



## RUSSIA'S RELATIONS WITH TURKEY, BULGARIA AND ROMANIA

- ANALYSIS  
Russian–Turkish Relations in the 21<sup>st</sup> Century, 2000–2012 2  
By Şener Aktürk, Istanbul
- ANALYSIS  
What Is So Special About Russian–Turkish Economic Relations 5  
By Natalia Ulchenko, Moscow
- ANALYSIS  
Hard Bargaining amongst Friends:  
An Overview of Contemporary Russian–Bulgarian Relations 11  
By Kyril Drezov, Keele, UK
- ANALYSIS  
Still Talking Past Each Other: Romanian–Russian Relations 14  
By Simona R. Soare, Bucharest

## Russian–Turkish Relations in the 21<sup>st</sup> Century, 2000–2012

By Şener Aktürk, Istanbul

### Abstract

Russian–Turkish relations improved significantly after the end of the Cold War, against a background of centuries of fierce geopolitical rivalry and conflict. By the early 2000s, some observers even began speaking about a possible Russian–Turkish alliance, but the late 2000s witnessed serious Russian–Turkish disputes, even bordering on proxy wars, over Georgia and Syria. Nonetheless, Russia and Turkey are bound together by a large and growing trade volume, jointly founded international organizations, a nuclear reactor project, and cooperation against international and domestic ethnic separatist terrorism.

### Russian–Turkish Relations Before 1992: Archrivals Since Time Immemorial?

Russia and Turkey have been archrivals since their first encounter about four hundred years ago. Russia did more to hasten the collapse of the Ottoman Empire than any other great power, and it certainly fought more, and far bloodier, wars with the Ottoman Empire than any other state. Russian armies almost reached Istanbul twice, in the wars of 1829 and 1877–78. In the latter, they erected the famous St. Stefanos monument in the outskirts of Istanbul to mark their furthest advance into Turkey. In the First World War, Russian armies took Trabzon and Erzurum, advancing as far as Tirebolu on the Black Sea Coast and Erzincan in East-Central Anatolia. With the notable exception of the Kemalist–Bolshevik alliance during Turkey’s War of Liberation (1919–1922), which continued into the following decade, the Soviet Union also had hostile relations with Turkey throughout the Cold War, including before and during the Second World War because of Turkey’s relatively good economic and political relationship with Nazi Germany. Therefore, economic, political, military and cultural relations between the Soviet Union and Turkey remained at a minimum. Taking this into account, Turkey is among the countries that has witnessed the most radical improvement in its relations with the Russian Federation since the end of the Cold War.

### Russian–Turkish “Alliance” Against the West?

Against this background of four centuries of almost uninterrupted rivalry and warfare, the Secretary General of Turkey’s powerful National Security Council, General Tuncer Kılıç, declared in a public speech in March 2002 that Turkey should seek a military alliance with Russia and Iran against the European Union. By the turn of the 21<sup>st</sup> century, Russia has become the second largest trading partner of Turkey (after Germany) and the number of Russian tourists visiting Turkey was second only to the German tourists. Thousands of Russian–Turkish marriages created a new hybrid identity in many Russian and Turkish cities. Thousands of Turks began learn-

ing Russian, both in Turkish universities and in Russia, whereas in the past it was only the very few committed Communists who had learned Russian. More strikingly, Russia and Turkey explored opportunities for military cooperation at a time when Turkey’s European and American allies were reluctant to provide Turkey with what Ankara considered the necessary military technology and equipment, especially at the height of Turkey’s fight against the Kurdish separatist terrorist organization PKK in the 1990s. Indeed, within a decade of the end of the Cold War, Russia and Turkey were described even at the official level as “strategic partners” and some key decision-makers even speculated forming an “alliance” against Europe. Furthermore, a new intellectual movement advocating the alliance and future union of Russia and Turkey, “Turkish Eurasianism,” linked to its Russian counterpart, emerged in Turkey, competing against Islamism, Turkism, and Westernism, the three traditional supranational ideologies in Turkey’s intellectual landscape. What were the factors that brought about such a dramatic change in Russian–Turkish relations, and do they still persist more than a decade later, in 2013?

### Changes in Russian–Turkish Strategic Balance and Threat Perceptions

The two most notable changes in Russian–Turkish relations after the collapse of the Soviet Union have been the radical reduction in Russia’s economic and military strategic advantage over Turkey, and the disappearance of a common border between the two states due to the independence of Georgia. While Turkish GDP was only about one-tenth of Soviet GDP in 1990, Turkish GDP had reached 80% of post-Soviet Russia’s GDP by 1999, and remained above two-thirds of the Russian GDP for the next five years. Likewise, while the Turkish army’s manpower hovered around or below one-fifth of the Soviet army’s for most of the Cold War, by 1998 it surpassed 80% of post-Soviet Russia’s. As a result, the threat that Turkey perceived from Moscow during the Cold War, and in previous centuries, had been significantly diminished by the end of the 1990s. This was

a crucial factor that contributed to the unprecedented improvement in Russian–Turkish relations throughout the 1990s and in the early 2000s. However, Russian GDP and military power has steadily improved *vis-à-vis* Turkish GDP and military power since 2000, reaching twice the Turkish figures in both categories by 2008, which may have contributed to the relative deterioration in Russian–Turkish relations since then, because Turkey has more reason to fear Russia once again, although the magnitude of the power imbalance and perception of threat is not nearly as bad as it was during the Cold War.

Perhaps equally importantly is that, for the first time in the last four hundred years, with the notable exception of the 1918–1921 period, Russia and Turkey no longer share a common border, due to the emergence of an independent Georgian Republic after the collapse of the Soviet Union. This factor has also contributed to Turkey's sense of security *vis-à-vis* Russia and facilitated the improvement of bilateral relations. Moreover, Georgia's role as a steadfast ally of Turkey and Azerbaijan in many common economic, political and strategic endeavors has further strengthened Turkey's sense of security. However, the Russian–Georgian war over South Ossetia in August 2008 significantly upset this state of affairs, with the Russian army making a strong come back to the South Caucasus. If the Russian military, economic, or political presence in Georgia grows further, or in the unlikely event that Georgia is brought under direct Russian control as in previous centuries, Russian–Turkish relations are bound to suffer significantly.

While the dramatic change in the strategic balance between Russia and Turkey, as well as the independence of Georgia, can be considered as permissive or necessary conditions for the improvement of Russian–Turkish relations, there are a number of other factors and common interests that have motivated and facilitated Russian–Turkish cooperation.

### **Cooperation Against the Iraq War and Against Domestic Ethnic Separatist Terrorism**

Russian–Turkish interests converged in the run up to the Iraq War in 2003. Both Russia and Turkey vocally opposed the U.S.-led plan to attack Iraq, and both countries did everything in their power to prevent the war from happening. Russia opposed the war in the UN Security Council, while Turkey rejected a U.S. request to deploy troops in Turkey to invade Iraq from the north. Moreover, both countries supported the territorial integrity of Iraq and opposed the partition of Iraq in the 1990s and 2000s, although Turkey has increasingly supported the Kurdistan Regional Government in northern Iraq after the U.S. withdrawal.

Both states' opposition to the ethnic or sectarian partition of Iraq stems in part from their own problems with ethnic separatist secessionism. Russian opposition to Chechen separatism is undoubtedly one of the most important principles of Russian foreign policy, whereas Turkish opposition to Kurdish separatism is also a long-standing principle of Turkish foreign policy. Russia historically supported all manner of anti-Turkish Kurdish separatist movements since the Tsarist period and throughout the Cold War, culminating in its support for the Marxist-Maoist Kurdistan Workers Party (PKK). 1999 was a turning point in this respect, as Russia refused to shelter the PKK's fugitive leader Abdullah Ocalan in Moscow, despite the fact that PKK had historically been supported by some segments of the Russian political establishment. Likewise, Turkey declared, in 2002, its willingness to extradite the Chechen propagandist, Movladi Udugov, if found in Turkey. Moreover, numerous pro-independence minded Chechens have been assassinated in Istanbul over the years, and their assassins have not been found or prosecuted. Overall, since the turn of the 21<sup>st</sup> century, Russia and Turkey have taken a stance against violent separatist challenges launched by Kurdish and Chechen ethno-nationalists respectively, and this new understanding helped to propel Russian–Turkish cooperation to a higher level than before.

### **Russia and Turkey in Favor of a Multipolar World Order: BSEC, BLACKSEAFOR, OIC, SCO**

At a more macro level, both countries oppose a unipolar world order, and instead favor a multipolar world order in which both Russia and Turkey can contribute more to decision-making on issues of global and regional significance. Russia and Turkey are cofounders of various regional cooperation organizations, such as the Organization of the Black Sea Economic Cooperation (BSEC) in 1992 and the Black Sea Naval Force (BLACKSEAFOR) in 2001. In 2005, Russia obtained observer member status in the Organization of Islamic Cooperation (OIC), which has been headed by a Turkish Secretary General, Ekmeleddin Ihsanoglu, since 2005. Most recently, Turkish Prime Minister Erdogan stated that Turkey is considering membership in the Shanghai Cooperation Organization (SCO), especially if Turkey's EU membership negotiations continue to be blocked by EU member states.

### **Russian–Turkish Blue Stream and the Nuclear Power Plant Deal**

There are two major energy deals between Russia and Turkey that bind them together, and make potential hostilities between the countries extremely costly for both

sides. The first one is the Blue Stream pipeline from Russia to Turkey under the Black Sea, which provides the vast majority of Turkey's natural gas. Due to the current international sanctions on Iran, which is Turkey's other major option for acquiring natural gas, Turkey will remain largely dependent on Russian natural gas for the foreseeable future.

Moreover, on 12 May 2010, Russia and Turkey signed an intergovernmental agreement on the construction of a nuclear power plant in Akkuyu, by the Mediterranean coast. The agreement was published in Turkey's Official Gazette and came into force on 6 October 2010 (Decision no. 2010/918). The budget for the construction of the plant is around \$20 billion, and the construction is expected to begin in 2013, but the reactor will not be operational until at least 2019. Turkey is also hoping to have a second nuclear power plant built in Sinop, by the Black Sea coast, and although a French–Japanese consortium, among others, have expressed interest, no concrete steps have been taken with regards to this second nuclear power plant as of March 2013. Thus, the Russian project remains very significant for Turkey.

### **Turkey and the “Five Day War” between Russian and Georgia**

The South Caucasus is undoubtedly the primary region in which Russian and Turkish interests collide, with this conflict of interests unlikely to be reconciled in the near future. Since the collapse of the Soviet Union, Russia, Armenia and Iran have formed an axis against Turkey, Georgia and Azerbaijan. The problems between the two axes are manifold. Most obviously, Russia and Armenia actively deny the territorial integrity and sovereignty of Georgia and Azerbaijan, respectively. Armenia invaded one-fifth of Azerbaijan's territory, including the entirety of the Nagorno-Karabakh Autonomous Republic and several other surrounding Azerbaijani regions, with in approximately one million Azeri refugees escaping the Armenian occupation. The United Nations demanded the withdrawal of all Armenian forces from occupied Azerbaijani territory, most recently in Resolution 62/243 on 14 March 2008, supported by 39 member states including Turkey, but opposed by only seven including Armenia, Russia, United States, France and India. Armenia is politically, economically, and militarily entirely dependent on Russia, perhaps more so than any other post-Soviet state. Russia also supports the two break-away Republics of Georgia, Abkhazia and South Ossetia, militarily, economically and politically, hence denying Georgian claims of territorial integrity and sovereignty. Georgia is Turkey's other key ally in the South Caucasus.

Russian–Turkish relations were seriously challenged when Georgia and Russia engaged in a war over South

Ossetia in August 2008. The so-called “Five Day War” ended in a humiliating defeat for Georgia, perhaps permanently wresting South Ossetia away from Georgia. The war also damaged Turkey's strategic position in the Caucasus, as it led to the serious weakening of a key ally, including the bombing of some Georgian roads and facilities, which were built or renovated by Turkey. Although neither Turkey nor Azerbaijan were directly affected by the war, this conflict nonetheless rekindled fears about the reemergence of Russia as a military threat in the South Caucasus.

Aside from previously built and operational Baku–Tbilisi–Ceyhan oil pipeline, Turkey has ongoing projects with Georgia, the most important of which is the building of the Kars–Tbilisi railway. However, both Russia and Armenia oppose the building of this railway, because they fear that it would strengthen the Turkish–Georgian–Azeri axis to the detriment of the Russian–Armenian–Iranian axis.

### **Russian–Turkish Confrontation over the Syrian Civil War**

While some may have suggested that the Russian–Georgian war of 2008 could be seen as a proxy war between Russia and Turkey, such a description is much more apt in terms of the two states' positions on the Syrian Civil War that began in 2011, which represents the most serious crisis in Russian–Turkish relations since the 21<sup>st</sup> century began. Turkey is the main state pushing for the downfall of the Baathist Assad dictatorship in Syria, while Russia is the primary outside actor trying to keep the Assad regime in place. The Russian naval base in the Syrian port city of Tartus is the only such base Russia has in the Mediterranean. Russia has blocked any powerful UN action against Syria in the UN Security Council. By contrast, Turkey actively organizes and supports the Syrian opposition, both domestically and internationally.

It is nonetheless a testimony to the strength of Russian–Turkish relations and the importance of their common interests that the Russian president, Vladimir Putin visited Turkey at the height of the Syrian Civil War in December 2012, in order to sign numerous trade agreements. Georgia is Turkey's gate to Eurasia and Syria is Turkey's gate to the Middle East, and Russia's interests, in these strategically important countries' for Turkey, clash with Turkey's in an almost diametrically opposed way. These conflicting interests have culminating in their role and support for opposite sides in the militarized conflicts of the Russian–Georgian and the ongoing Syrian Civil War. Russia clearly has the power and the will to frustrate Turkey's attempts to expand its influence in the Caucasus and the Middle East, as it successfully did in Central Asia during the 1990s. And indeed, as it

did in Central Asia, Turkey will most likely recognize that it can neither nor should it openly challenge and engage in a hot conflict with Russia in either the Cau-

casus or in the Middle East, especially given that Russia and Turkey have greater common interests.

#### *About the Author*

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#### *Further Reading*

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## ANALYSIS

# What Is So Special About Russian–Turkish Economic Relations

By Natalia Ulchenko, Moscow

## Abstract

This article analyses contemporary Russian–Turkish economic relations. It considers the problems that the two sides are faced with, in spite of their steadily increasing bilateral trade volume and investment flows, and highlights the rather different positions that they take towards addressing these problems and suggests how they might successfully manage these difference.

Economic cooperation is a key element of the Russian–Turkish relationship. According to a number of experts, economics surpasses political contacts in terms of importance. Moreover, the high level of economic interaction between Russia and Turkey is a factor that predetermines their mutual desire to maintain their political dialogue on a solid foundation. Therefore, it is important to understand the specific features that have propelled economic ties to a domineering position within the bilateral relationship between Russia and Turkey.

## Why Does Increasing Bilateral Trade Volume Bother Turkey?

Bilateral trade is the primary vehicle driving the economic relationship. The statistical data in Figure 1 and Table 1 on page 9 reveals a steadily increasing trend in the volume of bilateral trade, which has been disrupted only once throughout the 2000s, as a result of the reverberations from the global financial crisis: in 2009, the trade turnover declined more than 40%, however by 2010, it was had already back on track and started to grow again.

The deficit between Turkey's imports from, as compared to exports to Russia is a chronic feature of the bilateral relationship, displaying a tendency towards steady and absolute growth. Its profound nature is exemplified by the fact that the maximum ratio of Turkey's exports to its imports has not been any higher than 25% throughout recent years. Consequently, some analysts are prone to draw a parallel between one of the most disturbing problems in the Turkish economy—the Current Account Deficit—and the development pattern in its trade relations with Russia.

The reason why Turkey's exports are unable to match the growth rates in its imports is the structure of Russian–Turkish bilateral trade. Since 2007, Russia has been Turkey's No. 1 foreign energy supplier, and is a major purchaser of primary energy resources: natural gas, crude oil and petroleum products accounted for 65% of its imports from Russia in 2012. During this year, the oil price that defines the market prices for all primary energy resources was 3.7 times higher than the corresponding price in 2003. Therefore, the trend of increasing expenditure on imports from Russia has



been sustained not only through greater purchases in terms of volume, but through the rise in world market prices as well.

At the same time, the volume of Turkey's exports to Russia, considering the relatively low international price for the majority of Turkish goods, appears to be insufficient to cover the value of imports from Russia. Although the reasons underlying this profound trade deficit are seemingly of an objective structural nature, it is a constant concern for Turkey, which has encouraged Ankara to search for remedies to rectify it. It can be also assumed with a high degree of certainty that Turkey is prompted to seek such remedies because it is keenly aware of the circumstances in which the first Natural Gas Agreement was signed between Turkey and the USSR in 1984. This agreement was made on condition that the payment for the gas supplied through the pipeline running across Eastern Europe could be offset by export commodities or services rendered by Turkish construction companies. This arrangement for mutual payments was in place *de facto* for only a short period after the commencement of natural gas deliveries in 1987, and was later rescinded by the Russian side in the mid-1990s.

Taking into account the current structure of Turkey's bilateral trade relationship with Russia, the trade deficit can be resolved, at least theoretically and across a long-term perspective, by a substantial change (reduction) in world prices for energy, or if Turkey manages to increase the share of high value added within its exports, an aim which has been asserted by the Turkish ruling authorities on multiple occasions. Today 25% of all Turkey's exports to Russia consist of textiles and ready-made clothing, about 15% is food products and some 8% is other consumer commodities (see Table 2 on page 10). While, automobile industry products make up a considerable share, 12%, with engineering and electrical products accounting for approximately the same share. However, all of the above commodity groups belong to the medium-tech manufacturing sector, while high-tech products are comparatively insignificant in Turkey's exports structure—about 3% of the overall value.

In view of this data, it is not clear how Russian–Turkish trade volume is going to reach the USD 100 billion target that has been publicly set by the leaders of the two countries for as the goal for the next few years.

At the same time, it should be noted that some possibilities that may lead to a more balanced bilateral trade can already be identified. According to Russian statistical data for 2009, the year most affected by the global economic crisis, import of fruits, including citrus fruit and vegetables, from Turkey grew substantially in terms of value, while the import of automotive industry and

engineering industry products declined by more than half. Therefore, it can be assumed that, although sufficiently diversified, the most stable of Turkey's exports to Russia are those products representing so-called traditional export items, while new product categories exported by Turkey do not have similarly strong competitive positions within the Russian market. Moreover, such positions are more easily lost in the event of a less favorable economic environment. Hence, there are potential opportunities for Turkey to boost its exports to the Russian market even under the existing market structure of their trade relationship, by way of focusing on their competitive strengths and launching appropriate marketing campaigns. Indeed, Turkish exporters encouraged by various forms of government support are actively engaged in taking advantage of such opportunities. For example there are a growing number of trade representations operating all across Russia, and numerous exhibitions of Turkish goods held in Moscow and other Russian cities.

Aside from these traditional exports, Turkey is faced with unfavorable market conditions for its exports of Russian energy, due to the general price elasticity of the energy market, which has seen several sharp increases in the cost of these resources over the last decade. Ankara has thus sought to mitigate the impact of this on the trade deficit by seeking preferential prices for its imports of Russian natural gas. To this end, two such moves were made by Turkey in late 2011 to coincide with common European measures seeking to exert pressure on Russian energy giant Gazprom in an effort to reduce the price of gas that Gazprom charges.<sup>1</sup>

Firstly, Turkey stated that it refused to renew the Natural Gas Supply Agreement that came in force in 1987. The agreement was signed for a term of 25 years, and 2011 was the last year for the deliveries under this contract. The unwillingness of the Russian side to reduce the gas price under the “take or pay” scheme that was often too burdensome for Turkey was cited by Ankara as the reason behind its refusal: the Turkish side was obligated to pay for the contractually-agreed amount of natural gas, even if it *de facto* used less. Turkey planned to allow the pipeline facilities to be used by private companies for the supply of gas, which would be purchased not under

<sup>1</sup> The point is that as things stand now, the gas price is in line with the petroleum product basket, however oil prices are largely determined by the speculative activity of exchange brokers. The European partners of Gazprom, including Turkey, do not want to buy fuel at speculative prices. In the pre-crisis period, spot prices and long-term contract prices were approximately at the same level. Post-crisis, spot contracts that are determined by the buyers' demand have been more lucrative than long-term contracts.

long-term agreements, but under spot contracts, and in this way Turkey was supposed to receive gas supplies at “more acceptable prices”.<sup>2</sup> This episode can be viewed as another instance of Turkey’s active protest against the practice of the “take or pay” payment principle.<sup>3</sup>

Secondly, in late 2011, Turkey granted its final permission to Gazprom for the construction of the South Stream Gas Pipeline within its exclusive economic zone (EEZ) in the Black Sea area. This is a key Russian natural gas project to diversify supply routes and to promote the growth of its gas exports to Central and Southern Europe destinations. An understanding was reached on the basis of previously-agreed lower price deal for the supply of Russian gas to Turkey. As has been reported by the Turkish media, Turkey was thus able to cut its annual payment for Russian natural gas by USD 1 billion. This compromise has allowed the two sides to agree a “partial” renewal of the 1987 Agreement—Turkey planned to purchase an extra 3 billion cubic meters of natural gas from the Western route of pipeline in 2012 under the previous “take or pay” terms.

### Too Much Russia in the Turkish Gas Market?

Another factor that causes anxiety for Turkey is Russia’s monopolistic position within the Turkish gas market. In 2011, Russia accounted for 55% of all gas supplied to Turkey, and this percentage was lower than the historical high of 60% registered only a few years earlier. For this reason, the Turkish side has made strenuous efforts to diversify the sources of its gas imports. In the 1990s, Turkey entered into natural gas supply agreements with Iran, Nigeria (LNG), and in 2001 with Azerbaijan. In 2011, these countries accounted for 21%, 3% and 10% of total imported gas volume respectively.

Until now, Turkey has not successfully implemented an agreement with Turkmenistan, which was reached back in the late 1990s, whereby Turkmen gas was to be crucial in the realization of the NABUCCO Project. This project was to provide an alternative option to Rus-

sian natural gas supplies for Europe. However, Russia successfully ensured that European nations yielded to its preference for the South Stream Project. The unfailing conviction with which Turkish Prime Minister R.T. Erdogan has tried to assert his country’s right to continue purchasing natural gas from Iran, in spite of the economic embargo imposed on the latter by EU member-states, can be explained, *inter alia*, by the acute necessity for Turkey to diversify the geography of its natural gas supplies. “We cannot support such sanctions. We have stated earlier that we would continue to receive gas from Iran”, the Prime Minister said in December 2012, although it should be noted that a few months before Turkey had attempted to challenge the Iran’s pricing of its gas in court.

Long-term ambitions entertained by Turkey include the further reduction of the strategic importance of both Russia and Iran within its domestic gas market, and a gradual transformation of its subordinate role as an energy resource importer, to a major actor in global energy politics. It is hoped that this may be achieved through the aggressive employment of its advantages related to geographic location to concentrate the majority of the energy raw material imports from the countries in the region within Turkish territory.

Turkish state-owned gas corporation Botas plans to construct an Iraq–Turkey gas pipeline, as well as the previously announced Turkmenistan–Turkey gas pipeline; and to increase the volume of gas purchased from Azerbaijan within Phase II of their joint project, which already connects Azerbaijan with eastern Turkey through a gas pipeline. As a result, Turkey hopes to focus the energy resources of the region on its territory, and in turn to use these to meet demand for energy from European countries and other nations (Israel), thus evolving into an international energy hub and obtaining greater geopolitical leverage. To achieve this goal, the currently operational pipelines carrying energy resources from Azerbaijan to Turkey are considered as a contributing factor, likewise the gas pipeline connecting Turkey with Greece, as part of the Southern Europe Gas Ring. In other words, Russia does not feature highly on the Turkish agenda for the development of its energy sector. Turkey sees Russia as a stable and rather important energy resource supplier in the future, but it does not foresee any potential growth in supplies, rather Turkey’s major hopes are linked to other countries that possess hydrocarbon resources.

### The Role of Turkey Within Russia’s Foreign Economic and Foreign Policy

Russia is not as deeply concerned about the problem of bilateral trade imbalances as Turkey. The reasons for this

2 Russia supplies gas to Turkey along the Blue Stream gas pipeline (with a full design capacity of 16 billion cubic meters of gas per year) and the western route also known as the Trans-Balkan pipeline. In 1998, a long-term Contract for the delivery of 8 billion cubic meters of natural gas per year along the western route was signed to complement the delivery of 6 billion cubic meters, which was set forth under the 1984 Treaty. The term of this Contract was extended until 2025.

3 The first “price” crisis was in 2003, when natural gas deliveries were due to begin along the Blue Stream pipeline connecting Russia and Turkey across the bottom of the Black Sea. At that time, Turkey asserted that there had been a miscalculation in the price formation formula and eventually secured a price revision in its favor.

are easily explainable. Russia faces its own challenges in increasing the volume of and receipts from its hydrocarbon exports, as well as in diversifying these exports geographically and reinforcing its position as a major energy superpower. Moreover, it is generally acknowledged that the imbalances in trade relations with Turkey are compensated for by a strikingly apparent advantage held by Turkey in tourism (over the first nine months of 2012 alone, 3 million Russians traveled to Turkey, while the number of Turkish citizens who visited the Russian Federation over the same period was only 0.2 million), and the presence of the phenomenon of shuttle trade (whose revenue based on the results of the first 11 months of 2012 was assessed by the Central Bank of Turkey as USD 5.2 billion, however, exports to Russia hardly represent the most substantial part of this).

Lastly, but not least, for a long time the Turkish side contrived to retain an advantage regarding foreign investment (the biggest investment have been made by the Turkish companies Efes Pilsen, Vitra, Vestel, Pasabahce, Enka, Gama, and others). However, recently, owing to the purchase by Sberbank of the Turkish DenizBank, investment by the Russian steelmaking giant Magnitogorsk Metallurgical Plant in a flat rolled product manufacturer in Turkey, the entry of the largest Russian IT company Yandex into the Turkish market, this situation has changed. On aggregate, the total investments made by the Russian side reached USD 6 billion as against USD 4 billion of investment from Turkey. Russia's investment portfolio will be further enhanced by the ongoing implementation of a construction project for the first nuclear power plant on Turkish territory valued at USD 20 billion. An important part of both Russian and Turkish macroeconomic strategy is to attract foreign investment. Thus, if the pattern of Russian–Turkish investment is viewed from this perspective, Russia should perceive it unfavorably as it is receiving less investment from Turkey than it is providing to her. However, within the context of the Russian–Turkish bilateral economic relationship, Russia seems to be content with the status of a giver, rather than a taker.

During Russian President Vladimir Putin's visit to Turkey in December, 2012, he commented on the positive benefits that Turkey would gain from the nuclear power plant construction. He asserted by that it is a very big project which will be fully financed at the expense of the Russian side, however at least 25% of the total financing costs will be allocated to the creation of new employment opportunities in the Turkey. "We are speaking not only about the construction of the nuclear power plant itself, but of the development of an entirely new high-tech industry in Turkey, inter alia, related to the program of fostering the Turkish national workforce", added Putin.

Some analysts tend to view Russia's increased investment in Turkey as driven by its apprehension about the future of the South Stream project. But that round of negotiations with Turkey is now over, decided in favor of the Russian side. Besides, much to Turkey's dismay, the construction of the South Stream project was approved at a time when the NABUCCO project was deemed no longer relevant for reasons beyond Turkey's control. Therefore, it was not possible for Turkey to link its consent to the South Stream project to the receipt of a tangible gain elsewhere as might have been possible if competition between the two projects had existed. Indeed, there has been criticism of the Turkish Government's handling of the negotiations with Russia over the South Stream project within domestic Turkish politics. K. Kilicdaroglu of the Republican People's Party (CHP), the largest opposition party, stated that Turkey's consent to the South Stream Project in late 2011 had "offered Turkey to Russia as a Christmas turkey".

As a result of this loss of leverage in its bargaining position over energy pipelines, Turkey is confronted with the risk of losing its significance within Russia's foreign policy. If this trend is complemented *de facto* by a gradual reduction in Russia's leading role in Turkey's global energy strategy, then it is most likely that the two nations might be facing the prospect of their relationship losing its magnitude. However, Russia would not be in the least satisfied with such a scenario: it seeks to maintain a positive dynamic within its relations with Turkey using bilateral energy cooperation as basis for this. In addition to the far-reaching nuclear energy project, President Putin declared his readiness to negotiate the possibility of granting access to the Blue Stream Project for third-party countries, which effectively means that he is agreeable to the idea of assigning the role of a regional energy hub to Turkey. According to another source, during the Russian President's December visit to Turkey, the two sides discussed the Samsun–Ceyhan Pipeline—an alternative oil transit route designed to ease the transit burden through the Black Sea Straits.

Russia's interest in maintaining close ties with Turkey can also be linked to a number of factors. It is likely that the Russian leadership appreciates the more independent foreign policy pursued by Turkey's ruling Justice and Development Party (JDP). Also of critical importance is Turkey's status as one of the most influential players in the turbulent Middle East region, with whom it is highly beneficial to maintain a long-term partnership, in order to have influence in this region. Given a mounting degree of tension in Russia's relationships with the US, Turkey's role is expected to rise significantly in all matters concerning the Middle East policies of Russia and the US alike. Indeed, Turkey has



retained its skill, acquired over the Cold War years, in pragmatically and effectively balancing these two poles.

Furthermore the rounds of negotiation over energy issues are not over. Not wasting any time after the loss of the promising momentum for the NABUCCO project, Turkey has embarked on the realization of its own mini-version—the TANAP (Trans-Anatolia Pipeline) Project. Turkey's Energy Minister T. Yildiz, who attended the ceremony to commemorate the launching of the South Stream Project in December 2012, outlined that

he did not consider this project to be competitive with regards to the NABUCCO Project over the long-term: "If I believed that the last nail had been driven in the NABUCCO coffin, then I would not be here". So, it is essential for Russia to use the important leverage of "economic diplomacy" from its energy partnership with Turkey to sustain a constructive political and geopolitical dialogue, as long as Turkey is also willing to participate in a positive relationship.

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**Figure 1: Turkish–Russian Trade (Million US\$)**



Source: TURKSTAT

**Table 1: Turkish–Russian Trade (Million US\$)**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Turkey's Exports	1,368	1,859	2,371	3,238	4,727	6,482	3,202	4,628	5,993	6,683
Turkey's Imports	5,451	9,033	12,818	17,806	23,508	31,365	19,450	21,601	23,953	26,620
Volume	6,819	10,892	15,189	21,044	28,235	37,847	22,652	26,229	29,946	33,303
Deficit	-4,083	-7,174	-10,447	-14,568	-18,781	-24,883	-16,248	-16,973	-17,960	-19,937
Export/Import (%)	25	20.5	18.4	18.2	20.2	20.1	16.4	21.4	25.0	25.1

Source: TURKSTAT

Figure 2a: Turkish–Russian Foreign Trade\*

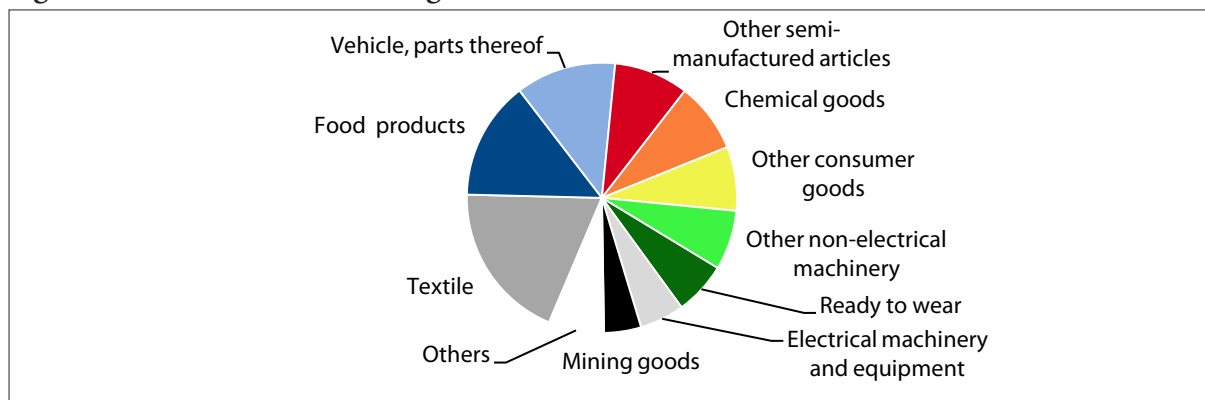


Figure 2a: Turkish–Russian Foreign Trade\*

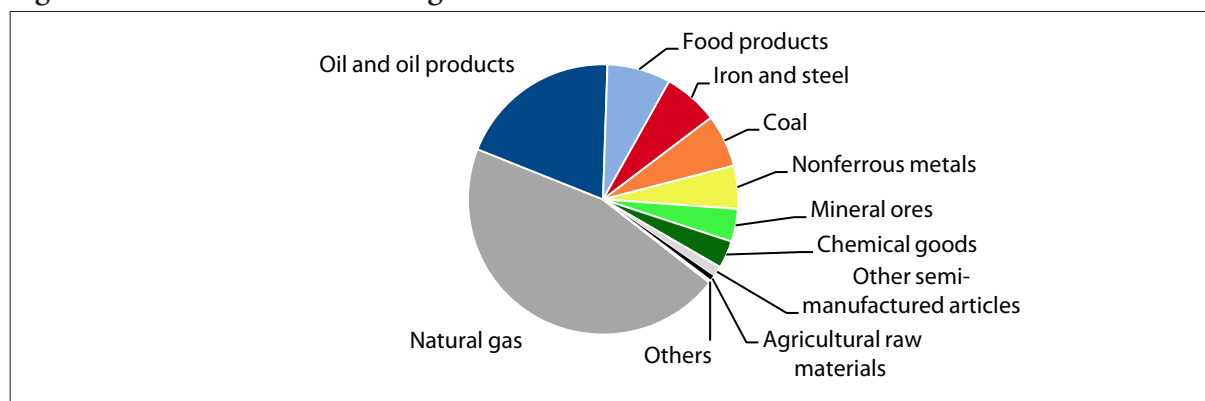


Table 2: Turkish–Russian Foreign Trade\*

Export from Turkey to Russia			Import from Russia to Turkey		
2012	million \$	% Share	2012	million \$	% Share
Textile	1,174	19.0	Natural gas	10,987	45.5
Food products	878	14.2	Oil and oil products	4,700	19.5
Vehicle, parts thereof	741	12.0	Food products	1,834	7.6
Other semi-manufactured articles	551	8.9	Iron and steel	1,584	6.6
Chemical goods	518	8.4	Coal	1,521	6.3
Other consumer goods	474	7.7	Nonferrous metals	1,242	5.1
Other non-electrical machinery	441	7.1	Mineral ores	947	3.9
Ready to wear	390	6.3	Chemical goods	795	3.3
Electrical machinery and equipment	330	5.3	Other semi-manufactured articles	315	1.3
Mining goods	274	4.4	Agricultural raw materials	156	0.6
Others	410	6.6	Others	64	0.3
<b>Total</b>	<b>6,181</b>	<b>100.0</b>	<b>Total</b>	<b>24,145</b>	<b>100.0</b>

\* January–November; Source: TURKSTAT

## Hard Bargaining amongst Friends: An Overview of Contemporary Russian–Bulgarian Relations

By Kyril Drezov, Keele, UK

### Abstract

The fall of Boyko Borisov's government and the forthcoming early elections revived hopes in Moscow that Russian energy projects abandoned during his mandate, notably the Belene nuclear power station, can be resurrected. President Putin had established a good working relationship with the outgoing premier, although he and Russian officials were often irritated by Borisov's volatile and unpredictable style. Russia is likely to work with all existing political factions in Bulgaria, although parties and groups on the left are traditionally more amenable to Russian influence.

### 'The Long Hand of Moscow'

The mass protests over high energy prices achieved more than just forcing the resignation of Borisov's Citizens for Bulgaria's European Development (GERB) cabinet in February 2013. They were instantly mythologised as another example of Russian meddling in Bulgarian politics. The conspiracy narrative of Borisov's partisans already depicts him as a selfless patriot, who stood in the way of Moscow's imperial juggernaut and was toppled by paid agents of Moscow. One of the last acts of the outgoing parliament was to vote through 'the definite' abandonment of the Belene nuclear power project on the strength of the combined vote of parliamentarians from GERB and the Blue Coalition, in the face of vocal opposition from the Bulgarian Socialist Party (BSP) and Ataka. The Burgas–Alexandroupolis Oil Pipeline was abandoned in similar circumstances on the last day before parliament was dissolved. For GERB the main value of these acts was electoral, as early salvos in the campaign for the forthcoming early elections in May 2013. GERB is keen to appropriate the traditional anti-communist and rightist vote for itself, and to present the early elections as a straight choice between pro-European modernisers (GERB) and retrograde and unpatriotic ex-communists (BSP). BSP is also keen to mobilise the traditionally leftist, nostalgic and Russo-ophile vote—and thus the Right's united vote against the Belene project serves it just fine. Both camps are already working hard to transform the spontaneous anti-elite and anti-party mass protests against economic deprivation into a more familiar confrontation between 'patriots' and 'foreign agents'.

The reality is a far cry from the simplistic propaganda picture of principled and ideological conflict between GERB's 'Westernisers' and BSP's 'Russophiles'. Borisov, whose GERB is little more than a fan club or clientele, is at heart an entirely pragmatic and non-ideological populist, whose position on Belene changed several times between approval and negation. BSP had

ample opportunities to start the Belene project when it was the lead party in the previous coalition government in 2005–2009, but failed to act for fear of alienating its Western partners.

Real and alleged differences on Russian projects in Bulgaria tend to be played up before elections. Moreover, public discussion of these projects is rarely on their merits, but more often than not is enmeshed in acrimonious exchanges on Russia's historical role in Bulgaria—whether it should be viewed as benefactor (and liberator), or as eternal curse. What is more rarely discussed is why Bulgarian politicians of both Left and Right have enthusiastically promoted the interests of various Russian corporations (Gazprom, Lukoil, Rosatom) at the expense of Bulgarian economic interests.

Bulgaria features only episodically in Russian political discourse, although the sharp about turns of Borisov's cabinet on Russian energy projects solidified Bulgaria's reputation as unpredictable and difficult partner. Russian politicians also have their historical preoccupations with Bulgaria. On one hand, they are heavily involved in keeping alive the memory of a Russian liberation of Bulgaria from the Ottomans in 1877–78 (through regular celebrations, visits, restoring and building monuments); on the other hand, they are vigilant about neglect or desecration of the more controversial Soviet-related monuments and vigorously oppose plans to dismantle or remove any of these. These twin preoccupations exemplify the Soviet-Imperial synthesis attempted first under Yeltsin and institutionalised further under Putin. The latter even timed his two official visits to Bulgaria to commemorate the 125<sup>th</sup> and 130<sup>th</sup> Liberation anniversaries (in 2003 and 2008 respectively).

### Mobilisation of Symbolic Resources

#### Russia's 'Historic Debt' to Bulgaria

This is a very sensitive issue for Bulgarians, who suspect that many Russians tend to ignore or belittle Bulgarian

contribution to Russian culture. After the collapse of communism high-level Russian visitors to Bulgaria took care to acknowledge these sensitivities. In 1992 Boris Yeltsin emphasised in Sofia that 'ancient Rus' had borrowed from Bulgaria the Slavonic alphabet presented to the world by the holy brothers Cyril and Methodius'. In 2012, Patriarch Kirill also emphasised in Sofia that the Bulgarian church ('the most ancient amongst Slavonic churches') had sent priests and books to Kievan Rus', which were 'the first holy texts of the newly-Christened Russian people'.

### Bulgaria's 'Historic Debt' to Russia

The memory of Russia's war to liberate Bulgaria from the Ottomans in 1877–78 is regularly invoked by both Russian and Bulgarian dignitaries. There are around 400 monuments in Bulgaria related to this event. There are also two towns (Gurkovo and Aksakovo) and numerous villages, streets and institutions named after Russian soldiers, diplomats and medics of this war. Most of the monuments and names pre-date communism, although several notable monuments were built after 1944. In the last ten years the number of such monuments has increased almost annually, driven partly by initiatives from Bulgarian Russophiles, and partly by public or private financing from Russia. Paradoxically, the Russian imperial army is nowadays better commemorated in Bulgaria than in the Russian Federation, as nearly all monuments related to the Russo-Turkish War 1877–78 in Russia were destroyed after the 1917 Revolutions (although a small number was restored after 1991).

As the day this war officially ended has since 1990 been the most important official holiday in Bulgaria (which restores a pre-1945 tradition), leading Bulgarian politicians have to pronounce on this event every year. This discourse is rigorously policed in Bulgaria itself, and attempts by some Bulgarian politicians from pro-Western parties to omit the Russian role when talking of Bulgaria's 19<sup>th</sup> century liberation have been noted and condemned.

The Communitas Foundation found that in 2012 78% of Bulgarians view Russia positively (down from 88% in 2011), which is the highest number amongst EU and NATO countries; only Slovakia (64%) had comparable levels of positive views on Russia. Approval of Russia in Bulgaria is comparable with approval of the European Union (88% in 2012).

For all Bulgarian attempts to boost awareness of Bulgaria's contributions to Russia, there is no symmetry in such historical awareness between the two countries. There is hardly a Bulgarian not aware of Russia's contributions to Bulgaria—and it is hard not to be aware, with

monuments, streets and public pronouncements keeping this awareness alive. Conversely, the vast majority of Russians remain blissfully unaware of the Bulgarian origins of the Cyrillic alphabet and of the massive Bulgarian contribution to Russian Orthodox culture and language. Such awareness in Russia remains mostly the preserve of a small number of linguists, literary specialists, historians and theologians, and has virtually no impact on contemporary Russian education and mass culture. Bulgaria's presence in Russian collective memory is mostly a leftover from Soviet times, as a land of affordable holidays, vegetables, fruit and wine with a population that is friendly to Russians and the Russian language. The recent rise of Russian mass tourism to Bulgaria mostly enhances these same images, with the added bonus of affordable property.

Thus the mobilisation of symbolic resources in bilateral relations works well to promote a sympathetic attitude to Russian interests in Bulgaria and helps Russian investment and mass tourism in Bulgaria. However, there is less to mobilise in favour of Bulgarian interests in Russia, although Bulgaria has the most positive image of all former Soviet satellites amongst Russians (according to the Public Opinion Foundation, 67% of those polled in 2003 described Bulgaria as a 'friendly nation'). An added complication is the different regimes concerning foreigners in both countries. As a country geared to mass tourism, Bulgaria is a relatively easy destination for the Russian traveller and investor: visas are amongst the easiest EU visas to obtain, and once in Bulgaria, there are few bureaucratic obstacles to travel or register a company. In contrast, Russia remains a difficult country for individual travellers and investors (especially small ones), with stringent and irritating registration rules for foreigners.

To sum up, whilst Russia looms very large in Bulgaria, the latter has a negligible impact on Russia. The disparity is considerably greater than in Soviet times, when there was roughly a balance between exports and imports in bilateral trade. In 1991, 49.8% of Bulgaria's exports went to the USSR and 43.2% of its imports came from there. In 2011 only 2.6% of Bulgaria's exports went to Russia (making it Bulgaria's 10<sup>th</sup> most important export destination), while 17.7% of Bulgaria's imports came from Russia (1<sup>st</sup> place amongst importers). Most of these imports consist of oil and gas. After the privatisation of the Neftochim oil refinery in Burgas in 1999, the Russian company Lukoil controls 100% of oil refining in Bulgaria. This is the biggest industrial enterprise in Bulgaria, with commensurate contributions to the country's GDP and to state revenues. Even so, Russia is only the 10<sup>th</sup> largest foreign investor in Bulgaria.



## Cooperation and Conflicts over Energy Projects

### Belene Nuclear Power Station

This project is already over three decades in the making, and has consumed considerable investment, whilst being repeatedly delayed. The Belene project for a second nuclear power station in Bulgaria was first approved in 1981. Construction started in 1987, but was discontinued in 1990. The partially built site and supplied equipment were mothballed and have been monitored since then. In 2002 the project was re-launched by the government of Prime Minister Simeon Saksoburggotski, but this decision was followed by years of inconclusive negotiations and delays. In January 2008 Atomstroyexport (a subsidiary of Rosatom) and Bulgaria's National Electric Company (NEC) finally signed a contract for the design, construction and installation of units 1 and 2 of the Belene nuclear power station. However, the world financial crisis and the coming of Borisov's GERB to power in 2009 stopped the project once again. Frozen indefinitely in 2010 and officially abandoned in 2012, the Belene project became a focal point for mass mobilisation of opposition Socialists and Russophiles. A petition supported by over 600 thousand people forced a national referendum on its construction on 27 January 2013. However, this referendum fell short of legal requirements and could only return the issue back to parliament. There it was again officially terminated in the last days of February 2013, although a BSP win in the early elections in May could again re-open the issue. From 2011 Rosatom has opened arbitration proceedings against Bulgaria's NEC over delayed payments for its work on two nuclear reactors, at first for 58 million euro, and then increased to 1 billion euro. As NEC was quick to file a counterclaim, the arbitration proceedings are likely to drag on through the courts for years, pre-empting another re-launch of the project.

Critics of the Belene project emphasise that it is environmentally unsafe, as the chosen site is located in one of the most seismically active areas of Europe. It is also criticised as superfluous, as Bulgaria has one of the least energy-efficient economies in Europe, and would be better advised to improve its energy efficiency, rather than build new capacity. Finally, a major worry for many in Bulgaria, and amongst its Western partners, is that the project would strengthen Russian domination of Bulgaria's energy sector.

### Burgas–Alexandroupolis Oil Pipeline

This project was proposed in 1993 by Russian and Greek companies as an alternative route for Russian and Caspian oil, bypassing the congested Bosphorus and the Dar-

danelles. It was planned entirely on Bulgarian and Greek territory, connecting the Bulgarian Black Sea port of Burgas to the Greek Aegean port of Alexandroupolis. A number of trilateral agreements on the project were approved in 1994, 1998 and 2005, culminating in the grand signing of an inter-governmental agreement on the project in March 2007 in Athens, in the presence of Russian president Vladimir Putin together with the Bulgarian and Greek prime ministers Sergey Stanishev and Kostas Karamanlis. However, the GERB government decided to abandon the project in December 2011, citing environmental and supply concerns. The Bulgarian government proposed terminating the tripartite inter-governmental agreement by mutual consent, but this proposal has been ignored by the Russian and Greek sides. Bulgaria then proceeded with unilateral abrogation of this agreement, approved by parliament on 12 March 2013 against vocal BSP opposition. Still, this project would be harder to revive even after political change in Bulgaria, as the Bulgarian government has already repaid its debt towards the joint company and no compensation claims seem to be forthcoming. In addition, Russian companies have sought agreement with Turkey and Italy to build an alternative pipeline from Samsun to Ceyhan, and Greek oil companies are experiencing financial problems. Also, environmental concerns about this project and its impact on tourism are shared by a wide constituency in the influential tourist region around Burgas (triggering three local referendums in the area in 2008–2009), and would be hard to ignore for any administration in Bulgaria.

### South Stream

This is the newest and the least controversial of the big Russian energy projects affecting Bulgaria. It was initiated as a joint Russian–Italian project 2007, with an agreement to build and operate the Bulgarian section of the pipeline approved by the Bulgarian Parliament in 2008. Further bilateral agreements on the project were signed in November 2010 and November 2012, with Bulgaria holding up the latter agreement until it gained a fixed reduction of Russian gas prices from 1 January 2013. However, the building and exploitation of South Stream is still a hostage to future agreement between Brussels and Moscow concerning the applicability of EU's Third Energy Package to Russian gas pipelines on EU territory. For the moment Russia is not keen to allow the transportation of competitors' gas on its pipelines, and Brussels has shown little inclination to grant exemption to Gazprom for South Stream.

Bulgaria had insisted that its support for South Stream does not mean lack of support for alternative projects such as Nabucco, or for applying the rules of the

Third Energy Package to South Stream. This is understandable, as both measures would benefit consumer nations like Bulgaria. Bulgaria is also looking forward to increased gas extraction from its Black Sea continental shelf, and in anticipation of this pressured Gazprom for a more flexible agreement on periods, volumes and prices for Russian gas.

#### *About the Author*

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Russia is adept at exploiting its historical links with Bulgaria to promote its trade and investment. However, Russia's position is not invariably strong, and the Borisov government had managed to pick and choose between Russian energy projects, whilst protecting the national interest. A period of prolonged instability may undermine this fragile achievement.

## ANALYSIS

### Still Talking Past Each Other: Romanian–Russian Relations

By Simona R. Soare, Bucharest

#### **Abstract**

The Romanian–Russian relationship can be characterized as functioning according to a strained dynamic, which occasionally escalates to outright tension. This dynamic is the product of deep historical and geopolitical factors. The gradual normalization of their bilateral relationship is proving a slow and difficult process due to mutually hostile perceptions and seeming politically-incompatible national interests.

Nearly two decades after the Cold War, the Romanian–Russian relationship continues to be strained, and occasionally tense. The causes for this are both historical and geo-political. On the one hand, Romanians—like most Central and Eastern Europeans—are suspicious of Russia as a consequence of the recent history of rocky relations with Moscow. Since Romania's independence in 1878, Russia has occupied Romanian territory repeatedly; participated in every partition of Romanian national territory; and Moscow strongly interfered in Romanian political and domestic affairs during the Cold War. Hence, it is not surprising that Romanians are weary of Moscow's intentions towards them. At the same time, Russia is suspicious of Romania's close strategic partnership with the United States; its support for Moldova's accelerated transition to democracy and its accession to the EU; its support for EU and NATO democratization and defense reform projects (the Black Sea Synergy, the Eastern Partnership, IPAP); its participation in the dissolution of enduring regional orders beneficial to Russia (the Montreux Convention); its anti-Russian stance on energy issues; and its hosting new American military projects, such as the anti-ballistic missile system in Europe. The 2008 Russian–Georgian war reminded Romania—and the rest of its Central and

Eastern European allies—of the need to lay down red lines beyond which the West should not tolerate Russian assertiveness and aggression. This event also convinced Bucharest and its Central and Eastern allies that their relations with Russia continued to be informed by balance of power logics. The return of Putin to the Presidency has only consolidated these perceptions.

#### **The Sinuous Development of a Strained Relationship**

During the early 1990s, Romanian–Russian relations were characterized by strategic ambivalence, with Romania thrown into Europe's grey area of instability and conflict after the Cold War, and in response urgently searching for strong security guarantees. In 1991 Romania was the only post-Communist state that signed a bilateral treaty on economic and technical-scientific relations with the USSR. However, this treaty was never ratified as the USSR was dissolved later that same year. The fast-declining USSR was a feeble shadow of its former self by 1990–1, but Romania nonetheless remained committed to the Warsaw Pact until 1991, when the USSR was eventually dissolved. The troubled Russian Federation, however, was in no position to extend the same security guarantees that the USSR had provided

to its smaller allies. This, along with political considerations, led Romania to officially declare, in 1993, its desire to join NATO and EU to consolidate its precarious national security. In an effort to reassure its former ally, Romania and Russia signed a treaty concerning bilateral military cooperation in 1994 and agreed to continue negotiations on the signing of the bilateral treaty on good-neighborly relations. Despite these efforts, bilateral relations quickly deteriorated.

By 2000, Romanian-Russian relations had entered a new stage of development, becoming increasingly strained and tense. Since 1993 when Romania embarked on a path towards NATO and EU accession, Bucharest, like other Central Europeans, sought to dissociate itself from its former Cold War ally. In April 1996, the Romanian-Russian relationship experienced one of its tensest moments, as the Russian Prime Minister flew to Bucharest at the invitation of Romanian authorities to sign a renegotiated version of the bilateral good-neighborly relations treaty. As the Russian PM's plane touched down in Bucharest, the newly-elected Romanian president, Emil Constantinescu announced that Romania would refuse to sign the treaty, because it failed to address two of the most enduring bilateral disputes between the two countries: Romania decried the treaty's lack of clauses that condemned the Ribbentrop-Molotov Pact (1939) and that would establish a clear roadmap for the return of Romania's National Treasure stored in Moscow. Russia furiously denounced Romanian intentions as hostile and driven by irredentist inclinations towards territories within the Republic of Moldova and Ukraine, to which Moscow considered Romania might lay claim. Also, Russia complained that Romania refused to include a provision that would commit the two parties not to join alliances that are targeted against the other.

Following this episode, all bilateral diplomatic visits were canceled. They were not renewed until 2003 and this resumption of high-level diplomatic visits was achieved with a great deal of difficulty. This resumption did not, however, set in motion a balanced diplomatic relationship, rather a non-reciprocal dynamic, whereby there have been two visits by the Romanian Heads of State to Moscow between 1996–2007, but no Russian Head of State has visited Romania since 1989; PM Vladimir Putin came to Bucharest in 2008 to participate in the NATO Summit, and while he briefly met the Romanian president this hardly qualifies as a state visit. There have also been three visits of the Romanian Prime Minister to Moscow in 1996–2003, and only one by the Russian Prime Minister to Bucharest during the same timeframe.

By the mid-2000s, a third window of opportunity to normalize relations opened as a result of the 2000 Roma-

nian elections, which saw the Social-Democrat Party (PSD), erroneously considered to be closer to Moscow than other Romanian political parties, return to power. Eventually, in 2003, the bilateral treaty on good-neighborly relations was signed, but without addressing any of the contentious issues between the two parties: the condemnation of the Ribbentrop-Molotov Pact, the return of Romania's national treasure, and the provision concerning the parties' commitment not to participate in alliances that are targeted against the other. Not only did the signing of this treaty lead to serious criticism from Romanian opposition parties, but it did not serve to improve bilateral relations, as it did not lead to any substantial follow-up or political trust-building measures.

In April 2004 bilateral relations entered yet another phase of development, with Romania joining NATO (and later, in 2007, the EU). Since then political relations have been increasingly strained, with only a couple of high-level visits by Romanian Ministers to Moscow and only one return Russian visit, by Sergei Lavrov, the Russian Minister for Foreign Affairs, in 2005. Since 2009, political relations seem to have come to a complete standstill. During this period, the development of bilateral relations has been obstructed by several moments of elevated tension. In the second half of 2008, relations became fractious due to the Russian-Georgian war, with Bucharest demanding, alongside other Central Europeans, the condemnation of Russian aggression in Georgia. Just a few months later, in April 2009, another tense moment occurred in relation to the failed revolution in Moldova. In February 2010, upon the announcement that Romania had agreed to host components of Washington's European anti-ballistic missile system, relations with Russia took another turn towards the inimical. All of the above means that, more than two decades since the collapse of the USSR, bilateral relations between Romania and Russia continue to be plagued by a long list of controversial issues. The most prominent issues concern Moldova, the Romanian National Treasure, Romania's promotion of democracy and the EU/NATO in Eastern Europe, the US Anti-Ballistic Missile Defense System in Europe and energy security.

### **The Republic of Moldova**

The most enduring issue of contention between Bucharest and Moscow is their opposing positions on the Republic of Moldova. More specifically, Moscow is concerned that Romania is developing a privileged strategic relationship with Moldova. Bucharest's policy towards Chişinău has often been called "one nation, two countries," although Romanian authorities rarely refer to it as such. Romania has highly vested interests in the acceleration of Chişinău's accession to the EU, in its accel-

erated modernization through democratization and in developing close educational and cultural ties with Moldova. Also, Bucharest has been a strong supporter of Moldova's territorial integrity and the withdrawal of Russian troops stationed in Transnistria ever since the early 1990s.

By contrast, Russia considers Moldova to be a part of its sphere of influence and, according to its near abroad strategy, is intent on maintaining pro-Russian political forces in power in Chişinău. The Kremlin is seriously perturbed by Romania's support for the democratization, modernization and EU approximation of the Republic of Moldova. Furthermore, Moscow suspects Romania might have revisionist intentions towards Bessarabia, which before June 1940 was a Romanian province that the USSR seized as part of the secret annexes of the Ribbentrop–Molotov Pact. This clause is one of the reasons why Russia refused to denounce the Pact in the 2003 bilateral treaty with Romania. Typically, Russia invokes Romania's support for the Moldovan authorities during their war against the separatist forces in Tiraspol in 1990–1992, as well as the alleged Romanian hand in the failed 2009 revolution in Moldova, as examples of Romania's presumed revisionism. Bucharest has repeatedly denied that it has any revisionist ambitions, and that it had any involvement in the 2009 events in Chişinău.

Unfortunately, Russia is not alone in harboring these suspicions about Romanian intentions towards Moldova. Austria, too entertains such suspicions; while Germany insisted upon the signing of a Romanian–Moldovan border treaty as reassurance. Moreover, a non-Romanian was consciously chosen as the EU representative for Moldova; Romania was deliberately excluded from the 5+2 framework for negotiating a solution to the Transnistria conflict, as it was claimed that it was “too closely involved” in the matter and because the Russian authorities and the Transnistrian representatives were opposed to its participation.

Bucharest considers these claims and suspicions to be exaggerated, completely unfounded and unproven. The Romanian authorities have shown no sign of diverting from their original 1991 policy course, which recognizes the independence of the Republic of Moldova. Indeed, Romania was the first state to recognize Moldova's independence. Moreover, within the EU, as well as in the case of the 5+2 format, Romania has not sought a greater role or influence on monitoring the security situation in Moldova or in negotiating a settlement for the Transnistrian conflict. Nor has Bucharest expressed dissatisfaction that it has been overlooked in these matters.

Furthermore, in 2010, the Romanian government pledged approximately €100 million in aid and Foreign Direct Investment (FDI) to help Moldova over-

come the negative effects of the global economic crisis. However, the pro-Russian political opposition in Chişinău, seeking to encourage Moldova to move away from the EU and closer to the Eurasian Union (EUA), was critical about the Romanian aid initiative and its assumed ulterior political agenda. Similarly, joint energy projects between Romania and Moldova have become stalled over the past couple of years for reasons that remain uncertain. Romania's policy of awarding citizenship to Moldovans was also an important point of disagreement between Chişinău, Moscow and Bucharest during 2010–2012. In 2007–2008, Chişinău, Moscow and Bucharest were involved in a mild disagreement about the official language of Moldova, as the Moldovan Communist Party argued that Moldovan law had established Moldovan—not Romanian, which was said to be entirely different—as the national language; a Moldovan–Romanian dictionary was issued to consolidate the differentiation. In response, Bucharest emphasized that Moldovan is a dialect of the Romanian language, but that Chişinău may call it whatever it wants. Moreover, although Romania and Moldova signed, under Western pressure, a border treaty in 2010, this treaty has produced further friction between Romania and Moldova, with the latter accusing Romania of stalling the ratification process. Thus, Romania–Moldovan relations remain complicated, with Moscow's support for pro-Russian political faction in Chişinău a source of irritation to Bucharest.

### Romanian National Treasure

One of the most enduring controversies in the Romanian–Russian bilateral relationship is that of the status of the Romanian National Treasure. Some 94 tons of gold worth €2.45 billion, along with old manuscripts concerning the history and identity of the Romanian people, were sent to Moscow for safekeeping during World War I. However, not all of these national treasures have been returned yet, and Bucharest suspects Russia no longer wants to return them. Ever since the Cold War, Russia has claimed that the issue of the Romanian national treasure was a closed political matter. Within their negotiations on the return of these items, Romania's initiatives have not always been timely or properly followed through, while Moscow has been very slow at responding to the Romanian initiatives. Up till now, Moscow has made three shipments of the items it received from Romania during World War I, in 1935, 1956 and 2008. In 2012, Russia donated to the Romanian Academy, the complete manuscripts of Dimitrie Cantemir that detail the ancient history of the Romanian people. These manuscripts are believed to be a part of the national treasures that Romania sent to Moscow in 1916, and the



Russian gesture was well-received by the Romanian authorities. There are unconfirmed claims that Russia may have contacted the Romanian authorities through private ventures or Swiss banks to negotiate a bargain concerning the return of the treasure, but these reports do not seem credible.

Aside from the positive dynamic surrounding the donation of Dimitrie Cantemir manuscript, there has been little progress towards resolving the dispute. Indeed, this issue obstructed the signing of the long-discussed bilateral treaty on good-neighborly relations on several occasions. When the treaty was finally signed in 2003, there was no mention of the issue of the national treasure in the text. Instead, the two countries established a Joint Commission to deal with the issue, but since 2003, the commission has met only sporadically, has failed to engage the two sides in substantial negotiations and thus has made little progress. The latest meeting of the Joint Commission, which was to take place in Moscow in March 2013, has been canceled by the Russian side, apparently in response to the Romanian Presidency's hostile accusations against Moscow regarding Russian intentions of rebuilding its sphere of influence in Eastern Europe. No further recommendations have been issued by the Joint Commission at this time.

### **Democracy Activism and Defense Reform in Eastern Europe and the South Caucasus**

A recent bone of contention has been Romania's promotion of democratic governance and the EU in Eastern Europe and the South Caucasus. Since 2009, the Romanian President, Traian Băsescu, has made a stream of hostile declarations aimed at Russia, stating that Moscow cannot be allowed to regain its sphere of influence in Eastern Europe, and that the Black Sea should be internationalized in order to prevent it from becoming "a Russian lake." At the present time, the benefits of normalizing its bilateral relations with Russia are not immediately obvious to Bucharest, and thus the Romanian government has outlined that "Russia may have a partner in Romania only insofar as our interests are respected." Taking this into account, the prospects for an improvement in relations are slim as the perception in both Bucharest and Moscow is that they currently have divergent political, strategic interests to one another. Romania suspects that an authoritarian and aggressive Russia is seeking to reconsolidate its sphere of influence in Eastern Europe, an aim that is incompatible with Romania's current security interests in the region and values of democratic governance.

Moscow insists that the Romanian authorities do not have a clearly defined set of geopolitical, strategic pragmatic goals towards its East. Whether or not Bucharest's

foreign policy goals are well-defined, Russia's strategic pragmatism has proven politically incompatible with Romania's current security relationships with the US, NATO and the EU and its promotion of democracy in Eastern Europe and the South Caucasus. While Romania is certainly not the only Central European state to engage in democracy promotion activities in Russia's near abroad, these activities have become a mounting obstacle in Romanian–Russian relations. Moscow repeatedly suggests that Bucharest's definition of its strategic interests is excessively influenced by the US and the West. More specifically, that Romania has highly vested interests in a series of EU (the Black Sea Synergy and the Eastern Partnership) and NATO (IPAP) regional democratization and defense reform projects that undermine Russia's interests. For example, Russia's PM Vladimir Putin strongly opposed the Eastern enlargement of NATO (to include Georgia and Ukraine) in 2008, which was strongly championed by Bucharest. Moreover, the recent announcement that the EU expects to sign Association Agreements (AA) and Deep and Comprehensive Free Trade Agreements (DCFTAs) with Ukraine, and possibly Moldova, by the end of 2013, commended by Romania, have been harshly criticized in Moscow.

### **The U.S. Missile Shield in Europe**

President Băsescu announced in February 2010 that Bucharest had agreed to host up to 10 SM block II interceptors at Deveselu military base, as part of the US' European Missile Defense System. Russia's reaction was swift, definitively condemning this move by Bucharest. However, Moscow's reaction was not nearly as aggressive as it had been in the case of announcements of the same by Poland and the Czech Republic just a year earlier. Nevertheless, and in spite of Bucharest offering reassurances, Russia asserts that Romania is too obedient to Washington's hostile interests towards Russia, which are aimed at undermining Russia's nuclear deterrent. The Kremlin argues that locating the shield in Romania is not any more strategically beneficial to the shield's stated purpose, than Russia's previous proposals to host and jointly operate the radar on Russian or Azeri territory. Moscow's concern about NATO's recent behavior is evident in the 2010 Russian Military Doctrine, which details NATO as the most severe military risk to national security; this suggests that Russia would contemplate, for the first time, the possibility of renouncing its no-first-use (tactical) nuclear policy to tackle the threat of the missile shield. The aggressive Russian rhetoric, however, never materialized into open threats against Romanian security, as it did in the case of Poland. However, as a precaution, Russia announced it would rearm its Black Sea Fleet stationed in Sevasto-

pol and relocate an undisclosed number of short range ballistic missiles to South-West Ukraine.

### Energy Security

Romania perceives Russian energy policy as aggressive, and based on using energy resources as political weapons against the West. Romania depends on Russia for about 30% of its energy resources (approx. 35% for gas). In spite of being such a large consumer of Russian gas, Romania pays the highest price for Russian gas among all EU members (over \$500 per cubic meter of gas—nearly 25% higher than Germany and over 30% higher than Poland or the Czech Republic). As a result, Romania strongly supports the common European Energy Security Strategy, including for the Eastern Partnership countries (Moldova in particular). At the same time, it also supports rival energy projects to Russia's pipeline strategy, such as Nabucco. While some of Romania's largest energy investors are Russian companies—such as Lukoil—with the discovery of significant shale gas and oil resources in Dobrogea in 2010, Romania expects its dependency on Russian energy resources will substantially drop in the future.

### Conclusion

In a nutshell, Romanian–Russian relations continue to be hampered by the perceptions on both sides that they have incompatible political values, as well as by a specific set of diverging strategic interests. As a consequence, Bucharest and Moscow continue to talk past each other in strategic-political affairs. Despite the fact that Russia remains one of Romania's ten largest investors and economic partners, and that it is the most heavily-armed and aggressive great power in Romania's immediate vicinity, Romania's focus on democratic values and Russia's geopolitical pragmatism and authoritarian government are not a good match. Some converging interests exist, such as both sides' refusal to recognize Kosovo, but such occurrences are only sporadic.

#### *About the Author*

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Russia has often been portrayed as a threat to the security of the new Central European allies. However, due to the security guarantee provided by the US and the American military presence on Romanian territory, perceptions of the Russian threat in Bucharest have diminished. As a result, the incentive to strategically engage Moscow has also been reduced. Unlike Poland, Romania did not engage in a regional reset with Russia in 2009. As long as its strategic partnership with the US is maintained and consolidated, the need to pragmatically engage with Russia will continue to be further reduced as Romanian security needs are fully met. At the present time, Romanian interests are served by the red lines outlined within the American strategic flexibility in its relations with Moscow: no acceptance of regional spheres of influence and no recognition of South Ossetia and Abkhazia as independent states (Biden, 2013). And maintaining a strong transatlantic relationship and a strong US military presence in Eastern Europe is bound to continue to serve Romanian security needs.

However, as the Americans are refocusing their strategic attention to Asia, Russia is slowly starting to fade as a security priority on the Western agenda. Recently, US President Barack Obama and Vice-President Joe Biden talked about their plan to continue their attempts at building positive relations with Russia, in spite of the mixed results of the reset policy over the last four years. As the aggressive rhetoric between Washington and Moscow draws down even further, it is possible that Romania may become more attune to this new strategic reality. Already Bucharest seems more willing to adopt a much more politically mature position towards Russia, by attempting to avoid any unnecessary diplomatic or political friction. It is far too early to tell whether Romania will seize this new chance to normalize its relation with Russia, but there is no doubt that, at this moment, both Bucharest and Moscow continue to be highly skeptical of one other.

**ABOUT THE RUSSIAN ANALYTICAL DIGEST**

Editors: Stephen Aris, Matthias Neumann, Robert Ortting, Jeronim Perović, Heiko Pleines, Hans-Henning Schröder, Aglaya Snetkov

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