



TURKSTREAM GAS PIPELINE: IMPACT ON STRATEGIC RELATIONS IN EURASIA

The fact that the energy factor has become more and more important in today's world is reflected in foreign policies of many countries. World energy resources are limited and insufficient for all the countries to meet their energy needs. For this reason, there is a constant debate on energy related interests among countries. Moreover, countries are competing to gain control over energy transportation and corridors that provide it. The energy factor plays an important role in the socio-economic development and foreign policy decisions of the major international actors in Eurasia. For instance, following the natural gas crisis with Ukraine, Russia started to deliver its energy resources to Europe through alternative projects.

These developments have paved the way for the development of new partnerships with Russia, which is Turkey's largest supplier of gas. At this point, Russia is aware that Turkey, given its geostrategic position, can become an important partner with regard to additional energy transportation routes to enter the European market.

In this context, the TurkStream gas pipeline is a major project that will allow the delivery of Russian gas to Turkey via the Black Sea. The pipeline starting from the Anapa coast of Russia runs 930 kilometers crossing the Black Sea and ends on the Turkish Thrace coast. This project, directly linking Russia's natural gas reserves to Turkey's gas distribution network, aims to create a reliable source of energy for Turkey, South and Southeast Europe. The sea part of the pipeline consists of two lines running parallel to each other across the Black Sea. The first line will serve Turkey, while the second line will provide natural gas transportation to Europe. Each of the pipelines has an annual capacity of 15.75 billion cubic meters totaling 31.5 billion cubic meters.

In order to realize the project, on December 1, 2014, Chairman of the Board of Directors of Gazprom Alexei Miller and Chairman of Turkey's BOTAŞ Petroleum Pipeline Corporation Mehmet Konuk signed the memorandum of understanding on the TurkStream project. However, the project's technical, economic and legal framework is determined by the intergovernmental agreement signed between the Governments of the Republic of Turkey and the Russian Federation on the sidelines of the 23rd World Energy Congress held in Istanbul on October 10, 2016. The emergence of this agreement, despite a gradual decline of demand for Russian natural gas in Turkey in recent years,

shows the strategic importance of the project for the two countries.

According to the 2018 Gas Market Sector Report prepared by Turkey's Energy Market Regulatory Authority (EMRA), gas consumption in Turkey in 2018 amounted to 49 billion 328 million cubic meters. According to the EMRA Report published in 2017, we can see that this figure was 53 billion 857 million cubic meters. However, again, according to the information given by EMRA, it is estimated that gas consumption in Turkey in 2019 will be 52 billion 133 million cubic meters. The natural gas imports decreased by 8.85% from 55 billion 249 million cubic meters in 2017 to 50 billion 360 million cubic meters in 2018. Again, according to the EMRA report, in 2018, Russia with 46.95% share has become Turkey's largest source of natural gas imports. If we compare this data with the previous years' data, the share decreased from 55.31% in 2015 to 52.94% in 2016 and to 51.93% in 2017. Despite this decrease, as can be understood from Gazprom's report released in May 2019, Turkey is the third largest Russian natural gas consumer after Germany and Italy. It can be said that Turkey's orientation towards Iran and Azerbaijan in the search of alternatives to Russian gas has been alarming Moscow in recent years. In this context, Russia has high expectations from this project.

Today, Russian gas supplies to Turkey are carried out through the Blue Stream and West Line gas pipelines. In the general sense, the TurkStream project, which is scheduled to start operation in December 2019, is also expected to provide a major contribution to energy supply and security. According to the information contained in the Gazprom's report, Russia was able to export to Turkey 29.034 billion cubic meters in 2017, 23.964 billion cubic meters in 2018 and 4.522 billion cubic meters in the first quarter of 2019. The latter number was 7.917 billion cubic meters in the same period of the previous year, and it indicates that Turkey's natural gas imports from Russia can be further reduced at the end of the year.

In fact, the reason for this decrease is the dispute about natural gas prices that began in 2015 between Turkey and Russia. BOTAŞ's request of a 10.25% discount from Gazprom has affected the amount of natural gas supplies to Turkey. However, according to press reports in 2018, Gazprom agreed to return \$1 billion of overpayments for gas supplied to Turkey in 2015 and 2016. It should

be emphasized that the decision taken by Russia three years later stemmed from taking into account Turkey's existing and potential alternative natural gas suppliers. As a clear example of this, the launch of natural gas transportation from Azerbaijan's Shah Deniz-2 field through the Trans-Anatolian Natural Gas Pipeline (TANAP) to Turkey on June 30, 2018 has played an important role for this decision. Approximately 1.25 billion cubic meters of gas was transported through the TANAP pipeline from June 30, 2018 to February 28, 2019. This volume is expected to reach 4 billion cubic meters by the end of 2019.

The European Union and Turkey are trying to reduce their dependence on Russia for natural gas through the TANAP and the Southern Gas Corridor projects. According to figures for 2018 announced by the EMRA, in the distribution of natural gas imports by country, Russia is followed by Iran with 7.863 billion cubic meters and Azerbaijan with 7.527 billion cubic meters. Chairman of SOCAR Turkey Energy Vagif Aliyev states that Azerbaijan could increase this amount to 12 billion cubic meters in the coming year.

Since Russia's main target for natural gas exports is the European market, it is quite possible that until the end of the year it will reach an agreement with Turkey on gas prices. Although, the land and sea parts of the Russian side of the TurkStream pipeline are 100% ready, and Turkey's side is 73.5% ready, and despite attracting interest from countries such as Bulgaria and Serbia, the second part of the project that will provide natural gas transportation to Europe has not yet started. Another reason why Russia wants the TurkStream Project to start operating rapidly is to bypass Ukraine by providing gas supply to Europe and Turkey through this project. This could have a profound impact on the Ukrainian economy and strengthen Russia's hand against the country.

The TurkStream project will help Turkey to take a central location in the energy markets in the region and to improve the chances of influencing on the gas price. On the other hand, by providing a direct supply of natural gas from Russia to Turkey, the project will free Russia from dependence on other transit countries. In conclusion, the TurkStream natural gas pipeline project will have an impact on the strategic balances in Eurasia in many aspects.

Politics, Foreign Affairs, and Security

- As part of the 2018-2023 anti-drug strategy of the Shanghai Cooperation Organization (SCO), the international anti-drug operation called “Spider Web” was conducted across the SCO member states. The operation’s main objectives were to curb the supply and distribution of drugs, take measures to prevent the use of internet resources and virtual payment systems in the drug business, and enhance the effectiveness of joint actions in combating illicit drug trafficking.
- The OSCE Forum for Security Cooperation held a meeting in Vienna under the chairmanship of Tajikistan to discuss experiences and best practices of constructive cooperation among regional organizations in Central Asia. Participants explored how to develop and strengthen synergies between activities of the OSCE, the SCO and the EU in Central Asia.
- In Kiev, the ministries of foreign affairs of Ukraine and Kazakhstan held bilateral consultations on interaction between the two countries within the framework of the UN and other international organizations. During the talks, the parties reaffirmed their interest in strengthening cooperation between the two ministries.
- The 96th regular meeting of the joint Kazakhstan-Russian demarcation commission was held in the Russian city of Samara. The parties approved the draft final documents concerning the demarcation of certain sections of the Kazakh-Russian state border and agreed on a number of issues related to necessary field and desk studies. The next meeting of the commission will take place in Kazakhstan in August 2019.
- Russia will deliver 12 Mi-35M multi-role combat helicopters to Uzbekistan, as part of Moscow’s export credit provided to Tashkent in 2017. Four helicopters will be delivered in the fourth quarter of 2019, and the remaining eight helicopters – in 2020. The supply contract was signed in 2018, but the contract price was not disclosed.
- Turkmenistan and Bahrain held bilateral political consultations in Ashgabat to discuss a wide range of issues related to the priority areas of cooperation between the two countries. During the talks, the parties also addressed regional and international issues of mutual interest and noted the need to continue interaction in regional and international organizations, primarily in the UN and its specialized agencies.
- During his visit to Armenia, European Council President Donald Tusk met with Prime Minister Nikol Pashinyan and President Armen Sarkissian. The parties discussed the implementation of the EU-Armenia comprehensive and enhanced partnership agreement, reviewed efforts of Armenian authorities in establishing the rule of law, strengthening democratic institutions and fighting corruption, and exchanged views on regional issues, including the Nagorno-Karabakh conflict.

Economy, Finance, and Energy

- During his visit to Switzerland, President of Kyrgyzstan Sooronbay Jeenbekov held talks with President of the Swiss Confederation Ueli Maurer and other officials. The parties signed a number of documents on agriculture, tourism, water management, rehabilitation of water supply systems and other fields. Jeenbekov also met with Swiss business circles to discuss potential joint investment projects in various sectors of the economy.
- Kazakh Prime Minister Askar Mamin paid visits to Tajikistan and Kyrgyzstan. In Dushanbe, the parties discussed further development of trade, economic, industrial and transit cooperation, and strengthening of cultural and humanitarian ties. In Bishkek, Mamin attended the 8th meeting of the Kazakhstan-Kyrgyzstan intergovernmental council that addressed bilateral interaction in the areas of trade, investment, industry, transport, oil and gas, water and energy, and other spheres.
- During the first half of 2019, some 260,000 work permits for migrants were issued or extended in Kazakhstan, mainly to citizens of Azerbaijan, Georgia, Moldova, Tajikistan, Uzbekistan and Ukraine. Currently, 17 centers of migration services operate across the country, and they issued 434,000 work permits and extended 117,500 such documents last year.
- A new natural gas field named Chakar was discovered in the Bulakbashi district of Uzbekistan’s Andijan region, with a preliminary flow rate of up to 300,000 cubic meters of gas per day. Meanwhile, the first industrial flow of gas was received at the new Aralyk field located in the Muynak district of the Republic of Karakalpakstan, with a preliminary daily flow rate of 700,000-800,000 cubic meters.
- For the first time, beans produced in Uzbekistan were exported to South Korea after the Uzbek Global Export Company delivered 66 tons of motley and speckled beans to its South Korean partners via the port of Pusan. The cargo was shipped in special “Made in Uzbekistan” labeled packaging to increase the visibility of Uzbek products on the South Korean market.
- President of Uzbekistan Shavkat Mirziyoyev signed a decree “On Additional Measures to Improve Tax Administration”. In accordance with the document, the government is tasked with introducing a tax free system – a procedure that allows foreign citizens to return a value-added tax for goods purchased in Uzbekistan when leaving the country.
- During her visit to Ukraine, Prime Minister of Moldova Maia Sandu met with Ukrainian President Volodymyr Zelensky to discuss the development of trade and economic cooperation between the two countries. The parties also considered the prospects of uniting the electric power systems of Ukraine and Moldova with the power network of continental Europe.

Society and Culture

- The University of Central Asia organized a public lecture in Dushanbe to present a 30-year literature review on suicide in Central Asia. According to the study, Central Asia’s suicide rates exceed the global average of 11.4 cases per 100,000 people, with the highest rate in Kazakhstan (48.1), followed by Turkmenistan (15.8), Uzbekistan (13.6), Kyrgyzstan (13.4) and Tajikistan (7.2).
- According to a study by the Moscow-based Higher School of Economics, Russia ranks fourth among European countries after Croatia, Greece and Poland in terms of the prevalence of non-standard labor schedules. 64% of Russians work regularly in the evening, at night and on weekends. 36% of Russians are employed both at night and on weekends at least several times a month.
- A poll by the Ukrainian Center of Strategic Development of Areas revealed that 69% of the country’s population support Ukraine’s accession to the EU, while 13% are against and 18% are undecided. Compared with the results of the poll conducted in 2012, the number of Ukrainians supporting the EU membership has grown by 27%.
- A new nationwide poll of Armenian citizens by the International Republican Institute shows high public confidence in government and optimism about the country’s future, even as Armenians remain concerned about economic issues. The poll results indicate that more than 60% of respondents want the new government to undertake both political and economic reforms quickly rather than gradually.
- The opening ceremony of the Days of Culture of Turkmenistan in Turkey was held in the city of Sivas, attended by Turkish cultural and art figures, historians and journalists. The program of the event included a musical and dance performance, an exhibition of decorative art and museum valuables, a photo exhibition, and a show of Turkmen films.
- The Astana Opera House performed the Abai opera by Akhmet Zhubanov and Latyf Khamidi for the first time at the Alisher Navoi State Academic Bolshoi Theater of Uzbekistan in Tashkent. The event was organized by the Ministry of Culture and Sports of Kazakhstan as part of the Year of Kazakhstan in Uzbekistan and in relation to the 175th anniversary of Abai.
- The Uzbek city of Margilan hosted for the first time the “Great Silk Road” international folklore music festival. During the event aimed at popularizing, preserving and studying folk art, folklore groups from 20 countries, including France, India, Japan, Mongolia, Russia, South Korea and Turkey, demonstrated their skills in three main nominations – song art, dance art and national ancient folklore.