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Russian-Turkish Relations: Quick to Destroy, Slower to Mend

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While the Erdogan-Putin summit in St. Petersburg on August 9 aimed to end the conflict between the two presidents triggered by Turkey's downing of a Russian fighter jet last year, upbeat reports and promises of eternal friendship conceal a long list of problems that can't be solved any time soon

The Russian-Turkish summit in St. Petersburg on August 9 was aimed at burying the hatchet after the two countries' previously strong relationship abruptly ended when Turkey shot down a Russian fighter jet in November 2015, resulting in the deaths of Russian servicemen.

The meeting between President Vladimir Putin and his Turkish counterpart Recep Tayyip Erdogan signaled an end to the information war and belligerent rhetoric, and the start of efforts to reestablish the kind of mutually beneficial cooperation in economics, energy, and even politics that characterized bilateral relations in the 2000s.

But overly optimistic predictions that Russian-Turkish relations will quickly rise to the level of strategic partnership aren't likely to come to fruition, even after Erdogan's praise of Putin and his flowery assurances of eternal friendship. After all, Moscow and Ankara still diverge on a number of key issues, ranging from the situation in the Middle East to the conflict in Ukraine. A dialogue on Syria, which essentially remained outside the scope of the St. Petersburg summit, is a fundamental condition for the normalization of political relations, and the long-standing "let's agree to disagree" approach simply won't cut it for much longer.

Both leaders at the summit stressed their commitment to cooperation on large-scale energy projects—a pipeline under the Black Sea and Turkey's first nuclear power plant—but under the terms of the agreements, Ankara appears to be the clear winner.

One of the main topics of the Turkish president's visit to Russia was reviving the Turkish Stream project, the successor of the South Stream pipeline under the Black Sea. South Stream was canceled in 2014 amid a political and legal dispute with the European Commission.



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Images

However, the Turks still insist on having just one line of Turkish Stream instead of the planned four, which does not satisfy the political and economic interests of either the Kremlin or Gazprom. Under the original plan, one line was to supply Turkey itself, while the other three would snake along Turkish territory up to its border with Greece and supply European consumers. But even before the fallout over the downed plane, Gazprom's Turkish partners were trying to reduce the project to one pipeline for Turkey only. The project was effectively dormant even before it was frozen in November after the downing of the jet.

Building just one line of Turkish Stream with a capacity of 15.75 billion cubic meters—about a quarter of the planned total capacity of four lines—is an extremely costly and not very profitable option for Gazprom, which would still have to invest in laying the pipeline along the bottom of the Black Sea and in ground infrastructure. In addition, Gazprom would have to sell Russian gas to Turkey at a substantial discount, which was agreed upon at the outset of construction.

Turkey's state-owned Botaş Corporation, on the other hand, will be able to buy gas at significant discounts and get significant transit deductions when the pipeline is launched.

Reviving another frozen large-scale Russian-Turkish project—the Akkuyu Nuclear Power Plant in southern Turkey, due to be built, owned, and operated by a subsidiary of Russia's state atomic energy corporation Rosatom, with over \$22 billion in investments—also carries significant economic and political risks for Russia. According to a 2012 report by the Russian Institute of Energy Problems, the project is not in Russia's economic interests. The report indicates that while Turkish contractors will receive over half of all investments (more than \$11 billion), Turkey assumes no financial obligations under the contract, and the project is being financed solely by the Russian company (including with potential payments from the state budget).

Furthermore, Russian investments are at risk of being frozen due to construction delays, reactor shutdowns by Turkish regulators, local protests, and poor power transmission lines, among other factors. The Russian company also bears the burden of insuring the risks of the plant's operation.

In addition to all of this, the return on investments scheme is far from clear. Energy prices are fixed for at least twenty-five years, which doesn't take into account inflation, price increases, currency exchange fluctuations, or other financial and political upheavals. Such an approach somewhat contradicts the accepted international practice for the construction of "build-own-operate" nuclear power plants, in which energy prices are generally not fixed in dollars, let alone for several decades ahead.

This is not to say, however, that Ankara has again managed to turn the normalization of bilateral relations purely in its favor, as it did in the late 2000s. One of the most painful consequences of the seven-month cold war for Turkey was Russia's embargo on Turkish food exports. According to official statistics, the sanctioned products accounted for \$1 billion of Turkish exports to Russia for the same period in 2015.

Turkish officials have said the embargo won't be lifted until the end of 2016. Russia's consumer rights agency, Rospotrebnadzor, sees no reason to lift the embargo completely, and Russian Agriculture Minister Alexander Tkachev said in mid-July that the government wasn't planning to lift the food embargo against Turkey any time soon "because dozens, hundreds of agricultural producers across the country believed and heard the

government's signal to fill the Russian market with domestic produce.”

It seems, therefore, that “restoring relations to their pre-crisis level” simply means returning to the old problems now supplemented by the memories of the seven-month cold war.

Prior to the fallout, bilateral relations were often developed in conjunction with anti-Western rhetoric. Ankara sees its relations with Moscow as beneficial from both economic and geopolitical standpoints, and chose to side with Russia when Moscow's foreign policy strained its relations with the West. Turkey expanded its cooperation with Russia after the armed conflict in South Ossetia in 2008, and in the next two years Russia and Turkey concluded important agreements that allowed politicians from both sides to talk about “strategic partnership,” such as the Akkuyu nuclear plant and visa-free travel, which also predominantly served Turkish interests: visas were never a hassle for Russian tourists, as they were issued on arrival, while for Turkey it was another way of maintaining its leading position on Russia's tourist market.

If these “breakthrough agreements,” as the media called them, benefited Turkey more than Russia, it is because Russia treated large-scale Turkish projects as largely political investments. At the height of the Russia-West confrontation over Ukraine in 2014, Turkey didn't join in with EU and U.S. sanctions against Russia.

Ultimately, however, the mechanism of compensating for differing positions on key world issues by using “breakthrough projects” wore itself out in 2015, and the fits and starts in normalizing bilateral relations after Erdogan wrote to Putin in June expressing regret for the downing of the plane is a stark illustration of that. And the plane incident itself showed all too clearly just how fast Moscow and Ankara can reduce bilateral relations from a strategic partnership to serious political and economic confrontation.

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