

SQUARING THE CIRCLE: THE (IMPROBABLE) QUEST FOR STRATEGIC EQUILIBRIUM IN TURKISH-RUSSIAN RELATIONS

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Introduction and Recommendations

by General (Ret.) Sir James EVERARD

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Introduction and Recommendation by Sir James Everard

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The relationship between Turkey and Russia is historically complex and 'mired in paradox and contradiction'. The dependencies and differences that mark this association intrigue and worry many of us in equal measure. On the one hand the Turks and the Russians have been rivals for centuries. On the other Ankara and Moscow are (occasional) strategic partners with deep economic ties and similar ambitions to be recognised as great powers - again.

To many in the West the blend of cooperation and competition that frames this relationship defies all logic, but given the Russian invasion of Ukraine we should be looking to Turkey – an ally and a friend - to use its influence with Russia to help resolve this war. For Turkey it is a difficult balancing act given its membership of NATO, strong relations with Ukraine and current economic difficulties, but in reality Turkey has no choice. The invasion not only threatens Turkish interests in the Black Sea Region, but has changed the foundation on which Turkish-Russian (dis)engagement functions. It is certainly difficult for Turkey to now sit on the geo-political fence, hence active Turkish involvement in facilitating negotiations.

This excellent study provides an in-depth inquiry into the manner in which the relations between Turkey and Russia have evolved in and over time. It examines the challenging nature of Turkey's collaboration with Russia, the interdependencies that have developed over time and the consequences of severing specific ties. The central importance of the Black Sea Region is also explained, given the economic dependencies and implicit asymmetries in play, while exploring potential venues for reducing them and finding new ways to cope with a shifting financial and political infrastructure across the region and globe. In the context of such intense geopolitical movements, this study not only reminds us all of Turkey's unique position within NATO, but is a welcome opportunity to reflect on the way history shapes the present.

For me, Horia Ciurtin has spun a web of rich discovery on Turkish-Russian relations and I wholeheartedly recommend this Paper to you.

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I. Prolegomena: A Matter of (Global) Perspective

In December 1854, not long after the Light Brigade performed its heroic (but ill-fated) charge against Russian positions in Crimea, Lord Tennyson was describing the British cavalry as “[c]harging an army, while/ All the world wondered”. And this was merely an episode within a battle. Within a war. Within a long series of conflicts between the Ottoman and Russian empires.

The Crimean War was neither the most violent moment in their continuous cycle of wars, nor their first ‘internationalized’ conflict. However, it posed a different kind of significance. Not only by the nature of its participants, consequences and stakeholders but also by its ‘coverage’, being - for the first time - paraded on a global scale. Indeed, as Lord Tennyson noted, the whole world wondered, as the whole world watched.

In this sense, the Crimean War marked a turning point in the cycle of Russian-Turkish historical adversity, as the stakes were no longer confined to the two empires’ borders, troops or economies, but rather posed global-reaching effects, for the first time in their regional interaction.

The British and the French were directly involved in the conflict, conducting a significant share of offensive operations against the Russian positions, with one eye on the Black Sea-Mediterranean equilibrium, while keeping the other open in regard to their own empires’ challenges in Asia and North Africa. A victorious and defiant Russia at that moment would have upended much more than a sub-regional balance within an enclosed sea. It would have led to the reconsideration of the (imperfect, but somehow static) imperial stalemate across the world.

And thus, ever since the Crimean war, Turkish-Russian dynamics proved to be more than a bilateral issue. They became a crucible for larger movements, with supra-regional and global implications, leading to a new axiom in strategic terms: *when both actors are competitively present in any given theatre, it shall become - sooner or later - a global problem.*

[1] Alfred Tennyson, ‘The Charge of the Light Brigade’, *The Examiner*, 9th December 1854. Lord Tennyson’s poem is an emblematic account regarding the Battle of Balaclava during the Crimean War, meant to endorse the heroic (almost Thermopylae-styled) stance of the British troops during this brief episode. For more details about the literary - and conceptual - genesis of the poem, see Edgar Shannon and Christopher Ricks, ‘The Charge of the Light Brigade: The Creation of a Poem’, *Studies in Bibliography* 38 (1985).

[2] The Crimean War was the first large-scale conflict documented in a modern sense, with press war correspondents, doubled by technology that facilitated the transmission of almost instantaneous information.

Following this pattern, the evolution of Turkish-Russian ties in the last decades seems mired in paradox and contradiction, due to a volatile international environment and a shifting alignment of foreign policy interests for both regional powers. Strained in numerous moments - some openly violent (such as the 2015 Su-24 downing) - but followed by 'normalization' endeavors and periods of (geopolitical) lull, bilateral relations have witnessed episodes of tactical alignment on various fronts, despite a structural competitive pre-disposition.

Analytically, the present status of Turkish-Russian relations requires a careful assessment on multiple levels, starting from the assumption that the cycle of tension and quick-following detente is generated by (circumstantial) interdependence. And its manifestation is both political and economic, ranging from a mutual declarative insistence upon sovereignty-as-non-interference to energy one-way dependence and access to vital commercial lanes.

Asymmetric in nature and driven by shared opposition towards the involvement of (relevant) third states in their policies, the prolonged series of tactical alignments and realignments have led to a strategic stalemate in which both actors avoid directly antagonizing the other while pursuing opposing policies on almost all active fronts.

From Libya to Nagorno-Karabakh, from Syria to Ukraine, from Bosnia-Herzegovina to Central Asia, the two actors support different contenders and strive for completely distinct outcomes, while closely managing not to get into the other's line of fire and potentially escalate conflicting behavior in direct bilateral ties.

And when things seem to spiral out of control, both states engage in a form of 'mutual assured disengagement' through high-level political dialogue. On certain fronts (such as Syria), this mechanism allows for tactical ceasefires and medium-term partition of territorial control, while on other fronts (such as Libya or Nagorno-Karabakh) it provides a no-hard-feelings agreement to disagree (militarily).

An eloquent example, disentangled from the military implications and the volatility of hard-power conflict, can be seen in the 'little game' for the Balkans. Alongside other (global) players, both Turkey and Russia compete for influence in various territories across Europe's soft Balkan spot. Investment, trade, cultural and religious ties, all play a role in establishing a new narrative of soft power that allows Turkey and Russia to play an increased role in the region, aiming for opposing directions.

The main question that remains, in this context, is how tenable such a stalemate remains in the long term. Can political-economic interdependence and circumstantial opposition to certain third parties maintain the equilibrium despite obvious conflicting interests? What is the price to be paid towards one's own political constituency for desisting in important symbolical dossiers of foreign policy?

And, with the advent of the Russian invasion of Ukraine, would Turkey be able to avoid getting caught between a (political) rock and an (economic) hard place? Is this event the definite game-changer for their stalemate across Eurasia?

Just like in the case of the (past) Crimean War, the whole world watches. And wonders. Because a decisive shift in Turkish-Russian relations would generate far-reaching realignments at a regional and global level, shattering not only bilateral ties, but the geopolitical 'tectonics' of the chessboard itself.

II. Struggling with Interdependence: The Tale of an Uneasy Mercantile Romance

Although - at a first glance - it would seem counter-intuitive to begin the analysis by first relating to the (geo)economic dimension rather than assessing the strategic terms of the Russian-Turkish conundrum, the image revealed by mercantile dynamics is foundational. In a certain sense, economics and its grip upon Ankara's current status - and limited space for maneuver - in defining its foreign policy towards Moscow predates any other rationales.

Energy: A Romance Forged by Gas, Enriched by Uranium

Gazprom's Embrace. More precisely, long before there was any political rapprochement or strategic warm-up between the two regional players, their relation was determined by increasing volumes of traded goods. And, more than anything, natural resources. From its inception, it has been a mercantile 'romance' forged by gas.

During the final decade of the Cold War, the two countries signed the 1984 Natural Gas Agreement which paved the way for cooperation in the energy sector, for an envisioned period of 25 years. Gas soon flowed through the Trans-Balkan pipeline southbound from the USSR through Romania and Bulgaria.

A landmark point in the bilateral energy relation was reached in 1997 when the two countries decided to build another gas pipeline - Bluestream - beneath the Black Sea, with the direct involvement of Gazprom, BOTAŞ, and the Italian company Eni.[1] Finalized in 2002 (and officially inaugurated in 2005), it could deliver up to 16 bcm (billion cubic meters) per year, half of the necessary consumption at that point in time and almost one-third of the present consumption necessities of nowadays Turkey.[2]

From that moment on, the dependence upon Russian energy set in. A comfortable, reliable and largely cheap source of gas thus became readily accessible to Turkish consumers, both domestic and industrial, representing a dynamic market with an increasing appetite for energy.

Supplemented by Iranian gas and LNG coming through one land-based terminal, Ankara decided to opt for further diversification of sources and soon became part of the South Caucasus Pipeline, bringing gas from the Shah Deniz field in Azerbaijan (via Georgia). Commissioned in 2004, it transported its first quantities of gas to Erzurum in Turkey in 2007, having a maximum capacity of 20 bcm. Later on, the pipeline would be continued by the TANAP, up to the borders of Greece.



Figure 1 - Turkey's Gas and Oil Pipelines

[3] For more details, see Dimitar Bechev, 'Turkey's energy relations with Russia: How should the West respond?', Middle East Institute, Washington, March 2021, <https://www.mei.edu/sites/default/files/2021-03/Turkey%E2%80%99s%20Energy%20Relations%20with%20Russia-%20%20How%20Should%20the%20West%20Respond%3F%20-%20D%20Bechev%20.pdf> (accessed 4th March 2022).

[4] A. M. Kiliç, 'Turkey's natural gas necessity, consumption and future perspectives', Energy Policy, 34 (14)/2006, pp. 1928-1934.

Nonetheless, capitalizing on Turkey’s growing appetite for natural gas - and Ankara’s designs for becoming a regional energy hub, a gateway between the Caucasus, the Middle East, Russia, and Europe - Moscow proposed another pipeline, the TurkStream. Born out of the aborted South Stream project, the new pipeline was launched in early 2020 and is capable of transporting more than 30 bcm.[5]

Therefore, although Turkey increased its gas imports from Azerbaijan and heavily invested in LNG terminals (two land-based and three FSRUs located in various ports around the Anatolian mainland[6]), at the beginning of 2020 Russia still remained a major source of energy for Turkey itself. And one of its major points of support for becoming a ‘regional hub’. As the Trans-Balkan pipeline from Soviet times stopped functioning, southbound, gas was rather sent the other way round, through TurkStream and headed northbound through Bulgaria.

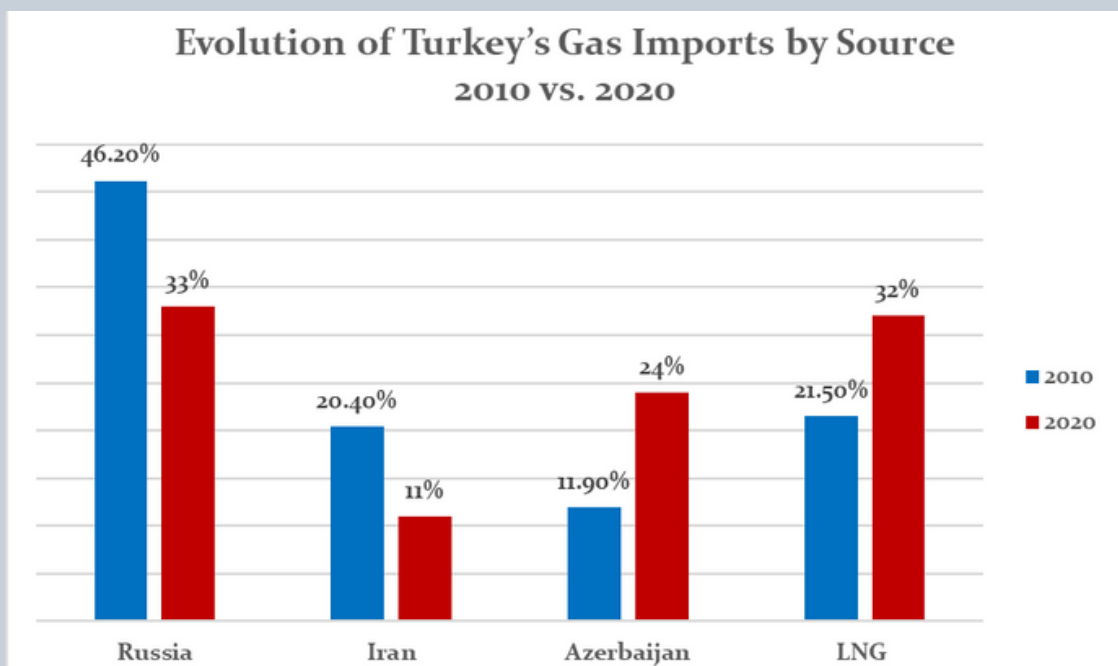


Figure 2 - Turkey's Gas Imports by Source
[Source: PETFORM Data] [7]

[5] For more strategic considerations regarding the TurkStream pipeline and how it interacts with the EU necessity for supply diversification in the gas sector, also see the report prepared by the Congressional Research Service, ‘TurkStream: Russia’s Southern Pipeline to Europe’, CRS/In Focus Series, IF 11177, 5th Version, <https://crsreports.congress.gov/product/pdf/IF/IF11177/5> (accessed 5th March 2022).

[6] ‘Turkey to expand LNG storage capacity with 3rd FSRU’, Hürriyet Daily News, 9th October 2020, <https://www.hurriyetaidailynews.com/turkey-to-expand-lng-storage-capacity-with-3rd-fsru-158966> (accessed 5th March 2022).

Data compiled and re-aggregated from the PETFORM report ‘Natural Gas Market in Turkey’, <https://www.petform.org.tr/en/dogal-gaz-piyasasi/turkiye-dogal-gaz-piyasasi/> (accessed 5th March 2022).

In this sense, although LNG imports and Azeri gas are increasing their market share within Turkey's purchase mix, the capacities offered at the moment by the two Russian pipelines (together reaching a maximum of approximately 48 bcm) are indisputable in serving Ankara's desires to play a larger role in the regional energy equation. Diversification serves as a possibility for BOTAŞ to play a better hand in negotiations with Gazprom, rather than ever considering neglecting its offer or really putting some distance between the two of them.[8]

At the same time, it remains eloquent to point out that the partial liberalization of the Turkish gas market - allowing a fixed number of (well-chosen) private companies - to directly purchase gas from international suppliers found itself mired (again) in the folds of Gazprom. With the exception of LNG importers, all the independent buyers which have been allowed to contract directly and bypass the government/ BOTAŞ interface are 'free' to deal with Gazprom only.

In the conditions of a projected annual demand of around 50-60 bcm for the next decade[9], the suppliers' list appears sufficiently diverse and contains a fair share of exchangeable pieces for reaching optimum bargaining power in renegotiating contracts. However, more is needed for playing an active and irreplaceable role in the European market, a go-to actor in the Balkans, Southern, and Central Europe.

As - until now - every step away from Gazprom's reach ended with an offer that Turkey could not refuse. Moscow always tread carefully to keep its partner interested and never to antagonize it financially to a point of no return, given that Turkey represents its premium market alongside the EU. Cultivating this asymmetric model of interdependence, it encouraged Ankara's ambitions for regional relevance in the energy sector. A status that could be gained - and maintained - only with the benevolent cooperation of Russia.

[8] Gulmira Rzayeva, 'The Renewal of Turkey's Long Term Contracts: Natural gas market transition or 'business as usual'?', The Oxford Institute for Energy Studies (September 2020), <https://www.oxfordenergy.org/publications/the-renewal-of-turkeys-long-term-contracts-natural-gas-market-transition-or-business-as-usual/> (accessed 5h March 2022).

[9] Gulmira Rzayeva, 'Turkey's gas demand decline: reasons and consequences', The Oxford Institute for Energy Studies (April 2017), <https://www.oxfordenergy.org/publications/turkeys-gas-demand-decline-reasons-consequences/> (accessed 5h March 2022).

Sakarya and Beyond. Struggling with the confines of this strategic dilemma, Turkey nonetheless managed to introduce a veritable 'wild card' on the geoeconomic playground. The discovery of significant gas reserves within the Sakarya perimeter in Turkey's Black Sea EEZ was announced by the Turkish national company TPAO in August 2020.[10] According to exploration reports so far, the reserves found a range between 320-400 bcm[11] and would ensure about a quarter of Turkey's gas consumption for 25 years, once production reaches optimal levels. The first batch of gas is expected to flow in early 2023 - marking the centenary of the Republic and a landmark achievement of the Erdogan regime - up to the processing terminal in the port of Filyos (Zonguldak province), through a special-purpose 155 km underwater pipeline.[12]

In no uncertain terms, the AKP government insisted upon a strong narrative of renewed 'independence', exactly 100 years after the birth of the Republic under Atatürk. Unlike freedoms won in battle, Sakarya would - in Ankara's rhetoric - serve to 'liberate' Turkey from outside actors and gain its (partial) energy autonomy. Nothing less than a 'divine gift', as president Erdogan argued in a theo-political manner that "My Lord has opened the door to unprecedented wealth for us".[13]

However, despite the inflated narrative for domestic consumption, the Sakarya discoveries (which seem to continue breaking new ground at the Amasra-1 perimeter, with additional found gas volumes) certainly do serve well in attaining more favourable conditions from existing energy partners. Mainly Russia. With additional spare volumes coming from the Sakarya field, Turkey is able to play a better hand with Gazprom, especially on the background of restricted exports towards Europe.

[10] TPAO, 'TPAO discovers a colossal gas field in Western Black Sea offshore, first ever gas discovery in Turkish ultra deep-water', 21 August 2020, Ankara, <https://www.tpa.gov.tr/file/2008/press-release-21-08-2020-tuna-1-3485f4255816ff9b.pdf> (accessed 6th March 2022).

[11] David O'Byrne, 'Piecing together the evidence on Turkey's Sakarya gas field plans', S&P Global: Commodity Insights, 9th March 2021, <https://www.spglobal.com/commodity-insights/en/market-insights/latest-news/natural-gas/030921-feature-piecing-together-the-evidence-on-turkeys-sakarya-gas-field-plans> (accessed 5th March 2022). Also see Hasan Selim Özertem, 'Turkey's New Gas Discovery in the Black Sea and Its Potential Implications', *Éditoriaux de l'Ifri*, Ifri, 1st October 2020, https://www.ifri.org/sites/default/files/atoms/files/ozertem_turkish_black_sea_gas_2020.pdf (accessed 6th March 2022).

[12] 'Turkey to invest \$111M for production, transmission of Black Sea gas', Daily Sabah, 19th February 2021, <https://www.dailysabah.com/business/energy/turkey-to-invest-111m-for-production-transmission-of-black-sea-gas> (accessed 5th March 2022).

[13] 'Turkey discovers large natural gas reserve off Black Sea', Deutsche Welle, 21st August 2020, <https://www.dw.com/en/turkey-discovers-large-natural-gas-reserve-off-black-sea/a-54649882> (accessed 5th March 2022).

What once looked like asymmetric interdependence, tilted in the favor of Russia, could now work both ways in the post-Sakarya era. Gazprom's diminishing market share in Europe (a trend that is becoming even more certain after the invasion of Ukraine) and the investment already placed in the two existing pipelines will certainly soften up its business approach towards Turkey (and its private importers), its last remaining 'neutral' partners.

Moreover, with the announced exit of Eni from the BlueStream joint-venture[14], BOTAŞ and Gazprom remain alone in all their shared projects. And this new status, with Gazprom as an undesirable partner for any European or North American company, leaves Russia with few options on the table. Turkey is one of them and it shall have to learn to deal from another position.

In addition, the proximity of the Sakarya field to the Romanian 'Neptun' and the Bulgarian 'Han Asparuh' presents some mutual opportunities for securing the perimeters. As the militarization of the Black Sea[15] became a reality after the annexation of Crimea and will be even more so in the context of Ukraine's invasion by Russia, the three NATO countries might well choose to jointly patrol and mutually assure the security of their exploitation facilities, with Turkey in a privileged position.

With Sakarya, profitable LNG imports, the Ukraine war, and the general dis-investment mood that targets Russian entities, Turkey no longer finds itself captive. From now on, it might well choose to play its own game - together or beside the NATO stance - in advancing its energy agenda at a regional level. It remains to be seen whether the financial struggles that Turkey now faces paralyze further action or, on the contrary, stimulate its geoeconomic endeavors.

[14] 'Italy's Eni to Exit Blue Stream Pipeline JV With Gazprom', Bloomberg, 2nd March 2022, <https://www.bloomberg.com/news/articles/2022-03-02/italy-s-eni-to-exit-blue-stream-pipeline-jv-with-gazprom> (accessed 5th March 2022).

[15] For more details, see Leonardo Dinu and George Scutaru, 'The Crimean Aircraft Carrier. Russian Federation Militarization of the Black Sea', FLANKS Working Paper, Norwegian Institute of International Affairs & New Strategy Center, 2020, p. 40 et seq., <https://www.newstrategycenter.ro/wp-content/uploads/2019/11/FLANKS-Working-Paper-The-Crimean-Aircraft-Carrier.-Russian-Federation-Militarization-of-the-Black-Sea.pdf> (accessed 18th March 2022).

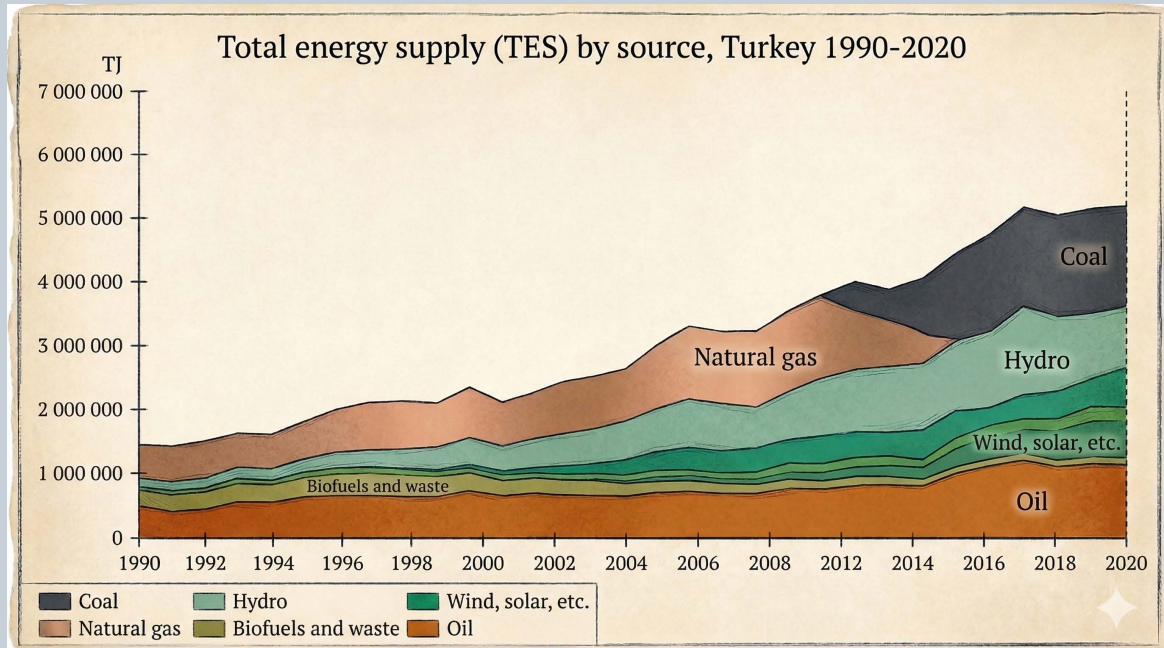


Figure 3 - Turkey's Total Energy Supply by Source, 1990-2020
[Source: NSC, data taken from IEA]

Going Nuclear: Akkuyu. When analyzing Turkey's energy mix, it might seem - at a first glance - decently balanced among its constituent elements. Nonetheless, over-reliance upon hydrocarbons is evident. And so is the absence of a crucial feature within the energy mix of other countries: nuclear energy.

Possessing nuclear technology and owning a nuclear power plant had long been a dream of Turkish leaders during the last 60 years, with a number of aborted attempts in the final part of the 20th century [16]. Nonetheless, the fruition of such an ambition only appeared on the horizon in May 2010, when presidents Medvedev and Erdogan signed a series of agreements totaling over 25 billion USD in value, which included the construction of a 20 billion USD nuclear plant in Akkuyu (Mersin province).

While the initial prospects rather populated the realm of wishful thinking, the two parties mobilized the envisioned resources and Rosatom started actual work under the agreement. The model chosen for the new power plant is a long-term BOO (Build-Own-Operate), meaning that the Russian company will - at least initially - be the owner of 100% of the shares in the project, with the possibility of offering no more than 49% of them to a Turkish partner in the medium-term future.[17]

[16] Cem Iskender Aydin, 'Nuclear energy debate in Turkey: Stakeholders, policy alternatives, and governance issues', *Energy Policy*, Volume 136, January 2020.

[17] International Energy Agency, *Turkey 2021: Energy Policy Review*, March 2021, p. 161, https://iea.blob.core.windows.net/assets/cc499a7b-b72a-466c-88de-d792a9daff44/Turkey_2021_Energy_Policy_Review.pdf (accessed 6th March 2022).

The plant is designed to possess 4 units with an installed capacity of 1200 MW each, thus rising to a total of 4800 MW, which should - desirably - supply between 6-10% of Turkey's electricity. The nuclear materials will be acquired only from Russian suppliers and the spent fuel will be reprocessed back in Moscow's territory.

The actual construction process began in 2018 and it should be (partially) finalized by 2023, for the centennial of the Republic. Paradoxically, another landmark of energy autonomy passes through cooperation with Russian companies, being mired in a half-a-century agreement with Rosatom and its designated 'guarantor': the Kremlin.

Trade, Investment and Tourism: Cash & People Across the Borders

Formalizing shuttle trade: Beyond BSEC. What began with a suitcase, ended in the winding corridors of Russian-Turkish governmental bureaucracies (and their affiliated private companies). Shortly after the end of the Cold War, people-to-people trade appeared to boom across the borders. Turkish entrepreneurs reached Russian markets through Georgia, informally - but organically - increasing the levels of bilateral trade between the two polities.

'Suitcase trade', as it was sometimes dismissively labeled, this form of commerce soon became accompanied by more structured manners of conducting business across Russia (and its former USSR hinterland in the Caucasus and Central Asia). At its peak, in 1995, informal trade reached figures of almost 10 billion USD and continued relatively stable after 2000, in the range of 4-5 billion USD per year. [18]

Seeking more consistency and predictability in economic relations, president Turgut Özal put his country's weight behind the formation of BSEC in the early '90s, an organization intended to foster cooperation around the (extended) Black Sea area. Of course, even from that point in time, Russia was the main focus. Attracting a high-level partner into a multilateral setting would have led to a more manageable bilateral relationship. Or so the narrative went.

[18] Soli Özel and Gökçe Uçar, 'The Economics of Turkey-Russia Relations', EDAM - Centre for Economics and Foreign Policy Studies, Foreign Policy & Security 2019/10, pp. 7-9, https://edam.org.tr/wp-content/uploads/2019/07/The-Economics-of-Turkey-Russia-Relations_compressed.pdf (accessed 6th March 2022).

In reality, BSEC did reach formalization as an international organization but never attained the role of an economic ‘catalyst’ around the Black Sea and among its riparian states. And neither did smooth the financial flows between Russia and Turkey. No matter how many third countries had been brought into the arena and transformed into reluctant co-participants, the bilateral trade and investment relationship of the two regional actors remained largely unbalanced.

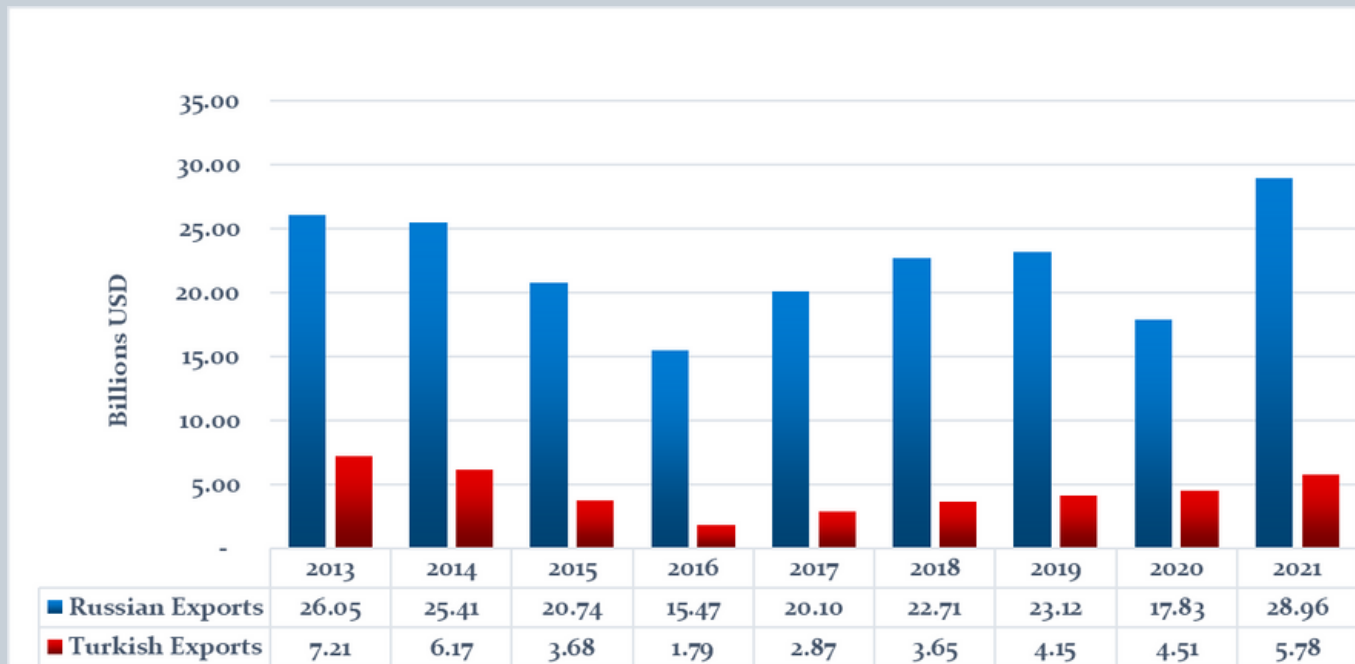


Figure 4 - Asymmetric Bilateral Trade
Russian Exports to Turkey vs. Turkish Exports to Russia
[Source: TUIK] [19]

Trading in Asymmetry. During the last decade, the value of Russian exports towards Turkey were at least 5-6 times higher than the corresponding flow of Turkish goods dispatched to Russia. However, such figures look impressive only in the abstract, when seen in isolation from the two countries’ entire trade activity. Thus, for instance, in 2020, Turkey was Russia’s 6th partner, representing a mere 3.7% from its total trade with the world. On the other hand, Russia was Turkey’s 3rd commercial partner, with 5.7% from its total trade with the world. As a matter of scale, both deal around 35% of their total trade with the European Union.[20]

[19] Data compiled and aggregated from the Turkish Statistical Institute, releases about Foreign Trade Statistics. For consistency reasons, data have been verified with UN Comtrade statistics, without significant deviations.

[20] Data compiled from the European Commission (DG Trade) by accessing the detailed individual country factsheets, which themselves are based on data extracted from the IMF.

More relevant, in this sense, is the product structure that each country supplies the other. While Ankara maintains a fairly balanced - but very fungible - mix of agricultural products, textiles, light machinery and chemicals, more than 70% of Moscow's exports concentrate upon natural resources (hydrocarbons, metals and associated products).

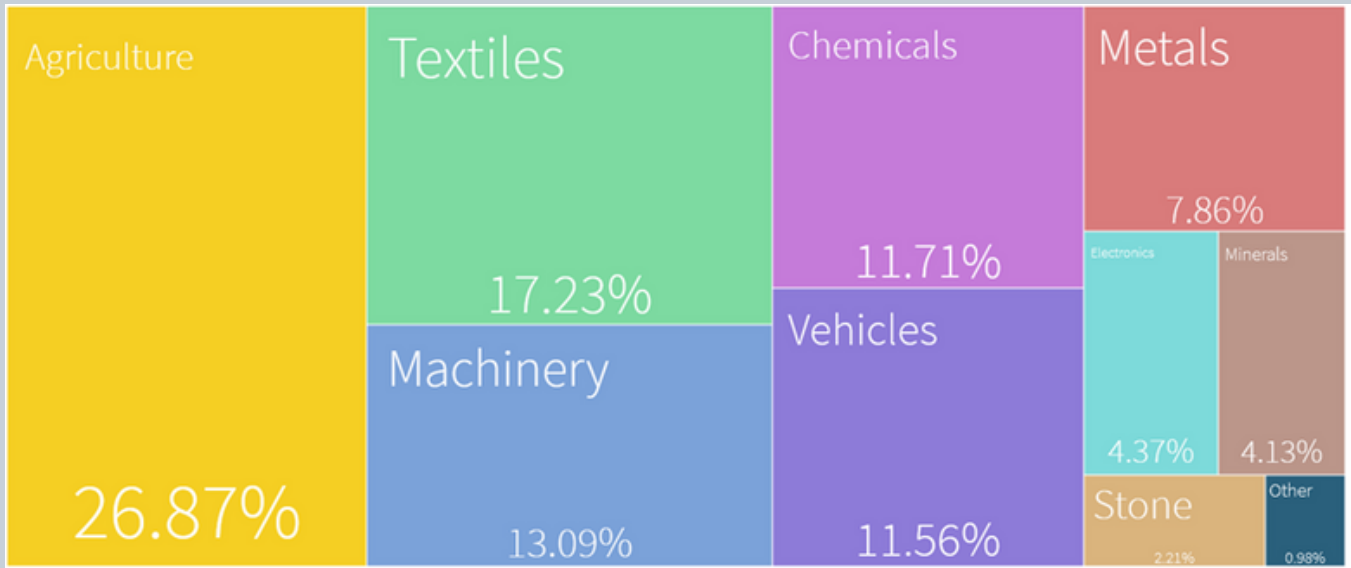


Figure 5 - Structure of Turkish Exports to Russia
[Source: Atlas of Economic Complexity][21]

As a matter of economic interdependence, this image augments the intrinsic asymmetry, bearing in mind that the goods provided by Russia are more difficult to replace and choose a different supplier, in conditions of equal prices. Thus, even if Turkey could renounce a fair share of Russian hydrocarbons for political 'independence' reasons, such a move might prove to bear significant economic costs.

In this sense, only conditions that combine high market prices in the gas sector and steadily available volumes allow more profitable LNG imports and, thus, grant Turkey more room for maneuver in its relation with Russia. On the other hand, the type of products offered by Ankara's companies, diverse as they might be, can be swapped for other sources globally, in normal market conditions.

[21] Visualization generated using the resources offered by The Growth Lab at Harvard University, The Atlas of Economic Complexity, <http://www.atlas.cid.harvard.edu> (accessed 7th March 2022).

Nonetheless, in the event of large-scale sanctions against the Russian economy (such as are already being imposed due to the invasion of Ukraine), the existing interdependence begins to work both ways. More precisely, additional markets for hydrocarbons are difficult to find in the short- and medium-term given the investment required by infrastructure and geographical constraints, Turkey attaining the status of a prized - and irreplaceable - export destination. Moreover, Ankara's own products - usually fungible on the global market - might become some of the few which still arrive on Russian shelves in the aftermath of strong sanctions.

FDI and Tourists: Not Exactly a Match. At the same time, when analyzing the direct investment positions of the two entities in each other's territory, the structural disequilibrium is present once again. As of mid-2021, Russia had invested almost 4 times more in Turkey than the other way round [22]. 6.4 billion USD appears to have been placed by Moscow in ports, power plants, oil-and-gas distribution, or heavy industry in Turkey, following one of its regular patterns abroad which focuses on strategic sectors of the partner's economy.

On the other hand, Ankara-affiliated companies seem to have invested almost 1.8 billion USD in Russia, mainly in real estate (37% of the entire value), financial institutions, processing light industry, hotels and constructions. The numbers are unimpressive for both actors, in their overall outward and inward stance, appearing - at a first glance - that FDI is not an actual driver in their bilateral dynamics.

However, official data regarding FDI might prove elusive when refined by partner country, given that both Russian and Turkish investors make intense use of proxies from EU and non-EU countries, deforming the statistics and making it more difficult to trace the itinerary of cash heading out (or in) to a particular point in space.

Nonetheless, even if the exact figure is not especially accurate, the (dis)proportion between the two actors' positions is eloquent. And so is the manner in which investments concentrate: in strategic, high-level sectors for Moscow's outward FDI stance, while Turkish companies are 'keeping it light', on a market basis.

[22] Data extracted from the the The Central Bank of the Russian Federation, Positions by Partner Country and Industry, data as of 01.07.2021, https://cbr.ru/eng/statistics/macro_itm/svs/#a_71687 (accessed 7th March 2022).

Thus, the Russian footprint within Ankara's economy seems designed to tighten up the grip and maintain the structural disequilibrium, but it is - on the grand whole - unable to compete with EU-based investors. It is neither a real competitor, nor an alternative for the volumes of cash that are injected into the Turkish market from the West, but merely a player among other (minor) ones, intent on gaining a consolidated position in certain sectors.

Moreover, in an undisputed field - tourism - Russia surpasses all the European countries taken separately. Without stringent visa requirements - such as the EU countries - Turkey appears as one of the few Mediterranean destinations easily available for Russian summertime visitors, contributing to one of the country's significant sources of income.

Nonetheless, the tourism-based relation is largely dependent upon the political 'temperature' of the moment and the complexities of the interpersonal dynamics of the two leaders. For instance, in 2016 - the next summer after the downing of the SU-24 - the number of arriving Russian visitors dropped to an all-time low, only to rise spectacularly in the next three years, after the mending of ties between Ankara and Moscow.

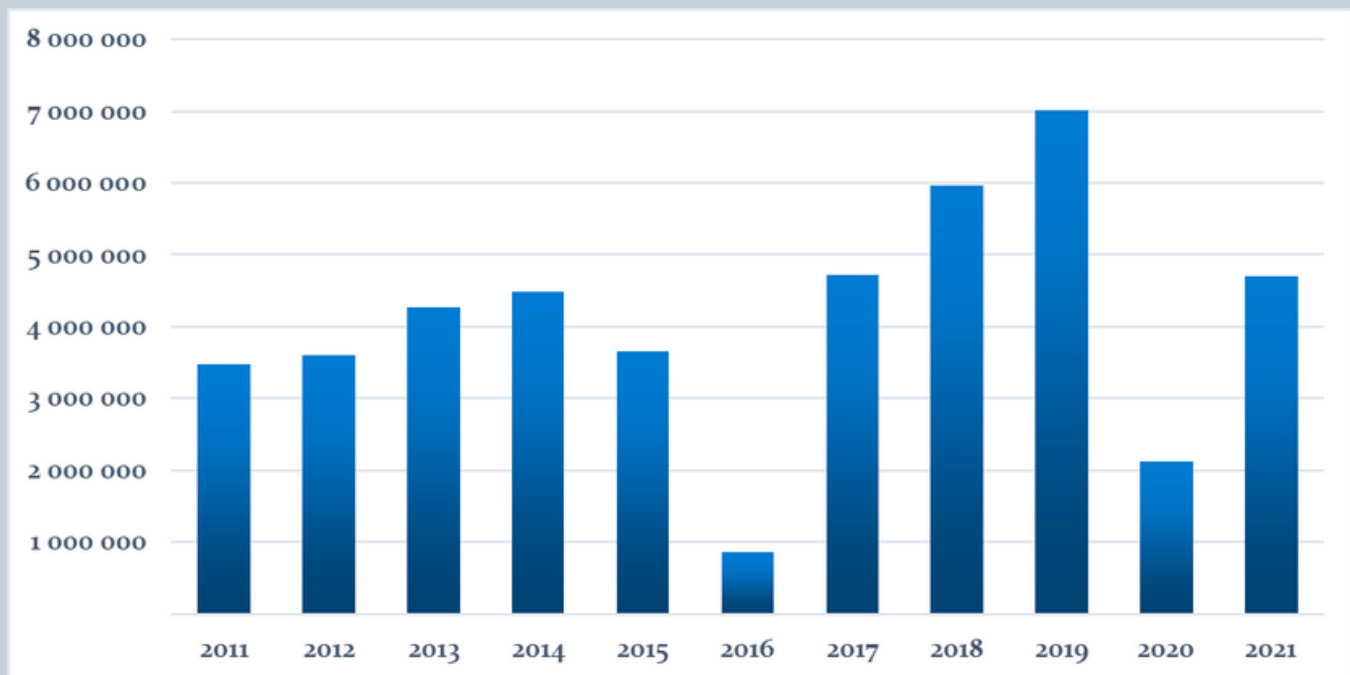


Figure 6 - Number of Russian Tourists visiting Turkey
[Source: TUIK]

Unlike Western countries, whose rationale for tourism is entirely commercial, the flow of visitors from Russia can be incentivized by the Kremlin and turned into either a 'stick' or a 'carrot' for Ankara's behavior in bi- or multilateral settings. What remains to be seen is how the 2022 tourist season in Turkey will adjust to the sanctions imposed on Russia for the invasion of Ukraine, given that - at the present moment - no direct flights to Europe are possible. Thus, Turkey appears as a proper destination, however difficult it might prove to travel abroad with no access to international cards, transfers and with high taxes for exchanging rubles to foreign currency.

III. Mutual Assured Disengagement: From Benghazi to Stepanakert (via Kyiv)

Two Visions of Eurasia: A Quest for Embedding Power Across the Map

Unlike many regional actors that operate at the crossroads of Eurasia, Turkey rarely limited its stance to a pragmatic, issue-by-issue approach in international relations. Quite the opposite, in the last decades, Ankara had been keen to build conceptual frameworks for its actions, to develop doctrinal roadmaps and novel patterns of thinking in strategic terms.

Going beyond the Kemalist (defensive) axiom of 'peace at home, peace abroad', Turkish foreign policy was subject to a structural metamorphosis under the aegis of Turgut Özal in the '80s. Imbued by pan-Turkic ideological underpinnings, this novel outward stance assumed an active role for Turkey in the Caucasus and Central Asia, once the USSR collapsed and 'brotherly' Turkic peoples gained their independence in the early 1990s.[23]

Using the EximBank and TIKA as soft power instruments for winning hearts and minds, Ankara provided Kazakhstan, Kyrgyzstan, Uzbekistan and Turkmenistan with 1 billion USD each as an overture for future collaboration. Azerbaijan received more vigorous support in its clash with Armenia for Nagorno-Karabakh, while the Middle East also became an area considered adequate for Turkey's renewed activism.

[23]See Turkish Ministry of Foreign Affairs, Turkey's Relations with Central Asia, http://www.mfa.gov.tr/turkey_s-relations-with-central-asian-republics.en.mfa (accessed 9th March 2022).

'Özalism' - as this new type of foreign policy thinking was later branded - portrayed its approach as 'democrat, Western, Muslim and Turkish'[24], integrated into a more classical narrative of Turkey as a 'bridging' regional power between Europe and Asia, in possession of a uniquely suited position to balance between the two worlds. In this context, a special accent was placed upon the country's role as a constitutive part of the Euroatlantic community.[25]

However, the Turkish presence in Central Asia and the Caucasus managed to determine only modest results during that decade, with an unspectacular economic and political footprint in Russia's vicinity. Symbolic ties based on a shared cultural legacy proved to be mostly wishful thinking in pragmatic terms, with no post-Soviet leader eager to renounce strategic prudence and dismiss Moscow's lingering aspirations in the area.

Seemingly with very few lessons learned from that period, AKP's rise to power determined yet another shift in Turkey's regional approach. (Partially) based on Ahmet Davutoglu's new paradigm of Turkish geopolitics, the foreign policy doctrine of the AKP regime marked a different path forward.

Starting from a number of axiomatic (but ambiguous) tenets - such as 'strategic depth', 'zero problems with neighbors' or 'multiaxial diplomacy' - it envisioned a departure from Ankara's self-professed view as a loyal interlocked part of the Western world. For Davutoglu - and the AKP - Turkey was rather destined to be a 'stand-alone power', acting in an autonomous manner and building a distinct geopolitical infrastructure around itself. [26]

[24] For more details, see Sedat Laçiner, *From Kemalism to Özalism: the Ideological Evolution of Turkish Foreign Policy*, PhD thesis, King's College University of London, 2001, pp. 297 et seq.

[25] Also see Özgür Tüfekçi, 'Turkish Eurasianism: Roots and Discourses', in Özgür Tüfekçi, Hüsrev Tabak and Erman Akıllı (eds.), *Eurasian Politics and Society: Issues and Challenges*, Cambridge Scholars Publishing, Newcastle upon Tyne, 2017, pp. 5-7.

[26] Soner Cagaptay, *Erdogan's Empire: Turkey and the Politics of the Middle East*, I.B. Tauris, London, 2020, pp. 19 et seq.

Thus, Turkey came to be envisioned as the core of a new regional order, radiating influence - political, economic, and cultural - in the nearby areas of assumed 'natural' predisposition: the Balkans, the Caucasus, and Central Asia, the Middle East.[27] And beyond, on a global scale, once the process of consolidating Ankara's position in its traditional 'basins' ('havza') had been finalized.[28]

Neo-Ottomanism - as professed by Davutoglu and Erdogan - proved to be fascinating in doctrinal terms[29], but rather chaotic when transposed into the policy. While (theoretically) non-conflictual and insisting upon 'stability' as a structural precondition, it managed to set Turkey in opposition with almost everybody around and afar, be them smaller regional powers or global-scale actors.

And none of these newly-found points of friction proved to be more complex - and so deeply imbued in strategic paradox - as those generated in theaters where Russia also gambled on high stakes. Thus, while the '90s offered a politically reluctant and financially constrained Kremlin, barely acting to manage the dissolution of the USSR and to preserve former Soviet republics in its orbit, the post-2000 period witnessed the advent of a different type of outward stance.

While not ideologically driven, despite claims of a certain Eurasianist mindset within the Kremlin, Russia's new foreign policy in the Putin era envisaged a proactive approach, rather than merely reacting to history happening in its neighborhood (and beyond). Making use of (illegitimate) force and often mimicking the rhetoric of 'sovereignty' while dismantling that of other states, Moscow militarily got involved in Georgia, Syria, Ukraine or Libya, along with a minor, under-the-radar, mercenary-based presence in Africa.

[27] As Ahmet Davutoglu himself emphasized, "[t]aking a broader, global view, Turkey holds an optimal place in the sense that it is both an Asian and European country and is also close to Africa through the Eastern Mediterranean. A central country with such an optimal geographic location can not define itself in a defensive manner. It should be seen neither as a bridge country which only connects two points, nor a frontier country, nor indeed as an ordinary country, which sits at the edge of the Muslim world or the West." - 'Turkey's Foreign Policy Vision: An Assessment of 2007', Insight Turkey, SETA, Vol. 10, No. 1 (Winter 2008), p. 78, <https://file.setav.org/Files/Pdf/ahmet-davutoglu-turkeys-foreign-policy-vision-an-assessment-of-2007.pdf> (accessed 10th March 2022).

[28] Soner Cagaptay, op. cit., p. 45.

[29] For a more comprehensive account of the theoretical underpinnings of Davutoglu's neo-Ottomanist thinking, see Alexander Murinson, 'The Strategic Depth Doctrine of Turkish Foreign Policy', Middle Eastern Studies, Vol. 42, No. 6 (November 2006), pp. 945-964.

Where direct action could not be taken, such as in the Balkans, Russia deployed a combination of focused economic measures in strategic sectors and targeted increases in political influence over key states or their (favorable) constituent parts. It was Moscow's own vision - and recipe - for embedding power across the map, one that made use of both 'hard' and 'soft' measures, designed to preserve its footholds in strategic points and gain a (limited) number of new partners at the detriment of other key actors such as the European Union, the United States or Turkey.

A Fractured Chessboard: Lessons from the Unnatural 'Condominium'

The Collision Course. Within such a logic of exercising power, the grand strategic designs of Turkey and Russia seemed irredeemably set on a collision course. And, up to a certain point, the tension between them did witness a steep increase, with events often threatening to spiral out of control. However, at the same time, the bilateral constraints underpinning their economic interdependence - no matter how asymmetrically it may have tilted at one moment or another - prevented them to escalate the confrontation beyond a political point of no return.

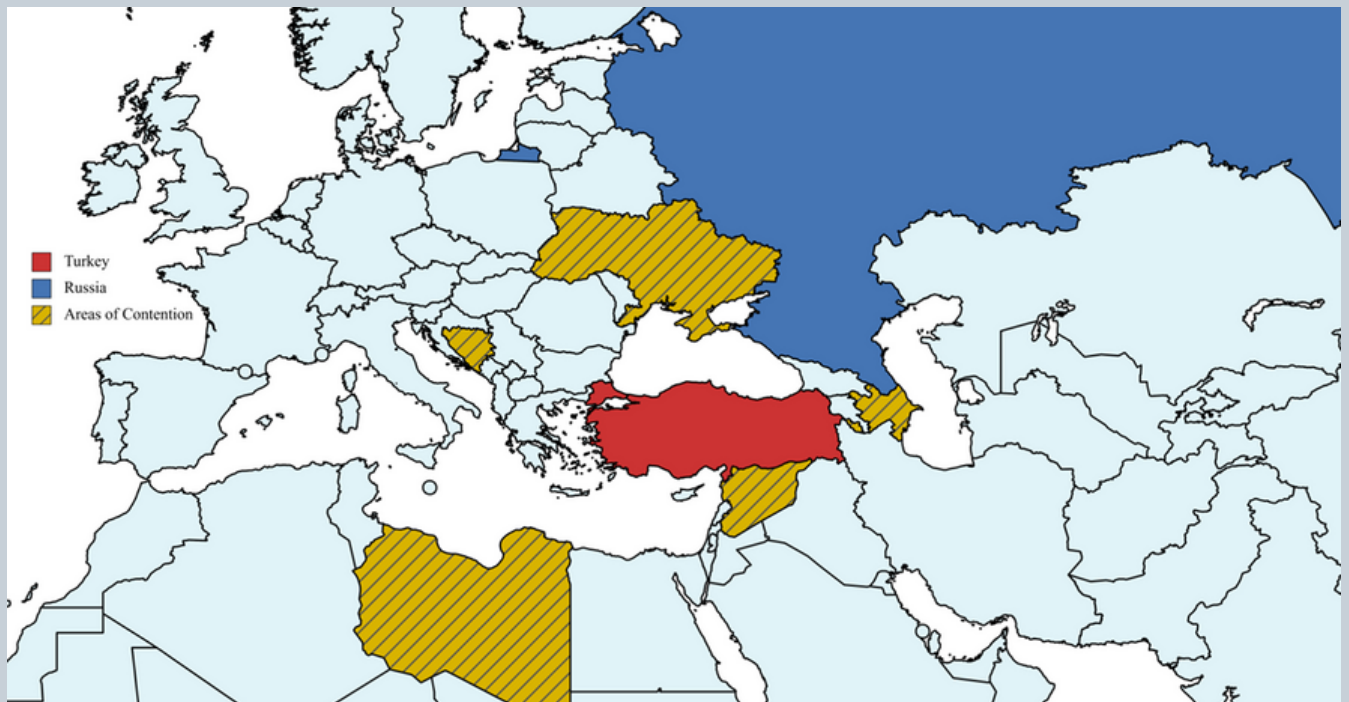


Figure 7 - Areas of Contention

They did share the same map, focusing on similar pivots for gaining influence, from Central Asia and South Caucasus to the Black Sea and the Balkans and all the way to the Middle East and far away Africa. Nonetheless, they were not alone and found themselves confronted with a much more complex situation than merely competing with each other.

New contenders arrived on the scene after 2000, with the EU, China, and the United States gradually gaining more influence in some areas than Moscow and Ankara combined, leaving them both to wonder what actual role they could play in a game whose rules are mainly (geo)economic, with their resources being no match for such actors.

Another layer of complexity was added by adversarial positions in theaters where tensions included a military component. Thus, Turkey and Russia appeared on opposite sides in almost all conflicts - from Syria, and Libya to Nagorno-Karabakh and Ukraine - straining relations to all-time lows in certain moments.

Episodes of increased direct violence among the two actors, such as the downing of the Russian SU-24 in 2015 or the bombing of a Turkish unit in 2020, within the confines of the Syrian conflict, kept the entire world guessing whether their bilateral ties could be damaged beyond repair and lead to large-scale confrontation.

Condominium' in Theory and Practice. Nonetheless, no matter how implausible it might have appeared from afar, Turkey and Russia developed a unique manner of co-habitation in some of the most volatile zones across the regional chessboard. A veritable “condominium approach, aiming to minimize the influence of Western states and institutions” [30] and to maintain a delicate balance between local opposing forces.

And the rationale for such an approach lay not only in their existing bilateral economic ties, but also in the mutually shared impression of long being sidelined by the West.[31] While not sufficient to really draw them together, this perception created a common denominator and adequate conditions for tacit realignment.

[30] Jeffrey Mankoff, ‘Regional Competition and the Future of Russia-Turkey Relations: A World Safe for Empire?’, CSIS: Center for Strategic and International Studies (January 2022), p. 4, <https://www.csis.org/analysis/regional-competition-and-future-russia-turkey-relations> (accessed 11th March 2022).

[31] See Galip Dalay, ‘Turkish-Russian Relations in Light of Recent Conflicts: Syria, Libya, and Nagorno-Karabakh’, SWP Berlin, SWP Research Paper 5 (August 2021), p. 27, <https://www.swp-berlin.org/en/publication/turkish-russian-relations-in-light-of-recent-conflicts> (accessed 12th March 2022).

Although far from an institutionalized nature or from a structured methodology of practical cooperation, this 'condominium' is designed to generate a set of shared primary objectives:

- 'keeping it regional', i.e. forming a geopolitical zone-of-exclusion for other global players who might be tempted to intervene;
- 'keeping it among (lesser) friends', i.e. closely controlling the number and nature of other regional players involved (such as Iran, Egypt or the Gulf countries);
- 'keeping it militarily lukewarm', i.e. maintaining forces in the active theaters (be them regular, mercenary or 'instructors'), involved in repetitive clashes, but not beyond a certain escalation marker;
- 'keeping the (economic) doors closed', i.e. enforcing a new type of economic allegiance for the country in question, with increased - and quasi-exclusive - commercial ties to the powers involved.

In reality, however, some of these strategic objectives never managed to gain traction on the ground. While limited success had been obtained in limiting the number of parties involved, global players such as the United States or European powers such as the United Kingdom and France could not be kept apart from either Syria or Libya, although their deployment (or aid) was circumstantial and episodic. In Nagorno-Karabakh, the two actors managed indeed to maintain the equilibrium just among themselves, while in Ukraine, the story developed globally, with Turkey (again) as a representative of the Western bloc and not an autonomous power pitted against Russia.

In economic terms, the objective never was realistic. Moscow and Ankara could not manage to balance their trading positions within the areas of contention, rather maintaining preexisting trends despite re-positioning in terms of political allegiances. Thus, in all the theaters, Turkey appears to have the upper hand[32], with a much larger share in total trade, while Russia is lagging everywhere.

[32] With the exception of Ukraine, but based on 2020 data, before the Russian invasion. At the present moment, the economic ties between them have been almost completely severed, being safe to assume that the Turkish trading position is incomparably larger. Bosnia-Herzegovina and the Western Balkans shall be treated separately, in the next section.

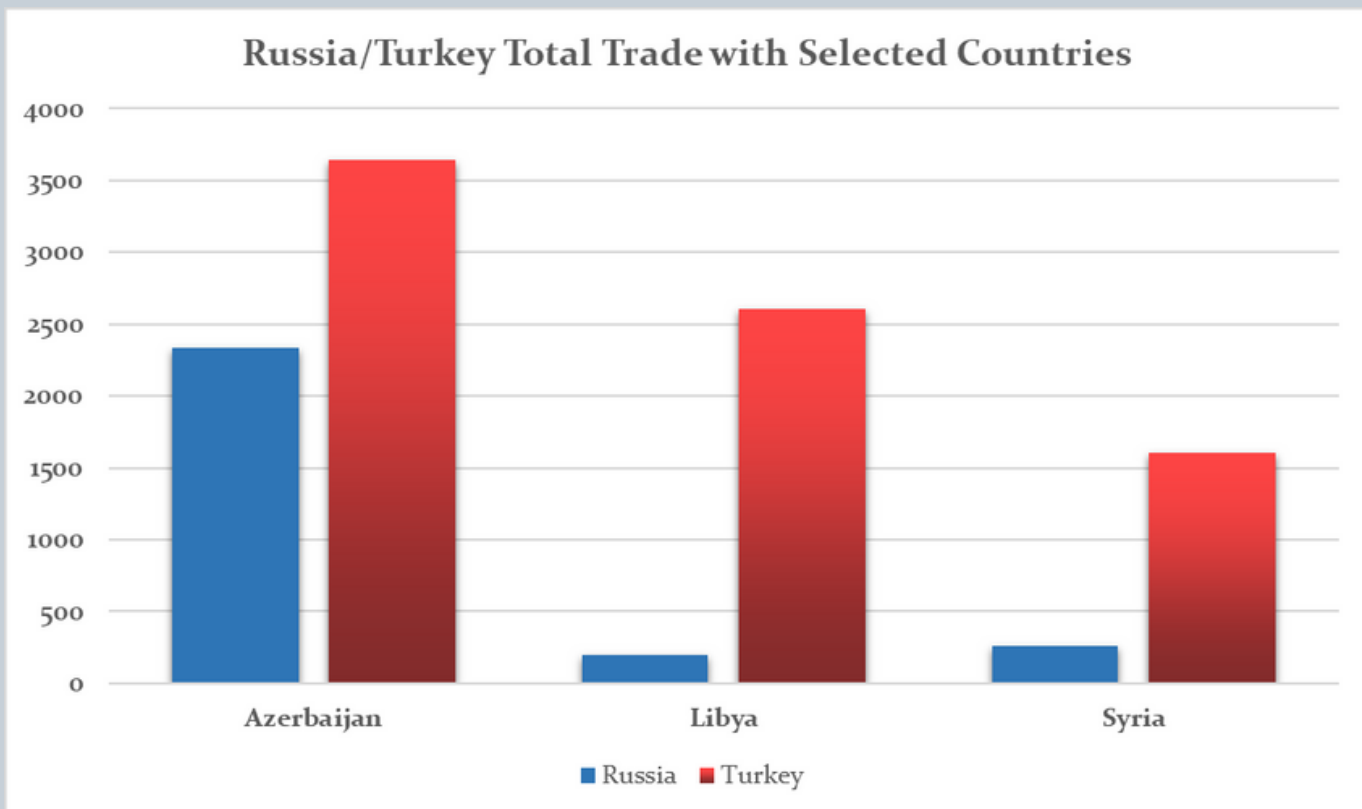


Figure 8 - Russia/Turkey Total Trade with Selected Countries
(Value, Million EUR, 2020)
[DG Trade/IMF/TUIK Data] [33]

Nonetheless, the image of such countries' trading positions is truncated when merely reflecting the ties with Russia and Turkey. In economic terms, they are not the largest partners of any country from the given set. They might compete among themselves for preeminence, but that remains a 'sideshow' in the overall mercantile picture, where the European Union is the undisputed economic hegemon across the entire map, with China gradually stepping up.

[33] Data compiled from DG Trade individual country factsheets (based on IMF datasets). Nonetheless, for Syria's trading position with Turkey, no record was given - despite previous considerable ties. Thus, the Turkish Statistics Institute data was used and converted into the used format, for consistency reasons. Similarly, for Libya's trading position with Russia, there appeared to be no present data, context in which an approximation based on past economic ties was used.

Mutual Assured Disengagement. When analyzing the 'chessboard' left in place by Russia and Turkey on all the envisioned levels of cooperation (and friction), a few important elements stand out. Some unexpected, some undesired and some unpalatable.

In this sense, what appeared feasible on the strategic drawing board, largely failed in practice. The involvement of Turkey in conflicts after the Arab Spring, rather than pursuing its planned itinerary of peaceful - and gradual - gain of influence, produced reticence and discontent among many local actors, thus cutting short Ankara's perspectives for winning hearts and minds.

And it did not find itself alone on that particular map. When crossing Russia's path, Turkey needed to take fast, deep-reaching, and crucial decisions about the future of its footholds in such hot points and about the status of their bilateral relationship. In considering such implications, it reached a stalemate with Moscow in almost all active theaters.

While not using a formalized procedure for calming down tensions, the two countries have developed tactical methodologies - driven on an issue-by-issue basis - for avoiding large-scale clashes. Once frictions reach a certain intensity, high-level political dialogue is used to block further offensive action on any side.

Thus, the simultaneous engagement of Moscow and Ankara on a certain front inadvertently leads to the ossification of inner borders, to a malign stabilization of partition. Given the two powers' reluctance to challenge each other and their mechanisms for rapid deescalation, the tendency of such conflicts is to become frozen around tactical ceasefire lines, splitting polities until both Turkey and Russia choose to partially disengage. If they ever do.

IV. The Balkan Sideshow: A Different Type of Competition

Struggling for Relevance: A Self-Implied Division of Labour

Unlike the Middle Eastern, Caucasian, and North African areas of contention, the Balkans present an entirely different set of characteristics in terms of the Turkish and Russian struggle for geopolitical relevance. In this particular area, they are not 'systemic actors', capable to exercise a decisive influence in the overall structures of the states involved, but rather focused players - or episodic 'spoilers' - against the backdrop of Western dominance and Chinese-driven economic upheaval.

In a historical context, both Moscow and Ankara perceive the Balkans as part of their traditional spheres of influence, a shared battleground in the gaps between competing empires. However, after the end of the Cold War and the dissolution of Yugoslavia, the Balkans did not return - as expected - to the geopolitical limbo of Russia-Turkish contention.

Quite the opposite way, despite intense overtures from the two former hegemonies, none of the WB6 polities - i.e. Serbia, Montenegro, North Macedonia, Bosnia-Herzegovina, Albania, and Kosovo - aligned its economy or political options with either Turkey or Russia. For all the six entities, the primary objective remains to join the European Union and - more increasingly common - improve mercantile ties with China.

Nonetheless, what Moscow and Ankara also had to offer, was sufficiently attractive to keep them involved as active players (and not merely observers), relevant in the larger strategic blueprint of the region, but not directly decisive or capable to upend the equilibrium. Therefore, both actors rather concentrated their efforts upon smaller areas and sub-divisions of the entities in question, acting in a targeted mercantile manner and focusing on preexisting cultural-religious ties.

In this sense, a *de facto* partition of interests appeared on the map, with Russia cultivating its image as a friendly benefactor and protector of the Orthodox Slavs, while Turkey played its card as a post-Ottoman patron of Muslim entities throughout the Balkans. At the level of symbolic gestures, it seemed like the 19th century played out again, this time not in an adversarial manner among the two actors, but rather by functionally dividing their areas of concern.



Figure 9 - Areas of Concern in the WB6

Thus, Serbia proper, Montenegro, North Macedonia and the BiH-division of Republika Srpska constitute part of Russia's focused geoeconomic game, while Albania, Kosovo, most of Bosnia-Herzegovina and the Sandzak region of Serbia represent highlights for Turkey's desired influence. Their instruments are distinct and so are their manner of increasing the stakes of cooperation.

In essence, Russia deploys a very tight set of investments in strategic sectors of the targeted communities: energy, mass-media, real estate and heavy industry, doubled by sales of military hardware and promises of such support.[34] Companies that realize such inroads within the economies of WB6 countries are mostly state-owned (at least partially) and seek to enhance the Russian presence in economic domains that are crucial for the concerned state.

At a more granular level, bilateral trade is mostly concentrated in areas such as gas and oil, with Russia being the most important supplier of fossil fuels in the WB6 area. Besides these particular commodities, the import/export relation is rather modest, without significant economic opportunities in any direction.

[34] For more details, see Paul Stronski and Annie Himes, 'Russia's Game in the Balkans', Carnegie Endowment for International Peace, 2019, pp. 5 et seq., https://carnegieendowment.org/files/Stronski_Himes_Balkans_formatted.pdf (accessed 12th March 2022).

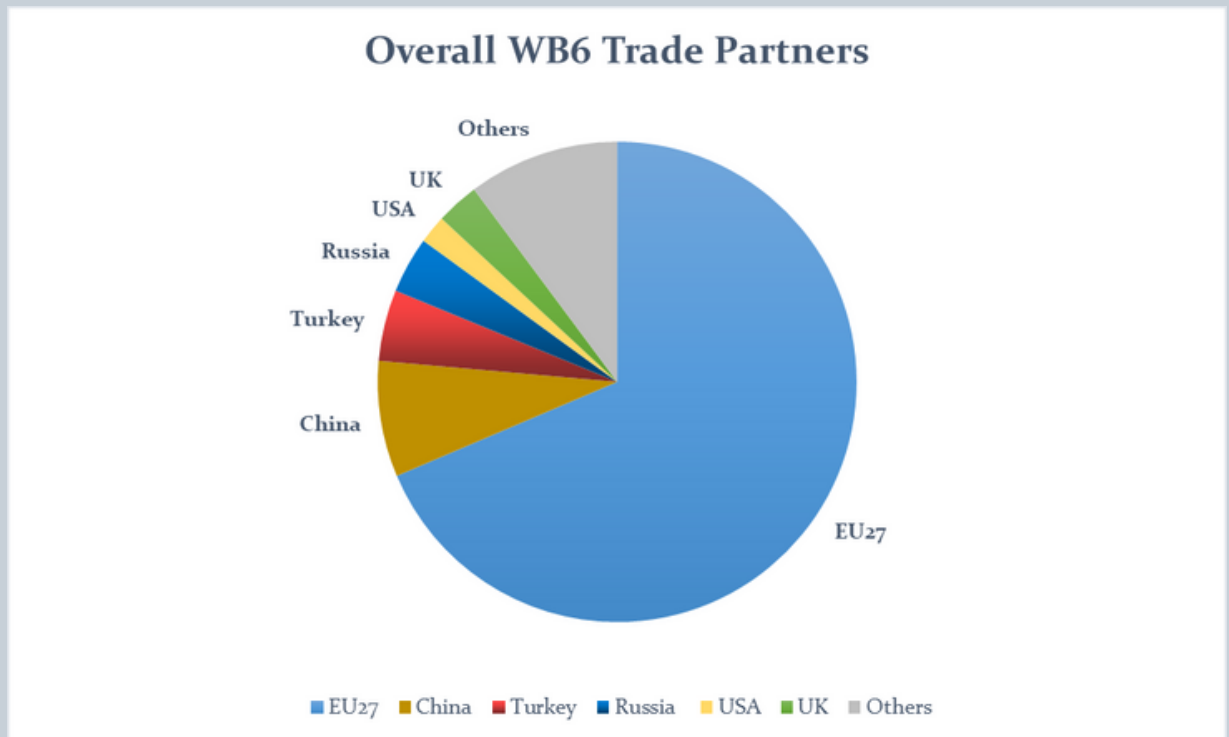


Figure 10 - Share of Total Trade of WB6 Countries with Various Partners (2020)
[Source: DG Trade/IMF]

At the same time, Turkey’s FDI in the region proved to be more diversified, although of a lower value than that of Russia, stretching to domains such as telecommunications, transport (and transport infrastructure), constructions, banking and various food processing plants. Turkish construction companies are active throughout the entire area, even in polities that do not form its implicit zone of interest.

On the other hand, the trade patterns between WB6 countries and Turkey are more intense - both ways - and occupy a larger share than those with Russia. From food products, vehicles (and spare parts) to industrial hardware and home appliances, everything is sold by Turkey, very often at a much more affordable price than its Western counterparts.[35]

[35] Hüseyin H. Nuroğlu and Elif Nuroğlu, ‘Turkey and Germany in the Balkans: Competing with Each Other?’, SETA, Insight Turkey, Spring 2019, Volume 21, Number 2, <https://www.insightturkey.com/articles/turkey-and-germany-in-the-balkans-competing-with-each-other> (accessed 13th March 2022).

In addition, soft power in cultural and religious matters fared better for Ankara. The Directorate of Religious Affairs - Diyanet - is deeply engaged throughout the Balkans, offering support for a comprehensive network of mosques, imams and charitable institutions.[36] In parallel, Yunus Emre institutes and private educational foundations, with a helping hand granted by TIKA[37], really managed to create the image of a benefactor, with more success than Russia's soft power attempts.

Nonetheless, in the larger mercantile image of the WB6, both Turkey and Russia appear as minor economic partners when compared to the overwhelming share of the European Union or the increasing influence of China. Both of them combined do not even add up to 10% of the WB6 total trade volumes, rather showing a disproportionate symbolical relevance in the complex Balkan dynamics.

In this sense, the build-up of Russian and Turkish political capital within the region reflects a well-crafted strategy for playing above their financial weight. And their capacity to maintain such a volatile position - resting on economic feet of clay - largely depends on the willingness of the major players to admit being challenged without resorting to an either/or exclusionary logic in regard to their WB6 partners. Navigating the deep Balkan waters is manageable for Russia and Turkey in times of peace, when such geopolitical waves are still. As clouds are gathering on the (Ukrainian) horizon, the story might turn out rather differently.

[36]Dimitar Bechev, 'Making Inroads: Competing Powers in the Balkans', in Giorgio Fruscione (ed.), *The Balkans: Old, New Instabilities - A European Region Looking for its Place in the World*, ISPI, May 2020, p. 60, https://www.ispionline.it/sites/default/files/pubblicazioni/ispireport_balcani_2020_0.pdf (accessed 13th March 2022).

[37] For more details, see Ekrem Eddy Guzeldere, 'Turkey's soft power in the Balkans reaching its limits', ELIAMEP, Policy Paper No. 72 (2021), <https://www.eliamep.gr/wp-content/uploads/2021/07/Policy-paper-75-Guzeldere-.pdf> (accessed 13th March 2022).

The Curious Case of Bosnia-Herzegovina: Perils of Centrifugal Politics

Emboldening Factionalism after Dayton. A privileged space for competition, compounded by the persistent complexity of the power division along internal (ethnic) boundaries is represented by Bosnia-Herzegovina. While the Dayton Agreement managed to put an end to a tragic conflict, it was ill-suited in the long term to solve the intrinsic dynamics of the polity. Freezing the tensions along ethnic-religious lines and creating a - sometimes - unintelligible mode of distributing authority, the Accords perpetuated a situation prone to be exploited by interested external actors.

In such a context, both Russia and Turkey played their (weaker) economic hands in very efficient manners, at a symbolic level, getting involved in the internal political struggles and placing their respective weight behind one candidate (and constituent sub-division) of choice. In the long run, none of them contributed to a process of defusing tension, but rather offered patronage to factions which increased centrifugal forces within the country.

Thus, while Russia championed supporting the leadership of the Serb-dominated Republika Srpska, Turkey favored the Muslim majority Federation of Bosnia-Herzegovina. In this sense, Moscow was fairly constant in offering steady assistance to whoever occupied the seat of power in Banja Luka, especially to Milorad Dodik who showed no reluctance in parading even the most pro-Russian attitudes, at times when even neighboring Serbia showed more prudence.

On the other hand, Turkey gambled and shifted its support in the last decades, from the Izetbegović family to Haris Silajdžić[38] and then back to Bakir Izetbegović, the son of Alija Izetbegović and heir of the SDA party. After this tactical hiccup, Erdogan reverted to the classical venue for diffusing influence throughout Bosnia and cultivated SDA up to the point in which Bakir Izetbegović claimed that his father's deathbed message was that Turkey's leader would 'safeguard' the country. [39]

[38]Dimitar Bechev, 'Turkey in the Balkans: Taking a Broader View', SETA, Insight Turkey, Vol. 14, No. 1 (2012), p. 140.

[39]See 'Izetbegovic says his father "bequeathed" Bosnia to Erdogan', b92, 20th October 2017, https://www.b92.net/eng/news/region.php?yyyy=2017&mm=10&dd=20&nav_id=102605 (accessed 14th March 2022).

Although working in divergent directions towards one another, both Moscow and Ankara undermined the European Union’s blueprint for Bosnia-Herzegovina, emboldening sectarian identities and their persistence in the post-Dayton environment, as they both encouraged factionalist politics to remain the dominant game in town.

Conducting Business in a Divided Land. In economic terms, the country’s trading position largely resembles that of the larger area: small Turkish and Russian shares of the total trade (4.4 and 1.7% respectively), with Ankara, largely surpassing its competitor, but none of them posing any visible relevance when compared to the overwhelming presence of the European Union.

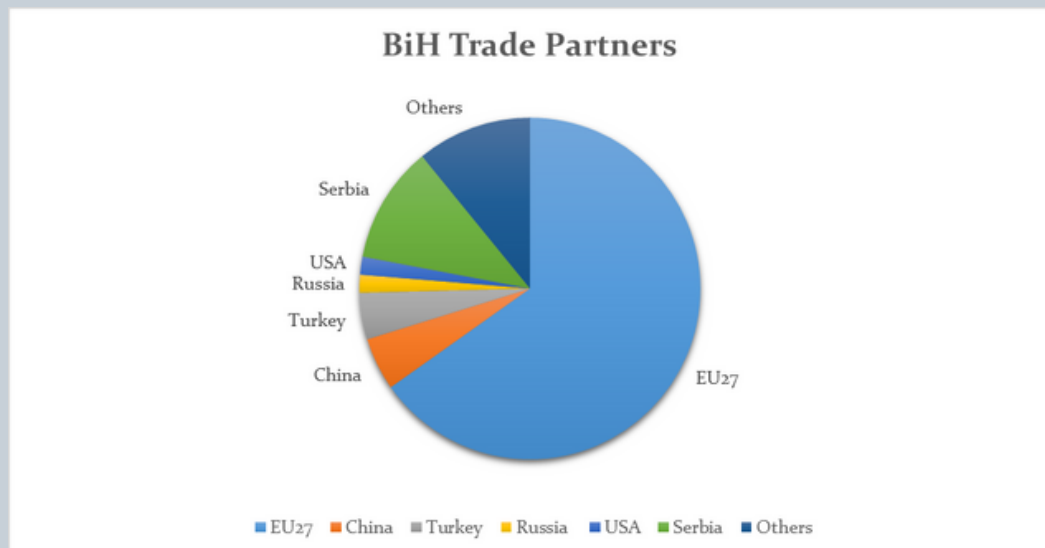


Figure 11 - Share of Total Trade of Bosnia-Herzegovina with Various Partners (2020)
[Source: DG Trade/IMF]

While imports from Russia mainly concentrate upon fossil fuels and aluminum, copper, and iron, with few other remaining products, the map of imported goods from Turkey is highly diverse, from textiles to machinery, appliances, fruits and vegetable, processed food, furniture, vehicles plastics and almost all conceivable wares. And the situation is similar for exports.

On the other hand, the status of foreign direct investment in Bosnia-Herzegovina looks different. As of 31st December 2020, the total Russian FDI stocks in the country amounted to nearly 600 million BAM, while the Turkish stocks were in the range of 375 million BAM.[40] Nonetheless, in the overall FDI image, they are negligible, occupying a mere 4% and 2.5% of the total share of foreign investment, with Austria, Croatia, Slovenia, and Serbia leading the charts. In this sense, Serbian or EU-based proxies of Russian and Turkish investors should be taken into account, in order to avoid the distortion of data when analyzed in regard to the nominal origin of capitals.

At a granular level, the destination of Russian and Turkish investments resembles the larger mercantile picture of their respective relationships with Bosnia-Herzegovina. Thus, it can be observed that Moscow-originated flows of capital are almost entirely grouped within the territory of Republika Srpska, concentrating on the energy sector.

As a flagship example, the only local refining company in the Serb-dominated entity was acquired by a sole bidder, Zarubezhneft, without a proper tender. Similarly, the Russian oligarch Rashid Sardarov owns a series of other energy-related ventures within, through his Cyprus-based holdings, planning to extend his line of business by building a thermal plant.[41] In addition, the acquisition of more consolidated lines of business, such as the banking sector, led Russia to also own a stake in Bosnia's financial system.

Turkey's FDI presence is - again - more diversified and more business-oriented in terms of profitability, unlike Russian capital which targets strategic sectors even if incomes are not necessarily as attractive as the (geo)political gains they bring along. For Ankara's investors, economic feasibility plays a greater role in devising their outward stance. Thus, their presence in Bosnia-Herzegovina is quite modest - 2.5% of the entire FDI stocks, with commitments of around 150 million EUR.

[40] See CBBH, Stocks of direct Investment in BH classified by country of the foreign investor, 31.12.2020, <https://www.cbbh.ba/content/read/915?lang=en>, (accessed 14th March 2022).

[41] Paul Stronski and Annie Himes, 'Russia's Game in the Balkans', *op. cit.*, p. 11.

Diversely oriented, Turkish companies such as Viyenats Kirectasi invested in the mining sector, Sisecam got involved in the food processing sector and Hayat in the FMCG market.[42] At the same time, there were significant overtures within the banking sector - with Ziraat very active locally - and the air transport system, since Turkish Airlines purchased a 49% stake in the national flag carrier.

(Somehow) Playing the Good Cop. After years of encouraging Milorad Dodik in his divisive rhetoric of implied separatism and, thus, dismantling the political infrastructure of the Dayton Accords, Russia played another wild card after it annexed Crimea in Republika Srpska, taking the game to a different level. Rather for its purposes of destabilizing the EU's Balkan flank and moving part of the attention towards other supposedly hotspots in the Union's vicinity, Moscow raised the level of involvement and active support for the (now) explicit language of separatism spoken - loudly - by the leadership of the Serb-dominated division.

Making use of Konstantin Malofeev, the Kremlin symbolically deployed a small number of Cossacks to Banja Luka.[43] Half-threatening, half-parody, this rather strange visit reminded everyone how fragile the equilibrium really was and how vulnerable to outside intervention Bosnia might prove yet again. At the same time, Turkey's internal problems reflected upon the country, when the general campaign for the extradition of Gulen-linked citizens reached Bosnia-Herzegovina. While declining to accept Erdogan's repeated requests, Bosnian authorities welcomed an increased Turkish exercise in soft power, either as aid and projects through TIKA or as widening the Ankara-loyalist circle of private educational institutions.

While Russia stepped up its support for Dodik's separatist rhetoric, in order to prop its own designs in Ukraine, Turkey deployed a next-level charm-and-diplomacy offensive in order to export its homegrown battle with the Gulen movement all across the Balkan chessboard. And, in this context, Bosnia proved to be a fair ground for rather solipsistic shows of soft-power.

[42]Also see Mirsad Karić, 'Turkish Foreign Policy towards Bosnia and Herzegovina', in Muhidin Mulalic et al., Turkish-Balkans Relations: The Future Prospects of Cultural, Political and Economic Transformations and Relations, Tasam Publication, Istanbul, 2013, p. 231.

[43]Christo Grozev, 'The Kremlin's Balkan Gambit: Part I', Bellingcat, 4th March 2017, <https://www.bellingcat.com/news/uk-and-europe/2017/03/04/kremlins-balkan-gambit-part/> (accessed 14th March 2022).

In essence, Russia and Turkey did not compete with each other in Bosnia-Herzegovina but used the country as an internationalized agora for making a vigorous political point. While initially, it might have been an adequate venue for making tactical experiments with minimal possibilities of internal contagion, the ground proved unstable.

And, so, in late 2021, a rather serious crisis emerged in Bosnia-Herzegovina, with Milorad Dodik threatening to abandon (central) state institutions. Russia once again supported his position by refraining to sign the statement issued by the Peace Implementation Council, after Dodik's visit to the Kremlin. On the other hand, Turkey stepped up its diplomatic efforts and offered to mediate.[44]

While it is too early to predict how the events will unfold, the situation nonetheless marks a change of course in the dynamics with Russia itself. Going beside the bilateral relation with Moscow and beyond any concern, it might have in that particular hotspot, Ankara rather chose to co-opt other regional power-brokers (such as Serbia) and directly deal with Russia's local protege, in an attempt to defuse tensions.

[44] Vuk Vuksanovic, 'Turkey's Pragmatic Policy in the Balkans has its Limits' BIRN, Balkan Insight, 11th November 2021, <https://balkaninsight.com/2021/11/11/turkeys-pragmatic-policy-in-the-balkans-has-its-limits/> (accessed 14th March 2022). Also see, 'Bosnia: Serbs vote to leave key institutions in secession move', Deutsche Welle, 11th December 2021, <https://www.dw.com/en/bosnia-serbs-vote-to-leave-key-institutions-in-secession-move/a-60088061> (accessed 14th March 2022).

IV. The Balkan Sideshow: A Different Type of Competition

Until now, Russia and Turkey have managed to functionally insulate the multiple levels of interaction between them. What happened in Syria, Libya or Nagorno stayed there and did not inadvertently spillover. A prized asset for both, direct bilateral ties has been carefully kept aside from circumstantial tensions that arose in every active theater. As the story went, it was a close cooperation over the Black Sea, but grudging adversity across the larger map.

Thus, in a peculiar way, marked by personalized high leadership contacts, Moscow and Ankara never allowed abstract geopolitical designs and distant clashes to impede upon their mutually beneficial partnership of convenience. The development of TurkStream, the Akkuyu power plant, and the acquisition of the S-400 system went on despite tactical frictions among themselves or pressure from outside third states.

The pragmatic 'condominium' across the Eurasian chessboard surpassed all episodic crises and transformed into an issue-based mechanism of mutually assured disengagement, preventing Moscow and Ankara from imperiling their relationship over tactical disagreements. In a certain sense, Turkey seemed to manage to maintain its irreplaceable position within the Atlantic world (despite a sometimes frosty reception) while increasing the level of cooperation with Russia.

In Syria and Libya, Ankara worked its way in parallel to NATO countries (sometimes in direct opposition to some of them) and supported adversarial forces to those aided by Russia. In Nagorno-Karabakh, the two powers championed different sides, but kept a lid on the conflict and prevented external powers from intervening. Tensions reached high levels all across the map, but deescalation procedures proved viable, always allowing Ankara to refrain from taking decisive action and crossing Moscow's self-stipulated red lines.

However, the invasion of Ukraine by Russia represents a structural game-changer, altering the foundation upon which any rules of (dis)engagement function. A certain geopolitical Rubicon threshold had been crossed, with systemic implications for the entire security infrastructure. For all relevant players, from India to Germany and from South Korea to South Africa, the time for strategic procrastination seems over.

And such a radically different environment poses direct consequences for Ankara's set of options. Its approach to the ongoing conflict will be determined not only by virtue of its NATO membership but also by its own track record in directly supplying Ukraine with military hardware and maintaining a partnership in matters of (international) politics, defense, and trade.

As the invasion of Ukraine carries on and the cost of war mounts for a marginalized Russia, Ankara will be put under ever-increasing pressure from both sides to lean one way or another. With an eye on its own difficult financial situation, Turkey may not desire to apply sanctions on Russia, but it can neither risk becoming a venue for circumventing them nor sustain a backlash from the West. Thus, in political and economic terms, Ankara finds itself adrift between Scylla and Charybdis, without being able to hedge its strategic bets.

In essence, various scenarios are possible when it comes to the end-game in Ukraine. None of them include a full Russian withdrawal. In addition, the most optimistic of them refer to Russia's stopping its advance into Ukraine just after control over the Southern corridor is secured. That would mean Russia would gain a de facto hegemonic position upon the Northern Black Sea shores, dominating and imposing the shipping rules along the coast. More than with Crimea, Russia would effectively become an increasingly active player in the Black Sea and a potential contender to Turkish interests in the area. Ankara would find itself in an uneasy position – accommodating Russia in such a role would be increasingly difficult.

On the other hand, the end of the invasion - however it might turn out - would also leave ample space for Turkish initiatives within the Black Sea and in the extended neighborhood. With a militarily, politically, and economically weakened Russia, Ankara - with all its assets intact, despite financial troubles - could (finally) find itself in the position to benefit from Moscow's marginalization on the global and regional scene, stepping up to cover the void left by an overstretched Russia.

Nonetheless, at the time being, irrespective of long-term plans concerning the endgame in Ukraine, as Turkey pro-actively indulges in the respite offered by the mediator position, it needs some tangible success upon this facilitator-of-peace itinerary. In the absence of any breakthrough, its set of options is narrowing, with neither side satisfied by Ankara's self-professed equidistance. Whatever path it shall tread upon further, one thing appears certain: squaring the circle is no longer an option.



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