

Economy and Politics in the Period of Putin's Russia

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Abstract

Russia has always been the name of a big country for Turks. We sometimes called it the Russian Empire, which suits both the economic and the political definition of the term empire, and sometimes the Soviet Union, which was one of the biggest and the bloodiest empire that history has witnessed, and now we call it the Russian Federation, which makes the term empire take a modern shape and get out of the classic definition. The President Putin calls Russia an empire. These three 'Russia's should be discussed in order to understand the Russia of today.

Keywords: Russia, Russian Economy, Vladimir Putin, KGB

Three Empires and Putin's Empire

1-Russian Empire: Russia in the period of Czarism is an expansionist and centralist empire which gave utmost importance to religion in the state ideology. For the Russia of this period, some historians used the expression "jail of nations", which was true. Because of the fact that the Ottoman Empire (we use the expression empire only with the political definition) lived the period of decline in the last 3 centuries when Russia was developing rapidly in every direction, wars between these two countries generally ended with the defeat of Ottomans. One of the issues that first come to mind when thinking about Russia and Turkey is the wars between us. Russia-Turkey history is thought to consist of wars. It's true that there have been wars between the two countries, but there has been peacetime more than wars. We have become neighbors with Russians in 1475 for the first time. The first exchange of ambassadors was made in 1492. We had wars only for 22 years in our neighborhood relation of 529 years. However, wars have been mentioned much more than the peacetime in history (Kapusinski: 1999: 56-90).

Historically, Turkey-Russia distrustfulness took root in the 18th and the 19th centuries when there were intensive wars. Some historical events are effective on the fact that the Russians don't like the Turks. We, the Turks, conquered Constantinople, which was an unforgivable sin for Orthodox Russians. Not only that, we turned Hagia Sophia, one of the most sacred churches of the Orthodox, into a mosque. This has been a source of hostility for the Russian clergy who became Orthodox by learning Christianity from Byzantium. Even today, almost everything from clothes till prayers and ceremonies in the Orthodox churches are the same as how they were received from Byzantium. Taking Istanbul, accepted as the Second Rome, from "heretic Turks" has been a religious and national dream/ideal for centuries. The Foreign Minister of Russia puts these words in the directive to Urusov who was assigned to Paris as ambassador in 1897: "Although it is our dream for centuries to take Constantinople back and to put the cross on Hagia Sophia, the current political situation requires us to support the status quo and the authority of the Sultan in the Ottoman Empire." (AVPRI: 2004.11.12).

Orthodox belief also forms the basis of Russian nationalism and this belief has resulted in Pan-Slavism. Pan-Slavism is one of the reasons of the battle Russia and Turkey had on the Balkans. Russia claims to be the patron of all the Orthodox and made us approve this in Küçük Kaynarca of 1774; because Moscow is the Third Rome. The First Rome is the capital of the Roman Empire. Besides being the center of Christianity, it is the center of culture and civilization of the old world. The Second Rome is Constantinople. It became the center of Orthodoxy after Rome went into division. Byzantium is a sacred center where Russians learned Christianity, or rather the Orthodoxy. However the Second Rome, in other words Istanbul, was captured by the Turks not to be returned for ever. So now there is the Third Rome, in other words Moscow. Moscow is the patron of all global Orthodox and the center of global domination of Russia (<http://www.gaikoforum.com>).

Russia's Foreign Policy's South Caucasus Perspective: 1990s

After the disintegration of the USSR, Russia's foreign policy's South Caucasus perspective has directly been in a relationship with domestic politics developments in Moscow. At the beginning of 1990s, Pro-Western government did not show a direct interest to the states of the Southern Caucasus and Central Asia because they were accepted as an impediment to economic, social and politic transformation in Russia. At the 1992, Pro-Western government paid attention to relationships with western countries and its establishments. Domestic politics priorities of pro-western government were on a transition of market economy and achievement of economic reforms (Menon. R., Federov. Y. E., Nodia. G.: 1996: 123).

As a result of failure of economic reforms; centralist, nationalist and communist currents which had begun to power, gave priority to old Soviet Union in Russia's foreign policy. In this new period, Russia went back to its old imperialist reflexes to get under control Southern Caucasus States. Turkey's increasing interest and politics to the Southern Caucasus States were accepted Pan-Turkist and expansionist by Russian authority and disquieted Moscow seriously. Firstly, Russia which wants get under control Southern Caucasus, gave political and military support to clannish Obkhaz and Osset groups which based on Georgia and placed under control Tiflis government by incorporating it to Commonwealth of Independent States (Arbatov. A., 1993). Russia, not only get under control the Upper Karabagh but also occupied 20% of the Azerbaijan's territory by supporting Armenian economically and politically about Upper Karabagh problem which caused a deathful war between Armenia and Azerbaijan. In spite of a cease-fire that was declared thanks to Russia's attempt in 1994, still there has been not a final solution in this region (Stankevich. S., 1992: 10). All co-operations, both at an international level and at different platforms, remained inconclusive for finding a solution to Upper Karabagh from the mid-1990s until now. In this respect, Russia is as responsible as Armenian Governance (David. M., R., 2000: 12-89).

Revolutions

In recent years, political developments that have occurred in Georgia and Ukraine and color revolutions made Russia have to overview her politics in the former Soviet geography. Russia suffered defeat in the two important regions as a result of Saakashvili's administration that is in favor of West and after "orange revolution" in Ukraine, although all prevention of Russia with the Yushchenko's administration that opposed to Moscow coming to power. These developments led serious disputations and many experts began to kick around critically reasons behind the failure of the Russian foreign policy. In this framework, in Armenia that is strategically of Russia in South Caucasus, rapidly strengthening of pro-Western forces had led to Kremlin's reconsideration on the oriented policies in this country (Rose., R., Munro., N., 2002: 67-145).

Armenia today is the eve of a serious internal political turmoil. Sense of dissatisfaction against existing administration in the internal politics of Armenia is increasing ever day. In Armenian report which was published by "International Crisis Group" claims that an internal disturbance may come in the country. According to report, Armenian population is uncomfortable because of weight of Karabakh Armenian origin politicians in Armenian internal politics. When R. Kocharyan was "Karabakh president" in 1997, he became prime minister with the support of Armenian National Movement. Since then, Karabakh originated Armenians is placed to Armenia's major institutions and positions. For instance, today, the Minister of Defense of Armenia Serzh Sargsyan was one of the significant figures of the Karabakh clan and he was seen to be Kocharyan's successor.

Although Karabakh origin R. Koçaryan has won the 2003 presidential elections, in March 2003, both International observers group and Armenia Constitutional Court approved that some irregularities were made in the elections. During the 2004, existing R. Kocharyan administration took tough measures against the dissident movement organizations in the country. Tension rises in the day to day internal politics of Armenia. Moreover, development before and after referendum on the Constitution that took place in November 27, 2005, suggests that tension in the Armenian internal politics increased from day to day (Fuller. L., <http://www.eurasianet.org/departments/insight/articles/pp112205.shtml>).

Both Turkey and Russia –most significant actors of the region- and global actors outside the region such as America and EU is interested in conflict in the Armenian internal politics. In addition, this conflict in the Armenian internal politics required to keep them to making decisions about some precaution and expansion for Armenia. At the end of the 2005 financial year, divers institutions of USA devoted 84 million 400 thousand dollars as assistance to Armenia.

11 million 400 thousand dollars of this money for programs in the field of democracy, 43 million 500 thousand dollars for economic and social programs and 19 million 100 thousand dollars was provided for use in the study for the provision of security. Although the United States officially declared grant of financial assistance for many purposes, Russian experts emphasize that she gives financial assistance because of some certain purposes. For example, the president of Policy Fund Viyaceslav Nikonov explains the reason why the U.S. preferred to Armenia rather than Azerbaijan and Georgia is that general and presidential election in this country in the near future are to be held. The money allocated by the United States to Armenia is intended to support forces that are dissidents to the President Robert Kocharyan and pro-America organizations (http://www.diplomatikgozlem.com/haber_oku.asp?id=2428.)¹

In this context, the administrator of the Institute of Orientalism of National Academy of Sciences of Armenia, Nikolai Oganessian's criticisms aimed at Armenia politics of Russia are quite sophisticated to understand the opposition views occurring against Russia in Armenia. According to Oganessian, "Armenia has been under economical blockade over years and not any country has done anything to help us; neither Russia has done anything except some official declarations. Therefore, we are really in doubt about Russia side's willingness to raise the blockade. Accordingly, Russia even damages the strategic partnership concept between two countries." Besides, Oganessian, pointing out that the 75 million-dollar fund the USA would allocate was as the Armenia's debt to Russia, has put into words that Russia wanted to take over five big companies in exchange for the debt strain, and Moscow didn't do anything, they had promised to help Armenia in its economic progress and removing unemployment, though.

The fact that Russia will face too tough problems as long as it maintains a foreign policy, which can not respond wishes and interests of the nations that existed in the old Soviet Union geography, has proved itself through the recent developments. Russia's attitude aimed at the interests of some Ukrainian citizens instead of the whole of them has propelled it to a dilemma. Russia has been exposed to serious criticisms in the eyes of both the CIS countries and the World policy after this politics (Sami. H., 1998).

According to Alla Alekseevna JAZKOVA, a professor of the Russian Academy of Sciences, politics that Russia developed regardless of opposition movements occurring in old Soviet Union countries and their reasons propelled Russia to a dilemma. The foreign policy of Russia based on individuals and regimes in the old Soviet Geography failed to work. According to Jazkova, if Russia keeps on maintaining a policy only based on Kocharian regime which does not take into account the needs of Yerevan public, it is going to lose out strategic opportunities such as it did in Georgia and Ukraine. Any policy in this direction will expose Russia to serious criticisms not only in the eyes of the region, but also in the world policy.

Armenia and Increasing Importance of Economy in the South Caucasia Policy of Moscow

Russian Federation, on the basis of the natural resources of a major economic power and is one of the major countries in the world have the manpower. Although a great chance for the country's rich reserves of natural resources owned by Russia with some drawbacks in terms of the economy brings. Oil prices at a high level in the last decade and provides favorable terms of trade of the country in recent years is considered to be the driving force of strong growth. But recent scientific studies suggest that a negative correlation between the dependence on natural resources in the long-term growth and the economy. This is because the "Dutch Disease-Dutch syndrome" is a condition called. Overvalued exchange rate growth in the natural resource sector has a negative impact (www.ekonomi.gov.tr).

¹ "Rusya'nın Artan Ermenistan Endişesi" bkz. http://www.diplomatikgozlem.com/haber_oku.asp?id=2428.

I believe it is obvious that USA having policy to surround Iran from North, needs an USA controlled administration in Armenia. Today, in the Caucasus, the only country in which USA has not any military base is Armenia. When traditional Russia-Iran friendship and good relationship between them is considered, in the possible military and political initiatives towards Iran, there is no any political and military existence. Furthermore, an Armenian which has good relations with Russia and Iran, create weakness in the Washington's initiatives toward Iran. For this reason, it is obvious that in the coming period, the USA's initiatives toward Armenian opposition and administration will increase. At this point, Washington administration's demand for military base in Azerbaijan was important step for on the way of having military bases in South Caucasia, in the framework of containment policies towards Iran. For more detailed information on this topic see, ABD Iran Çemberini Daraltıyor, Cumhuriyet, January 3, 2006.

Central planning and because of the rich resources owned industrial sector in Russia is advanced towards heavy industry. Fuel, power and metallurgical production accounts for more than 35% of the total industrial production. Considering that the production of electricity and the food is about 25% share in the high-tech industrial production and consumer goods production in the Russian economy is emerging as a very small share. The share of industrial production in light industries, including the textile sector is very modest level (www.ekonomi.gov.tr).

For example, Gazprom holds the world's largest natural gas reserves. The Company's share in the global and Russian gas reserves makes up 18 and 72 per cent respectively. Gazprom accounts for 14 and 74 per cent of the global and Russian gas output accordingly. At present, the Company actively implements large-scale projects aimed at exploiting gas resources of the Yamal Peninsula, Arctic Shelf, Eastern Siberia and the Far East, as well as hydrocarbons exploration and production projects abroad. Gazprom is a reliable supplier of gas to Russian and foreign consumers. The Company owns the world's largest gas transmission network – the Unified Gas Supply System of Russia with the total length of over 168 thousand kilometers. Gazprom sells more than half of overall produced gas to Russian consumers and exports gas to more than 30 countries within and beyond the former Soviet Union (<http://www.gazprom.com/about/>).

Kremlin, under the government of Putin the V, has started some changes in policy towards South Caucasia (Onay Y., 2002: 67-90). Russia, after realising it would be impossible to exist in South Caucasia only with the military in Armenia, therefore has started a serious move towards South Caucasian countries economically in particular after Putin government, and has been acting to regain its dominance in South Caucasia, where it has experienced militarism, political and strategic recessions, through using economic instruments (Igor. S., T., www.eurasianet.org/departments/insights/articles/eav090902.shtml).

Moscow promoted accession of Russian companies to the privatisation period of state companies regarding electric, and gas in South Caucasia in 2000s, and therefore aimed at effecting internal political dynamics. For instance, by a commercial contract done between Russia and Armenia in July 17th 2002, Yerevan made the decision to purchase five biggest plants primarily Nairit, and Mars which are military plants and Hrazdan hydroelectrical plant that is generating 40 percent of the electric need of the country in exchange of its debt to Russia worth \$101 million. In 2003, the nuclear plant was handed over to the subsidiary company of RAO, EES Rossii through INTER RAO EES. Armenia, after handing over five companies to the Russian Federation (RF) in exchange for debts, also handed over Rasdan, corresponding to 30 percent of the whole energy generation of the country, to Russian Federation in this scope (Central & Eastern Europe Energy, 2003).

As seen, in last years Russia put increasing attention to economic dimension of the relations with Armenia. According to the "Long-term Economic Cooperation Contract by 2010" which Putin signed during his visit in September 2001, relations of Russian Federation and Armenia has started to be based on long-term economic cooperation plan, covering 2001-2010 period, towards Armenia (Cabbarlı. H., 2004). Issues such as re-regulation of debts of Armenia to Russia in November 5th, 2002 and transport and shipment between two countries in 2004 after the handover of Armenian strategic plants to RF, were re-regulated over Kavkaz Port of Russia, and Poti Port of Georgia. The mentioned re-regulation enabled Armenia to transport products to Urals and Siberia along with the Far East. As to the banking sector, RF-originated banks executed a serious infiltration into Armenian finance sector through purchasing banks in Armenia since 2004. important Russian banks centered in Moscow currently own 25 percent of total deposit in Armenia. There are nine Russia originated banks among the 20 important banks operating in Armenia. In 2004 Russian Vneshtorgbank gained the control over Armenian Armsberbank. Ingosstrach purchased 75 percent of Armenian insurance company in the same way (<http://www.turkhaber.org/249.html>).

Indeed from 1997 until today politics of Russia towards Armenia followed a course based on R. Koçaryan (Crell, G.,1990: 56-90). Armenia under the government of R. Koçaryan continued improving relations with Russia in every way, and in particular in military. Although the policy of Russian Federation towards South Caucasia experienced serious tactical changes in Putin period, Russia continued specific movements. Military relations between Russia and Armenia grew rapidly after 2000.² Moscow is planning to switch an important part of the army to Armenia, which are to leave Georgia (Mansur. R., 1999: 34-123).

² Although Armenia does not have a border with Russia, it has a close cooperation in political and military ways. Armenia is the only member country to the Organisation of Collective Security Contract, led by Russia in South Caucasia.

That what kind of a policy Ankara should pursue vis-a-vis Armenia under the circumstances, stands as a serious issue before us. Ankara is obliged to follow seriously the transformations and changes in the Armenian domestic politics and develop policies in accordance with the new conditions. In this process, serious steps may be developed in favor of the Armenian people. Distinguishing the difference very well between the Armenian people and the present rulers of Armenia who are of "Nagorno-Karabakh" origin, serious policies may be shaped towards the Armenian people. This position would not only add serious gains to the Turco-Armenian relations but might also lead to new expansions and gains towards the solution of the "Nagorno-Karabakh" problem (Stankevich.S., 1992: 89).

Russia's economic leaps of political nature taken in her Armenia policy entail their interpretation as an effort to place the relations between Russia and Armenia within a deeper framework by carrying the relations between the two countries to every dimension, without resorting to serious strategic changes in the present-day international conjecture. The fact that the balances in the world politics with particular reference to the southern Caucasia are being upset in favour of Russia and her strategic partner in the region, namely Armenia, compels both countries to take place in joint establishments and act in cooperation. In this new period, Russia has continued to develop seriously her relations with Erivan (Yerevan) in military, political and economic aspects. Russia's economic leaps of political nature directed at the southern Caucasia in general and Armenia in particular do not necessarily imply a change in Russia's strategy regarding the region. Because, when we view the progress and deepening occurring in Russian-Armenian relations, there is not any change in the "strategic framework" of the Russian-Armenian relations.

That Moscow would put up a serious resistance in order not to lose its last stronghold in the southern Caucasia has seriously made itself felt by other developments it has recently caused. As a matter of fact, when we view the changes brought about by the constitutional referendum held on 27th November 2005, one inescapably wonders about the way the Russia has an indirect contribution is to the creation of this package of constitutional amendments. Changes brought about by the constitutional referendum include: the separation of the legislative and executive organs with sharper terms, the restriction of the presidential powers and the increasing of the powers of the parliament and the Cabinet and more importantly, granting the right of dual nationality to the members of the Armenian diaspora that concerns Russia very closely, meaning that granting them the right to elect and be elected. When one considers that about two million Armenians live in Russia, it would not be difficult to anticipate that, as a result of these new arrangements, the result of each election in Armenia would physically be predetermined in Russia. In addition, when we consider the regime changes in both Georgia and Ukraine that have been brought about by the Western support, granting such a right to the "diaspora" Armenians gives away serious clues as to the West or Russia would play an effective role in a possible change in power in Armenia. From now on, Russia has actively gained an upper hand in the Armenian domestic politics. This state of affairs has erected a serious obstacle in the way of a planned counter-revolution by the "Western" support in Armenia, while opening the way for Moscow-centered changes in power. When we take into account the Russia-Armenian relations that develop and are deepened in all fields, plans for a change in power despite Moscow have become quite hard to realize.

In this context, the explanations of Kremlin in 2005, January about contributions to normalizing relationships between Turkey and Armenia, are very important step for improving relationships between Turkey and Russia, however, it is clear that this is an uphill Moscow move to come true. When we considerate the important improvements and deepening occur in relationships between Russia and Armenia, it makes itself very clear. But the constructive and responsible role that Russia takes place in solution of Karabağ between Armenia and Azerbaijan, provides a very active role for Armenia in both local policy and in the solutions for problems between Armenia and Turkey. It is real that to begin the normalizing process of the relationships of Armenia and Turkey, not depends on the dynamics of both countries but depends on foreign dynamics, brings about the doubts about how healthy this normalizing become. (Kommersant, 2003).

Foreign politics of Russia acquires for Russia important tactical maneuverability in result of pragmatic understanding under the leadership of Putin V. Neither the army of Russia nor the nuclear capabilities but enormous energy sources Russia has, are the making of the most important instrument of its foreign policy. The gas crisis with Ukraine that occurred in 2006 the beginning January, after that the difficulties in Ukraine domestic policy, the efforts of raising prices given the natural gas to the member states of Commonwealth of Independent States with lower prices and besides the marks of instability in these states show that Kremlin is a very effective actor in this land. The Armenia dimension of this matter has also local qualification.

On condition that Armenia didn't rise the price of natural gas given by Russia, the matter of that Armenia could sell the 45 percent of the portion of Armenia – Iran natural gas pipeline to Gazprom, the giant Russia natural gas company, takes place the R. Koçaryan's agenda who visited Moscow in the second half of 2006. As it is remembered, Russia stated that the price of thousand cubic meter of the natural gas gave to Yerevan would rise from 54 American dollars to 110 American dollars. Besides Moscow by sending ultimatum to strategic partner Armenia wanted them to accept this offer and to give the control of gas distribution network in Armenia to Gazprom. According to the many experts if Russia takes the control of Iran – Armenia natural gas pipeline, Russia can control that the Iran natural gas arrive at Georgia, Ukraine and Europe. (<http://www.turksam.org/tr/yazilar.asp?kat1=1&yazi=797> , 2007).

The Fighting between Putin and the Russian Billionaires

During 1990s, the persons at the key points of the bureaucracy have acquired the public enterprises under their management very inexpensively (Tezcan. Y., 1998: 47).

Following the arresting of the Mikhail Khodorkovsky who was the major shareholder of Russia's oil giant Yukos, all the world focused on the other bosses in the country. In its recent issue, the American finance magazine Fortune has searched the answer to the question of whether former KGB Colonel Russian President Vladimir Putin, who begun fighting with the rich businessmen 'oligarchs' not exceeding twenty in Russia, would take the Russian economy back to the former Soviet Union period days with this 'democratic' policy (Tikence. M., 1999: 16).

The magazine has mentioned that Putin's getting the former KGB agents towards the oligarchs in the country became a silent argumentation topic within the worldwide economy world, although he won general approval on his consistent and successful policy in his negotiations with the European Union, United States of America and foreign investors. The booster of this argumentation was basing Putin's this policy political disagreement. It was being spoken that Russia's richest man Khodorkovsky would be political dissident against Putin in the presidency elections in March 2004 and that Putin was advancing towards that person solely for this purpose (<http://www.ozgurpolitika.org>).

Soros, who is one of the names that shape the foreign capital in the world, also took side besides the oligarchs upon Khodorkovsky's arrest and gave the rough edge of his tongue criticizing Putin for creating the state capitalism. Kohler, Chairman of the Executive Board and Managing Director of the International Monetary Fund (IMF), who also sensed the distress of the foreign capital world, had a private meeting with Putin recently. Putin has succeeded convincing Kohler through justifying that the Khodorkovsky case was exaggerated and the Russian economy would not be collapsed with a single proceeding. However, the Fortune Magazine is raising alerts on the possibility of the withdrawals of the foreign investors in Russia from the country in spite of all those developments.

Khodorkovsky was First to be Eliminated

The divide between Khodorkovsky and Putin inflamed the war among the oligarchs. Khodorkovsky, one of the greatest symbols of Russia's elevation in the petroleum sector and the owner of Yukos – Sibneft, the petroleum company which emerged as the result of a merger, surpasses such giant companies in the sector as TotalFina, BP and Chevron Texaco, as regards petroleum reserves. Khodorkovsky purchased the company from the state during the Boris Yeltsin era. He purchases 44% of Sibneft through Menatep Bank, of which he is a founder. The firm purchased prior to the adjudication at a much lower price of 350 million United States Dollars, makes up the major asset of Khodorkovsky's 8 billion dollar network. What brought about the end to Khodorkovsky, 26th in Fortune Magazine's "the world's wealthiest businessmen classification," was his opposition campaign against Putin. This businessman who had planned to run against Putin in the elections prior to his indictment, is presently incarcerated for tax evasion, fraud and counterfeiting.

Abramovich's Partner

Oleg Derpaska (35 years old) in all the companies, from the petroleum sector to the aluminum market, is Abramovich's partner and primary competitor. The most educated among businessmen, Derpaska has a post graduate degree in economics. In Siberia Demirpaska has rivaled Abramovich in metals and the aluminum industry, and is also the second largest automotive manufacturer.

The government is presently auditing the steel and insurance investments of Deripaska, Assistant Chairman to the Russian Association of Industrialists and Businessmen and in 1999 qualified as the Year's Businessman by the Russian Vedomosti Newspaper. It is said that Demirpaska, who possesses significant shares in the Sibneft petroleum company and the aluminum firm Rusal, created his networth thru contracts prior to the adjudication. Deripaska has a networth of 1.5 billion dollars.

Putin's Visit to Turkey

Erdogan, following AKP's November 3, 2002 his general elections victory, met with Putin in Russia. Russian President Putin's visit to Ankara will determine whether the developed interest oriented relations of the two rivals of the EuroAsia region, Turkey and Russia, will evolve into a new partnership. The biggest barrier in this respect is the lack of confidence.

A New Partnership along the Euro Asian Border

It would not be difficult to define the visit of the Russian President Vladimir Putin as 'déjà vu.' Because this visit occurred around September 1st or 2nd. Messages were exchanged and expectations announced. They know the agreements to be concluded during the visit which was postponed for three months due to the Beslan massacre. They know what steps are to be taken in the field of energy cooperation. Even the five page joint memorandum to be declared by the two states has been in the media. The Turco-Russian summit to materialize, prior to the December 17th summit of utmost importance for Turkey's future with the EU, announces a new partnership in the EuroAsian or Black Sea region as accounted by the diplomats of the two countries. The region's two historic and political rivals envisage to enhance the cooperation of interests which they instigated in an era where the cold war ended and globalization was prevalent. This cooperation referred to in Turkish diplomatic sources as "Our Destiny," is interpreted as "multidimensional partnership, in diplomatic vernacular.

The volume of foreign trade between the two countries is to surpass 10 billion dollars by the end of the year. The number of Incoming Russian tourists is to reach 1.7 million. Turkey's contracting business in Russia will exceed 2 billion dollars, and despite restrictions, shuttle trade, 2.5 billion dollars,. Close to 80 % of the natural gas Turkey utilizes is procured from Russia and this percentage is increasing.

Lack of Trust

There is still a problem: lack of trust. The first Russian President Putin to visit Turkey after a 32-year interval will try to reinforce mutual trust between the two countries. The two countries that have been tackling issues such as Kurdish-Chechen card, Turkish straits and pipeline conflicts, a struggle for authority over Central Asia and Caucasus due to the lack of high level policy dialogue are to sit at the negotiating table. They will also try to discover new cooperation fields (Sami. H., 1998: 89).

The most important document of the visit is definitely the joint declaration that is to be signed so as to strengthen bilateral relations and the multi-dimensional partnership between Turkey and Russia. The declaration carries the message that both of the countries are Eurasian and the peace, stability and the prosperity in the region are the responsibility of Turkey and Russia. It has been decided that the Euroasian Action Plan, which the two countries devised in 2001 be activated; and attention has been drawn to the significance of enhancing the trade and transport in Black Sea and Caspian region (<http://www.russian-orthodox-church.org.ru/en.htm>).

Will the Appropriate Circumstances be Found?

Despite the well-disposed statements of the diplomats of the two countries, the international circumstances and the characteristics of the problems do not render the wished-for cooperation possible. Both presidents will have to handle the problems between the two countries as well as the cooperation opportunities. Kremlin Press Center Deputy Chairman Dimitri Peskov, who is one of Putin's closest colleagues disclosed the Russian President's mood, saying "terrorism has been the top issue in Putin's life and political agenda since the Beslan incident" in an interview with the Turkish press (<http://www.russianembassy.org>).³

The Chechenian Factor

This statement confirms that the terrorist incidents in Beslan may be defined as "Russia's 9/11" in a sense. It is feared that Putin, who has come to Turkey in such an atmosphere may lay the mid 90's discourse Kurdish-Chechen card on the table again.

Russia directly blamed Ankara for supporting Chechenian activists in the mid 90's. However, in recent years the organizations backing Chechenians have been targeted rather than Turkey's official policy. Although "hawks" such as the Defence Minister Sergey Ivanov sometimes puts the blame on Turkey, Kremlin is careful not to take aim at Turkey directly (<http://www.mid.ru>).

Russia has recently adopted the "US Doctrine of Preemptive Attack" and Putin declared that they have been producing arms that no one else has since the Beslan incident. This kind of statements have aroused concerns in the whole world including Ankara. However, a senior official from the Ministry of Foreign Affairs has reminded that Russia has long been a country with nuclear weapons but that no one would like to face a new weapon. The official, however, commented that "(This kind of armament) is not on the agenda. We just stress the importance of disarmament in the joint declaration".

Lack of Confidence

There is available again a matter: Lack of confidence. After thirty-two years, who visiting to Turkey as the first Russian President, Putin will strive for provide to get strong of confidence milieu between the two countries during two years. Due to lack of senior political dialog, the two countries with which striving matters like "Kurd-Chechen Card, The Straits-Pipeline Bickering, Penetration Struggle of Central Asia-Caucasia" both of the countries are sitting on the table to resolve problems and trying to discover new areas of cooperation (Sami. H., 1998: 63).

The most important document of the visit "Turkey between Russia friendship and multidimensional company related to deepen the joint declaration" will certainly be. In declaration, both of countries' in The Eurasia countries was signed and in the region, including to message of peace, stability and prosperity will questioned from them. The two countries in 2001, Eurasia Action Plan designed to streamline fix, Black Sea and Caspian Sea region more trade, transportation provide the importance of the call attention (<http://www.russian-orthodox-church.org/en.htm>).

Appropriate Ambiance Will Be?

Despite the two diplomats favorable expressions, quality of international environment and problems is not possible to expected level cooperation. Today, the two president will have to consider to the union of business also problem between the two countries. Putin's one of the closest friend is Dimitri Peskov who working as the Kremlin Press Centre Deputy Chairman. In conversation with Turkish Media, also he put forward to his psychology and said " After Beslan phenomenon, terrorism settled to the top in Putin's life and political agenda." (<http://www.russianembassy.org>).

Factor of the Chechen...

On behalf of the terror acts in Beslan, Russia's reality part of September 11 definition is confirmed by this statements, too. It is concerned due to sitting on the table to which Putin's speech of the middle 1990s "Kurdish-Chechen Card" who coming to Turkey in this period. In the middle 1990s, Russia was directly charging Ankara with support to Chechen Activists. Also, in the last years, associations which supporting to Chechen is more showed as the target in Turkey than Turkey's official politics. Sometimes, "shahs" such as Minister of Defence Sergey Ivanov even accuse to Turkey, Kremlin pay particular attention to not taking aim at Turkey in this respect (<http://www.mid.ru>).

Russia has assimilated to preventive attack doctrine of the US Administration in recent periods, also Putin stated that they produced unique weapon after Beslan massacre. This kind of the statements were worried noted in Ankara as well as all over the world. Yet, a senior official of Foreign Affairs called attention to Russia has already nuclear weapon and even if he said that no one do not certainly take pleasure a new weapon but this is not on agenda, we are only emphasizing to disarmament in the joint statement.

Straits Question

Another problem between Turkey and Russia arises from the Straits. Since Turkey actualized the legislation regulating the transit from the Straits, the transfer cost of the Russian petrol to the world market has been increased 2-3 times. Russia does not see this as a goodwill development and defends that Turkey 'uses the environmental hardships arising from the Straits to make the pipelines pass from its lands'.

Also, continues complaining Turkey to the International Maritime Organization. Although Russia confesses that they 'understand' Turkey's environmental concerns about the Bosphorus from Putin's mouth for the first time at recent times, the belief that 'Turkey exaggerates this problem and uses this to obstruct the transit of the Russian tankers', is common. During the visit of the Putin, it doesn't seem possible to come to a complete agreement about neither the Straits nor the sub-pipelines bypassing the Straits (Akşam., 1998-2007).

Foreign Trade Deficit

Although economic cooperation has increased according to Ankara once again, with the growth of the natural gas purchase, Turkey's foreign trade deficit is also increasing. It is recorded that the foreign trade volume will be 11 billion dollar by the end of the year. According to Turkey's 2003 figures, the deficit from this trade is 4 billion dollar. Turkey wants to make payment with good and service against gas, in just the same way as Özal's term, however Moscow does not lean towards this. At recent period, the constraint about giving some 'contracting service' to the Turkish companies in exchange for gas has been increased (Marples., David. R., 2000:12-89). In conclusion, in spite of all of the problems between two big countries of the Black Sea, near future will show us how much and how the progresses, especially on the commercial relations, reflect to the political side (Netteolodon., 1996: 67-123).

Where does Vladimir Putin Run?

'Where does Putin run?' This question is started to be asked gruffly in Moscow as fear prevails and in a strong voice in West as doubts intensify. Should the portrait of the Russian leader be written once again? All of the spotlights are on over him, since the power was presented to him in a gold tray by Boris Yeltsin. 52 years old Russian leader was as popular as a pop star in his country by this time. He was applauded as a leader, who was young, dynamic, sportive, teetotaler, pulled the country out of the arms of the chaos and stabilized, gave whatever they wanted to the people calling for 'bread and order'. The good course of the economy has pushed aside both the Chechnya and the terrorist actions. And world has appreciated him as a strong, well-balanced, pragmatic leader, preferring agreement rather than argument. However, Putin has started to draw a different portrait after he was elected second time as a president for four year. Independent media was silenced, the opposition from DUMA was wiped away, and finally instead of electing the local administrators with referendum assigning from Kremlin has been imposed, and Russia took a step to the 'one man' management which all of the power gathered in Putin. Soviet soul returned (Stankoviç. S., 1994: 51).

Putin started to give 'unbalanced' signals also on foreign policy...He has surprised everyone by saying 'If Bush lose, the international terror will won' before the USA elections. If Kerry won the election, it would be a great fiasco. He did the same mistake this time in Ukraine. He went to any lengths to make president the pro-Moscow Yanukoviç, even went to Kiev to make propaganda. However, the grasshopper couldn't jump two times. His reputation has been ruined badly. The ceaseless terror actions in the country and the Chechnya scrape also pares down Putin's popularity. Now, arising from KGB agent to Kremlin Putin's success and charisma has been discussed. It is argued that he has a very little share in the spring air at the economy. What a great chance that the Russian petrol which dropped down to 9 dollar at crises, passed over 35 dollar at the years with Putin, and each 1 dollar increase pumped 1 billion dollar to the budget a year. However, despite the 'one man' management, still not doing the radical reforms on economy including banking business, bankrupting Yukos, continuation to the flight of the capital, moving social reforms as a snail's pace, no slow down on bribery and embezzlement are the things added as a minus to Putin's side. The question 'what would happen if a crises breaks out and the petrol prices drop?' is still hair rising. The economy is still living the 'false spring' bound to petrol. In 2008 Putin's second term will terminate and he will be retired according to the existing constitution. However, turning to the Soviet centralization on federal structure, is seen as an indication that Putin will not leave the power easily.

Putin's new term is starting now, where democracy is retarded, Chinese model of development with foreign capital by taking the natural resources to State's supervision intended. However, when all of the systems are established on 'one man' in Russia, and after 'assurance systems' like independent media, mighty opposition are disabled, now the question 'where does Putin run?' creates anxiety even more (<http://www.putin.ru>).

Turkish Businessmen's Success in Turkey – Russia Relations

By the end of 1980s, Turkish entrepreneurs have entered Russian market with construction tenders and have conquered Russia especially in the last decade. Investments made by Turkish companies have exceeded 2 billion dollars. Total amount of contracting business accomplished by Turkish constructors is over 12 billion dollars. Among these, the biggest investments made so far were Ramstore Malls and Hypermarkets by Koc-Enka partnership, three beer factories by Anadolu Group, one factory by Sisecam, television factory by Vestel, and business centres by Enka. Following these, there are more investments on their way, starting with Arcelik's washing machine production factory. In addition to Colin's and Muya, popular trademarks in Russian market, Boyner has also entered the market with its new department store (Tezcan. Y., 1998: 11-12-31-32). At the moment, Russia is selling Turkey around 18 billion cubic meters of natural gas through two pipelines. However, Moscow is aiming to use Turkey as energy bridge and consequently, through a new pipeline that would bypass the Straits, bring more oil in a faster way to Mediterranean and on the other hand sell Turkey electricity energy through the Caucasus. Also, Gasprom is ready to make necessary investments for storing natural gas in Turkey and for domestic distribution. Among the projects aiming to decrease traffic in the Straits, Russia focuses more on Thrace option and also considers Samsun-Ceyhan alternative. It wouldn't be a surprise if Putin supports this project (Sagadeev. A., 1994: 93).

Turkey is the most popular holiday spot for Russian people. Turkey hosted 1.7 million tourists this year. Russian press uses the term "national *daca* (summer house) of Russians" for Turkey. Lately, with the driving force of Russian and CIS markets, more investments are to be made in tourism sector. Also, having more Russian investments on Turkish tourism sector ensures the continuity of Russian tourists. The market became more active especially after enabling Russian citizens to buy property from Turkey(<http://tr.rutam.org>).

In the beginning of 1990s, Turkey was the first NATO member country that Russia has sold armoured vehicles. Turkey's huge defence sector tenders in recent years also increases Russia's appetite. In the joint manufacturing project for attack helicopters, Russia became a finalist with its "Erdogan Ka 52". Putin is expected to press for this specific and other relevant projects in his visit. Russia claims that "USA only makes installations, whereas we can provide you with know-how and make joint manufacturing". This is a never-ending headache between the two countries. Russia wishes to bring as many petroleum ships as possible from the Straits; whereas Turkey argues that "in 1996, 65 million tons of petroleum has passed through the Straits and in year 2003 it has increased up to 135 million tons. This puts Istanbul in danger" and tries every means possible for limiting this traffic. This year Putin, for the first time stated that he "understand[s] Turkey's environmental concerns for the Turkish Straits". Yet, Moscow tries very hard for not limiting its right of free pass based on relevant international agreements. Moscow is also offended by having several numbers of Turkish citizens combating against Russian army in Chechnya. The "hawks" like Minister of Defence Sergey Ivanov used this to blame Turkey in front of public. On the other hand, Kremlin is more "cautious" in handling this issue. Formal opinion is that Turkish Government does not provide support to Chechen resisters, yet does not prevent some associations and organizations from supporting Chechen forces. Now, "Chechen and PKK cards" are off the table but Ankara is expected to implement "tighter control" over the matter.

Although Tatneft, which was first awarded with TUPRAS tender with its joint venture with Zorlu Group and then rejected, has stated its response in a kinder manner, Kremlin was informed about the frustration this has caused. Moscow argues that "Turkey is blocking foreign capital, whereas it should promote it. Many Russian companies would have started to invest in Turkey, starting with TUPRAS. Now they shall think twice". Prime Minister Tayyip Erdogan was informed about the situation in person, however the reply did not satisfy Russia: "This is not a political, but a legal decision. There is nothing further to do" (Rose. R., Munro. N., 2002: 67-145).

It is anticipated that, by the end of this year the foreign trade record would be broken and foreign trade volume of 10 billion dollars would be reached. But there is a huge imbalance in favour of Russia. Turkey says that "We should pay certain amount of natural gas costs through supply and construction services, as before" and Russia insists on giving the same answer: "It is not true that there is imbalance in trade. You are not considering the tourism and shuttle trade income you earn from Russia. We do not accept any supplies compensating for gas costs". As for the limitations on shuttle trade, Russian side states that "One cannot make any trade with a suitcase but only go on a trip with it. This creates a non-taxable income.

This used to be a way of commerce from necessity, but now it's outdated. Now, you should focus more on making formal commerce”(<http://www.radikal.com.tr/haber.php?haberno=136431&tarih=06/12/2004> , 2007).

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