

**HOW THE ENERGY MARKETS STEER ECO-POLITICAL RELATIONS
BETWEEN THE STATES? AN ANALYSIS FOR TURKISH-RUSSIAN
TENSION IN THE CONTEXT OF ENERGY MARKETS.**

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How the energy markets steer eco-political relations between the states? An analysis for
Turkish-Russian tension in the context of energy markets.

Enerji piyasaları eko-politik ilişkilere nasıl yön veriyor? Enerji piyasaları kapsamında
Türk –Rus tansiyonu için analiz.

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To my wife

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ABSTRACT

This thesis aims to study the how the energy markets (natural gas and oil trade) steer eco-political relations between the states in the context of complex interdependence theory. In this respect, Turkish – Russian interdependence is chosen as case study since it contains both military security and economic issues. In order to figure out the influence of energy markets in this interdependence, natural gas and oil trade is analyzed by cooperation and conflict periods. In this regard, as a military security issue warplane crisis and Russian economic sanctions against to Turkey are explained in details to demonstrate how bilateral cooperation transformed into conflict. Although Turkish – Russian relations come to a state of conflict, cooperation was kept in natural gas and oil trade. At this point, this thesis asks why Russian economic sanctions against to Turkey missed out the natural gas and oil trade? And why Russian Federation didn't weaponize natural gas while Turkey is asymmetrically dependent to Russian natural gas? And the last question, what is the role of natural gas and oil trade in Turkish – Russian relations after the warplane crisis?

In order to answer all these questions, this thesis analyzed how Russian economy became vulnerable after 2014. In addition to low oil prices, western sanction declared against to Russian Federation after the Ukrainian crisis in 2014 that negatively affected the Russian Federation in terms of economy and politics. Under these circumstances, Russian Federation deterred from any conflict with Turkey in terms of natural gas trade as Turkey is the second top importer of Russian natural gas.

Therefore, this thesis argues how natural gas trade –as an economic issue– provides a channel for actors to maintain cooperation in case of conflict. Additionally, this thesis demonstrated that Russian Federation is also dependent to Turkish natural gas demand as Turkey is dependent to Russian natural gas. By this way, this thesis proved that natural gas trade steers bilateral relations by generating complex interdependence between actors.

ÖZET

Bu tez, enerji piyasalarının (doğalgaz ve petrol ticareti) devletler arası eko-politik ilişkilere nasıl yön verdiğini karşılıklı bağımlılık çerçevesinde incelemeyi amaçlamaktadır. Bu bağlamda, hem askeri güvenlik hem de enerji piyasaları anlamında ekonomik hususları içinde barındırmasından dolayı, Türkiye – Rusya karşılıklı bağımlılık ilişkisi vaka çalışması olarak seçilmiştir. Enerji piyasalarının bu karşılıklı bağımlılığa olan etkisini anlayabilmek adına doğalgaz ve petrol ticareti, işbirliği ve kriz zamanlarını kapsayacak şekilde, analiz edilmiştir. Bu doğrultuda, savaş uçağı krizinin ve Rusya tarafından Türkiye'ye karşı ilan edilen ekonomik yaptırımların ikili işbirliğini nasıl bir krize dönüştürdüğü detaylıca açıklanmıştır. Türk – Rus ilişkileri kriz halini almasına rağmen doğalgaz ve petrol ticaretinde var olan işbirliği sürdürülmüştür. Bu tez, Rusya'nın ilan ettiği yaptırım kararlarının neden dolayı doğalgaz ve petrol ticaretini kapsamadığını sormaktadır. Ayrıca, Rus doğalgazına asimetric bir şekilde bağımlı olan Türkiye'ye karşı Rusya neden doğalgazı silah olarak kullanmamıştır? Savaş uçağı krizi sonrasında doğalgaz ve petrol ticareti Türk – Rus ilişkilerinde nasıl bir rol oynamıştır?

Bu sorular kapsamında her iki devlet ekonomik ve politik olarak analiz edilmiştir. Bu kapsamda, 2013 yılından sonra düşük seyreden petrol fiyatlarının petrol ve doğalgaz ihracatına dayalı büyüyen Rus ekonomisini kırılğan hale getirdiği, ayrıca 2014 yılındaki Ukrayna krizi sonrasında, batının Rusya'ya uygulamış olduğu yaptırımların Rusya'yı ekonomik ve politik anlamda zayıflattığı, bu şartlar altında Rusya'nın, Rus doğalgazının en büyük ikinci ithalatçısı olan Türkiye ile doğalgaz ticareti açısından oluşabilecek krizden kaçtığı bu tez tarafından ileri sürülmüştür.

Dolayısıyla bu tez, ekonomik bir unsur olarak doğalgaz ticaretinin kriz halinde olan aktörlere aralarındaki işbirliğini koruma açısından nasıl bir kanal sağladığını, ayrıca, Türkiye'nin Rusya doğal gazına bağımlı olması kadar Rusya'nın da Türkiye'de bulunan enerji piyasasına bağımlı olduğunu göstermiş ve doğalgaz ticaretinin aktörler arasında karşılıklı bağımlılık sağlamak suretiyle ilişkilere yön verdiğini kanıtlamıştır.

1. INTRODUCTION

Energy had a major role in international relations starting from 1970's as it is a significant key factor for the sustainability of global markets because of its low elasticity. Today, countries are more sensitive to energy sources in in term of having productive and sustainable economy with low cost. Therefore, sustainable energy became more essential than in the past. Countries which have energy sources could use it as a source of negotiation or political weapon. For this reason, energy could be used as a gun in international arena. But on the other side, energy as an economic tie could attribute to cooperation between energy exporting and importing countries.

In this respect, energy supply and demand could help us to understand international relations in a world connected by multinational and transnational actors and channels. As the secretary –general of 13th World Energy Forum affirms that energy is one of the most significant issues in terms of connecting international actors and generates interdependence between states¹ Therefore, considering energy as an economic issue would contribute a new dimension to interpretation of international relations.

Energy markets present a vast scientific study field. For this reason, this thesis will be limited in natural gas and oil trade. Furthermore, energy issues are generally studied by security perspective in international relations but this thesis considers natural gas and oil trade as an economic issue in the context of neo-institutionalist assumptions. In this sense, energy security issues such as routes of pipelines will not be considered in this study. Theoretical framework of this study will be based on neo – institutional liberalism's arguments that promote this study to the economic side of energy markets.

¹Aldo Flores Quiroga, "The Challenge of Energy Interdependence and the Global Energy Dialogue", 13th International Energy Forum, 2012.,pp.8-9.

The reason why this thesis is focus on economic and political issues together is highly related to rising importance of economic issues in terms of international relations. Because twenty-first century is interpreted as a period of open, rule – based international system in the presence of emerging problems while economic and security interdependence is quietly rising. Moreover, following multilateral rules and being in cooperation with other states are vital for international relations while global economic system becomes more independent than in the past. As a result of interdependence, states seek for multilateral cooperation in economic issues. States may disagree on the process of cooperation but they try to avoid any breakdown in multilateral order.² In this context, addressing the theoretical debates will make easier to understand the progress in interpretation of international relations since the 2nd World War.

In this regard, realist theories were widely accepted for interpretation of international relations after the 2nd World War up to 1970s when International Relations studies were dominated by realist theory and its arguments. Cuban Missile Crisis and Vietnam War made this dominance disappear. However realist theory and its arguments were consolidated after 1945 -when national interest concept were at its peak- events such as Cuban Missile Crisis (1962) changed the interpretation of “national interest” Cuban Missile Crisis was an important challenge to realist theory. Another major challenge to realist theory emerged after Vietnam War which could also be accepted as the second major challenge to realism since this war directed authors to reinterpret the balance of power notion in international relations. This war contained inequality as sides of the war were not equal in terms of economic and military power. Unexpected victory of Vietnam against to USA was an important milestone for realist assumptions as this war demonstrated how a weak armed state beat the stronger one.³ Furthermore, after 1970s, the World was not as in 1940s, since economic issues

²G. John Ikenberry, the Future of the Liberal World Order, Foreign Affairs, May/Jun2011, Vol. 90, Issue 3, p.5.

³Evren Çelik Wiltse, Editor; Evren Balta, Küresel Siyasete Giriş, Uluslararası İlişkilerde Kavramlar, Teoriler, Süreçler, “Liberalizm, İşbirliği, Kolektif Güvenlik ve Neoliberal Kurumsalcılık”, p.138.

and actors got more importance. Especially, the oil crisis starting after the 1973 OPEC (Organization of Petroleum Exporting Countries) oil embargo has been a major signal for the power of economic issues in international relations.

According to Ole R. Holsti realism is a heterogeneous school of thought which describes states as unitary actors guided by national interest and their actions are usually counter to foreign actors more than domestic ones. In realist view, the power rivalry between states leads to security dilemma because states want to have absolute power that leads the others in insecure situation. On the other side, Keohane and other neo-institutionalist liberals made a counter-argument to realist affirmation. Holsti underlines that the neo-institutionalist liberal models (Global Society, Complex Interdependence and Liberal Institutionalism) criticize the notions like war/peace and nation-state of realists. Holsti emphasizes that these models show how multiple actors are effective in international relations besides the states. Moreover, these models consist of economic issues such as trade, energy, health, immigration to explain international relations.⁴

In this regard, complex interdependence is one of the most significant affirmations of neo – institutional liberalism. According to Nye and Keohane, there are three main characteristics of complex interdependence; multiple channels, multiple issues and minor role of military issues. Especially, complex interdependence theory will be explained in details in order to realize how economic issues dominate political agenda. As a result of this transformation, transnational actors play a larger role than ever which demonstrates why non-state actors are key factors that should be considered in international studies.⁵ It should be well underlined that this thesis focuses on complex interdependence theory but international institutions and domestic politics are neglected as Turkish – Russian interdependence is considered by the view of sensitivity and vulnerability.

⁴Ole R. Holsti, "Theories of international relations" Explaining the History of American Foreign Relations, Second Edition, January 1, 2004, pp.51-90.

⁵Robert O. Keohane and Joseph S. Nye, Power and Interdependence: World Politics in Transition Little Brown and Company, 1977, p.256.

Neo – institutional liberalism concentrates usually economic and political issues together while realist are tended to study military security issues and wars.⁶ The main argument of neoliberal institutionalism will be explained under the theoretical framework title but it could be affirmed that main arguments of neoliberal institutionalism are significant to realize the effect of energy markets on international relations.

Russett and Oneal claim that bilateral commerce may affect the political stake while economic actors influence political ones and relativity is important factor to understand the bilateral relation. Therefore, sides should be analyzed in comparative scale in a bilateral economic relation. Authors' suggestion is likely smaller country will be more incentive to avoid any conflict case because of its weak (dependent) position:

“(…) We must calculate the value of trade relative to the size of a nation's economy, usually as measured by its gross domestic product (GDP). Presumably, the smaller country will have more incentive to avoid the costs of conflict with the bigger country than vice versa.”⁷

In this regard, Turkish - Russian bilateral trade becomes the subject of this thesis as Turkey imported 55 % of her total natural gas consumption from Russian Federation in 2015. In this context, this thesis will analyze the Turkish dependency to Russian Federation in terms of natural gas trade. Natural gas trade between Turkey and Russian Federation is regulated by long-term contracts. Turkey and Russian Federation have signed an intergovernmental agreement in September 18, 1984 which was used as a base for long-term natural gas contract. The first delivery of Russian natural gas to Turkey was in June 1987 in the

⁶Robert Jervis, *Realism, Neoliberalism, and Cooperation: Understanding the Debate*, *International Security*, Vol. 24, No. 1 (Summer, 1999), pp. 42-63.

⁷Bruce Russett, John R. Oneal, *Triangulating Peace, "Democracy, Interdependence and International Organizations"*, W.W. Norton & Company, 2001, pp. 125-155.

context of a long-term contract signed in February 1986. This contract was for 25 years and the capacity was 6 billion m³ per year.⁸

In 1996, another long-term contract was signed for 8 billion m³ per year. After 2003, Russian natural gas was delivered to Turkey by the Blue Stream Pipeline. And the contractual basis for this trade was signed in December 15, 1997. The maximum capacity for this pipeline is 16 billion m³ per year. Turkey became dependent to Russian natural gas after the Blue Stream Project. At this point, It should be well emphasized that Turkish – Russian natural gas trade contains energy security issues such as the route of pipelines and the political effects in decision making process. In order to respect the limit of the thesis, I will not discuss the route of pipelines. In this regard, Blue Stream Project will not be discussed in details.

The literature on Turco-Russian relations focuses on the military security issues such as PKK problem, Chechen problem, Turkish straits and recently Syrian War. The Warplane crisis is one of these military security issues that appeared in November 2015 which assigns a different meaning to recent Turkish–Russian relations, since the Russian Federation announced a number of economic sanctions and restrictions against Turkey in response to a military crisis. These sanctions and restrictions constitute an example for the importance of economic issues in international relations. Moreover, Warplane crisis demonstrates strongly the intersection of politics and economics in international relations.

Russian Federation has an energy-based economy. For this reason, Russian Federation is quite sensitive to energy prices. One hand, low energy prices influence negatively Russian economy. On the other hand, Russian Federation could benefit from the advantages of possessing energy sources as a weapon for its foreign policy. According to Fiona Hill, high oil prices made Russian Federation a significant actor in global strategic and economic map thanks to its energy resources that substitute the Red Army in many diverse crises such as the

⁸<http://www.gazpromexport.ru/en/partners/turkey/>

Ukraine crisis or the Georgian War.⁹ By the time, Turkey is dependent to Russian natural gas since her energy resources are not enough to balance energy supply and demand. According to Pamir, Turkey is deeply dependent on Russian Federation in terms of energy. Meanwhile, the tension between these countries has increased because of warplane crisis. Turkey could search for other energies from wind, water or sun. But these researches need huge exploratory that requires a big budget and developed infrastructure. Therefore, any move of Turkey for diversifying its energy resources could be named as long-term solution while Turkey is still depended to Russian Federation in short term.¹⁰

1.1. Objective & Limits of Thesis

Energy is one of the most vital subjects in this age that is a significant key factor in many cooperation and many conflicts. However energy issues became more apparent in international relations after 1970s, it was considered in terms of security issues through the international relations studies. But, energy is also part of trade, especially bilateral foreign trade which makes energy to be considered in economic dimension through the energy markets. Therefore, the aim of the study is to show the role of the energy markets in the international relations. this thesis tries to argue how the energy markets shape the bilateral relations. For this reason, the main research question of this thesis is “how the energy markets steer eco-political relations between the states?”

Reasearch question will be replied through Turkish - Russian relations in the context of energy markets. Turkey consumed 265.724,4 GWh and produced 261.783,3 GWh of electrical energy in 2015. The striking point appears when the breakdown of electricity production is analyzed as Turkey produces 99.218, 7

⁹Fiona Hill, Energy Empire, Oil Gas and Russia’s Revival, The Foreign Policy Centre, September 2004.

¹⁰<http://www.sozcu.com.tr/2015/gundem/moskovaya-ekonomimizi-cokertecek-kadar-bagliyiz-1000476/>

GWh of electrical energy from the natural gas. It could be seen that natural gas is quite important for Turkish economic dynamics as natural gas means 38 % of total electricity production of Turkey. At this moment, this thesis drills down to natural gas trade.¹¹

Turkey consumed 48 billion m³ natural gas in 2015 and could produce just 0,84 % of her total consumption in 2015. For this reason, Turkey imported nearly 99 % of her total natural gas consumption and the Russian Federation is the top natural gas exporter as Turkey imports 55 % of her gas consumption from this country. Analyzing all these numbers, this thesis put forward the importance of Russian Federation for Turkish energy markets. Moreover, this situation presents an asymmetry in Turkish - Russian interdependence that will be analyze in details by this study in order to understand how an energy issue affect international relations.¹²

Turkish – Russian relations is a vast study domain that should be well limited in the beginning of our thesis in order to increase the effectiveness of our case study. In this respect, Turkish – Russian relations will be analyzed in the context of interdependence theory. At this point, this thesis asks why Russian economic sanctions against to Turkey missed out the natural gas and oil trade? And why Russian Federation didn't weaponize natural gas while Turkey is asymmetrically dependent to Russian natural gas? And the last question, what is the role of natural gas and oil trade in Turkish – Russian relations after the warplane crisis? In order to find appropriate answers to our research question and sub-questions in an effective way we will make a point of limiting the discussion domain related to our thesis arguments.

¹¹ <http://www.teias.gov.tr/FaaliyetRaporlari.aspx>

¹² <http://www.teias.gov.tr/FaaliyetRaporlari.aspx>

1.2. Methodology of Thesis

In this thesis, the research question investigates economic issues in the basis of international relations. In order to explain the effect of energy markets in international relations energy will be considered as an economic issue by the help of neo-institutionalist concepts. Besides, the complex interdependence theory will help us to clarify our theoretical explanation. Especially, the delicate balance between cooperation and conflict will be studied through a case study.

To discover the effect of energy market in international relations our main method will be a case study of Turkish – Russian bilateral relations. Political and economic issues will be analyzed in terms of sensitivity and vulnerability dimensions that will help us understand the interdependence between these countries. Moreover, we will make trend analyze for Turkish - Russian bilateral trade by focusing on energy issues such as oil and natural gas trade to understand the role of energy issues in Turkish - Russian interdependence.

In this respect, the methodology of this thesis would contain two explanations as qualitative for political relations in terms of warplane crisis and quantitative for economic relations in terms of natural gas trade. In order to explain recent Turkish Russian political relations library sources, academic studies and newspapers will be used while Turkish Russian economic relation will be explained through the quantitative data based on reports and statistics, governmental data organizational researches .

1.3. Organization of the Thesis

This thesis is composed of three chapters in addition to introduction and conclusion parts. In the first chapter of the thesis, the theoretical framework will be explained by the definition of concepts such as cooperation, conflict or interdependence that belongs to neoliberal institutionalism. And in the following

part of the chapter the complex interdependence theory will be introduced through its main characteristics due to fact that the rising role of economic issues in international relations will be discussed to understand the recent developments that are related to our thesis argument. All of these explanations about the theoretical framework will provide us an academic path to analyze the effect of energy markets in international relations. Furthermore, this theoretical background would provide an academic basis to analyze Turkish - Russian bilateral relation in terms of political tension and energy trade.

In the second chapter of the thesis, Turkey and Russian Federation will be described through trend analysis. In addition to this, Turkey and Russian Federation will be introduced through their foreign policies and economic outlooks. All information given in this chapter will enable readers to understand economic and political positions of Turkey and Russian Federation by this way the interdependence exist between states could be analyzed in many dimensions in the case study.

In the third chapter of the thesis, a case study will be examined in terms of complex interdependence theory which aims to reveal the effect of energy markets in international relations. For this reason, Turkish - Russian bilateral relations will be studied in terms of economic partnership and recent political issues. In this regard, energy market issues such as Turkish Stream Project, natural gas and oil trade will be the studied through a trend analysis while warplane crisis will be discussed to reveal the political side of this bilateral relation. After this analysis, lecturers will be able to understand the interdependence degree between Turkey and Russian Federation in terms of bilateral trade especially in energy issues that would serve to reveal how energy issues steers Turkish - Russian bilateral relations.

2. CHAPTER 1: THEORETICAL FRAMEWORK

Neo - institutional liberalism is a school of thought in international relations studies developed after 1970's which attributed economic and political way of thinking in terms of international relations. This school of thought contains counter arguments to neorealism's assumptions. The debate of counter arguments put forward by both schools' representatives named as neo-neo debate. This debate consists of some significant arguments that are mainly about absolute gain vs. relative gain, absence of hierarchy among issues vs. dominance of military security issues in setting of agenda. In order to explain effectively the theoretical framework of the thesis, I will not mention this debate in details. Instead, my strategy in this chapter will be explaining briefly the main arguments of neo - institutional liberalism in a clear order.

Neo - institutional liberalism has its proper arguments and concepts in order to understand and explain international relations such as cooperation, interdependence and complex interdependence. All of these concepts will be introduced in a descriptive way in this chapter. Before describing concepts and arguments of neo – institutionalist theory, a brief explanation would make it easy to understand the extent of neo-institutionalists' assumptions.

In *Twenty Years of Institutional Liberalism (2012)*, Robert O. Keohane emphasizes the importance of institutions:

“The world has now experienced what could be regarded as 20 years of Institutional Liberalism: the dominance of the view that cooperation in world politics can be enhanced through the construction and support of multilateral institutions based on liberal principles”¹³

Moreover, he continues his sentences by stressing the social purpose of Institutional Liberalism:

¹³Robert O. Keohane, *20 Years of Institutional Liberalism*, Princeton University, International Relations, 2012, p. 125.

“The social purpose of Institutional Liberalism is to promote beneficial effects on human security, human welfare and human liberty as a result of a more peaceful, prosperous and free world.”¹⁴

Keohane makes a generalization over institutional liberals all around the world about their main arguments. According to Keohane, power might be used for interest of people and liberal values. But this usage of power should be restraint. Additionally, institutions are significant actors in order to establish cooperation because they serve for social purpose in terms of sustaining cooperation. Consequently, cooperation enhances the common interest for actors and institutions are supporters in this gain chain.¹⁵

In *After Hegemony (1984)*, Keohane outlines the main assumptions of neo-institutional liberalism by explaining under what conditions cooperation might be formed. Keohane affirms that hegemony depends on certain kind of asymmetrical cooperation. According to him, theory of hegemonic stability is fatalism. And Keohane offers that the non-hegemonic cooperation is also possible.¹⁶ As it is known, the promise of neo - institutional liberalism was criticized by many authors as did Mearsheimer. In the article, *the False Promise of International Institutions*, he affirms that institutions have minimal effect on state behavior and on stability in a post-cold war world. Furthermore, he affirms:

“(...) Institutions are basically a reflection of the distribution of the power in the world. They are based on self-interested calculations of great power, and they have no independent effect on state behavior.”¹⁷

As it is declared by Mearsheimer, realists perceive the governments in the center of issues and neglects the role of nongovernmental issues. In this sense, realist

¹⁴*Ibid.*, p.126.

¹⁵*Ibid.*, p.127.

¹⁶Robert O. Keohane, *After Hegemony, Cooperation and Discord in the World Political Economy*, Princeton, NJ: Princeton University Press, 1984, p.51.

¹⁷John J. Mearsheimer, "The False Promise of International Institutions", *International Security*, Vol. 19, No. 3, Winter 1994/95, p.7.

believes that institutions have minimal influence in state's behavior which are not an important cause of the peace.

A responsive article was written by Robert O. Keohane and Lisa Martin in 1995 in order to reply Mearsheimer's assumptions. In this article, authors stressed that the arguments alleged by Mearsheimer describe the fallacious logic of realism. According to Keohane and Martin, neo-institutional liberalism subsumes realism. Both authors claim that governments would invest to institutions when they will benefice the advantages of cooperation since transactions between states might be costly. In this context, institutions reduce these costs and facilitate the intergovernmental operations. In brief, institutions contribute to occurring and maintaining of cooperation between governments.¹⁸

Interdependence and Cooperation are two major concepts of neo-institutional liberalism. I will explain dependence and interdependence concepts in details. Especially, the "complex interdependence" theory will be considered in detail. in this sense, it would be better to ask if trade relation deters states from initiating the conflict?

As a response to these questions Solomon W. Polachek says that states are deterred from initiating conflict against their trading partners for fear of losing the welfare gains associated with trade.¹⁹ Polachek bases his view on microeconomic theory to illustrate the possibility of a relationship between international trade and conflict. Another author, Katherine Barbieri, investigates the effect of trade interdependence on the peace.

According to Katherine Barbieri, trade ties facilitate interstate peace: "Peace through trade is most likely to arise among dyads composed of mutually

¹⁸Robert O. Keohane, Lisa L. Martin, The Promise of Institutional Theory, *International Security*, Vol. 20, No.1, Summer 1995, p.50

¹⁹Polachek, Solomon W., 1980. 'Conflict and Trade', *Journal of Conflict Resolution*, vol. 24, no. 1, March, pp. 57-78.

dependent trading partners.”²⁰ She also underlines that extreme interdependence might be the reason for a potential conflict.

In “*Hegemony and After*”, Keohane claims that multilateral institutions have significant role to form cooperation. Therefore, policymakers invest in institutions. He explains the importance of multilateral institutions as below:

“Leadership is exercised most effectively by creating multilateral institutions that enable states to share responsibilities and burdens. Such institutions may not always succeed in their objectives or eliminate disagreements among their members, but they make cooperation easier and reduce the leader’s burdens which is why policymakers in Washington and many other capitals have invested so much effort for so many decades in creating and maintaining them.”²¹

2.1. Main Arguments of Neo - Institutional Liberalism

In this chapter, my intention is picking up two major concepts of neo - institutional liberalism which are “cooperation and complex interdependence”. I will firstly explain cooperation with its conditions. Secondly, I will define the concept of interdependence. By the way, “complex interdependence” theory will be explained through its main characteristics which are multiple actors and their goals, agenda formation, transnational and transgovernmental relations, minor role of military security issues.

²⁰Katherine Barbieri, Economic Interdependence: A Path to Peace or a Source of Interstate Conflict?, *Journal of Peace Research*, Vol. 33, No. 1 (Feb., 1996), pp. 29-49.

²¹Robert O. Keohane, *Hegemony and After*, *Foreign Affairs* August 2012, pp.51.52.

2.1.1. Cooperation

Neo-institutional liberalism considers governmental and non-governmental actors in the context of cooperation and conflict to explain international relations. As Helen Milner indicates Cooperation among nations has become the focus of a wide range studies in the past decade.²²

Duncan Snidal stressed out that realists' tendency to cooperation is negative in compare with institutionalist scholars. Snidal underlines that realists, since Thucydides, believe that cooperation is difficult under anarchy as states are looking for their relative gains. But he also declares that realists couldn't design a model of relative gains. For this reason, author offers a relative gains hypothesis and describes relative gains with two states in the context of game theories (prisoners' dilemma, chicken, stag hunt). Snidal argues that relative gains have no effect in case number of actors increase.²³

The common points among neo-institutionalist scholars could be grouped in two clusters. First cluster presents definitions of cooperation and the second cluster is made of the propositions that are focused on under what conditions cooperation could be possible. In the light of this clustering performed by neo-institutionalist scholars, I will firstly clarify what is cooperation and what is not. Secondly, I will investigate what are the conditions that affect cooperation.

2.1.1.1. Definition of Cooperation

Kenneth A. Oye defines that the international system is anarchic in which nations live. There is no authority that imposes limits on the pursuit of sovereign interests. This situation makes different outcomes emerge so that state's relation marked by

²²Helen Milner, *International Theories of Cooperation Among Nations, Strengths and Weaknesses*, (Cambridge University Press, *World Politics*, Vol.44, No.3 Apr. 1992), pp.466-472.

²³Duncan Snidal, *Relative Gains and the Pattern of International Cooperation*, *The American Political Science Review*, Vol. 85, No. 3 (Sep., 1991), p.701.

war, arm races, arm control, trade wars, financial panics but also rescues. In brief; the absence of centralized international authority precludes attainment of common goals.²⁴ Oye affirms that international system is non-hierarchic where anarchy reigns. In this system, states may bind themselves in the absence of an international authority despite the absence of any ultimate international authority.

According to Oye, in a mutual relation both sides of the cooperation may gain. And he implies that cooperation with two actors is better than having more actors. Because, the achievement probability of cooperation decrease while number of actors rises. He explains that different type of game theories such as prisoners' dilemma, stag hunt, chicken. Author focus on how actor may alter their choices in order to gain and not to drop worst position. Finally, cooperation is always under the shadow of future because cooperation is consistency of iterated game.²⁵

In his book, *After Hegemony*, Keohane defines us what is cooperation by separating cooperation from other concepts like harmony. He describes cooperation by distinguishing it from harmony. Because, Harmony refers to a situation in which policies of actors are already facilitate the attainment of other actors' goals. It means, there is no need for an adjustment of policy made by sides. Harmony designs such a situation that cooperation is unnecessary. On the other hand, Keohane defines cooperation in the basis of policy adjustment. He claims that actors adjust their actions with respect to actual or anticipated preferences of others by the way that cooperation could occur.²⁶ For this reason, the policy adjustment of actors is significant in the basis of cooperation.

Harmony and cooperation might be interpreted as synonyms. But in theoretical basis these two concepts are well defined. In a work, Robert Axelrod and Robert Keohane define us cooperation by distinguished it from harmony. According to these authors cooperation is not equivalent to harmony because, harmony

²⁴Kenneth A. Oye, *Explaining Cooperation under Anarchy: Hypotheses and Strategies*, Cambridge University Press, *World Politics*, Vol.38, No.1, 1985, pp.1-24.

²⁵*Ibid.*

²⁶Robert O. Keohane, *After Hegemony, Cooperation and Discord in the World Political Economy*, Princeton, NJ: Princeton: University Press, 1984, p.51.

demonstrates a total identity of interest while cooperation contains also mixture of conflicting interests.²⁷

Helen Milner also considers game theories as key instruments to explain cooperation concept. Her emphasis is on the key role of game theories and the conditions that orient actors to cooperate. She also defines cooperation in terms of policy adjustment. According to Milner cooperation becomes possible when actors adjust their behavior to the actual or anticipated preferences of each other through policy coordination²⁸. She offers us new concept “policy coordination” that means implies that the policies of each state have been adjusted to reduce their negative consequences for the other states.

In order to realize the extent of cooperation, defining “what is cooperation” is important as well as defining “what is not cooperation”. As Milner underlines Cooperation is usually opposed to competition or conflict.²⁹ According to Keohane, the difference between cooperation and conflict should also be distinguished. They specify that cooperation does not mean the absence of conflict. Besides, cooperation occurs when actors perceive that their policies are actually or potentially in conflict. Cooperation does not mean either the potential conflict. But, conflict is a trigger for cooperation. Actors will be disposed to cooperate when conflict exist.³⁰ In order to understand the neo-institutionalist explanation of international relations, the concept of cooperation has a key role as it shows adjustment strategies of actor.

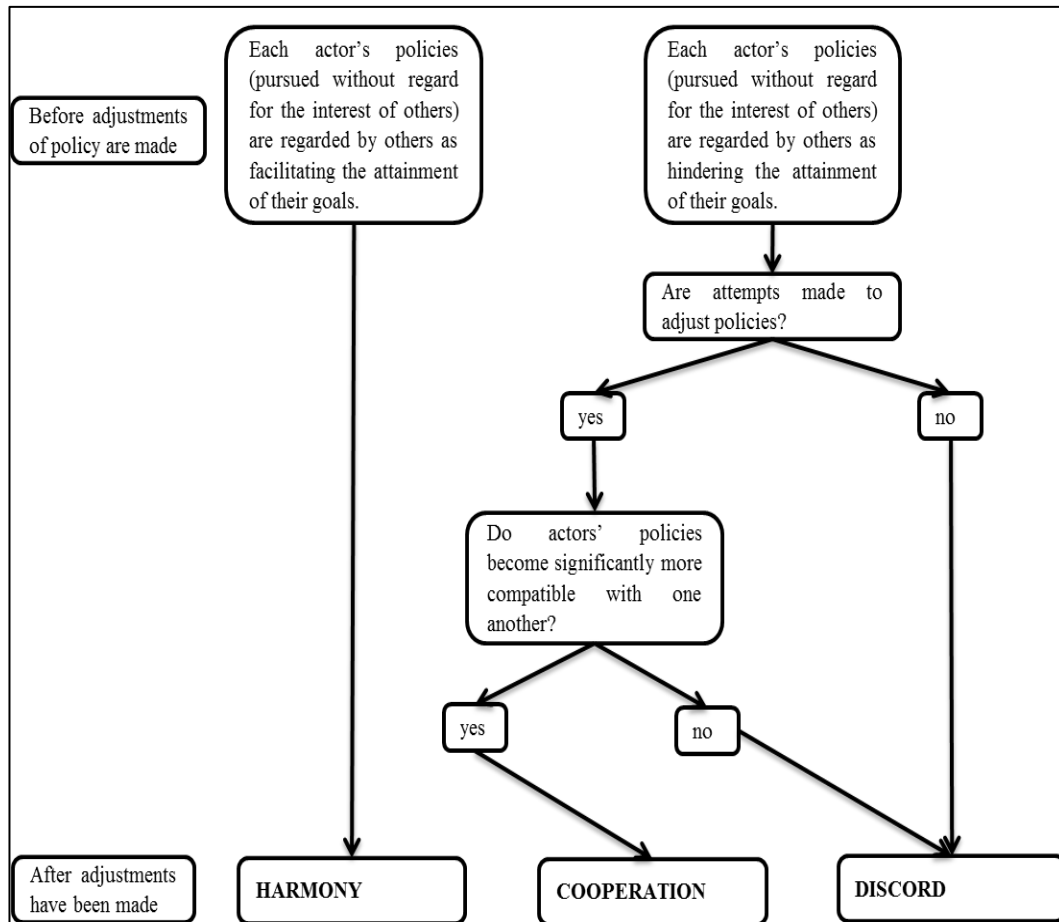
²⁷Robert Axelrod and Robert Keohane, *Achieving Cooperation under Anarchy: Strategies and Institutions*, Cambridge University Press, World Politics, Vol.38, No.1, 1985, p.226.

²⁸Helen Milner, *Op. Cit.*, p.466.

²⁹*Ibid.*, p.466.

³⁰Robert O. Keohane, *After Hegemony, Cooperation and Discord in the World Political Economy*, (Princeton, NJ: Princeton :University Press, 1984), pp.53-54.

Figure 1. Harmony Cooperation and Discord



Source: Robert O. Keohane, *After Hegemony, Cooperation and Discord in the World Political Economy*, Princeton, NJ: Princeton: University Press, 1984, p.53.

Keohane and Axelrod underline that achieving cooperation is difficult in world politics. Cheating and deception are endemic. It is inevitable to touch game theories while explaining the concept of cooperation. However, any detailed explanation of game theories represents subject of another work, determinant factors of cooperation should be considered in brief. In other words, I will not explain in details the features of game theory, its varieties, application to cases or its working rules while describing the cooperation concept.

2.1.1.2. Conditions of Cooperation

According to Milner, there is a consensus about the definition of cooperation and about what kind of situations constitutes it. The disagreement point among scholars is about the cause of cooperation. In their work, Axelrod & Keohane claims that:

“Three situational dimensions affect the propensity of actors to cooperate: Mutuality of interest, the shadow of the future, and the number of actors.”³¹

These three dimensions are valuable to understand cooperation. Kenneth Oye asks two main questions about the cooperation. The first one is about what circumstances favor the emergence of cooperation under anarchy? And the second one is about what strategies can states adopt to foster the emergence of cooperation by altering the circumstances they confront?”³² Oye tries to find out answers to show what kind of circumstances contribute to form cooperation? What are the obstacles in front of cooperation and the actors’ counter strategies to these obstacles? In respect to these questions, this part, I will investigate under what kind of conditions cooperation is possible?

2.1.1.3. Pay Off Structure: Mutuality of Interest

Payoff structure is a key point for cooperation in terms of mutuality of interest and actors’ preferences. I could say that payoff structure affects the future strategies of actors because cooperation is consist of mutuality of interest. Axelrod and Keohane argue that payoff structure determines mutuality of interests and it is not based on objective factors as it is based on the perceptions of the actors in terms

³¹Robert Axelrod and Robert Keohane, *Op. Cit.*, p.228.

³²Kenneth Oye, *Explaining Cooperation under Anarchy: Hypotheses and Strategies*, Cambridge University Press, World Politics, Vol.38, No.1, 1985, p.2.

of their own interests. Perceptions of the actors define also the interest concept. The degree of mutuality could be understood through defining the perceptions and preferences of actors. Therefore, the process by which interests are perceived and preferences determined should be well examined.³³

Actors in mutual relation have their own background, dynamics and goals. There is not an objective formula for payoff structure in a mutual relationship. Therefore, it is significant to understand the perceptions of actors in order to explain the features of cooperation. By the way, in order to understand mutuality of interest, desires of actors should also be considered for a cooperation analysis. According to Kenneth Oye, cooperation is a situation that actors desire. Actors who want to be in a beneficial position prefer to be coherent so that they act coherently to each other and bind themselves through the cooperation. This desirable gain needs to be fed by the efforts of actors for constructing and maintaining the cooperation. Another discussion point is the altering of the payoff structure. According to Oye, there are three main strategies, “unilateral, bilateral and multilateral” for altering the payoff structure.³⁴

Unilateral Strategy is put forward by Robert Jervis³⁵. According to Jervis in a relation the powerful actor which relatively has more defensive and offensive weapons in compare with its counterparts would be cautious in cooperation. This prudence of the stronger actor would prevent any surprise deception. In reverse, this prudence would limit the gains from the cooperation.

Oye criticizes unilateral strategies in term of altering pay off structures. He affirms that unilateral strategies are not able to present altering options to actors. In contrary to unilateral strategies, bilateral strategies can be used to alter payoff structure as they combine dissimilar games. He affirms that multilateral strategies offer two options to actors for altering payoff structure:

³³Robert Axelrod and Robert Keohane, *Op. Cit.*, p.229.

³⁴Kenneth Oye, *Op. Cit.*, p.6.

³⁵Robert Jervis, Cooperation Under Security Dilemma, World Politics, Volume 30, Issue 2(Jan.,1978), p.167-214.

“First, norms generated by regimes may be internalized by states, and thereby alter payoff structure. Second, information generated by regimes may alter states' understanding of their interests.”³⁶

In “*The Evolution of Cooperation*” Robert Axelrod gives us an example to make concrete the concept of interest in cooperation between actors: He says:

”A good example of the fundamental problem of cooperation is the case where two industrial nations have erected trade barriers to each other's exports. Because of the mutual advantages of free trade, both countries would be better off if these barriers were eliminated. But if either country were to unilaterally eliminate its barriers, it would find itself facing terms of trade that hurt its own economy. In fact, whatever one country does, the other country is better off retaining its own trade barriers. Therefore, the problem is that each country has an incentive to retain trade barriers, leading to a worse outcome than would have been possible had both countries cooperated with each other.”³⁷

This explanation of Axelrod through the trade barriers shows us that perception about the self-interest is a key determinant for actors who are in cooperation process. For this reason, mutuality of interest is a significant issue which contributes to cooperation.

2.1.1.4. Shadow of the Future

Cooperation has its own dynamics such as payoff structure and numerous actors. Time is also a significant determinant of cooperation. An accord, a deception or a stake between actors present a picture, but cooperation is a video that is made of these pictures in a long time horizon. An accord or a stake of the present time would shape the decision, actions of actors for the future. But, cooperators know

³⁶Kenneth Oye, *Op. Cit.*, p.11.

³⁷Robert Axelrod, *The Evolution of Cooperation* (New York: Basic Books, 1984), p.7.

that cooperation consists of an iterated game that present events and cases promote the future. Axelrod and Keohane argue that in a game such as prisoners' dilemma, concerns about the future would serve to form cooperation. Neo-institutionalists investigate the concept of cooperation through game theory. As I declared, the goal of this chapter is not explaining the game theories in detail. If the game is known by the cooperators as iterated; sides of the game will be avoided from to cause defection since other actors would retaliate tomorrow. In this sense, actors would be more faithful and honest to each other in order to keep cooperation. This case is directly in relation with the shadow of the future's nature. Consequently, Axelrod and Keohane accept "shadow of the future" as an effective promoter of cooperation.³⁸

Transparency is another vital factor for maintaining cooperation. Oye underlines that defining both defector and cooperation are the keys for establishing cooperation in international arena. For this reason, lack of transparency and ambiguous definitions might limit the states to recognize cooperation.³⁹ An important critic is made by Robert Powell to "iterated game" concept put forward by neo-institutionalists. Powell criticizes neo-institutionalists in terms of weak explanation for repeated game explanation. He affirms that the "iterated game explanation" made by neoliberals is weak because change in state level is neglected. Powell underlines that in a repeated game every period take after each other hence neo-institutionalists explanation for iterated game is problematical.⁴⁰

2.1.1.5. Number of Actors: Sanctioning Problem

The structure of relationship between actors in cooperation has also impact on the ability of cooperation. At this point, reciprocity appears as an effective strategy to

³⁸Robert Axelrod and Robert Keohane, *Op. Cit.*, p.232.

³⁹O. Kenneth Oye, *Explaining Cooperation under Anarchy: Hypotheses and Strategies*, Cambridge University Press, *World Politics*, Vol.38, No.1, 1985, p.16.

⁴⁰Robert Powell, *Absolute and Relative Gains in International Relations Theory*, *The American Political Science Review*, Vol. 85, No. 4 (Dec., 1991), p.1310.

induce cooperation between actors. As Keohane and Axelrod mention that there are three conditions in an effective reciprocity. These conditions could be ordered as below:

1. Players can identify defectors.
2. They are able to focus retaliation on defectors.
3. They have sufficient long-run incentives to punish defectors.⁴¹

These conditions of reciprocity show us a new concept named “defector” in the context of cooperation process. It is strongly underlined in neo - institutional liberalism that, defectors should be limited and eliminated in the process to form and maintain cooperation. “Sanctioning” is a probable solution for cooperators in order to eliminate defectors. Hence, cooperators are faced with number of actor problem. In other words, it is hard to identify the defector in a relation participated by many actors.

In order to maintain cooperation, identifying and sanctioning the defectors are two indispensable actions. In this sense, intention of cooperators becomes the determinant factor for the future of the cooperation. Furthermore, information and transparency of the game would make easy to find and punish the defectors. Lastly, the confidence of states would be one of the most significant determinants for maintaining the cooperation. Therefore, states must be able to monitor their counterparts’ actions by assuring them that any betrayal action would be responded. Lastly, actors in cooperation should be encouraged to punish defectors otherwise, sanctioning problem would arise.⁴² As a result, Sanctioning problem is an important determinant for the maintenance of cooperation. Defectors put at risk the compatibility of actors’ policy in the way of cooperation. If defectors can’t be sanctioned, cooperators would lose confidence to each other and cooperation might be unachieved.

⁴¹Robert Axelrod and Robert Keohane, *Op. Cit.*, pp.232-234.

⁴²*Ibid.*, p.236.

As I told in this thesis, cooperation is an important concept to understand neo-institutional liberalism. Another concept is interdependence and relatively “complex interdependence theory”. In the second part of this theoretical framework explanation, I will consider complex interdependence theory starting by the concept of interdependence.

2.1.2. Interdependence in World Politics

Neo-institutionalists such as Keohane and Nye underline that “national security” was a slogan performed by American political leaders during the Cold War era. According to authors, national security symbolism was largely product of the Cold War and its persuasiveness was increased by realist analysis. This way of thinking made the national security concept as the most important vague in international relations. But, events such as USA’s reaction to Vietnam imbroglio, misuse of national security concept by Nixon in Watergate affair increased the importance of national security concept.

National security had to share its position as the prime symbol in the internationalists’ lexicon with “interdependence.”⁴³ Once, the concept of interdependence got its importance in international relations, political leaders started to use interdependence rhetoric so that interdependence appeared as a mitigating factor for conflicting actors and interests. In this respect, I will firstly define the concept of interdependence through the neo-institutionalist perspective. After, complex interdependence theory will be explained and discussed through its main characteristics.

It should also be underlined that interdependence and conflict concepts should be considered together as Edward D. Mansfield and Brian M. Pollins refer to the relation between interdependence and conflict. These authors research the effects

⁴³Robert O. Keohane and Joseph S. Nye, *op.cit.*, p.7.

of economic interdependence on political conflicts and they precise that there are two meaning of economic interdependence:

“First, a group of countries is considered interdependent if economic conditions in one are contingent on those found in the others, for example, if inflation in France quickly places upward pressure on German prices. Second, countries are considered interdependent if it would be costly for them to rupture or forego their relationship (...)”⁴⁴

Moreover, these authors emphasize that recent studies in international relations studies have demonstrated the influence of interdependence on political tensions. In this regard, the effect of economic interdependence on political issues will be discussed in this thesis through Turkish - Russian economic interdependence and the warplane crisis.

2.1.2.1. Definition of Interdependence

In their pioneer book “*Power and Interdependence*”, Keohane and Nye firstly define dependence as “a state of being determined or significantly affected by external forces.”⁴⁵ And then, they describe the meaning of interdependence as below:

“Interdependence most simply defined, means mutual dependence. Interdependence in world politics refers to situations characterized by reciprocal effects among countries or among actors in different countries.”⁴⁶

There are two major issues in this definition, Firstly, the strict sense of interdependence refers to the mutual dependence definition. Secondly, in a broad

⁴⁴Edward D. Mansfield and Brian M. Pollins, *Economic Interdependence and International conflict, New Perspectives on an Enduring Debate*, The University of Michigan Press, 2003, p.11.

⁴⁵Robert O. Keohane and Joseph S. Nye, *op.cit.*, p.7.

⁴⁶*Ibid.*, p.7.

sense interdependence is defined as reciprocal effects among actors. Another author, Katherine Barbieri also defines interdependence by differentiating it from dependence: “Interdependence generally implies relations of mutual need and, by extension, mutual vulnerability between actors, while dependence denotes asymmetrical relations.”⁴⁷

These simple definitions of dependence and interdependence designs us the difference between these close concepts. For instance, actors A and B are in a dependence relation, A is dependent to B means B determines the state of beings for A. And A is not free to move in case B is reluctant about A’s action. But, if there was an interdependence relation between A and B actors would be connected to each other. There will not be an unilateral determination by one actor about another one as interdependence presents mutual dependence. In other words, actions and reactions of actors would be reciprocal that is what Keohane and Nye defend.

It should also be underlined that an interdependence relation may be asymmetric. There might be advantageous and disadvantageous actors in a mutual dependence as interdependence hasn’t got objective international rules. At this point this thesis asks: “Who gets what in a mutual dependence?” If interdependence doesn’t imply a pure symmetry between actors, what kind of issues shape the asymmetry in interdependence? In order to find satisfying answers I will consider complex interdependence theory in many dimensions.

2.2. Complex Interdependence Theory

Complex interdependence theory was introduced by Keohane and Oye to international relations studies. In “*Power and Interdependence*”, Keohane and Oye present us an ideal type that they call “complex interdependence”. In relation

⁴⁷Katherine Barbieri, *Economic Interdependence: A Path to Peace or a Source of Interstate Conflict?*, *Journal of Peace Research*, Vol. 33, No. 1, Feb. 1996, p. 33.

to this ideal type there is a great debate as international relations scholars call “neo-neo debate”. This debate might be subject of an entire work in details but I will not explain in details arguments and counter arguments put forward by the member of these two schools.

Keohane and Nye claim that realist assumptions are insufficient for explaining international relations. According to these neo-institutionalists authors, three assumptions are integral to the realist vision. Firstly, they claimed that realist authors consider states as coherent units and evaluate them as the dominant actors in world politics. Secondly, realism put forward the use of force as the most useful instrument in mechanism of world politics. According to realists, threatening force is the most effective means of power. Thirdly, realists assume a hierarchy of issues in world politics because they interpret the threatening force is useful instrument in world politics. And, the hierarchy of issues is determined by “high politics”. In other words, military security issues dominate the agenda in world politics. Therefore, economic and social affairs stay in the background for setting of the agenda.

Three assumptions of realist school are highly criticized by Nye and Keohane. This criticism has also an inspiring influence on both authors. They claim that neorealist assumptions give any importance to transnational actors. Moreover, in neorealist assumption, there is only the exercise of force or the threat of force. According to Nye and Keohane, these realist assumptions -given in three points- design an ideal type of world politics. In this realist ideal type there is a potential conflict among states. As a result of this perspective, use of force is possible in any time. Perceptions of states are based on military security principals and each state try to defend its borders, self-interests from potential threats. As a result of this perceptions and principals, political integration among states stay slow. Moreover, political integration between states is based on the self-interest of the most powerful states since these powerful states have the threatening force. In this realist ideal type, transnational actors are politically insignificant.

The realist assumptions put forward an ideal type in terms of dependence and cooperation as Keohane and Nye affirm. But my focus is on the ideal type of neo-institutionalists which is called “complex interdependence”. Therefore, complex interdependence theory will be studied through its main characteristics.

2.2.1. Main Characteristics of Complex Interdependence.

In their works, Keohane and Nye offer us an ideal type that named “complex interdependence” which has three main characteristics as authors explain in details. In this part of the theoretical explanations I will explain these three characteristics of complex interdependence.

2.2.1.1. Multiple Channels

The first characteristic of complex interdependence is multiple channels of interdependence relation. Keohane and Nye define multiple channels as below:

“Multiple channels connect societies, including: informal ties between governmental elites as well as formal foreign office arrangements; informal ties among nongovernmental elites (face-to-face and through telecommunications); and transnational organizations (Such as multinational banks or corporations). These channels can be summarized as interstate, transgovernmental, and transnational relations.⁴⁸

Interaction of states has already existed before 1970s, but neo-institutional liberalism’s explanation made this interaction more visible. Moreover, these scholars put forward multinational firms and banks, or corporation as important actors besides the states. In this thesis, I considered two actors A and B while

⁴⁸*Ibid.*, p.20.

explaining the dependence and interdependence. In this case, A and B were both states. But, this ideal type of Keohane and Nye, the affirmation of multiple channels pushes us to add new actors besides A and B. It means, in a complex interdependence situation, I have one side A, A1, A2 and the other side B, B1, B2. These new actors, (A1,B1) represent multinational firms, banks or corporations.

These new actors have their own goals. For instance, a multinational company would take care of their own profits in interaction. Transnational actions of multinational firms and trade unions made national boundaries more transcended. Furthermore, transnational communication reinforced the tie effect of multinational firms and trade unions over governments. Because of reason, foreign economic policies touch more domestic economic activities. This is the inevitable result of multiple channels in international relations.⁴⁹

2.2.1.2. Absence of Hierarchy among Multiple Issues

The second characteristic of complex interdependence is about unclear hierarchy of multiple issues in the agenda of states. Keohane and Nye refer to a description made in 1975 by Kissinger who describes the multiple issues of interdependence as cited below:

”Progress in dealing with our traditional agenda is no longer enough. A new and unprecedented kind of issue has emerged. The problems of energy, resources, environment, population, the uses of space and the seas, now rank with the questions of military security, ideology, and territorial rivalry which have traditionally made up the diplomatic agenda.”⁵⁰

⁴⁹*Ibid.*, p.20.

⁵⁰Henry A.Kissinger, A New Natioanal Partnership, “Department of State Bulletin, February 17, 1975, p.199.

As Kissinger explains, diplomatic agenda needs to be considered in a new way because new issues have emerged in international relation domain after 1970s. Keohane and Nye make their affirmation of “multiple issues” basing on Kissinger’s description. According to these authors, there are multiple issues in the agenda of international relations between actors. And this agenda is not ordered in a clear and consistent hierarchy. This absence of hierarchy among issues means that military security issues don’t dominate the agenda.⁵¹ Kissinger emphasizes that interdependence brought prosperity to actors in international arena but it may also cause problems and threats a decline for actors in case of actors couldn’t perceive common interests. In this sense, Kissinger claims that “interdependence requires a new level of political wisdom, a new standard of responsibility and a new vigor of diplomacy.”⁵²

2.2.1.3. Minor Role of Military Force

The third main characteristic of complex interdependence based on the minor role of the military force which set off the distinction between realist and neo-institutionalist perspective. According to Keohane and Nye, if complex interdependence prevails among states, military force could not be used by governments towards equivalents.⁵³

Relationship between countries gets intensity and mutual influence exists strongly than existed in the past. Consequently, military force loses its importance as an instrument of foreign policy. Moreover, usage of military force is costly and it presents uncertainty to international relations. Neo-institutionalists are not in intention to deny totally the role of military force. They underline how usage of military force is costly. In this respect, they claim that usage of military force by states causes uncertainty in international relations.

⁵¹Robert O. Keohane and Joseph S. Nye, *op.cit.*, p.20.

⁵²Henry A.Kissinger, *Op. Cit.* pp.199-200.

⁵³Robert O. Keohane and Joseph S. Nye, *op.cit.*, p.21.

2.2.2. Sensitivity and Vulnerability Concepts

Interdependence concept points out a mutual dependence which contains “power” in nature. In order to understand the role of power in interdependence, “sensitivity and vulnerability” concepts should be well defined as Keohane and Nye did in below:

“Sensitivity involves degrees of responsiveness within a policy framework-how quickly do changes in one country bring costly changes in another. And how great are the costly effects?”⁵⁴

The other dimension, vulnerability, is defined by these authors “as an actor’s liability to suffer costs imposed by external events even after policies have been altered.”⁵⁵ In this respect, sensitivity refers to actors’ endurance in front of a unforeseen event while vulnerability refers to actors’ outlook after being adjusted the politics in terms of the permanent negative events. For instance, I will reconsider again A and B. A is an oil exporter actor and it exports oil to many actors. A’s exports to B is equivalent to %7 of A’s total oil export. On the other hand, B is such an actor that it purveys %90 of its oil consumption by importing. And, B imports %40 of its oil consumption from A. This is the main picture of interdependence that occurs between A & B. In case of an unforeseen change in A’s exporting volume, B would be in trouble in terms of oil supply. B would be named as sensitive in terms of this quick change. The degree of sensitivity depends on case. After this change –it is accepted that- B has altered its policies about oil importing and oil consumption. But, in a period of time the cost in oil imports get doubled for B, relatively B has shortage in terms of oil consumption shows that B is vulnerable if A changes its oil export strategy.

⁵⁴*Ibid.*, p.10.

⁵⁵*Ibid.*, p.11.

2.2.3. Political Process of Complex Interdependence

According to traditional view, military form of power dominates other forms of power. As a result of this dominance, states who have most military power control the world affairs. While the main idea of traditionalists put the military power and security issues to the center of debate, Keohane and Nye affirm that power does not mean totally military force by defining the power as the ability of pushing other actors to do something otherwise they wouldn't do.⁵⁶

Complex interdependence theory offered us distinctive political processes with its three main characteristics which translate the meaning of the power. That means actors, agenda, linkage strategies were redefined by complex interdependence theory so that the notion of power was translated. Three main characteristic of complex interdependence translated "power resources" into power as control of outcomes.

In a world of complex interdependence, there are non-governmental actors beyond the states. And in the absence of clear hierarchy goals of actors is varied where military issues don't dominate the agenda. Moreover, transnational actors have their own goals. I will explain four main principals to clarify the political process of complex interdependence.

2.2.3.1. Goals of Actors

In realist assumptions, strong countries in military and political issues are considered as the establisher actors which impose their own policies and goals to other states. In complex interdependence, there are nongovernmental actors such as multinational firms and banks or trade unions that are looking for their own profits but also linking governments by economic issues.

⁵⁶*Ibid.*, p.11.

In a world where utility of force declines, in other words usage of military force declines, linkages would be shifted to politic and economic issues. Consequently, goals of states will be varied by issue area. Therefore, states will consider interdependence as a source of power.⁵⁷

Keohane and Nye underline that the decline of military power leads to expect state to use the other forms of power. At this moment vulnerability and sensitivity dimensions are prominent concepts as interdependence might be asymmetrical in some cases. The less vulnerable states will use this asymmetry of interdependence as a source of power. The less vulnerable side would use also international organizations, transnational actors and flows. Relatively, states will define “economic interdependence” as a source of power.⁵⁸ This assumption of authors explains how linkages strategies transformed while military security issues got less determinant factor the interstate relations.

2.2.3.2. Agenda Formation

Agenda setting is the second assumption in the political process of complex interdependence theory that shows the significant role of ordering multiple issues in the lack of hierarchy among multiple issues. In the complex interdependence; military force and military security are not dominant issues. It means distribution of power resources specific to issue areas form the agenda instead of politico-military issues. Today, nonmilitary issues as power of resource became more important than in the past such as monetary politics, commodity trade so that would affect the agenda formation.

In their work, Keohane and Nye explain that under the complex interdependence international and economic domestic problems would be determinant in setting of

⁵⁷*Ibid.*, p.26.

⁵⁸*Ibid.*, pp.26-27.

agenda as there is a shift in the distribution of power resources. Oil crisis occurred during 1970s is an example for this change in agenda formation.⁵⁹

2.2.3.3. Transnational and Transgovernmental Relations

The third condition of complex interdependence is about transnational and transgovernmental actors that present multiple channels between international actors as states and societies do. The appearance of transnational and transgovernmental actors in international relations changed the political perspective and blurred the distinction between domestic and international politics. At this point, multinational corporations appear as important actors because these corporations are independent actors looking for their own interests and they might be also instruments manipulated by governments

I gave the example of two actors A and B by adding nongovernmental actors A1, A2 and B1,B2 I have shown that international relations is not simply based on states or governments actions. In a global world, transnational and multinational actors got more importance as they establish multiple channels of complex interdependence. One side, transgovernmental actors tie societies. On the other side these actors might be controlled and manipulated by governments. Keohane and Nye emphasize the delicate balance between transnational actors and domestic issues. According to both authors transnational actors are independent in nature but these actors might be used by governments to manipulate interdependence relation with other governments or manipulate domestic politics.

2.2.3.4. Roles of International Organizations

Complex interdependence theory offers us multiple issues and multiple channels with the less usage of force. In a world where multiple issues and multiple channels are developed by transnational, multinational actors the given role to

⁵⁹*Ibid.*, p.27.

international organizations become major. Because, under complex interdependence, military security issues wouldn't be the dominant issues in the agenda but the political and economic issues will dominate the agenda through the international transactions of transnational and multinational actors. That situation will provide transnational and transgovernmental coalitions. Under these circumstances, the role of international organizations becomes evident in terms of setting the political agenda.

International Organizations ties governments to each other in international arena that provides activating potential coalitions in world politics. In "*Hegemony and After*" Keohane considers the role of international relations as essential for cooperation. He claims that in an interaction, states might be suspicious to each other if there is lack of information and transparency. In that case, leadership of institutions is essential to promote cooperation.⁶⁰ However, international institutions are important actors to promote cooperation, claiming too much these institutions might be false promise as Keohane and Lisa Martin declares.⁶¹ As it was underlined in the introduction part of this thesis international institutions and domestic politics are neglected in this study as Turkish – Russian interdependence is considered by the view of sensitivity and vulnerability. Therefore, international institutions will not be take in count to explain Turkish – Russian interdependence while economic indicators and bilateral political crisis will be on the scene.

This thesis aims to analyze Turkish - Russian relations in terms of energy trade such as natural gas and oil trade. This relationship contains both cooperation and interdependence issues. In this regard, this chapter described the interdependence and the ideal type of complex interdependence through its characteristics; multiple channels, absence of hierarchy among multiple issues, minor role of military issues, sensitivity and vulnerability dimension of interdependence. All of these theoretical explanations will help to analyze academically the how natural gas and oil trade effect the Turkish – Russian interdependence in terms of sensitivity and vulnerability. Furthermore, this chapter described the concept of cooperation by

⁶⁰Robert O. Keohane, *Hegemony and After*, Foreign Affairs August 2012. p.51.52.

⁶¹Robert O. Keohane, Lisa L. Martin, *Op. Cit.*, p.51.

separating it from harmony and discord. The necessary conditions to form cooperation were explained in details such as mutuality of interest and the shadow of the future, detecting and sanctioning defectors. In this regard, this study will analyze the effect of warplane crisis in Turkish – Russian relations. Therefore, main arguments of neo - institutional liberalism such as cooperation, interdependence and complex interdependence are vital for analyzing Turkish – Russian relations since this relationship contains economic interdependence in terms of energy.

3. CHAPTER 2: ECO-POLITICAL OVERVIEW OF TURKEY AND THE RUSSIAN FEDERATION

Neo - institutional liberalism attributed to international relations research in terms of complex interdependence theory. As it was introduced in the first chapter of this thesis, Keohane and Nye underline the increasing importance of multiple issues particularly economic ones in the setting of agenda. Besides that they explain how this multiple issues are interpreted by states as a resource of power instead or besides military power. Turkish - Russian relations burst into prominence after the warplane crisis in 2015 as these two states were on the brink of a war.⁶² This relationship could be analyzed in different type of theoretical approaches. In this thesis, I will consider Turkish – Russian relations through neo - institutional liberalism’s concepts that are cooperation and complex interdependence in terms of energy markets limited to natural gas and oil.

In order to understand the extents of interdependence, cooperation and conflict occurs between Russian Federation and Turkey in terms of energy markets as an economic issue, economic and political positions of both countries needed to be analyzed. Therefore, in this chapter I will firstly investigate economic extents of these two countries through GDP ratios, inflation ratios and foreign trade volume.

In this respect, the main goal of this chapter is introducing Turkey and Russian Federation in numbers and defining their political positions in order to prepare the readers for the case study. This chapter will include brief information about each topic and there will be detailed information about Syrian Crisis and Warplane Crisis. Readers will have an idea about Turkey and Russian Federation and their bilateral relations by the end of the chapter that will make easy for readers to grasp the main objective of the case study.

⁶² <http://www.valuewalk.com/2015/11/russia-vs-turkey-nuclear-war-likely/>

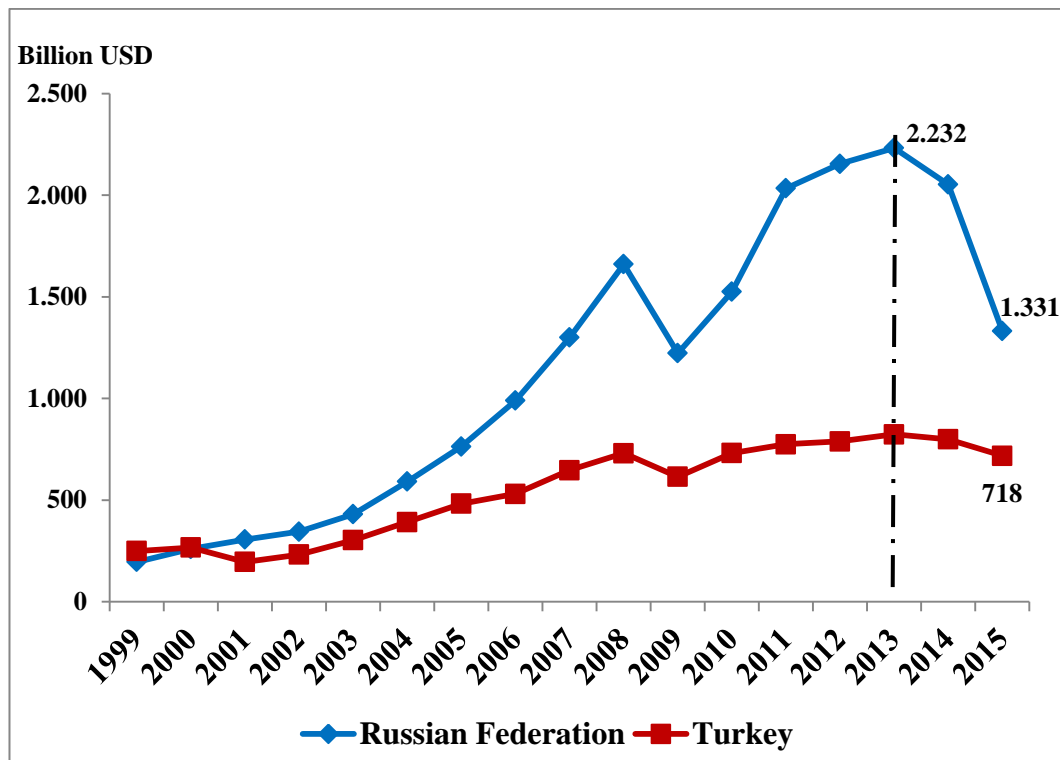
3.1. Economic Outlook of Russian Federation and Turkey (1999-2017)

In this part, I will mainly focus on the economic positions of Russian Federation and Turkey. My intention is not giving all details about their economies. In this sense, these economies will be analyzed through main economic indicators such as GDP ratios, inflation ratios and foreign trade volume should be deal with a trend analysis in a comparative way. Therefore, I start with GDP numbers of both states as it is shown in the Figure 2. I will make an effort to show economic and political outlook of Russian Federation and Turkey. Especially, the case study of this thesis will research the economic interdependence between Russian Federation and Turkey. Energy trade numbers and bilateral outlook would cause an incomplete explanation. For this reason, in a first stage; I will describe the economic extent of Russian Federation and Turkey by analyzing their economic strengths, weaknesses, opportunities and threats.

In a second stage, I will consider foreign policies of both countries since 1999. But the main focus of will be on Syrian crisis and relatively warplane crisis that would be explained in details which pushed Russian Federation and Turkey to the edge of War in 2015. Political and economic explanation will make easy to understand the cooperation game performed between these countries. Moreover, such analysis would make easy to clear up economic interdependence between countries.

GDP is one of the main indicators for magnitude of a country's economy. Economic growth and shrinkages could be observed briefly by analyzing GDP ratios as in the Figure 2 below:

Figure 2. Trend Analysis for Turkey and Russian Federation by GDP (Current USD)



Source: World Bank Data.

GDP figures over years of the Russian Federation and Turkey were shown by current prices in USD currency. There are two important breakdowns in 2008 and 2013. The first breakdown is because of 2008 global crisis. This global financial crisis had negatively affected both economies to be declined. And the second breakdown of the GDP curve starts in 2013 and becomes more visible in 2014. This second breakdown shows Russian Federation's economy is more volatile than Turkey's due to variable oil prices is mostly relevant this volatility of Russian economy. In order to understand the extent of volatilities of these two economies I will make trend analysis through the oil prices, inflation ratios and foreign trade volume that will serve to understand the vulnerability and sensitivity extents of interdependence between Turkey and Russian Federation.

3.1.1. Economic Outlook of Russian Federation

After 2013, Russian economy started to have problems which reflected negatively to Russian GDP as it is shown in the Figure 2. According to Adam Eberhardt and Marek Menkiszak, the recent negative situation in Russian economy is a result of three unfavorable trends. Firstly, resource – based model pushed to the limits of its potential. Relatively, this resource – based model was collocated with dramatic decline in oil prices in the second half of 2014. The worsening structural problems in economy present the second trend. Lastly, western sanctions against to Russian Federation caused the negative situation in Russian economy.⁶³ As a consequence of all these trends, Russian economy had got worse.

As shown in Figure 2 above Russian GDP has grown from 1999 to 2008 with non-stop. In an analysis made by Fiona Hill in 2004, Russia was interpreted as a rising economy thanks to rising oil prices as shown in Figure 3 below. According to Fiona Hill, after five years of growth Russia has a new soft power, “the energy resources”.⁶⁴ Fiona Hill underlines the importance of oil prices in the growth of Russian economy. But what about any fall in the oil price? In order to find out answers to asked question I will make a trend analysis through economic indicators.

Russian economy was affected negatively from 2008 global crisis and it is widely because of declines in crude oil prices.⁶⁵ This decrease in oil prices revealed the vulnerable side of Russian economy which is highly basis on energy trade incomes. IMF country report about the Russian economy reveals that also Russian economy contracted 3,7 % in 2015 because of low oil prices and economic sanctions put forward by European Union and USA.⁶⁶ In another report made by

⁶³Adam Eberhardt, Marek Menkiszak, The economic and financial crisis in Russia background, symptoms and prospects for the future, OSW Report, Warsaw, February 2015, p.5.

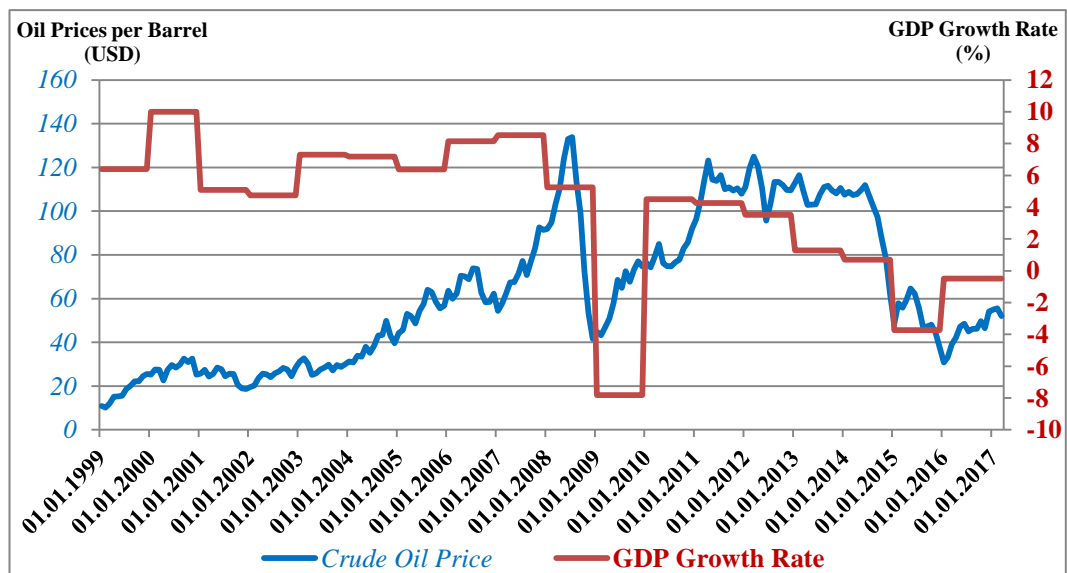
⁶⁴Fiona Hill, *op. cit.*

⁶⁵İsmail Hakkı İşcan, Yıldız Zeliha Hatipoğlu, Rusya'nın Serbest Piyasa Anlayışı ve Küresel Kriz, International Conference On Eurasian Economies 2010.

⁶⁶IMF Country Report No. 16/229, Russian Federation Staff Report 2016, Article IV. Consultation Washington D.C July 2016. <http://www.imf.org/external/pubs/ft/scr/2016/cr16229.pdf>

U.S. Energy Information Administration, Russia is defined as the world’s largest producer of crude oil and the second largest producer of dry natural gas. Moreover, natural gas revenues account nearly %40 of the federal budget. Revenues from the oil exportation presents %46 of Russian total export revenues in 2015.⁶⁷ At this point, the question reveals: “Is there a strong correlation between oil prices and Russian Economy?” If the answer is yes the consecutive question reveals: “In which extents does this correlation reflect sensitivity and vulnerability of Russian economy?” In order to understand the “sensitivity and vulnerability” of Russian Economy, as illustrated in the Figure 3, I will try to make a correlation analysis by curating row data so that correlation between crude oil prices in the and growth rate of Russian economy will be demonstrated. It should also be noted that Russian Federation exports in natural gas base on long term contracts. In these natural gas contracts price formula is indexed to oil prices of previous six to nine months.⁶⁸ Therefore, crude oil price is an important determinant for Russian economy.

Figure 3. Russian Economy by Oil Prices & GDP Growth Rate



Sources: World Bank Data (<http://data.worldbank.org/country/russian-federation?view=chart>) for “GDP Growth Rate” and Federal Reserve Bank of St. Louis (<https://fred.stlouisfed.org/series/DCOILWTICO>) for “Crude Oil Prices”

⁶⁷U.S. Energy Information Administration, Country Analysis Brief: Russia, 25.10.2016. <https://www.eia.gov/beta/international/analysis.cfm?iso=RUS>

⁶⁸ <http://www.gazprom.com/about/marketing/europe/>

In the Figure 3 above, left axis shows the crude oil prices in USD currency and the blue curve presents the trend in oil prices from 1999 up to 2017. Right axis shows the growth rate (%) of Russian Federation's GDP. The interpretation of this figure might be handled in many details but my main intention is demonstrating the correlation between crude oil prices and the growth in Russian Federation's GDP. It could be deduced from the figure that the blue curve's trend affects the red curve's way. As it is demonstrated, crude oil prices influence the GDP growth rate of Russian economy. If, crude oil prices decreases Russian economy gets down. In reverse, Russian economy turns positive while crude oil prices incline. Therefore, this thesis affirms that there is a strong correlation between crude oil prices and Russian economic outlook. Moreover, this analysis demonstrates how Russian economy is in trouble since 2014 which signals Russian Federation needs to form and keep its economic cooperation because of this negative outlook in economy.

In order to make an assessment about the Russian economy, Russian political and economic elites such as multinational, transnational actors and statesman come together every year in Gaidar Forum. During the 8th Gaidar Forum theme was "Russia and the World: Setting Priorities". Reform debates in Russian economy makes this forum important since these debates emphasize the vulnerability of Russian Economy in terms of instability in economy which was also underlined in the analysis above. Prime Minister of Russian Federation Dmitry Medvedev has made a speech in the 8th Gaidar Forum and took attention to vulnerability of Russian economy:

"Now that the prices of raw materials are low, I need to reform the economy, which is dominated by the resource sector and is therefore vulnerable. That said, all our restructuring decisions must be as balanced and accurate as possible and complemented with the necessary stabilization and support measures."⁶⁹

⁶⁹<http://government.ru/en/news/26050/>

Medvedev underlines the negative effect of oil prices in Russian economy in another speech:

“...Of course, low oil prices, in general hamper us now. But, on the other hand, when I meet my colleagues at the government, I can frankly tell you that I tell them: if the oil prices grow back to their previous level (people don't always have a strong will to set their own beliefs to economic factors) if the price is back to 140 [dollars per barrel], everyone will relax again,”⁷⁰

These speeches of Medvedev present indeed two acknowledgments. Firstly, he recognizes how Russian economy hit by low crude oil prices. Secondly, he lays emphasize on the structural. All of these speeches show how an economic dynamic of energy markets steer a state's economic position that relatively determines political strengths.

National currency rate and inflation are main indicators to show the position of an economy consists on. Especially inflation is a significant indicator because this rate demonstrates the general level of prices for goods and services is rising and indirectly affect the purchase power of currency fails. In this regard, inclining inflation signals negative outlook in Russian economy. According to neo-institutionalist perspective, this negative outlook in economy could be accepted as an incentive for economic cooperation. As a result of this analysis, this thesis affirms that any economic sanctions declared by Russian Federation against Turkey are not sustainable as Russian economy is in trouble since 2014.

December 2014 was accepted as a financial crisis for Russian Federation among economists.⁷¹ This financial crisis has exposed the reality of structural economic problems in Russian economy. The crisis in December 2014 could be shown through the exchange rate of national money. Therefore, inflation and exchange

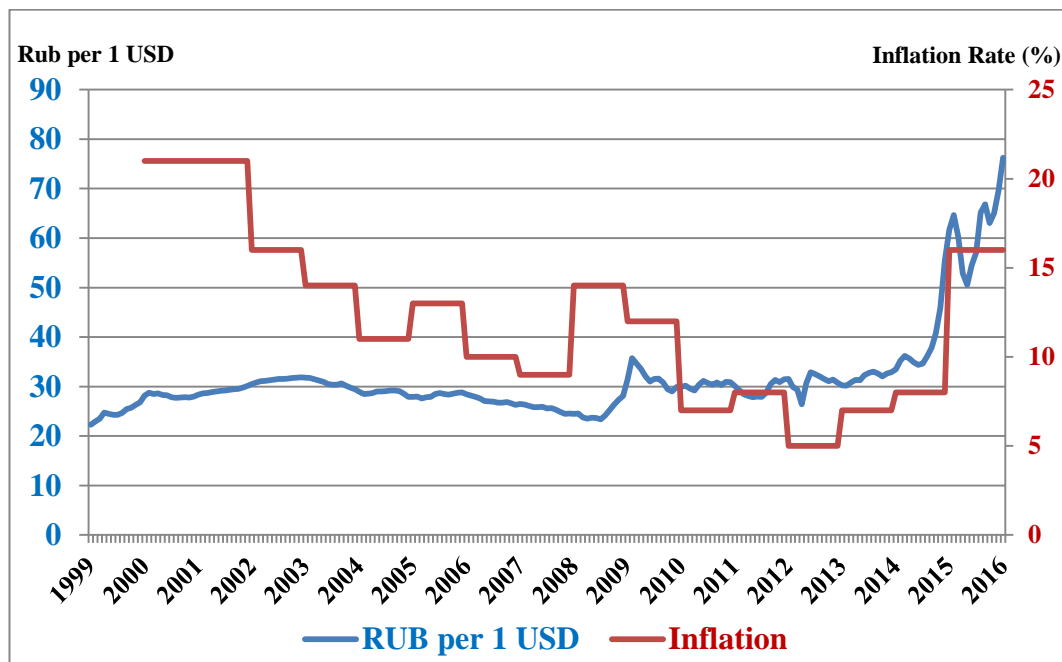
⁷⁰<http://tass.com/economy/854960>

⁷¹Adam Eberhardt, Marek Menkiszak, the Economic and Financial Crisis in Russia Background, Symptoms and Prospects For the Future, OSW Report, Warsaw, February 2015. p.5.

rate of Ruble would be shown in the Figure 4 which demonstrates Russian economy by the inflation rate and Ruble's value in a given time.

Russian economy was subject to economic sanctions imposed by USA and European Union because of the Ukrainian crisis. These economic sanctions caused instability and relatively negative outlook in Russian Economy in short terms. In order to understand the negative effect of sanctions against to the Russian economy I will make a comparative trend analysis as in the Figure 4 below.

Figure 4. Russian Economy by National Currency and Inflation Rate



Source: Federal Reserve Bank of St. Louis
<https://fred.stlouisfed.org/series/CCUSMA02RUM618N>

In the Figure 4, left axis shows the exchange rate of Russian national currency which is Ruble (RUB) per 1 USD while the right axis show the inflation rate in Russian economy. It is observable that national currency of Russia was struck by negative economic developments after 2014. Relatively, inflation rate jumps in 2015.

Analyzing the Figure above, it could be figured out that Russian economy had influenced negatively from 2008 global financial crisis but further to that Russian economy has turned to negative after 2014. That year, Russian Federation has shown aggression against to Ukraine which triggered comprehensive sanctions against Russian economy.⁷² After the sanctions, Russian financial market had trouble to procure foreign capital even more instability stirred up capital outflow which caused negative results for exchange rate of Ruble and inflation rate.⁷³ Adam Eberhardt, Marek Menkiszak also stress out the importance caused by shocking decrease in the values of Ruble. They argue that Central Bank of Russia treated the 50 % of decrease in Ruble's value because of financial instability which triggered an increase in inflation.⁷⁴

Analyzing the figure 4 above, this thesis affirms that Russian economy is quite sensitive to energy trade that the decrease in crude oil prices triggered the negative outlook in Russian economy. In addition to all these negative impacts, the sanctions by European Union and USA worsened the negative outlook. In such a situation, Russian Federation will be less incentive to break down economic ties especially in energy trade that Russian sanctions against Turkey should be analyzed under these circumstances.

3.1.1. Economic Outlook of Turkey

After the 2001 financial crisis, Turkey declared economic reforms in financial sector. These reforms strengthened the Turkish financial sector which triggered a significant growth in Turkish GDP till 2008 global financial crisis. After the crisis, the growth rate boosted for two more years but not more because of

⁷²Stanislav Secieru, *Russia Under Sanctions, Assessing the Damage, Scrutinising Adaptation and Evasion*, Warsaw, November 2015, p.12.

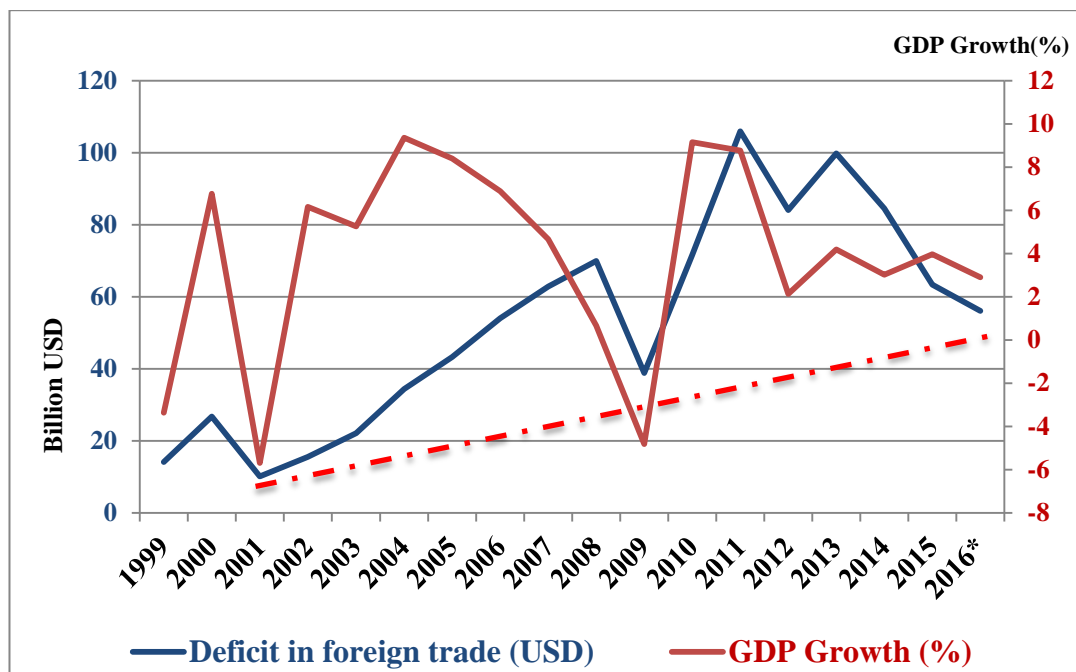
⁷³Akif Abdullah, Erhan Babaç, *Ekonomik Açıdan Rusya'ya Uygulanan Yaptırımlar ve Türkiye İle Yaşanan Uçak Krizinin Etkileri*, İnsan Ve Toplum Bilimleri Araştırmaları Dergisi, Cilt: 5, Sayı: 7, 2016, pp. 2134-2143.

⁷⁴Adam Eberhardt, Marek Menkiszak, *The economic and financial crisis in Russia background, symptoms and prospects for the future*, OSW Report, Warsaw, February 2015, p.12.

economic structural problems such as lack of national capital, being dependent to imported energy and foreign capital.⁷⁵

After 2013, Turkish economy was interpreted as stronger than in the past but still volatile. The main reasons of the volatility depend on lack of resources such as financial capital and energy rush up the deficit in Turkish foreign trade. Therefore, Turkish economy has structural weaknesses like inflation or lack of financial capital.⁷⁶ Moreover, Turkish economy has weaknesses such as energy import and instability in her national money Turkish Lira. In order to demonstrate economic outlook of Turkish Economy, I will analyze GDP growth, foreign trade, energy imports of Turkey.

Figure 5. Deficit in Turkish Foreign Trade and GDP Growth of Turkey



Source: TUIK

In the Figure 5, left axis shows the deficit in Turkey’s foreign trade from 1999 to 2016 while right axis show the annual GDP growth (%) of Turkish economy.

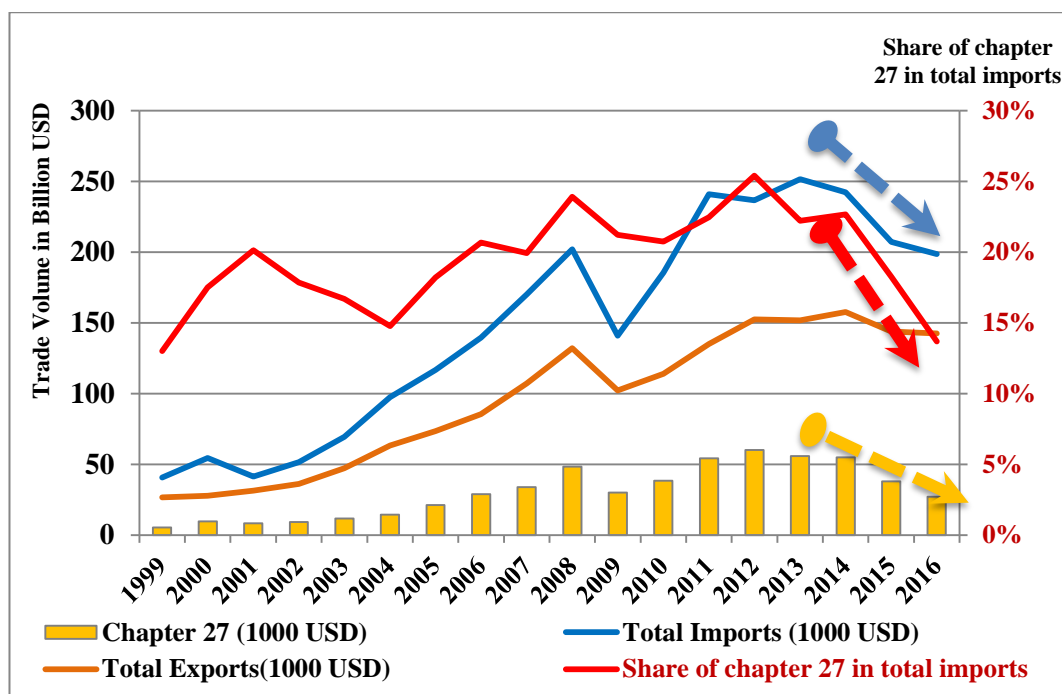
⁷⁵Suat Özeren, 2001 Krizi Sonrası Ekonomik Büyüme, İstihdamdaki Gelişmeler ve Beklentiler, Türkiye Ekonomi Kurumu, Tartışma Metni 2012/81, Eylül 2012, pp.1-15.

⁷⁶<http://www.economist.com/news/europe/21579491-turkey-remains-highly-exposed-loss-confidence-foreign-investors-strong-vulnerable>

After 2001 crisis, Turkish economy had an upward trend as the red dashed line shows.⁷⁷ But, deficit in foreign trade imposes structural threat for Turkish economy. In this thesis, I will not entirely analyze the reason of the deficit in Turkish foreign trade but “energy imports” should be considered in a short outlook as it constitutes a significant portion in this deficit.

Turkish Statistical Institute reports import data of Turkey by chapters. And energy import is reported under “*Chapter 27-Mineral fuels, minerals oils and product of their distillation*”. In order to figure out the effect of energy issues and “the looking up” in the deficit of Turkish foreign trade after 2014, chapter 27 should be analyzed. In the Figure 5, the deficit in Turkish foreign trade was shown by emphasizing the looking up after 2014. It could be claimed that the reason behind this looking up is related with the declining in energy imports. In this regard, I will try to show how energy imports play an important role in Turkish trade balance in the Figure 6 below.

Figure 6. Effect of Energy Imports in Turkish Foreign Trade Deficit



Source: TUIK

⁷⁷I don't take in count the decline in growth rate because 2008 economic crisis was global and this situation is not directly related to Turkish economy in terms of GDP growth rate.

In the figure 6, the left axis shows total export, total import and the imports in chapter 27 per billion USD while the right axis shows the proportion of chapter 27 in total imports by percent. In 2014, oil prices reduced dramatically as it has shown in the Figure 3. This situation caused negative effects over energy exporting countries such as Russian Federation that I explained briefly in this chapter. On the other side, this reduction was for the benefit of energy importing countries such as Turkey.⁷⁸ In the Figure 6 above, the blue curve and relatively the blue dashed arrow show downtrend in total imports of Turkey. The red curve and red dashed arrow shows the share of energy imports in total imports.

As explained in a report made by Republic of Turkey Ministry of Energy and Natural Resources in May 2015, low oil prices made positive effects in Turkish economy in terms of narrowing the foreign trade deficit.⁷⁹ Therefore, the low oil prices lighten Turkish economy's burden in terms of energy imports. This situation contains a significant result that Turkey -as an energy dependent country- has a relative gain in in compare with Russian Federation since the low oil prices affect Russian economy negatively. In the third chapter, this analysis will be considered in the context of Turkish - Russian interdependence.

3.2. Foreign Policy Strategies of Turkey & Russian Federation

In this part, I will try to explain briefly the main topics in political strategies especially foreign policies developed by Russian Federation and Turkey. My intention is explaining the main political issues of each state to make clear the recent foreign strategies of these states. I will firstly explain the recent Turkish foreign policy. After then, Russian Federation foreign policy would be explained through main topics. In this part, I will expose the reasons why does this thesis consider Turkish – Russian cooperation and interdependence from 1999 till 2017.

⁷⁸Türkiye İhracatçılar Meclisi, Ekonomi ve Dış Ticaret Raporu 2015, İstanbul. pp.16-18.

⁷⁹T.C. Enerji ve Tabii Kaynaklar Bakanlığı Ham petrol ve Doğal gaz sektör raporu Mayıs 2016 http://www.enerji.gov.tr/File/?path=ROOT%2F1%2FDocuments%2FSekt%C3%B6r%20Raporu%2FTP_HAM_PETROL-DOGAL_GAZ_SEKTOR_RAPORU_2015.pdf

3.2.1. Turkish Foreign Policy

The transformation in Turkish foreign policy has started with the period of İsmail Cem and passed a turning point in 1999. Especially, the nature of relations between Turkey and her neighbors have changed in the context of economic interdependence and national interest. Kadri Kaan Renda explains this changing in the context of neo-liberal theory through the complex interdependence theory. According to Renda, Turkish foreign policy has passed two transformations during 1990s; the first is “renationalization” the second is “rise of internationalism”. Renda claims that economic change was resulted in domestic political transformation. Economic growth and trade issues became more dominant in both Turkey’s and her neighbors’ political agenda. Renda affirms as below:

“(…) Hence, instead of finding conflict with its neighbors, recently at the top of Turkey’s foreign policy agenda is a move to promote interstate cooperation.”⁸⁰

This shift in Turkish political agenda finds its races in 1980s since these years are widely accepted as liberalization period for Turkey especially in terms of economy policies. “Structural adjustment program” directed by World Bank and International Monetary Fund (IMF) led the liberalization of Turkish economy. As I mentioned in the economic outlook of Turkey, foreign trade deficit poses problem for Turkish economy as did during 1980s. The aim of this structural adjustment put forward by IMF and World Bank was reducing foreign trade deficit through growing Turkish export. And the acceptance of the program led Turkey to new era in terms of economy and foreign policy.⁸¹ International organizations affected the Turkish economic and political agenda via this program. Therefore, “trade” became an important actor in Turkish foreign policy

⁸⁰Kadri Kaan Renda, Turkey’s Neighnorhood Policy: An Emerging Complex Interdependence? Insight Turkey Vol. 13/No.1/2011 p.90.

⁸¹Gülten Kazgan, “Tanzimattan 21. Yüzyıla Türkiye Ekonomisi,İstanbul Bilgi Üniversitesi Yayınları, İstanbul, 2009, pp,120-124.

as a result of the structural adjustment. Once the transformation and liberalization started in Turkish eco-political structure, it continued during 1990s when Turkey was apparently transformed into a trading state after Özal period. This process was interrupted during 1990s. But Turkey's relation with European Union in 1996 restarted the process.⁸²

The liberal market policies led to emerge strong economic interest groups and business elites such as "Independent Industrialists and Businessmen's Association (MÜSİAD)". The analysis of Kirişçi shows how these interest groups interact with each other but furthermore, they interact with diverse government agencies. Even more, these interest groups and business elites have direct line to government itself. As a result, these economic actors are able to shape public opinion. Kirişçi also claims that these interest groups are also capable to shape alliances with government agencies as well as their counterparts in other countries through the lobbying and supporting activities.⁸³

Turkey had applied structural changes in its economy as Kazgan explains which caused the appearance of stronger interest groups and business elites than in the past. These nongovernmental actors have an important effect on Turkish foreign policy as Kirişçi claims. As a result, Turkish foreign policy is no longer dominated solely by military and security issues.⁸⁴

Another author Ziya Öniş underlines that during 1980s and 1990s Turkish politics was dominated by security issues such as Kurdish separatist organization PKK and Turkish army's frequent operations in Syria and Iraq. By the end of 1990s, Turkish adherence to European Union had an important effect in Turkish foreign policy. Öniş argues that, the arrest of Abdullah Öcalan who is the leader of PKK in February 1999 was an important issue. Beside this, European Council's Helsinki Summit of December 1999 was a crucial turning point in Turkey's

⁸²Kemal Kirişçi, *New Perspectives on Turkey, The transformation of Turkish foreign policy: The rise of the trading state*, p.29.

⁸³*Ibid.*, p.46.

⁸⁴Nathalie Tocci, *Turkey's Neighborhood Policy: A European Perspective*, German Marshall Fund On Turkey Series, April 5, 2011.

foreign policy since Turkey was recognized by European Union as a candidate for full membership. Helsinki decision has accelerated the process of democratic consolidation and crucial reforms in both economic and politic realms.⁸⁵ Analysis developed by Öniş has an implicit affirmation that European Union -as an international institution- has changed the economic and political issues through the Helsinki Summit's decisions.

Another author, Kadri Kaan Renda also claims that 1999 was a turning point in Turkish foreign policy because the leader of a terrorist organization, the PKK, was captured and the influence of European Union became more visible in Turkish domestic political structure as Turkey was granted to candidate status for European Union in 1999. In this sense, Helsinki Summit and the arrest of Öcalan are two milestones for transformation of Turkish foreign policy. This process rendered Turkish state less vulnerable that paved the way for new actors, new channels and new strategies in the Turkish foreign policy.⁸⁶ After 1999, "threats" disappeared for Turkey and this transformed the mindset of Turkey from security perception to more liberal way; new actors, new channels of interaction and new strategies.

According to Renda, Turkey passed two major transformations; "democratization and economic liberalization". Non-governmental organizations played a significant role in policymaking of Turkey during these transformations. Author argues that Justice and Development Party (AKP) turned the way of Turkish foreign policy from security- first politics to liberal politics after 2002. Transformation in Turkey's economic structures made Turkey a trading state. Events such as being a member of "Custom Union" made Turkish economy more liberal.⁸⁷ In a liberal Turkey, foreign policy was based on good neighborhood relation in the period of İsmail Cem, the minister of foreign affairs from 1997 to

⁸⁵Ziya Öniş, Turkey and the Middle East after September 11: the Importance of the EU Dimension, pp.2-3.

⁸⁶Kadri Kaan Renda, Turkey's Neighnorhood Policy: An Emerging Complex Interdependence?, Insight Turkey Vol.13/No.1/2011, p.94.

⁸⁷*Ibid.* p.95.

2002. This good relation strategy with neighbors was reformulated by AKP governments and called “zero problems with neighbors” by Ahmet Davutoğlu. This directed the Turkish foreign policy till the Arab Spring.⁸⁸

Republic of Turkey Ministry of Foreign Affairs declares in official website that Turkey gives special importance to positive relations with her neighbors. In this context, “zero problem with neighbors” becomes vital to understand Turkey’s hopes in terms of her relation with neighbor countries. For this reason, Turkey’s intention is eliminating any kind of problem with her neighbors.⁸⁹ Although, I will not analyze in details all extent of the “zero problem strategy” which reigned Turkish foreign policy, it should be underlined that this policy has supportive role in accelerating economic interdependence and ending the interstate conflict through diplomatic mechanisms.⁹⁰

Turkish foreign policy was dominated by military security issues during a long period where military actors were also dominant in the setting of foreign policy agenda. In this regard, 1999 was a turning year for Turkish foreign policy since security military issues was weakened after the arrest of Öcalan and Turkey accelerated liberalization and democratization after Helsinki Summit. And the zero problem strategy dominated the agenda till Arab spring.

For last three years, Turkish foreign policy is concentrated again on military security issues as Syrian crisis, Islamic State (IS) crisis. Syrian crisis caused warplane crisis between Turkey and Russian Federation that I will explain it in details. As military security issue, warplane crisis dominated both Turkish and Russian foreign policy by the way this crisis revealed the delicate balance of Turkish – Russian economic interdependence.

⁸⁸Tarık Oğuzlu, Komşularla Sıfır Sorun Politikası:Kavramsal bir Analiz, Ortadoğu Analiz, Haziran 2012- Cilt 4- Sayı-42, p.9.

⁸⁹Republic of Turkey Ministry of Foreign Affairs , Policy of Zero Problems with our Neighbors, <http://www.mfa.gov.tr/policy-of-zero-problems-with-our-neighbors.en.mfa>

⁹⁰Tarık Oğuzlu, Komşularla Sıfır Sorun Politikası: Kavramsal bir Analiz, Ortadoğu Analiz, Haziran 2012- Cilt 4- Sayı-42, p.13.

3.2.2. Russian Foreign Policy

In this part, the main arguments of Russian Federation's foreign policy would be analyzed respecting to case study. Therefore I will be in intention to introduce the main arguments briefly. The collapse of USSR (Union of Soviet Socialist Republics) in 1991 made significant changes in World politics because Cold War was ended, and relatively Russian Federation was founded on the Soviet heritage in 1991. According to Andrei P. Tsygankov, "Russia's experience with the West-initiated globalization has been peculiar."⁹¹ Because, Russian leaders followed a national historical way followed by Russian leaders while Boris Yeltsin, the first president of Russian Federation, was pro-Western whose efforts were aiming at Russian integration to Western institutions.⁹² Hereby this thesis asks: "What are these historical national patterns in Russian foreign policy?"

After USSR period, neo-Atlanticism and neo-Eurasianism appeared as two main movements in term of Russian foreign policy. Neo-Atlanticism was accepted by Boris Yeltsin and his team who was the pioneer in the transition at the beginning of 1990s. While neo-Atlantists believed the positive outcomes from such economic and political integration to west, Eurasianist axis claimed that Russian Federation could be strong actor in the region through the usage of geopolitics and military power.⁹³

Russian Federation has applied neoliberal politics during 1990s in the context of world global order but couldn't succeed. Especially the "Black Tuesday" event made accelerated liberalization process.⁹⁴ After 1995, in Russian foreign policy ex-soviet hinterland was identified as Russian domain in the context of "Near Abroad Doctrine". Therefore, Russian Federation tried to control the states in the

⁹¹Arlene B. Tickner and David L. Blaney, In Thinking International Relations Differently, London: Routledge, 2012, p. 205.

⁹²*Ibid.*, p.206.

⁹³M. Sadi Bilgiç, Rus Jeopolitiği: Avrasyacı Yaklaşım ve Türkiye'ye Etkileri, Bilgesam Analiz / Rusya No:1317. 4 Mayıs 2016. pp.2-3.

⁹⁴Merve İrem Yapıcı, Rus Dış Politikasını Oluşturan İç Etkenler: Yeltsin ve Putin Dönemleri, Ankara: USAK Yayınları, Ağustos 2010, p. 54.

region by holding them off from west via international organizations like “Commonwealth of Independent States and Shanghai Cooperation Organization. Bilgiç claims that because of economic and politic instability, Russian Federation was not successful in terms of its foreign policy, “the Near Abroad Doctrine”. But, Russian Federation steered away from neoliberal politics starting from the Putin era since 2000 which led an economical build-up thanks to rising oil prices⁹⁵

Russian economic growth has accelerated after 1999 when Putin became the primary minister. Therefore, 1999 was an important turning point in Russian economy and politics. Meanwhile, Russian foreign policy was reshaped in this Putin era since 2000. And the indirect effect of oil prices in Russian foreign policy that strengthen Putin’s chance to apply Eurosianist politics. After being elected Vladimir Putin published an article by which Russian foreign policy redefined.⁹⁶ According to Özel, the article published by Moskovskiye Noviste on 27.02.2012 “Russia and changing world” is important to discover Putin’s politics in the new period. In this article there are 6 principals of Russian foreign policy as summarized in below;

- Economic integration with China,
- Improvement of economical binds with Middle-East
- Good neighborhood relations with North Korea.
- Protection of Russian public that lives outside of Russia.
- Integration with EU in order to transition without visa
- Maintaining stability in Syrian politics.⁹⁷

⁹⁵M. Sadi Bilgiç, Rus Jeopolitiği: Avrasyacı Yaklaşım ve Türkiye’ye Etkileri, Bilgesam Analiz / Rusya No:1317. 4 Mayıs 2016. p7.

⁹⁶Vladimir Putin, Russia and the changing world, 27.02.2012. <https://www.rt.com/politics/official-word/putin-russia-changing-world-263/>

⁹⁷Merve Suna Özel, Çar Putin İle Üçüncü Dönem, 21. Yüzyıl Türkiye Enstitüsü, Rusya Slav Araştırmaları Merkezi, 05.09.2012. <http://www.21yzyt.org/tr/arastirma/rusya-slav-arastirmalari-merkezi/2012/09/05/6729/car-putin-ile-ucuncu-donem>

The last point, “maintaining the stability in Syria” is mostly concerned with the case study this thesis which will be examined in detail.

Russian Foreign policy presents a grand debate about neo-Atlanticism and neo-Eurasianism in on the other side Russian Federation had military security issues on the top of the agenda in terms of foreign policy such as Russo – Georgian War in 2008. I will not entirely explain the Russo Georgian war in respect to the thesis subject. But, Russian intervention to Georgia was an important turning point in recent Russian foreign policy. Because this intervention was interpreted as Russian Federation’s first real post-Soviet attempt to limit American expansion in the region.⁹⁸

3.3. Turkish - Russian Political Relations

Turkish – Russian relations rest on a rich history that followed by economic cooperation bilaterally. But the recent issues such as Syrian crisis, warplane crisis and economic sanctions negatively influenced the way of this cooperation. In this respect, this thesis study Turkish – Russian relation from 1999 to 2017 by focusing on Syrian crisis, warplane crisis, economic sanctions and normalization process of Turkish - Russian relations. In order to understand the warplane crisis and economic sanctions in terms cooperation and interdependence the previous history of Turkish and Russian relations should briefly be explained.

Turkey and the Russian Federation have developed their own strategies in the Syrian crisis and this differentiation in strategies of both countries started to cause tension between sides after 2014. And this tension resulted in warplane crisis that Turkish air force has shot down a Russian warplane in November 2015 which pushed these two economic partners to the edge of a potential war. It means that military security issues have dominated the political agenda. Once the warplane

⁹⁸Azmi Bishara, Russian Intervention in Syria: Geostrategy is Paramount, Arab Center for Research and Policy Studies, November 2015. p.3.

crisis occurred, Russian Federation announced economic sanctions and restrictions against Turkey as a response of Turkish air force attack. But, natural gas and oil trade were not concerned in the list of sanctions and restrictions.

In this part, I will explain Turkish - Russian political relations in the context of recent international crisis such as Russo - Georgian War, Ukrainian crisis by this means it will be shown that how Russian Federation weaponized the natural gas against Ukraine in case of crisis.

3.3.1. Russo-Georgia War and Position of Turkey

Russo - Georgian War was in sight based on military security issues. In reverse, Rachel Martin affirms that Russian Federation strived to control natural gas and oil which caused this war. Especially Baku – Tbilisi - Ceyhan pipeline is the key factor as it passes through the Georgian land which was built by the help of USA and Europe.⁹⁹ While Martin explains how energy issues are determinant factors in Russian foreign policy, Kandiyoti affirms that Russian foreign policy is loath to leave European countries to act in the close region in terms of energy issues especially about oil:

“The EU had been trying to wean itself off energy dependence on Moscow by developing a network of energy routes through Georgia. It's no wonder that the Russians turned their attention in that direction.”¹⁰⁰

Russo - Georgian war could be considered in detail by different academic studies. But, this thesis emphasizes that this war showed in practice, Turkey's balanced foreign policy. Georgia is an important neighbor country for Turkey in the context of Baku Tbilisi Ceyhan pipeline. Turkey's political position was so balanced during the Russo Georgian war. Turkey couldn't send frankly any military help to

⁹⁹<http://abcnews.go.com/Business/story?id=5595811>

¹⁰⁰Rafael Kandiyoti, Pipeline Politics Caused the War in Georgia, 20.08.2008. <http://www.telegraph.co.uk/comment/personal-view/3561576/Pipeline-politics-caused-the-war-in-Georgia.html>

Georgia in terms of while NATO (North Atlantic Treaty Organization) members sent military help to Georgia. Torbakov affirms that, Turkey is economically dependent to Russia especially in terms of Russian Natural Gas.¹⁰¹ Turkish business elites such as the president of Turkish Exporter's Assembly were on the scene during the Russo Georgian War who was emphasizing that Russian trade is of vital importance for Turkish economy.¹⁰²

In brief, Russo – Georgia war has shown a reality that after the Soviet era, Russian Federation was again in international scene. Both as a member of NATO and as another power in the region, Turkey followed a balanced foreign policy during the Georgian crisis. This balance of powers could be associated with Turkish asymmetrical dependency to Russian natural gas.

3.3.2. Ukrainian Crisis, Crimea Annexation and Position of Turkey

Ukrainian crisis has its origins indeed in “orange revolution” occurred in 2004. I will not explain all details about the Ukrainian crisis but the starting point dates back to 22 November 2013 when Yanukovich refused to sign European Union Association agreement.¹⁰³ After this decision, western oriented supporters started to protests which called “Maidan protest”. One of the first reactions performed by Russia was appeared through Gazprom's “discount” move. Just after the rejection signed by Yanukovich, Gazprom reduced “unilaterally” the price of gas. It charged Ukraine by one- third.¹⁰⁴ This was a gift to “Pro –Russian Ukraine” which refused to cooperate with “European Union”.

¹⁰¹Igor Torbakov, the Georgia Crisis and Russia-Turkey Relations, Jamestown Foundation, 2008, pp.4-33.

¹⁰²*Ibid.*, p.16.

¹⁰³<http://www.bbc.com/news/world-europe-25162563>

¹⁰⁴Josh Cohen, Vladimir Putin's most effective weapon is gas – but not the poison kind, <http://blogs.reuters.com/great-debate/2015/07/28/why-vladimir-putins-gas-weapon-may-be-his-most-powerful-foreign-policy-tool/>

In the beginning of 2014, the protests against Yanukovich have come out which divided Ukraine politically. While opposition block captured government places, Yanukovich escaped to Russian Federation in February 2014.¹⁰⁵ By the time, Maidan protest carried out a successful revolution. As a result of the revolution, pro-western politicians formed a government. Just after, Russian Federation has declared a mark-up about 81 % of gas price to Ukraine which was clearly a punishment to “Pro-Western Ukraine”.

Even as Russian Federation was trying to bring Ukraine into Russian line pro-Russian protests have come out to Crimea and resulted in a referendum about annexation of Crimea to Russian Federation in 16 March 2017. In this referendum 95,7 % of electors was in favor of annexation to Russian Federation.¹⁰⁶ Crimea was reunited officially with Russian Federation in 17 April 2014 which was a great victory for Russian Federation in terms of foreign policy. On the one hand as Sophie Pinkham claims, annexation of Crimea was an aggressive move performed by Putin through which Putin signals “Russian Federation is still an international power”¹⁰⁷ On the other hand, this annexation is interpreted as a natural result of lately politics of Ukraine in the Crimea region by some authors. Sergey Salushev affirms as below:

“Russia’s annexation of Crimea must be understand in the context of tenacious historic links of Russian people with the peninsula and the Ukrainian nationalist politics that alienated the country’s ethnic Russian community”¹⁰⁸

Ukrainian crisis and Annexation of Crimea are two recent significant affairs that demonstrate variable examples to understand Russian foreign policy in brief. This thesis briefly explained Russian foreign policy in compare with Turkish one in the

¹⁰⁵Ukrayna Krizi : Son Durum ve Ukrayna Savaş Haritası <https://www.stratejikortak.com/2017/02/ukrayna-krizi-ukrayna-haritasi.html>

¹⁰⁶ <https://www.rt.com/news/crimea-vote-join-russia-210/>

¹⁰⁷Sophie Pinkham, How Annexing Crimea Allowed Putin to Claim he had made Russia great again , 22.03.2017, <https://www.theguardian.com/commentisfree/2017/mar/22/annexing-crimea-putin-make-russia-great-again>

¹⁰⁸Sergey Salushev, Annexation of Crimea: Causes, Analysis & Global Implications, Global Societies Journal, Volume 2, 2014, p.43.

context of cooperation, interdependence analysis. Therefore, I didn't explain the details of each crisis. But, the significant point is in Ukrainian crisis that Russian foreign policy weaponized the natural gas against Ukraine. As a response to this move, European Union and United States has declared economic sanctions to Russian Federation. This situation again shows how economic issues play role in formation of agenda in international relations. Crimea crisis in 2014 and relatively western sanctions to Russia had dominated the agenda¹⁰⁹ as military security issues. The significant point is that Russian Federation used natural gas as a weapon against Ukraine in case of crisis. Recently, western sanctions against to Russian Federation were responded with a threat of natural gas cut to Ukraine and relatively to European countries.¹¹⁰ In this respect, it could be affirmed that Russian foreign policy doesn't deter itself from weaponizing the natural gas in any conflict case.

3.3.3. Western Sanctions to Russian Federation and Position of Turkey

Russian intervention in Ukrainian crisis and the annexation of Crimea caused a power rivalry between Russian Federation and western actors (European Union, USA, NATO). As this study explained, Russian Federation used a natural gas as a weapon against to Ukraine by adjusting the price. In return for this energy move, economic sanctions were put forward against to Russia by supporters of Ukraine which are European Union, USA and NATO starting by March 2014. These sanctions were firstly against the economic actors which incited instability in Ukraine.¹¹¹ For instance, European Investment Bank has paused investing new

¹⁰⁹Akif Abdullah, Erhan Babaç, Ekonomik Açidan Rusya'ya Uygulanan Yaptırımlar ve Türkiye İle Yaşanan Uçak Krizinin Etkileri, İnsan Ve Toplum Bilimleri Araştırmaları Dergisi, Cilt: 5, Sayı: 7, 2016, pp.2134-2143.

¹¹⁰Insa Wrede, Translated by Hülya Schenk, "Avrupa'da Doğalgaz Korkusu" Deutsche Welle Türkçe, 07.03.2014. <http://www.dw.com/tr/avrupada-do%C4%9Falgaz-korkusu/a-17482202>

¹¹¹USA Department of State, Ukraine and Russia Sanctions, Executive Order 13661 issued on March 17 2014. <https://www.state.gov/e/eb/tfs/spi/ukrainerussia/>

projects in Russian Federation. South Stream Pipeline project was suspended by European Union. Russian Federation was also excluded from G-8.¹¹²

Sanctions caused instability and relatively negative outlook in Russian Economy in short terms. These sanctions affected negatively the inflation ratio and exchange rate of Ruble as low oil prices did. On the other side, Russian Federation cancelled the South Stream Project in December 2014 and shifted it with Turkish Stream Project which meant the rerouting of Russian Gas.¹¹³ Turkey's political position was in parallel to European Union's and USA's politics that Turkish Ministry of Foreign Affairs disclaimed the annexation referendum of Crimea.¹¹⁴

In response to Western sanctions, Russian Federation announced also economic sanctions to European Union and USA. By the time Putin visited Turkey in the context of "Fifth Turkish-Russian High Level Cooperation Council" in December 2014. Just after the meeting, Putin announced that there would be a decrease around 6 % in natural gas prices and gas transfer would increase 3 billion m³ per year. Furthermore, Putin explained that he has agreed with Erdoğan for a Turkish alternative to South Stream Project.¹¹⁵ It could be affirmed that Russian foreign policy reformed Russian - Turkish cooperation through adjusting the gas prices and projects while European Union, USA and NATO were trying to isolate Russian Federation. Having neo-institutionalist perspective, this thesis affirms that USA, NATO and European Union has interpreted Russian Foreign policy as a defector in Ukrainian crisis and punished this country by economic sanctions.

In revenge to Russian energy weapon, European Union and USA declared economic sanctions against economic actors which cause conflict in Ukraine. In the context of neo-institutionalist analysis, I could say that Russian Federation weaponizes the natural gas in its asymmetrical interdependence with Ukraine. In

¹¹² Akif Abdullah, Erhan Babaç, op-cit., pp.2134-2143.

¹¹³ Luca Franza, From South Stream to Turk Stream, Prospects For Rerouting Options And Flows of Russian Gas to Parts of Europe and Turkey, CIEP Paper 2015. P.9.

¹¹⁴ <http://www.aljazeera.com.tr/haber/turkiyeden-kirim-tepkisi>

¹¹⁵ <http://www.dw.com/tr/t%C3%BCrkiye-ve-rusya-sadece-iki-ticari-ortak/a-18105027>

contrary, European Union and USA emphasized that the game is iterated. And any defect - such as Russian Federation did - could be punished. As it is an iterated game, Russian Federation shifted “South Stream Project” with “Turkish Stream Project”. At this moment, actors are getting crowded. For this reason “sanctioning problem” reveals. Furthermore, Turkish - Russian relations have other defects such as warplane crisis and cooperation. In the next chapter I will try to explain in details Turkish Russian conflict, cooperation and interdependence in both economic and political perspective.

Foreign policies of both Russian Federation and Turkey could be analyzed in a comparative way. Turkish foreign policy had started to transform its foreign policy in the beginning of 1980s and 1999 that was a turning point in terms of liberalization and agenda setting. Therefore “zero problem with neighbors” policy became the slogan of Turkish foreign policy. Although Arab Spring suspended this process in practice, in recent times, “zero problem with neighbors” is accepted officially by Ministry of Foreign Affairs. On the other side, Russian Federation was led to liberalization by Yeltsin. But this attempt was unsuccessful. According to Catharine Danks, during 1990s economic actors like Gazprom, petrol firms started to be dominant in Russian domestic politics by holding economic power. In consequence of this situation they were able to shape foreign politics.¹¹⁶ During the Putin era, military security issues have dominated the Russian foreign policy and Russian Federation didn't abstain from threatening the countries by cutting natural gas in a time crisis as this thesis briefly explained.

Finally, in contemporary developments, Russian Federation was faced with Turkish crisis in the context of Syrian crisis. The question is if Russian Federation will weaponize the natural against to Turkey? This will be one of major questions in the next chapter.

¹¹⁶Catherine J. Danks, *Russian Politics and Society: an Introduction*. Pearson, Longman, 2001, pp. 3-26.

4. CHAPTER 3: CASE STUDY, AS AN ECONOMICAL ISSUE, HOW DO NATURAL GAS AND OIL TRADE STEER ECO-POLITICAL RELATIONS BETWEEN TURKEY & RUSSIAN FEDERATION?

This thesis study Turkish – Russian relations in terms of complex interdependence through the natural gas and oil trade as these energy issues provide significant ties between states, Energy issues are generally interpreted in terms of security in international relations but this thesis considers natural gas and oil trade as an economic issue in the context of neo-institutionalist assumptions. I will ask how natural gas and oil trade provide multiple channels between governments. Do these energy markets steer governments to cooperation or drop them in conflict? And what kind of interdependence rise among states which are met in energy markets? At this point the main research question reveals “How do energy markets (natural gas and oil trade) steer eco-political relations between Turkey and Russian Federation?”

In this chapter, Turkish - Russian relations will be studied through the natural gas and oil trade in the context of “cooperation and complex interdependence” concepts. Respecting to the neo – institutionalist theory this thesis try to explain the international relations through cooperation and complex interdependence. In this regard, however military security issues seem popular such as warplane crisis in recent Turkish - Russian relations this thesis focuses the economic cooperation and interdependence between Turkey and Russian Federation. Not to mention the fact that this study limited to natural gas and oil trade in terms of energy markets because this thesis affirms that natural gas trade dominates the warplane crisis in the agenda of Turkish – Russian interdependence.

4.1. Political Process of Turkish - Russian Interdependence

Turkish - Russian economic and political relations have their roots in the ancient history as both of these countries had many conflicts and cooperation in recent years. As it is emphasized in the second chapter of this thesis, 1999 represents a turning point in Turkish foreign policy since Turkey was recognized by European Union as a candidate for full membership. Helsinki decision has accelerated the process of democratic consolidation and crucial reforms in both economic and political realms. Furthermore, Vladimir Putin became the primary minister in 1999. Lastly, Turkish primary minister at the time Bülent Ecevit announced “Chechen affair” as a domestic political issue of Russian Federation during his visit to Moscow in 1999. Because of the reason, 1999 marks a new period of Turkish Russian relations.¹¹⁷

Military security issues such as power struggle over ex-Soviet Turkic Republics, Chechen and PKK crisis are not enough to understand and explain recent Turkish - Russian relations. One side, Syrian crisis and warplane crisis formed the agenda after 2014 till 2017. In order to have an effective case study which analyzes Turkish – Russian relations, this chapter will be politically limited to warplane crisis. On the other side, economic issues such as natural gas, oil and foreign trade got more importance in the context of cooperation and interdependence.

In the second chapter of thesis, the analysis revealed that one side Russian Federation has politically intervened in Ukrainian Crisis and annexation of Crimea. Moreover, Russian Federation weaponized the natural gas trade by increasing the natural gas price for Ukraine which is dependent to Russian natural gas. On the other side European Union, USA and NATO declared economic sanctions as a response to these political moves of Russian Federation. What could be induced from this analysis in terms of Turkish - Russian relations after the warplane crisis? Because Turkey is dependent to Russian natural gas as

¹¹⁷Fatih Özbay, Soğuk Savaş Sonrası Türkiye Rusya İlişkileri: 1992-2010, Bilge Strateji, Cilt :3, Sayı:4 2011. pp.40-41.

Ukraine is. In this regard, how natural gas and oil affect the Turkish - Russian relations? In other words: “How should the role of natural gas and oil trade be defined in Turkish – Russian relations?” A weapon used by Russian federation or and economic tie that forms cooperation between countries? The main arguments of neo - institutional liberalism such as cooperation and interdependence opened a new way for IR scholars to interpret international relations through the economic issues. As an economic issue, energy markets (I mean natural gas and oil trade) have a significant effect over Turkish - Russian relations which will be considered in this chapter through a case study.

In this part, I will analyze Turkish - Russian relations in the context of recent political developments especially the warplane crisis by demonstrating how multiple issues interact with each other.

4.1.1. Syrian Civil War and State’s Positions.

Cooperation and conflict concepts could be described such as a delicate balance of international relations that a simple issue might distort the cooperation or releases the conflict between states. These concepts are so close to each other that in an iterated game there are a lot of them. Syrian Civil War, correspondingly warplane crisis could be interpreted in this regard in the context of Turkish – Russian relations. In this part of this thesis, I will introduce the Syrian civil war in terms of Russian - Turkish political positions as this war caused dangerous “conflict” between Turkey and Russian Federation in which warplane crisis arose.

Syrian crisis is a recent conflict that caused many catastrophic events in Syria which caused also conflict between Turkey and Russian Federation. These states have different strategies and foreign policies about Syrian civil war. Differentiation in strategies discloses political crisis between Turkey and Russian Federation as the warplane crisis did in 2015. In this respect, this thesis studies

warplane crisis in order to demonstrate recent political outlook of Turkish - Russian relations.

Syrian civil war started in 2011 and still continuing in 2017. The general accept over the starting day is fifteenth of March in 2011 with the protest in Daraa, the antic city when four protester were killed by security forces. In 2012, civil war spread to a wide range like Aleppo and Raqqa by the time terrorist groups such as Islamic State (IS) has emerged. In 2014, IS declared “khilafet movement” and massacred thousands of people.¹¹⁸ This was a turning point in Syrian civil war as the rising of IS promoted the military intervention of coalition forces led by USA counter to Bashar and IS in August 2015. During this intervention driven by USA military powers, coalition forces was supported by the use of Incirlik air bases which is twenty minutes flying time to Syria. Turkey also participated in this intervention as an actor of coalition forces.¹¹⁹

After the intervention of coalition forces in Syria, Russian Federation was involved with Syrian civil war in favor of Bashar Assad. Russian forces arrived in Syria in September 2015 that changed the destiny of the war and transformed it to an international conflict.¹²⁰ Consequently, Syrian air was started to be shared between Russian Federation and coalition forces driven by USA included Turkey. According to Paul Georges and Richard Reeve, Russian intervention was not unilateral. This intervention might be interpreted as a response to anti-Assad forces trained and supplied by Turkey.¹²¹

This intervention was also considered as a counter move to Turkey by some of authors like Azmi Bishara who claims that Russian intervention in Syria is a message for Turkey and the West alike are for the fall of Assad supported by

¹¹⁸http://www.ntv.com.tr/dunya/suriye-ic-savasinda-6-yilda-neler-yasandi.lk0VGc0sPUqbvDUE_EDsqA

¹¹⁹Paul Rogers & Richard Reeve, Russia’s Intervention in Syria: Implications for Western Engagement, Global Security Briefing – October 2015, p.2.

¹²⁰Andrew Olson and Phil Stewart, Russia begins Syria air strikes in its biggest Mideast intervention in decade. 30.09.2015. <http://www.reuters.com/article/us-mideast-crisis-russia-idUSKCN0RU0MG20150930>

¹²¹Paul Rogers & Richard Reeve, Russia’s Intervention in Syria: Implications for Western Engagement, Global Security Briefing – October 2015, p.10.

Russian Federation. Thanks to Russian intervention and support, Assad still keeps his power and this is a strategic headache for Turkey.¹²² Syrian civil war still continuing, but the intervention of Russian Federation set the tone of the War in favors of Bashar Assad as Russian strategy in Syrian crisis gradually achieved.¹²³

AKP government was one of the most consistent actors against the Bashar Assad Since beginning of the Syrian civil war. Turkey's position causes tension in her relations with countries which supports Assad. While this conflict passed through several stages as differentiation in sets of parameters, both inside and outside of Syria, Turkey stuck firmly to its policy. Altunışık claims as below:

“Turkey's position in Syria has led to a deterioration of Turkey's relations with several countries, particularly Russia and Iran, as well as to an estrangement from its Western allies.”¹²⁴

This deduction about the economic deterioration in Turkish – Russian trade should be analyzed in details as this crisis is the most concrete example about the deterioration of Turkey's relation with Russian Federation.

4.1.2. Warplane Crisis & Formation of Agenda

In recent Turkish – Russian eco-political relations, warplane crisis is widely accepted as a turning point which happened like a bolt out of the blue in November 24, 2015. That day, a Russian warplane (Su-24) was shot down by a Turkish warplane (F-16). Then the Russian plane crashed in the Jabal Turkmen area of the Syrian Latakia and a Russian pilot was killed after being jumped with the parachute. Even more, a rescue helicopter was also shot down by Syrian rebels

¹²²Azmi Bishara, Russian Intervention in Syria: Geostrategy is Paramount, Arab Center for Research and Policy Studies, November 2015, p.3.

¹²³Eyal Zisser, Russia's War in Syria, Strategic Assessment, Volume 19, No.1, April 2016, pp.43-48.

¹²⁴Meliha Benli Altunışık, The Inflexibility of Turkey's Policy in Syria, İEMed. Mediterranean Yearbook 2016. pp.39-44.

with a ground launched cruise missile.¹²⁵ At this point the main question shapes: “Why Turkish forces shot down the Russian warplane”? In order to understand the effect of the warplane crisis in Turkish - Russian relations, the occasioned events should be considered in details which led countries to a deep conflict. By this way, Turkish - Russian crisis could be figured out which emerged after November 2015.

Russian President Putin called the Russian warplane downing as “stab in the back”¹²⁶. As opposed to Putin, Turkish side affirmed that Russian planes have already been warned but the warning was ignored. In a letter alleged with Halit Çevik permanent representative of Turkey in United Nations, addressed to United Nation Security Council, the reasons of the shot down is related to “the violation of Turkish airspace” the letter explains why Turkey has shot down the Russian plane:

“(…) This morning (24 November) 2 SU-24 planes, the nationality which are unknown have approached Turkish airspace in Yayladağı/Hatay region. The planes in question have been warned 10 times during a period of 5 minutes via ‘Emergency’ channel and asked to change their headings south immediately.

Disregarding these warnings, both planes, at an altitude of 19.000 feet, violated Turkish national airspace to a depth of 1,36 miles and 1,15 miles in length for 17 seconds from 9.24’.05’’ local time

Following the violation, plane 1 left Turkish national airspace. Plane 2 was fired at while in Turkish national airspace by Turkish F-16s performing air combat patrolling in that area in accordance with the

¹²⁵BBC News, “Turkey's downing of Russian warplane - what I know” <http://www.bbc.com/news/world-middle-east-34912581>

¹²⁶Don Melvin, Michael Martinez , Zeynep Bilginsoy, CNN, 25.11.2015. <http://edition.cnn.com/2015/11/24/middleeast/warplane-crashes-near-syria-turkey-border/>

rules of engagement. Plane 2 crashed into the Syrian side of Turkish - Syrian border.”¹²⁷

While this letter explains the crisis date, just before the crisis, bilateral relation was getting in tensed up because of their irreconcilables and strategies about Syria. In November 2015, Russian air shelling became dense near the Turkish – Syrian borders targeted Islamic State forces. But, these attack discontented Turkish politicians¹²⁸ since the target were Turkish supported actors such as Free Syrian Army militants and Turkmen. This military security issues caused the high political tensions between Russian Federation and Turkey. As a result of this tension any conflict such a warplane crisis was predictable.¹²⁹

Political leaders, Erdoğan and Putin made speeches just after the Russian plane was shot down. Turkish president Erdoğan declared that warplane incident wasn't an intended issue for Turkish side. He underlined that the Russian jet was shot down with an "automatic reaction" because of violating Turkish air space.¹³⁰ Besides this, he blamed Russia for bombing unmilitary Turkmen villages under the name of bombing IS. Meanwhile, Russian president Putin said that downing of the Russian plane would have “serious consequences” in Russian - Turkish relations.¹³¹ By this time, Russian economic sanctions have declared against to Turkey. That means, a military security crisis was responded with economic issues which proves the dominant role of economic issues in the Turkish –Russian relations. Russian politicians were aware of military conflict would be costly for both sides. Therefore, the developed strategy by Russian foreign policy against to Turkey was based on economic sanctions by which economic issues considered as a source of power in Russian side.

¹²⁷<https://www.rt.com/news/323343-turkey-un-syria-russian-plane/>

¹²⁸<http://www.hurriyetdailynews.com/turkey-condemns-attack-on-syrian-turkmen-village-summons-russian-envoy-.aspx?pageID=238&nid=91459&NewsCatID=352>

¹²⁹Vügar İmanbeyli, “Uçak Krizi ve Türkiye Rusya ilişkileri”, SETA Perspektif, Sayı:119, Aralık 2015. p.5.

¹³⁰<http://www.reuters.com/article/us-mideast-crisis-syria-turkey-erdogan-idUSKBN0TE0QT20151126>

¹³¹<http://edition.cnn.com/2015/11/24/middleeast/warplane-crashes-near-syria-turkey-border/>

In June 2016, Erdoğan changed the overall picture of Turkish – Russian relation by expressing his sadness for dropping Russian warplane in a apologize letter.¹³² This Turkish move affected positively the bilateral relation. Turkish - Russian relation came to the turning point with the military coup plotter in Turkey on 15 July 2016 because Putin called Erdoğan to convey his wishes about a speedy recovery for Turkish government on June 17, 2016. Moreover, during this phone call leaders agreed to meet in person soon.¹³³ Two leaders met in Russian Federation and promised to return their economic relations to “pre-crisis level” on August 2016.¹³⁴ Therefore, two governments have boosted the economic cooperation projects such as Turkish Stream, Akkuyu nuclear plant. Hereby, it should be underlined that, Akkuyu project is not introduced in this thesis as it constitutes another form of energy out of the natural gas and oil. Therefore, this project is neglected by this thesis but recommended for further studies in term of Turkish – Russian relations.

Having neo - institutionalist perspective, this thesis considers Turkish – Russian relations by two angles. One side, Russian Federation defined Turkey as a “defector” which harms Turkish – Russian cooperation by causing the warplane crisis. And this defector was punished by economic sanctions. On the other side, Turkey accused Russian Federation because of air space violation. One side, Russian economic sanctions against Turkey was a deterrent threat for Turkish economy. On the other side, these sanctions were not sustainable because of the negative outlook in Russian economy. Thus, the absolute gain for both actors seems as cooperation again. In this regard, the post – tension of the warplane crisis should be studied in order to understand: “Why Turkey and Russian Federation couldn’t go longer in a conflict situation? Why economic sanctions didn’t contain natural gas and oil trade?”

¹³²<https://www.theguardian.com/world/2016/jun/27/kremlin-says-erdogan-apologises-russian-jet-turkish>

¹³³<http://www.hurriyetdailynews.com/putin-erdogan-to-meet-soon-in-bid-to-start-new-era-in-turkey-russia-ties-.aspx?pageID=238&nID=101708&NewsCatID=353>

¹³⁴<https://www.theguardian.com/world/2016/aug/09/erdogan-meets-putin-leaders-seek-mend-ties-jet-downing-russia-turkey>

4.1.3. Minor Role of Military Power in Turkish – Russian Relations

This thesis claims that Turkish – Russian relations present an iterated game in the context of neo - institutionalist explanation. In this iterated games, actors are subject to a reciprocal test every day through economic and political issues. For instance, Turkey limited to import Russian grains by increasing the tariff to Russian import products in 2017. This attempt was interpreted in Russian side as a “stab in the back”. As a response to Turkish move, Russian minister of transport Maksim Sokolov declared that charter flight might be stopped because of Turkish internal tension.¹³⁵ Moreover, Russian minister of agriculture Alekandr Tkaçev explained that internal tomato bazaar would be close to Turkish investors,¹³⁶

All of these declarations and counter declarations show us how this relation is iterated and how multiple issues dominate the agenda. Having all of these issues in a study would be an unrealistic attempt. Therefore, this study considers before and after of warplane crisis in the context of neo - institutionalist perspective through the natural gas and oil trade.

As a military security issue, warplane crisis changed the state of affairs in Turkish Russian relations. Before this crisis, economy and politics were separated but after the crisis military security issues dominated the economic issues for a short time.¹³⁷ Therefore, Russian sanctions and restrictions against to Turkey should be considered in order to understand the state of affairs in Turkish - Russian relations.

¹³⁵<http://www.cnnturk.com/ekonomi/dunya/rusyadan-turkiyeye-bir-mesaj-daha-charter-ucuslar-durdurulabilir>

¹³⁶<http://www.cnnturk.com/ekonomi/dunya/rusyadan-turkiyeye-sirtimizdan-bicaklandik>

¹³⁷<http://www.al-monitor.com/pulse/originals/2016/11/russia-lift-sanctions-turkey-plane-yildirim-moscow.html>

4.1.4. Russian Sanctions Against to Turkey

After the November 2015, both Russian Federation and Turkey presented their arguments to justify their actions in the context of warplane crisis. Turkey has published airborne radar images via international press by the time Russian Federation tried to take the advantage of its relative economic power and capacity in compared with Turkey by declaring sanctions against Turkey. Moreover, Russian political leaders expected an apology from Turkey because of warplane shot down. And this expectation became the main condition in terms of normalization process in bilateral relations.

Turkish - Russian relation is based on both political and economic cooperation consolidated by transnational actors, multinational firms. During the Syrian crisis both states had different strategies and positions. This political division caused to be unavoidable a potential conflict that resulted in “the warplane crisis” on November 24, 2015 since Turkey shot down a Russian warplane. Due to this military security event, Russian Federation has declared sanctions against Turkey. It should be emphasized that the way of Russian response revealed the economic issues in Turkish - Russian relations although there was a high pressure by domestic politics to Russian policy makers for a tough respond against Turkey.¹³⁸ As we explained in the introduction, this thesis disregards domestic politics. For this reason, I will not explain in details the domestic dynamics of Russian Federation and Turkey.

Putin described the downing of Russian plane as a stab in the back. After the speech of Putin, Russian Minister of foreign affairs, Lavrov cancelled his official visit to Turkey and called Russian citizens not to got Turkey.¹³⁹ Lavrov’s call to Russian citizens could be accepted as the first significant sanction against Turkey which targeted to threat Turkish tourism that I will analyze in this chapter. Lavrov’s unofficial ‘sanction’ was followed by official ones.

¹³⁸ <http://www.mirror.co.uk/news/world-news/putin-told-nuke-istanbul-revenge-6915546>

¹³⁹ http://www.bbc.com/turkce/haberler/2015/11/151125_turkiye_rusya_cenk

Russian Federation adopted sanctions and restrictions against Turkey on December 29, 2015 that came into force on December 30, 2015 and executed officially after January 1, 2016.¹⁴⁰ I will not entirely explain all these sanctions since the details of resolutions have no determinant effect in the context of this subject. Sanctions and restrictions announced that Turkish organizations or organization controlled by Turkish nationals are forbidden to perform in Russian Federation starting from 1 January 2015. Sanctions and restrictions concerned trade sectors such as tourism, fruit imports or wood processing but energy issues such as natural gas and oil trade were excluded. For this reason, this thesis considers natural gas and oil trade in details in order to understand why Russian economic sanctions against Turkey didn't concern these issues.

Russian economic sanctions against Turkey have dominated the agenda in Turkish - Russian bilateral relation. But, bilateral relations started to turn positive as I explained after June 2016. Turkish Stream Project pushed economic sanctions into the background as a part of this normalization process. This energy project steered positively Turkish - Russian relation. Therefore, this economic issue, Turkish stream project could be interpreted as a connective factor for Turkish Russian cooperation.

4.1.5. Interdependence Analysis for Turkish - Russian Relations

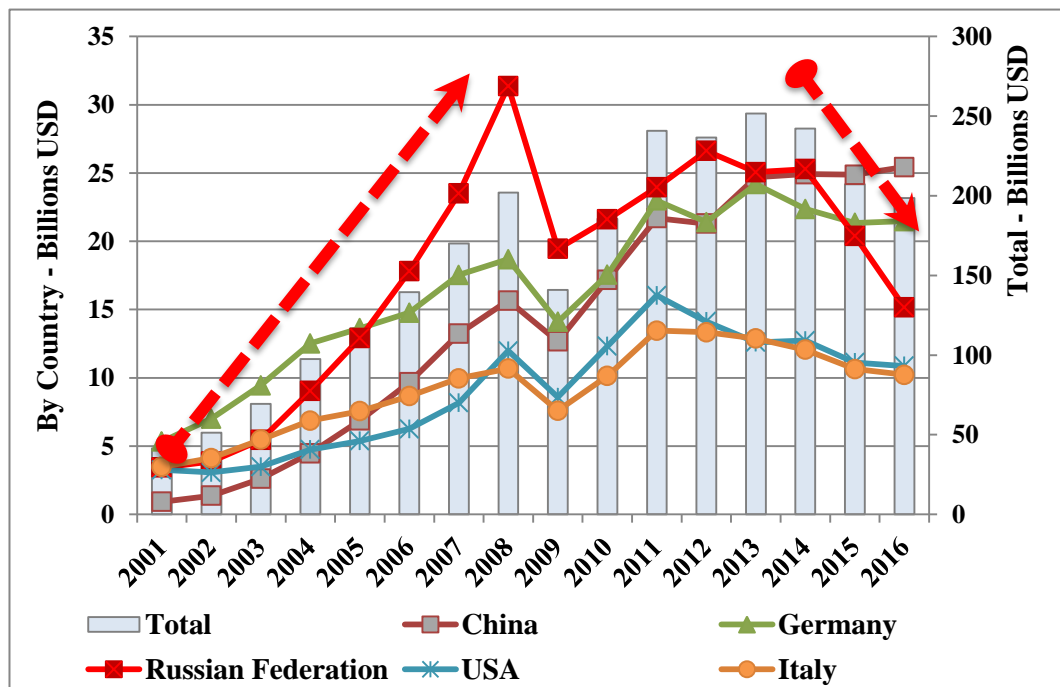
After the Ukrainian crisis, European Union and USA declared economic sanctions against to Russian Federation but Turkey's policy became distinct in compare with her western allies. At this point, this thesis asks why Turkey didn't participate in these Western sanctions against to Russian Federation? Did Turkey have a counter position to Western decision or there was no other choice for Turkey as it was asymmetrically dependent to Russian natural gas. In this regard, I will explain the extent of economic relations by making trend analysis in order to understand the basis of Turkish - Russian economic interdependence.

¹⁴⁰ <https://www.whitecase.com/publications/alert/russia-economic-sanctions-turkey>

4.2. Turkish - Russian Economic Relations in Terms of Vulnerability and Sensitivity

Bilateral trade is a significant indicator which presents an interactive relation between states. Furthermore, it could also serves to understand the extent of interdependence level between states. Therefore, I will firstly evaluate the foreign trade numbers of Turkey and Russian Federation over years. Secondly, I will analyze in details the bilateral trade between these states. I will firstly show Turkish foreign trade on the country basis to understand the position of Russian Federation. Therefore, top five countries in Turkey’s import would be introduced without making detailed analysis for each as it is a subject for another study. This information just serves to understand the trade in Turkish imports. Figure 7 as in below is a neutral picture of Turkish imports by which I could fathom out economic and political results related to Turkish - Russian economic cooperation.

Figure 7. Imports of Turkey by Country



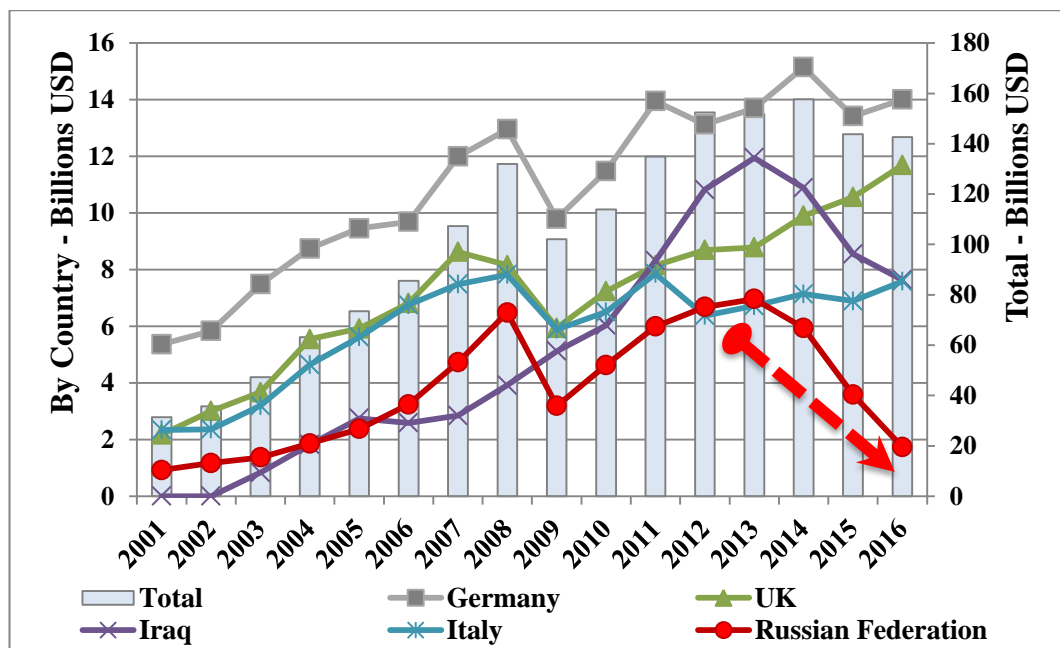
Sources: TUIK, Trade Map data (<http://www.trademap.org/Index.aspx>)

In the Figure 7, import volume of Turkey is shown by years both in total and in country basis. In the figure, top four exporters to Turkey is considered apart from

Russian Federation in a time series since 2001. Additionally, Turkey's total imports have also given in the figure for demonstrating the total trend in Turkey's import. It could be remarked that Turkish imports from all countries shown in the chart has increased till 2008 when global financial crisis occurred. The striking point in this timeline (2001-2008) is the upward trend in Russian imports as it was emphasized with the green dashed arrow on the figure.

2008 global crisis has a negative impact on global economies. As a result of this financial crisis in global scale, Turkish imports has decreased as it is shown in the figure. Turkish imports from top 5 importers restarted to increase after 2009. In the Figure it could be fathom out that import from Russian Federation decreases after 2014. At this point, the question appears: "What are the reasons of this striking decrease?" In that vein, this thesis asks the same question for Turkey's exports to Russian Federation. In this regard, the trend of Turkish exports in country basis is designed as in the Figure 8 below. In this figure, the dramatic downtrend in Turkish exports to Russian Federation after 2014 is remarkable. At this point, this study asks again what are the reasons of this dramatic downtrend?

Figure 8. Export of Turkey by Country

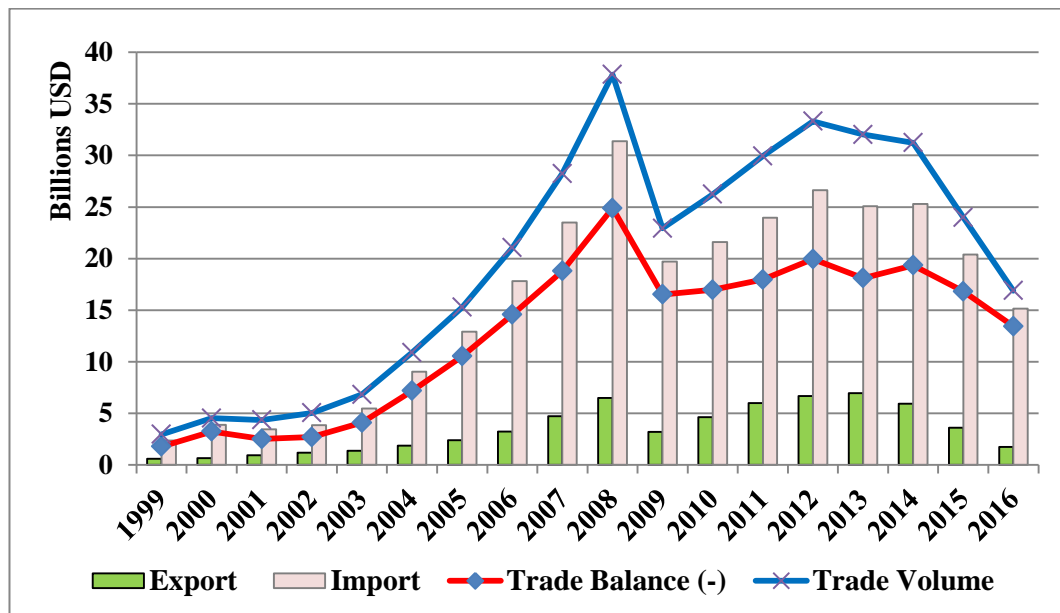


Sources: TUIK, Trade Map data (<http://www.trademap.org/Index.aspx>)

In the Figure 8, the export of Turkey is shown by years on a country basis. In the figure, top 4 importers from Turkey is shown apart from Russian Federation in a time series since 2001. Analyzing all the data given in the figure above is a subject for another work but it could be deduced from the Figures 7 and 8 that Turkish exports seems less linear in the country basis in compare with imports.

It could be remarked from the Figure 8 that Turkish exports to given top 4 countries and in total have increased till 2008. Turkey’s exports to Russia have also increased from 2001 to 2008. After the crisis, the second momentum of increase is clearly seen that Turkey’s exports to Russian Federation have increased again till 2013. The downtrend starts in 2013 and gets a striking momentum in 2014 as it is shown by red dashed arrow. Therefore, this study investigates the reasons of this striking decrease. In this regard Turkish - Russian trade is analyzed through the import and export data in the context of trade balance which demonstrates the economic cooperation as in the Figure 9 below.

Figure 9. Turkish - Russian Bilateral Trade



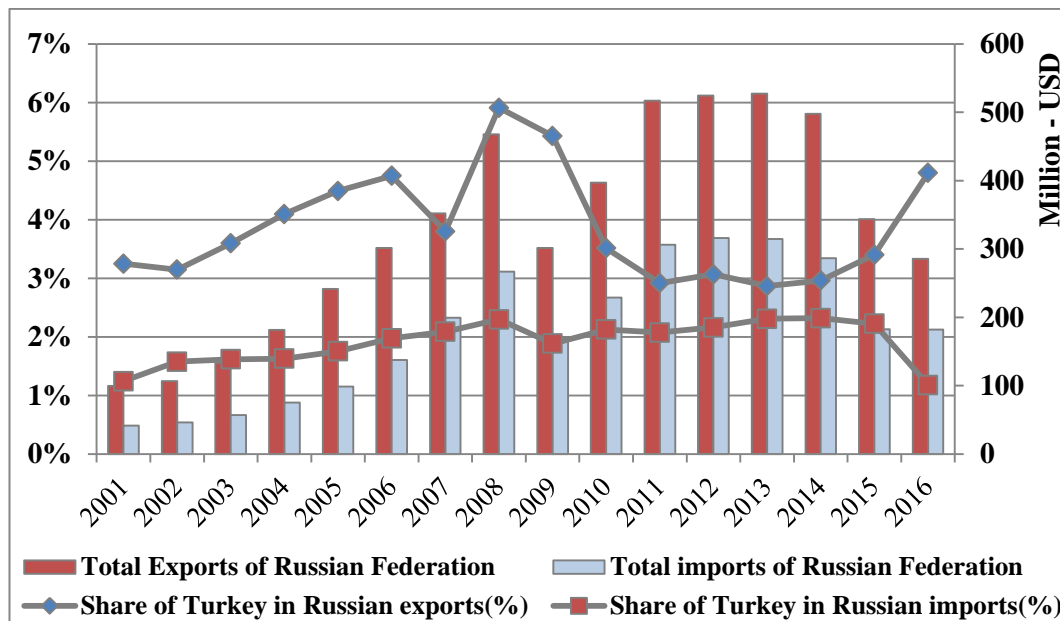
Sources: TUIK, Trade Map data (<http://www.trademap.org/Index.aspx>)

In the Figure 9, the bilateral trade between Turkey and Russian Federation is shown by years. While export and import figures shown in columns, Turkish - Russian trade balance was given in negative numbers with regard to Turkish deficit which was shown with red curve. Lastly, blue curve shows us the trade volume of Turkish – Russian bilateral trade over years. This bilateral trade Figure shows us an asymmetric economic relation since Turkey imports from Russian Federation much more than it exports. The red curve shows how this asymmetry rears up over years in favor of Russian Federation.

Having neo-institutionalist perspective this thesis firstly affirms that Turkish – Russian economic cooperation developed from 1999 till 2008 economic crisis. The break in 2008 is strongly related to 2008 financial crisis. After 2009 till 2014 the upward trend in bilateral trade volume demonstrates how economic cooperation developed. In reverse, after 2014, oil prices got down and in addition to that Russian economic sanctions and restrictions against Turkey step up the downtrend in bilateral trade volume. Therefore, this thesis emphasizes that a military security issue warplane crisis has dominated the agenda which resulted in downtrend of bilateral volume trade. Economic cooperation between states was hard hit by this crisis except of natural gas and oil trade. For this reason, this thesis study Turkish - Russian relations through the natural gas and oil trade. In this context Turkish dependency to Russian natural gas comes into prominence. Therefore, Turkish – Russian relations should be analyzed in terms of complex interdependence theory.

In order to understand the economic interdependence, Turkey's share in Russian foreign trade should be analyzed in the figure below.

Figure 10. Share of Turkey in Russian Foreign Trade



Sources: Trade Map data (<http://www.trademap.org/Index.aspx>)

In the Figure 10, Russian foreign trade with Turkey was given by total import and export numbers. Left axis shows the proportion of Turkish imports and exports in Russian foreign trade while the right axis shows total imports and exports of Russian Federation. It is clear in the figure that Turkish - Russian trade volume increases till 2013 except of 2008. Because, 2008 financial crisis is an economic exception which is neglected by this thesis in order to respect the thesis subject.

In the Figure 10, Russian total export is in upward trend between 2001 and 2014 except of 2008 financial crisis. After 2013, crude oil prices fell even more western economic sanctions against Russian Federation shrank the volume of Russian total exports. By the time, Turkish proportion in Russian total export increased. This quick increase is related to sanctions of European Union and USA to Russian Federation after the Ukrainian crisis in 2014 which caused a sharp fall in Russian total imports and exports that increased the Turkish proportion in Russian total exports. At this moment, this thesis claims that Turkey is getting essential for Russian economy as Turkish proportion in Russian Foreign trade increases when Russian Federation is face to western economic sanctions. That means Russian Federation becomes more sensitive to Turkish market.

The striking point in the figure is that Russian imports from Turkey sharply fell after 2015 when Turkey and Russian Federation had Warplane crisis. During the crisis, Russian Federation has declared many economic sanctions to Turkey in terms of foreign trade. As a result of these sanctions, Russian economic actors couldn't export sanctioned services and products from Turkey and Turkish national firms which caused a sharp fall in Russian imports from Turkey.

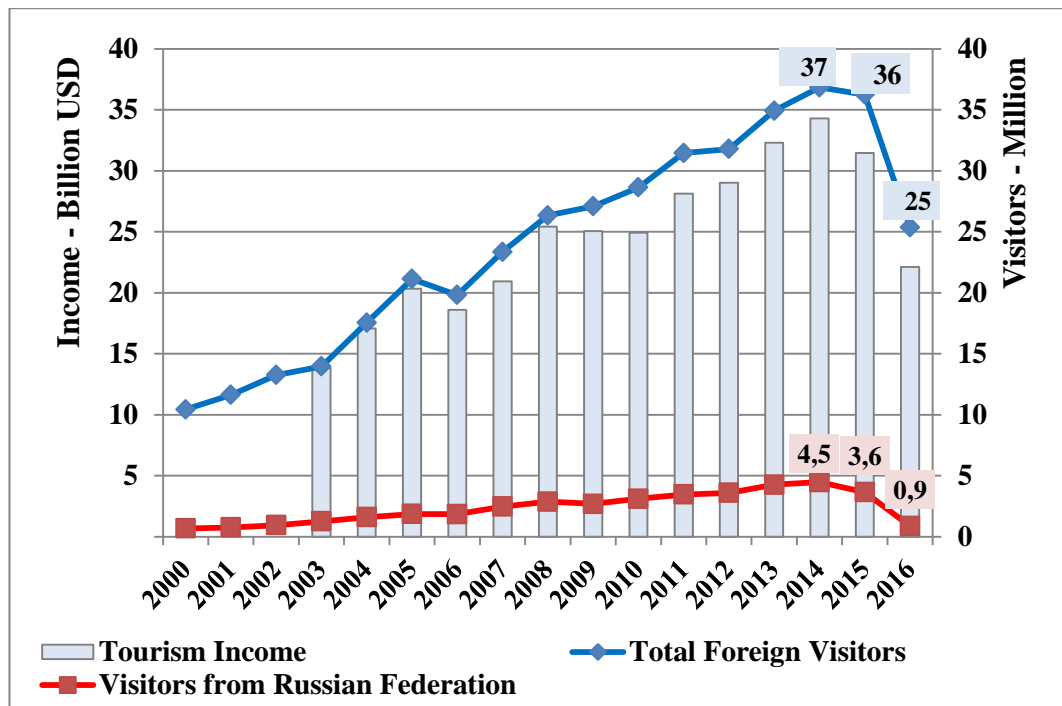
In the Figure 10, Russian total import from Turkey is demonstrated with Russian total imports. There is a quick decrease in import volume of Russian Federation from Turkey in 2015. This decrease is a natural result of economic sanctions declared by Russian Federation against to Turkey after the warplane crisis. Therefore, this thesis affirms that a military security issue, the warplane crisis, triggered the Russian economic sanctions against Turkey and resulted in a quick decrease in Russian import volume from Turkey. But, these sanctions didn't involve natural gas and oil trade. Therefore, this study affirms strongly that energy markets, natural gas and oil trade, should be considered out of the other economic issues.

Another significant point in the figure above is about "how economic sanctions considered as resource of power" in Ukrainian crisis and warplane crisis. Having neo – institutionalist perspective, this thesis claims that western sanctions to Russian Federation indirectly increased the Turkish proportion in Russian exports. This situation relatively enhances Turkey's importance in Russian foreign trade that means Russian Federation is getting more sensitive to Turkey as exports to Turkey's share in Russian export increased from 3% to 5 %. This situation makes Turkish – Russian interdependence more "complex" as multiple actors such as European Union and USA affect indirectly the balance of this interdependence.

Turkish foreign trade deficit is one of the most problematic issues in Turkish economy as I explained in the second chapter. Thus, Turkish economy is quite sensitive to lose export incomes. One hand, Turkey quite dependent to Russian natural gas that even though Russian economic sanctions Turkey continues to buy

Russian natural gas. On the other hand, Russian Federation needs to keep alive its natural gas export with Turkey which is the second top exporter of Russian natural gas. Russian economic sanctions against Turkey have influenced deeply Turkish tourism and caused negative results for Turkish tourism. Tourism is widely accepted as a pioneer sector of Turkish economy besides the construction sector. Because, tourism incomes' share in Turkish GDP was around 4,5 % in 2015. Additionally, this sector springs up other sectors including restaurant and leisure industries in terms of employment and incomes.¹⁴¹ But increasing terror attacks kept foreign tourists away from Turkey starting since 2014. This situation basically shows how Turkish tourism is sensitive and vulnerable. While Turkish tourism was in a torrid time, warplane crisis and relatively the Russian sanctions against Turkey affected negatively the Turkish tourism sector. In this respect, Figure 11 analyzes Turkish - Russian bilateral economic relation through the tourism sector by the figure below.

Figure 11. Turkish Tourism & Russian Visitors



Sources: TUIK

¹⁴¹IMF Country Focus, "Turkey's Economy Hit By Declining Tourism", 23.02.2017. <https://www.imf.org/en/News/Articles/2017/02/21/NA230217Turkeys-Economy-Hit-By-Declining-Tourism>

In the Figure 11, Turkish tourism sector was demonstrated by incomes and visitors. Left axis shows the total tourism incomes while right axis show the visitors in numbers. It could be seen in the figure that from 2000 till 2014 there is an increasing trend in visitor numbers. As a result of this increase, tourism incomes have also a positive trend till 2014 except of the break in 2006. But after 2014, there is a sharp fall in the number of total foreign visitors in 2015

Turkish tourism was negatively affected by both domestic and regional conflicts. Even more after 2015, Russian sanctions prohibited charter flights and limited Russian citizens to pass holiday in Turkey. Russian sanctions exacerbated Turkish tourism that visitor from Russian Federation has decreased sharply from 3.649.003 to 866.256. As a military security issues, warplane crisis destroyed the Turkish - Russian cooperation in the context of tourism.

Once, cooperation has fallen Russian Federation changed its political agenda in terms of Turkish relation by setting the agenda with economic issues on the top. As Keohane and Nye emphasize that interdependence might be asymmetrical in some cases. The less vulnerable states will use this asymmetry of interdependence as a source of power. As a result of the Russian foreign policy, Turkish tourism incomes have dropped. This Russian move showed us that Russian Federation considered bilateral trade relations as a form of power by exploiting the sensitive point of Turkish economy.

Russian Federation showed the costly side of conflict to Turkey just after the warplane crisis. As sanctions included many sectors Turkish economy was negatively affected as shown in the figures above. Russian politics by usage of economic issues dragged the bilateral trade cooperation into a deadlock. Although Russian Federation declared sanctions in many sectors, natural gas and oil trade were excluded. Therefore, I will analyze in details the role of two energy issues in Turkish - Russian bilateral relation which are natural gas an oil trade.

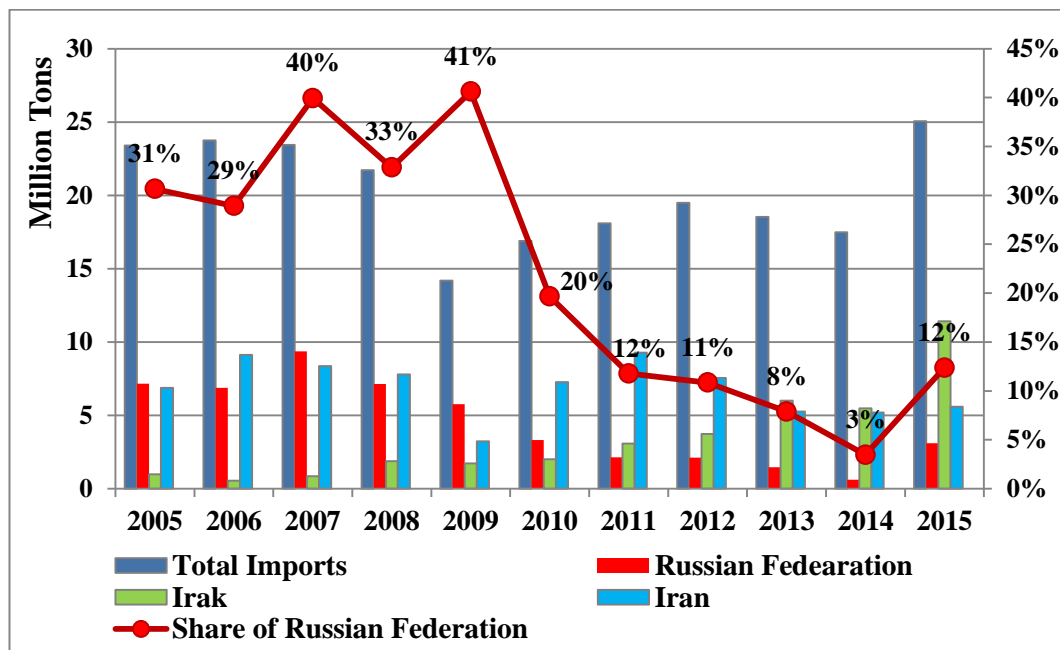
4.2.1. Turkish - Russian Interdependence in Terms of Natural Gas and Oil Trade

In this thesis, energy markets are interpreted as economic issues. Moreover, energy markets are limited to natural gas and crude oil trade in terms of Turkish - Russian energy trade. In this part, I will try to show the energy relation between Russian Federation and Turkey in the context of neo-institutionalist arguments.

4.2.1.1. Oil Trade

Crude oil import is a significant indicator in the context of Turkey's energy dependency. Therefore, I will make a dependency analysis through the Figure below.

Figure 12. Crude Oil Import of Turkey



Sources: EPDK, Turkish Petroleum Market Reports

In the Figure 12, Turkey's import in crude oil was demonstrated through top three countries and by years. Left axis shows crude oil import in million tons while right axis shows the share of Russian Federation in Turkey's total crude oil

imports. As it is illustrated in the figure, from 2005 to 2015 countries' share is hypervariable. A detailed technical analyze over crude oil trade is subject to another work but in respect to subject of this thesis I could affirm that Turkey is not dependent in a country in terms of crude oil import as it is able to alter the exporters. Russian Federation's trend in Turkey's crude oil import is striking because Russian share decreases from 41% to 3% during the period 2009-2015.

As it is shown in the figure, while import from Russian Federation is high from 2005 till 2009, Turkey starts to import more from Iraq which makes Turkey to be able to alter Russian Federation. This means Turkey might be sensitive in some extents to Russian crude oil but not vulnerable since it is able to substitute Russian Federation by other countries such as Iraq and Iran.

4.2.2. Turkish Stream Project

Gas Pipelines could be interpreted as “carotid artery” of Russian Federation because Russian economy is based on energy exports. Therefore, Russian Federation's main strategy is exporting the natural gas via Gazprom through the pipelines. In other side, energy consumption of Turkey is getting more in a rising trend. This consumption pushes Turkey to have access to more energy resources and production. In order to supply enough energy to internal market, Turkey is looking for producing new energy projects such as Turkish Stream Pipeline and Akkuyu Nuclear Power Plant. In this part I will investigate the Turkish Stream Project in the context of energy interdependence. In other words, Turkey needs Russian gas while Russian Federation needs Turkish gas demand.

Turkish Stream pipeline project was signed between Turkish and Russian ministers during the World Energy Congress on 10 October 2016 by which Russian natural gas will be imported through Black Sea both for internal market

demand and for European energy markets.¹⁴² But, just before the declaration of Turkish Stream Project, Russian Federation has played another iterated game with European countries in terms of South Stream Project. I will not entirely explain South Stream Project because this project contains various political formulas which would fall this thesis out of the subject.

In this respect, Ukrainian crisis was a turning point for energy agenda of Russian Federation since the South Stream Project was suspended by European Union than cancelled by Russian Federation.¹⁴³ Putin and Gazprom's CEO Alexey Milner declared the cancellation of South Stream Project On December 1, 2014. That was a signal for another route as shown in the Figure 13 below.

Figure 13. Turkish Stream Pipeline Route



Source: Jonathan Stern, Simon Pirani, Katja Yafimava, “Does the cancellation of South Stream signal a fundamental reorientation of Russian gas export policy?”, The Oxford Institute For Energy Studies, January 2015, p.5.

¹⁴² <http://www.botas.gov.tr/>

¹⁴³ Erdal Tanas Karagöl, Mehmet Kızılkaya, “The Turkish Stream Project in the EU-Russia-Turkey triangle” Insight Turkey Vol. 17 / No. 2 / 2015, pp. 57-65.

Warplane crisis has affected both Turkish and Russian political agenda by reformatting issues after November 2015. As a reflection of the increasing tension in Turkish – Russian bilateral relation, economic sanctions have put forward by Russian side. Due to fact that Turkish Stream Project was in flu as there was any positive or negative declaration about the future of the pipeline.¹⁴⁴ But, neither Russian nor Turkish foreign policy didn't entangle Turkish Stream Project in warplane crisis. Politically tensioned countries continued cooperation for natural gas and trade.

However Turkish Stream Project appeared as an opportunity for Turkish – Russian cooperation in a crisis time, this project could cause negative results for Turkey in terms of her gas dependency to Russian Federation. Because Turkey will be imported 17 billion m³ more Russian natural gas than today that will make Turkey more sensitive and vulnerable Russian natural gas. This situation displays Turkey's paradox in terms of energy strategy since the main argument Turkey is diversification of energy resources and suppliers.¹⁴⁵

Lastly, it could be affirmed that energy issues transform Turkish - Russian relations into complex interdependence since the multiple issues such as natural gas trade or Turkish Stream Project dominate the political agenda while military security issues such as Syrian crisis and warplane crisis rises. Moreover, transnational and multinational companies such as Gazprom, Botaş or Lukoil link government to each other.

4.2.3. The Effect of Natural Gas Trade in Turkish – Russian Relations

Natural gas import is another important indicator in the context of Turkey's energy dependency. Turkey and URSS has signed a natural gas contract in

¹⁴⁴ Erdal Tanas Karagöl, Salihe Kaya, Yusuf Emre Koç, "2016'da Enerji", Setav.org, pp.8-9.

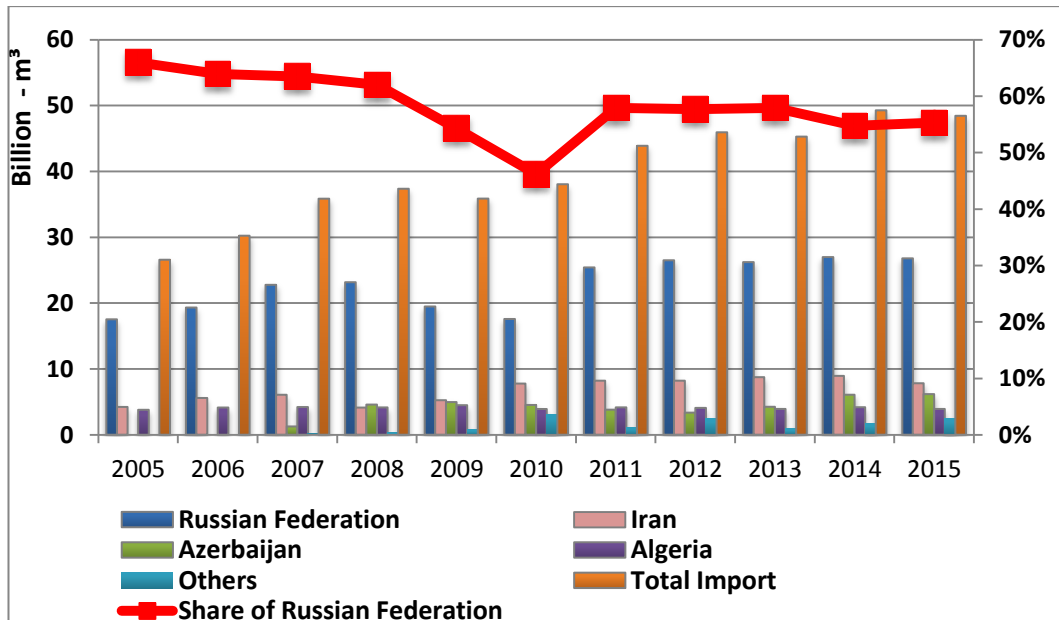
¹⁴⁵ <http://aa.com.tr/tr/ekonomi/turkiyenin-enerjide-oceligi-kaynaklarini-cesitlendirmek/766382>

18.09.1984. From that day on the volume of Turkish Russian natural gas trade has increased in the advantage of Russian Federation.

Therefore, I will make a dependency analysis through the figure below. Turkey continued to import Russian natural gas in increase amounts after the construction of Blue Stream project. This project could also be interpreted in the context of Turkish dependence to Russian natural gas but my focus will be mainly on natural gas trade and Turkish Stream project because this project was shaped under the shadow of warplane crisis which caused conflict between Russian Federation and Turkey.

Turkey is a dependent country to foreign energy markets in the context natural gas since it could produce less than 1 % of its natural gas consumption. Therefore, natural gas is one of the most significant products in Turkey's imports. To understand the depth of Turkey's dependency I will make analysis through two figure as below.

Figure 14. Natural Gas Import of Turkey



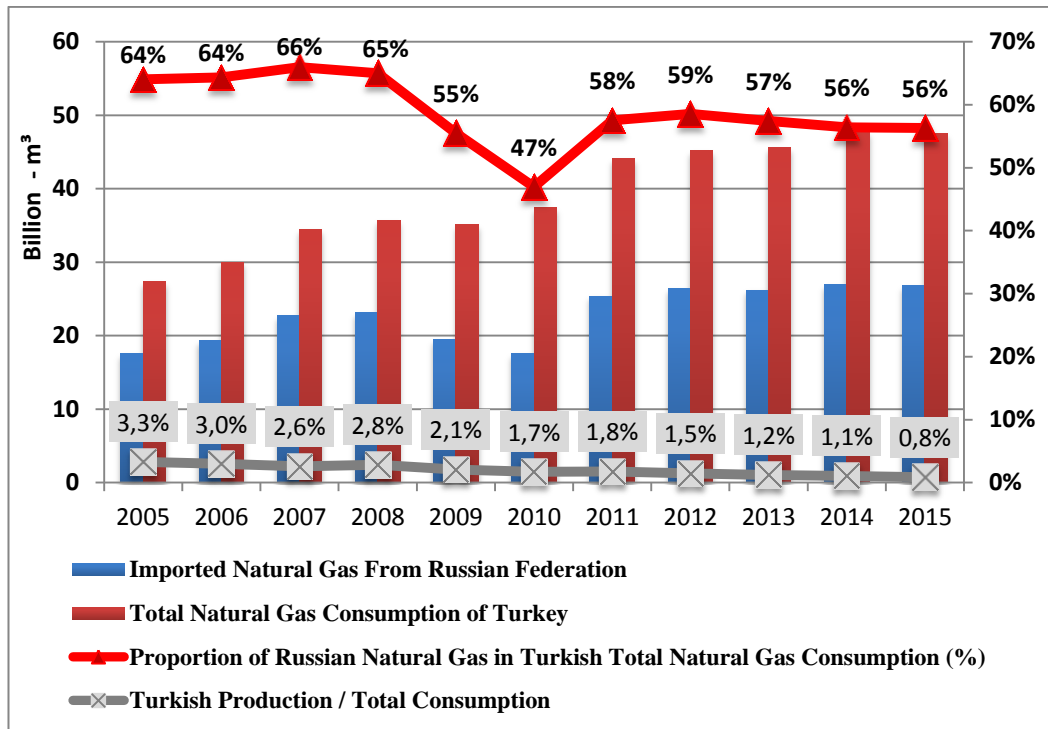
Source: EPDK, Turkish Natural Gas Market Reports.

In the Figure 14, natural gas import of Turkey was demonstrated by countries from 2005 to 2015. Left axis shows natural gas import in billion m³ while right axis shows the share of Russian Federation in Turkey's total natural gas imports. As it is illustrated in the figure, from 2005 to 2015 total natural gas import rises from 27 billion m³ (2005) to 48 billion m³ (2015).

Russian Federation is the top exporter for Turkey's natural gas import. As it is demonstrated in the figure natural gas imports from Russian Federation is nearly 18 billion m³ in 2005. However this amount rises was become reversed after 2008 till 2011, with the amount of 25 billion m³ the imports from Russian Federation continues to rise up to 27 billion m³ in 2015. The figure above shows also that Turkey try to diversify exporter countries. Turkey seems particularly successful in terms of diversifying the natural gas exporter countries that Russian share decreases up to 55 % while it was 66 % in 2005. But, as officially accepted by Turkish side¹⁴⁶, Turkey is still dependent to Russian natural gas. In order to understand the dependency level of Turkey to Russian Federation in the context of natural gas, I will reveal another analysis about the coverage ratio of Russian imports to total consumption in the Figure below.

¹⁴⁶ EPDK, Turkish Natural Gas Market Report 2015, Ankara 2015, p.8.

Figure 15. Russian Share in Turkish Natural Gas Consumption



Source: EPDK, Turkish Natural Gas Market Reports.

In the Figure 15, natural gas statistics of Turkey are shown by total consumption and import share of Russian Federation from 2005 to 2015. Left axis shows natural gas in billion m³ for total consumption and right axis shows the coverage ratio of imported natural gas from Russian Federation to Turkey’s total natural gas consumption. As it is illustrated in the figure, from 2005 to 2015 total natural gas consumption rises from 27 billion m³ (2005) to 48 billion m³ (2015). Moreover, Turkey could just produce 0,84 % of its total natural gas consumption that technically signs a low coverage ratio of total production to total consumption. On the other side import from Russian Federation such high that covers more than half of total consumption.

Analysis made in the context of Turkish - Russian natural gas relation reveals that Turkey is a foreign – dependent country in terms of natural gas. And Russian Federation is the top country that supply with more than half of Turkey’s total natural gas consumption. Consequently, Turkey seems dependent to Russian Federation in the context of natural gas. Turkey seems sensitive to Russian natural

gas because there could be a supply shortage in case of any cut in Russian gas which covers currently 56 % of Turkish natural gas consumption. At this point the question reveals: “Is Turkey vulnerable in the case of any cut in imported Russian natural gas?”

In order to reveal appropriate explanation if Turkey is vulnerable or not in face of Russian natural gas Turkish energy market policy should be considered. Turkish minister of energy and natural resources emphasizes that while the internal energy demand is getting more, Turkey is a foreign- dependent country in the context of energy supply. Therefore, the works are intense in diversification of resources especially in natural gas and oil markets¹⁴⁷ as the similar arguments has already been declared by the former minister Taner Yıldız in 2013.¹⁴⁸ But Figures 14 and 15 shows that Turkey is still dependent to Russian natural gas. However a diversification in exporter countries is observable in Turkey’s natural gas import, it could just diminish Russian share from 58 % to % 55 in total natural gas import. Therefore current situation signals Turkey as vulnerable in under these circumstances. In consequence, Russian Federation seems the advantageous side in the context of natural gas trade.

At this point, Russian position should also be considered in a reverse angel in order to understand if Russian Federation could weaponize natural gas against to Turkey as did in Ukrainian Crisis?¹⁴⁹ Russian Federation exports the natural gas to abroad through Gazprom¹⁵⁰ which has an exclusive right to export Russian natural gas via gas pipelines. For this reason, the top importers of Russian natural gas in 2015 were designed through the Gazprom in the Figure below.

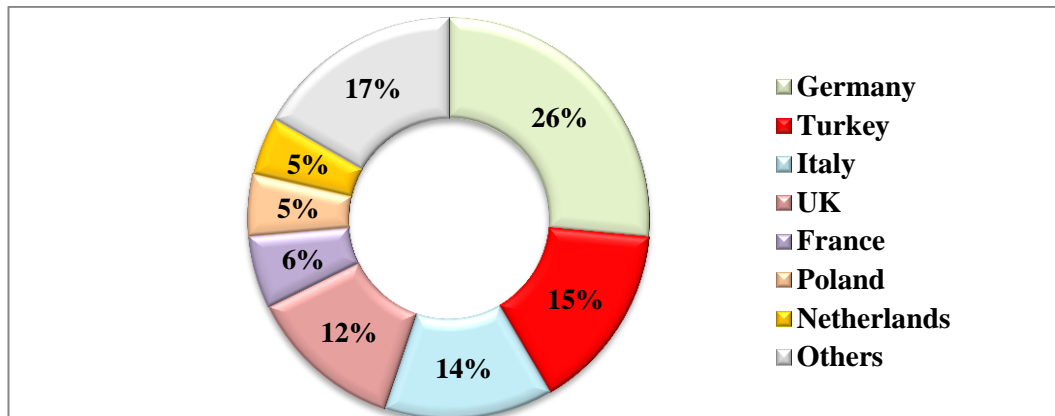
¹⁴⁷ T.C. Enerji ve Tabii Kaynaklar Bakanlığı, Enerji Ve Tabii Kaynaklar Bakanlığı ile Bağlı, İlgili ve İlişkili Kuruluşlarının Amaç ve Faaliyetleri, Ankara ,2016

¹⁴⁸ T.C. Enerji ve Tabii Kaynaklar Bakanlığı, Enerji Ve Tabii Kaynaklar Bakanlığı ile Bağlı, İlgili ve İlişkili Kuruluşlarının Amaç ve Faaliyetleri, Ankara ,2013

¹⁴⁹ <http://www.gazprom.com/about/marketing/europe/>

¹⁵⁰ Full name: Public Joint Stock Company Gazprom. Additionally, Gazprom is a joint stock company in Russia, with 50.002% of its share capital owned by the Russian state. <http://www.gazpromquestions.ru/en/>

Figure 16. Percentage Distribution of Natural Gas Sales by Gazprom in Country Basis



Source: Gazprom (<http://www.gazprom.com/about/marketing/europe/>)

In the Figure 15 above, Gazprom’s top importer countries is shown by distribution ratio in 2015. This chart show us that Turkey is the second major importer which amounts to 15 % of total sells of Gazprom, relatively of Russian Federation. It seems from the chart that Turkey presents a significant share in Russian gas export. It could not be affirmed that Russian Federation is also dependent to Turkey since Turkey is the second major exporter for Russian natural gas just through the chart above. But, it could be affirmed that as a country hit by drop in oil prices, economic sanctions relatively face with a recent economic shrinkage Russian Federation seems also need in protecting useful economic ties such as natural gas exporting. All of these reasons could be interpreted as a reason why Russian Federation couldn’t weaponize natural gas against to Turkey as it did in Ukrainian crisis.

All of these analysis show that Turkey is dependent to Russian natural gas while Russian Federation is dependent to Turkish energy markets to export gas and oil. This situation could be formulated as Turkish - Russian interdependence in the energy issues. As a transnational actor in energy markets, Gazprom contribute to cooperation between Russian Federation and Turkey in despite the crisis period by keeping the stable the amount of Turkish - Russian natural gas trade. While Russian tourist numbers were “cut” by the sanctions, politic agents couldn’t “cut”

the natural gas and oil. Even more, energy issues played tie role in bilateral relations that show us how energy markets steers Turkish Russian relation.

By taking into account all these components, this study claims that Russian Federation uses economic sanctions as a resource of power which was experienced warplane crisis. But, these economic sanctions don't include all trade issues such as natural gas and oil trade. At this point this thesis puts forward how natural gas and oil trade has a different status than the other economic issues. Turkey is so dependent to Russian natural gas that any if Russian Federation throttles natural gas, there might be an irrevocable energy crisis in Turkish economy. But there are technical, political and economic reasons

Natural gas trade between Turkey and Russian Federation is regulated by long-term contracts. Turkey and Russian Federation has signed and intergovernmental agreement in September 18, 1984 which was used as a base for long-term natural gas contract. The first delivery of Russian natural gas to Turkey was in June 1987 in the context of a long-term contract signed in February 1986. This contract was for 25 years and the capacity was 6 billion m³ per year.¹⁵¹

In 1996, another long-term contract was signed for 8 billion m³ per year. After 2003, Russian natural gas was delivered to Turkey by the Blue Stream Pipeline. And the contractual basis for this trade was signed in December 15, 1997. The maximum capacity for this pipeline is 16 billion m³ per year. After the Blue stream project Turkey became dependent to Russian natural gas. At this point, It should be well emphasized that Turkish – Russian natural gas trade contains energy security issues such as the route of pipelines and the political effects in decision making process. In order to respect the limit of the thesis, I will not discuss the route of pipelines. In this regard, Blue Stream project will not be discussed in details.

Long- term gas contracts fix natural gas prices and volume that is not easy to cut natural gas or increase the price because both sides have long-term contracts that.

¹⁵¹ TEİAŞ, Annual Report 2015, <http://www.teias.gov.tr/FaaliyetRaporlari.aspx>.

Each of these contracts presents an economic institution which provides assurance for the stability in trade. These long term contracts could be interpreted as one of the multiple channels which provide a way for conflicted parties. In Turkish – Russian case, natural gas trade could be accepted as a channel which kept the economic channel in a crisis time. Turkish Stream Project and natural gas trade are concrete examples how natural gas trade and projects contribute to economic cooperation.

5. CONCLUSION

This thesis aimed to explore the effect of energy markets in international relations through a case study which considered Turkish – Russian natural gas and oil trade during a crisis time in the context of neo – institutionalist perspective. In order to study the thesis subject in an effective way, theoretical framework considered two major concepts of neo-liberal institutionalism which are cooperation and complex interdependence. Besides this, energy markets were limited to natural gas and oil trade as these markets present a vast scientific study field. Energy issues are generally interpreted in terms of security in international relations but this thesis considers natural gas and oil trade as an economic issue in the context of neo-institutionalist assumptions. In this sense, energy security issues such as routes of pipelines were defined as subject for another works.

In the first chapter of the thesis, cooperation and interdependence concepts of neo - institutional liberalism were explained in details. In addition to that, main characteristics of complex interdependence were introduced by underlining how multiple issues could be considered by states as a resource of power. In other words, this theoretical framework explained how economic issues could be used as a source of power in a complex interdependence case. In this regard, this thesis aimed to discuss if natural gas and oil trade was interpreted as a source of power. For this reason, this thesis considered Turkish – Russian bilateral trade relations in the context of complex interdependence as a case study.

Turkish – Russian relation is quite historical that should be well limited by time and by subject. On that note, this study determined a time period basing on major events and milestones. Therefore, in the second chapter, Turkey and Russian Federation were analyzed by their economic outlooks and foreign policies in order to understand their positions. After analyzing Turkey and Russian Federation, I studied Turkish – Russian relations for a limited time period from 1999 till 2017. Because, the arrest of Abdullah Öcalan diminished the proportion of security military issues in Turkish political agenda. In addition to that, Turkey was

recognized by European Union as a candidate for full membership during European Council's Helsinki Summit in December 1999 which accelerated the process of democratic consolidation and crucial reforms in both economic and politic realms of Turkey.¹⁵² For Russian side, Putin was elected as primary minister in 1999 which opened a new era in Russian economy and foreign policy. It should be underlined that although Turkish – Russian relations were considered from 1999 till 2017, the warplane crisis (2015) is in the center of the thesis. Because, warplane crisis demonstrated how natural gas and oil trade could be used as a source of power.

This thesis includes quantitative information about energy consumption and production. In this sense, Turkey consumed 265.724,4 GWh and produced 261.783,3 GWh of electrical energy in 2015. And the proportion of natural gas in this production is 38 % which makes natural gas more important for Turkish economy. Moreover, Turkey consumed 48 billion m³ natural gas in 2015 and could produce just 0,84 % of her total consumption in 2015. By the way, Turkey imported 55 % of her natural gas demand from Russian Federation in same year. By taking into consideration all these data this thesis underlines the importance of Russian Federation for Turkish energy markets. Additionally this thesis explains how this situation presents an asymmetrical dependence of Turkey to Russian Federation.

Having neo - institutionalist perspective, this thesis considers Turkish – Russian relations by two angles. One side, Russian Federation defined Turkey as a “defector” which harms Turkish – Russian cooperation by causing the warplane crisis. And this defector was punished by economic sanctions. On the other side, Turkey accused Russian Federation because of air space violation. One side, Russian economic sanctions against Turkey was a deterrent threat for Turkish economy but on the other side these sanction was not sustainable because of the negative trend in Russian economy. Thus, the absolute gain for both actors seems

¹⁵²Ziya Öniş, Turkey And The Middle East After September 11: the Importance Of the EU Dimension, p.2-3.

as cooperation again. In this regard, the post – tension of the warplane crisis should be studied in order to understand: “Why Turkey and Russian Federation couldn’t go longer in a conflict situation? Why economic sanctions didn’t contain natural gas and oil trade?”

During the Cold War period, Turkish - Soviet relationship was under tension since Turkey was a NATO member and was in league with western bloc. After the collapse of Soviet Union, Turkish - Russian relations turned to be more moderate. One side, the economic events improved the positive sense of Turkish - Russian bilateral relations. On the other side, Turkish Straits, power struggle over ex-Soviet Turkic republics, Chechen and PKK (Kurdistan Workers’ Party) crisis revealed as significant components in the political formula.¹⁵³ Especially, Syrian crisis and warplane crisis formed the agenda from 2015 till 2017.

Cooperation and conflict concepts could be described such as a delicate balance of international relations that a simple issue might distort the cooperation or releases the conflict between states. These concepts are so close to each other that in an iterated game I could see a lot of them. Syrian Civil War, correspondingly warplane crisis could be interpreted in this regard in terms of Russian Turkish relations. In this part of this thesis, I will introduce the Syrian civil war in terms of Russian - Turkish political positions as this war caused dangerous “conflict” between Turkey and Russian Federation in which warplane crisis arose.

Syrian crisis is a recent conflict that caused many catastrophic events in Syria which caused also conflict between Turkey and Russian Federation. These states have different strategies and foreign policies about Syrian civil war. This kind of differentiation in strategies discloses political crisis between sides as the warplane crisis did in 2015. In this respect, this case study considers warplane crisis in order to demonstrate recent political outlook of Turkish - Russian relations.

¹⁵³Muzaffer Ercan Yılmaz, Soğuk Savaş Sonrası Dönemde Türk – Rus İlişkileri, Akademik Fener, 2010, pp 28-41.

According to Kenneth Oye, cooperation is always under the shadow of the future since it is based on iterated game. In this regard, this thesis claims that Turkish – Russian relations presents an iterated game, In this iterated games, actors are subject to a reciprocal test every day through economic and political issues. For instance, Turkey limited to import Russian grains by increasing the tariff to Russian import products in 2017. This attempt was interpreted in Russian side as a “stab in the back”. As a response to Turkish move, Russian minister of agriculture Alekandr Tkaçev explained that internal tomato bazaar would be close to Turkish investors,¹⁵⁴ Russian minister of transport Maksim Sokolov¹⁵⁵ declared that charter flight might be stopped because of Turkish internal tension. All of these declarations and counter declarations show us how this relation is iterated and how multiple issues dominate the agenda. Having all of these issues in a study would be an unrealistic attempt. Therefore, this study considered before and after of warplane crisis in the context of neoliberal institutionalist perspective through the natural gas and oil trade.

In this regard, this thesis considered Turkish - Russian relations as a case study in order to explain how natural gas and oil trade affect this relation while warplane crisis was on the top of the agenda after 2015. This case study presented also Turkish – Russian economic interdependence. Meanwhile, Turkish – Russian energy relations such as natural gas and oil trade are the significant issues in the context of asymmetrical dependency of Turkey to Russian Federation.

According to neo – institutionalist perspective, there are multiple issues in complex interdependence theory that are not ordered in clear hierarchy. In this regard this thesis defines warplane crisis as a military security issue and natural gas as one of multiple issue in Turkish – Russian interdependence. In the view of the fact that definitions this thesis claims that natural gas and oil trade provide

¹⁵⁴ <http://www.cnnturk.com/ekonomi/dunya/rusyadan-turkiyeye-sirtimizdan-bicaklandik>

¹⁵⁵ <http://www.cnnturk.com/ekonomi/dunya/rusyadan-turkiyeye-bir-mesaj-daha-charter-ucuslar-durdurulabilir>

strong economic tie between states such that Russian economic sanctions against Turkey exempted the energy trade.

In this sense, this study defined natural gas and oil trade also as a channel of Turkish - Russian interdependence which constituted cooperation after the warplane crisis through the Turkish Stream Project. Warplane crisis emerged after November 2015 and a crisis period led the bilateral relations for a year by the time military security issues have dominated the agenda. After such a crisis period, Turkish Stream pipeline project was signed between Turkish and Russian ministers in October 10, 2016. In this regard, Turkish stream project could also be accepted as another channel in Turkish – Russian relation which dominated the political agenda.

According to Solomon W. Polachek, states are deterred from initiating conflict against a trading partner for fear of losing the welfare gains associated with trade.¹⁵⁶ In this respect, this thesis analyzed Russian economic sanctions against Turkey after the warplane crisis and claimed that Russian Federation deterred from initiating conflict in terms of natural gas and oil trade during the conflict period. Because, the economic outlook of Russian economy is negative as Adam Eberhardt and Marek Menkiszak explains. This negative outlook has three main reasons. Firstly, resource – based model pushed the limits of its potential. Secondly, low oil prices shrank the Russian GDP. Lastly, the negative effect of European sanctions caused the negative situation in Russian economy after 2014.¹⁵⁷ Therefore, Russian Federation exempted natural gas and oil trade from the economic sanctions.

In this respect this thesis affirms that in one hand Turkey is dependent to Russian natural gas which makes Turkish – Russian interdependence asymmetrical in favor of Russian Federation. On the other side, negative outlook in Russian

¹⁵⁶Polachek, Solomon W., 1980. 'Conflict and Trade', *Journal of Conflict Resolution*, vol. 24, no. 1, March, pp. 57-78.

¹⁵⁷Adam Eberhardt, Marek Menkiszak, *The economic and financial crisis in Russia background, symptoms and prospects for the future*, OSW Report, Warsaw, February 2015, p.5.

economy made Russian Federation more sensitive to natural gas incomes. Therefore, Russian Federation exempted the natural gas and oil trade from the sanctions against to Turkey. In this respect, this thesis affirms that Russian Federation couldn't weaponize the natural gas trade as did in Ukrainian crisis in 2014. Even more, Russian Federation is sensitive to Turkish natural gas demand since Turkey is the second major importer of Russian natural gas. Furthermore, Russian Federation shifted the South Stream Project with Turkish Stream Project that will make Turkey more dependent to Russian natural gas but Russian Federation will also be more sensitive to Turkey.

In conclusion, this thesis aimed to understand how energy markets steer international relations. And relatively affirmed that economic issues have a significant role in terms of moderating military security issues as natural gas and oil trade moderated conflict situation emerged after the warplane crisis in 2015. In this regard, this thesis put forward the complex interdependence between Turkey and Russian Federation through discussing the role of natural gas trade after warplane crisis. However this interdependence is asymmetric as Turkey is dependent to Russian natural gas, low oil prices and western economic sanctions against to Russian Federation affected the balance of this asymmetry. In other words, Russian Federation is getting more sensitive to Turkish natural gas demand.

By taking into account all these components, this study claims that Russian Federation uses economic sanctions as a resource of power which was experienced with warplane crisis. But, these economic sanctions don't include all trade issues such as natural gas and oil trade. At this point this thesis puts forward how natural gas and oil trade has a different status than the other economic issues. Turkey is so dependent to Russian natural gas that any if Russian Federation throttles natural gas, there might be an irrevocable energy crisis in Turkish economy. In this context, it should be asked why is it hard for Russian Federation to use natural gas as a weapon against to Turkey?

In order to understand the extents of natural gas trade between Russian Federation and Turkey, long term contracts should be taken in count as these contracts fix natural gas prices and volume that is not easy to cut natural gas or increase the price because both sides have long-term contracts that. Each of these contracts presents an economic institution which provides assurance for the stability in energy trade. These long term contracts could be interpreted as one of the multiple channels which provide a way for conflicted parties. In Turkish – Russian case, natural gas trade could be accepted as a channel which kept the economic channel in a crisis time. Turkish Stream Project and natural gas trade are concrete examples that show how natural gas trade and projects contribute to economic cooperation.

In this work, Turkish - Russian interdependence was considered in the context of natural gas and oil trade by the concepts of interdependence. The results of analysis -described in the second and third chapters of this thesis- revealed that Turkey is asymmetrically dependent to Russian natural gas. But, it was also explained in this thesis that Russian Federation is also dependent to Turkish natural gas demand as Turkey is the second major importer of Russian natural gas. Especially after the warplane crisis, Russian Federation declared economic sanctions and restrictions to Turkey but natural gas and oil trade were excluded from this declaration. The negative outlook in Russian economy after 2014 could be accepted as a trigger point why Russian Federation became sensitive to Turkish natural gas demand. This is the economic reason why Russian Federation is dependent to Turkey. In addition to this economic reason there are also political ones. It should be well underlined that political reasons are open to be discussed.

As explained in the second chapter, Russian Federation used natural gas as a weapon against to Ukraine during the Ukrainian crisis in 2014 but, Russian Federation didn't do the same against to Turkey after the warplane crisis. This thesis affirmed that Turkey is the second major importer of Russian gas that is why Russian Federation is less incentive for weaponization of natural gas as this would indirectly cause negative effect in Russian economy. As a political reason,

this thesis affirms that Russian Federation weaponized natural gas against Ukraine which was not a NATO member. But, Turkey is a NATO member which makes Russian Federation less incentive for any weaponization. Because, Turkey is an important state in the region and natural gas is one of the multiple channels for Russian Federation which makes Turkey asymmetrically dependent to Russian Federation.

Lastly, Russian Federation was economically and politically stressed by the European Union, USA and NATO after the Ukrainian crisis that Western economic sanctions moreover the cancellation of South Stream Project demonstrate how power struggle reshape after any move of states. In such a situation, Russian Federation seems in need of to find new pipeline routes so that Turkish land (Turkish Stream Project) is the best solution. Therefore, this thesis affirms that Russian Federation is also dependent to Turkey. All of these events form the Turkish – Russian interdependence and any new move reshapes the symmetry of this interdependence.

This thesis researched the effect of energy markets in international relations by analyzing the role of natural gas trade in Turkish – Russian relations after in crisis period. In order to respect the limits of the thesis time was limited from 1999 till 2017. One side, warplane crisis is a current issue which still contains a potential for another conflict in Turkish – Russian relations. On the other side, Turkish Stream Project is on construction and not finished yet. Therefore, it is early to say warplane crisis is over or Turkish Stream Project provides a complete cooperation.

In this regard, this thesis advises for further studies to consider current issues in coming years through the complex interdependence theory. Because, this thesis analyzed current issues such as Syrian crisis, warplane crisis, Turkish Stream Project through limited information frame as this subject are still in progress. This thesis claimed that natural gas trade presents an economic tie in current Turkish – relations Russian. Furthermore, natural gas trade has such a different position in

Turkish – Russian that was exempted from the economic sanctions after the warplane crisis. By the way, this thesis put forward how natural gas trade could be as source of power. Natural gas also disturbs the symmetry of Turkish - Russian interdependence as Turkey seems dependent to Russian natural gas interdependence becomes asymmetrical in disadvantage of Turkey. For further studies, the role of Turkish Stream Project could be analyzed in details because after this project Turkey will be more dependent to Russian natural gas but, this project will be an indispensable way for Russian Federation in terms of natural gas exporting. Therefore, further studies would have the answer if Turkey would be more dependent to Russian natural gas or this pipeline would reduce the asymmetry in Turkish – Russian relations.

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