REGIONAL POWERS AND THEIR NEIGHBORS: NATIONAL IDENTITY AND THE POLITICS OF REGIONAL ECONOMIC LEADERSHIP

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Abstract

There has recently been a proliferation in studies on regionalism and regional powers. Yet little has been done to explore the role that regional powers play in fostering economic integration in their regions. In particular, two questions have been unexplored. First, why do the regional economic priorities of regional powers shift over time? Also, why do regional powers pursue different forms of leadership to exert economic influence over their neighbors? This dissertation speaks to a broad audience in the field of International Relations, including IPE, regional powers, Russian foreign policy and Turkish foreign policy. It contributes to the ongoing debate on regional powers and economic orientation by highlighting the ideational roots of the economic leadership strategies of Russia and Turkey. I argue that objective economic/material factors cannot explain the foreign economic strategies of these two countries. Instead, it is elite national identity conceptions that primarily construct and define economic interests. National identity conceptions are elite understandings of the state's historically appropriate roles and purposes in its region and the world. I demonstrate that from the 1990s to the 2000s, both Turkey and Russia changed the geographic orientations and forms of their regional foreign economic strategies in response to the changing national identity conceptions of their ruling elites. I argue that the shifting national identity conception in Russia from a Westernizing one under Yeltsin's presidency to a great power nationalist one under Putin's leadership led to a geographic reorientation of Russia's foreign economic policies from the West to the post-Soviet region. While the Westernizers of the 1990s wanted integration into Western economic structures, great power nationalists have prioritized integration in Eurasia. Similarly, I investigate why Turkish decision-makers of the 1990s pursued economic integration with the European Union and closer economic ties with the post-Soviet states, while economic integration with the Middle East has become a priority under Erdoğan's JDP. I argue that this occurred because the JDP's conservative national identity conception embraced the Muslim Middle East, in contrast to the traditionally Western oriented and Kemalist national identity conception of the 1990s. In terms of the form of foreign economic policies, I argue that Putin and his allies' great power nationalist identity conception has resulted in a hegemonic and coercive form of regional leadership towards establishing the Eurasian Economic Union. Conversely, the JDP's conservative national identity conception has made Turkey a liberal economic leader in the Middle East. I show that in both Russia and Turkey, current ruling elites determined the direction and form of economic policies in opposition to the previously prevalent national identity conceptions. The variation in the form of foreign economic policies of Russia and Turkey, therefore, is rooted in elite national identity contestation at home. In both countries the process of the consolidation of political power at home constituted a critical juncture in that it eliminated the influence of alternative national identity conceptions and reinforced formerly set foreign economic goals. Similarly, both Russia's great power nationalists and Turkey's conservatives saw the global financial crisis of 2008-09 as a great opportunity to increase their economic influence in their neighborhoods.

Résumé

Les études sur le régionalisme et les puissances régionales se sont multipliées récemment. Pourtant, peu d'attention a encore été portée sur le rôle que les puissances régionales jouent dans l'intégration économique de leur région. Deux questions, notamment, restent sous-étudiées. Premièrement, pourquoi les priorités économiques des puissances régionales changent-elles avec le temps? Également, comment expliquer que ces puissances poursuivent différentes formes de leadership pour exercer leur influence économique sur leurs voisins? Cette thèse ouvre un dialogue avec le champ des Relations internationales (RI) et avec les littératures de l'Économie politique internationale (EPI), des puissances régionales ainsi que sur les politiques étrangères russe et turque. Elle contribue au débat sur les puissances régionales et l'orientation économique en soulignant les racines idéologiques des stratégies de leadership. Je soutiens que, pour la Russie et la Turquie, les facteurs économiques et matériels ne peuvent pas expliquer les stratégies économiques étrangères. Ce sont plutôt les conceptions de l'identité nationale des élites qui construisent et définissent les intérêts économiques. La conception de l'identité nationale renvoie à la compréhension qu'ont les élites du rôle historiquement approprié de leur État dans le monde et de ses buts régionaux. Je démontre que de 1990 à 2000, la Turquie et la Russie ont changé leurs orientations géographiques et formes de stratégies économiques régionales en réponse au changement de conception dans l'identité nationale des élites. J'affirme que la transformation de la conception d'identité nationale en Russie, d'une identité nationale « occidentaliste » sous la présidence de Eltsine à une identité de grande puissance sous Poutine, a engendré une réorientation géographique des politiques économiques de l'Occident vers la région postsoviétique. Pendant que les occidentalistes des années 1990 cherchaient à intégrer les structures économiques occidentales, les nationalistes de grande puissance ont plutôt priorisé l'intégration avec l'Eurasie. De la même façon pour la Turquie, je cherche à comprendre pourquoi les décideurs des années 1990 ont poursuivi une intégration économique avec l'Union européenne et développé des liens étroits avec les États postsoviétiques, alors que l'intégration économique avec le Moyen-Orient est devenue une priorité sous le PJD d'Erdoğan. Je soutiens que cette réorientation s'explique par la conception conservatrice de l'identité nationale du PJD qui est tournée vers le Moyen-Orient musulman, contrairement à la conception de l'identité nationale Kémaliste traditionnellement orientée vers l'Occident. En ce qui a trait à la forme des politiques économiques étrangères, j'avance que la conception nationaliste de grande puissance sous Poutine a donné lieu à une forme hégémonique et coercitive du leadership régional tournée vers la création de l'Union économique euroasiatique. À l'inverse, la conception de l'identité nationale conservatrice du PJD a fait de la Turquie un leader de l'économie libérale au Moyen-Orient. Dans les deux cas, je montre que les élites actuelles ont déterminé la direction et la forme des politiques économiques en opposition aux conceptions de l'identité nationale qui prévalaient auparavant. La variation dans la forme des politiques économiques étrangères de la Russie et de la Turquie est, par conséquent, enracinée dans la contestation de l'identité nationale des élites du pays. Dans les deux pays, le processus de consolidation du pouvoir a représenté un moment clé, éliminant l'influence des conceptions d'identité nationale alternatives et renforçant de nouveaux objectifs économiques étrangers. De la même façon, autant les nationalistes de grande puissance de la Russie que les conservateurs de la Turquie ont vu dans la crise financière globale de 2008 une bonne occasion pour asseoir davantage leur influence économique dans leur voisinage respectif.

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CHAPTER 1

National Identity Contestation and the Varying Paths to Regional Economic Leadership

An empirical puzzle drives this dissertation: why do regional powers pursue different strategies in order to assert economic leadership in their neighborhoods? Despite the increasing pace of globalization, states continue to search for ways to gain economic advantage and influence over their neighbors. Regional powers face particular challenges in attempting to pursue greater regional economic influence, as they must play the game within the context of a globalized economy dominated by the Western advanced industrialized states.[1] After the Cold War, IR scholars turned their attention to studying regions and regional powers from many theoretical perspectives, with most research focusing on the causes of regional peace and order or the lack thereof (Adler & Barnett, 1998; Buzan & Weaver, 2003; Fawcett, 2004; Frazier & Stewart-Ingersoll, 2010; Lake & Morgan, 1997; Paul, 2012). Scholars have also paid attention to the role of self-perceptions in affecting the way a regional power asserts regional hegemony (Nolte, 2010; Prys, 2010). According to Nolte (2010, p. 890), regional powers are best distinguished from middle powers by their power resources and self-conception of leadership in a geographically and ideationally delimited region. Similarly, Prys (2010; 2012) argues that both regional hegemons and regional dominators perceive their roles as exceptional in their regions. While the former aims to make positive contributions to the region, the latter is more selfish and aims solely to increase its political and economic gains.

However, although scholars commonly identify states such as Russia, Turkey, Brazil, China, India, and South Africa as "regional powers" (that is, as the dominant economic power within a particular geographic area), few have analyzed comparatively how and why these states assert economic power in relations with their neighbors.[2] Similarly, neither Nolte nor Prys discusses how self-perceptions of leadership in a particular region are derived. In other words, why and in what ways do regional powers think that they are exceptional for their regions? How does this translate into the foreign economic policies of regional powers?

[1] For an overview of what rising/regional powers want, and "what space" is available for them, see Hurrell (2006). Nel (2010) argues that "emerging regional powers" want redistribution and recognition in global politics.
[2] For a recent attempt to explain variation in regional power behavior, see Flemes (2010).

Following a constructivist approach (Abdelal, 2001; Helleiner & Pickel, 2005; Abdelal, Blyth and Parsons, 2010), I argue that in defining economic interests vis-à-vis neighbors, the national identity conceptions of political elites play a crucial role (Hopf, 2002). I hypothesize that the national identity conceptions of government leaders shape the direction and form of economic policy towards neighboring states. In doing so, I compare the strategies of two regional powers that have pursued different approaches to regional economic leadership: Russia and Turkey. My research includes cross-national and cross-temporal case studies: Russia under Yeltsin (1991-1999), Russia under Putin and Medvedev (2000-present), Turkey under center left-right coalition governments (1991-2002), and Turkey under the Justice and Development Party (2002-present). While Russia under Putin has pursued regional economic influence primarily through coercive hegemony and forging exclusionary political and economic regimes, Turkey under Erdoğan has embraced economic liberalism and openness as a means through which to extend its regional influence. Moreover, these policies represent a significant change in direction and/or form from those of prior governments in each country.

I argue that the shifting national identity conception in Russia from a Westernizing one under Yeltsin's presidency to a great power nationalist one under Putin's leadership led to a geographic reorientation of Russia's foreign economic policies from the West to the post-Soviet region. Similarly, I investigate why Turkish decision-makers of the 1990s pursued economic integration with the European Union and closer economic ties with the post-Soviet states, while economic integration with the Middle East has become a priority under the JDP. I argue that this occurred because the JDP had embraced a conservative national identity conception embracing the Muslim Middle East, in contrast to the traditionally Western oriented and Kemalist national identity conception of the 1990s. In terms of the form of foreign economic policies, I argue that Putin and his allies' great power nationalist identity conception has resulted in a hegemonic and coercive form of regional leadership towards establishing the Eurasian Economic Union. Conversely, the JDP's conservative national identity conception has made Turkey a liberal economic leader in the Middle East. That was because JDP's conservatives defined Turkey's roles and purposes in the region in opposition to the coercive and security-oriented framework embraced by their predecessors. I show that in both Russia and Turkey, current ruling elites determined the direction and form of economic policies in opposition to the previously prevalent

national identity conceptions. The variation in the form of foreign economic policies of Russia and Turkey, therefore, is rooted in elite national identity contestation at home. In this chapter, I introduce my theoretical and methodological approaches to understanding how and why national identity conceptions may affect the direction and form of a regional power's foreign economic policies.

The Independent Variable: National Identity Conceptions

I build my argument on the rich scholarship that addresses the role of identity in international politics (Abdelal, 2001; Hopf, 2002; Neumann, 1998; Wendt, 1999). As Wendt (1999) argued, identity is an intersubjective structure and constitutes actors' interests, which then shapes states' behavior as well as the order(s) of international politics. In Bially Mattern's (2001, p. 350) words, "material incentives … become motivating to actors within the context of an identity that is stable enough to shape and give meaning to their interests". But, as Hopf (2002, pp. 283-288) aptly criticizes, Wendt's systemic constructivism fails to take account of the societal nature of identity formation. National identity is contested by political actors of all ideological streams in each state. Political actors with varying definitions of national identity promote different political and economic goals for their states in international politics. I use the term "national identity conceptions" to refer to the ways in which political elites interpret their societies' collective identities in order to understand the political and economic roles that their nation has and should have in relation to other nations. According to Abdelal (2001, p. 25), nationalisms are "proposals for what the content of national identity should be. In other words, nationalisms are attempts to ascribe political, economic, and cultural meanings to societies' understandings of themselves". In this study I prefer to use the term national identity conception instead of nationalism, because not all political groups define themselves as nationalists. However, as I will show in the Russian and Turkish cases, even self-avowed non-nationalist political elites and political parties debate the content of their nation's identity and appropriate roles in regional and world politics.[3] Therefore, in essence I agree with Helleiner, Pickel, Abdelal

[3] For example, in Turkey, the main nationalist political actor has been the right wing Nationalist Action Party (NAP). Established in 1969 as an anti-communist political party, NAP has advocated close ties with Turkic peoples of Eurasia. While nationalists have placed Turkish identity within a broader Turkic world, Islamists have come to see Turks as part of the Islamic world. On the other hand, traditional Kemalist elites have argued that Turkey belongs to the Western civilization. For an analysis of the influence of the idea of Turkic world on Turkish foreign policy, see Köstem (Forthcoming). Similarly, Hopf (2002, p. 219) argues "that Russian nationalism accounted for

and many other scholars of IPE who have examined 'economic nationalism' that nationalism is embedded in states' institutions and hence shapes their economic policies.[4]

Abdelal et al. (2009, p. 19) argue that the content of social identities takes the form of four, non-mutually exclusive types: constitutive norms, social purposes, relational comparisons, and cognitive models. Relational comparisons, or as more commonly known, Self-Other dynamics, are particularly important for this study because they are fundamentally about how a social group defines itself in interaction with other social groups (Hopf, 2002, p. 7). Accordingly, "the content of a collective identity is relational to the extent that it is composed of comparisons and references to other collective identities from which it is distinguished" (Abdelal et al., 2009, p. 23). The way that social groups view themselves in relation to Others is crucial for conceptualizing the political, cultural and economic boundaries of the group as well as defining its social purposes. In Abdelal's (2001, p. 27) words, "the content of national identity is inherently relational because nationalist movements arise in interaction with other nationalisms and states in the international system". Similarly, according to Neumann (1999, p. 35), "the delineation of a self from an other is an active and ongoing part of identity formation". Therefore, setting social boundaries for a social group is "a necessary a priori ingredient" for the formation of its identity. This process of conceptualization leads to defining the friends and enemies as well as subordinates and superordinates of a national identity, which then leads to setting foreign policy and foreign economic goals. This process of collective identity formation therefore affects the prospects for cooperation and conflict in international politics, as it shapes the 'social cognitive structures' within which national interests are formed (Hopf, 2002).

It is equally important to identify whose national identity conceptions matter for actual policy-making. Political elites may disagree on what the role of their nation should be in a particular region as well as in world politics. As Wendt (1994, p. 388) puts it, representations of the self "are always in process, even if their relative stability in certain contexts makes it possible to treat them as if they were sometimes given". Therefore, the understanding of the nation in relation to other nations is a dynamic and contested process, which can take different forms depending on who the actors are. Abdelal et al. (2009) agree that there may be contestation over

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Russian interests in the world is too vague a claim about the role that Russia's ethnonational identity played in Russia's self-understanding, and, consequently, its understanding of Others in world politics".

[4] Through the concept of financial nationalism, Johnson and Barnes (2015) recently expanded this literature, introducing the influence of nationalism on financial and monetary policies of governments.

the content of national identities. This contestation takes place among various societal and political groups, who each seek to make their own conception prevalent in defining national interests. However, it is the government in power that has the ability to craft a state's foreign economic policy, and as such it is the national identity conceptions of the ruling political elite that matter for practical policy making. This is also where my analysis differs from the social constructivist account of Ted Hopf's. Whereas Hopf, in *Social Construction of International Politics*, investigates the influence of discursive formations derived from the prevalent social cognitive structures on the constitution of national interests (and hence foreign policy priorities), I instead look more specifically at the national identity conceptions held by ruling elites. Because it is a realm exclusive to governments in power, just like defense policy and foreign policy, a state's foreign economic strategy may change when its government does even if systemic or regional material factors remain more or less stable.

The history of a regional power's relations with its neighbors, and how different political elites inside a regional power perceive that history, matters greatly. As Pouliot (2010, p. 63) rightly argues, "since no social realities are natural, they are the results of political and social processes that are rooted in history". In Neumann's (1999, p. 23) words, "Self/other relations have to be understood in their historicity; they are aspects of historically contingent ideas of self, which again are rooted in historically contingent ideas about time and space". National economic policies are formed according to the self-perceptions of the political elite that win the domestic political struggle at home. For regional powers, such governmental self-perceptions are closely related to the sense of the historically shaped "responsibility" that the ruling elite in a regional power feels towards its neighborhood.[5] In his discussion of what "regional power" means and which states can be categorized as regional powers, Nolte (2010, p. 890) focuses on the "special responsibility" that these states feel that they have to provide regional order and security. This sense of responsibility that regional powers bear for their regions is, in turn, affected by the historical engagement of the regional power with the region. Debates about national identity conceptions inherently include views on the history of a regional power's relations with its neighborhood.

[5] For the importance of history and historicity in the study of identity, see Neumann (1999, pp. 1-38) and Pouliot (2010, pp. 52-91).

The process of historical engagement becomes even more important for regional powers such as Turkey and Russia because both had empires in the past, which disintegrated into tens of independent nation-states in the Balkans, the Middle East, the Caucasus, Eastern Europe and Central Asia. Interpretations of the history of engagement with the region by different elites influence how regional powers use their power in the region. For example, whereas Putin and his allies in the bureaucratic-security apparatus see Russia's historical responsibility as being the hegemonic power in Eurasia, for Erdoğan and Turkish conservatives, Turkey's historical responsibility is to play a facilitating role among the "brother" nations of the Middle East, who were forcefully distanced from each other by Western colonial powers. In both cases, the ruling political elites perceive their state's role as "exceptional" (Prys, 2010) in shaping political and economic relations in a particular region. This sense of responsibility, which is constituted by interpretations of each regional power's historical engagement with their neighborhoods, affects the ways in which economic capabilities are used for regional leadership. Consequently, governmental national identity conceptions are inherently "purposive" and "directional" (Abdelal, 2001; Abdelal et al., 2009).

I now turn to another important component of my argument: ruling elites in both Russia and Turkey have had hierarchical views of the roles and purposes of their countries in their regions. As I will explore in my empirical chapters in greater detail, the leaders of both regional powers now see themselves as order providers in their regions, which puts Moscow and Ankara on the top of the social hierarchy in the post-Soviet space and the Middle East, respectively. In line with Lake's famous conceptualization of hierarchy, the Putin and Erdogan administrations desired the disciplining of materially subordinate regional states as well as bandwagoning behavior "against possible challenges or threats" (Lake, 2009, p. 10). According to Lake (2009, p. 27), "hierarchy is a continuous variable that varies by the number of actions over which A can legitimately issue commands and expects compliance by B". But I do not study the outcomes of the relations between the potential regional hegemon and the subordinates; instead, I am interested in the sources of national economic interests. For example, rather than investigate why Russia has failed to make Ukraine comply with its plans for post-Soviet integration, I ask the prior questions of why great power nationalists in Russia came to see Ukraine as the most important economic partner for their Eurasian Union project in the first place and why they implemented coercive policies in order to convince Ukraine to give up on integration with the

European Union. I argue that material facts can become secondary or even irrelevant in devising foreign economic strategies aimed at providing order to a region. Economic policies are designed in line with social rather than material hierarchies, or in Hopf's terms, they are designed in line with the social cognitive structures prevalent inside the domestic political terrain of a regional power.

If regional powers have similarly hierarchical worldviews with regard to their roles in regional affairs, then why do we observe varying strategies of regional institution building and order provision? The answer, I argue lies in domestic contestation over national identities. As Hopf's study of Russian foreign policy demonstrates, identities are shaped with relation to not only external others, but also internal ones. Or, "identities are constructed at home as well as through interstate interaction" (Hopf, 2002, p. 10). As Bially Mattern & Zarakol (forthcoming, p. 24) point out, the scholarly debate has mainly remained at the systemic/structural level of analysis. However, social hierarchies are also present at the domestic level and are reproduced through domestic political contestation among actors who hold different conceptions of world politics. A state's hierarchical view of international politics is a product of the domestic struggle among political elites who define the content of national identity differently.[6] In Turkey, the JDP with its political Islamist roots has aimed to make Turkey the regional order provider in the Middle East. It adopted a liberal strategy in reaction against the security-oriented and coercive approach of the Kemalist/Westernist elite towards the region. In Russia, Putin and his allies have adopted a coercive strategy towards the post-Soviet space in opposition to the Westernizing policies of the early 1990s, which they believed ignored Russia's historically dominant role in Eurasia and offered too much independent policy space to newly independent post-Soviet states. Therefore, domestic political struggles over the content of national identity significantly shaped foreign economic strategies in both Russia and Turkey.

If domestic contestation over identity matters so much, why do governments not put their preferred strategies into practice immediately upon coming to power? That brings me to the final key point in understanding the influence of national identity conceptions on foreign economic policy. I argue that the period of domestic power consolidation after a change in government

[6] For an excellent review of the flourishing scholarship on hierarchies in world politics, see Bially Mattern and Zarakol (Forthcoming). My argument fits best within what Bially Mattern and Zarakol calls "logics of positionality". However, given my focus on the intra-state level contestation over national identity, I diverge from their inter-state level of analysis.

constitutes a critical juncture in suppressing alternative/opposing national identity conceptions and reorienting policies toward the region(s) or set of countries that the incoming elites' national identity conception prioritizes. Both current Russian and Turkish ruling elites have devised foreign economic strategies that were in stark opposition to their predecessors. It took the Putin and Erdogan governments at least one term in office to reorient full attention towards economic integration in Eurasia and the Middle East. Conversely, the Yeltsin era was marked by oscillating foreign economic priorities, as no one elite group was able to consolidate power and suppress the foreign economic priorities of others. Similarly, in the 1990s, Turkey pursued multiple foreign economic goals, yet none became firmly established except that of acceding to the EU-Turkey Customs Union Treaty. Where multiple national identity conceptions co-exist, governments in power can fully put into practice the roles and purposes ascribed to the state and the nation by their own national identity conceptions only after they consolidate political power. After power is consolidated, political opposition might continue, yet it becomes less likely for alternative national identity conceptions to influence policy outcomes.

The Dependent Variables: Direction and Form of Economic Policy

As Abdelal (2001, p. 32) has argued, purposiveness and directionality characterize states' foreign economic policies. Therefore, the first dependent variable that I investigate is the *direction* of foreign economic policies that are aimed at regional economic leadership. Direction refers to the geographic orientations of a regional power's foreign economic policies. In other words, it identifies the other states and regions that should be priorities for the government's foreign economic policies. States with regional power aspirations typically have a choice of neighboring states and/or regions in which to assert leadership. This is especially the case for states such as Russia and Turkey, which border multiple regions with varying political, economic and ethno-cultural features. National identity conceptions may encourage discord with some states and cooperation with others (Abdelal 2001, p. 32). For regional powers, I argue that national identity conceptions affect the choice of which region(s) among multiple alternatives to target most strongly for economic leadership. Direction can be on a continuum as well – a regional power can exhibit relatively more or less interest in asserting leadership over particular neighbors over time.

The second dependent variable is the *form* of regional economic policy strategies chosen by the regional power's government. On one end of the spectrum lies a coercive type of hegemony[7], a hierarchical form of interaction in which the regional power sets the rules, provides public goods to the regional states and in return expects compliance. In case of non-compliance, regional hegemons can apply coercive tools for punishment and prevention of future non-compliance by followers. On the other end of the spectrum lies liberal multilateralism, in which the regional power keeps the regional economic cooperation regime open and inclusive. Regional powers that pursue a liberal leadership strategy expect regional states to comply with the rules of cooperation, but do not unilaterally punish non-compliance. Unlike coercive hegemons, liberal leaders seek the active consent of regional states in forging regional economic cooperation institutions and aim to exert influence through facilitating coordination among neighbors. More importantly, a liberal form of leadership relies on open markets, in which regional states enjoy the benefits of cooperation among each other, but at the same time do not close their domestic markets to extra-regional economic flows. Therefore, the signing of multilateral free trade agreements (FTAs) that follow the rules of the global trade regime is a key indicator of a liberal form of foreign economic relations. Liberal leaders also assert influence through private actors such as business councils, unlike coercive hegemons whose policies more closely resemble neo-mercantilism.[8]

Direction comes prior to form, because if a regional power's foreign economic policies are not oriented towards leadership in a particular region, a discussion of form would be meaningless. However, direction and form of foreign economic policies are separate variables. They are both affected by national identity conceptions, yet variation in direction can be independent of form and vice versa.

Case Selection: Russia and Turkey

Russia and Turkey lie at the opposite ends of regional economic powerhood. Although both are emerging market economies and states that aspire to political and economic leadership

[7] This is close to what Destradi (2010) calls "hard hegemony".

[8] I diverge from the traditional liberal IR scholarship (Ikenberry, 2001) in a particular way. Liberal IR has focused mostly on the role of international institution building as the key feature of liberal foreign policy and foreign economic behavior. However, providing regional order through intergovernmental organizations has been a strategy followed by coercive and liberal regional powers alike. In particular, Russia's exercise of post-Soviet institution building through coercive and non-liberal means calls for an improvement in Liberal IR theory.

roles, they pursue different policies of regional economic leadership. While scholars have examined the regional leadership policies of regional powers such as Brazil, South Africa and India (Nel, 2010; Prys, 2010), no study has so far compared Russia and Turkey within the regional power framework. While this comparison can be extended to other regional powers, the imperial histories of Russia and Turkey make my comparison more relevant. Russia and Turkey are different from regional powers such as Brazil and South Africa because they used to be imperial political and economic centers. As Zarakol (2011) has demonstrated, imperial legacy has had significant influence on the formation and evolution of national identity debates in both Russia and Turkey.

There is also within-case variation in both countries over time in terms of the direction of foreign economic policies. In both cases, foreign economic priorities shifted to different regions with the rise to power of new governments with national identity conceptions that challenged those of the previous governments. In order to best address the cross-case and within-case variation in my dependent variables – direction and form – I will examine each of the cases, Russia and Turkey, in two different time periods. First, I will examine Russia under Yeltsin's presidency; 1991-1999. Second, I will examine Putin's and Medvedev's presidencies, from 1999 until 2015, the entry into effect of the Eurasian Economic Union. Third, I will examine Turkey from 1991 until 2002, when several coalition governments with components from the central right and central left ruled. Finally, I will examine Turkey from 2002, when the JDP rose to power until 2011. I end my analysis there because in December 2011, the Assad regime in Syria withdrew from the multilateral trade agreement among Turkey, Lebanon, Jordan and Syria as the Turkish government took an active stance against the Assad regime and in favor of the Syrian opposition forces.[9] This will give me four case studies with which to test my hypothesis that governmental conceptions of national identity explain both the direction and form of foreign economic policies towards neighboring states.

Direction and Form of Russian Regional Power

For Russia, there has been a significant change in the direction of foreign economic policies from Yeltsin to Putin. In the early years of transition from communism, liberal political

[9] In the concluding chapter, I will examine why Turkey's support for the rebels in the Syrian conflict has confirmed my argument.

elites in Russia who were in control of the economic and political transformation conceptualized Russia as belonging to the advanced, democratic Western world of nations. Moscow's main foreign economic policy goal was integrating Russia into the Western capitalist world, which was in line with liberalization policies at home. Although on paper, there was an official policy of holding together the post-Soviet states under the Commonwealth of Independent States, the project often did not go beyond managing issues of 'low politics' while being weak on major political and economic issues (Kubicek, 2009). In contrast, Putin prioritized Russia's foreign economic relations with the post-Soviet states.

As stated in the Concept of Foreign Policy of the Russian Federation of 2013, Eurasian economic integration is currently Russia's top foreign policy priority in the post-Soviet region.[10] Steps of this process of economic integration include the formation of the Eurasian Economic Community in 2000, the entry into force of the Customs Union and the Common Economic Space between Russia, Kazakhstan, and Belarus in 2010 and 2012 respectively, and finally the entry into force of the Eurasian Economic Union in 2015. I argue that Russia's hegemonic self-perception in the post-Soviet region is not simply a logical outcome that can be inferred based on material factors. Russia formulated its policies of re-integrating the post-Soviet space through economic means by attributing a dominant role for itself over the newly independent states of Eurasia. Contrary to Yeltsin and his liberal reformist team of the early 1990s, Putin and the members of his political team, whom I call the great power nationalists, favored a conceptualization of Russia as a central state in Eurasia with an historic mission to rule the neighboring nations. This conceptualization of Russia's identity in relation to the post-Soviet states has shaped Kremlin's foreign economic policies under Vladimir Putin's leadership. As a result of this conception of Russia as the regional hegemon, Moscow's policies of economic integration in Eurasia have taken a coercive and hierarchical form in which Russia set the parameters of economic integration and other potential member states complied. Russia chose to apply economic pressure on countries such as Ukraine, Moldova and Georgia, whose identity conceptions diverged from a pro-Russian one.

[10] See the official website of The Ministry of Foreign Affairs of the Russian Federation (2013).

Direction and Form of Turkish Regional Power

For Turkey, there has been a significant and dramatic change in the direction of foreign economic policies as well. In the 1990s Turkish ruling elites did not perceive the Middle East as a region where Turkey should seek economic leadership. Instead, Turkey endeavored to become the facilitator among the newly independent Turkic republics[11], aiming to help transform the political and economic structures in the Caucasus and Central Asia. Moreover, European integration was still the traditional and fundamental foreign policy goal, which was partly achieved by the entering into force of the EU-Turkey Customs Union treaty in 1996. With the JDP's rise to power, there has been a re-orientation of foreign economic goals that have made the Middle East and North Africa a priority for Turkey.

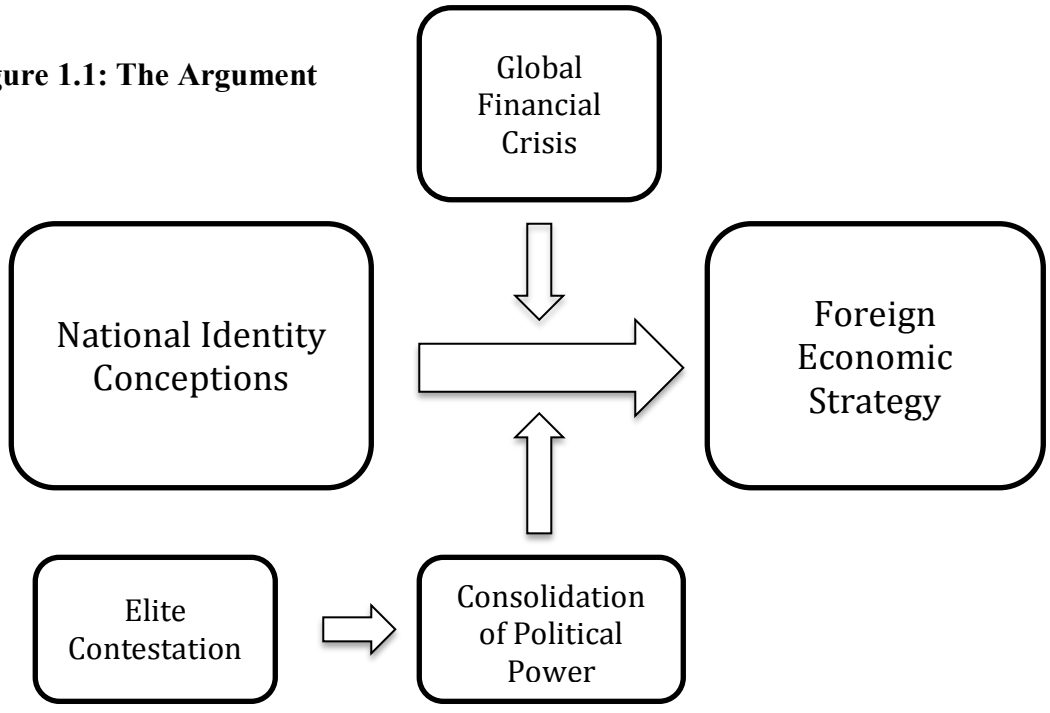
Turkish foreign economic policies towards the Middle East have undergone a fundamental transformation in the past decade despite the security problems emanating from the region. In the 1990s, Turkish ruling elites lacked a shared sense of belonging to the Middle Eastern community of states.[12] The Kemalist elites which were predominantly powerful in the Turkish Armed Forces and the Ministry of Foreign Affairs typically defined Turkey's place in the Western civilized world (Zarakol, 2011). Bound by this conception of Turkey's role vis-à-vis the Middle East and the rest of the world, in the 1990s, Turkish ruling elite perceived Syria and Iraq primarily as sources of instability. However, the 2000s have been marked by growing economic cooperation. There has been a trade boom with most countries of the Middle East, which has paved the way for debates as to whether Turkey is becoming a trading state (Kirişçi, 2009). I argue that the coming to power of the Justice and Development Party (JDP) in 2002 was a turning point for Turkey's relations with its Middle Eastern neighbors because the JDP embraced a national identity conception which defined Turkey's relations with the Middle East in a dramatically different way compared to the earlier, Kemalist conception. For the JDP, the Middle East was comprised of "brotherly nations" with which Turkey had to enhance its economic and political ties. Because Turkey's transition to a new self-conception under the JDP was in stark contrast to earlier experiences, the form of Turkey's role in the Middle East was different as well. Opting to become a regional leader in the Middle East, JDP chose not to

[11] Newly independent Turkic states are Azerbaijan, Kazakhstan, Kyrgyzstan, Turkmenistan and Uzbekistan. For an analysis of Turkey's evolving relations with the region, see Köstem (forthcoming).
[12] See Hurrell (1995) for a discussion on how a shared sense of belonging to a region influences regional order and institutions.

"dominate" the region. Instead, it has sought to facilitate cooperation among the states in its southern neighborhood in liberal and multilateral ways.

As part of its policy of opening up to the Middle East and North African markets, Turkey's cooperative behavior towards Syria resulted in the signing of the Free Trade Agreement with Syria in 2004. Bilateral trade between the two countries tripled between 2000 and 2010. The agreement was effective until December 2011 when the Assad regime unilaterally withdrew from the agreement including the multilateral free trade agreement between Turkey, Syria, Lebanon and Jordan. Similarly, Turkey has signed FTAs with Middle Eastern countries such as Jordan, Lebanon and Egypt under JDP rule. Coming from political Islamist roots, JDP's political leaders, including current President Recep Tayyip Erdoğan and Prime Minister Ahmet Davutoğlu, have long emphasized Turkey's Ottoman heritage. According to Davutoğlu, Turkey's engagement with the West during the Republican period resulted in distancing itself from the Muslim brothers of the Middle East, with whom Turkey shares the same civilization (Davutoğlu, 2001). Offering an alternative to the Kemalist tradition of detachment from the Middle East, JDP has followed a policy of making Turkey a peaceful facilitator of economic cooperation and regional order-construction in the region. Consequently, while the JDP and Islamists viewed Turkey as hierarchically superior in the Middle East, they pursued a liberal economic strategy due to domestic national identity contestation.

Figure 1.1: The Argument



Methodology

My qualitative comparative analysis is built on three steps. First, using primary documents and elite interviews, I inductively recover the prevalent and competing national identity conceptions in Russia and Turkey during the periods under study. Second, examining the regional economic cooperation agreements initiated as well as the economic tools employed to exert influence over regional countries, I measure the direction and form of foreign economic policies in each of my cases. Finally, I use process tracing to demonstrate the causal connection between national identity conceptions and foreign economic strategies.

National Identity Conceptions

I mainly rely on primary documents to recover national identity conceptions of ruling elites in Russia and Turkey. To identify the relevant component of ruling elites' national identity conceptions in each case, I assess how these ruling elites understand their nations' identities and histories in relation to their neighbors within a particular geographical region. Like Hopf (2002), I use textual analysis to uncover how ruling elites in Turkey and Russia challenge and contest the identity conceptions of other political elites in their countries (the "internal Other"). To achieve this, it is crucial to analyze primary sources that describe and shape the ruling elite's conception of their nation's regional role. This process of examining key texts helps me to recover the cultural context within which political decisions are taken and policy-makers are embedded (Abdelal 2001, p.43). As Pouliot (2010, pp. 59) argues, an inductive methodology "is the necessary starting point for any constructivist inquiry". By interpreting the self-attributed roles and purposes in primary texts through inductive analysis, I aim to "recover the meanings and workings of the world as it exists for the actual agents of international politics" (Pouliot, 2010, p. 60).

Political elites are embedded in "social cognitive structures" (Hopf, 2002), and their conceptions of national identity are shaped in a historical process (Neumann, 1999). In my dissertation, however, I take snapshots of national identity conceptions at particular moments rather than examining in detail how Turkish and Russian national identities have evolved over time. For example, I do not investigate how Turkey's conservative national identity conception has evolved since the foundation of the Republic in 1923. Instead, I try to contextualize how

conservatives in the 1990s and 2000s perceived that historical process. That gives me snapshots, or maps of national identity conceptions in Russia and Turkey for each of my four case studies.

My primary source and field research allow me to systematically analyze the national identity conceptions of various political groups and schools of thought in Russia and Turkey. I recognize that political elites can be influenced by multiple conceptions of national identity, and in both Russia and Turkey there has been contestation on what Russianness and Turkishness means. However, in both countries, ruling political elites draw heavily on certain strands of thought. In Turkey, it is easy to distinguish the traditional Kemalist/Westernizing national identity conception from the conservative one, and there is no doubt that the latter, as the former's antithesis, influences the JDP. In Russia, the great power nationalist conceptualization of Russian identity can be distinguished from the liberal/Westernizing one. While the latter was more influential on Yeltsin and his political elite, the former has been dominant under Putin, his inner circle and the United Russia party.

In order to avoid the potential problem of selection bias in evidentiary sources (see Bennett & Checkel, pp. 24-25), I investigate a wide range of primary sources that discuss Turkey's and Russia's regional and international relations. Examination of key texts and speeches of leading government figures such as Presidents, Prime Ministers and Ministers of Foreign Affairs; party programs; and governmental publications such as foreign policy and security concepts is the first step in identifying prevalent national identity conceptions. I also investigate journals that include articles written by key decision-makers and diplomats, such as journals published by the Russian and Turkish ministries of foreign affairs (International Affairs and Perceptions respectively). In addition, I examine the publications of intellectuals and academics who are known to influence the ruling elites. In this textual analysis, it is key to uncover how the key members of the ruling elite conceptualize the political and economic purposes of Russia and Turkey in relation to the world and their neighborhoods. That entails examining the political purposes and roles that governmental leaders and key intellectuals assign for their nations in international and regional politics. Political purposes can include achieving and/or maintaining political primacy in a region, achieving and/or maintaining regional autonomy, and/or (re)unification with the nation's 'brethren'. Roles can run the gamut from neo-imperial patriarch on the one hand to facilitator of intra-regional relations among 'brotherly'

nations on the other. Purposes and roles vary according to the particular cultural context. Table 1 offers a detailed overview of the sources I use.

Table 1.1: Primary Sources Examined to Recover National Identity Conceptions

Turkey	Russia

- Government Programs
- Books and articles written by key decision makers
  - Tansu Çiller, Ismail Cem, Ahmet Davutoglu
- Speeches of key decision makers
- Articles written by intellectuals and scholars
- Key Journal: *Perceptions* (Turkish Ministry of Foreign Affairs)
	- Foreign policy concepts
	- Books and articles written by key decision makers
	  - Andrei Kozyrev, Yevgeni Primakov, Vladimir Putin
	- Presidential addresses to the Federal Assembly
	- Articles written by intellectuals and scholars
	- Key Journals: *International Affairs* (Russian Ministry of Foreign Affairs)*, Russia in Global Affairs* (Council on Foreign and Defense Policy)

The second tool I use in recovering national identity conceptions in Russia and Turkey is qualitative elite interviews because "in-depth interviews … can be particularly well suited for identifying and detailing elite political actors' unique experiences, perspectives, or viewpoints" (Kapiszewski, MacLean, & Read, 2015, p. 196). I conducted dissertation fieldwork in Turkey and Russia from January to June 2014. During my field research in Ankara and Istanbul I did not seek an institutional affiliation, as I thought being a citizen of Turkey would be helpful enough to collect primary source documents and reach out to my interviewees. In Moscow, I was a research visitor at the Moscow State Institute of International Relations, MGIMO.[13] In total, I conducted

[13] On the pros and cons of having an institutional affiliation during field work, see Kapiszewski, MacLean and Read (2015, pp. 220-221). I would like to note that being a citizen of Turkey was not useful in obtaining interviews. In January 2014, Turkey was going through a political crisis due to the illegal wiretapping scandal that had broken out in December 2013. Therefore, I felt that bureaucrats and diplomats were especially hesitant to talk to a doctoral researcher from abroad. Conducting interviews in Russia proved difficult as well, due to the well-known skepticism and hesitance of the current Russian political elite in talking to foreign researchers (see Pouliot, p. 84 for a similar note on Russian diplomats). For instance, while I found two contact persons at the Eurasian Economic Commission and even talked to one of them face-to-face, I was unable to convince either of them to give me 'official' interviews due to the long (and failed) procedure of obtaining permissions from their bosses.

25 semi-structured elite interviews in Russia and Turkey, thirteen of them in the former and twelve of them in the latter. My respondents included academics, experts, diplomats, bureaucrats and business association representatives. As discussed at length by Kapiszewski, MacLean and Read (2015, pp. 190-233), field circumstances influence the ease with which a researcher can convince the people in his/her pre-planned sample of respondents. Reaching out to decision makers was difficult in both countries. The majority of my interviewees therefore included academics and experts who shared either the prevalent 'social cognitive structure'/national identity conception or the key alternative, opposing ones. In the words of Pouliot (2010, p. 84) my respondents were "proxies" for Russian and Turkish decision-makers. Also, because I wanted to understand how economic interests were formed in both countries and whether regional economic strategies were made sense from an economic point of view, my interviewees included economists. In Turkey, my sample included business association representatives as well.

Direction of Foreign Economic Policies

I measure the direction of foreign economic policies in each case by examining the actual economic policies followed and regional cooperation initiatives undertaken by the regional power within a specific geographical region. In each case, I examine free trade agreements signed and regional economic cooperation projects engaged in by Russia and Turkey in each time period. Multilateral free trade agreements and regional cooperation agreements pursued with neighboring states are strong indicators of government priorities in terms of regional orientation, and are often regarded as a crucial step in forging regional integration (Mansfield & Milner, 1997). Interests and preferences of neighboring states are also at stake in multilateral agreements. Economic cooperation agreements championed by the regional power may not always get support from neighboring states due to various reasons.[14] Therefore, I specifically focus on the activism, or aspirations and effort of the regional power in the process of regional economic integration regardless of their success.

I assess that a regional power's foreign economic policies are primarily oriented towards a particular neighboring state and/or region if the number of economic agreements the regional

[14] One example that I will examine in this dissertation is Syria's unilateral withdrawal from the Turkey-Syria-Lebanon-Jordan multilateral free trade zone in late 2011 as Turkey positioned itself against the Assad government.

power pursues between the state(s)/region are higher than those pursued with other neighboring state(s)/region(s). Foreign economic orientation becomes more intense as the regional power and its neighbors are tied to each other with an increasing number of inter-governmental agreements that regulate trade, investment and business relations on a bilateral or multilateral basis. The evolving share of trade and investment of a certain set of countries is particularly important in assessing the actual economic primacy of that region for a regional power. In both Russia and Turkey, I analyze how the patterns of foreign trade (volumes and shares) change over time with regard to various regions and neighbors.

Form of Regional Economic Leadership

Form of regional economic leadership is measured according to the tools employed by regional powers to assert leadership towards their neighbors (Destradi 2010, p. 928). Coercive measures such as applying economic sanctions or using economic power to enforce regional integration and prevent the followers' potential economic re-orientation away from the regional power are typical signs of coercive leadership. Coercion refers to the use of economic force in making a neighboring state comply with the grand economic projects of the regional power (Lake, 2009). Conversely, liberal economic leadership involves policies in which the regional power relies on open markets and private actors to extend its regional influence. Liberal leaders aim to foster economic cooperation in a positive-sum manner, in which the participants mutually gain without the threat of domination by the regional power. In line with WTO rules, the enlarged regional common market or free trade area is also open to cooperation with extra-regional states and organizations. Hence, the regional integration that is likely to emerge from a liberal leader's initiative is also integrated, or aims to achieve integration into international markets. Second, while inter-governmental cooperation is crucial, liberal leaders act through private actors and platforms such as business councils and business forums. They choose to act as facilitators rather than enforcers of regional cooperation, and aim to create a web of interconnectedness among the economic actors of the region.

Process Tracing

I conduct in-depth case analyses for each time period in Russia and Turkey. Through process tracing, I investigate how prevalent national identity conceptions have shaped the specific regional economic leadership strategies that the Russian and Turkish governments have pursued. I do that with reference to both the direction and the form of foreign economic policies.

First, I examine the direction of Turkey's foreign economic policies from 1991 to 2002 (Chapter 3). I first lay out the prevalent Westernist national identity conception in Turkey, which traditionally located Turkey in Europe and as part of the Western civilization. I also explore the alternative national identity conceptions that became more salient in the aftermath of the end of the Cold War. I demonstrate that Turkey's entry into the European Union's Customs Union, a goal realized in 1996, was its main foreign economic goal. I also investigate Turkey's economic relations with its neighbors in the same period to assess their overall importance for Turkey's foreign economic goals. I show that concrete steps towards regional cooperation with post-Soviet states were taken as Turkish decision-makers embraced a Eurasian or Turkic identity. The strongly Europe-oriented national identity conception of Turkish ruling elites during this period led them to neglect pursuit of regional economic leadership in the Middle East during this period. Because direction comes prior to form, I will not focus on the form that Turkey's economic strategy towards its southern neighbors took from 1991 to 2002.

Second, I examine the direction and form of Turkey's foreign economic policies from 2002 until today (Chapter 4). I explore in detail how Turkey's conservative JDP conceptualizes Turkey's roles and purposes in world politics and vis-à-vis its neighbors. I argue that the JDP's conservatives conceptualized Turkey as an order-providing country in the Middle East, the political borders of which had been unfairly and unnaturally drawn in the aftermath of World War I. This conservative national identity conception led to a dramatic change in Turkey's direction of foreign economic policies, making the Middle East a geographic priority. I also argue, with the rise of its new conservative political elite, Turkey embraced a 'facilitating' role for itself in the Middle East and pursued a liberal multilateral form of regional leadership. In particular, I examine Turkey's economic opening to the Middle East through FTAs and the multilateral free trade zone that has been established among Turkey, Syria, Jordan and Lebanon.

Third, I turn to Russia and examine the direction and form of Russia's foreign economic policies in the 1990s (Chapter 5). This includes Russia's efforts to integrate into the global economy, radical domestic economic reforms to achieve that end, the establishment of the CIS in 1991 and the policies of re-integration among post-Soviet states in the 1990s such as the formation of the Customs Union between Russia, Kazakhstan and Belarus in 1996. I show that in the early years of Yeltsin's presidency, the Russian ruling elites' Westernist national identity conception meant that Russia was at best reluctant for economic (re)integration in the post-Soviet space. Instead, Russia's liberal reformers turned to Europe and Western international financial institutions for transforming the Russian economy. However, with the strengthening of Russia's statists and great power nationalists under Yeltsin's second term in presidency (1996-2000), Russia prioritized post-Soviet regional integration. Despite this re-prioritization of foreign economic goals by the mid 1990s, great power nationalists could not consolidate their power and therefore could not develop a comprehensive strategy of economic integration in Eurasia. Despite the increasing importance of the post-Soviet region, integration into the Western economic structures continued to be the priority. Because direction comes prior to form, I do not examine the form of Russia's foreign economic strategy towards the post-Soviet region in the 1990s.

Finally, I examine the direction and form of Russia's foreign economic policies from Vladimir Putin's election as president in 2000 until 2015, when the Eurasian Economic Union entered into force (Chapter 6). Eurasian economic integration policies under Putin and Medvedev included the establishment of the Eurasian Economic Community in 2000, the Customs Union in 2010, the Single Economic Space between Russia, Kazakhstan and Belarus in 2012 and finally the Eurasian Economic Union in 2015. I show that with Putin's rise to power and the re-emergence of a political elite with a great power nationalist national identity conception, Russia pursued a more coercive and hegemonic role in the Eurasian economic integration process. Russia's great power nationalists conceptualized Russia as the historical ruler of the Eurasian region and attributed a dominant role for Russia over its neighbors.

In both cases, the consolidation of the political power of ruling elites constituted critical junctures for foreign economic strategies.[15] Both Russia's great power nationalists and Turkey's conservatives intensified their efforts for regional primacy after they consolidated power in the

[15] On the importance of studying critical junctures for process tracing, see Bennett & Checkel (2015, pp. 26-27).

domestic realm. Also, the consolidation of domestic political power helped to eradicate alternative foreign economic orientations because alternative national identity conceptions were also eliminated. The consolidation of power in Russia corresponds to the year 2004, when President Vladimir Putin was elected to office for the second time in a row, gathering 71.8 % of the votes. In Turkey, the consolidation of power took place in approximately 2007, as JDP won 47 % of the votes in the general elections. Also, the year 2007 witnessed the rise to presidency of Abdullah Gül, a senior JDP politician and former Prime Minister and Minister of Foreign Affairs. Another common critical juncture, which was important for regional powers other than Russia and Turkey as well, was the global financial crisis of 2008-09. Ideationally guided Russian and Turkish governments perceived the crisis as an opportunity to reform the Western-led international economic order and at the same time consolidate regional economic ascendancy.[16]

Process tracing helps me to ameliorate the potential problem of tautology of revealed preferences. As Bennett & Checkel (2015, p. 32) argued, "the only option" to overcome this potential weakness "is to infer preferences from an actor's earlier rhetoric and actions and use these to explain subsequent behavior…". Through process tracing, I show that the relevant national identity conceptions preceded Turkish and Russian regional integration projects.[17] However, as the prevalent and opposing/alternative national identity conceptions have been influencing Turkish and Russian foreign policy makers for a long time, I offer a second solution to the potential problem of revealed preferences. For each case, relying on primary documents and elite interviews, I show that integration with the Middle East or Eurasia was not the only – or the economically most optimal – paths for Turkey and Russia, respectively. Instead, pure economic/material interests could have directed Turkey and Russia to prioritize cooperation elsewhere. That also eliminates the potential for alternative variables to have influenced similar foreign economic outcomes; the problem of equifinality a la George and Bennett (2005). Equifinality or the problem of "multiple causality" occurs when the outcome or the dependent variable emerges "in different cases via a different set of independent variables" (Ibid, p. 157). As Pouliot (2015, p. 259) rightly stated, "the causal chains traced in a study are never the sole

[16] For an analysis on Russia's response to the global financial crisis, see Johnson and Köstem (2016).
[17] As I explained previously, however, this dissertation does not investigate how my independent variable – national identity conceptions – has come into being as a result of a historical process of identity formation. For an unpublished study on the historical evolution of Turkey's national identity conceptions since the late Ottoman period, see Köstem (2015).

possible ones and attention should be paid to other scenarios". In particular, I was interested in understanding whether the variation in domestic economic structures of Russia and Turkey, as well as the variation in material capabilities over time has influenced the direction and the form of foreign economic strategy. Because process-tracing entails an approach to studying social phenomena based on causal (Bennett & Checkel, 2015) or constitutive (Pouliot, 2010) mechanisms, it allows me to find whether alternative independent variables – that are variables other than national identity conceptions – shape foreign economic strategies within the time period that I investigate.

Outline of Chapters

In Chapter 2, I present a review of the literatures on regional powers and the economic leadership strategies of regional powers. Chapters 3-6 include my empirical analysis. Chapter 3 offers an analysis of Turkish foreign economic strategy and regional integration projects from 1991 until 2002. Chapter 4 addresses the Justice and Development Party era, and examines Turkey's new target for economic integration; the Middle East. Chapter 5 investigates Russian foreign economic strategy in the 1990s under the presidency of Boris Yeltsin. Chapter 6 turns to Putin years, and scrutinizes why Eurasian integration became Russia's foreign economic priority, and why Russia has chosen to follow a coercive form of leadership. In the concluding chapter, I lay out a comparative analysis of my findings, and discuss the contributions of my dissertation to the national identity, regional powers, and IPE literatures.

CHAPTER 2

International Relations Theory and Varieties of Regional Power

International relations theorists focusing on international political economy have intensively explored the sources and paths of regionalism and regionalization ever since Europe took its initial steps toward integration several decades ago. This literature has mainly investigated the role of international institutions as promoters of economic cooperation and the self-reinforcing nature of economic integration in Europe. IPE scholars have further investigated regional integration in Latin America, Southeast Asia and East Asia (see for instance, Acharya, 2007; Ravenhill, 2010; Riggirozzi, 2012). Scholars such as Solingen (1998), Acharya and Johnston (2007), and Katzenstein (2005) have shown that various systemic and domestic factors shape political and economic cooperation in parts of the world other than Europe. In addition, scholars from realist, liberal and constructivist backgrounds have debated which factors cause regional economic and security cooperation or the lack thereof (Mansfield & Milner, 1997; Solingen, 2008). However, the literature has so far ignored regional integration in the Middle East and Eurasia. Also, while the literature has extensively explored the role that regional powers play in providing security in their regions, little has been done to examine the role played by those materially preponderant states in asserting economic leadership and fostering economic cooperation in their distinctive regions. This chapter starts by examining how the International Relations field has dealt with regional powers, focusing particularly on how it has explained variation in policies of regional leadership. I then discuss the literature that focuses specifically on Russian and Turkey's foreign and economic policies in their neighborhoods.

Constructivist Accounts of Regional Power

Constructivists view regions as socially constructed political units (Acharya, 2011, 2012). Constructivist comparative political economy and IPE literatures focus on the role that ideas, ideologies, national identity and cognitive processes play in the formation of economic interests and economic policy-making (Abdelal, 2001; Blyth, 2002; Herrera, 2005, 2010). In Hurrell's (1995, p. 352) words, regional awareness and "sense of belonging to a particular regional community" shape regional security, economy and order. But regional powers can pursue

regional leadership strategies even in the absence of such a shared cross-national understanding of belonging on the part of their neighbors. A government in country A can devise a regional policy aimed at ultimate regional integration, even if the government in neighboring country B does not endorse such an outcome. More importantly, regions are social constructs as much as they are geographically delimited units comprised of different territorial entities (Hurrell, 2007, p. 242). That makes it crucial to investigate how various political actors, particularly within regional powers, conceptualize a region, a region's boundaries, and the prospects for regional cooperation (Hopf, 2002).

In his study of the foreign economic orientations of post-Soviet states, Abdelal (2001, p. 31) argues, "a key element of national identities, and nationalisms in general, is their directionality". Depending on how societies and political elites define the content of their nation's identity, foreign economic policies may be designed to foster cooperation with certain states and lead to conflict or disengagement with others. His comparative study of the different post-Soviet economic paths chosen by Lithuania, Belarus, and Ukraine is a clear manifestation of the role that national identities can play in the formation of economic interests. Accordingly, while Latvia re-oriented its trade and monetary policy to dissociate itself from Russia, the constitutive 'Other' to Lithuanian identity, Belarus chose to re-integrate its economy with Russia, and Ukraine remained ambivalent amid high contestation among the political elites and the society to conceptualize the political and economic importance of Russia for Ukrainian identity. In Abdelal's "nationalist IPE" theory, nationalist political parties and networks are the primary actors that shape foreign economic interests. Nationalists debate the content of national identity, and shape the goals of a nation. In other words, Abdelal's independent variable is the national identity conceptions of nationalists in a country. While Latvia was ruled by nationalists in the early 1990s it was able to move away from the Commonwealth of Independent States (CIS). However, in Belarus nationalists could never rise to power and the country chose integration with Russia.

I agree with Abdelal that national identities affect the relative perceived importance of other states and regions in economic policy making. But I diverge from Abdelal's "nationalist IPE" to a significant extent, because it is not only nationalists who challenge, debate and reframe the content of national identity. In contrast, all political elites – left wing, liberal, conservative, statist, etc. – can and do debate where a nation belongs geographically, and which countries (or

set of neighbors) should be targets of close economic cooperation or sources of threats. I therefore broaden the focus to all national identity conceptions held by political elites. While Abdelal's theory can be applicable to post-colonial cases as he himself asserts, we need a broader focus to explain the formation of economic interests in regional powers.

In his study of institutional choice among the post-Soviet states, Darden (2009) puts forward an "individualistic constructivist" argument. Darden explores the ideational reasons behind the fact that post-Soviet states chose different international economic paths despite the existence of historical institutional legacies and commonalities. Like Abdelal and many other constructivist IPE scholars, Darden argues that economic ideas were behind economic interest formation among the post-Soviet states. However, Darden argues that theories giving central importance to national identity lack causal mechanisms that connect the independent variable to the outcome - foreign economic policies (p. 233). In Darden's framework ideas are contingently chosen and not constituted by national identities. According to Darden, depending on how decision-makers assessed the efficacy of certain ideas – Soviet integralism, economic liberalism, and mercantilism/autarky – post-Soviet states searched for Eurasian integration, WTO membership, or economic self-sufficiency. In this "individualistic constructivist" argument, "regardless of whether they are simple or complex … beliefs about how a given outcome might serve our goals, and the ranked ordering of possible outcomes based on those beliefs, rest on ideas about causation. Like our goals, causal beliefs are inherently subjective because any causal connection that we make is necessarily an idea" [18] (p. 31).

Darden's argument cannot, however, explain the fluctuations in foreign economic orientation that several post-Soviet states have gone through. One typical example is Ukraine, which has shifted foreign policy and economic priorities depending on who the President is. While, Ukraine was a supporter of the formation of Eurasian Customs Union under President Leonid Kuchma, after the Orange Revolution President Yushchenko sought to reorient the country towards Europe and the West. What changed from Kuchma to Yushchenko was the ruling elites' prevalent national identity conception. Ukraine's foreign economic orientation is

[18] This view is similar to the causal effect of ideas as argued in Goldstein and Keohane (1993)

still an issue that is highly debated in domestic politics due mainly to the contested nature of Ukrainian national identity.[19]

Moving beyond Abdelal and Darden, I further argue that the content of national identities, which are historically shaped and continuously re-defined by political agents, also shape the *forms* that economic cooperation can take, from more hierarchical and exclusive policies to more liberal and inclusive ones. Burges (2008, 2009), for example, has introduced the concept of consensual hegemony to explain Brazil's policies of regional leadership in South America. Consensual hegemony refers to an inclusive style of leadership that relies less on coercive elements and active sanctions and more on the "implicit costs" that will result from non-cooperation with the hegemon's project. More importantly for the purpose of this dissertation, Burges argues that democratization and economic development are the two core ideational elements behind Brazil's policies of regional leadership in South America. According to Burges, the Brazilian elite's commitment to democracy and economic development led to a softer approach of regional leadership that includes the creation of "joint solutions to common problems and challenges" (p. 41). With the end of the Cold War, the "worldview" of Brazilian foreign policy-making circles changed and this process was triggered by Cardoso's "revised and updated version of dependency theory" (p. 74). Thus, Brazil's regional power in South America manifests itself through cooperative mechanisms. Similarly, Spektor (2010, p. 203) argues that Brazilian leaders started to see South America as different from Latin America with the end of the Cold War. Despite the traditional disinterest toward cooperation in Latin America among Brazilian foreign policy making circles and governments, the past two decades have witnessed Brazilian attempts to foster deeper cooperation in the region. This conceptual change has shaped Brazil's power considerations in its neighborhood.

Eclectic Approaches to Regional Power

Recently, eclectic approaches have come to the forefront in the study of regional powers, with proponents arguing that regional power behavior is too complex to fit within the borders of a single paradigm (Nel & Stephen, 2010; Nolte, 2010). These scholars have paid attention to regional powers' strategies of leadership. Nel and Stephen (2010) deal with a similar research

[19] For detailed discussion on Ukraine's foreign economic orientation in the Post-Soviet period, see Abdelal (2001) and Tsygankov (2000).

question to my own; why do regional powers India, Brazil, and South Africa have divergent regional economic policies, while also collectively pursing the goal of revising the global economic order? Nel and Stephen propose that a combination of systemic, domestic and ideational factors influence these choices.[20] Accordingly, India's foreign economic policies can be labeled as forms of "hard-balancing", while Brazil follows "cooperative soft-balancing" and South Africa "gambles on investment". However, Nel and Stephen offer no systematic comparison of which individual factor or set of factors affects which foreign policy (and foreign economic) outcomes in each the regional powers. For example, their argument that India is a hard balancer due to "a mix of ideational and institutional factors on the global level of analysis, combined with a set of domestic and material factors" (Nel & Stephen, 2010, p. 77) does not offer much guidance in analytically assessing the relative impact of different independent variables.

Prys (2010, p. 481) makes an invaluable contribution to the literature in arguing that regional powers cannot be treated as uniform units and there is considerable variation in their behaviors. She proposes a "three-pronged typology of regional powerhood" that would help us explain regional power behavior across time and space (Prys, 2010, p. 485). Prys (2010, 2012) classifies regional powers as regional detached powers, regional hegemons and regional dominators according to where they stand on the spectrum of powerhood. Regional detached powers are those states, which either because of lack of material capabilities or lack of identification with the region, focus on the global level; or hence ignore regional politics. As I will discuss in greater detail, Turkey during the Cold War and in the 1990s seems to best fit into this category. Lying at the other extreme, regional dominators are those states that "command and extract involuntary tributes from the secondary states under a constant threat of force" (Prys 2010, p. 489). In line with the main premises of mainstream IR approaches (Lake, 1993, 2009), Prys (2010, p. 489) classifies those states that provide public goods to regional states and "carries most of the burdens in the region" as regional hegemons. Prys's classification is a good start, but the spectrum is too restrictive. For example, the Russian-Georgia war of 2008 illustrates that regional powers can act as dominators towards certain neighbors, while simultaneously acting as hegemons by providing public goods such as security and development aid to others such as

[20] In a recent article, Stephen (2012) argued that IBSA states pursue diverging strategies in the fields of trade, money and security.

Kyrgyzstan. Similarly, although Turkey is not yet a regional hegemon in the Middle East for material and ideational reasons, in the 1990s it possessed mixed characteristics of detachment – in economic issues – and domination – in security issues – especially vis-à-vis Syria and Iraq.

Destradi (2010) offers an alternative classification to better capture the full range of regional power strategies. Similar to Prys, Destradi argues that we need to study regional power strategies on a continuum. While at one extreme lies empire; a unilateral and coercive strategy, at the other extreme lies leadership; a cooperative strategy aimed at reaching common goals. Hegemony stands in the middle of the spectrum and can take hard, soft or intermediate forms. Destradi argues that two elements of the relationship between the regional power and its neighbors are crucial for distinguishing regional power strategies; the goals pursued and the means employed by the regional power. While empire and hegemony are built on self-interested nature of a regional power's goals, leadership is a strategy used in order to realize the common goals of regional states (Destradi 2010, p. 921). In this framework, while imperial forms of regional power are always illegitimate in the eyes of regional followers, leadership enjoys full legitimacy because it is designed to provide the common good. I agree with Destradi that forms of regional power should be studied as a continuum. Yet, similar to Prys's classification, Destradi's typology of regional power strategies is too restrictive. Regional powers may be self-interested – which is indeed very hard to infer based solely on empirical facts – yet employ facilitating policies, which provides common security or welfare for regional followers. While it is true that leaders need followers to accomplish their regional or global goals (Nabers, 2010; Schirm, 2010), it is rather naïve to believe that a regional, or global power with leadership aspirations works for the common interest only and is not self-interested. As Nabers (2010, p. 949) summarizes, "the leader is the initiator, creator, and director in a struggle over meanings". Therefore, I disagree with delineating leadership as a strategy that targets the common good as opposed to the self-interested nature of empire and hegemony.[21] Moreover, Destradi's categories fail to present an account on the sources of the variation in regional power strategies.

[21] Inquiring into effective leadership, Nabers (2010) argues that hegemony and leadership are inseparable from one another. On features of leadership, see Nabers (2010, pp. 935-937). Frazier and Stewart-Ingersoll (2010, p. 741) argue that regional powers can become leaders in two capacities; through mutual recognition as legitimate leaders in the eyes of neighboring states, or willingness to use the overwhelming material capability to influence regional states.

Hegemony, Realism, and Neoclassical Realism

One alternative explanation to the argument that I develop is a traditional realist one – regional leadership strategies vary depending on material capabilities and systemic distribution of power (Lemke, 2002, 2010).[22] Accordingly, whereas Russia has the material capabilities to act as a regional hegemon in the post-Soviet space, Turkey lacks economic wealth and military power to bring together its neighbors under a more hegemonic economic cooperation design. From this perspective, Turkey is not yet a regional hegemon, whose authority – derived from its power over outcomes – is legitimate and recognized by other regional states. Similarly, realists would argue that compared to Russia, Turkey is more constrained by systemic and regional factors such as its alliance with the United States, the Iraq War that started in 2003 as well as the balancing role played by Iran as Turkey's strongest rival in the Middle East. Contrary to Turkey, Russia must have enjoyed significant hegemony in its 'Near Abroad', a presumption that has failed to be proven.

Neoclassical realism is worth a closer look at this point, as it extends attention from a purely systemic realist account of world politics to one which takes into account domestic variables such as state capacity and domestic political cohesion. Taliaferro (2012, p. 78) argues that it is the leaders that define the "national interest" based upon their subjective assessments and perceptions of the international distribution of power and the intentions of other states. However, national leaders' threat assessments and national interest conceptions are always subject to domestic variables such as the degree of decision-making autonomy from domestic interest groups (Taliaferro, 2010, p. 100).

Although neoclassical realism is doing a good job in bringing in domestic variables to explanations of power aspirations of pivotal states and regional policies of great powers, it cannot explain how the subjective assessments and interest conceptions of national leaders are formed. If, as realists argue, systemic factors related to distribution of power lie at the heart of national leaders' perceptions of interest, then one would expect to see consistent policies of national interest formation by Russian and Turkish leaders in the 1990s and 2000s. However, reality seems to tell the contrary. While Russia during the first half of the 1990s under president

[22] Lemke's (2010) main argument is that the material preponderance of a regional power makes conflict less likely in a region, and increases the number of regional international organizations. What indirectly follows the latter finding is that chance of regional cooperation increases if there is a regionally preponderant state. The Russian case, as I will examine in detail, demonstrates that sheer material capability and preponderance are not sufficient to convince regional states to comply with the regional power's aspirations.

Yeltsin and his liberal coalition looked towards the West and adopted relatively open and liberal foreign economic policies, Putin and his allies brought back post-Soviet economic integration as Russia's top foreign policy priority and pursued this aim in a more hegemonic, coercive and exclusionary manner. More importantly, Yeltsin's foreign economic strategy oscillated throughout the 1990s depending on the domestic power positions of different elite factions. Similarly, from the early Republican period until 2002, when Erdoğan's JDP came to power, Turkey was politically and economically distant from the Middle East, albeit geographically proximate. In the 1990s, the Middle East was regarded as a source of threats for Turkey, which directed various Turkish governments of that decade to pursue a coercive strategy towards the region in which the Turkish military was the primary actor. In 2002, Turkey's relations with its southern neighbors were dramatically re-defined due mainly to the JDP's Islamist roots. Although it is true that compared to Russia, Turkey lacks the material resources to act as a regional hegemon, realism still cannot explain the dramatic re-orientation of Turkey's relations with the Middle East and especially its neighbors in the South. This study shows that the fluctuations in the way Russian and Turkish governments perceived their prospects and methods of leadership in their neighborhoods cannot be explained by systemic factors. Realists cannot explain this apparent change in the definition of national interest in both Russia and Turkey from the 1990s to 2000s.

One recent contribution to realism on regional powers and hegemony is Pedersen's (2002) conceptualization of cooperative hegemony. In Pedersen's 'ideational-institutional realist' framework, some regional powers act differently than what is expected of a hegemon, due to differences in ideational-institutional contexts. Cooperative hegemony is a long-term grand strategy, and can only be successful if pursued by states with power aggregation capacity, power-sharing capacity, and commitment capacity. According to Pedersen (2010, p. 693), certain regional powers choose to pursue more cooperative policies of regional hegemony because they suffer from relative weaknesses such as geostrategic location, or they are in military decline, or they possess "great strength in terms of 'soft power'". He gives Argentina and Brazil as two states with regional hegemonic aspirations, which both chose cooperative policies of leadership because they had to come to terms with their military weaknesses. What Pedersen's cooperative hegemony cannot explain is the fact that Turkey had stronger military capabilities in the 2000s compared to the 1990s. However, it chose to follow a cooperative way of dealing with its

neighbors as the JDP came to power in the early 2000s. Similarly, according to Pedersen's new conception of hegemony, one would expect Russia – as a militarily retreating state – to behave more benevolently in its neighborhood in order to re-establish its hegemony in the post-Soviet space. Yet, Kremlin's commitment to using energy sources and transit routes as a coercive instrument, the Russia-Georgia War of 2008, the annexation of Crimea in 2014, and the ongoing – albeit officially unrecognized – support for the civil war in Eastern Ukraine are counter evidence for Pedersen's cooperative hegemony. This dissertation shows that leadership strategies of Russia and Turkey have not been shaped by the military balance in their respective regions. Therefore, what still begs the question is what accounts for the variation in the form that policies of regional leadership can take.

Principal-Agent Theory

Approaching foreign economic policies of regional powers from the lenses of principal-agent theory, Hancock (2009) offers another explanation for why some regional powers tend to follow hierarchical forms of economic integration with their neighbors. In her comparative analysis of Prussian, South African and Russian cases of regional economic leadership, Hancock argues that it is logical for regional powers to follow plutocracy in their regions. Plutocracy refers to economic integration led by regional great powers by extending their customs tariffs to other members of the region. In this framework, regional powers have three choices of integration policies; plutocratic, supranational, and intergovernmental. In plutocracies, "joiners" delegate authority to the wealthiest state in the region – the "designer". As a result regional powers control policy-making for the entire integration region and consolidate their hegemony. On the other hand, joiners which are going through hard times and which do not have economic cooperation alternatives that would make them better off, benefit from various economic incentives that the regional power offers. According to this argument, Russian efforts to integrate post-Soviet countries through the formation of the Eurasian Economic Community, Customs Union and Single Economic Space are optimal and rational. Yet, similar to Realist explanations, Hancock's "theory of plutocratic delegation" cannot explain why some regional powers with similar material preponderance in their regions – such as Brazil – do not engage in hegemonic forms of regional economic integration.

Hancock (2009, p. 12) also argues that "ideas held by the leader's winning coalition can affect which governance structure is used". She further notes that a regional power does not engage in a plutocratic form of regional economic integration if domestically the ruling elite is constrained by international norms that oppose plutocracy or hierarchical forms of inter-state relations. If that is really the case, then there should have been a more systematic analysis of the role of ideas and norms held by Prussian, South African and Russian political elites over their policies of regional leadership. In addition, although Hancock (2010, p. 132) agrees that "the Russian selectorate became more nationalistic and began demanding that its leaders return Russia to its great power status, including a more overt demonstration of Russia's right and ability to control the Eurasian region", her theory of delegation rules out national identity as an explanatory factor for foreign economic policies of regional powers. What still needs to be explained is, why Yeltsin and his allies in the initial years after the Soviet collapse did not want to engage in greater economic cooperation with CIS members with Russia as the natural and logical regional hegemon. As the example of Brazil clearly indicates, a regional power with preponderance of material power does not necessarily have to follow hierarchical/plutocratic forms of economic integration with its neighbors (Burges, 2009). Therefore, similar to realist approaches, Hancock's theory of plutocracy cannot explain the sources of the formation of economic interests in regional powers. And similar to Realist explanations, Hancock takes it for granted that re-integrating the post-Soviet space is of great economic significance to Russia. However, trade with the entire CIS region countries constitutes a small portion of Russia's overall foreign trade, and it seems that this will continue to be the case in the foreseeable future.[23] As I discuss in greater in detail in Chapter 5 and 6, Russian political elites have continuously debated the pros and cons of Eurasian economic integration for the Russian economy. Therefore, a plutocratic form of leadership in the post-Soviet region was by no means a foregone conclusion for the Kremlin. On the contrary, it was a highly contested goal.

To sum up, IR and IPE theories have offered useful perspectives to study regional powers. However, there is still a gap in the literature on the domestic sources of foreign economic policies and initiatives of regional economic integration undertaken by regional powers. Although a new strand of regional powers research has emerged that pays particular

[23] According to data provided by the Central Bank of Russia (2013), Russia's trade with all CIS countries combined in 2012 accounted for only 15.1% of its total trade. I explore this in greater detail in Chapter 5.

attention to different forms of hierarchy, this research remains limited and focuses mostly on Brazil, India, and South Africa.

Regional Policies of Russia and Turkey

We now turn to the area-specific literature on Russian and Turkish regional leadership strategies and aspirations. Although enlightening in many ways, a review of this literature demonstrates its lack of attention to both the direction and the form that Russian and Turkish foreign economic policies take vis-à-vis their neighbors.

Turkey

Recently, there has been a proliferation of publications on Turkey's assertive foreign policy and foreign economic policy with a specific attention to the Middle East (Altunisik & Martin, 2011; Aras & Görener, 2010; Bilgin & Bilgiç, 2011; Oğuzlu, 2008; Önis & Yilmaz, 2009; Önis, 2011). Many scholars have argued that Turkey's new foreign policy towards the Middle East was a manifestation of an 'axis' or 'paradigm shift' from Western security and economic structures to the Muslim World and in particular, the Middle East (Larrabee, 2007; Öniş, 2011; Sözen, 2010).

The first group of these studies focuses on the changing geopolitical conditions in the Middle East after the Iraq War started in 2003. Oğuzlu (2008) argues that Turkey's assertiveness was a necessity due to security threats emanating from the region. According to Oğuzlu, in order to preempt undesired domestic outcomes, Turkey extended its political reach in its southern neighborhood after 2003. Yet, the 1990s was no less threatening for Turkey's domestic security. Kurdistan Workers' Party (PKK) used Northern Iraq as a safe haven after the Gulf War, and operated its armed attacks inside Turkey from the Qandil Mountains. The leader of PKK, Abdullah Öcalan, lived in Syria until 1998 and controlled PKK's operations in Turkey from Damascus. But these threats were countered with military measures and coercive diplomacy (Aras, 2011). One explanation for the rapprochement between the countries is that Syria ceased to be a threat for Turkey after the former had to oust Öcalan as a result of Turkey's coercive policies. Yet, it is still yet to be explained why there was a dramatic change in relations after 2002 when the JDP came to power.

A second group of studies have assessed the 'civilizational turn' in Turkish foreign policy with the prevalence of Foreign Minister Ahmet Davuoğlu's concept of "strategic depth" (Murinson, 2006; Sözen, 2010)**.** As I explore in detail in Chapter 4, Davutoğlu's book titled *Stratejik Derinlik* (strategic depth), published in 2001 when he was a professor of International Relations, outlined a new foreign policy vision for Turkey in its near abroad (the Balkans, the Middle East, North Africa, and the Caucasus). The main argument of the book was that Turkey had ignored its near abroad since the establishment of the republic and that due to Turkey's unique history and geography, it had to play a central role in its relations with its neighbors.[24] Davutoğlu made another conceptual contribution to Turkey's foreign policy doctrine with "zero-problems with neighbors". Criticizing traditional Turkish foreign policy position vis-à-vis Turkey's neighbors that tended to perceive them as sources of threats for national security and domestic stability, Davutoğlu proposed a new framework, which would be based on interdependence and intense inter-governmental dialogue. In an article of his, Davutoğlu (2008) gave Syria and Georgia as evidence for the success in Turkey's new foreign policy vision.

"Strategic depth" and "zero-problems with neighbors" constituted a starting point for a group of scholars who has assessed identity-related factors in Turkish foreign policy. According to this group of scholars, which tend to follow the constructivist line, Middle East and North Africa have gained importance in Turkish foreign policy because of the imagination of Turkey's role as the carrier of the Ottoman heritage in these regions. For example, Bilgin and Bilgiç (2011) argue that what lies behind Turkey's activism in its neighborhood is the changing "geographic imagination" of the ruling Justice and Development Party (JDP) from locating Turkey within the Western civilization to a unique one. Similarly, Aras and Görener (2010) argue that the change in national role conceptions of Turkish decision-makers explain the variation in foreign policy orientation in the second half of the 2000s. Accordingly, the JDP's self-identification as a regional leader, regional protector, and example-setter in the Middle East is the explanatory factor behind Turkey's active engagement in Middle Eastern politics. I agree with Aras and Görener's argument that the national role conceptions of the ruling political elite are decisive in regional policies of regional powers. However, these studies have tended to ignore Turkey's growing economic relations with the Middle East and only examined changing

[24] Ahmet Davutoğlu was Recep Tayyip Erdoğan's chief foreign policy advisor from 2002 until 2009, when he was appointed from outside the parliament as the Minister of Foreign Affairs.

security relations. Moreover, these studies need to be linked with the theoretical debate on regional powers and comparisons should be made with other regional powers.

Finally, a third group of scholars has debated the role of domestic and global economic transformations and how they interacted with domestic political change (Kirişçi, 2009; Kirişçi & Kaptanoğlu 2011). Attempts to explain the increasing importance of the Middle East and North Africa in Turkey's foreign trade have focused on several interrelated factors: the transformative effect of the liberalization policies which started in 1980 (Pamuk, 2008), the rise of non-traditional business in groups in Anatolian cities – the so-called "Anatolian Tigers" (Hosgör, 2011) and the need to diversify Turkey's export markets in order to curb its current account deficit while at the same time reduce the weight of the European Union in Turkey's foreign trade.

In an article published in 2009, Kemal Kirişçi of the Brookings Institution (then Boğaziçi University) would open the floor for a discussion on Turkey's growing international economic activism. Criticizing the recent literature's lack of attention to economic factors in the making of Turkish foreign policy goals and practices, Kirişçi (2009) would argue that Turkey was becoming a "trading state" in its region. Using Richard Rosecrance's (1986) "trading state" concept, Kirişçi and later on Kirişçi and Kaptanoğlu (2011) argued that there were several factors behind this puzzling transformation of Turkey from a "coercive regional power" in the 1990s to a "soft power" in its neighborhood, especially the Middle East. The first set of factors, in these authors' view, was related to Turkey's economic transformation as well as relations with the global economy (Kirisci & Kaptanoğlu, 2011, pp. 710-711). Accordingly, the prevalence of economic interests in Turkish foreign policy was a natural outcome of Turkey's domestic liberalization and integration with global markets, a process that dates back to the year 1980 and President Özal's policies of liberalization. Second, accession to the EU Customs Union in 1996 had given Turkish firms the opportunity to enhance their competitiveness in the European market, which would have positive effects in their activities in non-European markets as well. Third, the war between Iran and Iraq, which continued from 1980 to 1988, enabled Turkey to become the supplier of goods to both countries and helped transform Anatolian cities to industrial centers with export capacities to Turkey's neighbors. This process would later on lead to the emergence of the so-called "Anatolian tigers". The term referred to those Turkish firms, which had their production centers in Anatolian cities of Turkey such as Bursa, Denizli,

Gaziantep and Konya as opposed to the traditional Turkish big business, which are centered mainly in the greater Istanbul area, and to a lesser extent in Ankara and Izmir (Hosgör, 2011; Özcan & Çokgezen, 2003). Market deregulation and the growth of small and medium sized enterprises (SMEs) in cities other than Istanbul and Ankara had led to capital accumulation and prepared a potential for the growth of Turkey's exports in non-European markets (Ibid). What is more important to note is that Anatolian SMEs were staunch allies of Erbakan's Islamist Welfare Party, the predecessor of JDP (Bugra, 1998; Gumuscu & Sert, 2009). Finally, according to Kirisci (2009), the collapse of the Soviet Union had offered Turkey the opportunity to open up to the newly independent states of Eurasia as well as intensify economic ties with the liberalizing Russian Federation.

Kirişçi (2009) and Kirişçi and Kaptanoğlu (2011) argued that JDP's policies constituted the second set of factors that explained why trade had become a primary instrument in Turkish foreign policy. First, Ahmet Davutoğlu's "zero-problems with neighbors" doctrine and conceptualization of Turkey as a central state contributed to the improvement of Turkey's ties with regional states. Second, under the rule of the JDP, Turkey's business organizations such as the Union of Chambers and Commodity Exchanges (TOBB), Turkish Industrialists and Businessmen's Association (TÜSİAD), Independent Industrialists and Businessmen's Association (MÜSİAD), Turkish Confederation of Businessmen and Industrialists (TUSKON), Turkish Exporters' Assembly (TİM) and Foreign Economic Relations Board of Turkey (DEIK) had become "influential voices shaping foreign policy" (Kirişçi and Kaptanoğlu 2011, p. 712). Atli (2011) pays particular attention to the role played by DEIK. Established in 1986 by President Özal as a semi-official institution, DEIK's goal was to reach out to exporters in Turkey and establish a platform through which they could communicate with the state. DEIK would also gather country-specific information, which would facilitate the expansion of trade (Atli 2011). DEIK's role in promoting Turkey's foreign trade significantly increased with JDP's rise to power. In 2005, the institutional set-up of the institution was changed to give it greater capacity in organizing Turkish business community's activities with the outside world as well as providing the state the necessary knowledge on foreign markets (Atli, 2011, p. 114). More importantly, JDP has forged a political alliance with the conservative business class, or the so-called "Anatolian Tigers" (Gümüsçü & Sert, 2009). In contrast to the pro-Western business groups such as TÜSİAD, non-traditional business associations, which were empowered due to

the liberalization policies of President Özal, have actively supported JDP's rule. In return, JDP governments have helped them in opening up to new markets and selling their products in the Middle East and North Africa. While Anatolian tigers supported the JDP candidates in both local and national elections of 2002, 2004 and 2007, the government channeled financial resources to MUSIAD member firms through public banks and privatization bids (Hoşgör, 2011, p. 354). Moreover, thanks to the domestic economic reforms undertaken in the aftermath of the financial crisis of 2001, maturing Anatolian finance capital could more easily search for trade and investments in Turkey's neighbors (Kutlay, 2011). Building his argument on the neo-functionalist literature, Kutlay argued that Turkish SMEs pushed the government towards signing a free trade agreement with Syria in 2009, a move which clearly indicated spill-over effects of intergovernmental economic cooperation. What Kutlay failed to capture was that economic integration with Syria was on the agenda of JDP's foreign policy elite long before "Anatolian tigers" intensified their economic activities in the region. It is obvious that Turkey's post-1980 economic transformation has facilitated sustainable capital accumulation and created a new merchant class. However, as Atli (2011) very well demonstrates, the state in Turkey is still the leading force behind drafting and implementing foreign trade strategy. I will show in the next sections that JDP governments have seen the Turkish private sector as an instrument in expanding Turkey's influence in the Middle East. While the interests of Turkey's exporters and the state intersected, it was the latter who has been in charge unlike advanced industrial democracies where business elites have substantial influence over the making of foreign economic policies (Biddle & Milor, 1997).[25]

Third, under consecutive JDP rules, the role of the traditional bureaucratic bodies that formulated Turkey's foreign and security policies such as the Turkish Armed Forces and the Ministry of Foreign Affairs diminished. Instead, according to Kirişçi and Kaptanoğlu (2011, p. 712), Ministry of Energy and the Undersecretariat of Foreign Trade (the Ministry of Economy after 2011) had become more important in drafting Turkey's foreign policy goals. Finally, Kirişçi and Kaptanoğlu (2011, p. 715) note current President Erdoğan's personal past as an entrepreneur and individual support for foreign trade unlike social democrat Prime Minister Ecevit, who was known to have a negative attitude towards businessmen (Atli, 2011, pp. 115-

[25] For a collection of essays on state-business relations in Turkey in the aftermath of economic liberalization, see Heper (1991)

116). Similarly, Turkey's leading scholar on Middle East politics, Özlem Tür (2011) would argue that the intensification of Turkey's economic relations with the Middle East in the 2000s was a result of the domestic transformation of the Turkish economy and the coming to power of the JDP. Tür argued that Turkey's opening up to the Middle Eastern markets was a direct outcome of its economic growth and integration with the global markets. Moreover, in Tür's view, Turkey's business community formed an alliance with the JDP in directing Turkey's foreign economic strategy towards its southern neighborhood. Echoing Kirişçi, Tür also argued that Turkey was becoming a "trading state" under the rule of the JDP. Tür concluded that JDP's vision of integrating with Middle Eastern countries had a strong impact on Turkey's economic opening towards the region.

Most recently, Tezcür and Grigorescu (2014) have put forward a Realist argument in explaining Turkey's activist "new" foreign policy. By examining Turkey's votes in the UNGA and the increasing share of the Middle East and North Africa in Turkey's foreign trade, they have argued that classic security-oriented concerns and international factors were prevalent in explaining Turkish foreign policy behavior. In particular, Tezcür and Grigorescu show that Turkey's foreign economic relations with the Middle East have intensified when oil prices were on the rise. This is because Turkey's export capacity depends on the well being of the rentier states of the region, whose revenues fluctuate depending on the price of crude oil. In 1982, 45 % of Turkey's exports went to Middle Eastern markets (mainly Iraq and Iran) when the price of oil was around $ 70 per barrel. That decreased to less than 20 % in 1990, and finally to 15 % in 1998 when the price of oil plummeted, respectively to $ 40 and $ 20 per barrel. Conversely, the share of the Middle East in Turkey's foreign trade approached 25 % again in 2008, when the price of oil went up to $ 100 per barrel.

Turkey's economic relations with the region indeed intensify when its resource rich Arab partners make greater profits. In fact, transferring Turkey's liberal economic experience to the region was one of the primary motivations of the Ministry of Economy.[26] Institutional mechanisms such as the Turkish-Arab Forums also aimed to attract Arab – and especially Gulf funds to Turkey for greater investments. Yet, what I try to show is that under JDP governments Turkey has made an unprecedented effort towards making Turkey an economic power in the region, a goal that was non-existing in the 1990s regardless of the price of oil and the

[26] Interview with anonymous official, Ministry of Economy, Ankara. 9 January 2014.

accumulation of wealth in the Middle East. JDP governments did not give up on their goal of economic integration, despite the fact that there was initially a resistance against Turkey's growing economic activities in the region.

Consequently, although there is a rich literature on Turkey's relations with the Middle East, there are few systematic analyses of Turkey's efforts to bring together Syria, Jordan and Lebanon under a multilateral free trade zone and why Turkey has followed a liberal economic strategy in the region. Moreover, like studies on Russia's relations with the post-Soviet states, these studies have stayed at the descriptive level, with little connection to IR theories and theoretical discussions about regional powers and regionalism worldwide. More importantly, none of the above-mentioned studies have touched upon why unlike Russia, Turkey has chosen a liberal, positive-sum framework of regional integration and economic cooperation in its southern neighborhood.

Russia

There is a rich literature, which deals with Russia's relations with the West from various theoretical approaches (Clunan, 2009; Hopf, 2002; Neumann, 1995; Pouliot, 2010; Zarakol, 2011). These studies have typically tried to uncover how Russia's historical effort to achieve modernization and recognition as a great power by the West has shaped domestic debates of identity as well as foreign policy practices. In the process of Russia's re-definition of its national identity, the West has constituted the 'Other' which has established "the meaningful context for the Self's existence and development and therefore exerts decisive influence on the Self" (Tsygankov, 2013, p. 15).[27] Yet, less has been done to study how Russian identity is conceptualized and re-constituted by its relations with the post-Soviet states, whose territories were subjugated by and remained under the rule of the Russian Empire until 1917 and the Soviet Union until 1991. I will argue that the much neglected post-Soviet Eurasian 'Other' for Russia has been very influential in the formation and evolution of Russian national identity.[28]

[27] Neumann (1995) offers the most comprehensive historical account of the role that the West has played in the evolution of Russian national identity. For another detailed source on Russia and the idea of the West, see English (2000)

[28] For an empirically rich and theoretically sophisticated account of Self-Other dynamics in post-communist Russian national identity, see Hopf (2002).

Various studies have argued that the Russian ruling elite conceptualizes Russia as a great power – *derzhava* – and hence challenges the Western dominated international order while at the same time seeking to establish hegemony in the Post-Soviet region. According to Pouliot (2010, p. 179), "the main constitutive elements of the Russian narrative of Great Power are calls for equality, multipolarity, spheres of interest and balance of power". Scholars who have examined the implications of Russia's great power status have extensively focused on Russia's relations with the West (mostly the United States) as well as thematic issues such as Russia's policies towards nuclear proliferation, missile defense systems and intervention (Mankoff, 2009; Tsygankov, 2005, 2013). Yet, despite the common observation that Russia seeks to dominate its 'Near Abroad' due to the broad consensus among the political elite on Russia's great power identity, no study has investigated the impact of a particular worldview or identity conception on Russia's integration policies in the region.

As Hurrell (2010, p. 21) cautions, "a regional power may seek to assert its power within the region precisely because it sees this as central to its global status, role or power". Russia, at first glance, might look like a great illustration of this argument. One can argue that Russia's search for great power status – "great power habitus" in Pouliot's (2010) terms – is the driving force behind its coercive policies in the region. However, it is still questionable why Russia, as a permanent member of the UN Security Council and former G-8 member, has focused so extensively on re-asserting its hegemony in Eurasia rather than through means that would push it closer to the West and more strongly integrated into the global economy. That, I argue, forces us to shift the focus to domestic debates on Russia's roles and purposes in the region and the world. In other words, the "social cognitive structures" (Hopf, 2002) that constitute Russia's national interest must be under scrutiny.

In various studies, Tsygankov (2005, 2013) has discussed the influence of three key schools of geopolitical thinking in Russian foreign policy: Westerners, Statists and Civilizationists. Tsygankov (2013) argues that Russian national interests are defined according to how each school of thought conceptualizes Russian national identity and Russia's place in the world. While for Yeltsin and his liberal team, economic and political integration with the West was the main foreign policy aim, for 'Great Power Balancers' led by former prime minister Primakov, resistance against NATO expansion and reasserting Russian hegemony in the entire post-Soviet region were key goals. Tsygankov argues that with Putin, Russian national interests

were re-conceptualized from a pragmatic point of view. According to this 'Great Power Pragmatism', Putin abandoned Primakov's grand integration project and instead chose to pursue "less costly and mutually advantageous bilateral relations" (Tsygankov, 2013, p. 225). Therefore, driven by the need for domestic economic modernization, Putin decreased the number of post-Soviet states that Russia aims to re-integrate with. Although the study clearly shows the transition from Primakov's commitment to post-Soviet integration to Putin's pragmatism, Tsygankov's framework cannot explain why Russia waged a war on Georgia in 2008, and despite controversies on economic costs and benefits, has not given up on Eurasian economic integration. In another study, Tsygankov (2006) classifies Russia's key schools of thought as Westernizers, Stabilizers, and Imperialists. 'Stabilizers' seek security and stability in domestic and foreign affairs. 'Imperialists', on the contrary, regard Russia's relations with the outside world as zero-sum in nature, and seek to use Russia's material power to subdue disloyal states such as Ukraine, Georgia and Moldova (Ibid, p. 1085). He argues that Putin, as a stabilizer, relies on Russia's soft power in its relations with the post-Soviet states. Indicators of soft power include Russia's leadership and institution building, massive migration of labor from the CIS to Russia, Russia's growing presence in the regional states, and attractiveness of Russian cultural values (Ibid, pp. 1082-1083). Yet, Russia's coercive attitude towards Belarus, Ukraine and Georgia in economic relations, the Russo-Georgian war of 2008, and the annexation of Crimea in 2014 should put Putin in the 'imperalist' camp according to Tsygankov's own conceptualization. Moreover, Tsygankov's conceptualization of schools of thought and argument on Russian soft power cannot explain the hierarchical form of relations that Kremlin has pursued in its economic relations with the post-Soviet states.

Bringing in insights from social identity theory, Clunan (2009, 2014) argued that Putin and his allies belonged to the "statist developmentalist" camp in Russian foreign policy thinking. Clunan's aspirational constructivist argument "suggests that a logic of aspiration plays a central role in the creation of national identities and national interests" (Clunan, 2009, p. 9). Relying on elite debates and survey data from the early 1990s, Clunan (Ibid) showed that the priority of "statist developmentalists" was economics. This was why, in her view, Russia pursued economic integration only with Ukraine, Belarus and Kazakhstan – those neighbors "with an industrial and military infrastructure that would complement and strengthen the Russian economy". This argument, however, fails to explain why Russia's statists have been coercing smaller and

economically less important neighbors such as Moldova and Georgia. It also cannot explain why Russia has supported the memberships of Armenia and Kyrgyzstan, neither of which possesses sectors that are strategically important for the Russian economy. Finally, Clunan's empirical chapters address the social construction of Russia's security cooperation with Europe (Chapter 6) and interests in nuclear arms control (Chapter 7) and therefore misses to study in detail how Russia's great power identity conceptualizes its role in the post-Soviet space. In his detailed study on Russian foreign policy under Putin-Medvedev administrations, Mankoff (2009, p. 280) argued that the post-Soviet states have mattered to Russia "in so far as they have become a contested zone between Russia and other major power blocs – the United States and Europe on the one hand, and China on the other". While I agree with the general premise of Mankoff's study on Russia's great power identity, I also think that by ignoring the historically shaped perception of Russia's relations with its neighbors and presenting Post-Soviet integration as merely a function of Russia's relations with Western great powers and China, it draws a largely reductionist picture as well.

Nygren's (2008) book, *The Rebuilding of Greater Russia*, stands out as the only academic study, which comprehensively deals with Russia's relations with the post-Soviet states. The overarching argument of the book is that Putin has aimed to transform Russia into a great power and the CIS has been strategic in that regard. Nygren argues that Putin has been pursuing the goal of making Russia "the indisputable leader of the Russia-led security complex of Eurasia" and the major 'orderer' of the countries in the CIS region" (Ibid, p. 3). Nygren's analysis of Russia-led economic integration is purely descriptive and does not engage in theoretical debates about why and how regional or great powers coordinate economic cooperation in their regions. Nygren also analyzes how Russia has used its natural resource endowments and control over energy transit routes as instruments of economic coercion and domination over its neighbors. What begs the question is why Russia has been using its structural economic might for greater regional power through coercive ways.

Approaching post-Soviet integration from a broader IPE and IR theoretic perspective, Hancock (2009) argues that Russian efforts of establishing a Customs Union with regional states that are economically more profitable for Russia is quite a typical outcome for regional hegemons. In Hancock's framework, it is quite natural and logical for states as economically powerful as Russia to pursue a hegemonic form of regional integration with smaller neighbors –

an integration model Hancock conceptualizes as "plutocracy". In the case of the Eurasian Economic Community – the predecessor of EEU – Russia as the regional plutocrat used "relation-specific assets (RSAs) – particularly oil and gas pipelines … to provide substantial side-payments to the joiners" (Hancock, 2009, p. 138). Hancock's plutocracy argument is problematic because it takes for granted the official argument that post-Soviet/Eurasian integration is a quite logical and economically beneficial mechanism for Russia. I will show in Chapter 6 that post-Soviet integration has not been pursued because it was logical and economically highly beneficial for the Russian economy. I argue, instead that sheer regional preponderance – in terms of economic capabilities – does not necessarily have to result in hegemonic forms of regional integration.

A more recent strand of argumentation has examined the Eurasian Economic Union as Russia's response to systemic changes: the EU's growing power in the region and the dramatic shifts in the global economy. Criticizing the literature's lack of attention to the timing of Russia's choice to finally push for post-Soviet integration after 20 years of disintegration, Krickovic (2014, p. 505) argues that the project is the Kremlin's response to "a rapidly changing geopolitical situation". This systemic account focuses on the shifts in the distribution of global economic power, which affects the regional strategies of regional powers such as Russia and Brazil. Drawing parallels between the EEU, ASEAN + 1 and Mercosur, Krickovic (2014, p. 505) argues that leaders of emerging powers "see regional integration as a strategy for preparing for a more uncertain and volatile future".

While I agree that EEU is Russia's response to simultaneous transformations in world politics, I argue that the project itself cannot be studied in isolation from the previous mechanisms of post-Soviet integration such as the CIS and EAEC. While the post-crisis atmosphere pushed the Russian leadership towards a new model of cooperation in Eurasia, it was not the first time Russia was responding to geopolitical changes in its neighborhood. It was rather a period of time when Putin consolidated his political power and eliminated alternative foreign policy options. Moreover, Russia has perceived the geopolitical shifts in regional and global politics as an opportunity to grab – as the West's supremacy was diminishing, Russia could re-emerge as the sole hegemonic power in the post-Soviet region. Finally, Krickovic (2014, p. 506) argues that this shift in geopolitical order has pushed Russia towards a more pragmatic course of relations with its neighbors such that the new EEU has given up on the

pooled sovereignty model of the CIS "in favor of less institutionalized and looser relationships and collective decision-making". Yet, he offers no explanation as to why Russia has chosen to follow a coercive hegemonic form of leadership in the region. While EEU can be perceived as a pragmatic mechanism of cooperation – while it is by no means less institutionalized and looser – one questions is still unanswered; why has Russia under Putin administrations consistently devised coercive and exclusionary policies vis-à-vis its neighbors?

Krickovic (2014, p. 515) also echoes the Kremlin in arguing, "the world financial crisis illustrated the dangers of being overly dependent on Western-led financial structures". The EEU, from this point of view, is Russia's desire to "integrate into the world economy from a position of strength". This point of view sees EEU as leverage in future negotiations between Russia and the European Union. Yet, it misses the fact that the EU still occupies the first place in Russia's foreign trade, and it is debatable whether the EU's negotiation power vis-à-vis Russia will be weakened in a potential future trade agreement. As I explore in Chapter 6, from an economic point of view, there is no definitive answer as to whether the Eurasian Union will strengthen Russian economy and Russia's bargaining power in the international economy.

Recently, Maria Lagutina (2015) argued that Eurasian integration is a clear indicator of the transformation of global politics towards a "polycentric system based on global regions". Eurasian region, according to Lagutina, exhibited features of a "global region (region-state model) with significant economic and technological potential". Lagutina (2014) argues that the supranational character of the Eurasian Economic Commission as well as other bodies of the EEU and the "bottom-up" nature of Eurasian integration as opposed to the "top-down" nature of its predecessors are proof that the EEU presents a new "spatio-temporal space" (Ibid, p. 8). This line of argument also closely echoes the Russian official discourse (see for example Putin, 2011) such that the new Eurasian Union is presented as a completely new phenomenon that emerged as a necessity in a rapidly transforming global economy. Under these circumstances, regions must act together to enhance their technological capacities, create new markets and foster economic dynamism.

Cadier (2014, 2015) has also argued that Russia's Eurasian Economic Union project has emerged as Russia's response to the evolving regional context. Putin, according to Cadier (2015, p. 167), has perceived the Eastern Partnership program that was launched by the European Union in 2009 as a geo-economic and geo-cultural threat. Therefore, Russia has devised the EEU as its

strategic response to the EU's growing "structural power"[29] in Russia's near abroad. EEU would propose a new integration model to post-Soviet states –most importantly to Ukraine – that were dragged into the EU's Association Agreements. Russia's response to EU's structural power is mediated by two domestic factors: domestic situation and the Russian policymakers' interpretation of the EU's power in the region. Cadier draws attention to the fact that the EEU has been different in terms of institutional design from previous mechanisms of post-Soviet integration. "Its design and activities" such as the supranational Eurasian Economic Commission, "seem to have been partly modeled on the EU" (Cadier 2015, p. 171). This strengthens his assertion that the EEU has been developed as a response to the EU's Eastern Partnership.

While Cadier puts forward a sound argument on the EEU, several important factors are missing in his analysis. First, it is reductionist as it misses to take into account the role of the global financial crisis in pushing Russia towards new foreign economic policies. Russia has perceived the global financial crisis of 2008/09 as an opportunity to put forward its own perception of a multipolar world, in which Russia would be the leading power in the Eurasian pole (Johnson & Köstem, 2016). Moreover, the EUU's design and activities did not simply develop as a response to Eastern Partnership. Conversely, the preceding experience of Russia's various Eurasian integration schemes such as the Customs Union and the Common Economic Space of Belarus, Kazakhstan, Russia and Ukraine have been highly influential over the EEU's institutional design. As far as domestic factors are concerned, Cadier notes that the collective beliefs held by the Kremlin elite have mediated the role of the regional context (Ibid, pp. 171-172). Yet, he does not clarify how exactly the Russian ruling elite's collective beliefs have worked to solidify Russia's hegemonic and coercive role in the EEU as the latest phase of Eurasian integration. Most importantly, Cadier's argument on the role of the EU's Eastern Partnership makes one ask the question of why the Russian ruling elite perceives the EU's growing power in the region as a threat rather than an economic opportunity. To be clearer, the question of why Russia perceives EU enlargement towards the post-Soviet space through a Realist 'relative gains' perspective still begs a question.

[29] Here Cadier refers to Susan Strange's conceptualization of structural power. For greater detail see Strange (1988).

In conclusion, although there is a rich literature on Russia's economic and security relations, and post-Soviet economic integration, there is a gap to be filled in terms of the direction and form of Russia's regional power. Although the bulk of the constructivist literature on Russian foreign policy deals with its relations with the West, little has been said on the role of the former Soviet space in influencing how the Russian political elite constitutes Russian identity. On the other hand, studies on Russia's relations with the post-Soviet states have tended to be descriptive with little or no discussion of theoretical implications for other regional powers. Studies on the effect of ideational variables on Russian foreign policy have been limited to its great power status and engagement with Western powers and institutions in the post-Cold War era. Therefore, we need a comparative focus that places Russia on the recent debate on regional powerhood. Similarly, Russia's relations with its neighbors – its former colonies – are particularly important from an IR theory perspective and require more systematic examination.

Conclusion

This chapter has presented a review of the literatures on regional powers, regional leadership as well as Russian and Turkish foreign economic policies. First, I have called for a stronger attention to the role that regional powers play in fostering regional economic integration in regions such as the Middle East and the post-Soviet space, which IR and IPE literatures have so far not sufficiently focused on. Second, I have argued that the existing literatures fall short of offering an explanation on two fronts. They do not explain why the economic priorities of regional powers shift when new elites rise to power, and why regional powers with similar national identity conceptions pursue varying strategies of regional economic leadership. Next four chapters (Chapters 3-6) present in-depth case studies and delve into the influence of national identity conception on foreign economic policies of Turkey and Russia.

CHAPTER 3

Turkey and the Middle East in the 1990s: The Economic Silence of A Regional Power

Introduction

This chapter will highlight Turkey's foreign economic policies from the end of the Cold War to the rise to power of the Justice and Development Party in 2002. I will specifically focus on Turkey's efforts at integrating with different sets of countries and regions, and on economic relations with its Middle Eastern neighborhood. Turgut Özal, a right wing liberal politician who had risen to power after the military coup of 1980 as the leader of the Motherland Party, was elected Turkey's 8th president in 1989, and remained at that post until 1993, the year he died (Muhittin, 2002). It was during Özal's tenure as Prime Minister in the 1980s that Turkey transitioned from an import substation economic growth model to an export-led growth strategy. One of the most noteworthy outcomes of this liberalization process was the growth of Turkey's industrial capacity as well as the emergence of small and medium sized manufacturers with capacity to export goods to international markets (Aricanli & Rodrik, 1990; Öniş & Webb, 1994). Due to the transformation of its domestic economy, which took place in parallel with global economic trends, Turkey soon started to search for ways to integrate with Europe and the newly emerging post-Soviet space.

Although three of Turkey's neighboring states were geographically in the Middle East, Turkey developed no projects that targeted economic integration with its neighbors in the South. On the contrary, its economic direction was towards Europe. Turkey's main foreign economic goal in terms of regional integration during the 1990s was to become a part of the European Union's Customs Union – a goal realized in 1996. Moreover, Turkey took the lead in establishing the Black Sea Economic Cooperation Organization (BSEC) in 1992, a loose economic body consisting of Turkey, Russia, Balkan states and several other Post-Soviet states in the Black Sea region and the Caucasus. Turkey was also quick and assertive in establishing links with Azerbaijan and Central Asia, due mainly to common ethno-linguistic ties. But why was Turkey a "reluctant" economic neighbor (Barkey, 1996) in the Middle East? Why did it

perceive the Black Sea region and Central Asia as potential regions of economic cooperation, whereas it developed no integration projects with the Middle East?

This chapter argues that the answer lies in the prevalence of a Kemalist and Western national identity conception among the Turkish political elite in regard to the Middle East in the immediate aftermath of the Cold War. According to this identity conception, a secular and modern Turkey belonged to Europe and the Western world. This made the Customs Union agreement a priority for Turkey's foreign economic strategy. Other regional integration projects that Turkey developed, such as BSEC and the Economic Cooperation Organization (ECO), were outcomes of Turkey's search for a new foreign policy and the ruling elites' reconceptualization of Turkey as a Eurasian country. However, in the national identity conceptions of prevalent amongst Turkey's center right and center left politicians as well as in Kemalist foreign policy circles, the Middle East was not a market to seek integration with.

This chapter presents an overview of Turkey's foreign economic strategy in the 1990s with a particular focus on the non-salience of the Middle East in its regional economic integration projects. I start with an inductive recovery of the prevalent national identity conceptions in the 1990s. In particular, I examine how Turkey's Westernizing/Kemalist elites perceived Europe and the Middle East. I also explore how the idea of the "Turkic World" emerged and was rapidly internalized by a wide range of Turkish politicians. Moreover, I elaborate on two opposing views within Turkey regarding its relations with the Middle East. The first one is the Islamist Welfare Party's position vis-à-vis the Customs Union and economic cooperation with Israel. The second is an alternative social democratic view presented by the Democratic Left Party and in particular Ismail Cem, Turkey's foreign minister between 1997 and 2002. I then turn to my dependent variable, foreign economic strategy, and explore Turkey's goal of signing the Customs Union agreement with the EU and the search for alternative economic integration projects in the post-Soviet space. Last, I will outline the transformation of Turkish foreign policy towards the Middle East and the absence of the region in Turkey's foreign economic strategy, focusing in particular on Turkey's free trade agreement with Israel as an important example.

Perception of the Middle East in the Westernizing National Identity Conception

Why did Turkey not pursue economic integration projects with its Arab neighborhood, despite increasing trade? Why did Turkey re-define its foreign economic interests to incorporate post-Soviet Turkic states and not the Middle East, when the prospects for regionalization in the Black Sea region and economic integration with Azerbaijan and Central Asia were similarly unclear and ambiguous? In this section, I will show that this was primarily because in the Turkish ruling elite's conception of Turkey's international identity, the Middle East and Arab states did not occupy a self-defining place. On the contrary, due to Turkey's history of modernization, imperial collapse, and subsequent self-identification with the West, the Middle East had been perceived as a backward and underdeveloped region with never-ending chaos and security problems. Consequently, although Turkish leaders sought business ties with the region, they did not perceive it as a region in which Turkey should take the lead in forming regional integration mechanisms.

To have an overall view of the conceptualization of the Middle East in Turkey's international identity in the 1990s, one should start with the First World War, which eventually led to the collapse of the Ottoman Empire. That is because the primacy of the prevalent Westernizing and Kemalist national identity conception of the 1990s dated back to the internal contestation over Turkish national identity of the late-Ottoman and early republican periods. During the Great War, the Ottoman Sultan declared *jihad* to attract his Muslim subjects to the Ottoman cause. However, seeking independence from Turks, Arabs of the Levant revolted against the caliph of the Muslims – the Ottoman sultan himself – and sided with the French and the British – a historical event that is academically and politically contested. This would create the long-standing image of the "treacherous Arab" in the minds of nationalist republican Turkish ruling elites (Jung, 2005). As the Ottoman Empire collapsed and the nationalists of the Ankara government led by Mustafa Kemal (later Atatürk) founded the Republic in 1923 on secular grounds as a Turkish nation-state, Turkey "became almost an antithesis to the Arab world" (Ibid, p. 6). For the rulers of the young Republic of Turkey – the majority of who were Ottoman military officers just like Mustafa Kemal – "the Ottoman presence in Arabia and the Levant was understood as a source of vulnerability, ultimately incompatible with the construction of a modern, unitary Turkish state" (Larrabee & Lesser, 2003, p. 131). Turkey's cautious approach towards the region persisted in the aftermath of the Second World War and throughout the Cold

War. Adhering to Western political principles and being a part of NATO's security umbrella, Turkey "approached the Arab world from the unidimensional perspective of East-West tension" (Karaosmanoglu, 1983). It therefore chose to remain an outsider to intra-regional developments. Turkey's regional policy during the 1950s under the Democratic Party administration was an exception. Following a staunchly NATO-oriented foreign policy under Prime Minister Menderes, Turkey became a founding member of the Baghdad Pact in 1955 – a security organization established among Turkey, Iraq, Iran, Pakistan and the United Kingdom (Sever, 1998). Menderes argued that Turkey was the "backbone" of the Northern Tier – Turkey, Iran, Iraq and Pakistan – thanks to its social and political stability, military superiority, and determination to fight Soviet expansionism (cited in Sever, 1998, p. 75). Therefore, the region would continue to be seen through security lenses and although Turkey was becoming more assertive, it was part of a policy of consolidating Turkey's Western identity.

The image of the "treacherous Arab" in the minds of Turkey's Westernizers prevailed during the Cold War. In a highly cited article published in 1974 in Turkey's oldest foreign policy journal, *Dış Politika-Foreign Policy* Turkish senior diplomat Ayhan Kamel (1974) would state that the unreciprocated efforts of the Turkish people to defend the Arabs during First World War had created "a sense of disillusion and bitterness…the effects of which continued for a few generations". This damaged the Turks' "centuries-old special ties with the Arab people". Also, in Kamel's view, which clearly reflected the prevalent official and political view towards the Arab World, Turkey's secularism was "misinterpreted" by the Arabs. In fact, according to Kamel (p. 91), "the Arab World got the impression that the Turkish people under the new leadership wanted to break away" from them. Conversely, Arab nationalism had emerged with the narrative of the "terrible Turk", who had suppressed the Arabs under the Ottoman rule for centuries (Jung, 2005, p. 3). Arab regimes, primarily Egypt and the Baathist Syria and Iraq, interpreted Turkey's membership in NATO as a continuation of its anti-Arab, pro-imperialist worldview (Jung, 2005, p. 3). Kamel would therefore argue that Arab states such as Egypt and Syria had misinterpreted Turkey's initiative to establish the Baghdad Pact, taking it as an extension of an "imperialist" project in the region. Not understanding the threat that Turkey was facing from the Soviet Union, the Arabs, according to the dominant view at the time, would once again leave the Turks alone in international politics. In Kamel's view, developments in the Middle East such as the Suez crisis (1956), the Syrian crisis (1957) and the Lebanese crisis (1958) had only increased Turkey's fears

of growing Soviet influence in the region. The rest of Ayhan Kamel's article is devoted to justifying Turkey's attitude towards the Israel-Palestine conflict, the main focus in Turkish foreign policy towards the Middle East during the Cold War.

As the perceived threat from the Soviet Union diminished in the 1960s, the Palestinian question became Turkey's top foreign policy priority in the Middle East (Aykan, 1993). While still refraining from intervening in intra-Arab affairs, Turkey tried to "repair" its image in the eyes of the Arabs by developing closer ties with Palestine.[30] Turkey became increasingly critical of Israel after the War in 1967, and urged Israel to return to its pre-war frontiers (Karaosmanoglu, 1983). However, Turkey's Palestine policy remained ambivalent at best, oscillating between supporting Yasser Arafat and the Palestinian Liberation Organization one the one hand, and maintaining a partnership with Israel on the other. As the Cold War was coming to an end, President Özal regarded Turkey's role in the Middle East as a "bridge" between the Arabs and the Western world (Aykan, 1993).[31] This entailed refraining from being a mediator in the region, while maintaining good relations with both sides by supporting the Middle East peace process (Ibid).

The ambivalent and hesitant attitude of Turkish governments towards the region continued in the post-Cold War era. Although various other regions were welcomed for opportunities of economic expansion, the view of the Middle East informed by the Westernizing national identity conception of the Turkish political elite persisted. Turkey's neighbors such as Syria and Iraq were predominantly addressed within a strictly security-oriented framework. Opposing President Özal's assertive policy during the Gulf War, Turkey's top general (chief of general staff) Necip Torumtay resigned, criticizing Özal for not informing the military about crucial policy choices such as closing down the oil pipeline that passed through Turkish territory (cited in Mufti, 1998, p. 44). Representing the traditionally cautious Turkish attitude towards the region, general Torumtay accused Özal of pulling Turkey "into the Middle Eastern swamp" (Ibid, p. 49). Interestingly, the "swamp" or "quagmire" metaphor for the Middle East re-emerged

[30] For a detailed analysis of Turkey's attitude towards the Palestinian question during the Cold War, see Aykan (1993).

[31] Turkey's role as a bridge is a geopolitical conceptualization used by Kemalist, left wing and right wing policy-makers alike in defining Turkey's role in regional and international politics since the 1980s. Turkey's role conceptualization as a "bridge" country is the most apparent in the speeches of the liberal/center right President Demirel and the social democrat Foreign Minister Cem. For a detailed analysis, see Yanik (2009).

in the aftermath of the Arab Spring, especially among the Kemalists.[32] In 1996, veteran diplomat Şükrü Elekdağ published his famous "two and a half war strategy" concept in the flagship journal of the Turkish Ministry of Foreign Affairs, *Perceptions*. Elekdağ argued that Greece and Syria had formed a coalition against Turkey and together constituted direct threats to Turkish national interests. According to Elekdağ (1996), who after retirement started a political career in the Republican People's Party, Syria was carrying out a covert war in Turkey by supporting the outlawed PKK. Therefore, Turkey had to be prepared to fight two and a half wars; one in the Aegean against Greece, one in the South against Syria, and one inside the country against the PKK.

A closer examination of Turkey's government programs in the 1990s reveals that Turkey's center right/left coalition governments continued to refer to the Middle East as a problematic region for Turkey's welfare and security.[33] Also, when talking about the Middle East, discussion was limited to security problems and the Palestinian question. While the Black Sea region and the wider post-Soviet space were viewed as areas of vast economic opportunity, Turkey's southern neighbors were viewed in security terms. The Middle East was commonly perceived as a region which Turkey is geographically a part of or adjacent to, alongside the Balkans, the Caucasus, Central Asia, the Black Sea and the Mediterranean. The only exception is the program of the Erbakan government as the Islamist Welfare Party was the major partner of the coalition with the True Path Party. This attitude towards the region did not change until the late 1990s when the Democratic Left Party came to power, forming a coalition with the Nationalists and the center-right Motherland Party. I will discuss the views of Islamists and Social Democrats towards the Middle East later on.

While the program of the Demirel government in November 1991 stated that Turkey was in a triangle of uncertainty and instability in the Balkans, Caucasus and the Middle East, the program of the Çiller government in June 1993 emphasized that the Islamic world was going through various problems specifically in the Middle East and the Gulf.[34] For Demirel, the instability surrounding Turkey meant that Turkey needed to modernize and reorganize its

[32] For example, Kemal Kiliçdaroglu, the current leader of the center left Republican People's Party, also referred to the Middle East as a quagmire in criticizing the ruling Justice and Development Party's policies against the Assad regime. Kiliçdaroglu stated, "Turkey's direction is not the Middle Eastern quagmire, it is the modern civilization"; see Dunya (2014).
[33] All government programs are available at the official website of the Turkish Parliament; see Türkiye Büyük Millet Meclisi (2016).
[34] Ibid.

military. But in Çiller's government program, Turkey's foreign economic relations are addressed with reference to GATT, European Union, EFTA, BSEC, Asia and the Far East, Russia, and the Turkic States. Not surprisingly, the Middle East is not among the regions that Turkey's economic activities should concentrate on. In an article she wrote for the Foreign Ministry's journal *Perceptions*, Çiller (1996) argued that Turkey had close historical ties with Arabs and Israelis alike and wrote "security and stability is of cardinal concern for Turkey". The Middle East Peace Process, increasing terrorist threat for Turkey, the security-related outcomes of the Gulf War, and the status of Northern Iraq were other items touched upon in the same section. Similarly, the program of the Yilmaz government – a coalition of the center-right Motherland Party and center-right True Path Party –referred to the Arab-Israeli disagreement as the top priority for Turkey in the Middle East. Similar to Demirel, Yilmaz defined Turkey's region as a triangle of uncertainty and instability, using the exact wording. The Yilmaz government, formed in June 1997, emphasized Turkey's "peaceful and balanced" policies towards the Middle East, while proposing that the government develop ties with all the countries in the region, *including* the historically-close Arab and Muslim World.

Aydin and Aras (2005) argue that the political conditionality of economic relations was the main factor curbing Turkey's economic influence and leadership potential in its relations with Iran, Iraq and Syria. Accordingly, it was mainly due to the authoritarian and unpredictable character of these countries (and to negative effects of the sanctions imposed over Iraq and Iran) that Turkey and its southern neighbors did not become economically interdependent. Although I agree with Aydin and Aras that politics was the main impediment for economic cooperation in the Middle East, I have tried to show that Turkish ruling elite's perception of the Middle East is to be addressed first before analyzing other political and economic impediments. In the Kemalist and Westernizing national identity conception prevalent in Turkey, the Middle East was perceived as a region in which Turkey had inevitable, albeit mainly security-related, relations. Due to the process of identity formation dating back to the collapse of the Ottoman Empire and the foundation of the secular Turkish Republic, Turkey's foreign policy elite perceived the Middle East as a conflict-ridden region that Turkey should stay away from. With the end of the Cold War, Turkey's Eurasian identity and "bridge" role between the West and the East was often emphasized, but security issues and the Palestinian question continued to dominate Turkey's policies towards its southern neighbors. This prevalent conception, however, was not embraced

unanimously by all political groups. As all national identities are contested (Abdelal, 2001), so was Turkish national identity and Turkey's perceived role in international politics. The next section debates two such alternative conceptualizations of Turkey's national identity and their implication for foreign policy.

Alternative National Identity Conceptions: Islamists and Social Democrats

Islamists: Necmettin Erbakan and the Welfare Party

The Islamist Welfare Party (WP) and social democratic Democratic Left Party (DLP) offered two alternative national identity conceptions for Turkey in the 1990s and early 2000s. The Welfare Party's views are important for several reasons. First, the current JDP's main figures such as the current President Recep Tayyip Erdoğan, former President, Prime Minister and Minister of Foreign Affairs Abdullah Gül, and former Deputy Prime Minister Bülent Arınç, alongside dozens of other JDP politicians emerged as prominent political figures in the Welfare Party in the 1990s. Although they later founded the JDP with a transformed "conservative democratic" ideology, the WP's views on Turkey's national identity and foreign economic relations still gives an idea of how the JDP's identity conception has transformed and of the background, or "habitus" (Pouliot, 2010) from which the JDP's conservative national identity conception originates. Second, the WP gained 21% of the votes in the Parliamentary elections of December 1995 and formed a coalition government with the True Path Party in June 1996, with its chair Necmettin Erbakan becoming the Prime Minister for the first time in his political career. Therefore, for the first time since the foundation of the secular regime in Turkey, Islamists had become a political force that was impossible to be ignored by the traditionally Westernizing elites.

Erbakan's WP constituted a clear example of identity contestation in Turkey in the 1990s, in particular over its role in world politics. Erbakan was an open critic of Turkey's Westernizing efforts and instead proposed an Islamic identity. Even during the Cold War, Erbakan's National Salvation Party – the founding father of political Islamist parties in Turkey – was supportive of the Palestinian cause and critical of Turkey's alliance with the West. As a coalition partner in the government between April 1975 and January 1978, Erbakan argued that "Turkey should close all NATO bases on its soil, break off diplomatic relations with Israel, give up membership in the

European Economic Community (EEC), and turn completely to the East by cooperating with the Muslim countries in matters ranging from economy to defense" (Aykan, 1993, p. 98). Amid rising electoral support, the Islamist WP maintained its anti-Western stance in the 1990s, accusing the European Union of being a "Christian Club" aiming to destroy Turkey and the Muslim World. According to Erbakan, the Customs Union was not only economically irrational but also "a slavery deal" for Turkey and Turks. He would argue that the WP would establish an Islamic Union if they came to power instead of accessing the Customs Union, which resembled the "Treaty of Sèvres" (Agence France Presse, 1995a).[35] In Öniş's words, for Turkey's Islamists "reversing the Customs Union agreement with Europe and loosening the ties with Europe was a matter of fundamental principle rather than simply an outcome of the debate concerning the terms of the specific agreement concluded" (1997, p. 755).

Erbakan tried to pursue an alternative foreign economic strategy for Turkey as he rose to power. However, Erbakan's control over the course of Turkey's foreign policy and foreign economic options was limited because his coalition partner, former Prime Minister Tansu Çiller, was appointed the Minister of Foreign Affairs. Also, Turkey was already a member of the Customs Union as the agreement had entered into effect six months before Erbakan became prime minister in 1996. Proposing an alternative vision to Turkey's established foreign and foreign economic relations, WP's government program called for closer economic and trade relations with the countries in Turkey's vicinity and in particular with its direct neighbors. He initiated the D-8 (Developing Eight), an economic project that aimed to unite the eight major Muslim economies – Turkey, Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, and Pakistan – under an international organization. The Islamic cooperation scheme would cover a wide range of issues including Islamic finance, trade promotion, cooperation in tourism and energy (Bozdaglioglu, 2003, p. 135). Erbakan's first visit as Prime Minister was to Iran – rather unusual for Turkish leaders – and he signed a deal on transporting Iranian natural gas to Turkey (Ibid, p. 134). After his visit to Iran, Erbakan planned a visit to Islamic countries such as Pakistan, Indonesia, and Malaysia to foster economic and political cooperation, amid increasing concern from the Turkish military and the opposition parties as well as the secularist public

[35] The Treaty of Sèvres, signed on August 1920, was the treaty that partitioned Anatolia among the Allied Powers of the Great War and eventually paved the way for the official collapse of the Ottoman Empire. Although ratified by the Ottoman Empire, the treaty was never recognized by the nationalist government led by Mustafa Kemal (Atatürk) in Ankara. The treaty is recalled with nationalistic and anti-Western feelings in contemporary Turkey.

opinion. While Erbakan's government program could not oppose the Customs Union openly, it still stressed the responsibilities of the EU in implementing the terms of the agreement fairly (Agence France Presse, 1996). In fact, Erbakan would have to soften his discourse, as he became Prime Minister. He would now criticize the EU from an economic point of view, and argue that it was time for the Europeans to carry their own undertakings as Turkey had already fulfilled its promises (Ibid).

Erbakan was also highly critical of Turkey's relations with Israel. Before coming to power, he was calling for the abolishment of the military agreement signed in February 1996 and the free trade agreement signed in March 1996 between the two countries (Çarkoglu et al., 1998, p. 215). Under serious pressure from the Turkish military, Erbakan had to implement – while at the same maintaining his search for alternatives – these agreements. Çarkoglu et al. (1998, p. 216) note that Erbakan tried to delay the ratification process as long as he could. The free trade agreement between Turkey and Israel indeed entered into effect in July 1997, after the WP-True Path Party coalition government dissolved under increasing pressure from the military. It is worth noting that Erbakan declined Israeli Prime Minister Netanyahu's request for a meeting during his prime ministry (Ibid, p. 221). Erbakan's WP was also in favor of promoting militant groups such as Hamas and Hezbollah against Yasser Arafat and the PLO; a policy that would later on be taken up by the JDP in the 2000s.

The Welfare Party was dissolved by the Turkish Constitutional Court in January 1998 which ruled that the party's activities contravened principles of republican secularism. Foreseeing the party's impending dissolution, Erbakan and his allies founded the Virtue Party (VP) in December 1997. Like its predecessor, VP favored revising the Customs Union and forging closer relations with Turkey's Southern neighbors. The Virtue Party, which included prominent figures of the later JDP such as Erdoğan, Gül and Arınç, also called for a revised Middle East policy, revitalizing the Economic Cooperation Organization and taking necessary steps to transform the Organization for Islamic Cooperation into an influential institution (Anadolu News Agency, 1999).

Social Democrats: Ismail Cem and the Democratic Left Party

Turkey's social democrats, represented by the Democratic Left Party (DLP) were also critical of Turkey's traditionally cautious foreign policy in the Middle East. It was under the

prime ministry of Bülent Ecevit in 1974 when he was the leader of the Kemalist RPP that Turkish military had conducted a military operation in Cyprus. Although he had a milder stance compared to the socialists and communists, Ecevit had for a long time been critical of Turkey's close security alliance with NATO. In his address to the International Institute for Strategic Studies in London in 1978, Ecevit (1978) stated that the "imminent threat" to Turkey from the Soviet Union had ceased. Ecevit also criticized Turkey's dependence on NATO and American military support in its defense policies as well as the traditionally cautious approach towards Turkey's southern neighbors. According to Ecevit, Turkey was primarily a Balkan, Middle Eastern and East Mediterranean country due to its geography and history – two unchangeable factors.[36] In this view, Turkey had to alter its relations with its neighbors in the Balkans and the Middle East in order to achieve a "mutual atmosphere of confidence". Therefore, in revising its foreign and security policies, Turkey had to open up primarily towards its Middle Eastern and Balkan neighbors, before seeking to become more influential in world politics (Ecevit 1978).

After the military coup of 1980, Ecevit was banned from political activities until 1989 like Demirel, Erbakan and other main political figures. Continuing his political career at the DLP after his ban was lifted, Ecevit maintained a pro-European and left wing stance that was critical of American policies in the region (BBC, 1996). Ecevit was critical of Western efforts to curb Turkey's influence in its own neighborhood in the post-Cold War era and suggested that Turkey shift to a "region-based" policy with an independent posture (cited in Mufti, 1998, p. 47). DLP's social democrats became a coalition partner in June 1997 together with the center-right Motherland Party and the newly-established center-right Democratic Turkey Party. In January 1999, more than two decades after his first term, Ecevit became Prime Minister again, holding office until the general elections of November 2002. Although the social democrats generally embraced Turkey's journey to Europe, they were also at times critical of the terms that the EU set for Turkish membership. As Deputy Prime Minister, Ecevit, frustrated with the EU's hesitant attitude towards Turkey, warned in July 1997 that the Turkish government could revise the Customs Union with the EU (Agence France Presse, 1997).

[36] It is remarkable that Turkey's current Prime Minister Ahmet Davutoğlu (2001) would make the same argument in his renowned book *Stratejik Derinlik* (Strategic Depth) that Turkey's geography and history were two unchangeable elements that had to be taken into account in revising the principles of Turkish foreign policy. See Chapter 5 for greater detail.

The social democratic conception of Turkey's international identity is specifically outlined in the texts and speeches of Ismail Cem, deputy head of DLP, who was Minister of Foreign Affairs between June 1997 and November 2002. As a renowned social democratic theorist in Turkey, Ismail Cem's views on Turkey's role in regional and world politics were highly influential. In an article that appeared in *Perceptions* soon after he became Minister of Foreign Affairs, Cem (1997) described Turkey as a "global state":

> …that acts as a role model with its democracy, secularism, respect for human rights and its traditional characteristic – tolerance, that truly fulfills the requisites of our great leader Atatürk's dictum; "Peace at home, peace in the world" that competes with the best in the realms of science, technology and economy…and that becomes one of the major centres of attraction with its historical record, cultural richness, humanism, and sense of identity with all contemporary values.

Cem also touched upon the debates on Turkey's international identity, writing that he did not find the discussions on Turkey's "true location" useful (Ibid). For Cem, Turkey belonged to the Balkans, the Caucasus and the Middle East at the same time, and should not choose "one or another" as belonging to multiple regions was Turkey's "uniqueness, richness and strength". For Cem, Turkey's "Eurasian" identity encompassed the West and Islam, and the multi-civilizational character inherited from the Ottoman Empire was an asset (Cem, 2000, pp. 1-5). Similarly, in a speech at the Foreign Ministry, making references to the multiculturalism and religious tolerance of the Ottoman Empire, Cem (2009a, p. 67) defined Turkey as European and Asian at the same time. Speaking at the United Nations General Assembly in September 1997, while laying out the principles of Turkish foreign policy, Cem (2009a, p. 70) called for "reinterpreting Turkey's history" and referred to it primarily "as an intersection point between the East and the West". Cem argued in his book that Turkey had to develop a new foreign policy vision that took into account Turkey's Ottoman past and ties with the Middle East and the Muslim world. Because of the lack of a historical consciousness in traditional Turkish diplomacy, Turkey also lacked a "memory", which prevented it from making use of its unique geographical location (Ibid, p. 14).

Cem called for expanding ties with Turkey's neighbors, with Turkey as a "decisive state" at the center of Eurasia. However, contrary to the Islamists of the 1990s and the conservatives of the 2000s, Cem's worldview was a secular one as the references to Atatürk in his speeches and writings demonstrate. Moreover, although Cem was in favor making peace with Turkey's past

and developing closer ties with the Arabs, he saw Turkey as a model for the countries surrounding it – a view that would irritate the Arabs. According to this perspective, Turkey was unique in the Islamic world due to its modern, democratic and secular polity as well as respect for human rights and gender equality (Cem, 2009b, p. 343). In a speech he delivered to EU Ministers in Brussels in 1999, Cem (2009b, p. 354) argued that Turkey enjoyed "the privilege of constituting a paradigm of modernization" and was a "centre of attraction for huge masses of people, all over the world, who aspire to democracy and modernization". The program of the coalition government formed under the leadership of DLP with the Nationalists and the center-right Motherland Party made specific reference to Turkey's Eurasian identity and placed Turkey at the heart of "Eurasianization" in world politics – the development of increased ties between Europe and Asia, taking place in the Balkans, the Caucasus, Central Asia, Black Sea, the Mediterranean, and the Middle East. So, in the national identity conception of Cem and the social democrats, although relations with the Middle East and the Islamic World were promoted, they were evaluated within the framework of Turkey as a "model" in Eurasia. In this conception, Turkey's rapprochement with the Middle East could take place only in so far as the Arab countries' accepted Turkey as a secular, democratic model. As I explore in Chapter 6, the social democrats' proposition of closer ties with the Middle East was very different from that of the JDP's conservatives in terms of its content and the roles it attributed to Turkey.

Despite its ambitious foreign policy vision, the coalition government led by DLP could not take big steps in changing the direction of Turkey's political and economic relations with its neighbors. One fundamental development was becoming a candidate member state at the European Union's Helsinki Summit in December 1999. In 2001, Turkey went through a severe financial crisis, which would shake the entire political life and led to the weakening of the True Party, the Motherland Party, and the Democratic Left Party – the three parties that had dominated Turkish politics in the 1990s (Cizre & Yeldan, 2005). In conclusion, there was contestation over Turkey's identity as exemplified by the challenges put forward by the Islamists and the social democrats. In official documents and in speeches and articles of Turkish decision makers, Turkish national identity was often debated with reference to its ties with Turkic republics, European Union and its Middle Eastern neighbors and the wider Islamic world. However, neither the Islamists nor the social democrats were able to translate their preferences into practice, because they could not consolidate their power. While the Turkish military curbed

the influence of the democratically elected Welfare Party significantly, the financial crisis of 2001 damaged the legitimacy of the social democrats to the extent that they would never recover again. Thus, the traditional conception of Turkish foreign policy as rooted in Kemalism persisted despite these challenges. However, a new component of Turkish national identity was rapidly integrated into existing national identity conceptions by all segments of Turkish politics in the 1990s: the idea of a 'Turkic world'. The next section discusses this development.

The Reemergence of Turkey's Turkic identity in the post-Cold War Era[37]

Following the collapse of the Soviet Union, Turkish political elites from various ideological backgrounds and with different national identity conceptions rallied around a unifying idea: that Turkey belonged to a wider "Turkic World". The idea of the "Turkic World" corresponds to the belief in cultural, societal, economic and political unity among the Turkic-speaking peoples of Eurasia. Five of the newly-independent post-Soviet republics in the Caucasus and Central Asia were Turkic-speaking; Azerbaijan, Kazakhstan, Kyrgyzstan, Turkmenistan and Uzbekistan. Pan-Turkist non-governmental organizations, which had been regarded as dissidents since the early 1940s, were the driving force behind this realization. Two factors were influential in helping pan-Turkist/nationalist NGOs to shape the national identity debates at home and influence Turkey's foreign policy and foreign economic interests. First, relieved from Cold War pressures, Ankara sought to re-orient its foreign policy to attain regional power status. Second, the 'official' civic Turkish identity was challenged by the outlawed PKK and by increasing calls for the recognition of minority rights (Aktürk, 2011). Turkish political elites, foreign policy circles and the Turkish military had traditionally distanced themselves from pan-Turkic nationalism, although the idea that Turkey belonged to a wider Turkic-speaking world was influential in the formation of the Turkish republic in the 1920s (Landau, 1995; Yeğen, 2005).

After the idea's re-emergence in Turkish politics, Turkish decision-makers, especially Presidents Özal and Demirel, quickly embraced the policy proposals of nationalist NGOs and put them into practice. In the opening speech of the first Turkic Summit of 1992 that brought together the leaders of Azerbaijan and Central Asian Turkic states, Turkish president Özal

[37] This section is based on my forthcoming article on the influence of the idea of the "Turkic World" on Turkish foreign policy; see Köstem (2016).

argued, "the 21st century will belong to Turks" (Sarioglu, 1992). Ankara became the first country to recognize the independence of post-Soviet Turkic states and soon offered administrative and financial aid to these countries. Also, Turkish foreign policy bureaucracy was restructured and a new foreign aid organization – Turkish International Cooperation Agency (TIKA) – was established to respond to the newly emerging reality.[38] TIKA has funded thousands of development projects so far, concentrating mostly on Central Asia and Azerbaijan. However, TIKA has also offered official development assistance to Turkish minorities of Balkan countries such as Macedonia and Bulgaria, the Gagauz of Moldova and Crimean Tatars of Ukraine. Finally, Turkish foreign policy incorporated the goal of supporting the post-Soviet Turkic-speaking states in international platforms. Thanks to Turkey's support, for example, Kazakhstan and Azerbaijan became members of the OSCE and the European Council as well as NATO's Partnership for Peace Program.

Traditionally embraced only by the far-right Nationalist Action Party, the belief in closer cooperation among Turkic peoples entered many official documents of the 1990s. With only one exception[39], every post-Cold War government program has included a reference to relations with Central Asia and the Caucasus. The program of the Erbakan government[40], in which the Islamist Welfare Party was the leading partner, had three paragraphs on relations with the "Turkic Republics" and ranked relations with those countries as highly as relations with Europe, the Balkans, and other Muslim countries. The Ecevit government[41] in which the social democratic DLP was the main coalition partner, was the first to touch upon "Turkic and relative communities that live in different countries".[42] Erbakan's and Ecevit's government programs were especially important because the leaders came from two different political traditions – political Islam and democratic left – that had both dismissed pan-Turkism during the Cold War. Moreover, all mainstream political parties, including the Westernist Republican People's Party, the Nationalist Action Party, and most recently the Justice and Development Party have devoted a section to Turkey's relations with the post-Soviet Turkic states and Turkish/Turkic minorities

[38] See Ipek (2015) for analysis of the changing geographic priorities of TIKA.
[39] The program of the 52nd government, the third Çiller government, 30 October 1995 – 6 March 1996.
[40] 28 June 1996 – 30 June 1997.
[41] 11 January 1999 – 28 May 1999.
[42] Government programs are accessible from the official website of the Turkish Parliament; see Türkiye Büyük Millet Meclisi (2016).

living in the Balkans, Iraq, the Caucasus, Moldova, Ukraine, and Russia (see Köstem, 2016 for greater detail).

Consequently, during a period when Turkey's national identity was the subject of fierce contestation, ideologically compatible Turkish-decision makers in the 1990s rapidly adopted the idea of the "Turkic World" promoted by non-state actors, so much so that the concept came to acquire a "taken for granted" status among the Turkish political elite (Finnemore & Sikkink 1998; Risse & Sikkink 1999). Now, in the words of President Süleyman Demirel, Turkey was defined as part of the "Turkic World"; "a geographic area that ranged from the Adriatic Sea to the Chinese Wall" (Turkish Daily News, 1998).

Turkish Foreign Economic Strategy in the 1990s: Integration with the European Union and the Post-Soviet Space

Turkey's Journey into the Western Civilization: The Customs Union with the EU

With the transformation of Turkey's economy, becoming a member of the European Customs Union became Turkey's main foreign economic goal. Turkey's search for membership in the European Economic Community dates back to the 1963 EU-Turkey Association Agreement (the Ankara Agreement). In 1987, during the Özal government, Turkey applied for full membership into the European Community (EC). In return, the EC wanted Turkey to implement certain political reforms to improve its record on human rights and democracy, and make the necessary economic adjustments to join its Customs Union. This refusal by the EU, along with the end of the Cold War, pushed Turkish decision-makers to search for new political and economic partners in the broader Eurasian area, a topic that I will touch upon below.

Turkey signed a free trade accord with European Free Trade Association (EFTA) in December 1991, which was meant to be a stepping-stone towards joining the Customs Union, and, eventually, the European Community**.** The deadlock caused by the Greek veto against Turkey's entry was overcome in March 1995, and Turkey reached its goal on January 1st of 1996, as the Customs Union treaty entered into effect. Turkey liberalized its trade vis-à-vis other member countries, and accepted the common external European tariff policy towards third countries. As part of the Customs Union agreement, Turkey reduced its 10.22 percent nominal tariff rate with EU members to 1.4 percent, and its overall rate against third parties came down to

6.92 percent (Eder, 2003, p. 215). As a result, Turkey became the first country that was a party to the Customs Union, but not a member of the European Union (Müftüler, 1995).

Traditionally, European Union countries were the main destination of Turkish exports and the agreement thus enabled Turkish exporters to reach out to European markets in an easier way. Acceding to the EU's Customs Union would also enable Turkey to sign preferential trade agreements with the partners of the EU, and open up new markets for Turkish exports. Moreover, closer economic relations with Europe were expected to bring technological innovation for Turkish industrialists. Some even argued that neoliberal economic reforms in Turkey in the 1980s, and the subsequent economic and financial liberalization, were direct outcomes of Turkey's desire to join the European Community. As the European Union was moving towards economic and monetary union, remaining outside would damage Turkey's foreign trade significantly (Müftüler, 1995, p. 86). According to the same view, the fact that 80% of all trade liberalization measures applied to imports from EC member countries indicated that the main reason behind Turkey's economic transformation was its aim to integrate with Europe (Ibid, p. 93). Mainstream Turkish political parties and the Istanbul-based Turkish business groups, represented by TÜSIAD, were supportive of the Customs Union agreement (Eder, 2003). However, according to Bozdaglioglu (2003, pp. 79-80), potential economic disadvantages of the Customs Union with the EU were little debated, whereas its advantages were strongly emphasized among the Turkish bureaucracy and policy-makers. First, although Turkey agreed to the European Union's common external tariff policy, it would have no say in actual European Union trade policy. This was a direct outcome of the nature of the agreement: Turkey was not an EU member state, and hence was excluded from the decision-making bodies of the Union. As a result, it became impossible for Turkey to seek preferential trade agreements (PTAs) with states with which the EU did not have PTAs, confining Turkey's main trading partners to European Union member states.

According to Öniş (1995, p. 68), a pure customs union agreement with no eventual membership limited Turkey's economic choices and growing economic potential in the Black Sea region, Central Asia and the Middle East. Second, the Customs Union exacerbated Turkey's acute problem of increasing trade deficit (Bozdaglioglu, 2003, p. 79). Third, Greece continued to block the flow of financial and economic aid to Turkey because of the historically rooted and ongoing hostilities between the two neighbors. Finally, as a result of the ongoing economic and

political instability in Turkey, the EU was hesitant to deliver on its own promises, accusing Turkey of failing to reform its economy (Eder, 2003, pp. 216-217).[43] In an interview with the Wall Street Journal (1995a), Öniş argued that Turkey could have negotiated a free trade agreement with the EU similar to the one between Mexico and the US within the framework of NAFTA. This, according to Öniş, would have given Turkey a free hand in shaping its foreign economic policies the way it wanted because it would not have to apply the European tariffs and barriers to the Middle Eastern, Black Sea and Central Asian countries. According to this view, a free trade deal that was looser in content than the Customs Union membership would have offered Turkey the full benefits of import competition while at the same maintaining opportunities with non-EU countries.

The Customs Union, from an economic point of view, was thought to be a profitable enterprise for Turkey in the long run although it was associated with short run costs. According to the estimates of Harrison, Rutherford & Tarr (1997, p. 867) the loss of tariff revenue due to liberalization of trade with EU countries would be equal to 1.4% of Turkey's GDP. But, the same study found that the reduction of tariffs with EU countries and EU's PTA partners would add 1.5% of growth to Turkish economy after the requirements of the treaty were fully implemented. Turkey's trade with the EU has increased almost fourfold from $36.8 billion in 1996 to $142.7 billion in 2015.[44] As a recent report of the World Bank (2012) demonstrates, the Customs Union has also strengthened the level of integration at the production level especially in automobiles and clothing sectors. From 1996 to 2010, intra-industry trade between Turkey and the EU grew from 30% to 50% (Ibid, p. 9). Finally, the Customs Union has helped Turkish firms to enhance their technological capacity, as they have had to face competition with European firms. The same report has also found that the share of medium-technology products such as automobiles, iron and steel products, and textiles in Turkey's foreign trade has increased from 20% in 1996 to 32% in 2010 (Ibid, p. 10).

However, political debates in Turkey over the signing of the Customs Union were concentrated not as much on its economic benefits vs. costs as its benefits for Turkey's identity and international standing. A close look at the speeches of Turkish leaders of the period reveal that the Customs Union agreement with the EU was perceived as the extension of Turkey's

[43] For greater detail on the EU's financial aid to Turkey before and in the aftermath of the signing of the Customs Union agreement, see Eder (2003).
[44] Source: Turkish Statistical Institute (2016).

Western identity and as an expression of Turkey's belonging to modern international institutions. Conversely, the Islamist Welfare Party's opposition to it was also ideationally rooted. As I discussed above, WP's Erbakan's opposition to the Customs Union mostly concentrated on the EU's 'Christian values' and how acceding to the Agreement would damage Turks' Islamic identity. Turkey's agreement with the EU to become a part of the Customs Union was welcomed by the mainstream political groups in the country. The agreement was signed by the coalition government of the center-right True Path Party, and the Kemalist Republican People's Party, two Westernizers in the Turkish political system. The main opposition party, the center-right Motherland, was also supportive of the Customs Union agreement. The main reason for broad support for this highly technical economic document was that for Turkey's political elite, the Customs Union with the EU was more than an economic agreement. Its symbolic importance was highly salient as it was an important step towards Turkey's historic goal of being a part of the modern European family of states. In Prime Minister Çiller's words, sealing the customs union was "more than a simple question of economics" for Turkey (Couturier, 1995). With the entry into force of the agreement and Turkey's subsequent economic transformation, "Western values" would strengthen in Turkey. What is more interesting is that, closing the door to Turkey, Çiller argued, would push the country towards the fundamentalist camp in a region of geopolitical risks and instability (Ibid). After a meeting with her counterpart John Major in London in November 1995, Çiller argued that not letting Turkey into the European Customs Union would be counterproductive for Turkey's democratization (Agence France Presse, 1995b). Çiller was therefore signaling to European leaders that Turkey's historically shaped modern Western identity was at stake. According to Çarkoglu, Eder, and Kirisci (1998, p. 214), because Turkey's Customs Union membership was a matter of being civilized and European, the agreement was perceived in the media and political circles as an "exclusionary" one, which would help Turkey ignore its Middle Eastern ties and instead focus on being European only. Çiller's worry that a Turkey outside the Customs Union would be pushed to the fundamentalist camp emanated from two sources: the rise of the political Islamist Welfare Party in Turkish politics and Turkey's traditional perception of its Middle Eastern neighborhood as a region of security problems, instability and economic backwardness.

In Search for New Markets beyond Europe: Turkey's Regional Cooperation Projects

As the Cold War was ending, Turkey as a regional power was finding new opportunities in its neighborhood. Five of the newly independent states emerging from the Soviet Union were of Turkic origin with ethno-linguistic ties to Turkey. Moreover, multiple adjacent regions, including the Balkans, the Caucasus and the Middle East, represented opportunities for economic cooperation in addition to security challenges. In such a changing international systemic and regional atmosphere, Özal, Çiller, Demirel and many other prominent leaders in Turkey tried to combine Turkey's traditional strategy of integration with Europe with a search for new economic and political cooperation projects. For Turkish leaders, there was no choice but compete economically in the globalizing world. According to Süleyman Demirel, Turkey's veteran liberal right wing leader, the end of the Cold War and the process of globalization were calling for "closer cooperation and even integration within and beyond Eurasia" (Demirel, 2005). Similarly, Minister of Foreign Affairs Tansu Çiller (1996), who came from the same political tradition as Demirel, wrote that Turkey considered "economic interdependence as the best recipe for international peace and stability" and aimed "to foster economic interdependence among the countries in its periphery".[45] According to Çiller, the Balkans and the Caucasus were Turkey's gateways to Europe and Asia respectively. In Çiller's view, Turkey could "tap the full potential for trade and other economic links with all countries in these regions" (Ibid) thanks to its historical and cultural ties with these two regions as well as Central Asia. It was in this context that Turkey initiated economic integration in Eurasia through the Black Sea Economic Cooperation Organization (BSEC) and the Economic Cooperation Organization (ECO). Turkey also started offering financial and economic aid to Azerbaijan and other fellow Turkic countries in Central Asia, in addition to supporting their economic transformation through various bureaucratic channels.

The first grand economic integration project that Turkey initiated was The Black Sea Economic Cooperation Organization (BSEC), which was established in 1992. Comprised of eleven member states (Turkey, the Russian Federation, Greece, Romania, Azerbaijan, Armenia, Georgia, Bulgaria, Albania, Moldova and Ukraine), BSEC aimed to foster trade liberalization and private sector cooperation among the member states. The idea dated back to the late 1980s as

[45] In 1996, when she wrote this article, Tansu Çiller was still the head of the center right True Path Party, and minister of foreign affairs and deputy prime minister in the coalition government formed by the center right Motherland and True Path Parties after the March 1996 elections.

president Özal, having been rejected by the European Community as a candidate for membership, was searching for alternative markets for Turkish businessmen. The ambitious goals of the organization were not only to establish a regional integration scheme, but also to end conflict in the broader Black Sea region. Turkey's activism in the establishment of BSEC exemplifies the excitement about a new emerging Eurasian or post-Soviet space. According to a former Turkish diplomat writing similarly in *Perceptions*, "in an interdependent world economic system, regionalisation is seen as an agent of integration and globalisation as well as a lever for transformation from guided economic systems to market economies. It is an instrument of liberalisation" (Özer, 1997). From this point of view – which clearly resembled the core argument of regionalization studies in social sciences – BSEC was served to develop trade ties among the Black Sea states and to stabilize the region, which was suffering from multiple conflicts such as Transdniestria, Nagorno-Karabakh, and Abkhazia. In addition to trade liberalization, Turkey also aimed to establish a Black Sea development bank to foster bilateral and multilateral investment projects and enhance private sector partnerships among member states (Öniş, 1995, p. 58). This goal was realized in 1997 with the foundation of the Black Sea Trade and Development Bank with headquarters in Thessaloniki, Greece.

Throughout the 1990s, BSEC's annual meetings were highly prestigious with regional leaders such as Yeltsin, Aliyev, Ter-Petrosyan, Kuchma and Shevardnadze attending. In Çiller's (1996) words, BSEC was "consciously designed to link the member states to the wider European market". In her address to the Turkish Grand National Assembly in 1993, Çiller mentioned BSEC and ECO as two regional cooperation mechanisms with which Turkey sought to intensify relations, alongside increased cooperation with the European Community (BBC, 1993). Turkish politicians often emphasized the "natural complementarity" of economic structures between Turkey and other Black Sea states, especially Russia (WSJE, 1995b). In particular, Turkish politicians and businessmen thought that the organization would trigger the opportunity for the "rapid expansion of trade and investment" as Turkey had a strong "consumer industry and dynamic construction sector", but lacked energy resources (Ibid). BSEC, in Turkish leaders' view, would open up a wide region consisting of close to 400 million people to Turkish goods. Ankara was determined to promote BSEC, despite the presence of serious economic problems and constraints in all member states standing in the way of further integration such as the shortage of finances and structural economic problems in all member states (Öniş, 1995, p. 59).

According to Öniş (1995), a leading scholar of IR and IPE in Turkey, post-Soviet Central Asia offered Turkey a second chance in addition to the opportunities offered by the Black Sea region. With its diversified and rapidly growing economy, Turkey could take the lead in establishing business networks among post-Soviet states and help them in building their economic structures. With this goal, Turkey undertook a leading role in incorporating the Turkic and Muslim countries of the post-Soviet space, as well as Afghanistan, into the Economic Cooperation Organization (ECO) – a regional cooperation mechanism established among Turkey, Iran and Pakistan in 1985. In order to establish trade and investment ties, hundreds of businessmen accompanied Turkish prime ministers and presidents during official visits to Turkic capitals in the early 1990s. Confident in the fast-growing industrial capacity and dynamism of its exporters, Ankara held the belief that Turkey's private sector capacity and liberalizing economy would set an example for its BSEC and ECO partners to transform accordingly. As a result, Turkey would become the "model" of economic cooperation in Eurasia and become ever wealthier and politically stronger (Köstem, 2016).

Soon after the organization's foundation, it became clear that it was impossible to achieve profound regional integration (such as the establishment of a multilateral free trade zone) among these eleven countries with their different economic structures and institutional legacies. Especially post-Soviet members of BSEC would refrain from signing binding documents and would prefer to see the organization as an annual opportunity to meet regional leaders (Aral, 2002). When the prospects of EU membership were revitalized after the 1999 Helsinki Summit, and EU membership became the main foreign policy goal of other BSEC members as well, the organization's role transformed. Where it was initially intended to be a form of regional integration in and of itself, it now became a mechanism with a final goal of integration into the EU. Further economic integration was also impeded by the lack of trust between Turkey and Greece as well as between Armenia and Azerbaijan. The organization gained international legal status after its members adopted a charter in Yalta in 1998; all members ratified the charter by May 1, 1999 (Aral, 2002). However, the emphasis was on the signatories' commitment to integrate with the EU and on prospects for partnerships with other sets of countries. In 2000, the organization's secretary general, Georgian diplomat Chechelashvili, stated that the region would become "an integral part of the common European architecture" (Dobra-Manco, 2000).

Meanwhile, although Middle Eastern and North African markets were gaining significance in Turkey's foreign trade throughout the 1980s as well, Ankara developed no projects aiming at regional integration with its Arab neighborhood. Although complementary economic structures characterized Turkish and Middle Eastern markets, this economic fact did not factor into Turkish politicians' calculations. Why was this the case? Why did Turkey, in an effort to counter the European Community's exclusionary policies towards Turkey, search for new markets mainly in the Black Sea region and Central Asia? The answer, I argue, again lies in the prevalent national identity conceptions of Turkish ruling elites. For Turkey's political establishment, the end of the Cold War indicated that their country belonged to a wider region. Turkey, in this identity conception, which is the most salient in President Demirel's speeches, stood right at the center of Eurasia – a vast region in which the Turks, other Turkic peoples, and many other nations and ethnic groups lived together. With its secular, democratic political structure, and its Eurasian identity, Turkey was to play the role of a model for economic and political transformation in the Black Sea region and the post-Soviet space and act as a bridge between civilizations (Demirel, 2005).

In sum, although it was natural for Turkey to increase its economic activities in the surrounding regions, new economic integration projects were primarily interpreted as alternatives in case the Customs Union projects failed. What is more interesting was the fact that Turkey's new Eurasian identity, or the bridge role between Europe and Asia, were used to legitimize Turkey's regional integration projects. As Turkey's hopes of EU membership were revitalized by its accession into the Customs Union in 1996 and the Helsinki Summit of 1999, its European and Western identity reemerged. As a result, the ambitions of being the integrationist power in the Black Sea region and in the wider Eurasian region that had characterized the discourse of Turkey's Kemalist diplomats and center-right politicians faded away.

Turkey's Economic Relations with the Middle East in the 1990s

While Turkey actively engaged in economic cooperation in the post-Soviet space, in economic terms, it developed no policy to integrate with its southern neighborhood. Instead, it continued to perceive the Middle East through security lenses, although new issues such as the Saddam regime and PKK terrorism now dominated the political agenda. Throughout the 1980s, Turkey maintained its traditional Kemalist non-interventionist approach in the Middle East.

There was, however, a new and substantially different component to Turkey's relations with the Middle East. Turkey's economic transformation made it an industrial powerhouse for small and medium-sized enterprises and products in its neighborhood. Long suffering from a current account deficit and a balance-of-payments problem due its dependence on oil imports, Middle Eastern and North African markets became an important target for Turkish exporters starting in the early 1980s. As a result of a rapid expansion of trade and investment ties, by 1989 a total of 23% of Turkey's exports went to Middle Eastern and North African countries, whereas the imports from these countries accounted for 17% (Çarkoglu et al., 1998, p. 201).

Turkey also relied on its position as a bridge between the Iraqi oil and European consumer markets. Turkey's position as a transporter of Iraqi oil through the Mediterranean through the Kirkuk-Yumurtalik pipeline had acquired greater significance during the Iran-Iraq war as it was becoming riskier to ship oil through the Persian Gulf (Larrabee & Lesser, 2003, p. 134). In order to balance the trade deficits with natural resource-rich countries of the region such as Iraq, Iran, Libya and Saudi Arabia, president Özal pursued a policy based on economic gain. While Turkey mainly exported textiles, agricultural products, as well as iron and steel, its main import items included oil and oil-related products (Çarkoglu et al., 1998, p. 203). In 1989, Iraq was Turkey's eighth largest export partner, with a total exports worth $ 450 million. In the same year, Iraq was Turkey's third largest import partner $ 1.6 billion, most of which were made up of oil (Undersecretariat of Treasury and Foreign Trade, 1990, p. 26). Turkish contractors were also involved in massive construction projects in Libya, Saudi Arabia and Gulf countries.

Throughout the 1980s, these factors made Turkey politically materially oriented and non-interventionist (Robins, 1996). According to Robins (1996, 180), this was an extension of the Kemalist "do nothing" approach towards the Middle East. While Turkey hesitated to intervene in Middle Eastern affairs, it aimed to gain economic benefits through increasing trade and investment. This ended in 1990 when President Özal decided to make Turkey a strategic partner in the US-led Gulf War. Although the war diminished Turkey's trade capacity and constrained future economic projects, Özal actively sided with the US in its efforts to topple Saddam Hussein. According to Larrabee and Lesser (2003), Özal's decision represented a "firm break with the past". This was a signal to Turkey's traditional Western partners that Turkey would side with them no matter what the consequences would be. Moreover, Özal was trying to prove that Turkey's strategic importance was not waning as the Cold War was coming to an end. Turkey's

choice to side with the West during the Gulf War had stark political and economic consequences. The economic outcomes of the war for Turkey would be more than damaging. First, as a direct outcome of the international sanctions imposed upon the Saddam regime, Turkey's total trade with Iraq fell from $ 2.1 billion in 1989 to $ 140 million in 1994. This reduced the share of Middle Eastern and North African exports in Turkey's foreign trade from 23 % to 16 %. Second, Turkey's grand project of transferring Iraqi oil to world markets through its Mediterranean port of Yumurtalik came to a halt as a result of the war. Turkey lost a significant amount of money in pipeline fees and trade revenue (Larrabee & Lesser, 2003, p. 135). According to an estimate of the Turkish Undersecretariat of Foreign Trade and other government bodies, the Gulf War cost Turkey around $ 30 billion (cited in Çarkoglu et al., 1998, p. 200) as Turkey lost its main economic partner in the region. Despite Turkey's active support for the US-led coalition, it was offered no compensation for its economic losses. Politically, the war strengthened the outlawed militant group Kurdistan Workers' Party (PKK) in Northern Iraq thanks to the no-fly zone established by the allies. The Gulf War example indicates that Turkey would choose to side with "the West" in the goal and effort to topple Saddam at the expense of its economic and security interests.

Although its trade and investment in the Middle East and North Africa intensified in the 1990s, Israel emerged as the major country with which Ankara sought to sign a free trade agreement. While Turkey did not pursue any regionalization projects with its Arab neighbors, Israel became Turkey's main economic partner in the Middle East in the mid-1990s. Turkey and Israel signed a free trade agreement in March 1996, which was ratified by the Turkish parliament immediately and entered into effect in May 1997. After entering the EU Customs Union in 1996, Turkey sought to develop further relations with Israel, an FTA signatory with the EU. The Customs Union Agreement included a priority list of countries with which Turkey was willing to sign preferential trade agreements. The list included several MENA countries such as Morocco, Tunisia and Egypt alongside Israel (Çarkoglu et al., 1998, p. 213). However, Israel immediately arose as Turkey's top option to pursue an FTA with.

According to Robins (1996), Israel emerged as a natural ally for Turkey in the post-Cold War era. The fundamental reason, in Robins' view, was that Turkish political elite perceived Israel as the only country in Turkey's southern neighborhood with a sound political system and a political culture close to Turkey's (Ibid, p. 182). The cooperation with Israel provoked growing

skepticism of Turkey amongst most Arab nations, but in particular in Syria and Lebanon (Ibid, p. 183). Similarly, as Jung (2005, pp. 10-11) reported, public opinion in Egypt, Lebanon and Syria reacted strongly against Turkey's defense and free trade agreements with Israel, perceiving them as serving Israeli and American interests in the region with the help of Turkey. This is in part because the Turkey-Israel free trade agreement ran parallel to a defense cooperation agreement signed the same year. This military agreement, perceived by Arab leaders such as Mubarak and Assad as a counter-balancing alliance against the Arab regimes of the region, helped the Turkish military to enhance its technological capacity, to acquire new equipment, but most importantly: to consolidate the alliance between the two Western-oriented states in the Middle East.

Conclusion

In this chapter, I have presented the debates over Turkey's national identity and its economic integration projects in the aftermath of the Cold War. With a liberalizing economy and growing GDP, Turkey emerged as a regional power in multiple regions including the Balkans, the Caucasus and the Middle East in the post-Cold War era. In terms of regional economic integration, its foreign economic strategy concentrated on accessing the Customs Union of the European Union. As its relations with Europe grew tense in the late 1980s and early 1990s, Turkey endeavored to form alternative economic integration projects, the primary examples of which included the Black Sea Economic Cooperation Organization and the Economic Cooperation Organization. Also, various Turkish governments of the 1990s pursued the common goal of intensifying Turkey's economic influence in post-Soviet Turkic Eurasia. At the same time, however, Turkey did not pursue economic integration schemes with countries such as Syria, Iraq, Lebanon, Jordan and Egypt in spite of intensive economic ties with those countries. It is remarkable that the "natural complementarity" of the Turkish economy and the economies of the countries of the Black Sea region and Central Asian Turkic states was stressed by Turkish policy makers in explaining the material logic behind Turkey's regional integration initiatives. This same feature was never emphasized in connection with Turkey and its Middle Eastern neighborhood, although that relation was characterized by economic complementarity just as much.

I have argued that the direction of Turkey's foreign economic policies in this period was determined by the prevalent Kemalist and Western identity conception according to which

Turkey's main target was to become a part of the family of modern, European states. A new element of this identity conception, which saw Turkey as part and potential leader of the broader community of Turkic-speaking peoples, was also rapidly internalized by Turkish political elites. Although these alternative economic projects came at times when Turkey's political ties with Europe weakened, they were still shaped by a Westernizing national identity conception. Turkey's international identity was conceptualized as "Eurasian" by actors such as Özal, Demirel, and Cem, and BSEC and ECO grew less important after Turkey joined the Customs Union in 1996 and became a candidate for EU membership in 1999. While the Islamists led by the Welfare Party won the general elections of 1996, their foreign economic priorities were never put into practice, as they could not consolidate political power. The reason that the Middle East never factored into Turkey's regional integration projects in the 1990s was not that other regions – the Black Sea and Central Asia – offered greater prospects for regionalization. It was rather because Turkish political elites defined the Middle East as a region of insecurity and instability. While Turkey was quite coercive in its security policies, it was economically detached from the region as a regional power. In the first decade of the post-Cold War era, Turkey with its secular and democratic political structure belonged not to the Middle East, but to Europe, or alternatively Eurasia. But starting in 2002, Turkey's former Islamists, the new conservative democratic party JDP, strongly criticized the security-oriented policies of the Kemalist and Westernist political elites towards the Middle East. The next chapter explores this shift in Turkish foreign economic policy.

CHAPTER 4

The Rise of the Justice and Development Party: Turkey's Shifting Economic Priorities and the Making of a Liberal Regional Power

> You see here (in Syria) our businessmen can speak without any problems. The situation in Iraq, Iran and Greece is the same. We must never forget in this region that we are the grandsons of the Ottoman Empire. We have respect and love here, because we lived together in the past...This constitutes a convenient commercial platform, we must use it.[46]
>
> Kürşat Tüzmen, Minister of State Responsible for Foreign Trade
> 2 February 2003

> None of the borders of Turkey are natural…Almost all of them are artificial. Of course we have to respect them as nation-states, but at the same time we have to understand that there are natural continuities. That is the way it has been for centuries.[47]
>
> Ahmet Davutoğlu, Minister of Foreign Affairs
> 29 May 2011

Introduction

Justice and Development Party (JDP) rose to power after the general elections of November 2002, which gave it the majority of the seats in the parliament. JDP years would mark the reorientation of Turkey's foreign economic policies in favor of expanding to new markets in order to balance the country's EU-dependent foreign trade. In stark contrast to the 1990s, Turkey under consecutive JDP governments searched for close economic cooperation with its southern neighborhood. And in contrast to Russia, Turkey was a liberal economic leader in the Middle East. In this chapter, I present an overview of the shift in the direction of Turkey's foreign economic policies with the rise to power of JDP. Through an analysis of its widening network of free trade agreements and initiative to form the Levant Zone – a multilateral free trade zone among Turkey, Syria, Jordan and Lebanon, I show that Turkey chose to become a liberal

[46] Anadolu Agency (2003)
[47] Cited in Shadid (2011)

economic leader in the region. As I explored in Chapter 2, there has been a proliferation of academic studies on Turkish foreign policy and Turkey's relations with the Middle East in the past decade or so (see for example Oğuzlu, 2008; Onis and Yilmaz, 2009; Tür, 2011). Yet, little has been done to systematically uncover the ideational factors behind Turkey's search for new markets in the Middle East. The existing literature falls short of explaining the dramatic shift of Turkey's economic priorities with the rise to power of its conservatives. Also, from a comparative perspective, no study has so far investigated why Turkey has chosen to become a liberal economic leader in its region. What needs scrutiny is two questions: a) why did Turkey under the rule of JDP concentrate its efforts of economic integration with the Middle East, instead of other regions?, b) why did Davutoğlu propose that Turkey's relations with its neighbors have to be changed towards a more compromising, peaceful strategy?

I argue that it was due mainly to the conservative national identity conception of the ruling JDP's political elite that Turkey embraced a leadership role in the Middle East and tried to perform this role in a liberal way. In the making of JDP's liberal regional leadership strategy, its foreign policy elite's conceptions of Turkey's roles and purposes in the Middle East was of particular importance. I argue that JDP has tried to formulate a leadership strategy that was in stark contrast to the previously prevalent Kemalist/Westernizing national identity conception, which viewed the Middle East from a security-oriented perspective in the 1990s.[48] The contestation over the content of Turkey's national identity has constituted its foreign economic interests. At first glance, Turkey's integration with the Middle Eastern markets would look only look like a rational strategy, which followed Turkey's need for new markets. Moreover, as I examined in the introduction, regionalism has been a global trend, and regional integration mechanisms such as NAFTA, ASEAN, Mercosur and the West African Union offer proofs that closer economic ties among neighbors have a welfare-creating effect with spillover influences over various economic sectors. However, what needs to be explained in the Turkish case is the rapid shift in the definition of foreign economic interests with the rise to power of JDP. Why did Turkey suddenly embark on a campaign to increase its economic capacity in the Middle East, while in the 1990s the main export markets of Turkey were the EU, Black Sea and Post-Soviet countries? In addition, the current literature fails to explain why Turkey chose to become a

[48] For a recent study on Turkish foreign policy identities and domestic contestation over national identity shapes foreign policy discourses see Hintz (2015).

"trading state" (Kirisci, 2009 & Kirisci & Kaptanoglu, 2011) with the rise to power of the JDP, whereas its economic growth strategy was similarly built on the export-oriented growth strategy in the 1990s. We need to have an explanation that goes beyond stating the obvious – that it was thanks to the coming to power of JDP that Turkey intensified its ties with its southern neighborhood. Moreover, current Prime Minister Davutoğlu's "zero problems with neighbors" doctrine did not come about in a vacuum – this chapter demonstrates why Davutoğlu proposed peaceful relations for Turkey in the Middle East as opposed to Ambassador Elekdağ, who would write in 1996 that Turkey should be ready for wars in two and a half fronts.

JDP's Conservative National Identity Conception: Turkey as an Order-Establisher and Peace-Provider Central Country in the Middle East

In this section, I examine the ideational roots of Turkey's foreign economic strategy in its neighborhood. I will show that the JDP's foreign policy elites had long advocated a stronger political and economic role for Turkey in the Middle East due their conceptions of Turkey's national identity. JDP has had a hierarchical perception of the Middle East, in which Turkey was a central country due to historical legacy of the Ottoman Empire. This entailed a leadership role for Turkey as an "order-providing country", in which economic tools were of key significance. Yet, it was also this identity conception that led JDP towards pursuing a liberal leadership strategy. I will show that this was because JDP purposefully pursued policies that were in stark contrast to the identity conceptions and regional policies of the previous ruling elites.

JDP's main figures all started their political careers within the ranks of the Islamist Welfare Party. As I examined in Chapter 4, Turkey's Islamists had been advocating closer ties with the Muslim world since the early years of the Cold War. They were also highly critical of Turkey's Westernizers for alienating Turks from their historical civilizational identity. While the current President Recep Tayyip Erdoğan was the mayor of Istanbul in the early 1990s, former President Abdullah Gül and current Deputy Prime Minister Bülent Arınç were both members of parliament. These three had taken the lead in forming a "reformist" group within the Islamist Virtue Party, which was founded in December 1997 after its predecessor Welfare Party was shut down by the Turkish Constitutional Court due to its anti-secular and anti-regime political activities. The Virtue Party would share the same fate with its predecessor as the Constitutional Court found in 2001 that the former was an anti-secular, and therefore anti-constitutional

political party as well. Moreover, Erdoğan, who would soon emerge as Turkey's strongest politician, was sent to prison because of the content of a poem he had read in a public meeting in December 1997. He served four months in 1999 and was banned from running for office until 2003. While Turkey's Islamist would immediately establish the Felicity Party in the summer of 2001 after the Virtue Party was banned, the reformist group within the party would establish the Justice and Development Party (JDP) in 2001 under the leadership of Erdoğan.

The new JDP would no more follow an Islamist political agenda unlike its predecessors, but would rather identify itself as a "conservative democratic" party, bearing resemblance to the Christian Democratic tradition in Western European countries (Akdoğan, 2006; Erdoğan, 2006). As Turkey experienced a destructive financial crisis in 2001, its leading political parties including the center-right Motherland Party and the True Path Party, and the left-wing Democratic Left Party rapidly lost popularity and public support (Cizre & Yeldan, 2005). After the JDP gathered 34 % of the votes in the general elections of November 2002, it won the majority of the seats at the Turkish Grand National Assembly and formed a one-party government, thereby giving an end to the era of coalition governments in Turkish politics.

Unlike Islamist leader Erbakan's proposals for greater cooperation with Islamic countries such as Indonesia, Pakistan and Nigeria, JDP would identify Turkey as a regional power in its own "civilizational basin" (Pınar Bilgin & Bilgiç, 2011; Duran, 2013; Yeşiltaş, 2013). Turkey's current Prime Minister Ahmet Davutoğlu has been the main political actor behind the theoretical and practical transformation in Turkish foreign policy after JDP rose to power in 2002 (Aras & Polat, 2007; Sözen, 2010). As a former Professor of International Relations at Marmara University in Istanbul, Davutoğlu was the chief advisor to Erdoğan (during Erdoğan's terms as Prime Minister) from 2003 to 2009 until he became the Minister of Foreign Affairs. Having long been involved in conservative and Islamist intellectual circles in Istanbul, what brought Davutoğlu academic fame and prestige was his book entitled *Stratejik Derinlik: Türkiye'nin Uluslararası Konumu* (Strategic Depth: Turkey's International Position) that he published in 2001, the year JDP was founded. In this chapter, I mostly focus on Davutoğlu's books and articles, as he has been the key architect behind Erdoğan government's policies in the Middle East.

In *Strategic Depth* Davutoğlu proposed a framework for making Turkey an influential actor in global politics. But, for Turkey to become a powerful global actor, it was imperative to

establish its influence in the Middle East.[49] In Davutoğlu's "strategic depth", the region was of key importance for a deeper Eurasian and Asian strategy (Davutoğlu, 2001). First and foremost, Davutoğlu described Turkey as a "central country" in its proximate continental basin – the so-called Afro-Eurasian continental mass –, which comprised of the Balkans, the Caucasus and the Middle East. Arguing in favor of Turkey as a "central country", Davutoğlu (2004) was criticizing the previous ruling elite's conceptualization of Turkey as a "bridge country". In his conceptualization of Turkey, while "bridge" was a passive entity in between two active actors, "central country" was pro-active and order-providing.[50] Davutoğlu was therefore calling for a paradigmatic change in Turkey's relations with its neighbors with his now renowned 'zero problems with neighbors policy'.[51]

Davutoğlu (2001, p. 118) would propose that Turkey had to consolidate its political, economic and cultural ties towards the goal of forming an "hinterland" in its region. The Middle East, as Turkey's "inevitable hinterland" (Davutoğlu, 2001, p. 137) would get the lion's share in the conceptualization of neighborhood.[52] According to Davutoğlu, Turkey should undertake the role of an order-providing country in the region, the historical roots of which was to be found in the common Ottoman legacy that Turks, Kurds and Arabs share.[53] Under the Ottoman *millet* (nation) system, Muslims constituted one single *millet,* and hence were bounded with the same jurisdiction unlike the Armenian, Greek and Jewish *millets,* which had their own courts. Hence, Ottomans conceptualized nations in religious, and non-ethnic terms. In Turkey's conservative national identity conception, this common history foresaw that Turkey's order-provision should be conducted in a peaceful manner. In other words, Turkey's strategy towards the Middle East should ultimately aim to bring peace to the region. Davutoğlu argues that in establishing Turkey's influence in the Middle East, political, economic and cultural tools would be equally important. Yet, he pays particular attention to economic interdependence and regional integration

[49] That is why scholars such Lisel Hintz has called JDP and Erdogan as "Ottoman Islamists"; see Hintz (2015).
[50] For a detailed analysis on the "bridge country" conceptualization of the 1990s, see Yanik (2009)
[51] For a detailed analysis, see Davutoğlu (2008)
[52] I should note here that the chapter on Turkey's relations with the Middle East is the longest chapter in Davutoğlu's 600 page-long book. The book covers a theoretical introduction, a chapter on evaluating history for re-crafting a grand strategy for Turkey and several empirical chapters on Turkey's relations with the EU, the US, Balkans, Caucasus, Central Asia, the Middle East, Black Sea region, etc. While for example, his chapter on the Caucasus covers 50 pages, his chapter on the Middle East is 120 page long.
[53] Alongside many other words to conceptualize the region, Davutoğlu particularly uses the Turkish word *"bakiye"* to denote the common past among peoples of the region. *Bakiye*, in the context, can be translated as "remnants" or "balance".

as Turkey's ultimate purposes; economic tools would reinforce Turkey's role as an order provider and peace-establisher in the Middle East.

Why did the conservatives, despite the "central country" role that they had ascribed to Turkey, propose to implement this hierarchical vision through a liberal strategy? I argue that the answer lies in the domestic contestation over Turkey's historical relations with the Middle East. For Turkey's former Islamists and new conservative democrats, proposing a stronger role for Turkey in the Muslim Middle East was the outcome of a historically-shaped debate over Turkey's civilizational belonging. As I examined in Chapter 3, the origins of this contestation dated back to the late 19th and early 20th centuries. In contrast to Turkey's Kemalists as well as the pro-European center-right and center-left political elite, JDP would locate Turkey within the Islamic civilization, but with a specific focus on the former territories of the Ottoman Empire. JDP's conservative identity conception has perceived the Middle East and peoples of the region as "brothers" that Turkey had long been alienated from equally by the colonialist powers such as Britain and France, and Turkey's secular Republican elite who had perceived the region as conflict-prone and inherently backwards. Conservatives have criticized the Westernizers and Kemalists for having fruitlessly tried to re-orient Turkey's civilization. As explained in detail by Ibrahim Kalın, conservatives criticized Kemalists for conceptualizing civilization as universal and belonging to entire humanity, which disregarded the Islamic civilization – the very basis of Turkey's historical and geographic existence (Kalın, 2012, 2013). According to Kalın, a professor of philosophy, who is currently the spokesperson of President Erdoğan, Turkey's Westernist elites became "aliens" to their own nation and national values by embracing pure 'Westernization' instead of 'modernization'.[54] Kalın (2013) accuses Westernizers for adapting what he calls "vulgar modernization" and damaging Turkish society's traditional values. Alienation is a process in which Turkish elites have turned their backs to Turkey's Self by pretending to embrace a different civilizational identity. In the end, they could neither become westernized – because it was philosophically and practically impossible – nor preserve the Turkish identity (Meriç 2006, pp. 25-26; Kalin 2013).[55]

[54] Ibrahim Kalın is another prominent figure behind JDP's policies towards the Middle East. A professor of Philosophy, Kalın is now spokesperson of President Erdoğan. Previously he was the director of the pro-government think tank SETA, deputy undersecretary of prime ministry and chief advisor to Erdoğan, when the latter was elected Turkey's 12th president.

[55] Cemil Meriç (1916-1987) was a conservative sociologist, who wrote numerous volumes on issues such as culture, identity, civilization and Turkish intellectuals. Ibrahim Kalin refers to Meriç's views on the Westernizers frequently.

Equally importantly, Turkey's Westernizing elites had for a long time chosen to stay out of Middle Eastern affairs. When they were involved in the region, this involvement was of a security-oriented nature, which saw almost no prospects for deep economic and political cooperation. As a result of this domestic contestation over what the Middle East meant for Turkish national identity, JDP's conservative foreign policy elites have designed a peaceful role for Turkey in the region. The Middle East was particularly important for Davutoğlu and others in JDP. This was because Turkey was already active in the Balkans, the Caucasus and Central Asia – regions with substantial Muslim populations – in the 1990s. Moreover, no other Muslim people was as essential as the Arabs had been for debates on the content of Turkey's national identity.

Turkey's Identity and Civilizational Belonging: History meets Geography

According to Turkey's current ambassador to Moscow, Ümit Yardım, Turkey's economic relations with the Middle East "could not be explained by simply looking at economic data"[56] because Turkey's ties with the region were different from its relations with Latin America due to the thousand years of common history. Yardım argued that it was impossible to restrict the responsibilities of countries like Turkey – it would in fact be against the flow of history if Turkey casted a role smaller for itself than what it should have been.[57] For Turkey's conservatives, Turkey's Ottoman past is not only a great asset for the country's future regional and global power, but also an inseparable component of Turkish national identity. According to Davutoğlu (1997, p. 97; 2001, there are two static, or non-variable factors in crafting a strategy for Turkey: history and geography. It is these two that constitute the basis of each country's civilizational self-realization or self-conception.[58] Yet, Turkey as an order-establishing country differed from other nation-states. According to Davutoğlu (2001, p. 556; 2002, p. 148), Turkey could conceptually be put under the same analytical category with eight other countries: Britain, France, Germany, Austria-Hungarian Empire, German Empire, Russian Empire, China, Japan and the U.S. These are all countries that had entered the 20th century with "political structures of major scale (empires)". In an interview he gave in 2001, he would argue that what Germany has

[56] Interview with, Ümit Yardım, Ambassador of the Republic of Turkey to the Russian Federation, 16 January 2015, Ankara. Yarım was Turkey's ambassador to the Islamic Republic of Iran when this interview took place.
[57] Interview with Ümit Yardım.
[58] In Turkish: "*medeniyetlerin ben idraki*"

been facing in Eastern Europe, and Japan has been facing in East Asia was similar to what Turkey has been facing in the Middle East (Davutoğlu 2002, p. 148). Therefore, in the identity conception of the conservatives, Turkey could not be compared to any single nation-states that emerged in the 20th century.

Davutoğlu also argued that the Middle East used to be a single region up until the colonialist powers destroyed its geopolitical, geoeconomic and geocultural unity. He thinks that Mesopotamia (roughly today's Iraq) and Levant (roughly today's Syria, Lebanon, Jordan, Israel and Palestine) were parts of the same economic unit together with Turkey's southeastern region. This brings him to the conclusion that there has been a mismatch between physical geography and political geography – which is in fact one of the primary causes of the ongoing tensions in the region. Agreeing on a plan to destroy the Ottoman Empire with the Sykes-Picot Treaty signed secretly between the United Kingdom and France in 1918, colonialist powers had not only divided up this single political, economic and cultural entity, but also paved the way for the dissolution of four century-long peace in the Middle East (Davutoğlu, 2001, pp. 129-142).

According to Turkey's Conservatives, this historical legacy was exactly what Turkey's Westernist Republican elites had ignored. In his words (2001, p. 65), "history can be re-interpreted … by the political authority as an important element of the strategic mindset; but it can neither be changed nor ignored". According to this argument, which is shared by the conservatives and Islamists in Turkey, Turkey's foreign policy elite had accepted the status quo imposed upon them by the U.S. and Europe during the Cold War, and reduced Turkey's foreign policy priorities to its relations with Greece – a country that is no match to Turkey's historical depth. Having already chosen Westernization over modernization, Turkey's ruling elites had turned their backs to their own brethren (Kalin 2012, 2013). Davutoğlu calls this process "*tarihsizleşme*", which can be roughly translated as becoming de-historical. According to this view, the traditional foreign policy elite had completely rejected Turkey's Seljuk-Ottoman (imperial) legacy. Davutoğlu also criticized Turkey's hesitation to promote the Palestinian cause throughout the Cold War and in the 1990s. He argued that Turkey's military cooperation with Israel had led to a growing anti-Turkish sentiment in the Arab World. He warned that Greece and Israel would be the winners of bad relations between Turkey and Syria. What Westernist elites could not see was that for Europe, Turkey has always been "the Eastern", in other words, the Ottoman Empire – an Easterner who had back in history laid siege to Vienna twice.

Yet, according to Davutoğlu (2001, pp. 143-145), Turkey was perceived by Arabs as the protector of the region as it was the heir of the seven hundred year-long Ottoman legacy. Turkey's protector role in the Middle Eeast resembled Germany's opening to Eastern Europe during the Cold War with *Ostpolitik.* Elsewhere, he argued that the meaning of Islam for Turks was equal to the meaning of Christianity for Germans (Davutoğlu 2002, p. 163). Therefore, Turkey's main dilemma was that there was a mismatch between the responsibilities and obligations that history and geography were laying on Turkey, versus Turkey's political institutions and political culture that were supposed to, but unable to meet these responsibilities and obligations (2001, p. 146). The conservative solution to bring Turkey back to the Middle was a new civilizational opening, which was comprehensive and inclusive in nature. That meant that Turkey had to leave aside the "nation-state" lenses of the previous ruling elites. In Davutoğlu's words, Turkey's own civilizational experience would also offer a contribution to global civilization as "the most deep-rooted country in the Middle East" (2001, p. 137).

I should also touch upon the tools that JDP elites thought would be instrumental in bringing Turkey back to where it belonged and establish a zone of peace in the region. This is also crucial to understand why Turkey under JDP governments has chosen to become a liberal regional leader unlike Russia under Putin governments. For JDP's foreign policy elites, Turkey should pursue a leadership role in the Middle East based on economic interdependence and soft power (Davutoğlu, 2008; Kalın, 2009a). Davutoğlu (2001, p. 146) argued that interdependence was beneficial for countries, which had consistent strategies. Therefore, unlike the Seljuk and Ottoman Empires, which had ruled the region with military power and conquest, Turkey's regional role would depend on its cultural and economic depth in Mesopotamia and the Levant as natural extensions of Anatolia (Ibid, p. 562). Although the recent literature on Turkish foreign policy has extensively examined Davutoğlu's influence on Turkish foreign policy, they have ignored the economic tools that Davutoğlu has proposed for Turkey's regional leadership role. For example, Davutoğlu (2001, p. 404) argued that the best means to strengthen Turkey's relations with Syria was removing economic obstacles for cooperation. This would help Turkey to achieve two goals at the same time: translate the growing industrial capacity of emerging Anatolian cities into real economic power by reaching Aleppo, Damascus and later on further south. At the same time, Turkey would overcome the tensions between Turkey and Arab countries and establish cooperation through economic integration. Criticizing Turkey's EU-

dependent foreign economic strategy, Davutoğlu would accuse Turkey's traditional ruling elites for dragging the country towards an "unknown direction". Criticizing Turkey's passive role in the Middle East Peace Process, Davutoğlu (2001, p. 423) wrote that Turkey should not only view the issue as a security problem, and become actively involved in the economic development of Palestine. Davutoğlu (2002) believed that business groups had an important place in implementing his strategic vision. While it was the leaders' task to determine macro-strategy, it was up to institutions such as universities, trade chambers, and consulates to implement it on a micro level. It was therefore imperative for a leader to form in the imagination of a company's official where the country's strategy was directed. Otherwise, that company could not become a component in Turkey's foreign economic strategy.

Consolidation of Domestic Power, Foreign Economic Opening and Reinforcement of the Conservative National Identity Conception

As JDP continued to win elections consecutively and its domestic political power got consolidated, its preceding conservative national identity conception was reinforced. Two domestic developments were consequential in the process of JDP's power consolidation at home. First, increasing its votes by more than 12 %, the ruling JDP won 46.5 % of the votes and was able to form a majority government for the second time in a row after the general elections of 2007. Second, JPD was able to elect Abdullah Gül – Minister of Foreign Affairs – as the new president in August 2007. Gül's presidency would be of crucial importance for JDP, as presidents enjoy significant powers within Turkey's parliamentarian system. JDP's efforts to make Turkey an order-providing country in the Middle East intensified increasingly after 2007. While Turkey's relations with the EU, Israel and the West were plummeting JDP became more assertive in the Middle East. The Global Financial Crisis of 2008-2009 and the Eurozone crisis added to the JDP's search for a leadership role in the Middle East through economic integration. As relations with its southern "brothers" intensified, JDP's foreign policy elite started to write new books and articles that demonstrated that the prior conservative national identity conception was reinforced. Also, they were more confident in declaring Turkish-Arab brotherhood in their public speeches. During the second Turkish-Arab economic forum held in 2006 for example, then Prime Minister Erdoğan would argue that Turks and Arabs belonged to the same civilization, and hence were brothers, yet had very weak economic relations: "One should ask

himself whether the countries and peoples trade to the extent that they share the same civilization" (Anadolu Ajansı, 2006).

In an article he wrote for the conservative daily Zaman in 2009, Ibrahim Kalın called for a new geographic imagination for the Middle East. Kalın argued that the international system, which was founded on the rules of the powerful, was going through a crisis of morals.[59] As Turkey's region was undergoing a transformation of a major scale, Turkey itself would have to overcome the boundaries that the nation-state structure of the international system had imposed upon it. He argued that the Turkish-Arab tensions rested on imaginary enmities and Turkey's irrational security policies that were based on the understanding of the region as conflict-ridden were socially constructed.[60] These policies, according to Kalın, had resulted in greater conflict and tensions in the region. Also, it was because of these policies and worldview that Turks and Kurds had moved away from an understanding of brotherhood. Arguing that the Middle East had never had peace since the collapse of the Ottoman Empire, Kalın would accuse Turkey's old elite for replacing the country's "natural boundaries" such as justice, freedom, equality, trust and morals with national interests, ethnic identities and political calculations. This was why, for long-term peace in the region, common historical experience and a joint imagination of the region among Turks, Kurds and Arabs were essential. Similarly, in another article that he published in Turkish periodical Insight Turkey, Kalın (2009a) argued that the Middle East was experiencing "the dawn of a new geo-political imagination" as Turkey was developing a new regional perspective based on justice – exactly what the region was in need of. Similarly, in my interview with him, Turkey's ambassador to Moscow, Yardım argued that every country had an ideological vision of becoming a superpower one day.[61] And yet, acquiring this status relied on symbols. For Turkey, justice would be the symbol of its superpower status. Therefore, according to Yardım, it would be impossible that Turkey undertook a coercive or imperialist leadership vision in the Middle East – a region with the people of which it shared a common civilization.

Referring to Turkey's activism in the Middle East, Kalın (2009a, p. 85) argued that Turkey was "just beginning to act like the self-conscious heir of an empire whose power of

[59] Similar to Russia's Putin and great power nationalists, Turkey's conservatives perceived the global financial crisis as a strong piece of evidence indicating the decay of Western capitalist social values.
[60] This, of course, meant that JDP's policies towards the Middle East were totally rational, and hence not socially constructed.
[61] Interview with Ümit Yardım,. Yardım argued that the symbol of French power was liberty, whereas that of the Soviet Union was bread.

imagination" still hovered over those of the peoples of the region. In bringing Turkey back to the region, Turkey, in Kalın's (2009a, p. 86) words was "embracing globalization with a non-isolationist regionalism". Similarly, Davutoğlu, as Turkey's new Minister of Foreign Affairs, would argue in an interview with Lebanon's Al-Hayat newspaper in September 2010 that Turkey was aiming to establish a zone of peace and prosperity in the Middle East through economic integration projects (Dergham, 2010). In November, he would go further and say that the Middle East was going through a "paradigm change", which brought to the forefront joint regional ownership among the peoples of the region (Daily News Egypt, 2010). It is remarkable that JDP's foreign policy elites continued to accuse Turkey's traditional, Westernist elites for alienating Turkey from the Middle East, its home or civilizational basin even after JDP consolidated its political power. As I mentioned above, in a book published in 2013, Kalın as chief advisor to Prime Minister Erdoğan still criticized Turkey's Republican era elites for ignoring the country's Muslim and Ottoman past. All these examples show how crucial the contestation over the content of Turkey's national identity was in the formation of its foreign economic interests. Now I turn to my dependent variable; the direction and form of Turkey's foreign economic strategy in the Middle East.

Turkey's Economic Opening and Regional Integration Efforts in the Middle East

As soon as it rose to power in 2002, JDP shifted Turkey's foreign economic priorities towards the country's southern neighborhood. Turkey's foreign trade to GDP ratio increased to 48 % in 2014 from 31 % in 2000 (The World Bank, 2015)**.** With exports worth $36 billion in 2002, Turkey's share in world's total exports was 0.55%. In 2011, when the civil war in Syria gave an end to Turkey's regional integration project, Turkey's share had risen to 0.74% with $135 billion (Ekonomi Bakanlığı, 2012). In this increase, trade with multiple regions including BSEC countries, Latin America and Sub-Saharan Africa were also important. However, I will show that there was a policy of regional integration with the Middle East – especially Egypt, Syria, Jordan and Lebanon – which made this region special among all other regions with which Turkey's trade has increased.

As various interviewees at the Foreign Economic Relations Board of Turkey and the Turkish Ministry of Economy have told me, inter-governmental agreements – free trade agreements, agreements on the prevention of double-taxation, and agreements on the protection

of investments – have been the main tools that Turkey has used in its opening to the region.[62] JDP governments have increased the number of cities that Turkish Airlines (THY) flew to significantly: THY has become the symbol of the dynamism and capabilities of the Turkish business world. According to an anonymous official at the Ministry of Economy, Turkey has widened the capacity of THY as it was the main tool of taking Turkish business people to the region – while inter-governmental agreements prepared the legal ground for cooperation, THY prepared the logistical and physical ground.[63] In 2002, the EU's share in Turkey's total exports was 57%. This decreased to 46% in 2011. Conversely, the share of the Middle East increased from 10% in 2002 to 21% in 2011 (Ekonomi Bakanlığı, 2012). While the global financial crisis and the Eurozone crisis were together influential in this shift, Turkish decision-makers read this trend as proof of the importance of the Middle Eastern market for Turkish exports. Figure 4.1 provides an overview of the shift in the EU's and the Middle East's share in Turkey's foreign trade since the EU-Turkey Customs Union Treaty entered into effect in 1996.

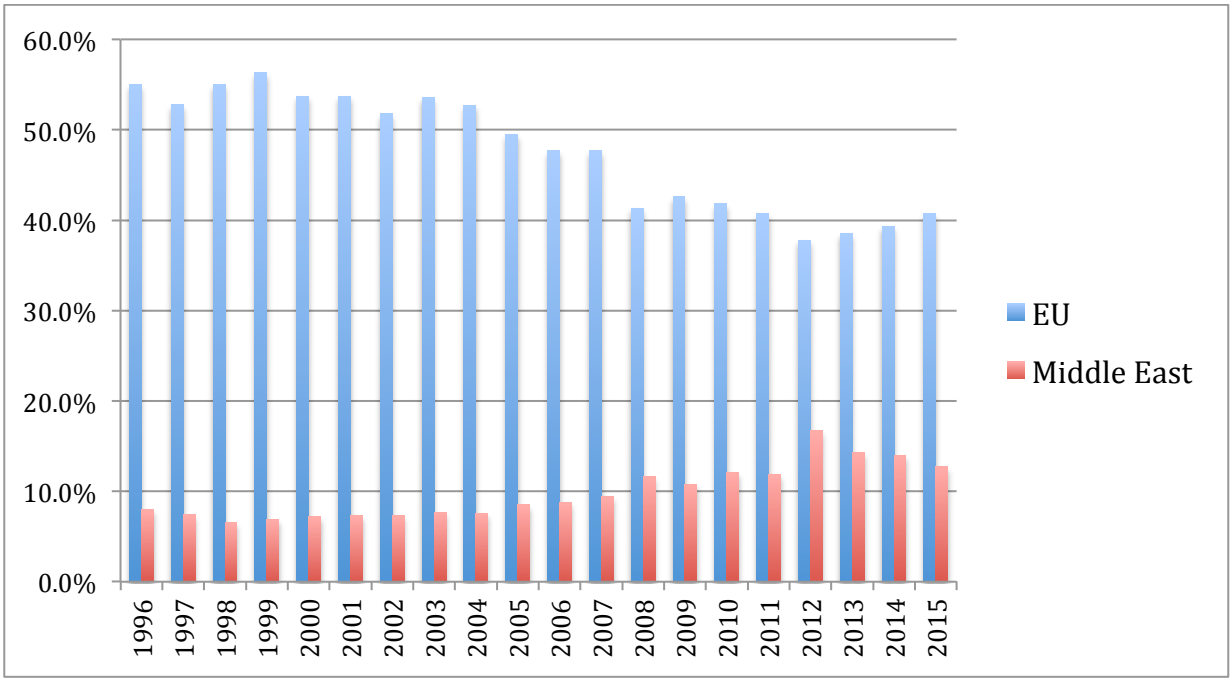


Figure 4.1: The share (%) of the EU and the Middle East in Turkey's foreign trade, 1996-2015
Source: Turkish Statistical Institute, Foreign Trade Statistics

[62] Interview with anonymous official, Foreign Economic Relations Board of Turkey (DEIK), Istanbul. 21 January 2014. Interview with anonymous official at the Ministry of Economy of the Republic of Turkey, Ankara. 9 January 2014.
[63] Interview with official, Ankara, 9 January 2014.

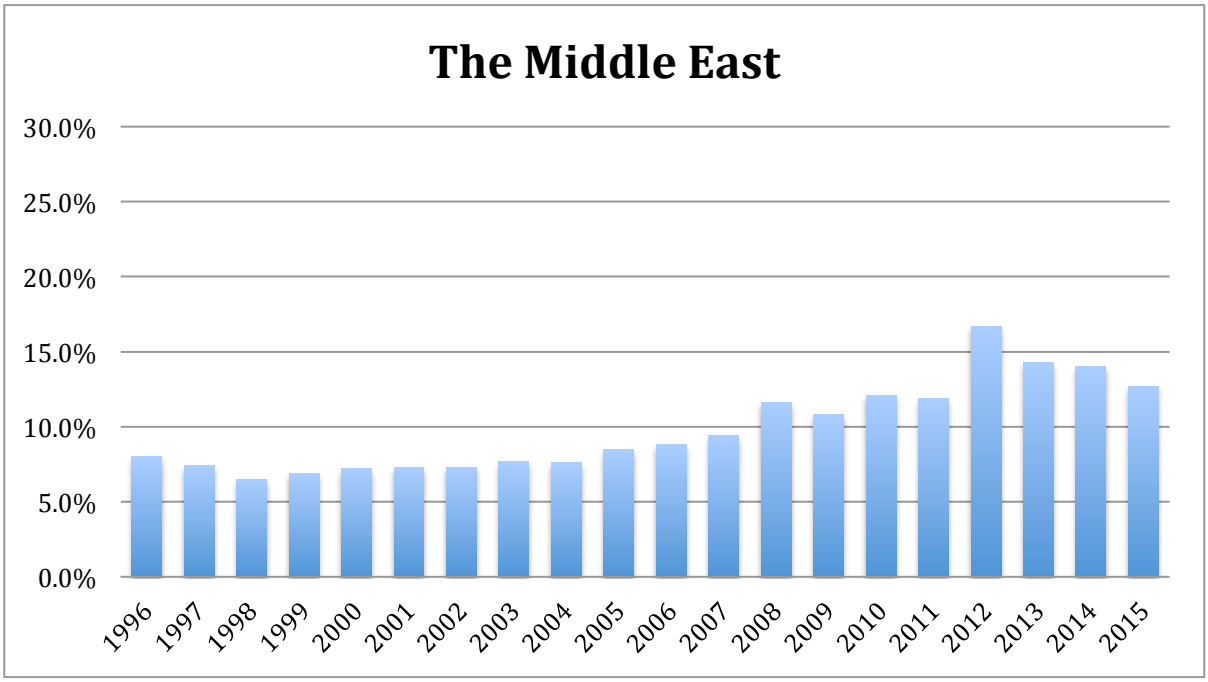


Figure 4.2: The share (%) of the Middle East in Turkey's foreign trade, 1996-2015
Source: Turkish Statistical Institute, Foreign Trade Statistics

In this chapter, I also argue that Turkey pursued a liberal economic leadership strategy in the region. As I explained in Chapter 1, liberal leadership is measured by the tools that a regional power employs in its economic cooperation policies with regional countries. According to Mark Brawley (1993), a liberal leader "is a country with the strongest interests in establishing a liberal subsystem and also with the capabilities to do so". Liberal leaders not only aim to build international subsystems organized around the liberal principle of promoting free and open markets, but also and "most notably" for Brawley, "guarantee the right to private property", and give "market forces free play". Therefore, liberal leadership is one that is built on "an economically open international subsystem" (Brawley, 1993, p. 24). Two reasons make Turkey a liberal economic leader in the Middle East. First, it has tried to expand its FTA network in a positive-sum manner, which ultimately aimed to establish a multilateral economic zone that was connected to global markets through the EU's Customs Union. Second, unlike Russia, which I will examine in Chapter 6, Turkey has acted through private actors. Through its FTAs, Turkey offered immediate access to its markets for its partners while at the same time expanding its

exports. As Ikenberry and Mo (2013) have recently shown in the example of South Korea, offering incentives to followers through market access, investments and foreign aid[64] as opposed to coercing them to join the club, is a key feature of liberal international behavior.[65] Secondly, in line with Davutoglu's above-mentioned vision, joint business councils and economy forums have been key mechanisms through which Turkey has presented itself as a reliable partner with which Middle Eastern countries could engage in economic cooperation projects in of a win-win nature. While Turkey tried to aggressively diversify its export markets, it also offered Arab business people to sell their products and invest their money in Turkey without problems.

Free Trade Agreements with Arab Countries

Turkey's full accession to the EU's Customs Union was finalized in December 2001, when Turkey abolished all import and export customs duties and charges on EU goods. That brought Turkey's foreign trade policy completely in line with that of the EU's. At the Copenhagen Summit of 2002, the EU declared that a decision on Turkey's membership negotiations with the Union would be made in December 2004 based on its fulfillment of the Copenhagen Criteria. After a positive decision, Turkey's membership negotiations with the Union started in October 2005. Having become a part of the EU's Customs Union and recovering from the financial crisis of 2001 with a newly elected majority government, Turkey was committed to finally becoming a member of the EU. However, Turkey's membership negotiations came to a halt in December 2006, when the EU suspended talks because Turkey did not lift its ban on Greek Cypriot ships and planes in Turkish ports and airports. Earlier Turkish government had already been designing a new foreign trade strategy for Turkey. In 2000, under the coalition government of the Democratic Left Party, Motherland Party and the Nationalist Action Party, the Undersecretariat of Foreign Trade initiated the *Komşu ve Çevre Ülkelerle Ticareti Geliştirme Stratejisi*, which can be translated as "strategy for enhancing trade with neighboring countries".

[64] Turkey's foreign aid priorities have also shifted to a significant extent towards the Middle East and North Africa since JDP's coming to power. For an analysis on how ideational and material factors have converged in the making of Turkey's foreign aid strategy, see Ipek (2013).

[65] Ikenberry and Mo (2013, p. 14) categorize Turkey as a supporter of the liberal international order along with other "newly-developed or high income developing" countries; South Korea and Mexico. These "middle powers" are "active emerging powers, taking new initiatives, setting agendas, and mediating conflicts between rival groups on the global stage".

Minister of State, Kürşat Tüzmen was one of the most important actors in forging economic cooperation between Turkey and the countries in its southern neighborhood.[66] Tüzmen was the Undersecretary of Foreign Trade between 1999 and 2002 during the coalition government of Democratic Left Party, Motherland Party and Nationalist Action Party. Right before the general elections of 2002, he resigned from his post and joined the newly established JDP. Having been elected to parliament in November 2002, he became the Minister of State responsible for Turkey's foreign trade. In 2003, Tüzmen expanded the scope of the earlier Strategy for Enhancing Trade with Neighboring Countries (the Strategy) and started to implement it rapidly. The Strategy aimed at diversifying Turkey's export markets and reducing Turkish exporters' traditional dependence on the EU, which constituted 50 % of Turkey's exports.[67] Tüzmen organized visits to the Middle East and North Africa, which were accompanied by hundreds of businesspeople. Turkey's roles and purposes attributed to it by the ruling conservative national identity conception were prevalent in Tüzmen's discourse. For example, in a visit to Damascus, Tüzmen would state, "we must never forget in this region that we are the grandsons of the Ottoman Empire. We have respect and love here, because we lived together in the past" (Anadolu Agency, 2003).

Free trade agreements (FTAs) were Turkey's primary instrument in expanding its economic power in its region. Turkey could only sign FTAs with countries with which the EU also had an association agreement or a preferential trade agreement. The Strategy proposed that Turkey would sign FTAs with the countries in its immediate neighborhood. Therefore, Turkey's membership in the EU's Customs Union was perceived as a strategic tool in strengthening Turkey's economic power in its neighborhood. According to an anonymous senior diplomat at the Turkish Ministry of Foreign Affairs, one of the primary motives of the strategy was to utilize the trade potential of Turkey and its neighboring countries due to the complementary nature of regional economies.[68] This would accelerate Turkey's exports, which had been squeezed within a limited number of countries and products in the 1990s. Very rapidly after the strategy was launched, the Middle East and North Africa emerged as two regions with which the

[66] Interview with anonymous official at Foreign Economic Relations Board of Turkey (DEIK), Istanbul. 21 January 2014.
[67] Interview with anonymous official at Ministry of Economy of the Republic of Turkey, Ankara. 9 January 2014.
[68] Interview with anonymous diplomat at Ministry of Foreign Affairs of the Republic of Turkey, Ankara. 6 March 2014.

Undersecretariat of Foreign Trade sought to sign FTAs. JDP governments also consolidated the previous policy of signing FTAs with the countries in the Balkans.

Bilgin (2004) shows that due to identity-related concerns, Turkish policy-makers did not want to be considered a country that is 'neighboring' the EU just like the Arab countries in the Middle East and North Africa. Therefore, she argues, "when compared with their enthusiasm regarding the BSEC project, Turkish policy-makers' interest in the Euro-Mediterranean Partnership (EUROMED) scheme has been rather dim" (Bilgin, 2004, p. 284). Yet at the same time, Turkey regarded the project as a great economic opportunity. JDP governments signed FTAs with those Middle Eastern and North African countries, which had signed Association Agreements with the EU as part of EUROMED; with Morocco, Tunisia, Palestine and Syria in 2004, and Egypt in 2005. Upon signing the FTA with his counterpart in Damascus in December 2004, Turkey's Prime Minister Erdoğan would state that Syria was "Turkey's gate to the Arab World" (Reuters, 2004). Outside the EUROMED, intergovernmental talks on the formation of an FTA between Turkey and the Gulf Cooperation Council started also in 2005.

Another sign of Turkey's liberal behavior was its positive-sum gain policy in its FTAs. Turkey's Arab partners were concerned that an FTA would result in the dominance of higher quality Turkish goods in their domestic markets. That was why Turkey had to convince its partners through long rounds of negotiations. For example, official talks on signing an FTA with Jordan started in 2002 upon JDP's coming to power. However, the agreement was finally signed in November 2009 during Turkish President Gül's visit to Amman. Upon Jordan's concerns that Turkish products and investments would flood the Jordanian market, Turkey agreed on a set of specific arrangements on certain products in order to finalize the agreement (The Jordan Times, 2009). Similar arrangements were made for FTAs with Syria and Egypt. As the FTA with the former was signed in December 2004, Turkey pledged to immediately lift its customs on imports for Syrian products, whereas the Syrian economy would be completely open to Turkish products after a transition period of twelve years (Turkish Daily News, 2005a). After the agreement was signed in Damascus, Turkey's Undersecretary of Foreign Trade Tüzmen would complete the signing of FTAs "Arab countries in a vast area from Morocco to Syria in the next few years" and that Turkey was ready to open up its markets immediately while waiting reciprocity over a longer period (Ibid). Similarly, under the FTA signed with Egypt in December 2005, Turkey lifted customs duties on imports from Egypt immediately, while Egypt would reciprocate

gradually over a sixteen-year period (Turkish Daily News, 2005b)**.** As a high level official at the Turkish Ministry of Economy explained to me, Egypt had the aspiration to become an industrial powerhouse in the Middle East, which made it Turkey's main competitor in the Arab markets.[69] Therefore, Ankara had to offer a strong economic incentive to Cairo to convince it to sign the FTA and pass the necessary legislation to implement the treaty as soon as possible. Turkey's goal of signing FTAs with Arab countries has been mostly successful. Upon the sanctions imposed by the Turkish government on the Assad regime, Syria withdrew from its Association Agreement with Turkey – which also included an FTA – in December 2011. Lebanon, on the other hand, has not yet ratified the FTA domestically, which was signed in November 2010. While an economic cooperation frame agreement was signed with the Gulf Cooperation Council in 2005, FTA negotiations with that group of countries are ongoing mainly because Turkey, despite its commitment to open up its market immediately, could not convince its counterparts in the Gulf.

According to an anonymous source at the Foreign Economic Relations Board of Turkey (DEIK), business groups in regional countries were afraid that Turkish products would dominate their markets.[70] As I analyzed above, Turkey opened up its markets to the products of those countries with which it signed an FTA immediately, although its counterparts would lift trade restrictions only gradually. This proves that Turkey had the goal of opening up to the region no matter what structural factors such as the price of oil (Tezcür & Grigorescu, 2014) would be. Yet, the accumulation of wealth in the resource rich Arab countries of course became a factor that Turkish policy makers wanted to take advantage of.

The Role of Private Actors – Turkish Business Councils and Turkish-Arab Economy Forums

The second liberal component of Turkey's economic strategy towards the Middle East concerned the role of private actors. Alongside bureaucratic channels, Turkish business communities actively took part in the formation of Turkey's economic ties with the region. Prime Minister Erdoğan, Minister of Foreign Affairs Gül and later on Davutoğlu and Minister of State Tüzmen took hundreds of businessmen to regional countries during their official visits. In Turkey's liberal economic leadership strategy, the Foreign Economic Relations Board of Turkey

[69] Interview with Şaban Kaan Özdemir, Deputy Director of Exports, Ministry of Economy of the Republic of Turkey, 9 January 2014.
[70] Interview with anonymous official, DEIK, Istanbul. 21 January 2014.

(DEIK) was the most instrumental actor. Established in 1986 as an of the Turkish Union of Chambers and Stock Exchanges (TOBB), DEIK has mainly operated through bilateral business councils (Atlı 2011, p. 113). DEIK has been functional in both bringing together business people who wanted to operate in foreign markets and also in conducting research on Turkey's export potential in different countries. As Atlı (2011, p. 114) notes, in 2005, JDP reorganized DEIK's legal personality and established its purpose as 'pursuing the foreign economic relations of the private sector and assisting the concrete business development activities of the business community'. This was a clear indication of the importance given to private actors in both designing and implementing Turkey's foreign economic strategy. Besides DEIK, business organizations such as MÜSİAD (Independent Industrialists and Businessmen Association), TMB (Turkish Contractors Association) and TUSKON (Turkish Confederation of Industrialists and Businessmen) started to become influential with the rise of JDP. As explored in detail elsewhere, JDP has relied on the financial and economic capacity of the so-called Anatolian capital in fostering political support in large Turkish cities other than Istanbul and Ankara (Gümüşçü and Sert, 2009). In addition, these conservative business associations – which were established as counterweights to the power of the Istanbul based industrialists represented by TÜSIAD – were seen as instrumental tools in expanding Turkey's economic influence in the Middle East. Erdoğan and Gül (both as Minister of Foreign Affairs and President) took hundreds of business people with them during their visits to the Middle Eastern capitals. DEIK, MÜSİAD and TUSKON have organized big trade and investment forums in Turkey with the participation of hundreds of foreign business representatives. JDP governments have supported these events. Atlı (2011) shows that TUSKON has mainly focused on Africa and Latin America, whereas MÜSİAD focused on the Middle East. One can make the argument that there was a division of labor among these pro-government business organizations in terms of the regions that their members would concentrate their business on.[71]

I would like to pay particular attention to the Turkish-Arab Economy Forums co-organized by the Lebanon-based Al-Iktisad Wal-Aamal (AIWA)[72] group and DEIK, under the auspices of President Erdoğan. Turkish-Arab Economy Forums have been the main platform through which Turkish and Arab politicians, economists, academics and business people have

[71] TUSKON has lost its political support in the recent few years because the organization is affiliated with the Gülenist network with which the Turkish government has been in a bitter domestic political struggle.
[72] Economy and Labor, in Arabic.

discussed key issues of cooperation. The forums have been attended by a high profile of politicians such as the Turkish President, Prime Minister, Minister of Foreign Affairs and Minister of Economy as well as the Lebanese Prime Minister and the General Secretary of the Arab League. Since 2005, ten such Forums have been organized. According to the Forum's official website, these events have played the crucial role of "enhancing Turkish-Arab relations which were overdue for more than half a century" due to the "mutual estrangement and tension".[73] The first Turkish-Arab economic forum was organized in May 2005 in Istanbul. In the forum, Turkey's Minister of State Tüzmen declared that Turkey aimed to sign FTAs with all Arab countries from Morocco to Syria in a few years. Turkey's goals in supporting the Turkish-Arab Economy Forums were twofold – facilitate the entry of Turkish exporters to Arab markets, and attract Arab capital to Turkey. According to the head of MÜSİAD – a pro-Islamist business organization – Ömer Bolat, Turkey was a great country for resource-rich Arab countries to invest their capital in the post-9/11 environment (Anadolu Ajansi, 2006). Bolat argued that Arab capital owners were concerned about the security of their investments in Western financial centers after the attacks of 9/11, which offered a perfect opportunity for Turkey, which would have to develop the necessary projects to attract Arab investments.

Global Financial Crisis and Turkey's Initiative to Establish the Levant Forum

Turkey's political relations with the Middle East flourished in parallel with its economic relations. According to an anonymous Turkish diplomat, although Turkey did not have such an aim, regional countries started to see Turkey as a model country, which was a sign that Turkey was a "rising geopolitical power".[74] In the 2nd Turkish-Arab Economy Forum, Lebanon's Prime Minister Fuad Siniora would praise Turkey as a successful model of economic development, democratization and the peaceful co-existence of Islam and modernity for regional countries (Anadolu Ajansı, 2006). In March 2007, Turkey was for the first time invited to participate in the Summit of Ministers of Foreign Affairs of the Arab League (Anadolu Ajansı, 2007). Turkey also intensified its support for the Palestinian cause starting with Israel's attacks against Lebanon in 2006 and strengthened its critical stance towards Israel after the Operation Cast Lead of December 2008-January 2009 and the Gaza Flotilla Incident of 2010 (Aytürk, 2011).

[73] See the official website of the Forum; http://www.turkisharabeconomicforum.com/About.aspx
[74] Interview with anonymous diplomat, Ministry of Foreign Affairs of the Republic of Turkey, Ankara. March 6, 2014.

Meanwhile, Turkey's exports reached a historic high with $ 132 billion in 2008. Due to the negative effects of the global financial crisis of 2008-2009, its exports plummeted to $ 102 billion in 2009, to go up to $ 113 billion in 2010 and to $ 134 billion again in 2011. Despite the destructive influence of the global recession on Turkish economy, Turkey's conservatives saw it as an historic opportunity much like Russia's great power nationalists. The crisis intensified the concerns raised in Turkey's neighborhood strategy document and ongoing search for diversified export markets. The crisis also reinforced Turkey's ruling elite's prior conceptions of Turkey as an order-providing country in the Middle East. Perceiving the global financial crisis and the emerging Eurozone crisis as opportunities, Turkey's conservative JDP government intensified its foreign economic activism in the Middle East. Davutoğlu would soon argue that the best way to prevent economic crises in the Middle East was creating interdependence between regional countries (Zacharia, 2010). As I explored above, regional integration in the Middle East was already one of the key targets that Turkey's conservatives set. Turkey's increasing calls for establishing a multilateral free trade zone along with Syria, Lebanon and Jordan, which would eventually turn into a full-fledged integration mechanism went in parallel with its increasing foreign policy activism during the second term of JDP in government (2007-2011). Also, in April 2009, Prime Minister Erdoğan's chief foreign policy advisor Ahmet Davutoğlu was appointed the Minister of Foreign Affairs, replacing Ali Babacan. Davutoğlu was given the opportunity to implement his proposals for Turkish foreign policy more strongly after he became the Minister of Foreign Affairs in 2009. Equally importantly, the global financial crisis had broken out at a time that corresponded with JDP's consolidation of power, and the eradication of the salience of alternative national identity conceptions at home.

Arguing that deeper regional integration would offer a solution to Turkey's structural problem of running huge current account deficits amidst an economically weakening European Union, in 2010, the Turkish government proposed the formation of the Levant free trade zone. As Europe's economic power was under question, Turkey's southern neighborhood emerged as a good opportunity to expand the market for Turkish exporters.[75] JDP saw the Turkish-Arab Business Forum as an influential platform through which to promote its regional integration mechanism. During the Fifth Forum held in Beirut, Lebanon, in 2010, Prime Minister Erdoğan

[75] Interview with Mustafa Oğuz, official at the Foreign Economic Relations Board of Turkey (DEIK) and organizer of the Levant Business Forum, Istanbul. 21 January 2014.

declared for the first time that the four countries were seeking deep economic integration. In June 2010, the four countries gathered in Istanbul for the first meeting of the Quadripartite High Level Strategic Council, which was planned to be the main body that would carry out regional economic integration. In addition to a multilateral free trade zone, which aimed the free movement of goods and services among the four, Turkey's cooperation agenda included a wide range of issues such as inter-bank cooperation, energy security, joint investments, transportation and logistics. Towards achieving freedom of people, Turkey liberalized its visa regime with Syria and Jordan in 2009, and with Lebanon in 2010. Davutoğlu (2014) would later explain the rationale behind Turkey's visa liberalization policies with regional countries: "Between England, France and Germany in the West; Russia in the North; China and India in the East, Turkey is the biggest economy in the remainder of Afro-Eurasia". Visa liberalization would enable Turkey's human and production power to flow to the region and facilitate integration.

Private actors were again instrumental in Turkey's efforts to convince Syria, Jordan and Lebanon to take part in the initiative. In December 2010, Levant Business Forum gathered for the first time in Istanbul. DEIK undertook the responsibility of organizing the event, which brought together hundreds of business people from around Turkey, Syria, Lebanon and Jordan (Anadolu Agency, 2010). During the Forum, business councils from four countries agreed on implementing 75 joint projects on a wide range of issues including transportation and logistics, investment, banking and tourism. In March 2011, the parties established a joint business council, which would include a total of 20 business leaders with each country being represented by 5 members (SANA, 2011). This equality-based structure of the joint business council would help relieve potential criticism from Syria, Lebanon and Jordan that Turkey as the largest economy within the quartet, would dominate agenda setting and decision-making in the forum. There was also a division of labor that spread responsibility on four key spheres of cooperation: while Turkey would concentrate on industrial development, Syria would focus on energy, Jordan on transportation and Lebanon on tourism. With the Levant economic integration project, Turkey was presenting itself to the region as an economic giant with soft power, which was pursuing a positive-sum cooperation mechanism.

According to an official at DEIK, who took part in the formation of the Levant Business Forum, this quadruple integration scheme was proposing the EU-model to the Middle East and

North Africa.[76] As I examine in Chapter 6, Russia would also build its Eurasian Economic Union based on the EU model. More importantly, a high level official at the Turkish Ministry of Economy told me that the Levant initiative carried the ultimate goal of bringing peace and stability to the region, where politics would continue to prevail over economics in the foreseeable future.[77] According to the same source, Turkey was aiming to attract Egypt alongside Palestine and Israel into to the project as part of the Middle East Peace Process. Just like Turkey had tried hard to convince Egypt over signing an FTA in 2005, it was ready to attempt to convince the Egyptian side to join the multilateral free trade zone. According to an anonymous interviewee at the Ministry of Economy, with the Levant initiative, Turkey was proposing an alternative to the Arab World and the Middle East – a model in which commercial ties and inter-connectedness would prevail.[78] In other words, according to my anonymous source, this was Turkey's "political show" in the region.

Turkey's Levant integration project was short-lived due to the series of social upheavals that unfolded in the Arab world starting with Tunisia in 2010. The Arab Spring – which in Davutoğlu's words was a sign of the normalization of history – would bring an end to Turkey's Levant project and rising economic power in the Middle East and North Africa. Turkey took a strong side in favor of the anti-regime demonstrations that erupted in Tunisia in December 2010, and soon spread out to many Arab countries in 2011. Turkey's Levant integration initiative was stillborn as the Assad regime decided to suspend its FTA with Turkey in December 2011 and quitted the Quadripartite High Level Strategic Council. This came as a response to the economic sanctions that Turkey imposed on the Syrian regime in November 2011 joining the Arab League. Soaring relations with Syria would become a major impediment for Turkey's goal of creating an interdependent Middle East. Because Syria constituted the main transportation route for Turkish trucks going to Middle Eastern markets, there was a rapid and substantial decrease in Turkey's ability to export to the region.[79] Damascus immediately imposed duties on Turkish imports and prevented Turkish trucks from crossing the border, which hampered Turkey's trade capacity significantly. Turkey had to find a new route that would bypass Syria for delivering its exports to Middle Eastern countries that lie to the south of Syria.

[76] Interview with anonymous official at the Foreign Economic Relations Board of Turkey (DEIK), Istanbul. 21 January 2014.
[77] Interview with Şaban Kaan Özdemir, Ankara. 9 January 2014.
[78] Interview with with anonymous official, Ministry of Economy, Ankara. 9 January 2014.
[79] Interview with anonymous official, DEIK, Istanbul. 21 January 2014.

Construction of Turkey's Foreign Economic Interests: A Discussion

In this section, I will show that Turkey's economic integration with its southern neighborhood was not a foregone conclusion from a purely material interest perspective. I will briefly compare the government's official rhetoric with expert opinion and opposing views on the benefits of integration in the Middle East. As I explained above, regional integration with the Middle East had been a top priority for JDP governments. According to Mesut Özcan, who is currently the head of the Diplomacy Academy of the Ministry of Foreign Affairs, Turkey sought closer economic ties with the Middle East during JDP governments because the country could enrich itself only if it traded goods and services with its immediate neighbors.[80] According to Özcan, Germany had economic influence in the Balkans, whereas Russia had economic influence in Eurasia; Turkey was seeking to have similar influence in the Middle East. Arguing that Turkey viewed the multilateral trade zone with Syria, Lebanon and Jordan from a neo-functionalist perspective, Özcan argued that the Turkish government believed in the "spillover effects" of economic integration with Turkey's southern neighborhood towards greater political cooperation, and ultimate peace and stability in the region. Özcan would draw attention to Turkey as a stability-provider to the region: it could only enhance its welfare in a region, which was interconnected with economic integration. Such integration would also be Turkey's guarantee for future stability.

In early 2011, the Undersecretariat of Foreign Trade (DTM) published a series of documents outlining Turkey's foreign trade capacity based on its sectoral strengths and weaknesses. DTM was transformed into the Ministry of Economy in June 2011, which made it a stronger institution in terms of the legal and administrative powers that it had. The Ministry has continued to be the main institution behind the implementation of Turkey's foreign economic policies. This transformation took place after the general elections of June 2011, in which the ruling JDP gathered 49% of the votes and once again won the majority of the seats in the Turkish Parliament. This institutional change also gave greater power to the Ministry of Economy in

[80] Interview with Mesut Özcan, current Head of Diplomacy Academy, former deputy Head of Center for Strategic Research, Ministry of Foreign Affairs of the Republic of Turkey, 9 January 2014, Ankara. Before undertaking a bureaucratic position at the Ministry of Foreign Affairs, Özcan was an associate professor of International Relations. In his book, he argued that Turkey was harmonizing its traditional pro-European foreign policy with current opening to the Middle East (Özcan, 2008).

coordinating Turkey's foreign economic policies.[81] Moreover, the Ministry of Economy has remained a technocratic body, which has attracted graduates of top Turkish universities. The Ministry has published various documents on Turkey's foreign trade strategy based on highly technical and methodologically sophisticated analyses. One such document was entitled "The Repositioning of Turkey in Global Trade: New Routes in Foreign Trade" (DTM, 2011).[82] Based on detailed econometric analyses and in-depth case studies, the Undersecretariat proposed a roadmap for diversifying Turkey's export markets amidst the weakening share of European markets in Turkey's foreign trade as a result of the global financial crisis. The document had two overarching goals: one was to determine the potential sectors that Turkey had a comparative and competitive advantage, and the second was to direct these sectors towards the correct markets. The document included case analyses on seventy three countries with which Turkey either had intensive trade ties or potential and found that Turkey had the potential to increase its exports by 30 % given current sectoral and political circumstances. The Undersecretariat (2011, p. 18) argued that Turkey had to "diversify its products in current markets, penetrate new markets with sectors in which it had competitive advantage, and enhance the sophistication of its exports in traditional markets".

The document concluded that Eastern European countries of Romania, Croatia, Bulgaria, Poland and Slovakia were top five export markets for increasing Turkey's foreign trade, diversifying its products and enhancing the technological sophistication of its products. That was due mainly to the complementarity of economies. Moreover, the accession of these countries into the EU had given Turkey the opportunity to trade with them with no barriers within the Customs Union. Also, given the proximity of Turkey with these countries and the GDPs of these countries, Turkey had a higher trade potential with Eastern European countries than with countries such as Syria, Egypt, Lebanon and Jordan. The only non-EU member among this group in 2011 was Croatia. Yet, Turkey had signed an FTA with Croatia in March 2002, even before JDP had come to power.[83] The document found that Portugal, Czech Republic, United Arab Emirates, Iraq and Russia were the remaining five in the top five (DTM, 2011, p. 24). What was more interesting was that Turkey was using less than 50% of its capacity with eight of these

[81] Before June 2011, the Undersecretariat was part of the Prime Ministry and the Minister of State Responsible for Foreign Trade was the coordinator of the Undersecretariat.
[82] Dış Ticaret Müsteşarlığı, T.C. Başbakanlık, "Küresel Ticarette Türkiye'nin Yeniden Konumlandırılması: Dış Ticarette Yeni Rotalar". Ankara: 2011.
[83] Croatia became an EU member in 2013, which resulted in the annulment of Turkey's FTA with Croatia.

countries; with Romania and Ukraine being the two exceptions.[84] The Undersecretariat found that the U.S., Germany and China were the top three markets in terms of export potential when the number of sectors that Turkish exporters can activate and the total capacity of those sectors are taken into consideration (DTM, 2011, p. 25). In terms of potential, these three countries are followed by Eastern European countries (Poland and Russia mainly), Asian markets such as Singapore and Hong Kong, and finally Western European markets including Britain, France, Belgium and the Netherlands. It is remarkable that other than Iraq and Iran, the Undersecretariat found no evidence for the benefits of economic integration between Turkey and the Middle East.

On the other hand, in a book analyzing Turkey's foreign trade strategy with regard to the EU's Neighborhood Policy, TÜSİAD – the representative of Turkey's strongest and traditionally Istanbul-based business holdings – had argued that growing information economies, technological advancements and globalization were making regionalism less important for Turkey's foreign trade (TÜSİAD, 2007, pp. 255-256). Criticizing Turkey's above-mentioned "strategy for enhancing trade with neighboring countries", TÜSİAD was arguing that Turkey did not necessarily have to increase the share of its neighbors in its foreign trade. One reason was that Turkey's neighbors were much poorer in terms of GDP compared with EU countries, and there were problems related to complementarity between the economies of Turkey and its neighbors (TÜSİAD, 2007, p. 271). Turkey should instead, try to increase its economic power within the EU's Customs Union, and if possible, try to find ways of amending the conditions of the Customs Union agreement to make it more beneficial for Turkey. TÜSİAD's (2007, p. 272) report also criticized the Strategy document as the latter put forward the idea that increasing trade with the Middle East would result in closer political cooperation and stability in the region. This was not really possible because the countries of the region were mostly rentier economies with little, if not no economic liberalization.[85] Also as Turkey's experience during the late 1980s and the first Gulf War indicated, wars and domestic chaos were ongoing factors in the region, which prevented Turkey from establishing reliable economic cooperation schemes with its southern neighbors. Similarly, during my interview, an official at the Foreign Economic Relations Board of Turkey argued that Turkey and Middle Eastern economies did not have

[84] For example, the document showed Turkey used 18 % of its trade potential with Poland, while with Croatia, it used 30 % of its trade potential.

[85] The exact same criticism would be raised by Russia's liberal economists and Westernizers against the Eurasian Economic Union; see Chapter 6 of this dissertation.

complementary structures. [86] Because industrial structures of Turkey and regional countries were not complementary, it was in fact impossible to talk about economic integration. According to my interviewee at DEIK, Turkey's energy-dependent economy made economic integration with the region even more difficult.

Consequently, unlike official rhetoric, the economic benefits of Turkey's economic integration with Middle Eastern countries have been contested. This shows that sectoral or material interests were not the primary factors behind the constitution of Turkey's national economic interests.

Conclusion

In this chapter I have tried to explain two phenomena: first, why Turkey's foreign economic priorities have shifted towards the Middle East since the ruling Justice and Development Party came to power in 2002; second, why Turkey has followed a liberal economic leadership strategy in the region. In its most general sense, the theoretical argument of the chapter is that overarching goals are set according to the prevalent ideational framework of the ruling elites. These ideational frameworks are derived from domestic contestation over the content of national identity. Foreign economic strategies are developed in relation to how one conceptualizes the country's geographic, historical and civilizational belonging.

Turkey's failed attempts of regionalism in the Middle East would obviously prevent me from writing purely on Turkey's regionalism. Therefore, I did not offer a study of regionalism in my empirical chapters on Turkey. So, in its broadest sense, I would prefer to call these two empirical chapters together a study on Turkey's "regional grand economic strategy". I have tried to show why purely materially based explanations fail to offer a convincing account of how Turkey's national economic interests are shaped. I have argued that elites' national identity conceptions influence how they perceive the prospects for economic cooperation with their neighbors and regions. While other regions could potentially grant greater profit to Turkey's exporters, JDP governments have targeted economic integration with the Middle East. Conversely, during the 1990s, Central Asia and the Black Sea region – which we can call Eurasia

[86] Interview with anonymous official at Foreign Economic Relations Board of Turkey (DEIK), Istanbul. 21 January 2014.

together - were the primary targets as export markets outside the European Union, under JDP governments, the Middle East and North Africa became prevalent.

I do not rule out the fact that domestic structure of Turkey's economy was influential in JDP's motivation for diversifying its export markets. Domestic structure indeed matters. However, in a country like Turkey, where the state maintains a strict control over the making of foreign economic policy, business groups have only been instrumental in implementing – in line with Davutoğlu macro/micro-strategy argument – what governments have in their mind (Ipek & Biltekin, 2013). For a political actor like JDP – which as ruled the country with an unprecedented consolidated political power – directing business organizations towards the government's priority areas has not been a difficult task. The need to diversify export markets has only strengthened JDP's grand strategic vision of providing order and peace to the Middle East. Similarly, Turkey's ties with the EU and membership in the Customs Union turned out to be advantageous for JDP's purpose of making Turkey an economic leader in the Middle East. This was largely thanks to EUROMED, which enabled Turkey to sign FTAs with the Arab countries to its south. When Turkey's relations with the EU plummeted and Turkey's EU bid weakened, JDP initiated its own regional integration strategy; the Levant Union.

An alternative explanation for Turkey's liberal behavior is that Turkey's deepening EU integration and the structural reforms in the aftermath of the 2001 financial crisis have made it inevitable for JDP to pursue a peaceful foreign economic strategy with free trade agreements at the center, aimed at reducing the country's foreign account deficit and strengthening its export capacity by diversifying markets. Yet, Turkey's sharp and decisive position vis-à-vis the Arab Spring is in and of itself sufficient to refute the argument that Turkey had to open up to the Middle Eastern markets and do that in a liberal way due to structural economic necessities. Given the strategic location of Syria for Turkish exporters, why did JDP put under risk Turkish trade and investments in the Middle East by offering armed and financial support to the Syrian opposition forces in order to topple down the Assad regime?[87] Politicians and intellectuals from various strands have accused the JDP governments of pursuing a sectarianist foreign policy in the Syrian civil war and elsewhere in the region. This alleged policy of favoring Sunnis in the Middle East against the Shia has been damaging its foreign economic interests, according to a leading expert and practitioner of energy politics in Turkey. In conclusion, I do not disregard the

[87] Interview with Cenk Pala, Trans-Adriatic Pipeline (TAP) Turkey representative, 7 February 2014, Ankara.

role and power of material variables in arguing for the prevalence of national identity conceptions. Rather, I try to show how different political actors interpret material variables such as Turkey's trade potential, export markets and financial weakness differently.

In this dissertation, I end my analysis with the collapse of Turkey's Levant common economic space project in December 2011. Yet, Turkey's strong attitude towards the ongoing political transformation in its southern neighborhood, and especially policies vis-à-vis the Assad regime has so far supported my argument. In a commentary he wrote for the Guardian in March 2011, Davutoğlu argued that "the wave of revolutions in the Arab world…were necessary in order to restore the natural flow of history". Arab spring had, to Davutoğlu, confirmed what he had written in his *Strategic Depth* in 2001: that today's political boundaries were superficial and the political order imposed by Western imperialists were doomed to fail; the time had come, according to JDP's foreign policy elite to bring history back. That was why Turkey under JDP has read the political upheaval in the South as a great opportunity to rebuild the region together with the masses, which had been "humiliated" for a century due to colonialism and authoritarian rule. Davutoğlu argued that as a result of this inevitable transformation, the Middle East – "our region" in his words – would become a global center of gravity thanks to its civilizational and political heritage and economic resources. That would be the region's contribution to the "emerging new order". In 2012, despite the looming prospects of economic integration, Davutoğlu still argued that "reintegration with its neighbors" would be an asset for its pro-active foreign policy as the region was undergoing turbulence and transformation (Davutoğlu, 2012). The region's peoples, he argued, shared a common history and were "poised to have a common destiny". It is too early yet to evaluate whether as a result of the ongoing upheaval in the region, the Middle East can contribute to the emerging world order. Yet, what is certain is that Turkey's grand economic projects in the region have been severely damaged – at least as far as the short term is concerned.

CHAPTER 5

Russia and Post-Soviet (Re)integration in the 1990s: From Reluctance to Search for Hegemony

Introduction

This chapter addresses Russia's shifting foreign economic priorities under the Yeltsin administrations as a regional power in the post-Soviet region. I show that Russia chose to dramatically distance itself from the post-Soviet region in the first years of transition, although economic ties were the strongest due to the common Soviet legacy. This was in large part because president Boris Yeltsin and his allies such as Andrei Kozyrev and Yegor Gaidar conceptualized Russia as a modern Western nation-state. Building Russia's national institutions and integration into Western economic structures became priorities, while Central Asia and the Caucasus were regarded as conflict-ridden regions with potential threats for Russia (terrorism, separatism, migration, instability, etc.). Due to the primacy of a Westernist national identity conception in the first half of the 1990s, Russia re-oriented its foreign trade Westwards and took steps such as abandoning the ruble zone, which would have constraining effects on post-Soviet re-integration. However, as domestic dissatisfaction with Westernizers increased and economic conditions plummeted, Yeltsin had to bring key great power nationalists – *derzhavniki* – such as Yevgeni Primakov to key posts. With the rise of the great power nationalists to power, the Kremlin embraced the idea of Russia as a Eurasian Great Power. Great power nationalists defined Russia's foreign economic interests in stark contrast to the Westernizers and re-prioritized the post-Soviet region in Russia's foreign economic strategy.

National identity conception in the early Yeltsin period: The dominance of Westernizers

There wasn't an agreement on Russia's identity or on its foreign policy and foreign economic orientation in the immediate aftermath of the Soviet disintegration. Russia's post-communist transformation was mainly a political and economic one that aimed to fundamentally alter the regime, the state's role in the economy, and the rights of its citizens vis-à-vis the state. Yet at the same time, this transformation witnessed the resurrection of Russia's never-ending search for a national idea. As the search for a new Russian national idea continued, Russia's attitude towards post-Soviet economic integration oscillated. Throughout the 1990s, Russian

elites and intellectuals debated Russian national identity, Russia's civilizational standing and the foreign policy and foreign economic implications of Russia's self-belonging.[88] More importantly, Russian national identity and civilizational choice was perceived as the source of its future prestige, status and place in world politics. In this section, I show that the Westernizers were the winners of the contestation over Russia's national identity conceptions in the early 1990s, which would have important consequences for the entire decade. The dominance of the Westernizers – especially leading figures such as Kozyrev and Gaidar – paved the way for Russia's moving closer to the Western international economic system and distancing itself from the post-Soviet region.

As Tsygankov (2013, p. 50) demonstrates in his book on identity debates on Russian foreign policy, the latest years of Gorbachev's *glasnost* and *perestroika* witnessed "extreme polarization" of political debates with regard to the future of the Soviet Union among the Soviet political elite. In these debates, Russia's self-belonging and the role of the Soviet state in world politics were crucial. As Gorbachev's "New Thinking" and goal of reforming the Soviet Union turned out to be an unsuccessful effort, this atmosphere of political polarization, combined with demands for national self-determination of many Union Republics such as Estonia, Latvia, Lithuania, Armenia, and Azerbaijan, paved the way for the emergence of a divided Russian nation with an acute "identity crisis" (Tsygankov 2013, p. 53). It is beyond the scope of my research to discuss the political and economic reasons behind the failure of Gorbachev's policies of reform and the subsequent disintegration of the Soviet Union. Yet, the debates that were formed during *Perestroika* laid the groundwork for the contestation over Russia's national identity in the 1990s. With the aim to erase the Soviet Union's totalitarian legacy, Gorbachev struggled to depict Russia as a European country with deeply embedded roots in Western civilization (English, 2000, pp. 193-228; Neumann, 1996, pp. 160-179). While they sharply diverged from Gorbachev's belief in preserving the Soviet Union as a socialist country, Yeltsin and his political allies firmly embraced the Westernizers' goal of moving Russia towards Europe.[89]

[88] See for example the contributions by Natalia Narochnitskaya and Aleksei Pushkov in: "Russia's Destiny: Playing a Major Role in the World," Discussion, *International Affairs,* 1998, 44(3): pp. 170-179. Natalia Narochnitskaya is currently a member of the board of trustees of the Russian World (*Russkiy Mir*) Foundation. Aleksei Pushkov is currently a member of United Russia and Head of the International Relations Committee of the State Duma.
[89] McFaul (1994, p. 15) explains the rise of liberal ideology in Russia around the year 1990 as an opposition to the Soviet system, which emanated from the sharp political polarization of Gorbachev years.

As Iver Neumann's (1996) seminal work on Russian identity debates demonstrates, the question "where does Russia belong?" was frequently asked by not only historians and sociologists, but also scholars of international relations in Russia. Neumann's study traces the 'European Other' back to the Napoleonic Wars of the early 19th century, as a result of which the Russian Empire for the first time in its history embraced the identity of a great power. Neumann shows that the reformists of the Yeltsin era resembled the liberals in the centuries old debate over Russian national identity and self-belonging. Much like Turkey's Westernizers, Yeltsin's reformist inner circle believed that Russia was part of the Western civilization, and had to embrace Western values totally – this included rapid and sharp transition to free market economy, rejection of authoritarianism, and move towards the modern democratic world. On the other end of the spectrum were located the Eurasianists, communists and far right politicians such as Zhirinovsky who, in Neumann's view, belonged to the romantic nationalist camp (pp. 179-193).

Russians' never ending search for a national idea would now be accompanied by the necessity to re-define the Russian nation-state's 'national interest', and would be consequential for the policy choices of Yeltsin and his allies. As the world was no more bipolar and superpower rivalry based on ideological confrontation was over, Russia had to erase the communist legacy from its foreign policy and foreign economic goals. Russia's different national identity conceptions had different roles ascribed to it concerning its relations with the Post-Soviet space. While much has been written on how the Russian ruling elite perceived Russia's relations with the USA and Europe (Larson & Shevchenko, 2010; Neumann, 1996; Pouliot, 2007; Zarakol, 2011), little has been written on how the post-Soviet region was perceived by Russia's policy makers.

Russia's Westernizers, Partnership with the West and the CIS:

The immediate winners of this contestation were Russia's first president Boris Yeltsin and the liberal Westernizers that surrounded him. Russia's Westernizers argued that Russia was "a normal great power" – in other words, a democratic Russia with a completely transformed economic system (Kozyrev, 1992c, 1992d). In the early years of transition, Russia's main goal was to become a normal, Western, nation-state. While new Russia's first minister of foreign affairs, Andrei Kozyrev would seek to preserve Russia's status as a great power, he would

emphasize that that entailed “normal” great power-ness. That showed that Westernizers wanted equality with the West. In order to achieve that, Russia’s domestic economic transformation became a driving force of its foreign policy and foreign economic re-orientation, and the status of the former imperial space was relegated to a neighborhood with various threats for Russia’s domestic transformation and modernization.

In a conference held in Moscow in 1992, Kozyrev would state that Russia had “finally chosen good health and prosperity. We want to return to the normal development cycle which we dropped out of for 70 years”. In Kozyrev’s discourse, both political and economic qualities were constitutive elements of the new Russian state. According to Kozyrev, Russia was “a missing component of the democratic pole of the Northern Hemisphere”. Russia was signaling to the rest of the world that it was democratizing its political system and liberalizing its economy to be accepted as a legitimate member of the advanced Northern countries. Kozyrev was clearly indicating where Russia’s destiny laid: with the “civilized world, including NATO, the UN, and other structures” ("A transformed Russia in a new world," 1992, p. 86). In the same conference, Kozyrev would also recognize the importance of Russia’s economic transformation for its foreign policy priorities: “the main guideline is to achieve inherent compatibility with the world economy, in particular by joining the International Monetary Fund and other institutions at an early date”. That was why, in Kozyrev’s view, Russia needed to “economize” its foreign policy and diplomacy (Ibid, p. 90). For Russia’s Westernizers, integration into Western international institutions and domestic economic reform were inseparable elements of Russia’s transformation. In their depiction of Russia’s future development, enhancements in political, economic and international spheres were taking place at the same time. Hence, Minister of Foreign Affairs Kozyrev and Prime Minister Gaidar were in favor of a program, which pushed Russia towards embracing Western democratic values and domestic economic liberalization (see for example Kozyrev, 1992b).

While Westernizers argued that Russia’s relations with the newly announced Commonwealth of Independent States (CIS) were of strategic importance for Russia, they did not acquire a status as high as Russia’s relations with the Western democratic world. For Westernizers, those strategic concerns encompassed a cautionary outlook towards the newly independent former Soviet republics. There were potential threats emanating from the post-Soviet region that could destabilize Russia’s democratization and economic transformation,

hence its journey towards normalness. Post-Soviet states, especially those in the Caucasus and Central Asia were not only economically backwards, but also not yet ready for democracy.

Westernizers acknowledged that post-totalitarian Russia had to make a difficult choice: According to Andrei Zagorski, Anatoli Zlobin, Sergei Solodovnik and Mark Khrustalev[90] (1992, p. 7) "the key foreign policy objective for Russia should be preparing the ground for raising the periphery to the core of the world economy and joining the Group of Seven". Zagorski and his colleagues argued that the ambitions of several circles in Moscow "to assume the role of a new center of the CIS make the achievement of that strategic objective much more difficult if not impossible" because "Russia cannot afford paying an exorbitant price for keeping the CIS symbolic integrity and the military-industrial complex afloat". For Russia's Westernizers, renouncing messianic roles for Russia in Eurasia was another crucial element of a new foreign policy. Zagorski et al. (1992, p. 11) considered it "a great illusion to reincarnate the myth of Russian 'special destiny' as a cultural bridge between Europe and Asia". From this point of view, post-Soviet integration was way too costly for a Russia whose primary goal was becoming a modern, developed, democratic state. Westernizers perceived the post-Soviet region as not only burdensome for Russia as a normal Western state, but also destabilizing.

The post-Soviet region carried various risks for Russia. First, Russia's Westernizers, just like the adherents of many other strands of foreign policy thinking, feared that there would be massive inflows of migrants from the Caucasus and Central Asia. Second, there was a growing risk of ethnic and religious conflicts spreading inside Russia, which was already having a hard time re-establishing the center's relations with the regions. So, Russia's own territorial integrity was at stake and the non-Russian post-Soviet countries were only exacerbating this trend. Finally, Russian ruling elites were concerned about the well being of the ethnic Russians who were left out of the Russian Federation after the Soviet disintegration. According to Zagorski et al. (1992, p. 5) Russia would have to "make political and financial concessions" to safeguard the interests of the Russian population living in the Baltic states, Ukraine, Kazakhstan, and elsewhere. In Central Asia, for example, Russia would therefore need to "limit its presence in the region to the minimal level, necessary to exercise influence on the situation of the Russian population…" (Zagorski et al., 1992, p. 9). Minister of Foreign Affairs, Kozyrev on the other

[90] In 1992, these authors were all professors at the influential MGIMO – The Moscow State Institute of International Relations.

hand was building a clear connection between Russia's democratic transformation and responsibility to protect the Russian minorities in the CIS. Kozyrev was calling the newly independent post-Soviet states to abide by international standards on the protection of minority rights. Kozyrev warned the former union republics that "no alternative exists but to use the mechanisms of the United Nations or the CSCE for the settlement of national, ethnic and/or religious conflicts" (Kozyrev, 1992b).

As a normal great power, the new Russia was also ready to embrace a new historic role for Russia in the region; that of leading those post-Soviet states willing to liberalize and democratize towards integration into the international community of states. Kozyrev (1992b, p. 292) would therefore criticize the governments of Azerbaijan, Armenia, Georgia, Moldova, Latvia, Estonia and Lithuania for violating minority rights. Kozyrev (1992b, pp. 292-293) was making it clear to non-democratic post-Soviet states that Russia, as a member of the democratic club, would become a bearer of "values common to all mankind" such as "personal freedom and prosperity, and the protection and development of the human being". Conversely, former Union republics that were not ready or were unwilling to become a part of the developed democratic world would be left alone. As I will explore in greater detail in the next chapter, that was a self-ascribed mission that was totally different from the one embraced by the Putin regime in Eurasia.

Despite the Westernizers' lack of interest in the post-Soviet space, Russia took an active part in ending the civil wars in Moldova, Georgia and Tajikistan in the first half of the 1990s. As Nicola Jackson (2003, pp. 81-111) explores in detail, the conflict between the Moldovan government and the self-proclaimed Transdniestrian republic was a turning point for the Kremlin's policies towards the post-Soviet space. The Russian military actively sided with the separatists in Transdniestria against the Moldovan government and in Abkhazia against the Georgian government despite Kozyrev's and Yeltsin's official support for the territorial integrity of these two post-Soviet states. The domestic power struggle between the Westernizers and the nationalist camp in Russia, which included the Communists, the Liberal Democratic Party of Russia (LDPR), the hardliners in the defense sector as well as key parliamentarians in the Russian Supreme Soviet was of critical importance in shifting the balance towards military involvement in the post-Soviet space. Head of the Supreme Soviet Ruslan Khasbulatov and Vice-President Alexander Rutskoi were leading figures pressuring Yeltsin and Kozyrev to take a more active stance over protecting the rights of Russian-speaking minorities in Moldova and

Georgia, and supporting separatist Transdniestrian, Abkhazian and South Ossetian forces. In June 1992, Russian 14th Army located in Transdniestria independently decided to take action and side with the separatists against the Moldovan armed forces. As Jackson (2003, p. 102) argued, "After the breakdown of the first ceasefire and Russia's military involvement in June in Bendery, Kozyrev and the MFA lost their previously dominant position in the negotiation process". The Russian 14th Army's support for Transdniestrian separatists against Chisinau set a precedent for Moscow's position in the other 'frozen conflicts' in the post-Soviet region in Abkhazia, South Ossetia and Nagorno-Karabakh. The head of the 14th Army, General Alexander Lebed soon emerged as a key great power nationalist in Russian politics, and became an influential figure in Russia's evolving policy towards the region.[91] As I discuss below, Westernists, however, would continue to be the key elite group in the Kremlin to shape Russian foreign economic policy, at least until Yeltsin's second presidential term that started in 1996.

Russia's Foreign Economic Orientation in the Early Yeltsin Years

Integration into the Western economic system

As far as foreign economic relations were concerned, the first years of transition from communism were dominated by debates about whether Russia should liberalize its trade, seek to attract foreign direct investment and establish ties with international financial institutions (IFIs). In the domestic economy, the focus was mainly on rapid privatization of state property, price liberalization, and budget balancing the introduction of currency convertibility – goals that were all together part of the Gaidar government's 'shock therapy' (Johnson, 1994, p. 64). The Yeltsin's administration's primary economic goals were twofold: fulfill the requirements of domestic economic transformation and ensure Russia's integration to the international economic system. According to Russia's Westernizers, these two elements of economic policy were inseparable from each other.

Post-communist Russia's first Prime Minister, Egor Gaidar, was the architect of the country's economic transformation. In an article they wrote for the Russian journal *Ekonomika i Zhizhn* in early 1992, Gaidar and Matiukhin – then head of the Russian Central Bank – outlined

[91] Alexander Lebed ran as a candidate in the Presidential Elections of 1996 and gathered 14% of the votes to finish the race in the third place after Yeltsin and Zyuganov.

the goals of Russian economic policy in the post-Soviet era, and provided the reasons for why the reforms undertaken were the best measures to ensure growth and welfare in the future. Gaidar and Matiukhin, the two architects of Russia's market reforms, covered price policy, financial policy (fiscal and monetary), the system of social protection, income policy, foreign-economic policy, and economic relations with the former republics of the USSR as the main issue areas that the government's economic program aimed to handle. In terms of foreign economic policy, the new Russian government's primary goals would include ensuring the stability of a fixed exchange rate, attracting external financing to "amass sufficient hard-currency reserves" (p. 15), which were at the brink of depletion in 1992, as well as the liberalization of exports and imports. Gaidar and Matiukhin argued that Western financial assistance and integration into international financial institutions such as the IMF were crucial for Russia to complete its transition from communism successfully.

For Russia's reformists, acceding to international financial institutions such as the IMF and EBRD was a policy that would promote Russia's national interests. Conversely, a Russian-nation state that was building its national institutions needed to distance itself from backwards regions such as the Caucasus and Central Asia. According to Russia's deputy prime minister, Alexander Shokhin,[92] (1994, p. 105) the integration of Russia's domestic economy into the world economy was a "fundamental aspect" of its national interests. At the same time, Shokhin argued, Russia had to preserve its "economic sovereignty", which included the establishment of customs boundaries between Russia and the members of the Commonwealth of Independent States (CIS) (p. 104). Interestingly, Shokhin would criticize the proponents of autarky in Russia and argue that participation in the IMF would not limit the country's economic sovereignty (p. 99). In the same conference held in Moscow in 1992, Anders Åslund (1994, p. 88), an influential economist and advisor to Yeltsin from 1991 to 1994, argued that the most important political task ahead for Russia was also the most important for its foreign economic relations: "Russia must clarify its borders and establish what is domestic and what is foreign". While Russia was focusing on building its national institutions in the early years of transition, developing closer ties with international financial institutions such as the IMF and the World Bank were the new priorities. Åslund (1994, p. 91) even argued that Russia should sign free trade agreements with the

[92] Alexander Shokhin is currently the President of the Russian Union of Industrialists and Entrepreneurs.

European Community, the European Free Trade Area, the United States, and Japan – policy recommendations that never materialized.

The so-called "Grand Bargain" between Russia and the IFIs marked the debates about the role of the West in reforming the Russian economy (Odling-Smee, 2006). Gaidar and Kozyrev often expressed Russia's need for financial assistance in order to successfully complete its reforms. During the G7 finance ministers meeting in Tokyo in 1993, the IMF agreed to grant Russia a financial aid package of $3 billion under conditions that were milder compared to IMF standby agreements. Russia was also given the opportunity to re-structure its foreign debt of $15 billion in Tokyo, the payments of which would be coordinated by the G7. While Russian reformist economic policy circles were open to guidance and advice by Western international financial institutions, in the case of the IMF, it was often the Russian side that devised the reform policies. According to Odling-Smee (2006, p. 155), the IMF was "in a position of endorsing the policies proposed by reformers, with little need to push for major changes in them". Ultimately, the Gaidar administration and Kozyrev believed, Russia would transfer from being a peripheral country in the global economy towards occupying a core position.

Disintegration of the Ruble Zone

After disintegration, the first important issue to deal with for both Russia and all the other fourteen newly independent states was the future of the Ruble zone. Russia was aiming to handle interstate monetary relations, and in particular "the precise rules governing payments and settlements" between former union republics (Gaidar & Matiukhin, 1992). In economist Abraham Becker's (1996, p. 122) view, the inability of the CIS to "create an effective payments mechanism is arguably its most significant economic failure". As Abdelal (2001, 2003a, 2003b) showed in various studies, the Baltic states were the first in declaring national currencies in 1992. Russia, conversely, would wait until the summer of 1993 to push the newly independent states that were still using rubles to introduce national currencies.[93]

According to Yeltsin's advisor Anders Åslund (2002, p. 50), preserving the Ruble zone was "the worst single mistake in the post-communist transition in terms of its costs". According to Russia's Westernizers, destroying the Ruble zone, and encouraging Central Asian states to introduce national currencies was a necessity for Moscow to ensure sovereignty in monetary

[93] For a detailed analysis, see Johnson (2000) and Johnson (2016, pp. 189-196)

policy (Gaidar, 2002). Gaidar (2002, p. 34) would accuse the dual power in the Russian Federation – the so-called *dvoyevlastye* – for complicating policy-making as well as implementing reforms. In his view, unlike the Baltic states, there was an absence of a consensus on the status of the Ruble zone in Moscow, which prevented the Russian government from sticking to a strategic development path (Ibid, p. 32). As Gaidar stated, it was impossible to have a "viable combination" of tight monetary policy in Russia and monetary expansion in the CIS at the same time (Ibid, p. 34). Maintaining the Ruble area with uncoordinated monetary policies would emerge as an impediment for the chances of success of Russia's stabilization program and economic reforms. Gaidar also saw the ruble zone as one of the causes for the sharply increasing inflation in Russia.[94] More importantly, Gaidar argued that there were two influential sources that sought for the maintenance of the Ruble zone – the leadership of other CIS states that still used the Ruble and "a considerable section of the Russian economic and political elite". Both, in Gaidar's (2002, p. 34) view, referred not only to the need to retain economic ties between the former Union republics, but also to "brotherhood" between post-Soviet nations.[95]

The bitterest disagreement was between key reformers such as Yegor Gaidar and minister of finance Boris Fedorov, who supported the ruble for Russia only, versus Viktor Chernomyrdin, who promoted the Ruble zone with multiple members (Abdelal, 2003a, p. 63).[96] Moreover, the head of the Russian Central Bank (CBR), Viktor Gerashchenko, sought to maintain the ruble zone under the authority of the CBR (Abdelal, 2003a, p. 60). Those who were in favor of closer economic links between Russia and the other post-Soviet states argued that monetary union was an asset to preserve the links among firms, which used to belong to a single production chain within the Soviet Union (Abdelal 2003a, p. 62). On the contrary, Deputy Prime Minister Shokhin (1994, p. 103) thought "the interests of Russia's sovereignty demanded that the CIS members introduce their own national currencies". The first solution that Moscow developed to re-design the monetary union was *rublevaya zona novogo tipa*, the ruble zone of a new type, which made it increasingly impossible for the non-Russian members of the ruble zone to abide by the rules set by Moscow. Ultimately, the eight non-Russian members of the ruble zone had to introduce

[94] Berger, Mikhail. 4 February 1992. "After a month, Gaidar says worst is past," Izvestiya. Translated in The Current Digest of the Soviet Press, XLIV, No. 5, 1992.
[95] There was in fact another actor, the IMF, that supported and encouraged the maintenance of the Ruble zone. For a discussion behind the reasons for IMF's position in the discussion on the disintegration of the Ruble zone, see Pomfret (2002).
[96] For a detailed discussion on this, see Johnson (2000, pp. 64-97).

national currencies in the fall of 2003. In Abdelal's (2003a, p. 63) view, as a result, the debate was settled in favor of those who perceived a monetary union in the post-Soviet space burdensome for Russia. While the ruble zone could remain intact with nine members (including Russia itself), Moscow chose to focus on its national institution-building process and domestic economic reforms (Abdelal, 2003b).

Disintegration of the Ruble zone would have important consequences for both Russia's domestic reforms and its power and influence in the post-Soviet space. As I will explore in the next chapter, under the leadership of Vladimir Putin, Russian ruling elites started to debate the idea of making the Ruble the reserve currency in the post-Soviet space again (Johnson, 2013). However, in the fall of 1993, with a decision that would have path-dependent consequences, Russia was foregoing a hegemonic role for itself in the post-Soviet region by forcing the eight CIS members to adopt their own currencies.

The CIS as a mechanism of peaceful divorce

As the Soviet empire was collapsing, numerous international and domestic problems arose. The range of questions that the leaders of Russia and the other newly-independent states of the new 'Post-Soviet Space' were facing included how to reform domestic institutions, how to handle the political and economic transition to independent statehood, and naturally, how to deal with re-organizing relations between the former Union republics. There is now a consensus among scholars that the establishment of the Commonwealth of Independent States (CIS) on 8 December 1991 in Belovezhskaya Pushcha by Russia's Yeltsin, Ukraine's Kravchuk and Belarus' Shushkevich was imperative due to the immediate complexities that arose from the dissolution of the Soviet Union – an economic and political union that covered a massive geographical space (Darden, 2009; Olcott, Aslund, & Garnett, 1999). Equally important was the question of what kind of a role Russia would take in this process of "peaceful divorce" of the former Union Republics. On December 21, 1991, heads of eleven former Soviet republics excluding the Baltic states and Georgia agreed on the expansion of the CIS to incorporate eight other former Soviet republics. Georgia would join only in December 1993, while three Baltic

states – Estonia, Latvia and Lithuania – would never want to be a member of a Commonwealth led by the Russian Federation. [97]

As far as the relations with the CIS were concerned, the main target of the early Yeltsin administration was "to expand cooperation in all areas of interstate economic and financial relations" (Gaidar and Matiukhin, 1992, p. 16**)**. To achieve this goal, the Russian government would take the necessary steps "to eliminate quantitative restrictions in interstate trade, to promote direct trade among enterprises, and to limit direct state participation in trade relations". Typically, economic integration among two or more countries entails "allowing free rein to the exercise of comparative advantage, capturing economies of scale through enlarging markets and allowing resources to flow to uses offering higher rewards" (Becker, 1996, p. 118). As economist Becker (1996, p. 118) noted, unlike other economic integration efforts, in the case of the former Soviet Union, integration was "largely proposed to neutralize the damage done by preceding disintegration". Under the Soviet Union, inter-republican trade was the single most important economic activity, especially for non-Russian union republics. In fact, other union republics were more important for each other than with countries outside of the Soviet Union – a policy that was against the logic of comparative advantage.

For supporters of closer economic ties among CIS members, it was only natural for Russia to take a leading role in forging re-integration. In 1991, the twelve independent republics (excluding the Baltics) constituted almost a single economy, which was offering a chance for Russia to sustain its hegemonic role in the region in a different mechanism such as the CIS. Within a few years after its inception, post-Soviet states signed hundreds of agreements on economic re-integration. Most important among them were the Treaty on Economic Union, signed in September 1993, the establishment of a Free Trade Zone of the CIS in April 1994, and the establishment of an Inter-state Economic Committee – the post-Soviet equivalent of the European Commission – in October 1994 (Becker, 1996, p. 120).[98] The Treaty on Economic Union, signed by nine CIS members, envisaged a common economic space, which targeted the eventual transition to a monetary union, and the creation of a customs union in the region (Sakwa & Weber, 1999, pp. 386-387). That being said, Russia would also take the lead in erecting

[97] For a detailed comparison of the post-Soviet foreign economic strategies of Latvia and Belarus, see Tsygankov (2000); for a detailed comparison of Lithuania, Ukraine and Belarus, see Abdelal (2001).
[98] According to Becker (1996, p. 120), the Committee was supposed to become the CIS equivalent of the European Commission. For a detailed account of the evolution of CIS economic integration under Yeltsin, see Olcott et al. (1999).

national barriers to trade vis-à-vis CIS members and re-directing its foreign trade towards advanced capitalist countries, and especially Europe. Similarly, upon signing the Treaty on Economic Union, deputy prime minister Shokhin made it clear to other member states that eliminating customs and export duties on Russian energy exports to the CIS was out of the question, and the treaty was meant to be economically beneficial for Russia as well (cited in Becker, 1996, p. 125). Moreover, the hundreds of agreements signed within the framework of the CIS remained largely unimplemented and Russia did not ratify the CIS free trade agreement under the Yeltsin administrations (Cooper, 2006). All in all, Russia was pursuing a contradictory foreign economic strategy, which in practice had destroyed the ruble zone, while the Union Treaty of 1993 called for a monetary union.

An important question for Russia was whether it could "afford to subsidize the other republics" (Metcalf, 1997). Other than the Baltic republics, which had willingly moved away from Russia as soon as the Soviet Union disintegrated, other former union republics were much slower than Russia in reforming their economies. Metcalf argued that Russia's "dilemma of choice" was that others would "derive greater economic benefit from cooperating with Russia than Russia will gain from cooperating with them" (p. 534). The cure to Moscow's economic problems, according to Becker (1996, p. 129), was increasing Western investment in Russia and Russian trade with the West, as opposed to redirecting the country's trade towards the former Soviet Union. With the goal of moving Russia closer to the core of the global economy, the Yeltsin administrations deliberately worked to re-direct Russia's foreign trade westwards. In 1992, the ratio of Russia's exports with the former Soviet Union to its exports to the rest of the world was 1,28. The same ratio as applied to Russia's imports in 1992 was 1,27. In 1995, the ratio had fallen down to 0,21 and 0,40 respectively.[99]

In 1988, 68% of Russian exports were going to other Union republics, while Russia imported 51% of its goods from Union republics. In 1995, exports decreased to 19%, and imports to 27% (Freinkman, Polyakov, & Revenco, 2004, pp. 12-13). In 1995, 34% of Russia's exports went to EU countries, a percentage that would steadily increase over the coming years. By 1996, intra-former Soviet Union exports had diminished by more than 60 % and imports by more than 50% (Michalopoulos & Tarr 1997, p. 127). That was in large part thanks to Russia's deliberate efforts to divert its foreign economic orientation westwards in order to move the

[99] Source: Becker (1996, p. 126).

country away from the communist legacy and modernize the Russian economy. According to liberal reformists, Russia's trade liberalization was an economically "rational" policy that would re-structure the country's foreign trade towards comparative advantages and demands (Åslund, 1994, p. 87).

In the early years of transition, Russia also deliberately dismantled the common production chains in manufacturing sectors among CIS countries. Instead, Moscow chose to rely primarily on raw materials exports. By 1996, around 89% of Russian exports to CIS countries were oil and natural gas (Freinkman et al., p. 64). All these changes in the changing direction of trade in the region put into doubt the significance of the CIS as a regional integration mechanism as well as Russia's willingness to take a leading role in this process. Despite the signing of hundreds of treaties, the CIS remained a platform to handle Soviet disintegration instead of an effective mechanism to facilitate re-integration in the region.

It is worth noting that Russia aimed to preserve its hegemonic position in the security sphere in the post-Soviet space through various military arrangements. As a result of the Collective Security Treaty signed in 1992, Russia pledged to undertake a leadership role in the conflicts in the Caucasus and Central Asia. Russia also took an active side in the territorial conflicts in the region by actively siding with the Transdniestr region against Moldova, and Armenia against Azerbaijan in the Nagorno-Karabakh war. In the early years of transition, a reluctance to embrace a leading role in the economic sphere and a more activist role in the security sphere co-existed in Moscow. That pointed to the influence of the military-industrial complex and the defense sectors in pushing the Kremlin towards a greater Russian role in the conflicts in the region. While liberal Westernizers dominated economic policy-making and foreign policy circles, hardliners still were in charge in the military and ministry of defense.[100]

Critics of the Westernizers

Yeltsin and Kozyrev would soon find out that the West was not that willing to embrace a democratic Russia as a normal great power. The "international institutionalists" in Moscow, as Tsygankov (1997, p. 257) called them, were disappointed with the prospects of cooperation with

[100] Throughout the 1990s, Russians fiercely debated the role of their country in the conflicts that took place in the region. For a detailed analysis, see Jackson (2003). The CIS has been an instrumental in handling the dismantling of the Soviet nuclear arsenal in Ukraine, Belarus and Kazakhstan. For analysis on the importance of the CIS for post-Soviet regional security, see Olcott et al.(1999, pp. 77-107), Sakwa & Webber (1999, pp. 381-386)

the West. Potential NATO enlargement and the West's indifference to the rights of the ethnic Russians in the Baltic states of Estonia, Latvia and Lithuania were among the primary causes of the disappointment. Yeltsin and Kozyrev started to sound more critical of the West starting in late 1993 (Tsygankov 2013, p. 87). Yet, at the same time, policies of distancing Russia from the former Soviet space in the economic realm continued. Russia insisted on breaking the ruble zone, and using the CIS as a platform to institutionalize Russia's relations with the newly independent states rather than as a platform to bring back Russian economic hegemony.

I argue that this distancing was more a function of domestic contestation over Russian national identity and national interests than a result of the West's indifference to Russia's demands. In October 1992, in his *Moskovskiye Novosti* article entitled 'Partnership with the West', Kozyrev (1992a) himself would warn his Western counterparts that "the romantic period in the new Russia's relations with the West … is over". Arguing that the time had come for "mutual recognition", Kozyrev was calling for cooperation in "forming democratic institutions of power at the center and at local level and in elaborating and implementing economic reforms at the macro and micro levels" as well as providing "assistance to Russia in finding new export markets". In the same article, Kozyrev wrote that Russia wanted to attain the status of a great power "ourselves and for ourselves". That, in other words meant that Russia desired to be "firmly established in the 'club' of democratic countries".

Over time, the disappointment that Russia's Westernizers had vis-à-vis the USA and European states would become much more evident. This forced Yeltsin to find a balance between the Westernizers and those who regarded "Russia as a unique civilization that survives on its own".[101] In 1994, Kozyrev (1994, p. 12) would criticize the West for not respecting Russia's "special role and responsibility in the ex-Soviet Union". Kozyrev was criticizing the West by offering a fertile ground to ultra-nationalists in Russia to exploit the worsening conditions of Russians living in CIS countries. Russian democrats, Kozyrev (1994, p. 12) argued, did not want privileges, "but normal citizenship and equal rights for Russians in those states (ex-Soviet republics)". Despite the emergence of problems between the USA and Russia, especially regarding the latter's role in the CIS, Kozyrev still insisted on Russia's partnership with democratic countries although it was dismissed by "many in both the West and Russia" as "idealistic optimism" (p. 13). Looking back at the early 1990s, a current Russian diplomat

[101] Interview with Lilia Shevtsova, Carnegie Moscow Center, 26 May 2014.

argued those years were marked by "absolutely unlimited Western romanticism" and the "illusion" that the West would embrace Russia as an equal partner.[102]

The military industrial complex, communists, and the ultranationalists, as Kozyrev called them at various times, were in favor of a stronger military role for Russia in the CIS.[103] These groups were critical of the "Atlanticists" in the Yeltsin administration, arguing that they had undermined Russia's national interests as the historical leader of the Eurasian landmass. Leading critics of the "Atlanticists" in the Yeltsin administration included Ruslan Khasbulatov, speaker of the Russian Supreme Soviet; Vladimir Shumeyko, first chairman of the Russian Federation Council, and Vladimir Zhirinovsky, the leader of the far right Liberal-Democratic Party of Russia. They were critical of Russia's abandonment of the ethnic Russian populations living in post-Soviet republics, and called for greater attention to the security risks that were emanating from the shaky borders of the near abroad (Olcott et al., 1999, p. 16). They were also demanding a greater Russian economic involvement in the neighborhood, calling for re-integration in the region.

The Russian parliament soon became the main institutional platform for the romantic nationalist position (Neumann 1996, p. 186). The severe contestation over Russian national identity and roles in regional as well as international politics pushed Yeltsin and Kozyrev to a line more critical of the West towards the end of 1993. According to Tsygankov (2013, p. 79), this did not necessarily refer to a "strategic reappraisal" of Russian foreign policy. Yeltsin and Kozyrev were in search of developing tactical moves to solidify their domestic political power amidst growing frustration with the US and European powers as well increasing nationalist and anti-Western public opinion. While Yeltsin emerged as a stronger president out of the December 1993 parliamentary crisis, he would now have to take into account the proposals of the great power nationalists and anti-Westernizers more seriously.[104]

Especially military elites supported a stronger role for Russia in the CIS, with vested interests remaining from the Soviet era (Menon, 1998, p. 117). According to Alan Smith (1993, p. 217), the reformers perceived the defense sector as the major impediment to radical economic

[102] Interview with anonymous diplomat, Ministry of Foreign Affairs of the Russian Federation, Moscow, 22 May 2014.
[103] For a detailed analysis on the platforms and arguments of Russia's communists and ultranationalists, see Jackson (2003).
[104] Ruslan Khasbulatov and Alexander Rutskoi were the leading figures in the anti-Yeltsin struggle in the Russian parliament. For more detailed background on this struggle, see Khasbulatov (1994)

reforms at home. The military-industrial complex also echoed the ultranationalists and communists in the need to use military force if necessary to protect the Russian minorities in the post-Soviet space. While they were not influential over the Ministry of Foreign Affairs, the military-industrial complex emerged as another factor that Yeltsin had to take account of in re-designing Russia's foreign policy and economic goals. Russia's first foreign policy concept in the post-communist era was announced in 1993.

The Rise of Primakov and the Gradual Return of the Great Power Nationalists

There is an ongoing debate as to whether Gaidar's radical economic reforms have been successful. While some have argued that a more gradual post-communist economic transition was necessary to meet Russia's real economic and social interests (Murrell, 1993) some others have argued that shock therapy was never fully implemented (Åslund, 2007). According to the latter view, Soviet era state enterprise managers and other rent seekers – later to be called the oligarchs – resisted Gaidar's reforms and undermined the stabilization of the economy. The outcome was a "partial reform equilibrium" in which the short-term winners of privatization blocked further reform and the equal distribution of economic gains to larger segments of the society (Hellman, 1998). Amidst growing socioeconomic problems and rising inflation, Yeltsin replaced Gaidar with Viktor Chernomyrdin – founder of Gazprom – as prime minister in December 1992.[105] Yeltsin's other solution to the changing domestic political balances was sacking Kozyrev as Minister of Foreign Affairs and bringing to that post Russia's spy chief, Yevgeni Primakov in January 1996.[106] A turning point hailed as a victory by great power nationalists such as Sergei Kortunov (1998), Primakov's rise to the position of the Minister of Foreign Affairs in 1996 fundamentally changed Russia's relations with its neighbors as well as the rest of the world. [107] So, Kozyrev (1992c, p. 15) was mistaken in arguing that "the only burden from the past" that weighed heavily on the people in new Russia's leadership was "the dire economic situation". According to Kozyrev, "these new leaders simply cannot think, for instance, of NATO as Russia's adversary". Conversely, as Dmitri Trenin told me in my interview with him in Moscow, "there were more Primakovs in Russia at the time than there

[105] For an insider story of Gaidar's resignation, see Yeltsin and Fitzpatrick (1994, pp. 145-181).
[106] For a detailed analysis of Russia's post-communist transformation in Kozyrev's own words, see his *Preobrazhenie* (Kozyrev, 1995).
[107] Yevgeni Primakov served as the head of Russia's foreign intelligence agency SVR from 1991 until 1996.

were Kozyrevs".[108] The lack of an "institutional re-organization" in the Ministry of Foreign Affairs, Ministry of Defense and the intelligence services was, in McFaul's view (1994, p. 24-27) the main reason for the lack of a non-institutionalization of liberal/Westernist ideas on Russian foreign policy. As Primakov (2004, p. 126) later wrote in his memoirs:

> not everyone in the Foreign Ministry, let alone other foreign policy institutions, was of the opinion that the world should be divided into the "civilized" and the "trash", and that the new Russia's most urgent goal should be to attain a strategic union with the "civilized" – our former adversaries in the Cold War – at any cost.

Great power nationalists of the 1990s were very close to the Realist IR School in the West. Several scholars have labeled Russia's great power nationalists as Realists because they were fervent supporters of balance of power in international politics (for example, see Arbatov, 1993; McFaul, 1994, 1999; Tsygankov, 1997). Great power nationalists argued that promotion of national interest and maximization of power should constitute the basis of foreign policy. They were also concerned about relative gains, as they thought the US and European power would benefit more from a liberal outlook followed by Russia. Taking into consideration these presumptions only, Russia's great power nationalists perfectly fit into the Neorealist framework. However, unlike Realists of Western IR theory, they also embraced a civilizational tone – albeit in varying degrees – in their defense of Russia's special historical role in Eurasia.

In a conference held at the Ministry of Foreign Affairs in 1992, Sergei Karaganov[109], an influential great power nationalist, stated that Russia was losing prestige due to "the lack of a clear idea of our interests" ("Russia's national interests," 1992, p. 135). In the same conference, historian Yevgeni Bazhanov[110] argued that history was telling Russians that they had failed to enter into Europe, a goal pursued since Peter the Great (p. 140). Russia should instead, in Bazhanov's view, act as a bridge between Europe and Asia. While arguing that Russia had to pursue a foreign policy based on geopolitical realities, great power nationalists such as Lukin and Kortunov were also attributing a hegemonic role to the Russian nation in fulfilling the requirements of geopolitical competition. In a conference held at the Ministry of Foreign Affairs,

[108] Interview with Dmitri Trenin, Director of the Moscow Carnegie Center. 14 May 2014, Moscow.
[109] In the next chapter, I will explore the influence of Karaganov on Russian foreign policy thinking in greater detail.
[110] A scholar of Chinese and East Asian history, Bazhanov is currently the rector of the Russian Diplomatic Academy.

Vladimir Lukin, former chairman of the Committee on International Affairs of the Supreme Soviet, argued that Russia's "main priorities today have to do with our next-door neighbors". That was because "Russia has always seen itself as a country lying between the West and the East" and the most important task lying ahead for Russia to "preserve the essence of our Turkic-Slavic unity" (A transformed Russia in a new world, 1992, pp. 91-92). Sergei Kortunov (1998, p. 257) would go further in arguing "without the Russian nation no imperium is possible, nor any civilized organized existence in Eurasia and across the world".

Even during Kozyrev's term as Minister of Foreign Affairs, Primakov – then head of Russia's foreign intelligence service SVR – argued that in defining Russia's national interests, preserving a common economic and military strategic space among the post-Soviet states must be a priority. Primakov believed that most of the ex Union republics were supportive of the re-integration trend, while Russian policy occasionally clashed with it (A transformed Russia in a new world, 1992, p. 95). Like many other great power nationalists, Russian nationalists and Eurasianists, Primakov supported the idea that Russia was "destined" to be a great power ("A transformed Russia in a new world," 1992, p. 6). Sergei Stankevich – Yeltsin's advisor on political matters – was another prominent great power nationalist, who argued that "Atlanticism" was too dominant in Russia in the early Yeltsin years and that Russia should instead seek to "balance" between "East and West" and "North and South" ("A transformed Russia in a new world," 1992, p. 101). Russia was "still unaware of its historic mission" (p. 98) according to Stankevich and a policy built purely on interests was misleading, and even disastrous for Russia. Instead, Stankevich argued, Russia needed a new mission in the new era – "initiating and keeping up a multilateral dialogue between cultures, civilizations and states". This was a role that Russia was not alien to because "Russia always splits in two by opposing itself and then comes to terms with itself after going through a series of trials" (p. 99). Stankevich had also sided with Rutskoi, Khasbulatov and other nationalists in criticizing Kozyrev's passive stance vis-à-vis the conflicts in Moldova and Georgia (Jackson, 2003, 98).

Primakov was an ardent supporter of the idea of diversifying Russia's foreign policy and foreign economic relations to include closer partnerships with countries such as China and India. That reorientation was a requirement for Russia as a historical great power, as the world was transitioning towards multipolarity (Primakov, 1996, p. 2). Referring to the legacy of Gorchakov, the Russian Empire's Chancellor in the period after the Crimean War (1853-1856), Primakov

(1998a, p. 10) would argue, "without an active foreign policy it is difficult for Russia, if possible at all, to carry out radical changes at home and preserve its territorial integrity". That pointed to the primacy of foreign relations for Russia's great power nationalists. Primakov and other great power nationalists called for a leading role for Russia in the post-Soviet space. For them, the CIS should not be considered as merely a mechanism for a civilized divorce. Addressing a Swiss audience in 1998, Primakov (1998b, p. 4) stated that Russia was actively supporting "the centripetal trends" taking place in the post-Soviet space, while also cautioning that these efforts should not be perceived as Russia's desire to bring back the Soviet Union. As the influence of great power nationalists in his administration grew, Yeltsin adopted a discourse that was much more great power nationalist in tone towards the end of the 1990s. Addressing Russian diplomats in 1998, President Yeltsin (1998, p. 6) said, "Russia is worthy of the great power status and it should remain a great power. This is a lofty predestination that should be ensured both inside and outside the country". He also argued the recent activism in Russian foreign policy was "in complete accord with the role history has allocated to Russia in world politics". Even before Primakov's appointment to the post of Minister of Foreign Affairs, Yeltsin had made a more assertive role for Russia in the region a priority. Striking evidence of this is Yeltsin's presidential decree of September 1995 on the 'Strategic Policy of the Russian Federation towards CIS Member States', which attributed a leading role for Russia in the region.[111] The document outlined a broad framework for cooperation among CIS countries in economic, security, and humanitarian spheres.

Russia's great power nationalists strictly diverged from liberals such as Kozyrev and Gaidar in conceptualizing Russia's national interest. They harshly criticized the liberal reformers of the early 1990s for ignoring Russia's historically shaped national interests in Eurasia. According to influential historian Sergei Kortunov, the Kozyrev years were destructive for Russia's national interests: "Five years of foreign policy a la Andrei Kozyrev testified once again that the states that prefer moral categories when dealing with the world are defeated and become dependent on stronger powers" (Kortunov 1998, p. 153). So, while Kozyrev was calling for returning to "the normal development cycle which we dropped out of for 70 years" ("A transformed Russia in a new world," 1992, p. 86), great power nationalists were arguing that

[111] The full text of the decree in English can be seen in Brzezinski and Sullivan (1997, pp. 488-491)

Kozyrev and his teammates had pulled Russia out of natural historical mission of being a political and civilizational balancing force between the East and West.

Great power nationalists also considered Kozyrev's liberal foreign policy self-defeating for Russia. It had resulted in the strengthening of separatist and dis-integrationist tendencies inside the Russian Federation, and relegated Russia to a small partner status in the eyes of Western leaders who thought they had defeated Russia in the Cold War (Kortunov 1998, p. 156). According to Narochnitskaya ("Russia's destiny: playing a major role in the world," 1998, p. 170), an influential Russian academic at the Institute of World Economy and International Relations (IMEMO), several "special qualities" of Russian Westernism in its present form was "one of the main tools of the destruction of the great power". Narochnitskaya argued, "the revival of national consciousness and Orthodoxy in Russia is one of the most serious obstacles in the way of Pax Americana". Russia, according to this view, represented an obstacle in the West's world domination (p. 173). Therefore, the support for Westernism among Russian post-communist intelligentsia "should be a subject of study of modern sociology, political science, and historical philosophy" (p. 174).[112]

Alternative national identity conceptions

Westernizers and great power nationalists were not the only groups debating Russian national identity and its implications for Russia's regional and international status. Grouped within the "romantic nationalist" camp by Neumann (1996), Russia's communists, Eurasianists and far-right nationalists strictly opposed the economic and foreign policy orientation of Yeltsin, Kozyrev and Gaidar. One strand of thought has been the Eurasianists, whose intellectual origins went back to the late imperial/early Bolshevik era *Evraziistvo*. A leading contemporary Eurasianist, Panarin (1996), for example, was worried that a universalistic alternative to Russia's civilizational identity had emerged in the post-communist era. This alternative, in Panarin's view was built on premises such as 'the new world order' and 'return to common European home'. This "Atlanticism", according to Eurasianists, was self-destructive for Russians as a nation that had occupied a central place in Eurasia for centuries. Panarin (1996, p. 44) argued that Western

[112] The author would go as far as making the argument that "The present day Westernizer, as remote as never before from any ideals in principle, despises the national and the religious legacy and is permeated with a spirit of hatred for the whole of Russia," in "Russia's Destiny: Playing a Major Role in the World," Discussion, *International Affairs,* 1998, 44(3): pp. 174.

geopolitics aimed to "break the Eastern Eurasian monolith" and push Russia back towards internal disintegration, just as had been attempted in 1812 and 1945. Eurasianists believed that Russia was surrounded by geopolitical and civilizational rivals from the West (the Atlantic world), from the East/South (Turkey and the Muslim World), and the Pacific region (China) (Panarin, 1996, p. 48). Therefore, Eurasianists called for a return to the Eurasian tradition, in which the Russian nation ruled over a supranational body, a confederation of Eurasian ethnicities so to speak.

Another extremist national identity conception has been one that Zhirinovsky and other far-right nationalist groups have embraced. What made Zhirinovsky an important factor to take into account by Yeltsin was his electoral success. The Liberal Democratic Party of Russia (LDPR) that Zhirinovsky chaired has constituted an important faction in the Duma since the December 1993 general elections, albeit in varying number of seats. The 23% that the LDPR got in the 1993 elections signaled that far-right nationalism had a significant appeal in the Russian society. Apart from its general appeal, as Dunlop (1997, pp. 63-67) showed, Zhirinovsky and the LDPR were quite influential on the Russian military personnel, including the high-ranking officers. According to Zhirinovsky and his nationalist followers, Russia, as the sole power in the former Soviet Union's territories, should not hesitate to use force to protect the ethnic Russians in the newly independent republics. He wrote that not only Crimea, but also Donbass and Kiev were strategically parts of Russia as "all of them were (*parts of*) the Russian Empire"[113] (Zhirinovsky, 1995, p. 56). Zhirinovsky argued that Moscow would in the future take back "not only Crimea, but also the entire Black Sea coast" (Ibid, pp. 57-58). Zhirinovsky thought post-Soviet Russia should act like Tsarist Russia in using Orthodoxy and the Russian Army in subjugating the nations that were threatening for the motherland (for greater detail, see Dunlop, 1994). A Turkologist by education, Zhirinovsky regarded the threat of pan-Turkism and the spread of Islam inside Russia as two immediate problems to be dealt with. Zhirinovsky even proposed the rebirth a Russian empire, which this time should range from the English Channel to Vladivostok and from the Arctic to the Indian Ocean (Dunlop, 1994, p. 30).[114] Ultimately,

[113] Emphasis added by the author.
[114] For a detailed account of Zhirinovsky's views on Russian foreign policy, see Zhirinovsky (1993)

despite the electoral success of the Communist Party[115] and the LDPR, Russia's communists and ultra-nationalists were not able to influence foreign economic policies in the 1990s as their political influence were limited to the Duma.

Bringing Russian Hegemony Back? The search for a Customs Union

With the gradual return of great power nationalists to powerful positions in the Kremlin and the fall of the appeal of the Westernizers, Russia intensified its efforts to re-integrate the post-Soviet space. As I mentioned above, the Yeltsin governments had already signed integration documents with post-Soviet states, which had remained unimplemented. The most important agreement, one that created a Customs Union in the region, was signed in January 1995 by the governments of Russia, Kazakhstan and Belarus. The number of members increased to four in 1996 as Kyrgyzstan joined the treaty. In March 1996, the four post-Soviet states signed the Treaty on the Intensification in the Economic and Humanitarian Areas. Tajikistan also joined the treaty in 1999. The Customs Union treaty signed in 1995 is the founding father of the Eurasian Economic Union, which would later on transform into the Eurasian Union. It was also a turning point for Russia's foreign economic strategy in the region as the treaty was presenting a hegemonic role for Russia in regional integration. While they were aiming to accede to the WTO, the four members of the Customs Union agreed on a common external tariff based on the Russian tariff (Michalopoulos & Tarr, 1997, p. 128). However, because each of the four members were pursuing WTO membership on the basis of national tariff schedules, the intergovernmental agreements remained unimplemented, and there was in fact no common external tariff. Conversely, members of the Customs Union, including Russia itself, continued to pursue their own unilateral foreign trade policies, which led Olcott et al. (1999, p. 57) to conclude that the treaty did not yield to "a real customs union".

As I will explore in the next chapter, the Customs Union would transform into an effective mechanism only after the global financial crisis of 2008-09. However, since its onset, Russia has privileged the Customs Union over other forms of cooperation in the post-Soviet region. Described by Yeltsin as the "backbone" of re-integration, the Customs Union incorporated high-level cooperation mechanisms such as the Inter-state councils for presidents,

[115] The Communist Party of the Russian Federation, led by Gennady Zyuganov gained 12.4, 22.3 and 24.3% percent of the votes in the parliamentary elections of 1993,1995 and 1999. Communists got more than one third of the seats in the State Duma after the elections of 1995.

prime ministers, and ministers of foreign affairs, the Integration Committee, and the Inter-parliamentary Assembly (cited in Sakwa & Weber, 1999, p. 399). Despite Yeltin's commitment to a changing course in Russia's foreign economic relations by 1995, Russia's trade with the CIS continued to diminish relative to its trade with the EU and the rest of the world. Russia's economic problems soon came to an insurmountable level and the country experienced a financial crisis, as the Kremlin had to devalue the ruble and default on its debt in July 1998. Russia's financial collapse would have decisive effects on both Russian domestic politics and the prospects of re-integration in the region. Russia's total trade with CIS countries fell by 25% in 1999 compared to the previous year (Central Bank of Russia, 2015). It would take five years for the volume of Russia's total trade with CIS countries to reach the same volume as 1998. More importantly, from 1997 to 2001, the share of the CIS in Russia's foreign trade diminished from 23.7% to 17.8%.[116] Therefore, the Customs Union treaty turned out to be a largely unsuccessful arrangement, if integration in trade is taken into account as the most important indicator. The pathway to the crisis of 1998 as well as its outcomes for Russia, the region and international economy have been explored elsewhere (Johnson, 2000; Rutland, 2013). For the purpose of this study, it is worth noting that the crisis of 1998 postponed the great power nationalists' grand economic project of re-integrating the post-Soviet space for the few years to come. However, Russia's new President, Vladimir Putin, would resurrect this goal through the Eurasian Economic Community in the early 2000s – yet, this time through a coercive strategy.

Conclusion: Russia's economic interests and foreign economic policy under Yeltsin

In this chapter, I have tried show that pure economic reasoning and material calculations cannot explain Russia's changing direction of foreign economic policies in the 1990s under the Yeltsin administrations. In 1991, the majority of the former union republics were dependent on Russia to varying degrees. While for some, Russia was the main destination of exports (for all Central Asian republics, Belarus, Moldova, Armenia, Georgia and Ukraine), for others such as Azerbaijan, Kazakhstan and Turkmenistan, Russia was where all the oil and gas pipelines had to go through to reach Western markets (Olcott et al., 1999, p. 41). In the first years of transition to the market economy, the Kremlin pursued a clear economic strategy of distancing Russia from the other former union republics, and integrating into the world economy through shock therapy

[116] Author's calculation based on data from the Central Bank of Russia

at home. What changed in 1995-96 that pushed Yeltsin to re-prioritize economic integration in the post-Soviet region?

As I have explained, the Soviet era trade and production ties were dramatically and radically cut after 1991. The share of the CIS in Russia's foreign trade continued to decrease towards the end of the 1990s due to the deliberate policies implemented by Moscow in the first years of transition. Two influential World Bank economists predicted that the dynamic effects of establishing or joining a Russia-led Customs Union were "likely to prove negative" due to potential "adverse effects on technology and productivity improvements" (Michalopoulos & Tarr, 1997, p. 135). The same study found that a Customs Union in the post-Soviet region would inevitably lean towards a policy of import-substitution aiming to protect domestic producers in Russia (p. 133). Also according to economist Becker (1996, p. 127), "to try to pick up where the Soviet Union left off would mean going backwards in economic effectiveness and welfare". While the Russian economy resembled a capitalist free market towards the end of the 1990s, reform processes in the other CIS members – and especially in the Caucasus and Central Asia – halted, which made economic re-integration even more difficult and costly for Moscow.

According to Nicole Jackson (2003, p. 8), "To a large extent, Russia's economic problems explain why its government could not have pursued expensive neo-imperialist projects even if it had wanted to." However, my primary source research indicates that Russia's Westernizers had no real goal of pursuing a `neo-imperialist' line of foreign economic strategy regardless of how they perceived the prospects of the Russian economy. The real question one should ask, therefore, is whether Russia would have wanted to pursue similar policies if liberal Westernizers such as Kozyrev and Gaidar could have built a stronger support basis and remained in power in Yeltsin's second term in office, which started in 1996. Similarly, we do not know how a Westernizer group of ruling elites would have re-directed Russia's foreign economic strategy in the aftermath of the financial crisis of 1998. However, what we observe is that after the Soviet collapse, there was a bitter debate in the country with regard to the roles and purposes of Russia in the post-Soviet region. My findings demonstrate that those roles and purpose have been constituted by the varying national identity conceptions held by the governing elites. I also found that Westernizers were never able to consolidate their political power, and great power nationalists started to dominate the most influential posts in Yeltsin's second presidential term, which started in 1996. This led to a shift in the geographical direction of foreign economic

priorities. While Gaidar's shock therapy, the disintegration of the ruble zone, and the diversion of foreign trade made economic re-integration with the post-Soviet states a distant goal; it nevertheless became a concrete project with the rise of the great power nationalists. Consequently, Russia under the Yeltsin administrations was a reluctant regional power, oscillating between economic isolation and re-inserting a hegemonic form of re-integration in Eurasia.

CHAPTER 6

Russia's Return to Eurasia under Vladimir Putin: the Eurasian Economic Union

> I do not see much of economic rationale. It is not clear for example why would Russia want Ukraine to be a part of the Eurasian Union rather than to sign a trade agreement with the EU itself. There is no economic reason for Russia not to have very close trade ties with the EU instead of organizing any kind of union around itself…Economics is different… I am not saying that economics is more completely exact science, but it's like physics, has more common things with physics.[117]
>
> Konstantin Sonin
> Professor of Economics, The University of Chicago
> Former Vice Rector of the Higher School of Economics in Moscow

> (Russian public opinion) needs to bring back an understanding of the historical role the Russian world played in creating a universal culture from Kievan Rus', the spiritual heir to the Byzantine Empire, to the Russian Federation, the successor state of the Soviet Union and the Russian Empire. Eurasian integration process should be presented as a global project to restore and develop the common space of nations from Lisbon to Vladivostok, and from St. Petersburg to Colombo, which for centuries lived and worked together.[118]
>
> Sergei Glaziev
> Advisor to the President of the Russian Federation,
> Full Member of the Russian Academy of Sciences

National Identity Conception of Putin and his Allies: Russia as a Great Power in Eurasia

There has recently been a proliferation in academic studies that focus on post-Soviet economic integration.[119] Scholars have compared the success and failure of economic integration initiatives in the post-Soviet space including the Commonwealth of Independent States (Kubicek, 2009; Libman, 2007) and the Eurasian Economic Community (Obydenkova, 2011). These studies have mainly focused on the role played by common institutional legacies, national

[117] Interview with Konstantin Sonin, 12 May 2014, Moscow.
[118] Glaziev (2014)
[119] For an overview of the literature on Eurasian economic integration in Russian and English, see Libman (2012)

institutions (Obydenkova, 2006), and functional bureaucracies (Libman & Vinokurov, 2012) in the seemingly inefficient process of economic integration among post-Soviet states. Scholars of Russian foreign policy and economic integration in the post-Soviet space have yet to answer a number of key questions. Why, despite the limited economic benefits that Russia can gain from the region, has Russia maintained Eurasian economic integration as a top foreign policy priority? Why, in an age of increasing interdependence and globalization, has Russia sought to be the regional hegemon rather than engaging in equality-based multilateral mechanisms? My study differs from the earlier literature on post-Soviet or Eurasian economic integration in a significant way. I investigate the role played by Russia as the dominant economy and the regional power in the post-Soviet space rather than focusing on the outcome of integration efforts. In other words, I deal with motivations behind regional economic integration primarily because as Acharya (2012) and Hurrel (1995) argue, regions are first and foremost ideational constructions. The literature on post-Soviet economic integration will be strengthened by examining the role of Russia in delineating the boundaries of economic integration and determining its form.

In this chapter, I show how the Russian ruling elite's historically shaped conceptions of Russia's national identity have constructed its economic interests and foreign economic strategy. Similar to the Turkish case, over time as Vladimir Putin and his great power nationalist allies consolidated their political power, they became more assertive in implementing their foreign economic vision including Eurasian economic integration. Under Putin's rule, Russia's domestic political system has evolved from a rather pluralistic one to a unitary one in which Putin has managed to completely take under his control the State Duma and suppressed political opposition as well as the oligarchs. That has left the national identity conception of Putin and his allies almost unrivalled, despite the continuity in debates with input from the Communists, Eurasianists and Liberals. Under Dmitri Medvedev's Presidency – from 2008 to 2012 – Russia's domestic economic modernization became the top national priority (for a detailed analysis, see Malle, 2012). Medvedev's modernization seemed to favor the policies that had been promoted by Russia's liberal economists in the early years of post-communist transition. However, as far as foreign and foreign economic policies were concerned Medvedev followed the outline drawn by his predecessor Vladimir Putin.

Various scholars of Russian foreign policy have argued that Russia's assertive policies in the post-Soviet space are an outcome of its search for a great power (*derzhava*) status (for

prominent examples, see; Tsygankov, 2005, Clunan, 2009). Yet, no study has investigated why regional preponderance through regional integration has been Russia's priority under Putin's rule. The literature on Russian "great powerism" has largely left the following questions unanswered: why has Russia chosen to be the dominant power in Eurasia instead of initiating a more globally oriented foreign and foreign economic policy? Why, instead of global integration and influence through international institutions, Eurasian integration and institutions formed in the post-Soviet space have been perceived by the Kremlin as the path to great power status? I argue that Russia's foreign economic interests under Putin (and Medvedev) administrations have been formed by the historically shaped great power nationalist identity conceptions of the ruling elites.

As I explore in detail in this chapter, despite the Kremlin's official rhetoric on the material/economic significance of Eurasian integration for the Russian economy, liberal economists doubt the benefits of it, and economic data indicate the relative insignificance of countries such as Belarus, Kyrgyzstan and Armenia for Russia. Similar to the great power nationalists of the 1990s led by Yevgeni Primakov, Russia's ruling elites under the leadership of Vladimir Putin have designed Russia's foreign and foreign economic policies in stark contrast to those of the Westernists or Atlanticists of the early 1990s. As Russian ambassador to Turkey and leading Middle East specialist Pyotr Stegny wrote in 2004, the 1990s represented the threat of disintegration, financial crisis and socio-economic collapse for Russian citizens (Stegny, 2004). In addition to various domestic problems, according to the great power nationalists, the 1990s represented the retreat of a former superpower against the West. On the contrary, years under Putin's rule represented Russia's reemergence as a great power in world politics. While President Putin has perceived Russia as a "normal great power" (Tsygankov, 2005), his conceptualization of Russia differed from that of the earlier *derzhavniks* (i.e. previous Prime Minister Primakov's) significantly. Increasingly during his third term as President, Putin and his allies have viewed Russia as the representative of a new dynamic in world politics – the rise of the East at the expense of the West and Western values. Although the Russian ruling elite has not denounced Russia's 'Europeanness' completely (see Hopf, 2013), they have viewed Russia as the center of the Eurasian pole in world politics with a distinct set of political and civilizational values. Conceptualizing Russia as the historically dominant power in Eurasia, Putin administrations have

not only reoriented Russia's foreign economic policies towards post-Soviet integration, but also attributed a hegemonic role for Russia in the region.

I argue that Vladimir Putin and his allies have followed the great power nationalists identity conception that I explored in the previous chapter. What follows is an analysis of the great power nationalist conceptualization of Russian national identity under Putin administrations with a specific focus on Russia's roles and purposes in the post-Soviet region within that conception. Unlike the Turkish case, there is no single book or set of academic articles written by Vladimir Putin, Dmitriy Medvedev or other members of the ruling elite, which outline Russia's strategic goals and national purposes in the Near Abroad or more broadly in international politics. At the same time, there is no dearth of primary sources to rely on to infer the ruling elite's national identity conceptions. First, I systematically examined the Russian Presidents' annual addresses to the Federal Assembly, which are also unofficially called "the state of the nation address", are useful. I explore the roles that the Russian presidents (Putin and Medvedev) attribute to Russia and the Russians in regional and global affairs. Second, I examine Russia's official foreign policy concepts. Third, I use the articles that Russian Ministers of Foreign Affairs under Putin and Medvedev administrations – Igor Ivanov and Sergei Lavrov – have written in various outlets. Finally, I examine the articles written by intellectuals and academics, which are believed to have been influential behind the formulation of Russian foreign policy and foreign economic goals. This includes various studies conducted by the influential Russian think-tank Council for Foreign and Defense Policy (CFDP). CFDP was established in 1992 and is currently directed by Sergei Karaganov – an influential professor of International Relations at Moscow's Higher School of Economics[120]. CFDP publishes the Russia in Global Affairs (*Rossiya v Global'noi Politike*) journal, which has become the main platform through which academics close to the Kremlin have raised their views on Russian national identity, economy and foreign policy. I also use the articles of Russian officials and academics published in International Affairs, the flagship journal of the Russian Ministry of Foreign Affairs.[121]

[120] Sergei Karaganov worked as Advisor to Russian President on Foreign Policy from 2001 to 2013. For his CV, see: http://karaganov.ru/en/pages/biography.

[121] The journal is published in both Russian and English languages. The Russian language version of the journal is entitled *Mezhdunarodnaya Zhizn'* (International Life).

Russia's Roles and Purposes as a Great Power

In this section, I outline the common features that the Russian political elite has attributed to Russia as a great power. This entails an analysis of the roles and purposes that Russia should embrace in its relations with the post-Soviet space as a traditional great power. In his first years in the office, Putin often stressed the need for the consolidation of the state, economic reform and societal well-being. While he referred to Russia as a great power (*derzhava*), he did not pay much attention to foreign policy, developments in the post-Soviet space, or relations with other great powers. Leading Russian intellectuals and political elites shared the core of Putin's argument: that Russia belongs to the "great power club", but should focus on "national revival" in order to become economically more competitive while at the same time enhancing state capacity (see for example Nikonov, 2001).[122] Messages related to taxation, the effectiveness of state institutions, public order and fight against corruption and other forms of criminality dominated his famous Annual Addresses to the Federal Assembly. In his earlier speeches, Putin was also hesitant to criticize the West and the unipolar world order allegedly imposed upon the others by the US. Instead, he called for greater foreign direct investment in Russia and argued that the Russian government was doing its best to reform the economic system so that foreign investors could easily come to the Russian market. In his Address in 2002, Putin (2002) argued, "Our country (Russia) is gradually becoming a solid and predictable business partner". Re-organizing Moscow's relations with Russia's regions and federal units was another important task to be fulfilled by the Putin administration in his first years in office. Putin also often stressed Russia's ambition to be fully integrated into the global economy and acquiring a prestigious place for Russia within the international economic system. He compared Russia's socio-economic indicators such as life expectancy, schooling and GPD per capita with those of the advanced economies. Russia's former Minister of Foreign Affairs, Igor Ivanov (2001, p. 7) would echo Putin in stating, "the requirements of our economy and civil society are increasingly

[122] For a typical argument on the primacy of domestic development, see Vyacheslav Nikonov, "Towards Russia's National Revival," 2001, *International Affairs: A Russian Journal of World Politics, Diplomacy and International Relations*, 47(4): 54-62. Nikonov (professor of history) is currently a member of Duma from United Russia party and chairman of the management board of the *Russkiy Mir* foundation. In his essay, Nikonov tries to answer the question, "who are we" (see p. 56). He argues that Russia should not follow the three traditional schools of thought which have dominated Russian intellectual debates since the 19th century; Westernism, Anti-Westernism and Eurasianism, and instead pursue a fourth way – that of national revival and domestic development. According to Nikonov (2001, p. 61), "Russia will remain behind forever if it fails to make a big leap forward in economic sphere so that to join the world that is becoming globalized as an equal and strong player".

becoming the pivot of foreign policy activity of the Russian state". In fact, the Foreign Policy Concept of 2000 revealed the importance of domestic political and economic concerns over the conduct of Russia's foreign and foreign economic relations. In this framework, only a strong Russia – in political, economic and social terms – could become "a magnet for integration with former Soviet republics" (Sokolova, 2002).

Yet according to Trenin, the Russian ruling elite had already embraced a great power identity for Russia in Putin's first years in office.[123] Trenin (2015, pp. 35-36) notes that by 2004, Putin had already chosen to follow a political trajectory that was unique to Russia's traditional, historical national identity. That trajectory foresaw a strong Russia, which was an independent country that enjoyed full sovereignty in foreign policy making. In his address to the Federal Assembly in 2005, Putin stated that the collapse of the Soviet Union was "a major geopolitical disaster of the century", which for the Russian nation, "became a genuine drama" (Putin, 2005).

Multipolarity: Russia as the uncontested leader of the "Eurasian" pole

First, similar to Primakov years, for Putin and his allies, multipolarity has been the top keyword defining Russia's perspective for the future of regional and global politics. In the words of Lavrov (2012), the Russian ruling elite viewed Russia as "one of the centers of the new polycentric world." Numerous times, Russian leaders have emphasized the multipolar nature of world politics, and the impossibility of the presence of stability, security and justice in a unipolar world. Multipolarity has also made it into Russia's official foreign policy documents as a key ordering principle of international politics. At the 43rd Munich Security Conference of 2007, President Putin presented Russia's position on unipolarity clearly: "the unipolar model is not only unacceptable, but also impossible in today's world".[124] Putin also asserted that Russia was a country "with a history that spans more than a thousand years" and had always "used the privilege to carry out an independent foreign policy". In the words of Minister of Foreign Affairs Sergei Lavrov (2007a), "unipolarity, quite simply, is an encroachment on God's prerogatives". In fact, according to Makarychev & Morozov (2011), Russia's approach to multilateralism in international politics must be put into the context of multipolarity in Russian foreign policy

[123] Interview with Dmitri Trenin, Director of Carnegie Moscow Center. Moscow, 28 May 2014.
[124] President of Russia Official Web Portal, "Speech and the following discussion at the Munich conference on security policy". Available at: http://archive.kremlin.ru/eng/text/speeches/2007/02/10/0138_type82912type82914type82917type84779_118123.shtml (accessed: 25 January 2015).

thinking. While much has been written on Russian understanding of multipolarity and a multipolar world, I specifically focus on how the Russian elites view the post-Soviet space within this context. Under Putin's rule, the Kremlin has conceptualized Eurasia as a "pole", in which Russia has historically been the sole dominant power. Putin and his allies have attributed a historically superior role for Russia in the region, which has been under Russia's political, economic and cultural influence for centuries. This self-conception helps explain why the Russian ruling elites have perceived the 'colored revolutions', NATO enlargement, EU's Eastern Partnership program and finally the Euromaidan as efforts to curb Russia's historical leadership role in Eurasia. For example, according to Sergei Lavrov (Lavrov, 2007a), NATO's expansion towards the post-Soviet territory was a "violation of previous assurances given to Moscow" and a clear example of "containing Russia". Most recently, Putin's advisor on economic and financial affairs, Sergei Glaziev (2013) as well as Putin (2014) himself have argued that Eastern Partnership and the Euromaidan events were targeted against Eurasian integration. More importantly, Putin argued in his Crimea speech of March 2014 that containment policies of 18th, 19th and 20th centuries were continuing today.

So, the Russian ruling elite has not only desired a multipolar world, but a multipolar world in which Russia would enjoy the historical right to be the only power in the Eurasian pole. According to Lavrov (2007b), "nobody has doubts that Russia has the capacity to maintain social, economic and other kind of stability in the region". Similarly in an interview with Russian TV channels in August 2008 right in the aftermath of the Russo-Georgian War, Medvedev would state, "the world should be multipolar" and "a single pole is unacceptable".[125] More importantly, in the same interview, Medvedev would state, "there are regions in which Russia has privileged interests" with which Russia had "special historical relations" and was "bound together as friends as friends and good neighbors". The Kremlin has justified the conception of Russia as the leader of Eurasian pole with reference to the 19th century Concert of Europe and the division of spheres of influence after the Congress of Vienna. In his address at the Convention of the Russian International Studies Association, Igor Ivanov (2001, p. 3), Sergei Lavrov's predecessor as Minister of Foreign Affairs, stated that historical continuity was at the center of Russia's

[125] President of Russia. "Interview given by Dmitry Medvedev to Television Channels Channel One, Rossia, NTV". 31 August 2008. Available from: http://archive.kremlin.ru/eng/text/speeches/2008/08/31/1850_type82912type82916_206003.shtml (accessed: 28 December 2014).

newly adopted Foreign Policy Concept. According to Ivanov, current Russian diplomacy was based on an "age-old tradition" that dated back to the reign of Alexander II, and resembled the reforms of historical figures such as Stolypin and Gorchakov. In his speeches and articles, Ivanov systematically placed Russia among the historical great powers – a tradition that dates back to Russia's transformation into an empire during the reign of Peter the Great in the early 18th century. In Ivanov's (2002, p. 13) words, "respect for the historical legacy should be seen as one of the key elements in raising new generations of Russian diplomats". Clunan (2014, p. 287) argues that Putin stressed Russia's greatness to "assert Russia's distinctiveness from other, lesser, European countries". While this statement is true, it misses an important component of Russia's greatness: Russia is also distinct from other, lesser, post-Soviet states in its near abroad. For Russia's ruling elites, an uncontested leadership role in Eurasia is an inseparable part of its *derzhava* – great power – identity. That is why the Kremlin has pursued a hegemonic and coercive form of regional leadership in its 'Near Abroad'.

The Search for a National Idea: Eurasian Values and Eurasian Integration

In this search for a multipolar world order with Russia as the uncontested central power in Eurasia, Russian political elites have increasingly relied on 'Eurasian' or 'Russian' political values. Putin has often stressed the need to rally around a new national idea. In an article he wrote for the Russian daily *Nezavisimaya Gazeta* on 31 December 1999 – the day Yeltsin announced he was resigning – Putin (1999) argued that Russia needed a new national idea to help overcome the destruction of the 1990s. Traditional values of the Russian society, according to Putin, would come to the rescue; patriotism, great powerness (*derzhavnost*), statism and social solidarity. Putin argued that Russia had always been and would remain a great power. "Inherent characteristics of Russia's geopolitical, economic and cultural existence", Putin stated, had "determined Russian people's mentality as well as state policies throughout Russian history". Later on in 2012, in his address to the Federal Assembly, Putin stated, "Russia did not begin in 1917, or even in 1991". Russians, in Putin's view, must rely on the "continuous history spanning over one thousand years…to find inner strength and purposed in our national development" (Putin, 2012).

In shaping the debates on Russia's search for a new national idea, views of Sergei Karaganov have been highly influential.[126] A Professor of International Relations and Dean of the Faculty of World Economics and World Politics at the Higher School of Economics in Moscow, Karaganov has also been the honorary chairman of the influential think-tank CFDP.[127] Karaganov has been famous for advocating closer economic and security cooperation with China and Asia-Pacific region. According to him, pivot to Asia would enable Russia to remain a great power without conceding its equal status with Western powers. That would also help Russia have a stronger role in the "new epoch of confrontation" with the West. In his articles, Karaganov (2007) was representing the intellectual common-sense among Russia's great power nationalists: "When Russia was weak, it was not invited to join the "club" of developed democracies as an equal yet junior partner. Now Russia has made the decision that it will not join this club; and if it does ever decide to join in the future, it will do so as a strong power". In the confrontation between Western and Eastern values, Karaganov's choice for Russia was clear: "History has pushed Russia into the center of a new competitive struggle between the liberal-democratic and authoritarian models of capitalism". Russia's opposition to liberal democratic capitalism of the West, according to Karaganov, coincided with the "tectonic shift in global economy". As the worlds' economic center of gravity was moving Eastwards, Russia had to make a strategic choice of moving away from the West. Karaganov (2005) argued that Russia had demonstrated to the post-Soviet states and other developing nations that "they can successfully organize their economies in other ways and not according to the dependent liberal-democratic model of Central and Eastern Europe…Many neighboring societies, tired of poverty, chaos and uncertainty are eager to emulate the sovereign system of Russia, which is showing growth and is better governed". Minister of Foreign Affairs Sergei Lavrov echoed Karaganov's assertion that the new epoch of confrontation was a confrontation of value-systems in an article he wrote for CFDP's Journal *Russia in Global Affairs* (*Rossiya v global'noi politike*) in 2007. According to Lavrov (2007b):

[126] The majority of my interviewees in Moscow have confirmed that Karaganov is one of the most (if not the most) influential names over the formulation of Russia's foreign policy and foreign economic goals.
[127] Founded in 1992 by Vitaly Shlykov – Russia's deputy minister of defense under Yeltsin – CFDP has been a strong advocate of Russia's pivot to Asia and cooperation with non-Western major powers.

> the paradigm of contemporary international relations is determined by competition in the broadest interpretation of this notion, particularly when the object of competition is value systems and development models. The novelty of the situation is that the West is losing its monopoly on the globalization process. This, perhaps, explains the attempts to present the current developments as a threat to the West, its values and way of life.

This represented a complete divergence from Yeltsin's first term as president in the first half of the 1990s, when Russia was regarded a major European power and strived to be accepted into the Western-led international system as a liberal democratic European power.[128] Eurasian Union has been the flagship project of Putin's third term as President. Writing for Russia in Global Affairs in late 2011, Karaganov argued that the new world was going through a "revolutionary chaos" which entailed not only "an unprecedentedly swift redistribution of power in the economy", but also a collapse of the values of Western capitalism. According to Pavel Andreev, former executive director of the Valdai Discussion Club, the Eurasian Union incorporated "a civilizational rather than a political ideology. It is aimed at creating some sort of a center of gravity in the competition of values, which is going on globally between the West and the rest of the world".[129] Similarly, according to Russian political scientist Andrei Melville a search for a new Russian identity had marked Putin's third term as President. According to Melville, Orthodox Russia was increasingly presented as "a torch of wisdom: savior of and the only true believer in the Judeo-Christian world".[130] Putin's economic advisor on Eurasian integration, Sergei Glaziev (2013) also argued that the Eurasian Union project was built on the ideology of Eurasianism referencing the early 19th century intellectual Nikolai Trubetskoi. According to Glaziev (2013), "centuries old cooperation ties predetermines common economic interests and serve as a basis for agreement on supra-national decisions".

Domestic contestation over national identity and alternative national identity conceptions

In embracing a great power identity with a civilizational tone, the process of the consolidation of the political power of Putin and his political allies has been of key importance.

[128] Interview with Dmitri Trenin, Moscow, 2014.
[129] Interview with Pavel Andreev, former Executive Director of Valdai Discussion Club. Moscow, 21 April 2014.
[130] Interview with Andrei Melville, Vice-Rector for Research, Higher School of Economics. Moscow, 20 May 2014.

The most important lesson of the 1990s for Putin was that contestation over foreign economic goals led to an incoherence in the formulation and implementation of strategic goals set by the administration. According to Tsygankov (2013) there was a pragmatic alliance between the Westernists and Statists in the early years of Putin administration. However, starting 2004, when Putin was elected President the second time in a row, the official discourse and actual policy-making has been increasingly in line with the Kremlin's great power nationalist identity conception. It is worth noting that liberal economists have continued to be influential in the economic and financial bureaucracy. Their power and influence are believed to have peaked during the Presidency of Medvedev, from 2008 to 2012, when integration with the global economy and modernization of the Russian economy were the primary goals (Rutland, forthcoming). However, one should also note that in foreign and foreign economic policies, Medvedev was no less great power nationalist in his discourse and practices than Putin was. In fact, it was Medvedev who waged a war against Georgia in 2008, which clearly demonstrated Russia's willingness to defend its uncontested status in Eurasia in the face of a threat from a small yet non-obedient neighbor.

Although Putin has been referred to as a Russian nationalist, in fact, various times, Putin has himself denounced nationalism and presented it as a threat for the multicultural Russian society.[131] Instead, Putin has utilized nationalist symbols for various domestic and foreign policy goals such as provision of public order, suppression of separatism in Chechnya and the annexation of Crimea. According to March (2012, p. 414), "the adoption in 2000 of the Soviet natural anthem with new words and the Tsarist state symbols was clearly intended to demonstrate the unity of Russian history and reinforce Putin's view that a period of state consolidation had replaced communism and liberal revolutionism". However, Russian nationalism per se has never become an influential school of thought in Russia over foreign policy making (Laruelle, 2015). Conversely, in the Russian political context nationalism is an illegitimate concept, which is a legacy of the struggle against the Nazis during World War II. In the words of Valeri Tishkov (2008), Yeltsin's advisor on ethnicity issues, "in the Russian vocabulary, the word nationalism is attributed a negative meaning". At the same time, Putin was successful in co-opting Dmitri Rogozin, an influential Russian nationalist politician, into his power vertical. Current Deputy Prime Minister Rogozin had for a long time been supporting the

[131] See for example Putin's address to the Federal Assembly in 2012.

protection of the rights of Russian minorities in the CIS. On the other hand, it should be noted that, despite much excitement from the Western media and academia, Putin is not a Eurasianist. While the leading Eurasianist theoretician and intellectual Alexander Dugin has become a prominent figure over Russia's national identity debates, he has never actually been influential over Vladimir Putin.[132] Dugin and the Eurasianists have argued that Russia should have a self-standing (*samostoianiye*) as a land-based civilization in world politics and achieve geopolitical independence with special ties to the post-Soviet region, Asia, and the Muslim world (Tsygankov, 2008, p. 768). In achieving these goals, the main geopolitical threat arose from the Atlantic world led by the United States as well as universalist modernism and liberalism (Millerman, 2014). Dugin's Theory of a Multipolar World is built on the premise that "civilization is not one, but many" (Millerman, 2014). According to Dugin, the Atlantic world represented the "trade-civilization", which was in essentialist terms completely contrary to the Russian, and therefore the Eurasian soul (Dugin, 2000; Laruelle, 2008). No matter how influential they have been over the Kremlin's policies, Eurasianism continues to be an important national identity conception in Russian political and economic debates.

Although Russia's Westernists were not as influential as they used to be in the 1990s, they continued to place Russia among the modern, democratic and advanced European states. While Trenin (2002) was mistakenly announcing the end of Eurasia for Russia in 2002, Inozemtsev (2002) would warn that Russia's economic and democratic development were hampered by its great power vision. Inozemtsev, a prominent Westernizer and liberal economist (2002, p. 127) believed "Russia should follow the political course of one of major economic and political centers". And neither Japan nor China could become such centers of attraction for Russia. However, embracing a national identity conception that was in complete opposition to the Westernism of the early 1990s, Putin's foreign policy and foreign economic goals embodied a civilizational intensity as his power was consolidated at home. In his address to the Federal Assembly in 2012, Putin made it clear that "the stage of national reconstruction and strengthening" was completed in the twelve years since he came to power. Now, it was time to build a "rich and prosperous Russia" – but the new Russia that Putin promised to build was a great power which would preserve its "national and spiritual identity" (Putin, 2012).

[132] Interview with Pavel Andreev, 21 April 2014; and Andrei Melville, 20 May 2014.

In Trenin's words, "there were more Primakovs in Russia than there were Kozyrevs".[133] Just like Primakov, Putin came from the foreign intelligence service. Putin was appointed by Yeltsin as head of Russian Federation's Federal Security Services (FSB) in 1998. He remained at the post until August 1999, when he was appointed again by Yeltsin, but this time as Russia's Prime Minister. As my empirical analysis indicates, Putin's views on Russia's role in the post-Soviet region, Europe and the world closely resemble those of Evgeny Primakov's. I therefore study Putin, Medvedev, and other great power nationalists in continuum with the ruling elites of the second half of the 1990s. But, what makes Putin and his allies different from Primakov's line of great power nationalism is the civilizational tone in the former's discourse. While Primakov looked closer to the standard "great power balancers" and Neorealists in Western Realist IR theory (Tsygankov, 2005, 2013) Putin's views on Russia's regional and global identity have been more complex. For Putin and his allies, Russia's great power status was bestowed upon it from history. Unlike Primakov's line of great power nationalism, Putin has been more open to the perception of Russia as the ultimate Eurasian civilization. For Primakov, Russia, China and India together constituted a "pole" in international politics. Yet for Putin and his allies, Russia with its smaller post-Soviet partners would constitute the "Eurasian" pole. So, while the search for multipolarity continued, the content of Russia's search for a multipolar world order has undergone significant transformation under Putin's leadership.

This analysis demonstrates that Putin and his great power nationalist allies embraced a sharper discourse on Eurasian values and Russian national purposes after they consolidated their domestic political power. International influences such as increasing criticism by the West towards Russian authoritarianism, NATO and EU enlargement processes and the global financial crises have reinforced the preceding great power nationalist identity conception and made it stronger at home. As great power nationalists consolidated their political power, they eliminated the influence of alternative national identity conceptions, and especially the Westernizing conception, over policy making. Now I turn to my dependent variable, the transformation of Russian foreign economic purposes and policies under Putin administrations.

[133] Interview with Dmitri Trenin, Moscow, 2014.

Eurasian Economic Community and Common Economic Space

It did not take a long time for the Kremlin to recognize that newly independent states of the former Soviet Union had diverging political and economic interests. While the Baltic States from the beginning had chosen an anti-Russian and pro-European path, other post-Soviet states including Georgia, Azerbaijan, Uzbekistan, Moldova, and even the Slavic Ukraine hesitated to embrace a completely pro-Russian path either[134]. While Estonia, Lithuania, and Latvia became members of the European Union in 2004, countries which had not wanted Russian domination over their domestic economies, and were at the same searching for deeper security cooperation with Western international organizations established the GU(U)AM in 1999 (Kubicek, 2009, pp. 244-246; Mankoff, 2009, pp. 247-248).[135] On the other hand, Kazakhstan, Kyrgyzstan and Uzbekistan established the Central Asian Economic Community in 1994, which became the Central Asian Cooperation Organization in 2002.[136]

As I explained in the previous chapter, there is agreement among scholars of Russian foreign policy towards the post-Soviet space that the Kremlin perceived the CIS as a platform for "peaceful divorce" of former union republics as opposed to an economic integration mechanism (Olcott, Aslund, & Garnett, 1999; Trenin, 2002). While it is debatable whether CIS has performed its function well, it is clear that Russia under Putin gave up on using the CIS as an effective regional integration organization and intensified its search for alternative integration schemes. In 2004, President Putin announced "the early death of the CIS" and agreed with many analysts who had long ago declared the CIS was more dead than alive (Kommersant, 2004). Similarly, in a meeting with his Armenian counterpart in Erevan in 2005, Putin stated that CIS had served as a "club" or "platform" for civilized divorce of the former Soviet Union; the post-Soviet region needed more realistic economic integration institutions (BBC, 2005b). The so-called colored revolutions in the region[137] would become a real concern for the Kremlin because especially in Ukraine and Georgia, masses had toppled down the pro-Moscow authoritarian rulers in favor a more Westernist, pro-EU economic and political course.

[134] See Abdelal (2001) and Darden (2009) for a detailed analysis on foreign economic choices of post-Soviet states.
[135] GUUAM (Georgia, Ukraine, Uzbekistan, Azerbaijan, Moldova) – Organization for Democracy and Economic Development. Uzbekistan withdrew from the organization in 2005. For a detailed analysis, see Kubicek (2009).
[136] Tajikistan joined the Central Asian Economic Community in 1997
[137] Rose Revolution of Georgia in 2003, Orange Revolution of Ukraine in 2004, and Tulip Revolution of Kyrgyzstan in 2005.

While searching for an alternative to the CIS, the Kremlin sometimes sent varying signals to its neighbors. For instance, Secretary of the Security Council Sergei Ivanov said in 2001 that Russia preferred bilateral relations to multilateral relations and would from then on pursue a pragmatic course in the region (cited in Tsygankov, 2015, p. 4). That signaled that Russia was in search for a new model of relations with the Post-Soviet states, instead of abandoning the region. Yet, ultimately, Russia chose deeper economic integration with those post-Soviet states that had at least not been openly against Russian leadership in the region. By the time Vladimir Putin was elected the new president of the Russian Federation, there had emerged an understanding among the leaders of the Customs Union of Russia, Belarus, Kazakhstan, Kyrgyzstan and Tajikistan that the economic integration agreement had failed to deliver on its ambitious promises. According to the Kazakh leader Nazarbayev, the CIS Customs Union's biggest problem was to do with "the different levels of economic development between the five countries" (Nedbayeva, 2001a). Similarly, Russian president Putin would recognize that the CIS embodied too many "contradictions" which prevented meaningful integration (Nedbayeva, 2001b). Instead, Russia's new proposal was a comprehensive economic integration scheme that would eventually establish common economic policies.

In October 2000, Russia, Belarus, Kazakhstan, Kyrgyzstan, and Tajikistan agreed to establish the Eurasian Economic Community (EAEC or EurAsEc)[138], which came into effect in May 2001. Since its inception, the EAEC carried several goals. First, members aimed to enhance welfare through eliminating barriers to trade and fostering investments and labor mobility – goals that are typical for any regional integration mechanism. Through various institutional mechanisms of EAEC, Russia and its post-Soviet partners tried, sometimes fruitlessly to coordinate customs and taxation policies, prevent anti-dumping measures and harmonize legislation in trade and finance. While these goals were not uncommon to previous efforts of economic integration in the post-Soviet region, Russia was now seeking deeper cooperation with a small number of countries that were more loyal allies of the Kremlin. Russian officials would argue that this was a more realistic and pragmatic form of integration compared to the CIS. EAEC's interstate council gathered once a year to bring together heads of states in typical post-Soviet style summits. The core institution of economic integration was the Integration Committee, which was comprised of deputy heads of governments of member states. The

[138] In Russian, *Evraziiskaya Ekonomicheskaya Soobshchestvo (EvrAsEz)*

Integration Committee's working mechanism reflected Russia's leadership due to the sheer size of its GDP compared to the other members. Based on a weighted voting rule principle, Russia would have a 40% share of votes, while Kazakhstan and Belarus 20% and Kyrgyzstan and Tajikistan 10% each. Because decision were made on a 2/3 majority basis, this institutional design inevitably put Russia in a unique position within the newly-formed EAEC: this would mean that it was impossible to reach a decision on any single issue without Russia's support. This was also a major transformation from the one state-one vote principle of the CIS. EAEC also included an inter-parliamentary assembly just like the CIS as well as a Court, which very soon became an ineffective mechanism.

Second, leaders of Russia, Kazakhstan, Tajikistan and Belarus carried the goal of offering a unified position for member states towards WTO membership. Except for Kyrgyzstan, which became a member of WTO in 1997, all other EEC members had high tariffs and were non-WTO members when the EEC was established in 2001 (ITAR-TASS, 2002b). In this process Russia aimed to undertake the burden of leadership in negotiating with the WTO on behalf the EAEC members. According to Torjesen (2009, p. 157) this was a sing of Russia's search for great power status and at the same time instrumental view on its relations with the post-Soviet states. However, this never bore fruit and ultimately, Russia became a member of WTO in 2012 on its own. For members of the EAEC with smaller economies, the real question was whether to raise external tariffs to the Russian level before becoming a WTO member, or harmonizing tariff levels with those of Russia's after WTO membership. If the former was followed, WTO membership would become really difficult for Kazakhstan, Belarus and Tajikistan given the above average Russian tariffs and WTO restrictions on protectionist regional integration schemes.[139] Finally, Russia aimed to create a common financial market of EAEC and make the Russian ruble the single currency in the region again, in sharp contrast to Yeltsin's decision to disintegrate the Ruble zone in 1993. A dominant Russian ruble in Eurasia would achieve several goals; it would become the stepping-stone towards reducing the Russian economy's increasing dependence on dollarization (Johnson, 2008), and serve the Kremlin's goal of making the Ruble an international reserve currency (Cooper, 2011, p. 86; Johnson, 2013, p. 10).

[139] For Kyrgyzstan, this emerged as a serious obstacle in harmonizing its foreign economic policies with those of the Eurasian Economic Community. Having become a member of 1998, it was in principle impossible for Kyrgyzstan to adopt Russia's high external tariffs.

The year 2000 also witnessed the entry into force of the Russia-Belarus Union State agreement. In 2001, the so-called Shanghai Five evolved into the Shanghai Cooperation Organization.[140] While Eurasian Economic Community was Russia's main integration tool until the global financial crisis erupted in 2008, Russia formed the Single Economic Space (SES)[141] in September 2003 along with Ukraine, Belarus and Kazakhstan. The goal of this mechanism was attracting Ukraine into Russia-led institutions, as Ukraine was the most important post-Soviet partner from the Kremlin's perspective. However, it was also Ukraine that had been very reluctant to join Russia-led integration mechanisms from the beginning (Abdelal, 2001; A. Tsygankov, 2000) and eyed to become a part of EU enlargement. While for Vladimir Putin the Russia-led economic institutions would set the "conditions of regional and international stability", Ukrainian president Leonid Kuchma often raised Ukraine's concerns in deepening economic integration within the Single Economic Space (Putin, 2004). Moreover, Ukrainian leadership – even before the Orange revolution of 2004 – consistently emphasized that its priority was joining the WTO rather than a Russia-led post-Soviet economic integration mechanism (Cooper, 2009). The SES, which was in fact contradicting EAEC, was eventually frozen (Cooper 2009, p. 175). Despite grandiose statements from the Kremlin as well as other joining parties on the prospects for economic integration, the EAEC was often criticized – including by figures such as the former Kazakh Prime Minister Danial Akhmetov – for not being an effective body of integration (Interfax, 2005).

Eurasian Customs Union and Eurasian Economic Union

Eurasian Customs Union, which recently evolved into the Eurasian Economic Union, has been Russia's key integration mechanism under Putin's rule. Vladimir Putin was re-elected President in the March 2004 elections. Starting with his second term as President, his support for Eurasian integration became stronger. In his annual address to the Federal Assembly in May 2004, Putin stated that further economic integration within CIS, EAEC and the SES were Russia's "top foreign policy priority" (Putin, 2004). From then onwards, Eurasian integration has topped Russian official discourse in terms of foreign policy and foreign economic priorities.

[140] For greater detail on the Russia-Belarus Union State, see Hancock (2006) and Deyermond (2004). For the SCO, see Allison (2004).
[141] In Russian, *Edinoe Ekonomicheskoe Prostranstvo*. In English language literature, the Single Economic Space is referred to as the Common Economic Space or Unified Economic Space as well.

Officially, the Kremlin has presented the goal of Eurasian integration as achieving qualitative and sustainable growth, thereby contributing to the welfare of the post-Soviet countries. In this process, Russia's main partners were planned to be Kazakhstan, Belarus and Ukraine, which together with Russia constituted more than 90% of the total GDP of the Commonwealth of Independent States. Yet, as I will examine in detail below, Russia has failed to convince Ukraine as usual, and instead allowed smaller, less effective, but more loyal countries such as Kyrgyzstan and Armenia into the Eurasian Economic Union.

In EAEC's 2006 summit in Minsk, member states agreed to form a Customs Union, which was initially aimed to enter into effect in 2008. Yet, this would only realize in 2010. Several factors have played into the timing of the coming into effect of the Eurasian Customs Union. First, Russia was concerned that EU enlargement would offer greater benefits to post-Soviet states. In May 2009, the EU initiated the 'Eastern Partnership' program under its European Neighborhood Policy, which covered six post-Soviet states as potential future members; Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. Second, Russia read the global financial crisis of 2008-09 as a great opportunity to challenge the Western-led global economic order (Johnson and Köstem, 2016; Johnson, 2016, pp. 226-261).

Russia has presented its Eurasian integration project as a response to the transformation in the global economy after the global financial crisis of 2008, which in many ways constituted a critical juncture for the West's fall and the rest's rise (Johnson and Köstem, 2016). According to Konstantin Kosachev, who is the head of the Russian Cooperation Agency and the chair of the State Duma Committee on International Affairs, the Eurasian Economic Union would become the platform through which the post-Soviet states will talk to the European Union (TASS, 2015). The crisis also showed to the Russian political elite the dangers of being dependent on Western financial structures. In an article he wrote for the Russian daily *Izvestiya*, President Putin (2011) argued that regional groupings would better survive the global economic turmoil that originated from the Western capitalism's flawed structure. In Putin's view, consolidation of Eurasian integration would enable member states to have a stronger voice in the global economy by participating in decision making, defining the rules of the game and shaping the future. As the Western powers were increasingly less able to provide global collective goods, Russia would manage to take on the burden of regional leadership and the Eurasian regional integration mechanism would compensate for the disappearance of the West's hegemonic role (Krickovic,

2014, p. 523). The crisis offered a good opportunity for Russia to revive its already-existing project to bring together the post-Soviet states such as Belarus, Kazakhstan, Armenia and Kyrgyzstan under a renewed economic integration project. It is worth noting that these countries were the ones that had been more "loyal" to Russia's hierarchical view of the post-Soviet region unlike Georgia and Moldova, which had opted for European integration decidedly, and Ukraine, which had oscillated between the European and Eurasian models.

Eurasian Customs Union (ECU) between Russia, Kazakhstan and Belarus entered into force in January 2010 as a body of the EAEC. Just like previous economic integration mechanisms, members agreed to adopt Russia's external tariff regime as that of the newly formed ECU. To speed up integration, members agreed to form the Single Economic Space (SES), which entered into force in January 2012. The SES aimed to establish a common market of goods, capital and labor, and facilitate the operation of common macroeconomic competition, financial and other regulations, including harmonization of policies in areas such as energy and transport (Carneiro, 2013). Finally, in May 2014, members signed the treaty establishing the Eurasian Economic Union (EEU), which came into force in January 2015. In October and December 2014, members agreed on the expansion of the EEU with Armenia and Kyrgyzstan's membership respectively. Armenia's membership entered into force in January 2015 and Kyrgyzstan's in May 2015.

Eurasian integration has been qualitatively different from its predecessors. According to Bordachev and Skriba (Bordachev & Skriba, 2014, p. 20) two scholars from the Higher School of Economics in Moscow, Eurasian Economic Union was "a fundamentally new integration regime". Moscow has tried to make the organization look as much in line with its official multilateralism argument as possible. For example, EEU has abandoned weighted voting principle of EAEC; instead each member of EEU has equal voting rights over fundamental issues of integration. Similarly, the Eurasian Economic Commission – EEU's equivalent to the European Commission – resembles a supranational authority such that its decision are binding on all member states. On the other hand, EEU has taken concrete steps towards deeper integration based on an "institutional formula offering improvements on previous integration efforts" (Dragneva & Wolczuk, 2014, p. 8). Customs Code of 2009 helped to rapidly harmonize the external tariffs of Belarus and Kazakhstan with Russian levels. According to Dragneva &

Wolczuk (2014, p. 9) the Customs Code offered an "improved legal framework" in the functioning of a Customs Union between the three countries.

Another institutional innovation was that the Court of EAEC, the legal framework of which was finalized in 2012. The Court offered business community the right to appeal decisions of the Commission and actions of member states. Similarly, the Court was given the power to inspect whether decisions of the Eurasian Economic Commissions were implemented at the national level (Dragneva & Wolczuk, 2014, p. 8). The operation and function of the Eurasian Development Bank (established as part of EAEC in 2006) was significantly expanded and the Bank's Center for Integration Studies was established in 2011 to become a research center for the future of Eurasian integration.[142] Now I turn to the form of Russian foreign economic policies in the post-Soviet space.

Form of Russian regional economic leadership: Coercive hegemony

I categorize Russia as a coercive hegemonic regional power. Coercive hegemons tend to apply a combination of soft and hard power instruments to persuade their neighbors and neighboring states into cooperation mechanisms that favor the hegemon. Due to the prevalent great power nationalist identity conception, Russian foreign economic strategy towards the post-Soviet space, and in particular its policies of forging the Eurasian Economic Union have embodied protectionist hegemony and coercion. Viewing Russia as the historical and natural order provider in Eurasia, the Kremlin under Putin's rule has also punished the small post-Soviet states such as Moldova and Georgia, whose foreign economic goals diverged from the goals set by Russia. My empirical analysis also demonstrates that Russia has intensified its hegemonic and coercive strategy towards Eurasian integration as the domestic political power of the great power nationalists was consolidated over time. The case of Eurasian economic integration indicates Russia's purpose of transforming Eurasia into a pole in global politics with Russia as its political center. In this section, I outline the hegemonic and coercive features of Russia's regional leadership.

[142] Evgeny Vinokurov, a leading scholar on the economics of post-Soviet integration, heads the Bank's Center for Integration Studies. The Center publishes the Journal for Eurasian Integration and the Eurasian Integration Yearbook.

Protectionist Hegemony

The first defining feature of the Eurasian Union is its protectionist hegemonic form. As outlined in detail by Hancock (2009), since the inception of the CIS Customs Union in 1996, Russia had played a hegemonic role in the integration process by making other member states agree on using Russia's own tariff levels as those of the external tariffs of the newly-created institution. This would mean that Belarus, Kazakhstan, Kyrgyzstan, Armenia and Tajikistan (only under EAEC) would have to adjust their external tariff levels to levels higher than original in order to harmonize with the Eurasian free trade regime. More importantly, through applying its own tariffs within the EAEC and later on the Eurasian Economic Union, Russia would prevent its partners from joining the international trade regime without its consent, and in a way preserve the opportunity to intervene in their negotiations with the WTO any time it wanted. Russia has been one of the most protectionist states since the global financial crisis of 2008-09. Examining Russia's foreign trade strategy in the aftermath of the crisis, Gerasimenko (2012) finds that Russia has chosen to increase its tariffs on most of its products, and follow import-substitution amidst growing dominance of natural resources in its foreign economic policies. With the entry into force of the Eurasian Customs Union in 2010, Russia not only consolidated these duty increases it introduced after the crisis, but also widened them to incorporate Belarus and Kazakhstan (Gerasimenko, 2012, p. 312).

Writing in 1997, Michalopoulos and Tarr (1997, p. 138) of the World Bank argued that for small CIS economies, joining the Russia-led Customs Union would be costly. That was because a protectionist Customs Union with Russian external tariffs would be an impediment to small CIS countries' WTO membership as well as integration into the world economy. According to Michalopoulos and Tarr (1997, p. 138), "for these countries, maintaining an open trade regime without preferences is the best policy, maximizing welfare and growth prospects". Russia has systematically used the economic weaknesses of small CIS members to drag them into its Eurasian Economic Union. As IMF reported in 2005, Tajikistan had to raise its average tariff level from 5% to 7.7% to be able to harmonize its external tariffs with the EAEC (cited in Torjesen 2008, p. 158). More recently, the Eurasian Economic Union increased Kazakhstan's tariffs from an average of 6.7 % to 11.1 % on an unweighted basis (Isakova, Koczan, & Plekhanov, 2013). Despite having joined the WTO in 2012, Russia is still protectionist compared

to many other emerging market economies. It is not clear if Eurasian integration is going to evolve into a form of open regionalism, which is in fact not one of Russia's primary concerns.

Coercion

I also argue that Eurasian integration – through the EEU and its predecessor EAEC – has been created an exclusionary group of cooperation, which reflects Russia's zero-sum perception of foreign economic relations. Three systematic policies of the Kremlin under Putin's rule indicate its zero-sum perception of economic relations: use of its natural resources as leverage over its resource-dependent neighbors, use of trade restrictions over post-Soviet states that have chosen not to participate in Russia-led Eurasian economic integration, and threats of imposing restrictions on illegal migration within the CIS.

a. Coercion through natural gas

Under Putin administrations Russia has enjoyed increasing world oil and gas prices. As the price of oil and gas went up, the Kremlin received higher revenues and was able to stabilize domestic economy and negative socio-economic conditions of the 1990s (McFaul & Stoner-Weiss, 2008). In its foreign relations, the Kremlin has aimed to translate its natural resource wealth into leverage in the region by offering cheap natural gas to resource dependent post-Soviet states such as Belarus, Armenia and Kyrgyzstan. In return, the cheap prices of the natural gas have often been used to coerce these states into signing agreements that are politically beneficial for Russia.[143] Putin's declaration of the death of the CIS in 2004 was in fact signaling a turning point for its foreign economic strategy. Starting with Putin's second presidential term in 2004, the Kremlin developed the official discourse that Russia would from then on rely on "market prices" in its natural gas deals with post-Soviet states. According to Cooper (2009, p. 176) that meant "putting trade relations on to a normal commercial basis, eliminating subsidies to partner economies, and accepting that during a transition period political relations may become strained". The year 2004 also marked a critical juncture in Russian domestic politics, as Putin and his allies consolidated their political power at home thanks to Putin's electoral success. From 2004 onwards, Russia's great power nationalists had won the domestic contestation over Russia's national roles and purposes in world politics.

[143] For a more detailed discussion on Russia's foreign energy policy, see Orttung and Overland (2011)

As Balmaceda (2007, pp. 1-19) demonstrates "market conditions" was a rather vague term and Russia continued to offer natural gas to resource-dependent post-Soviet states such as Ukraine, Belarus, Georgia, Estonia and Latvia in varying prices.[144] In fact, as Popescu & Wilson (2009, p. 44) and Balmaceda (2007, 2013) demonstrated, Moscow has been selective in its policy of adjusting the price of its natural gas to market conditions. In 2009, Armenia was paying $154 per 1000 m^3, while Ukraine was asked to pay $360. According to Orrtung & Overland (2011, p. 84), Belarus was able to secure a better deal because it had agreed to sell a 50 % stake in BelTransGaz pipeline to Russia in 2011. In other words, those post-Soviet states that were reluctant to become a party to Eurasian integration and instead opted for European integration would have to pay much higher prices to Gazprom.

In addition to using gas prices as leverage, Russia has also aimed to control the strategic sectors of post-Soviet states, which have aimed to become members of the Russia-led integration projects. According to Popescu & Wilson (2009, p. 4) Moscow had "a comprehensive policy of economic statecraft" whereby it would offer cheap gas in exchange for control the energy infrastructure of smaller neighbors. Russia's instrumental view of its natural resource abundance dates back to the natural gas crisis with Ukraine that erupted in late 2005. Russia has used its hegemony over natural gas resources and supply routes to coerce Ukraine into signing energy deals that is favorable to itself since the so-called Orange Revolution of 2004 (Wallander, 2008). In 2006, Russia declared that it would double the price of natural gas that it sold to Moldova and Georgia. As the Moldovan government resisted the doubling of prices from $110 per million cubic meters, the Kremlin offered a solution that was more profitable for Russia: Gazprom's share in the joint Russian-Moldovan Moldovagaz company, which was established in 1990, would increase to 64% from 50 %. Moscow has pursued the same policy even for its closest ally Belarus. Starting January 2007, Russia and Belarus have gone through several crises on the latter's unpaid debts to the former. Most recently, Gazprom acquired the remaining 50 % stakes of Beltrangaz, making Russia the sole controller of Belarusian natural gas transit system.

In January 2006, Russia announced that Gazprom stopped delivering natural gas to Ukraine. This resulted in an energy crisis that shook many EU members and Balkan countries due to Ukraine's transit country status. As Balmaceda (2007, p. 8) reports, for example, Moldova was left without natural gas supplies from Russia for two weeks. According to Popescu and

[144] For a detailed analysis of Russia's energy relations with its neighbors, see Balmaceda (2007, 2013)

Wilson (2009, p. 17) by letting European states freeze in the middle of winter, Russia was seeking "to ruin Ukraine's critical reputation as a transit state among EU member states". While an agreement was reached between Putin and Yushchenko in a few days, the deal gave Russia substantial power over Ukraine's energy policy – according to the agreement, the newly establish company Rosukrenergo would control the delivery of gas to Europe through Ukrainian territory. In 2009, Russia and Ukraine were facing another political crisis that originated from the Ukrainian oil company Naftogaz's debt to Gazprom. In January, Russia stopped deliveries of natural gas to Ukraine, as a response to the latter's refusal to accept higher prices for Russian natural gas. Southeastern European nations, as a result, were left without gas for a couple of weeks until an agreement was reached between Moscow and Ukrainian Prime Minister Yulia Tymoshenko. This time, Tsygankov (2015, p. 5) argued, "Moscow was able to negotiate a beneficial agreement by exploiting domestic political divisions in Ukraine". Vladimir Putin was able to broker a deal with Tymoshenko, who aimed to run for Ukrainian presidency.[145] As a result of the deal, Naftogaz's debt to Rosukrenergo was cancelled and the new price of gas for Ukraine was set to be 80 % of the European level for 2009, and 100 % of the European level for the remaining nine years until 2019.

After the Eurasian Customs Union was formed in 2010, Moscow systematically tried to persuade the economic crisis-ridden Ukraine to become a member by offering discounts for natural gas prices – a policy which eventually paved the way Yanukovich's decision to postpone signing the Association Agreement with the EU in November 2013 (Tsygankov, 2015, p. 6). Most recently, In July 2013, Russia's giant state-owned gas company Gazprom took over Kyrgyzstan's national gas network for a symbolic $ 1 and assumed Kyrgyzstan's debts of $ 40 million (Ott, 2015). That would the Kremlin a strategic control over energy policy in Central Asia, a region where there has been growing Chinese economic influence.

b. Coercion through trade restrictions

Russia has also systematically used threats and applied trade restrictions on post-Soviet states – Moldova, Georgia and Ukraine – that have declined to be a part of Eurasian integration, and pursued economic integration with the West through mechanisms such as Association

[145] After losing the presidential elections of 2010 against Yanukovich, Tymoshenko was sentenced in 2011 on charges of abuse of power.

Agreements with the European Union. In response to the spread of the colored revolutions across Eurasia, Russia used import bans on Moldova, Georgia and Ukraine. Russia has targeted the most important sectors of these countries' economies to increase its leverage over these three countries. In December 2005, in a move widely believed to be political, the Russian Federal Service for Veterinary and Phitosanitary Inspection announced a ban on Moldovan fruits and vegetables based on poor sanitary conditions of Moldovan products. Similarly, by the end of 2006, Russia imposed a "complete embargo on all Georgian agricultural products" (Cenusa et al., 2014, p. 7) based similarly on non-tariff barriers including sanitary standards. Georgia had been one of the most reluctant post-Soviet states on CIS and Eurasian integration. After the 'Rose Revolution' of 2003, under the presidency of Mikheil Saakashvili, the country's political orientation changed towards closer cooperation with Turkey as a NATO member neighbor, the European Union and the U.S. While Russia was using sanitary standards as explanation for its trade restrictions, this would become a typical Russian foreign economic behavior towards non-loyal neighbors. Russia's ban on Georgian goods continued until 2013, when Saakashvili lost power and a new administration, which was much less pro-European and anti-Russian came to power in the country. Alongside Ukraine and Moldova, Georgia signed an FTA with the EU in June 2014. Since then Russia has held the card of suspending the Russia-Georgia FTA of 1994, but that has not yet been materialized by the Kremlin.

In March 2006, Russia imposed a ban on imports of Moldovan and Georgian wine similarly on sanitary grounds. The official argument was that Moldovan and Georgian wine did not meet Russian sanitary standards and were dangerous for the well-being of Russian wine consumers. When the ban was imposed, Russian market constituted an estimated 85-90 % of both Moldovan and Georgian wine exports. The ban on wine in Moldova – the country's main sector – would damage the producers as well as the farmers (mainly grape sellers), banks and many other business sectors tied with wine production (ITAR-TASS, 2006). Bans were lifted in late 2006 after Chisinau was able to use its WTO card successfully – Moldova offered Russia to facilitate the latter's WTO accession negotiations if it lifted restrictions on Moldovan wine. As the European Union's November 2013 summit was approaching, Russia re-imposed a ban on Moldovan wine in September 2013. Simultaneously, the Kremlin would remind Chisinau of the latter's dependence on the former's natural gas resources. During a visit to Moldova in September 2013, Russia's deputy prime minister Dmitri Rogozin warned Moldovans that it

would be a “grave mistake” if they decided to sign the agreement with the EU and he hoped they would not “freeze” in the upcoming Winter (Herszenhorn, 2013). As Moldova signed the Association Agreement with the EU at the Vilnius Summit, Russia solidified its economic restrictions on the Moldovan economy. In April 2014, Russia imposed restrictions on Moldovan agri-food products based similarly on sanitary standards. More importantly, in August 2014, Russia suspended the tariff-free trade preferences for nineteen categories of Moldovan products under the 2011 CIS Free Trade agreement between Russia and Moldova (Cenusa et al., 2014, o. 5). This was Russia’s response to the June 2014 agreement that established a Deep and Comprehensive Free Trade Area (DCFTA) between the EU and Moldova.

Ukraine has been the third neighbor over which Russia has systematically used economic coercion through trade restrictions under Putin’s leadership. Russia had for a long time wanted to see Ukraine as a member of its regional integration mechanisms. Arguing that Ukraine was Russia’s window on the West, Russian ambassador Chernomyrdin called Ukraine into the Eurasian Economic Community back in 2002 (ITAR-TASS, 2002a). According to Chernomyrdin, a bilateral economic agreement between Russia and Ukraine made little economic sense, and the maximization of economic interest would be realized with Ukraine’s entry into the EAEC (Melnik, 2002). Ukraine has remained as the second most populous country in the CIS after Russia as well as the second largest economy. Putin has declared various times that Ukraine was Russia’s key partner in Eurasian integration. This was the main reason, why Russia had to establish the Common Economic Space in 2003; as Ukraine was unwilling to become a member of EAEC, a different mechanism had to be developed to attract Ukraine into a Russia-led economic institution. As the Kremlin realized this would not be possible, it tightened the screws on the Ukrainian economy. Despite numerous invitations by the Kremlin, Ukraine was always hesitant to join the Russia-led economic integration schemes. Ukraine insisted that the main impediment for Ukraine’s participation in the EEC was its trade conflicts with Russia: the Ukrainian side kept arguing that Russia was protectionist and had raised tariffs to unacceptably high levels. Ukraine has been going through a political and economic crisis, which started in November 2013 and paved the way for the change in government after the ‘Euromaidan’ protests in February 2014. In fact, Russia had been applying systematic economic coercion over Ukraine in order to push Ukraine’s president Yanukovich towards backing away from signing an Association Agreement with the EU at the Vilnius Summit of November 2013.

Starting from July 2013, Russia imposed bans on Ukrainian textiles and railcars (for a detailed list see Cenusa et al. 2014). Russia also intensified border controls for imports from Ukraine in August 2013 with the official explanation that Ukrainian goods belonged to a "high risk category". After Yanukovich was ousted from power, and Ukraine chose a pro-European path of economic and political integration, Russia kept on its traditional policy of applying economic coercion. After the 'Euromaidan' Russia has imposed bans on Ukrainian poultry, cheese, potatoes, milk and dairy products and alcohol products. Similar to its ban on Moldovan and Georgian products earlier, Russia has based its trade restrictions on technical grounds such as labeling requirements (for textiles and alcohol) as well as sanitary grounds (for food and dairy products) (Cenusa et al., 2014, p. 2). After Ukraine signed the DCFTA agreement with the EU in June 2014, Moscow prepared a draft regulation on the introduction of import duties on goods originating in Ukraine in July 2014.[146] This meant that Russia planned to suspend the Russia-Ukraine CIS Free Trade agreement and introduce tariffs on Ukrainian goods at the level of other WTO member states in parallel with its policy on Moldovan goods (Cenusa et al. 2014, p. 2). To date, Russia has not yet implemented this draft regulation as the EU, Ukraine and Russia agreed in September 2014 to postpone the implementation of the DCFTA until 1 January 2016. Conversely, Russia agreed not to suspend the CIS FTA with Ukraine.

C. Threats over immigration:

Moscow has also threatened its small post-Soviet partners such as Moldova, Georgia and Tajikistan to impose visas and restrict immigration. Regulating flows of illegal migration from the CIS countries has been on the agenda of Putin especially with the start of his third term in office in 2012 (Putin, 2012). Yet, Russia's policy of using immigration strategically dates back to earlier years of Putin's presidency. During the sanctions crisis with Moldova of 2006-2007, the Kremlin systematically used the 300-500 thousand illegal Moldovan immigrants working in Russia as leverage against Chisinau.[147] Moscow threatened to kick the illegal Moldovan immigrants out of the country, the remittances of whom constituted a considerable percentage of

[146] Edinii Portal, "Postanovlenie Pravitel'stva Rossiiskoy Federatsii "O vvedenii vvoznykh tamozhennykh poshlin v otnoshenii tovarov, stranoy proiskhozhdeniya kotorykh yavlyayetsya Ukraina"," Available from: http://regulation.gov.ru/project/17072.html?point=view_project&stage=3&stage_id=10941 (Accessed: 2 June 2015).

[147] Moscow's warnings of retaliatory measures against Moldova's potentially harsh policies towards the breakaway Transdniester region dated back to 2005 before the sanctions on Moldovan wine were imposed. See BBC (2005a).

the Moldovan GDP. Since then, the status of Moldovan workers in Russia has been a political card used by Moscow in its relations with the small post-Soviet country. Most recently, it has been reported that Russia threatens to send illegal Tajik migrants out of the country – a policy used in the past to prevent Moldova from pursuing closer ties with the EU instead of its Customs Union as well (Parshin, 2015). Remittances of Moldovan and Tajik workers make up a considerable percentage of the GDPs of these two small countries, which is frequently used by the Kremlin for stronger support for the Eurasian Economic Union by the countries in the region. Interestingly, this contradicts Russia's policy of creating a single Eurasian economic space in which citizens of member states enjoy complete freedom of movement.

Social Construction of Russia's National Economic Interests: How beneficial is the Eurasian Union?

In this section, I discuss the social construction of Russian national economic interests with a specific focus on Eurasian integration. In order to do that, I compare the official rhetoric with actual economic indicators. In the Russian official discourse, economic reasons were dominant in the formation of the Eurasian Union, while political purposes were of secondary importance.[148] Russia's official goals in fostering Eurasian integration under Putin-Medvedev administrations have been twofold: helping Russia's economic modernization by creating a larger market for Russian goods and services, and giving a stronger collective response to the geo-economic shifts in the global economy.

Putin and Medvedev had long been in favor of Russia's integration into the global economy as a modernized global power that had left behind the perils of the Soviet legacy and the debris of the 1990s. According to Ted Hopf (2013, p. 317) the Russian ruling elite's hegemonic project "aimed at moving a great power into the core of the world capitalist economy." Addressing Russian diplomats in 2001, Putin (2001) stated: "Amid growing globalization … this country has yet to find its place in the world. In this context, our strategic course is for integration – integration into the world economy". Accordingly, Russia had to become a prestigious modern economic power by avoiding becoming a raw materials appendage for Europe and China – a fear that was deeply embedded in Russian economic thought. Russia's

[148] Interview with anonymous diplomat, Ministry of Foreign Affairs of the Russian Federation. Moscow, 22 May 2014.

economic priorities included reversing unfavorable demographic trends and the erosion of human capital endowment, as well as boosting foreign direct investment, and modernization of the economy to increase manufacturing and sectoral diversification (Cooper, 2006). When Medvedev undertook presidency in 2008, it was clear that his primary task would be the modernization of the Russian economy. In his address to the Federal Assembly in 2009, Medvedev (2009) argued "the modernization and technological upgrading of our entire industrial sector: I see this as a question of our country's survival in the global economy". In his famous "Go Russia!" article, Medvedev identified five strategic sectors for Russia's economic modernization including nuclear, information and medical technologies – sectors in which Russia curtail the country's "humiliating dependence on raw materials".[149]

Eurasian Economic Community and more recently Eurasian Economic Union were presented as cures to Russia's economic problems. Writing in 2004 for Russia in Global Affairs, current head of the Eurasian Economic Commission, and former deputy Prime Minister Viktor Khristenko (2004) argued that Russia could not compete on world markets without a supranational mechanism that would incorporate Belarus, Kazakhstan and Ukraine. This would offer Russia a stronger hand in handling global economic challenges. In other words, while the Kremlin and the Russian political elites were well aware of the country's structural and acute economic problems, their solution was not new at all. Conversely, re-integration with the former Soviet space became the top foreign economic priority again amidst the global crisis.

In an interview, a high-level diplomat at the Russian Ministry of Foreign Affairs told me that overcoming the crisis was a major driving force for the creation of the Eurasian Union.[150] In an article he wrote for the Russian daily *Izvestiya,* Putin argued that the global financial crisis of 2008-09 made it compulsory for Russia and its neighbors to cooperate; it was only through "coordinated action" in a wide range of areas such as agriculture, technical regulation, migration and visa policies, and transportation that post-Soviet states could modernize their economies, and ensure sustained economic growth (Putin, 2011). Consumers would benefit the most from this new integration in Eurasia, as businesses would have to "improve efficiency, reduce costs and invest in modernization" (Putin, 2011). This would also push governments to modernize their relations with businesses and markets, and improve their investment climate. Eurasian

[149] President of Russia. 10 September 2009. "Dmitry Medvedev's article, Go Russia!". Available from: http://en.kremlin.ru/events/president/news/5413 (accessed: 15 December 2014).
[150] Interview. Moscow, 22 May 2014.

integration was benefiting from taking as example the best practices in the EU and the rest of the world. According to Putin, with its modern institutional design this new model of economic integration would put Russia and the member states "in a strong competitive position in the industry and technology race". It could therefore be interpreted as Russia's response to globalization, as argued by Professor Maxim Bratersky in my interview with him. From this point of view, Russian companies would not only enlarge their markets to a population of 170 million people, but also re-industrialize and acquire new technologies.[151] In Bratersky's view, Eurasian integration was Russia's geo-economic project for the future; it would strengthen Russia's hand in future negotiations with other international economic and financial institutions. Putin was also proposing the Eurasian Union as a cure for the imbalances in the global economy. According to Putin, Eurasian Union could help find a solution to the systemic problem of global sustainable development. The global financial crisis had, in Putin's view, revealed the gaps in the Western-led economic system, which could be remedied by regional economic institutions such as the EU, NAFTA, APEC, ASEAN and the Eurasian Union (Putin, 2011). The Eurasian integration project was not only aiming to help overcome the negative impact of the crisis, but also restore the production chain that used to exist between Soviet republics.[152] This, according to my interviewee at the Ministry of Foreign Affairs would be the major difference between the integration of Germany with France, and that of Russia with its neighbors. According to Andrey Kortunov, Eurasian integration was better comparable to NAFTA than the EU – as the former had activated the economic potential between Canada, USA and Mexico, Eurasian Union would help build a bigger market for trans-border projects in fields such as transportation infrastructure, environmental cooperation and joint exploration of natural resources in the post-Soviet region.[153]

Yet, economic reality has been different from what the Kremlin has officially presented as justification of Eurasian integration. Critics of the Eurasian integration have pointed out to the limited prospects of Eurasian integration in helping Russia achieve its goal of economic modernization and offering a stronger response to global economic transformations. Liberal economists in Russia have argued that EUU can offer neither qualitative growth nor modernization to the Russian economy because all the members are developing economies with

[151] Interview with Maxim Bratersky, Professor of International Relations, Higher School of Economics. Moscow, 28 April 2015.
[152] Interview. Moscow, 22 May 2014.
[153] Interview with Andrey Kortunov, Professor of International Relations, Director General of the Russian International Relations Council. Moscow, 21 April 2014.

low innovation and technological capacity. Moreover, Russia and Kazakhstan are both suffering from the so-called resource curse, which is a major impediment before economic diversification and modernization. According to Vladislav Inozemtsev (2011), a professor of economics based in Moscow and a leading Westernizer, the EEU is a fruitless effort, as it will easily be sandwiched by the EU and China as genuine centers of the global economy. Inozemtsev (2014a) argues that the EEU is just an illusion to make Russia feel more confident in its geopolitical confrontation with the West. Also, he argues that Moscow's effort to keep Belarus within its orbit has cost it some $ 70 billion from 2000 to 2013, which makes no sense from an economic point of view. After all, as the downfall of the Ruble in 2015 has shown, the Russian economy is dependent on natural resource revenues and international financial markets – a fact often criticized by the Kremlin. In Inozemtsev's (2011) words, all of EEU members, including Russia, import 90-100 % of their high quality products from advanced economies. More recently, building on a comparative analysis of emerging powers such as Brazil, Turkey and China, Inozemtsev (2014b) argued that the Eurasian Union could not offer value-added trade to the global economy because the current and potential members are all continental states with no access to the sea except Kazakhstan. Even then, the Caspian Sea has no connections to world oceans. According to the author, Russia can only become an indispensable partner for the global economy based on its proximity to cheap transportation routes and major trading partners. EEU can provide Russia with neither of the two.

Another reason why the prospects of the Eurasian Union for Russia's economic modernization are bleak is that the Kremlin has desired to make small post-Soviet countries such as Kyrgyzstan and Armenia join the Union. In her analysis of the Eurasian Economic Union, Olga Shumylo Tapiola – a former advisor to the Ukrainian government on Ukraine's integration to the European Union – argued that Armenia was initially not in Moscow's priority list for prospective members. Shumylo Tapiola (2012, p. 19) argues that the country, whose leadership was already inclined towards partnership with Russia, started to receive Russian pressure when it expressed interest in an association agreement with the EU. That would be a major blow to the Kremlin's argument that Russia was the central state in the Eurasian pole. Armenia's decision to become a member of the EEU instead of pursuing an Association Agreement with the EU came in September 2013 right before the EU's November summit. This decision is believed to have

been influenced by Armenia's security dependence on Russia and close inter-personal ties between Putin and Sarkisian.

Sergei Glaziev (2013) – an influential Russian economist and advisor to Putin on Eurasian integration – recently argued that signing Association Agreements with the EU would relegate Ukraine, Moldova and Armenia to "colonies", while membership in the Eurasian Union would offer them "equal and mutually beneficial cooperation". In Glaziev's view, Eurasian Union will revive the traditional ties between post-Soviet economies and therefore offer tremendous prospects for growth and socioeconomic development.[154] However, according to Dragneva and Wolczuk (2014, p. 4) EEU's "major institutional fault line" is that the economies of all member states and prospective members need major reform and modernization. While institutional design is aimed at implementing decisions taken at the supranational level evenly among members, the domestic legal and economic capacity of members prevent that. These scholars argues that the dependence of the EEU on presidents and their inter-personal ties will become a "self-imposed impediment" to the official goal of transforming Eurasia into a center of attraction in a globalizing world. Because Eurasian integration has been developed as a top-down project favored by presidents, Dragneva and Wolczuk see little incentives coming from domestic coalitions that favor modernization. As Yulia Nikitina has mentioned in my interview with her, Russia's own goal of domestic economic modernization has been waning under Putin's third term as President. Modernizing the smaller members of the Union and the entire Eurasian region through economic integration cannot therefore be one of Russia's goals.[155] On the other hand, according to economist Olga Butorina, Eurasian integration has not been a transparent project. According to Butorina, the ownership of the goals of Eurasian integration was not clear and few people – including Russian economists – knew about the substance of integration.[156] This, according to Butorina was a sign that the project was "a kind of emotional flagship for the population". The lack of a long-term strategy was in Butorina's view, a major impediment for the success of EEU. In my interview, Lilia Shevtsova of the Brookings Institute, drew attention to the "status quo" preserving function of the EEU. According to Shevtsova, Russia was no more interested in modernization and Eurasian integration was not a project a of modernization either

[154] For a detailed overview of Glaziev's economic views and influence within the economic circles in Russia, see Aslund (2013).
[155] Interview with Yulia Nikitina, Associate Professor of International Relations, MGIMO. Moscow, 30 April 2014.
[156] Interview with Olga Butorina, Professor of Economics, MGIMO. Moscow, 20 May 2014.

– on the contrary, it was, in Shevtsova's view, a mechanism to sustain economic and political status quo.[157]

The economic benefits of Eurasian integration for Russia's foreign economic relations are not so clear either. Even before Putin's Eurasian Union project concretized, two leading economists from the World Bank had warned that there were significant long-term risks of re-integrating the post-Soviet space. The main risks were that "the preferences, through customs union of free trade arrangements, lock in traditional technologies and production structures, reduce innovation and competition, and hence favor inefficient industries that absorb scarce resources that could be better used elsewhere" (Michalopoulos and Tarr, 1997, p. 138). That was why "integrating more closely with continuing preferential arrangements indefinitely, and integrating more closely through the Customs Union" at the time that Michalapoulos and Tarr (1997, p. 139) published this study appeared "to be an ill-advised strategy". Putin and leading figures of the regime would draw attention to the benefits of regionalism and regional integration mechanisms for fostering international trade, investments and growth. As explored above, that became more apparent in the ruling elite's discourse after the global financial crisis of 2008. However, as Michalapoulos and Tarr (1997, p. 138) also argued, reintegrating post-Soviet space would be much different than NAFTA and the EU, because in the latter examples, the markets were "sufficiently large to promote competition and encourage the flow of new technology".

A recent study conducted by the EBRD found that trade creation effects of the Union is small, whereas its trade diversion effects are much stronger given the tariff walls the Union have created for its members (Isakova et al., 2013). Moreover, the authors of the report argue that "unlike a union among relatively rich countries, a union among countries with lower income per capita may lead to a divergence rather than convergence of income levels" (Isakova et al., 2013, p. 18). A recent World Bank study found that trade creation effects of the Eurasian Customs Union have been insignificant while it has created some trade diversion for especially Kazakhstan, who had to build barriers against China (Carneiro 2013). This exacerbates doubts that Russia views the EEU as a means to curb increasing Chinese influence in Central Asia and EU's influence in Eastern Europe. Despite the Kremlin's portrayal of the West as declining and the East as rising power centers in the global economy, Russia's main economic partner has been

[157] Interview with Lilia Shevtsova, former Chair of Russian Domestic Politics and Political Institutions Program at the Carnegie Moscow Center. Moscow, 26 May 2014.

and will continue to be the European Union. Conversely, Russia's trade and investment ties with the members of EUU are miniscule compared with its ties with advanced economies.

A close look at the changing share of the members of the CIS and the EEU over time reveals that the weight of Russia's neighbors in its foreign trade has been small compared to that of the EU (See Figure 6.1). Despite the various integration mechanisms that Russia initiated since the mid-1990s, the share of CIS countries in Russian foreign trade has been systematically decreasing. In 1994, the share of the CIS in Russia's total trade was 23%. This gradually fell down to 15.8% in 1999 (one year after the Russian financial crisis) and to 13% in 2009 (one year after the global financial crisis). In 2014, the share of the CIS in Russian foreign trade was at a historic low of 9.7%. According to data from the Central Bank of the Russian Federation, trade with EAEC members constituted 5% of its total trade in 2007 – three years before the Customs Union entered into effect and one year before the effects of the global financial crisis started to spread out to the global economy. As of 2014, EAEC's share in Russia's total trade was 4,3 %. Albeit Putin and Medvedev's praise of the rise of the East against the West and the ongoing problems between the EU and Russia, the share of EU countries in Russia's total foreign trade has increased from 41,5 % in 2007 to 44,7 % in 2014.[158] In the foreseeable future, it is unrealistic to expect an increase in the share of the Eurasian Union in Russia's foreign trade because of the domestic structures of member states. In fact, as influential Russian economist Konstantin Sonin argued in my interview with him, Russia could gain much more in terms of economic diversification and modernization had it pursued an FTA with the EU, which also included Ukraine.[159] In Sonin's words "Economics is different…it's like physics, has more common things with physics". That is why he did not see "much of an economic rationale" in the Eurasian integration project. An FTA with the EU would also contribute to the Kremlin's official goal of creating a "Common European Economic Space" stretching from Lisbon to Vladivostok as stated by Khristenko (2004). Similarly, the importance of the post-Soviet region in general and the Eurasian Union in particular has been tiny for Russia's outward FDI. According to data from CBR, only 3.2 % total Russian FDI went to EAEC members between 2007 and 2014. The share of the EAEC in Russia's outward FDI reached 6 % in 2009 right after the global financial crisis.

[158] Author's calculation based on data from CBR. Central Bank of the Russian Federation. (2015). External Trade in Goods and Services. Available at: http://www.cbr.ru/eng/statistics/?Prtid=svs&ch=Par_27472#CheckedItem (accessed: 2 September 2015).
[159] Interview with Konstantin Sonin, Former Vice Rector of Higher School of Economics. Moscow, 12 May 2014.

However, in went down to 1.4 % in 2010, revealing the relative insignificance as well as unreliable nature of the region for Russian FDI[160].

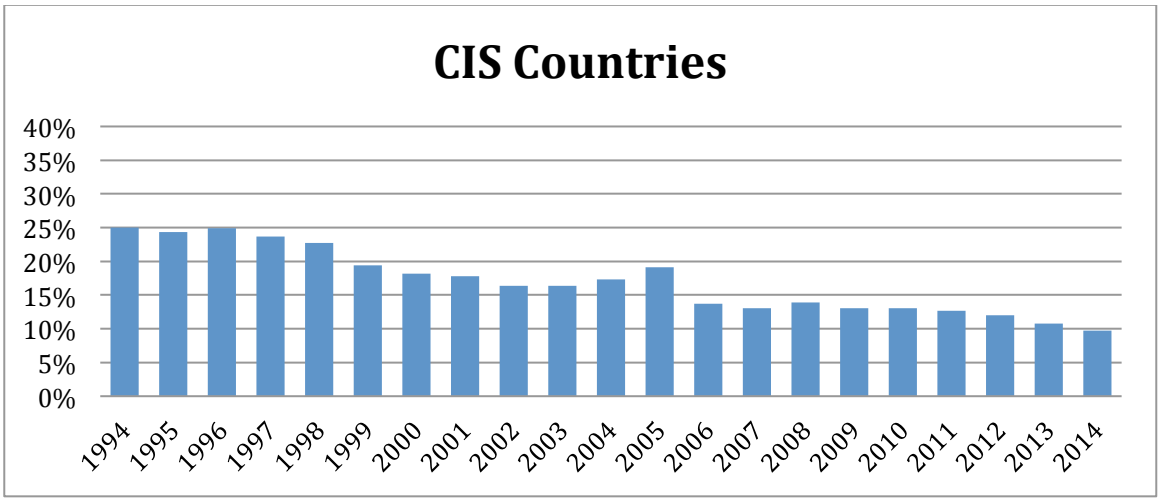


Figure 6.1: The share (%) of CIS countries in Russian foreign trade, 1994-2014
Source: Central Bank of Russia

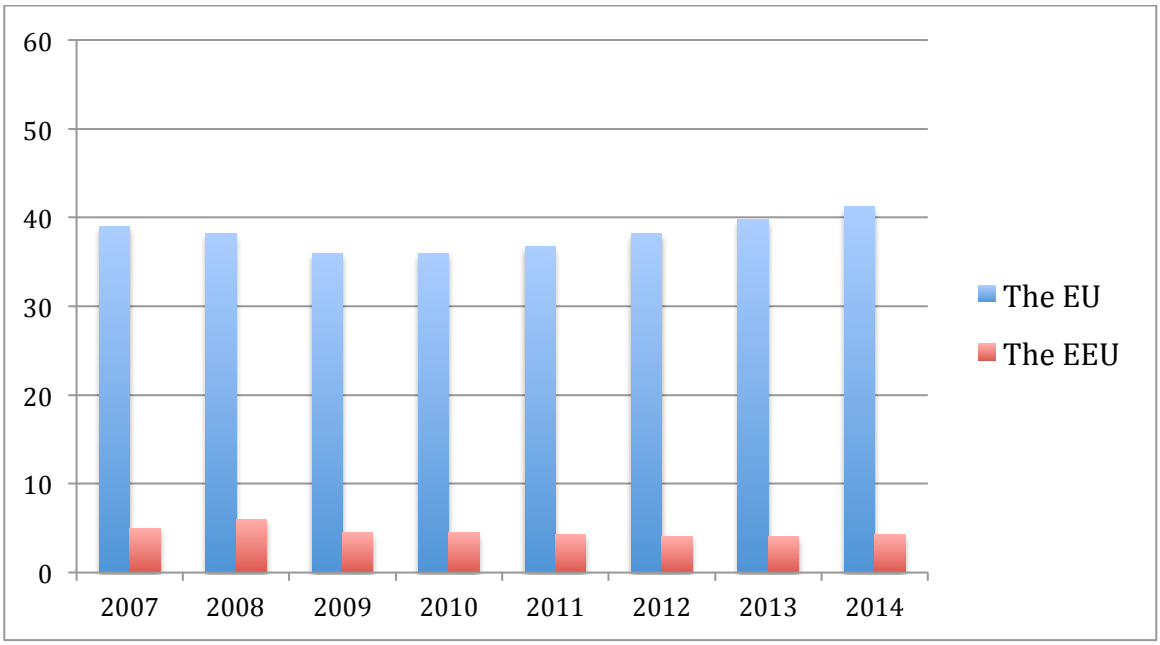


Figure 6.2: The share (%) of the European Union vs. the Eurasian Economic Community in Russia's foreign trade
Source: Central Bank of Russia

[160] Data available through the official website of the Central Bank of the Russian Federation (2015).

In their macroeconomic assessment of post-Soviet integration based on five indices of integration, Libman & Vinokurov (2012) find that economic convergence did not take place among the economies of EAEC countries. Their findings indicate that due to differences in speed of reform and size of economy, it is unrealistic to expect members of EEU to develop common responses to external economic shocks in the future. The current crisis of the Ruble and the ongoing sanctions imposed upon Russia by the US and the EU will also test the foundational strength of the Eurasian Economic Union. The main impediments towards deeper economic integration were "great power chauvinism, nationalism, personal ambitions of those engaged in the political decision-making process and ordinary primitive stupidity" declared Putin in 2004 at the Eurasian Integration Forum in Astana (RIA Novosti, 2004). Otherwise, economic reasoning would push states towards lifting the barriers to cooperation that they erected in the aftermath of the Soviet disintegration. However, I have tried to show in this section that pure economic logic cannot explain why Russia has prioritized post-Soviet integration in its foreign economic strategy.

Conclusion

I have argued that Russia's Eurasian integration plan is a clear manifestation of its self-conception as one of the poles in the newly emerging multipolar world order. Putin and the great power nationalists have not only shifted Russia's foreign economic priorities considerably towards the post-Soviet space, but also followed a coercive hegemonic form of regional economic integration with Russia's neighborhood. Increasingly since 2004 – the year Putin's power was consolidated and the great power nationalist identity conception became gained an unchallenged status – Russia has not shied from punishing challengers of its regional supremacy such as Ukraine, Georgia and Moldova. While Georgia and Moldova have chosen European integration instead of integration with the post-Soviet states under Russia's leadership, Ukraine has oscillated between that and integration with Russia. External developments such as Russia's frustration with the West, and the global financial crisis have reinforced the preceding great power nationalism in Russia. Having consolidated power at home, Russia's great power nationalists have responded to external developments by relying on systematic economic coercion to re-integrate the post-Soviet space. While external developments such as the global financial crisis and the Euro-zone crisis were destabilizing for the Russian economy, the Kremlin

has perceived them as historical critical junctures for the global economy, which offered Russia an opportunity to cement its control in Eurasia.

The annexation of Crimea and Russia's destabilizing role in Eastern Ukraine, as well as the most recent crisis of the Ruble have tested the reliability of the Eurasian alliance. While the Kazakh president has clearly stated that he preferred a union that was only economic, and that did not encroach his country's sovereignty, the Belarusian president Lukashenko proposed resuming trade with Russia in US dollars as his country was hardly hit by the sharp decrease in the Russian Ruble's value. Russia's presumably-closest ally Lukashenko has not only defended Ukraine's sovereignty and territorial integrity, but also started a campaign the promote Belarusian language at home – a policy that contradicts his earlier policies of strengthening the use of Russian language in Belarus (Coalson & Jozwiak, 2015). The Financial Times has recently reported that Belarusian customs officials are now back at where they used to be before the customs controls between Russia and Belarus were removed in 2012 (Hille, 2015). Developments in Crimea and Eastern Ukraine have sent a strong signal to each actual and potential member of the EEU that the Kremlin is willing to act militarily if its geo-economic plans are interrupted by its neighbors or the EU. No matter what the consequences of the Russia-led Eurasian integration project will be, economics has not been the source of Russia's economic leadership strategy in its neighborhood. I have shown in this chapter that Putin and his great power nationalist coalition's national identity conception has been the driving force behind both the change in the direction of Russia's foreign economic priorities and the form that Russia's economic leadership strategy has taken in the post-Soviet region.

CHAPTER 7

National Identity, Economic Interests and the Different Pathways to Regional Leadership

This dissertation has been driven by two empirical puzzles. The first puzzle deals with the cross-case variation among regional powers' economic leadership strategies. Regional powers such as Brazil, Russia, South Africa and Turkey have used diverse strategies to pursue the common goal of acquiring uncontested economic hegemony in their regions. However, little previous research has addressed the rationales behind these varying strategies. I have therefore scrutinized why Turkey has relied on liberal economic leadership in the Middle East, whereas Russia has resorted to economic coercion to foster economic cooperation in Eurasia. Second, in both Russia and Turkey, foreign economic priorities have shifted over time as new governments rose to power. The academic literature has paid scant attention to this important phenomenon as well. I have argued that national identity conceptions held by ruling elites constitute economic interests and shape both the direction and the form of their state's foreign economic policies. *Direction* refers to the geographic orientation of foreign economic strategy. *Form* refers to the tools employed by regional powers to exert influence over neighboring states with the ultimate goal of forging regional integration. This concluding chapter starts with summarizing my argument and findings. I then elaborate on its contribution and theoretical implications.

Explaining Directional Change in Foreign Economic Strategies

Typically, governments aim to penetrate the domestic markets of neighboring countries through investment and trade agreements. Around the globe, regional powers have taken the lead in establishing regional cooperation mechanisms as tools to achieve economic integration among neighboring states (Mansfield & Milner, 1993; Solingen, 1998). As the Turkish and Russian cases demonstrate, regional powers may change their priorities as new governments rise to power. My empirical chapters indicate that the national identity conceptions of ruling elites have played a major role in Ankara and Moscow's search for markets in the world economy. In both countries the direction of foreign economic policies shifted after new governments with particular national identity conceptions came to power.

In Turkey, acceding to the European Union's Customs Union was the key foreign economic goal of various Turkish governments in the 1990s. That, I have argued, emanated from an ideational source: Turkey's Westernist/Kemalist ruling elites had traditionally sought integration with Europe (Chapter 3). Signing the Turkey-EU Customs Union Treaty in 1995 therefore took on a sense of 'national purpose' a la Abdelal (2001). In addition, as Turkey continued to be left out of the EU enlargement process, Turkish decision-makers sought to intensify economic links with the newly independent Turkic-speaking countries of post-Soviet Eurasia. But the direction of Turkey's foreign economic strategy shifted dramatically and significantly after the former-Islamist conservative JDP formed a single-party government after the general elections of November 2002. Perceiving the Middle East as Turkey's natural and historical home, JDP governments expanded Turkey's FTA network to incorporate its Arab neighbors in the South. Turkey also took the lead in initiating the Levant multilateral free trade zone in 2009 (Chapter 4).

For Russia's Westernizers, integration into international financial institutions and the Western-led economic order were key targets in the first half of the 1990s. Westernizers perceived the post-Soviet space as burdensome for the Russian economy, and triggered the disintegration of the ruble zone in 1993. Similarly, despite calls for deeper economic cooperation from Central Asian states, the Kremlin chose to direct its foreign economic policy away from the region. Economic re-integration in Eurasia started to appear as a foreign economic goal only in the mid-1990s after Russia's liberal reformers lost appeal at home and President Yeltsin appointed great power nationalists such as Primakov to key posts (Chapter 4). Eurasian integration then became a top priority after Vladimir Putin rose to power in 2000. Under the Putin and Medvedev administrations Eurasian integration has evolved through several stages, culminating in the creation of the Eurasian Economic Union (EEU) in 2015. Despite potential obstacles to Eurasian integration and its questionable material benefits, Putin and his great power nationalist allies have decisively strived to make the Eurasian Economic Union work (Chapter 6).

Explaining the Forms of Foreign Economic Strategies

From a comparative perspective, in both Turkey and Russia current ruling elites have strongly criticized the Westernizers of the 1990s for abandoning the civilizational background of

their nations and turning their backs to their historical heritage. In other words, in both Turkey and Russia, Westernizers of the 1990s are the internal others of the ruling elite's national identity conceptions (Hopf, 2002). For Turkey's conservative ruling elites, Turkey should have been the natural regional leader and central power in the Muslim Middle East. For Russia's great power nationalists, Russia should have been the uncontested leader in Eurasia, one of the poles of the multipolar international order (Makarychev & Morozov, 2011; Johnson & Köstem, 2016). Therefore, both ruling elites locate their countries at the top of the social hierarchy in their respective regions. However, Turkey and Russia's ruling elites have exerted economic influence over their neighbors in different ways. While the JDP and Turkey's conservatives have exhibited liberal leadership through using open markets and private actors to exert economic influence in the Middle East, Putin and Russia's great power nationalists have relied on coercive tools such as using natural gas as leverage and imposing trade restrictions. Turkey has perceived trade and investment ties with the Middle East as positive-sum in nature and opened up its markets to goods from Arab countries without expecting compensation. In applying coercion over small post-Soviet states, the Kremlin has aimed to push them to join Russia-led cooperation mechanisms and deter them from pursuing a pro-European (in the case of Ukraine, pro-EU) course.

This variation in the form of foreign economic strategy, I have argued, is rooted in elite-level contestation over the content of national identity (Abdelal, 2001 & Abdelal et al., 2009) as well as the nation's roles and purposes in international politics. Turkey's liberal leadership strategy can be traced back to the conservative challenge to the Westernist/Kemalist tradition in Turkey, which has traditionally regarded the Middle East as a conflict-prone and economically backwards region. Turkey's Westernists employed a coercive strategy vis-à-vis Syria and Iraq in the 1990s, which emanated from a national identity conception that regarded Turkey as a non-Middle Eastern country (Aras, 2011). Criticizing this coercive attitude, Turkey's conservatives have argued that Turks and Arabs were brotherly nations that shared a civilizational legacy that had been ignored by Turkey's Westernists (Davutoglu, 2001, Kalin, 2013). In line with this contention, the JDP fostered economic cooperation with Syria and other Arab countries of the region (Kirişçi, 2009). More importantly, Ankara has aimed to widen Turkey's FTA network to increase its influence in its southern neighborhood and relied on the activities of business associations close to the government to broaden Turkish exporters' access to Arab markets.

Conversely, Russia's great power nationalists have relied on economic coercion to push the ex-Soviet republics towards closer cooperation with Russia. As I analyzed in detail in Chapter 6, economic coercion includes using natural gas abundance as leverage, employing trade restrictions that target the most important sectors of non-compliant states, and using threats to curb the flow of immigrants from post-Soviet states into Russia. The reason great power nationalists resorted to economic coercion was that they found the preceding Westernist strategy towards the region too liberal and soft. Their disagreement with the liberal Westernizers of the 1990s on Russia's natural allies and civilizational home had reflections in the form of Russian foreign economic strategy. While Westernists had perceived Russian and Western economic involvement with the post-Soviet states on a positive-sum basis, great power nationalists have regarded it to be zero-sum in nature; Russia's loss is the West's gain, and vice-versa. Table 7.1 provides a comparative summary of my case studies.

Table 7.1: Summary of Comparative Analysis

TURKEY	RUSSIA
1991-2002: EU, Post-Soviet space as key foreign economic priorities - Reluctant regional power in the Middle East - ***Prevalent national identity conception:*** Westernist/Kemalist, "Turkic World"	**1991-2000:** Europe/West as the key foreign economic priorities - Reluctant regional power in the post-Soviet space - ***Prevalent national identity conception:*** Westernist (1991-2000) and Great Power Nationalist (1996-2000)
2002-2011: Liberal regional power in the Middle East - ***Internal Other:*** Coercive Westernizers of the 1990s - ***Prevalent national identity conception:*** Conservative	**2000-2015:** Coercive hegemon in Eurasia - ***Internal Other:*** Liberal Westernizers of the 1990s - ***Prevalent national identity conception:*** Great Power Nationalist

The Impact of Internal and External Developments on National Identity Conceptions

Domestic contestation over national identity is a historically shaped process, the effects of which persist over long periods of time. In both Turkey and Russia, the contention between Westernizers and the others date back to the late 19th century when the content of 'Russian-ness' and 'Turkish-ness' first started to be debated among intellectuals (Neumann, 1996; Zarakol,

2011). Alternative national identity conceptions do not simply disappear when a new government comes to power. They continue to be carried by opposition political elites that do not share the prevalent national identity conception. Typically, various national identity conceptions are represented through political parties, or intellectual platforms. As I explored in greater detail in Chapter 1, different national identity conceptions ascribe different roles and purposes to a nation in its relations with its neighbors and the rest of the world. Consolidation of domestic political power by one elite group constitutes a critical juncture in eliminating the influence of alternative national identity conceptions in defining national economic interests. A government in power can only pursue its foreign economic priorities to the full extent when other political elites with alternative national identity conceptions no longer have the power to influence the formation of national economic goals. Once domestic power is consolidated, it becomes much easier for a government to resist calls from groups with alternative worldviews.

For example, as discussed in Chapter 4, the balanced distribution of power among the Westernizers and great power nationalists in Russia during Yeltsin's second term as president (1996-2000) was the key reason why Eurasian integration did not become a top priority for the Kremlin at that time. During Yeltsin's second term in the office, Westernizers and great power nationalists were equally influential over the definition of national economic interests. The balance of power shifted towards the latter in 2000, when Vladimir Putin rose to power. Russia's critical juncture was in 2004, when Vladimir Putin was re-elected as president of the Russian Federation. After 2004, Putin and his great power nationalist allies consolidated their power and eliminated the influence of politicians and intellectuals with alternative national identity conceptions. Conversely, in the Turkish case, the 1990s witnessed the prevalence of a Westernist national identity conception shared by various center right political parties and the Turkish Armed Forces. While the Islamists got stronger through electoral victories, their political power was constrained by the intervention of the Turkish military in 1997. On the other hand, all the mainstream Turkish political parties rapidly internalized the idea that Turkey belonged to a wider 'Turkic World'. The economic opening up to Central Asia became a goal commonly sought by various coalition governments. Turkey's Islamists, having re-defined their ideology as 'conservative democracy' emerged victorious from the general elections of 2002. Turkey's critical juncture in terms of domestic balance of power was the general elections of 2007. After the conservative JDP formed a single-party government for the second time in a row and elected

Abdullah Gül as the new president from within its ranks, its political power was consolidated. In both cases, prior national identity conceptions became stronger in tone after these critical junctures. In other words, elite consolidation reinforced the elites' national identity conceptions. Turkey's Erdogan and Russia's Putin as well as other key decision makers became more critical of the West and the Westernizers at home after they eliminated the influence of political actors with alternative national identity conceptions. This process of power consolidation had a direct influence on foreign economic strategies in each of my cases. Tables 7.2 and 7.3 summarize the changing national identity conceptions in Russia and Turkey.

Table 7.2: Russian National Identity Conceptions

	1991-1996	**1996-2004**	**2004-**
Prevalent National Identity Conception	Westernizer	**Hybrid:** Westernizer & Great power nationalist	Great power nationalist
Alternative National Identity Conceptions	Great power nationalist, Communist, Eurasianist	Communist, Eurasianist	Westernizer, Communist, Eurasianist

Table 7.3: Turkish National Identity Conceptions

	1991-2002	**2002-2007**	**2007-**
Prevalent National Identity Conception	Westenizer/Kemalist, "Turkic World"	**Hybrid:** Conservative & Westernizer	Conservative
Alternative National Identity Conceptions	Islamist, Social democrat	Nationalist, Kemalist	Westernizer, Nationalist

At the same time, the global financial crisis, which began in the U.S. housing market in 2007 and soon led to an economic slowdown in the rest of the world, has had significant consequences for Russian and Turkish foreign economic policies. According to Eric Helleiner (2014, p. 1), "the financial crisis of 2008 was the worst global financial meltdown experienced since the 1930s". Soon after it broke out in the United States, the crisis sparked strong calls from the leaders of emerging market economies to reform the global financial architecture. All regions of the global economy were affected by the crisis (Helleiner, 2014). Both Russia and Turkey experienced negative growth as their GDPs fell by 7.9 % and 4.5 % respectively. The ruling elites in both countries sharpened their rhetoric criticizing the West, and emphasizing civilizational implications of the crisis for the Turkish and Russian states after the global financial crisis. For example, the Russian ruling elite perceived the crisis as not only an earthquake for the global financial architecture, but also evidence for the weakness of the moral values of the Western capitalist system (see Karaganov's articles). The response to the crisis therefore had to incorporate an ideational element, not just a material one. Similarly, Erdogan started to criticize the Western financial system and the fundamental working principles and norms of the global financial order (interests rates, Central bank independence, etc.), after the crisis. Moreover, both Turkey's conservatives and Russia's great power nationalists perceived the crisis as an opportunity to deepen economic ties with their neighbors through regional economic integration. It was after the crisis that Davutoglu and the JDP proposed the formation of the Levant zone – the multilateral free trade area between Turkey, Jordan, Lebanon and Syria. Similarly, Putin legitimized the emerging Eurasian Economic Union as a response to the rapid transformation in the global economy that emanated from the global financial crisis. Although liberal economists in both countries argued that the global crisis would have longer-term negative effects because the major trading and financial partners of both countries were advanced capitalist ones, ruling elites in these two regional powers saw the crisis as presenting an historic opportunity for their nations. As the Western-led global economic order was in decline, regional powers could strengthen their hand in regional and global politics.[161] The crisis therefore reinforced the prior national identity conceptions held by ruling elites in both countries and intensified both the direction and the form of their foreign economic policies.

[161] Eric Helleiner (2014) has argued that the crisis has instead reinforced the status quo ante.

The Arab Spring represented another important turning point for Turkey's regional leadership role in the Middle East. The chain of mass uprisings that started off in Tunisia in 2011 and soon spread out to many other Arab countries in the Middle East and North Africa have had important consequences for Turkey's regional policies. As I explored in Chapter 4, Ankara's regional integration project, the Levant zone, was frozen as Syria's Assad regime unilaterally withdrew from the quadruple free trade agreement. That would be a major blow for Turkish exporters as Syria was Turkey's main land connection with other countries in the region. Turkey's conservatives saw the Arab Spring as another historic opportunity to facilitate Turkey's leadership in the region. For the JDP, Arab Spring was offering Turkey to influence Middle Eastern politics and societies to the extent that it had not been possible since the collapse of the Ottoman Empire. Despite the destructive effects of the Syrian civil war on Turkey's exporters, JDP has taken an active stance against the Assad regime and supported armed opposition groups led by the Free Syrian Army.

For Russia, the Maidan protests of 2013-2014 constituted an equally important critical juncture. As I examined in Chapter 6, Ukraine lay at the center of Russia's economic integration projects in the post-Soviet region. However, Ukraine had oscillated between pro-Western and pro-Russian economic policy choices until November 2013, when President Yanukovich suspended free trade talks with the EU. Thousands of demonstrators protested against Yanukovich's decision, which ultimately paved the way for the establishment of a pro-EU government in Kyiv, the ouster of Yanukovich, the civil war in Eastern Ukraine and Russia's annexation of Crimea. The 'Maidan Revolution' and the annexation of Crimea again reinforced the great power nationalist identity conception at home. Although Russia lost Ukraine as an important neighbor and partner, the Russian ruling elite's belief in the historically shaped regional supremacy of Russia over its neighbors strengthened since 2014. Consequently, internal and external political and economic developments have had a reinforcing impact on national identity conceptions held by the ruling elites in Russia and Turkey. Political contestation at home as well as global and regional transformations have intensified prior conceptions of the 'Self' and its roles and purposes vis-à-vis the 'Other'.

Contribution and Theoretical Implications

This dissertation contributes to a wide range of scholarship in IR and IPE and its theoretical implications go beyond the Russian and Turkish cases. First, it speaks to the IR and foreign policy literatures on national identity and national interest formation. So far, the literature has extensively explored how national identity influences foreign and security policy (Neumann 1996; Prizel 1998; Hopf, 2002). Moreover, constructivist IR has scrutinized the societal and ideational sources of the process of national interest formation (Hopf, 2002; Weldes, 1999). However, little has been done to explore the relationship between economic policy and national identity, or between national identity and economic interests.[162] Questions such as "who are we as a collectivity, what do we want; what do we desire; what are we lacking?" (Weldes, 1999, p. 10) are not only relevant for states' "security imaginaries" but also for economic imaginaries a la Jutta Weldes. In examining the ideational sources of the foreign economic policies of regional powers, I also contribute to the literatures on nationalist IPE (Abdelal, 2001) and economic nationalism (Helleiner & Pickel, 2005).

In contemporary international politics, economic success has become an inseparable component of states' prestige and status. The very concept of the 'BRICS' is an economically driven one, symbolizing the transforming nature of the global economic order. Inevitably, the relative economic standing of states in international hierarchies influences domestic debates over national identity and how the content of national identity should be defined. For example, Peter Rutland recently explored whether Russia's natural resource abundance has influenced Russian citizens' conceptions of themselves as a nation (Rutland, 2015) and the struggle between modernizers and nationalists in shaping domestic economic policies (Rutland, 2016). Similarly, Hopf (2013) scrutinized the relationship between the Russian ruling elite's attempt to embed itself in the core of the world capitalist economy and the Russian people's "common sense" that does not support that goal. According to Hopf, the Russian ruling elite's ideological project of making Russia a strong member of the family of neoliberal/capitalist states has been resisted by the Russian masses, which have supported remaining "semi-peripheral" in the world economy.

My dissertation shows that elite national identity conceptions shape far more than the prospects for peace and armed conflict among neighbors. Governments of regional powers direct foreign trade and investment towards those countries that they perceive as friendly and/or

[162] See Abdelal (2001) and Herrera (2005) for notable exceptions.

hierarchically inferior to the national Self. In other words, material calculations of economic profit are evaluated within the social-cultural context shaped by national identity (Abdelal 2001, 2003a, Herrera, 2005, 2010). For example, viewing Russia as the historical ruler in Eurasia, Russia's great power nationalists have used economic force to attempt to coerce post-Soviet states such as Ukraine and Moldova to join the Eurasian Union. However, my research demonstrated that liberal economists in Russia have questioned the material benefits of Eurasian integration for the Russian economy, and instead called for closer ties with the EU. Therefore, national identity plays a role in the formation of national *economic* interests. While the search for new markets for national products and national business is a commonly pursued goal, domestic contestation over the content of national identity influences which regions or set of countries should be prioritized as economic partners by governments. This is why I have proposed that the prospects for economic cooperation and the lack thereof are also "rooted in collective meanings … in domestic political and cultural contexts" (Weldes, 1999, p. 9). Because they encompass worldviews on a nation's friends, rivals, enemies, subordinates and superiors, national identity conceptions also shape economic cooperation and economic conflict among states. My argument, however, does not aim to equally explain regional powers' relations with all countries in the world. For example, Turkey's conservative national identity conception would be not so relevant in explaining its economic relations with Chile. The countries that are within a regional power's perceived sphere of interest are particularly prone to its national identity conceptions.

My analysis can be extended to other regional rising powers such as China, India, Brazil, and South Africa. All these states have had aspirations of regional leadership in their regions and have engaged in various mechanisms of regional cooperation in their regions. Especially China has regarded regional supremacy as a stepping-stone towards acquiring global influence as a great power. China's rise has witnessed deeper Chinese involvement in regional economic cooperation mechanisms in East Asia. Moreover, Chinese officials have declared various times that Beijing had no intentions to use military force in its region, especially Southeast Asia (Kang, 2009; Yong, 2008). China has so far regarded economic relations with its neighbors in a positive-sum manner, and refrained from using economic coercion. China's domestic power struggles and evolving Chinese debates on national identity and the international system will be influential in shaping China's policy towards its neighbors.

Embodying an important shift from the past, Brazil's foreign economic strategy prioritized regional integration in Latin American under Cardozo's presidency. While Cardozo was silent in stressing Brazil's regional hegemony perspective, Lula has clearly stressed Brazil's goal of creating a South American region in world politics and making Brazil the leader in representing the region in global platforms (Burges, 2009, 2015). Brazil's search for hegemony in Latin America has been challenged especially by Argentina and has been criticized by Bolivia for being imperialistic (Burges, 2015, p. 198). However, Brazil so far has relied on 'consensual hegemony' in its relations with Latin America; an ideologically based order that is based on the costs associated with non-membership instead of coercion (Burges, 2009). Current political turmoil in Brazil over Dilma Rousseff's impeachment and the demise of the appeal of the Workers' Party in Brazilian politics can have potential implications for Brazil's role in Latin American regional cooperation. In the future to come, domestic political contestation between the Workers' Party and its opponents can lead to a change in Brazil's conceptions of the 'Self' in regards the Latin American 'Other'.

National identity and domestic contestation over self-conceptions were most salient in the transformation of South Africa's foreign policy. After the apartheid regime ended in 1994, South Arica has struggled for recognition as the legitimate representative of Africa in global politics (Alden & Shcoeman, 2013). Due to South Africa's changing national identity conception, its foreign policy priorities have shifted from being an ally of the West in the African continent to acting together with the Global South or the rising powers as an "anti-imperialist agent" (Ibid, p. 118). So, recently, South Africa joined the BRICS grouping, took an active part in peace negotiations in Africa and presented itself as an emerging donor country. South Africa has continued to claim a hegemonic role in Sub-Saharan Africa although its economic capabilities have been in relative decline since the mid-1990s especially due to domestic economic problems and the rise of Nigeria (Alden & Schoeman, 2015).[163]

India similarly has perceived itself as the natural leader of South Asia (Paul & Shankar, 2014). Similar to China, India has also benefitted from deeper integration into the global economy especially since 1991 when it started to liberalize its economy. India has also actively been involved in the cooperation mechanisms in Southeast Asia and the Asia-Pacific. India's

[163] Following Burges, Alden & Schoeman argue that South Africa has also been pursuing 'consensual hegemony' in Africa.

growing activism in the WTO, IMF, G-20 and BRICS has been strong indicators of its "promise toward a peaceful rise" (Ibid, p. 186). Interestingly, India's Hindu nationalist leader Modi has called for strengthening the South Asian Association for Regional Cooperation (Hall, 2015). However, Modi's nationalism has also caused concerns among India's Muslim population, which has the potential to result in the further deterioration of India's relations with its neighbor and rival, Pakistan.

While my argument highlights the origins of national economic interests, it does not explain the outcome of the foreign economic strategies that result. In other words I do not claim to explain why some regional cooperation mechanisms are successful whereas others do not bear fruit. As Turkey's failed Levant zone project and Russia's inability to convince Ukraine to join the Eurasian Economic Union demonstrate, various other material and ideational factors intervene in the outcome. Therefore, future scholarship should investigate why ideationally oriented foreign economic strategies achieve their goals or fail to do so. For that purpose, studying the national identity conceptions of neighboring states is equally important. In addition, material impediments to regional integration such as domestic economic structures, state-business relations and rivalry among various regional actors should be taken into account. Ultimately, this dissertation aims to open the field to greater scrutiny of how material and ideational factors interact in the formation of national economic interests and foreign economic policies.

My argument also speaks to the flourishing constructivist literature on international practices and practice theory (Adler & Pouliot, 2011; Pouliot, 2010). Highlighting the importance of practical knowledge for political agents, practice theory brings "background to the foreground" and contends that the logic of practicality is ontologically prior to "the logics of consequences, appropriateness and arguing" (Pouliot, 2010, p. 27). Practical knowledge, or habitus, is also prior to national identity because the social identities of political actors are also shaped by practices. Pouliot argues that collective identity-based constructivist explanations are entrapped with representational bias just as the logics of consequences, appropriateness and arguing do. That is because arguments based on collective identity focus on what actors think about instead of what they think from. Conscious representations – national identity conceptions of my framework – are brought to the forefront at the expense of background knowledge. In doing that, the collective identity explanations ignore the tacit, inarticulate knowledge that

political agents carry with them in practicing foreign policy/diplomacy. Pouliot therefore reverses the standard constructivist theoretical sequence and argues that practices (in my case foreign economic policies) determine identities at home (Ibid, p. 39).

While I agree with Pouliot and other constructivist scholars that identities/ideational factors and foreign economic policies (practices) are mutually constitutive, I argue that the influence of one over the other can still be analytically separated, especially when the time periods under scrutiny are short. This dissertation does not investigate the long-term historical formation of the Russian and Turkish Self, nor how the Eurasian and Middle Eastern Others have constituted and reinforced each other over time. Instead, I take snapshots of how different political actors conceived of themselves, their Others, and their histories in the 1990s and 2000s. Similarly, I do not recover broad national or collective identities, as that would entail much deeper ethnographic research. Instead, my textual analysis and interview data recover the national identity *conceptions* of specific political elites; these conceptions encompass not only what actors historically do, but also what they want to do in the future. What political agents want to do in the future is shaped by who they think they are; the roles and purposes Turkey's conservatives and Russia's great power nationalists have ascribed to their nations have not only been shaped by historical foreign policy practices, but also by domestic contestation over the meaning of Turkishness and Russianness. In both countries, such debates over national identity have been shaped by international rivalries and wars with other states (see for example, Zarakol, 2011). However, this does not preclude studying how national identity conceptions held at a given time influence foreign economic practices vis-à-vis neighbors in a subsequent, near-term period. As I have shown in my empirical chapters, elite contestation over national identity pre-dated foreign economic policies (practices) on regional integration in both Turkey and Russia. As ruling elites consolidated their power and increasingly put their policy proposals into practice, their prior national identity conceptions were reinforced. Future studies should explore how regional powers' foreign economic practices vis-a-vis Europe, the West and their regions subsequently affect their collective identities and domestic debates over national identity in the medium and long term.

This dissertation also has implications for the broader discipline of International Relations and the IPE sub-field. As I explored in Chapter 2, many studies have focused on economic and security cooperation at the regional level (Acharya, 2007; Hurrell, 1995, 2007;

Katzenstein, 2005; Paul, 2012; Pedersen, 2002), and a newer strand of scholarship has discussed regional powerhood and regional leadership (Destradi, 2010; Nolte, 2010; Prys, 2010). These scholars have argued that the variation in regional power behavior should be addressed in detail and that regional powers should be studied under different analytical categories such as hegemons, leaders, empires, and reluctant powers. By presenting a comparative analysis of Russia and Turkey, my study has highlighted the various roles that regional powers can play in fostering regional economic cooperation in geographically delimited areas. In doing so, it contributes to explaining and better conceptualizing the variation in regional power strategies. Furthermore, it adds to this newly flourishing literature on comparative regional power analysis by highlighting the Russian and Turkish-led dynamics of regionalism and regional integration in the post-Soviet space and the Middle East. .

Finally, the argument and findings of this dissertation have implications for the future of the global economic order. Scholars have debated how emerging or rising powers will shape the future of global governance (Hurrell, 2006; Kahler, 2013). One key question is whether and under what circumstances regional or rising powers will want to challenge the rules of the liberal international order led by the United States. As Kahler (2013) highlights, there are optimists who think that rising powers will adhere to the norms and principles of the current order, versus pessimists who contend that the changing distribution of wealth and power among states will inevitably lead to conflict. Most recently, T.V. Paul (2016) has argued that accommodating rising powers is becoming a pressing issue for the United States and its allies. Paul (Ibid, p. 3) notes Russia's annexation of Crimea in 2014 and China's territorial revisionism in the East and South China Seas as clear examples that should trigger "the need to understand the rising power phenomenon". Kahler (2013) argues that the preferences, capabilities and strategies of rising powers will be key determinants of their behavior. He also argues that the response that the incumbent powers will give to rising powers will be shaped by the preferences, capabilities and strategies of rising powers. Discussing the capability of Brazil, India and China in international negotiations, Kahler (Ibid, p. 721) states, "if variation in capabilities is one determinant of the influence of these rising powers … their willingness to mobilize these capabilities is equally important". This is exactly where the importance of my argument comes to the forefront. My analysis indicates that domestic debates within rising powers over national roles and purposes are of critical importance in shaping their national interests and foreign economic strategies.

Material factors such as changing regional conditions and the transformation of domestic economic and military capabilities did not automatically result in a change in the foreign economic strategies of Russia and Turkey. As the contention between the Westernizers in Turkey and Russia, and their conservative and great power nationalist challengers demonstrate, a typical and overarching 'rising power strategy' can not be taken for granted. Instead, what rising or regional powers want depends upon the national identity conceptions of the elite group in power. Ultimately, these historically driven national identity conceptions constitute the preferences of rising powers. Therefore, the future 'accommodation' of rising powers has to take into account the nature of the domestic contestation over defining national roles and purposes in each rising power. Consequently, this study calls for greater attention to domestic contestation among political elites in defining the content of national identity and shaping the foreign economic strategies of their states towards their neighbors and other states in the international system. Similar comparative or single-case studies on other regional or rising powers will further contribute to understanding this highly important phenomenon in contemporary international politics.

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