

Turkey–Russia Energy Relations: Same Old Story, New Actors

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ABSTRACT

This article aims to outline the history of Turkey's relations with Russia in the energy sector. The energy relationship between these two competing states dates back to the early 19th century when the Ottoman Empire fulfilled its coal and oil demands with Russian supplies. The history of Ottoman–Russia and later Turkey–Russia energy relations is an important aspect of the aforementioned states' histories that needs to be unearthed and examined to better understand the complex relationship these states currently share. For instance, the complications that surround the recent natural gas pipeline projects such as Nabucco, South Stream, and Blue Stream II, reminiscent of previous projects in the region, can be better understood if one analyzes the semi-successful Baghdad railway project of the early 20th century. This article aims to analyze and highlight the complex relationship of yesterday in Turkey–Russia energy relations in an effort to shed light on the complexities of that same relationship today. The story will sound amazingly similar albeit with different actors.

Although recently a growing interest in the rapprochement between Turkey and Russia has garnered academic interest¹ a closer examination of both states reveals a history full of cycles where the presence of outside powers and global balances at large have created previous instances of close cooperation. The histories of both states are full of conflict and differing views yet their joint frustrations with outside powers have served to bring them together on different projects, especially in the area of energy. The current era of warm relations between the two states, which began roughly with the dissolution of the Soviet Union in 1991, finds Turkey and Russia frustrated with the United States and, at times, the European Union. This frustration has led to joint projects in the Black Sea, in the area of energy and in bilateral relations at large. It was recently announced that visas would be

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in the joint histories of both states. Although Turkey's relations with Russia have been turbulent throughout history, we find that when economic benefits are at stake, Turkey-Russia relations have been an interesting combination of cooperation and competition marked by crises, external relations with third parties and the different conjunctures of the world system at large. These cycles are the most evident, historically and currently, in the area of energy. In the relations between the Ottoman Empire and Tsarist Russia, we find the presence of Great Britain and Germany as factors that were able to bring both states to war, but, when their economic benefits were at stake, the two adversaries were able to cooperate on joint projects despite the presence of these larger European powers. In comparison, in our current day, the presence of the USA, which viewed Turkey as a very valuable ally during the Cold War yet was an adversary of Soviet Russia during the same period, brought Turkey and Russia into a confrontational relationship during the early 1990s, especially in the areas of energy and regional security. The presence of the EU, to a lesser degree, also served the same purpose as when the EU expanded its membership to certain former Soviet Union states and satellites, Russia felt its own sphere of influence was being penetrated by outside powers and sought to restore its power in the region, sometimes discretely and sometimes via more open displays of diplomatic aggression.

During the early 1990s, Turkey felt its future was with the EU and in a continuation of the foreign policy of westernization that had been active since the founding of the Kemalist Republic in 1923.³ Therefore the Turkish government tended to side with the EU in its policies and felt that as the membership base of the Union expanded to less developed and newly democratizing states that perhaps Turkey could also achieve membership in the future. Once Turkey's hopes of full membership in the EU began to wane in the early 2000s,⁴ the Union's need for Turkey's transit linkage of rich hydrocarbon resources found in the former

eliminated between the two countries.² Growing American interference in regional policies dealing with states that either border the aforementioned states or are directly in the aforementioned states' sphere of influence has led both states to reconsider their historically antagonistic relationship.

Analyzed from a historical point of view, this seems to be a recurring theme

Soviet Union states brought leverage to Turkey's position in the region and to its relationship with its former adversary, Russia.

The current state in Turkey-Russia relations highlights the most cooperative and peaceful relationship between

the two states. When one analyzes their joint history, which dates back to the 15th century, it is easy to find many different eras of both hot and cold war, alliances and counter-alliances and a total overhaul of the regimes that both states possess. There were a total of 12 “hot” wars between the two states with the first occurring in 1676-1681 and the last in 1914-1917. Statistically, the two states went to war with each other roughly once every 20 years during the 241 years between 1676-1917. Once the era of “hot” wars was over, the two states then faced a 74-year Cold War that put the newly formulated versions of both states – now the Republic of Turkey and the USSR – on differing sides once again. Reviewing these periods of crises and wars between Turkey and Russia it is easy to see why the current era of relations in the post-1991 period is the most peaceful in the history of their relations.

The Ottoman-Tsarist Russia war of 1768-1774 is of special significance for the Ottoman Empire. The loss of this war for the Ottomans, and the burdensome treaty that ended it, was responsible for the loss of Ottoman hegemony in the Black Sea. This loss also led to a loss of respect for the Ottoman state and was among the first indicators of Ottoman decline. The period following the signing of the Treaty of Küçük Kaynarca began the period where one of the fundamental principles of Turkish foreign policy was established: that of trying to find power balances among European states in an effort to stay alive.

Turkey and Russia are two very important countries with a number of characteristics in common. They are located at the western most edge of Asia and stretch into Europe from the north and south of the Black Sea respectively. This unique geographic position of both countries gives them the role of bridging the East and the West and of having to switch back and forth from the Orient to the Occident. The famous Russian historian Kluchevsky once remarked that “Russia is subject both to the harsh winds of Asia and the mild winds of Europe.”⁵ Turkey, too, faces the same position of having to switch back and forth between the Orient and the Occident. “This double commitment to Europe and to Asia”, as Chamberlin once remarked, continues to this day.⁶

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Although the histories of these two states is filled with war and competing aims in neighboring geographies, it should also be noted that they were able to turn threats into opportunities during unexpected times. For instance, the battle of Gallipoli, which turned Mustafa Kemal into a legend and allowed for the seeds of the Turkish Republic to be sowed, also allowed for the Bolshevik Revolution to succeed. Many experts agree that had the result of the battle been reversed, Tsarist Russia would not have ended with the success of the Bolsheviks.

Taking this vast history between these two states into consideration, these types of threats-turned-opportunities should shed light on the future of Turkey-Russia relations, especially in the area of energy in the post-Cold War era. This article will begin with a history of Ottoman-Tsarist Russia relations and outline the role of the external actors of Great Britain and Germany on this relationship. It will then proceed to outline the relationship of the Republic of Turkey and the post-Soviet Russian state touching upon the external actors of the United States and the EU. The article will then outline the current projects between Russia and Turkey and will conclude with policy implications.

History of Ottoman–Russian Energy Relations

Turkey's relations with Russia in the area of energy have been mostly affected by the political relations between the two states. The historical precedents of Turkey and Russia – the Ottoman Empire and Tsarist Russia respectively – have also had the same experience. For instance, the proclamation by Sultan Mahmud II (1808-1839) that coal would be used and was to be found within the borders of the Empire was no doubt triggered by the naval battle of Navarino in October 1827 which was seen as the main reason for the demise of the Ottoman navy. The Russians (in addition to the British and the French) in essence led the Ottoman state to upgrade its fleet into steam-powered ships, starting from 1827. This then led to the necessity of finding coal to power them.⁷

The Sultan's decree of July 29, 1843 (*Sadaret Tezkeresi*) made coal production possible in Ereğli and Amasya and called for it to be marketed in İstanbul and noted that this could make a valuable contribution to the Ottoman treasury. Since the first steamship built at the Istanbul shipyard had been put to sea the previous year, the goal was to build domestic steamships and to power them with domestic coal. However, domestic coal was not sufficient. In the following years, Russia emerged as an important alternative supplier to the dominant coal producer Great Britain whose Cardiff coal prices had risen due to growing demand for steamships. To compete with Great Britain, the Russians began mixing different

types of coals found on the Black Sea coast which was comparable with that of the Cardiff coals.⁸

Russia also contributed to the growing sea transportation in Ottoman territories. Starting in the 1830s, the Russian Odessa Company sent the first commercial steamship to Istanbul via the Black Sea. In 1835 the same company started weekly trips between Istanbul and Izmir.

In 1848, when the number of Ottoman steamships had risen to 18, the Zonguldak coal mines began producing 40-50 thousand tons of coal per year. In the 29 years that passed from its initial opening in 1848 until the 1877-1878 Ottoman-Russian War, the Zonguldak mines were only able to increase their production two-fold to approximately 100 thousand tons. This number was significantly increased, however, during war time, reaching record highs of 181 thousand tons in 1877 and 133 thousand tons in 1878. Russia once again unintentionally contributed to the growth of the coal industry in the Ottoman state.⁹

The 1877-1878 War not only affected coal but to a greater extent petroleum. During this period, Russia became a major competitor in the oil market, especially in the Black Sea region, because of the disruption in the transportation of American oil. Russia then became a major oil supplier to the Ottoman Empire. Russia soon was among the top of the list of states that the Ottoman Empire imported oil from.

In 1905 Russia suffered from a petroleum crisis which resulted in reduced production. The real reason behind this crisis was the damage that was suffered by the oil wells and production facilities after fires broke out in Baku. This led to a crisis in Russia because oil was the major energy source used in a variety of sectors from the manufacturing industry to transportation.

This situation adversely affected the oil supply of the Ottoman Empire even though oil consumption was not very high in the Empire and the amount of oil imported from Russia was relatively low. When the price of oil, which had doubled from 1.2 rubles to 2.4 rubles, compounded with the problems of administrative domestic issues, more troubles arose.

A major project of the time that had a significant effect on Russia's energy relations with the Ottoman Empire was the Baghdad railroad. The project consisted of extending the already existing railroad from Berlin to Istanbul by another 2,300 km to Baghdad. The concession was given for 99 years starting in 1902 to the German-owned Anatolian Ottoman Railroad Company. The concession also

stated that the rights to the production of oil in the immediate 20 square km area surrounding both sides of the rail tracks would be given to the aforementioned company. Based on this article the Company received rights to search for oil for one year starting in 1904. However, these rights were never utilized during the given time period and were completely surrendered in 1907.

One of the major reasons why the oil part of the Baghdad railroad project was unsuccessful was due to the lack of German scientific and technical capacity in addition to their lack of adequate capital. In addition to the German deficiencies, the objections of Great Britain and Russia also played an important role in this failure. The Russians, disturbed by the German-Ottoman partnership, began to demand the reparations of the 1877-1878 War which resulted in the Ottoman state having to surrender the Black Sea railroad concession to Russia and also served to shift Ottoman attitude against Germany.

During this time, on August 31, 1907, Russia and Great Britain signed a treaty in St. Petersburg called the Anglo-Russian Convention which divided Iran among them.¹⁰ The agreement, signed between Tsarist Russia's Minister of Foreign Affairs, Count Alexander Izvolsky and Great Britain's Ambassador to Russia, Sir Arthur Nicholson, divided Iran into three parts with the northern and central section being given to Russia, and the southeast to Great Britain. The area with the largest oil wealth, the southwest, was given a neutral status. Afghanistan would become a British mandate and Russia agreed to not intervene in its affairs. It is likely that such an agreement also existed to divide the Ottoman state.

The real purpose behind the St. Petersburg Agreement was to lessen the growing effect of German influence in the region, particularly in the Ottoman Empire. Immediately following the St. Petersburg Treaty the Shah of Iran was forced to sign a constitution in 1907 which resulted in the formation of a parliament. These events started the period which has been called the Iranian Constitutional Revolution and lasted until 1911. After the October 1907 Revolution, Iran had achieved relative stability and oil production began in the Mescid-i Suleyman well on May 26, 1908.

The Ottoman state was also in a situation similar to that of Iran. On July 24, 1908, a constitution was declared and negativity towards Germany was on the rise. The Germans began to support anti-revolutionary movements, called the March 31 Incident¹¹ (*31 Mart Vakası*) as a result. As events began to grow, on April 24 Sultan Abdülhamid was replaced with Sultan Mehmet Reşat V. During this time, the Russians entered Tabriz in the spring of 1909. The north of Iran was

taken over by the Russians, while the south was overtaken by the British, and Iran was in complete chaos.

The uprisings in Iran and Turkey were both short-lived and peace was soon restored. The new parliament that was formed continued to have anti-German sentiments. During this time the Baghdad railway was being discussed and critiqued on a growing basis. The parliament began to investigate the Baghdad railroad project with the view that it had been a bad agreement for the Ottoman state as the Germans were receiving significant profits.

The era that began in 1907 with the British-Russian Agreement suddenly changed in 1910. The growing hatred of Germans that came with the second Constitutional Era left its place to growing anti-British and French sentiments. Playing a significant role in this shift was the granting of German aid to the troubled Ottoman treasury at a time when neither the British nor the French would. On January 29, 1910 the Sultan issued a bill ending any concession to be granted for oil in Baghdad, Basra and Mosul. This was, in essence, a move to prevent the British from acquiring any further concessions in the region. On June 10, 1910 a new bill making the acquisition of concessions more difficult was accepted.¹² The first of the 12 articles stated that production concessions for the public good would be decided upon by the council of ministers.

Iran was experiencing a similar situation. Germany began regaining influence in the region following the Iranian revolution and began to threaten the Russian influence. Even though the Russians had previously agreed with the British, it seemed that a new agreement with Germany was necessary. This new agreement, the Potsdam Agreement of November 4, 1910 between the Kaiser and the Tsar, was signed to harmonize the self-interests of the Russians and Germans on the Ottoman and Iranian states. Russian diplomatic objections to the Baghdad railway were withdrawn in return for German recognition of Russia's special position in Iran. It was antedated, also, by a secret Franco-German convention of February 15, 1914 in accordance with which French capitalists were granted exclusive control over the railways of Syria and northern Anatolia and the Deutsche Bank was assured that France would place no further obstacles, diplomatic or financial, in the way of German railway construction in Cilicia and Mesopotamia.¹³

After the agreement, Russia, which had previously contested the Baghdad railroad project, ended its objections. The Baghdad railroad could continue with the Russians even building a line between Tehran and Hanakin. The two states also agreed that they would not get any concessions in northern Iran. In return, the

Russians would not pose any obstacles to the financing of the Baghdad railroad. Both states would not stand in each other's way in their effort to find outside financing. The Germans gave up on many connection lines that they had previously planned. If the agreement was not fulfilled then the Russians would not make the connection from the Baghdad railroad to Iran.

The British plans to undermine the Baghdad railroad had been defeated in this way. Germany found that the opportunity to conduct trade within the state of Iran and Russia was able to legitimize its area of influence in northern Iran. The Triple Entente, which was established against the Central Powers by Great Britain, France and Russia, was still effective but had been significantly weakened in Iran and Arabia. Russia, which had signed the Potsdam Agreement with Germany because it suited its national interest, was back in the Triple Entente with Great Britain and France a few years later when World War One began.

A new agreement was also signed between the Ottoman state and Germany in 1911. The agreement had two effects: the victory of German supporters in the Ottoman parliament and the continued progress on the German-supported railroad project. The elections in early 1912 resulted in the victory of the pro-German Committee of Union and Progress (CUP). The railroad also continued steadfast; even after the War had begun and, except for a few exceptions, 887 km of rails were constructed starting from Konya onward.

On July 17, 1913, Sir Winston Churchill, who was in charge of the British navy between 1911-1916, announced in a landmark speech in the British parliament that the era of oil had begun: warships that had previously been powered by steam would now be powered by oil. This was the beginning of the oil wars.¹⁴

During this time it was natural for oil prices to trump all other issues for the Ottoman state. When the War Ministry prohibited oil deliveries to Istanbul for a few days, the price of oil increased significantly. Russian oil began to compete with American oil. Even though the Ottoman state was at war it preferred Russian oil to American oil.

The biggest oil production carried out in the Ottoman state was also done by Russia. When Van-Kurzun was under Russian occupation from 1915-1917, the production of 1,500 barrels per day was achieved by simply gathering oil using tunnels. This petroleum roughly corresponded to the oil needs of the two ships that served in the Van Lake. The Russians also made their first geological surveys in the regions of Van, Divan-ı Huseyin, Neftik, Kurzun, Hasankale, Pulk and Katranlı.

It should be noted that the Russians were also the ones who bombed the Zonguldak coal mines during the war. Despite all efforts, the Ereğli Coal area, which was given over first to the Germans then the French immediately after the Mondros Treaty, and then to the Entente Powers Coal Commission stationed in Istanbul at the time, was only able to produce 100 thousand tons of coal, compared to 900 thousand tons in the pre-war period.

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However, while the war continued Russia was not very interested in her Western allies' oil agreements dividing up the Ottoman spoils. The most important of these was the draft agreement signed between the British and the French on January 4, 1916, known as the Sykes-Picot Agreement, which received Russian approval on February 4 but without Russia becoming a party to the agreement.

Turkey–Russia Energy Relations

Even though Turkey and Russia were on opposite sides during the Cold War as members of NATO and the Communist Bloc respectively, they were able to garner some sort of economic relationship towards the end of the era. After 1991, once the Soviet Union had disappeared, the energy relations between Turkey and Russia gained impetus. The underlying reasons for this were the position of Turkey as a consumer of natural gas, in which the Russian Federation enjoys a dominant market position, and the fact that Turkey was able to position itself as a reliable transit state for energy-related projects.

Both Turkey and Russia began to search for different partnerships in the area of energy even before the end of the Soviet Union. A prime example of economic partnership can be seen in the construction of the aluminum facilities in Seydişehir using Soviet technology between 1967-1977.

The second important venture in the economic area and the first major energy partnership was realized during the first Turgut Özal government. Governmental agreements between Turkey and Russia in the area of natural gas were signed on September 18, 1984 and a 25-year trade agreement between the Russian Gazexport and Turkish Botaş was signed on February 14, 1986. Natural gas was purchased from the natural gas pipeline, which was called the “Western Line”, starting in 1987, but increasing to only 6 billion cubic meters (bcm) purchased in 1997 and 1998, and since then it has stayed beneath these levels. Natural gas purchases sometimes fell as low as 5 bcm, as in 2003 and 2004. When one considers that the

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two states were on different sides during the Cold War, these partnerships showcase that economic relations tended to be a priority for both states.

The most important Turkish-Russian ventures during this time were signed on December 15, 1997 between the third Mesut Yılmaz government and the Russian Federation and between Gazexport

and Botaş for 25 years. The “Blue Stream” project, beginning at Russia’s Novorossisk port and reaching the Turkish port of Samsun through 16 bcm natural gas pipelines embedded in the Black Sea led to an initial transfer of 1.2 bcm in 2003 and the amount of gas was gradually increased to 9.9 bcm. On February 18, 1998 an agreement was signed between Turusgaz and the Russian Federation which envisaged a deal to last 23 years with a preliminary purchase of 538 mcm (million cubic meters) which has been increased to 6-7 bcm since 2001.

In February 1997 an analysis was started on the feasibility and environmental effects of the Baku-Tblisi-Ceyhan (BTC) crude petroleum pipeline that would carry oil from the Azeri-Çirak-Güneşli fields located off-shore of Azerbaijan to Turkey’s Ceyhan terminal located in the Mediterranean Sea. Governmental agreements were signed on November 18, 1999 with later agreements following in October 2000. The groundbreaking ceremony was held on September 2002 and on July 13, 2006 the BTC pipeline was officially opened.

The BTC was basically a western-supported pipeline project which, in essence, bypassed Russia and Russian energy supplies to transport Caspian oil to international markets. This project however was preceded by the Blue Stream project which was the Russian-backed natural gas pipeline endeavor. Although not necessarily in competition with regards to the energy products transported (one was a natural gas while the other was oil) the supporters of each project were in direct competition with one another. Thus, for both projects to be actualized a compromise needed to be made on both sides and both parties allowed for the construction of the competitors’ project. The Blue Stream agreement was reached in 1997 while the BTC agreement was signed two years later.

The BTC, which was actualized with very intense geopolitical struggles among the big powers, was only able to come about because the opportunity to create the Blue Stream project, which would transport 16 bcm gas from Russia to Turkey via

the Black Sea for the next 25 years, was granted.

The development of the East-West energy corridor concept, created by the USA on December 15, 1997 immediately before the Turco-Russian Agreement, could be seen as proof of this. Even though Turkish authorities argued that the two projects were not competitors, even Russian President Vladimir Putin has stated that they, in fact, are. This in essence means that it will have an effect on Turkey's relations with the West. It seems highly unlikely that two projects can be built simultaneously. The natural gas part of the East-West Corridor project has so far been sacrificed for the Blue Stream project but the petroleum pipeline was partly actualized with the BTC.

The East-West Corridor actually consists of two projects: the oil part — the Baku-Tblisi-Ceyhan pipeline — which has been completed and the Turkmenistan-Turkey gas pipeline which has been stalled for the last two years due to a consensus regarding its future.

The Blue Stream and BTC projects are among the most widely discussed pipeline projects in the world. While the Blue Stream project underlines the energy supply security of Turkey and its growing dependence on Russia, the BTC project highlights America's quest for power in the region by supporting a political project rather than one of economic feasibility. These two projects were seen as antithetical to one another with Russia on one side and the USA and the EU on the other trying to hinder each other's projects. Eventually, consensus was reached and both projects began at about the same time.

One of the main reasons for the realization of both projects, even in the face of stiff opposition, is that, contrary to popular belief, these projects are not competing endeavors. The Blue Stream project is a natural gas undertaking from Russia while the BTC was constructed to carry crude oil from the Caspian region. The Blue Stream project in reality is a rival of the US-supported Trans-Caspian Turkmenistan-Turkey-Europe Natural Gas Pipeline, referred to as the East-West Energy Corridor. In reality the realization of the Blue Stream project has had fatal effects on the Turkmenistan-Turkey natural gas pipeline.

Presently, another competition similar to the one mentioned above is taking place in a more intense way among natural gas projects. While the US-EU bloc

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supports the transportation of natural gas via Turkey to Europe with the Nabucco project, in essence the modernized version of the East-West Energy Corridor, the Russian Federation is working steadfast to start its South Stream project. Even though Russia is at a financial and technical disadvantage to its competitors, it has nonetheless made significant progress in supporting its own endeavors. Turkey carries a significant role in the realization of either of these projects. The decisions undertaken by Turkey will in the short and medium-term delay one of the two projects.

Of the joint projects that Russia and Turkey share the one related to natural gas will have the most effect on Turkey's relations with the Western world. The Nabucco natural gas project on the surface gives the image of an EU-Turkey undertaking whereby the natural gas supplies in the Caspian (especially Azerbaijan) will be carried to Europe via Turkey; however, the lack of a functioning joint energy policy in Europe which has led to states like Germany and Italy pursuing individual plans to tackle their own natural gas problems in addition to Russia taking on a more active role by developing its own South Stream project has led to Nabucco being stalled for the time being. South Stream, on the other hand, seems relatively unaffected by the problems that currently face Nabucco.

A growing trend in Turkey-Russia energy relations has been the tendency to combine different undertakings. Turkey and Russia have recently had the disposition to address energy relations between each other, the Nabucco and the South Stream projects along with the Samsun-Ceyhan Crude Oil Pipeline, Blue Stream II, nuclear power plants and other issues related to Turkey's energy distribution as a comprehensive package. These tendencies may prove to be advantageous and disadvantageous at the same time. A recent example of such a package deal is the Russian proposal in handling the Bourgaz-Alexandropoulos bypass together with the Samsun-Ceyhan bypass. The Russian newspaper *Izvestiya* announced a couple of days prior to Medvedev's May 11-12, 2010 visit to Turkey that both bypass pipeline projects would be handled together, one for high sulphur oil, the other for low sulphur oil.¹⁵ However, during Medvedev's visit, this package deal was left undecided. High level visits between Turkish and Russian state leaders have speeded up since February 2009 when Turkish President Gül signed a joint political declaration with Russian President Medvedev that later resulted in a strategic partnership being declared by Prime Ministers Erdoğan and Putin in January 2010. This strategic partnership, however, has not been reflected in the energy relations between Turkey and Russia. Among the energy projects under discussion between the two states it was surprising that only the nuclear energy deal was signed on May 12, 2010.

As a matter of fact, among the 17 agreements signed by the Turkish and Russian leaders during the recent visit, only one energy deal was signed and that was an intergovernmental agreement regarding nuclear energy with details possibly to be determined only after its approval in both states' parliaments. In the same package, although not as developed as the intergovernmental agreement, a memorandum of understanding was signed to give the Samsun-Ceyhan pipeline the priority for the transportation of Black Sea oil. Similar memorandums like this one have been signed before but a true energy deal regarding the planned bypass pipeline has been lacking.

At the current time, the relations between Turkey and Russia have truly become a strategic partnership. Trade volume between the two countries reached a high of \$33 or \$38 billion, depending on which state's numbers one looks at, in 2008. Both sides are expected to triple this number, reaching \$100 billion in five years.¹⁶ However, trade is not distributed equally among the two states. While Russia is Turkey's main trading partner, Turkey ranks seventh among Russia's trade partners.

Turkey's energy dependence on Russian fossil fuel imports reached approximately 50% with 34% of Turkish coal imports, 33% of oil imports, and 62% of natural gas imports coming from Russia in 2008.¹⁷

Policy Implications and Conclusion

Taking the past and current situation of Turkey's relations with Russia into account, certain projections and policy implications about the future of the relationship can be drawn from these experiences. An important issue that Turkey needs to address is its extreme dependence on Russian energy supplies. While diversification of energy sources has become an essential part of energy politics, Turkey's dependence on Russia is growing exponentially. This will have negative ramifications for Turkey's future energy security. Currently Turkey supplies 63% of its natural gas demand and 29% of its oil demand from Russia.

Another important issue is the need to diversify partnerships in energy sub-sectors such as refinement, distribution, production of nuclear energy, etc. Dependence on one state regarding various sub-sectors of energy may increase the chances of encountering problems not only in the area of price but also of quality.

While diversification of energy sources has become an essential part of energy politics, Turkey's dependence on Russia is growing exponentially

Turkey has had the tendency to combine its advantages as a transit country along with its growing consumer demand for natural gas when dealing with the Russian Federation

The third issue that needs further analysis is the trade discrepancy between the two states. As mentioned previously, while the two states have achieved remarkable trade increases over the years, the trade is not distributed equally. Russia is currently Turkey's top trading partner which gives it significant leverage

over non-energy issues in Turkey while Turkey is only ranked as the seventh largest trade partner of Russia.

When considering that oil plays a core role in connecting economies from region to region, the continuation of heated rivalry and conflict between the two sides on development and transport of oil from Azerbaijan and Kazakhstan with Turkey and the US on one side with the "East-West Silk Road" access and Russia on the other with its "North-South Axis" is no wonder.¹⁸

However, as shown before, treating Turkey's capacity and willingness to serve as a transit country, primarily in terms of gas, as a matter to be addressed within the existing frameworks of cooperation may not be enough to ensure Europe's energy security.¹⁹

In conclusion, the events of the early 20th century in the area of energy in Turkey-Russia relations are quite similar to those of our current day. It is therefore essential for policymakers to review this history before making any new decisions.

The former hegemonic power of Great Britain has left its place to the United States. Other important powers of the past period, such as Germany, and to a lesser degree France and Italy, have also had significant impact. The geopolitical instrument of the previous era was again energy; the only thing that has changed today is the composition of that energy – from oil to natural gas.

When analyzing Turkey-Russia energy relations it is necessary to look past our current day into historical events such as the 1907 British-Russian and the 1911 German-Russian agreements. Yet history also shows us that even with all of its ups and downs, Turkey and Russia have also turned crises and threats into opportunities.

In the past a major component of the game over Ottoman territories was over energy resources. In an effort to acquire these resources Great Britain and Ger-

many developed two separate strategies. While the hegemon of the period, Great Britain, tried to acquire these resources by breaking apart the Ottoman Empire, Germany – the biggest challenger to Britain’s power – tried to acquire the resources through friendly relations with the Ottoman state with policies aimed not at breaking apart the Empire but by allowing it to stay intact. Russia, on the other hand, had no clear policy and took to the side of any state that allowed it to follow its own interests, which meant that at times Russia backed Great Britain, while at other times it backed Germany.²⁰

Currently, Turkey, the successor to the Ottoman Empire, holds a very special place not only geostrategically but also due to its growing demand for energy resources. The current competition in this territory is whether the Western-backed Nabucco project or the Russian-backed South Stream natural gas project will prevail. Turkey has had the tendency to combine its advantages as a transit country along with its growing consumer demand for natural gas when dealing with the Russian Federation. While some policymakers may view this as highly rational, such a packaging may have negative effects on Turkey’s relations with its Western partners. The most optimal solution for Turkey is to separate its relations into two: that of a transit state and that of a consumer state. In dealing with its future as a transit state, Turkey can increase its relations with the West while as a consumer state it should focus on its relationship with Russia.

Endnotes

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