiatives.

The Southern Caucasus, where Ankara's interest is at its densest and most multi-dimensional, merits special attention. This comprises security, both hard and soft, road and rail infrastructure and, not least of all, energy. The EU has to invest in sub-regional cooperation and encourage formats where Turkey could be a stakeholder (e.g. Turkey-Georgia-Azerbaijan).

The key issue is Turkish-Armenian relations. 2015 is looming on the horizon and reconciliation efforts should be renewed. This means decoupling Ankara-Yerevan dealings from the issue of Nagorno-Karabakh, to the extent that this is feasible. The EU should reassure Armenia, provide it with the right incentives such as an offer to conditionally open the joint border, and reach out to social actors in Turkey who are pushing for reconciliation. Also it should coordinate policies towards Moscow on that particular dossier.

The EU should do more to bolster economic and political co-operation between Turkey and Ukraine. As part of the EU-centred Customs Union, Turkey has a large stake in trade liberalization with Ukraine, so the EU has the most to do in its role as a functional link between those two large neighbours.



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