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# Dream or Reality? Assessing Turkey’s ‘Energy Hub for EU’ Concept

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## 1. Introduction

Turkey has a significant importance in the Eurasian region, especially with its geographical location lying as a bridge between Europe, Asia, Middle East and Caucasus. These regions are home to %65 of world's proven oil and %71 of world's proven gas reserves (Yıldız, 2013). Last decade has witnessed Turkey's increasing diplomatic activism in all these regions. Contemporaneously, Turkey experienced an unprecedented economic growth. Its GDP increased from \$231 billion in 2002 to \$786 billion in 2012 with an average growth rate of %5 between these years (Turkstat, 2013). Consequently, during the same period, Turkey's energy consumption increase has been the highest among OECD countries and second in the world after China (Yıldız, 2013). These developments have placed 'energy' in top of the agenda for Turkish policy makers.

Turkey had a limited attention to oil & gas reserves surrounding neighbouring regions due to its position in Cold War, which resulted in chronic energy shortcuts in 1970s and 1980s. Following Turkish Intelligence Service(MIT)'s classified report to President Turgut Özal in 1984 which stated "high usage of coal in households in Ankara are posing fatal risks to public health and related deaths are very likely to occur in couple of months", Turkey has adopted a very aggressive natural gasification in its electric production(Gazel, 2004). The Turusgaz pipeline project is realized in these regards with Soviet Union. After the collapse of Soviet Union, to increase its leverage in the region and influence in Former Soviet Union (FSU) countries, to attain an energy corridor role for itself and to satisfy its increasing energy needs, Turkey has pursued an active pipeline policy during 1990s. This was in concord with European Union and United States of America's desire to access Caspian and Central Asian hydrocarbons without Russia's involvement (Sierra, 2010). As a matter of fact, Russia has perceived Turkey as a USA proxy in a more broad sense, until Turkish Parliament's decision not to join the Second Gulf War by rejecting to allow USA troops enter Iraq from its territory.

The 'energy corridor' term has been the motto of Turkey's energy policy for more than a decade subsequent to dissolution of Soviet Union. Turkey's desire to be an 'energy corridor' for EU meant

establishing pipelines from Eastern hydrocarbon sources to Western energy markets, focusing on Caspian region (Bilgin, 2010). Baku-Tbilisi-Ceyhan(BTC) oil, Baku-Tbilisi-Erzurum(BTE) gas pipelines and the Greece-Turkey Interconnector were the solid reflections of this goal. The execution of this policy required close cooperation between Turkey's foreign policy and energy policy and consequently, in practice, they were intertwined. Turkey's activism related to 'energy corridor' concept stemmed from necessity to access cheaper, reliable and diverse hydrocarbon resources while promoting its geographical location as a leverage in international arena, especially vis-à-vis its EU membership endeavours (Birsellioglu,2011).

EU aims to achieve very similar objectives. According to EU Commission (2013),

*"The EU seeks secure supplies from sustainable sources, at competitive prices and aims to improve coordination and information sharing among its member countries, so they can speak with a single voice abroad."*

There is an overlap in Turkey's and EU's energy policy ambitions. Like Turkey, EU is also very much dependant to natural gas from Russia and aims to decrease this dependency. The only difference is the second part: EU's struggle to form a unilateral energy policy, since EU consists of states that have contradicting interests in energy issues.

Starting from 2009, Turkish energy policy determined a more assertive aim: being an 'energy hub' for EU (Bilgin, 2010). 'Energy hub' term includes gathering all hydrocarbon resources around the region via multi-dimensional pipelines and LNG stations (additional to Caspian region, from Iran, Iraq, Qatar, Eastern Mediterranean –Cyprus, Israel- and Egypt), creation of huge transit terminals, refineries, LNG stations and storage facilities (Bilgin, 2010). Even though energy hub concept is very complex, it's often portrayed as simple as the energy corridor concept by Turkish policy makers.

There have been profound changes in Turkey's domestic politics and foreign policy since AKP came to power in 2002. Ahmet Davutoglu, first as a chief advisor to the Prime Minister and later as the Foreign Minister has been the mastermind of Turkey's new foreign policy strategy. Davutoglu's book "Strategic Depth" became the doctrine of this new approach. Davutoglu asserted that Turkey's geographical location and historical heritage provided significant opportunities. He criticised previous administrations as being passive in exploiting the advantages provided by these two factors (Murinson, 2006). There has been an increasing activism in Turkey's foreign policy starting from 2002. Considering the significance geopolitics pervade within strategic depth concept, energy has increasingly been a very important element of this strategy.

As an energy poor country, the main goal of Turkey's energy strategy is to secure enough hydrocarbon resources to satisfy its increasing energy needs. Turkey's total energy consumption rose from 3.1 quadrillion btu in 2000 to 4.9 quadrillion btu in 2011 (U.S. Energy Information Administration, 2013). Secondly, Turkey wants to decrease its high dependency to Russia in gas and Iran in oil, in order to increase its energy security and provide its citizens more affordable access to energy by diversifying its suppliers. Thirdly, Turkey wants to expand its transit country role into a regional energy hub in order to increase its influence in the region and the world. In that sense, energy policy is formed as a considerable instrument of its broader ambition to become a regional power. Also, by depicting itself as a potential energy hub, Turkey strives to increase its importance for EU in order to finalize its long accession process. These prospects require Turkey's energy policy and foreign policy to be in full harmony.

In most of the literature and in Turkish policy makers' rhetoric, energy hub concept has been enunciated nearly as inevitable. This stems from deprivation of clear distinction between energy hub and corridor concepts. Most of the studies are focusing on Turkey's importance as a transit country and its effect on the EU, the relationship between Turkey's geopolitics and foreign policy. However, the energy hub discourse is not much scrutinized in the literature. Furthermore, there have been

many new political and economic developments that raise serious questions about its feasibility. This study aims to fill this gap by inspecting the energy hub concept, identifying its characteristics and analyzing the opportunities and challenges for its realization. Turkey's energy hub ambition is worth thinking since its success or failure will have political and economic implications in the regional and global scale. This research aims to answer "What are the distinctions between Turkey's energy hub and energy corridor concepts? Is Turkey evolving into an energy hub or corridor? What factors effected the formation of these concepts and what factors influence the success of one over the other?" The study asserts to provide certain parameters for policy makers, researchers and public regarding Turkey's energy hub concept in order to accurately anticipate energy hub concept's practical future stance.

The hybrid of critical geopolitics, complex interdependence and realism theories is being used to study Turkey's energy hub goal. The common starting point behind both Turkey's strategic depth and energy hub concepts is Turkey's geographical location. Therefore, geopolitics is a must, in order to analyze Turkey's foreign and energy policy ambitions. Secondly, Turkey's increasing interactions with neighbouring countries require a more sophisticated outlook. Thus, complex interdependence is an adaptable theory to understand Turkey's layered interests against various actors. Realism theory is conducive to help us assess the moves of particular nation states in Eurasian energy politics.

In the first part, the theoretical framework is detailed by looking into critical geopolitics, complex interdependence and realism theories. Additionally, methodology is briefly mentioned. In the second part, Turkey's new foreign policy doctrine, strategic depth, is identified. Also, the relation between Turkey's foreign and energy policy is analysed. In the third part, the nuances between energy corridor and energy hub concepts are clearly portrayed. Moreover, the practical execution of energy hub objective on Turkey's policies and EU's relevance are outlined and other countries' energy policies are scrutinized in order to understand the stance of Turkey's strategy. Additionally, a successful natural gas pipeline project (TANAP) and a failed natural gas pipeline project (NABUCCO) is

briefly mentioned to investigate the feasibility of Turkey's energy hub concept. While TANAP is a vindication of Turkey's transit country status and affirmation of energy corridor concept, NABUCCO emphasizes the challenges Turkey faces in its desire to become an energy hub.

## **2. Theoretical Framework and Methodology**

Realism is a theory that explains the international political arena by explaining it through power relations. According to the theory, these power relations are occurring between coherent states. Furthermore, states are the only actors in the international arena that have the ability to shape the global political landscape. All other agents such as NGO's, multinational companies, transnational organizations, etc. are nothing but states' instruments to practice their power. These agents are fully dependent to nation states for their functioning. This theory claims, state's highest consideration when determining its policies is its self-perceived interest. The maximization of its interest is essential for a state and this is goal is carried out through power. Eventually, international arena has a zero-sum aspect. If a state wins, another has to lose; a compromising point doesn't exist. The state's maximisation of interests through power leads to constant anarchy in the international arena (Gilpin, 2001). Therefore, states are aligned hierarchically in the international arena according to their strength. Realism is a very convenient theory in analyzing Eurasian energy developments when there is an important actor like Russia that perceives international arena with a realistic outlook. Moreover, in some Eurasian countries –as in Russia- domestic economic or political agents are very dependent to their state and lack liberty to act independently. This makes realism a valid theory to scrutinize Eurasian energy issues.

Complex interdependence is another major theory of international political economy that proposes a different international point of view. According to this theory, states are not the sole players in international arena. Non-governmental organizations, transnational corporations, intergovernmental organizations are all significant actors. Complex interdependence accepts that states are still very influential in the world politics, but above mentioned institutions can't be ruled out either and they

are active agents within the global framework. Secondly, this theory argues that international arena is not as flat as realism proposes; there are multi layers within self-perceived interests and agents' relationships with each other. Therefore, exchanges that are beneficial for multiple nations at the same time and positive-sum interactions are possible (Keohane and Nye, 2011). For example, Turkey and Saudi Arabia both support rebels in Syria, but they have contradicting positions in the case of Egypt. While Saudi Arabia back coup administration, Turkey is vehemently against it. It doesn't prevent them from cooperating in the case Syrian Civil War. This gets more complex when all domestic, transnational or global agents are taken into considerations and complex interdependence is capable of explaining these sophisticated transactions. To illustrate within Eurasian energy framework, energy companies within certain states can form alliances even if their home country doesn't provide support or reluctant about the project companies desire to implement. Complex interdependence provides a comprehensive framework to study energy relations in Eurasia.

Geopolitics originates from the belief that nation states are in the centre of world politics and all political developments can be understood through geographies that states possess. Hence, according to this theory, territory that a state controls and a state's boundaries are reflected in that state's foreign policy. According to the Heffernan (1998: 61),

*"(...) Geopolitics is traditionally concerned with the study of the state, its borders and its relations with other states."*

As a theory, traditional geopolitics is formulated during the late 19<sup>th</sup> century. Therefore, it's a modern term that stipulates a political arena on which national sovereignty of states are in the centre. The states are endowed with fixed boundaries. The geographical affiliation of these boundaries determines the capabilities, objectives of a state and application of its foreign policy (Dalby, Simon, and Gearoid Ou Tuathail, 2002). Moreover, traditional geopolitics envisions an international arena with states as the sole players. Because of the zero-sum aspect of the rivalry, states are territorial enemies. Therefore, states form geopolitical blocs in order to maximise their interests that are very

much dependant literally on their geography's physical space. Thus, geography and cartography disciplines are very significant for a state to understand its competence in world politics, since it forms collaborative or hostile relationships accordingly with other states (Starr, Harvey, and Randolph M. Siverson, 1990). Also, traditional geopolitics contemplated itself to be detached and unburdened by ideology. This contention derived from a static world point of view which argued that states were continuously competing in a fixed arena. This notion is related to modernist thinkers who formulated this theory. They had strong nationalistic standpoints with a desire to advise their policy makers from a scientific distance. The belief that these thinkers can have a scientific point derived from the "(...) modernist idea that it's possible the view the world in totality." (Dodds, 2005: 28). They argued to be able to analyze the world as a distant and independent object. Nevertheless, in the traditional geopolitics, hierarchical ranking of dividing spaces and geographies were crucial in order to have an understanding on international politics.

Critical approaches to traditional geopolitics have started in 1960s. Critical geopolitics rejects the traditional approach's contention that world is a static entity and it's possible to scientifically view world in entirety. Critical geography asserts that even geography has always been political, beginning with the expansion of the imperial state and its desire to legitimise its diffusion. According to O'Tuathail (1996: 3),

*"The function of the cartography was to transform seized space into a legible, ordered imperial territory."*

Rather than a fixed, stable geographic space, critical geopolitics argues that so-called scientific anchoring of geography has indigenously been part of the competition of rival political entities. Consequently, there is not a single, solid geography, but there are intertwined geographic imaginations or imaginations of space. Thus, fixed territories of the states are in fact imagined boundaries (Dalby, Simon, and Gearoid O'Tuathail, 2002). Moreover, rather than a zero-sum rivalry between nation states, critical geopolitics visions a multi-dimensional world where states may have

positive sum relationships due to various geopolitical envisions. Also, nation states are not the only players that can shape the geopolitical visions, according to the critical perspective. Companies, NGO's and other organizations can create or effect the manifestations of space. These geopolitical agents are providing a broader understanding in today's globalized interactions (Flint, 2006). Furthermore, geopolitics is not necessarily tied to geography anymore. For example George W. Bush's "axis of evil" (Miller Center, 2002) speech was a form of geopolitical visioning that encompassed countries like North Korea and Iraq that doesn't have any common geographical space. As stated by Dodds(2005: 48), now, geopolitics is an "intellectual terrain concerned with and influenced by the interaction of geography, knowledge, power and political and social institutions." This allows every country's geopolitical codes to be different from each other. Again, geopolitical codes are fragmented within a state itself. Some groups within a state may have independent geopolitical visions apart from the state's official point of view. Hence, they can influence the mainstream visions according to their own considerations or propose their independent imaginations. This is extremely appealing, since energy companies or various pressure groups have varied agendas that don't necessarily abide with their home country's policies, but still contain geopolitical references.

Critical geopolitics fits better than the traditional approach to the context of this research, because it makes more sense in today's complex international arena that houses multiple players that sometimes have contradicting or collaborative interests according to their preferences (Agnew, Corbridge, 1995). In fact, critical geopolitics is very similar to complex interdependence theory, but distinctively, it takes representations of global space rather than sole economic consideration as an incentive for cooperation. The definition in Victor, Jaffe and Hayes (2006: 5) fits this study's objectives:

*"[Geopolitics] is the influence of geographic, cultural, demographic, economic, and technological factors on the political discourse among international actors. In this definition, relative gains matter, but so do joint gains from possible cooperation."*

Taking this definition as the starting point, energy politics is very much related to geopolitics and “(...) there exists nowadays a subdivision of this approach, namely energy geopolitics, which is mainly concerned with energy supply of crude oil and natural gas.” (Krauer-Pacheco, 2011: 10). From this perspective, countries are divided into two simple categories, the ones with a surplus in energy resources and the ones that have deficiency. The fundamental differences of these two sides increase geopolitical rivalry among each other (Klare, 2008). Turkey is in the second group, but its geographical location and imagined geopolitical space help it to be as active and influential as the countries in the first group. This research contends that Turkey’s energy hub vision emerged from its geographical space and developments within itself regarding its geopolitical imagination. Consequently, critical geopolitics fills the gap and vitally supports this study.

In this research, historic analysis, descriptive statistics and discourse analysis is used. Historic analysis is “a method that seeks to make sense of the past through the disciplined and systematic analysis of the ‘traces’ it leaves behind.” (Jupp, 2006). This is a substantial method to analyze energy relations and detect the elements that shape the course of pipeline or other infrastructure projects.

Moreover, descriptive statistics is used in this study in order to portray the significance of related projects, Turkey’s transit capacity. Also, it’s useful for obtaining an understanding about the success of Turkey’s energy hub ambition. Furthermore, discourses of policy makers are elaborated in order to show the policy choices and the reasoning behind them.

### **3. The Intertwined Twins: Strategy behind Turkey’s Foreign Policy and Energy Policy**

Since the foundation of the Republic, Turkey, asserted to entangle itself to West in political, economic and social terms. The manifestation of this aspect has traditionally been reflected in its foreign policy. As a middle power country, Turkey has pursued to protect its national security through integration with West via NATO membership (Öniş, 2003). Even though, Turkey had some certain periods that enabled it to enjoy semi-autonomy as experienced in the Cyprus Operation in

1974, Turkey has always been very careful not to irk its Western allies. This has caused Turkey to be reluctant to increase its relations with Middle Eastern countries and Soviet Union. Traditionally, “caution” has been the motto of Turkish foreign policy. Caution notion was so strong that, for example, Turkey even voted against or abstained on motions about Algeria’s independence even though vast majority of public was in favour. Turkey acted in an unprecedented way just to show solidarity with its NATO ally, France and prove Western alliance that they are on the same page (Dünya Bülteni, 2011). Nevertheless, this characteristic strongly prevailed until the dissolution of the Soviet Union. Following the dissolution, Turkey slowly but steadfastly formed a more active approach.

After Turgut Özal’s election as Prime Minister in 1983, Turkey has been through profound changes in its economy, politics and foreign policy. Özal era, which ended in 1993 with his sudden death when he was the President, coincided with the dissolution of Soviet Union. Cold War was over and Turkey’s position as a reliable NATO outpost suddenly diminished. This development initially created the debate whether Turkey is losing its importance for the Western Alliance or not (Mufti, 1998). Furthermore, faced with a situation that the Cold War balance vanished, Turkey’s security concerns soared due to its geographical perception. According to the geopolitical imagination of the time, Turkey was in the midst of the most unstable regions: Caucasus, Middle East and Balkans. Consequently, traditional doctrine based on fear and caution stood solid (Sezer, 1994).

Turgut Özal had already begun the economic transition of Turkey when he was the Deputy Prime Minister responsible for administration of the economy in 1980 coup regime. After his Premiership, he continued Turkey’s economic liberalization. His political party ANAP modelled Western Conservative Parties and their neoliberal understanding of economy was taken as the norm for Turkey’s economy. Özal acted in order to implement an export-led growth strategy for Turkish economy. This required new export markets other than mature and competitive European markets. Thus, Turkey’s political and economic opening to FSU Turkic countries was rationalized additional to

the ongoing nationalistic rhetoric on Turkic states. These developments and activism led a new understanding of foreign policy to emerge. Turkey was using its cultural, historic and linguistic ties to expand interactions with FSU countries. Following this activism, criticism of isolationism that derived from domestic instability's reflection to foreign policy and traditional caution norm has been widespread. This critical approach that promoted a more outgoing foreign policy was named as neo-ottomanism.

This new approach is updated and methodically formulated a decade later by Ahmet Davutoglu in his book, *Strategic Depth* (2001). This foreign policy formulation prevailed as a doctrine from 2002 to this day in Turkey's foreign policy. Briefly, strategic depth concept consists of two components: Turkey's geographical depth and historic depth. Turkey's historic depth originates from its Ottoman past. Ottoman Empire ruled Eastern Europe, Caucasus, Middle East and North Africa for centuries. Davutoglu criticises traditional foreign policy understanding of the Republic for disregarding these regions for the sake of modernity and westernization. According to Davutoglu(1994), historical depth is very much attached with cultural affinities Turkey shares with other Islamic countries. He contends that Turkey has the potential to constructively involve in regional problems as a peace-maker (Davutoglu, 2001). Implementation of this potential into real policy will pave way for Turkey to become a regional power. Countries in these regions share the same civilization, history and their stability is going to enhance growth of Turkey's economy due to its competitive advantage (Kirişçi, 2009). For Davutoglu, Turkey must actively engage in regional issues by exploiting its history and culture with a moral consideration, rather than a solely interest based approach. Additionally, Turkey should avoid confrontation and its engagement should be in a conciliative attitude (Aras, 2010). Geographic depth derives from Turkey's position that is situated in the midst of two continents and surrounded by four seas. Also, geographical depth has some connection with the historic depth since "[Davutoglu] points to the fact that eight out of the sixteen strategically most important choke points – the Suez Canal, Bab el-Mandeb (the exit from the Red Sea), the Strait of Hormuz (the exit from the Persian Gulf), the Strait of Malacca, the Sunda Strait (between Sumatra and Java), the Lombok Strait

(between Bali and Mataram), and the Bosphorus and Dardanelles (exits from the Black Sea) – are under the full control of Muslim countries, while one of them (the Strait of Gibraltar) separates a Muslim state (Morocco) and a European state (Spain).” (Murrinson, 2006: 6). As mentioned in the theoretical framework part, Davutoglu’s geographical vision is very much tied to Turkey’s history, culture and common moral values that it shares with other countries. Therefore, Davutoglu’s geopolitical considerations go well beyond the reach of Turkey’s physical geography. This notion abides with the critical geopolitics in a sense that geographical spaces are nothing but imaginative perspectives. In fact, the target segment of Davutoglu’s active engagement is the very same physical geography that has been exposed to Turkey’s isolationist foreign policy for decades (Aras and Fidan, 2009). Change in geographical vision changed geopolitical considerations. Thus, Turkey’s foreign policy approach to the same region evolved from isolationism into activism. In practice, this is very visible in Turkey’s Syria policy. In 1998, two countries were in the brink of war. This crisis ended after PKK leader Abdullah Ocalan’s capture process in 1999. After Davutoglu’s doctrine started to be implemented, Syria turned into a close partner than an enemy in the geopolitical vision of Turkish policy makers. However, following the beginning of civil war in Syria -old ally- Assad regime suddenly turned into the biggest enemy. These developments are clearly reflective of the changes in geopolitical imagination. Lastly, this doctrine is not merely focusing on a single region. Davutoglu suggests that multi-dimensional activism will make Turkey a regional centre rather than a bridge, as proposed by traditional foreign policy structure.

Davutoglu’s strategic depth doctrine is implemented via various instruments. Firstly, Turkey started mediating in many conflicts from Syria-Israel peace negotiations to international crisis caused by Iran’s nuclear program. Moreover, efficiency of particular institutions is stimulated by increasing their budgets. For example, Turkey’s official development aid agency Turkish Coordination and Cooperation Agency (TİKA) is one of the explicit examples of this practice. TİKA operates in old Ottoman territories, Turkic Central Asian Republics and Africa. In 2013 it made Turkey the World’s 4<sup>th</sup> largest government donor in development aid with more than \$1bn. Only USA, EU and UK passed

Turkey (The Guardian, 2013). Moreover, Turkey's activism in intergovernmental organizations increased. To illustrate, Turkey became the non-permanent member of UN Security Council for the 2009-2010 term, election of a Turkish national for the seat of Secretary General of Organization of Islamic Conference (OIC) is achieved, etc. Another aspect is the "zero problems with neighbours" policy that aimed to end long hostilities with neighbouring and regional countries by making trade agreements, abolishing visa requirements and increasing interdependence with common policy mechanisms. Davutoglu always stipulated that Turkey had a moral point of view with a focus on justice rather than the maximization of interests. However, it doesn't completely abolish realism's relevance from Turkish foreign policy. Most dramatic example is Turkey's Sudan policy. Turkey invited Sudanese President Omer Al-Bashir, even though he was convicted of war crimes and genocide, in order to use Sudan's raw materials, gain access to new markets and contracts in Africa. During his time, anchor of Turkish foreign policy lost its Western oriented approach. Davutoglu executed a multi-dimensional foreign policy without ending its European Union endeavour. This has sparked debates in the West, but Davutoglu claimed Turkey's interests lie everywhere, West is merely one subcontinent (Davutoglu, 2001). Davutoglu's activism and successful shift he provided in Turkish foreign policy originates from the relative political stability and economic growth Turkey witnessed during AKP's rule. It's evident that there is a correlation between Turkey's foreign policy activism and its domestic stability, which is also witnessed in Özal period. Because of the stability the entanglement between domestic policy and foreign policy gets weaker and Europeanization is being experienced in Turkey's foreign policy making (Fidan, 2010). This enables policy makers to be more assertive in foreign policy due to decreased security concerns and "everybody is our enemy" rhetoric's irrelevance. Turkey's energy policy is very much related to this new foreign policy activism. Turkey resolved to be a leader or a power base within its region, rather than being a isolated periphery of West. Energy related concepts have emerged within this regard, but to a most extend the cause was Turkey's rising energy needs.

#### **4. Blurred Concepts: Energy Corridor and Energy Hub**

When the literature and Turkish policy makers' discourse is skimmed about the topic, energy hub concept is taken as a simple, inevitable consequence for Turkey which is going to be realized in the foreseeable future. This study suggests that this is misleading since the current outlook is way more complicated than the previous projections. Furthermore, this research alleges that this way of thinking emerged from the opaque nature of energy hub's definition. Therefore, it's essential to illustrate the definitions of distinct terms that are blurred due to rhetorical approach.

Energy corridor term was first used in 1990s following Turkey's strategy to shift electricity production to natural gas power plant rather than the widely used coal plants. This decision emerged from the health sensitivities; because Turkey's domestic coal sources were far from having the clean characteristics. Pollution rate in cities like Ankara was very high (Gazel, 2004). As an oil and natural gas abundant country, Turkey rapidly needed to obtain natural gas. In that regard, in 1986, first natural gas agreement was made with Soviet Union for an amount of 6 billion-cubic-meter per year for 25 years.

Contemporaneously, following the dissolution of Soviet Union, United States and European Union came up with the idea to access Caspian and Central Asian resources without the involvement of Russia. Even though Russia was in turmoil for a certain period of time, it managed to secure the transit of certain hydrocarbons in question from its territory due to technical priorities. Soviet energy transit framework was designed as a singular unit where all resources were going through Russian stations in Russia's territory.

EU doesn't have a coherent energy policy in practice. However, it has some basic principals that are accepted by all members. First of all, EU wants to achieve supply security for its oil and gas trade. To do so, it has to diversify its resource used in electricity production. FSU countries in Eastern Europe that entered EU later have high levels of dependency to Russia's natural gas resources. Nevertheless, following Russia's independence, EU's another significant demand was to enable third party direct

access to Russia's energy networks via proposed energy charter (Boussena, Sadek, and Catherine Locatelli, 2013). Accordingly, EU would have direct access to Central Asian Caspian hydrocarbon resources. Even though EU's energy policy is fragmented, it successfully became a major player with instruments such as exporting its legislation to neighbourhood in Caucasus and Russia. However, after reaching a certain domestic stability Russia didn't ratify the charter treaty.

Russia has treated its hydrocarbon resources as geostrategic entities rather than solely economic. For instance, Russia's desire to monopolize oil and gas exports and transportation networks from old Soviet basin to Europe is in this context. In the same regard, USA has been very active in countering it due to its own geopolitical considerations (Sierra, 2010). Hence, USA and EU formed and supported pipeline projects that bypass Russia. This has increased Turkey's significance in the region because its geography provides the most viable way for pipelines in question. Having this in mind, it doesn't necessarily mean that economic considerations are completely absent in Russia's calculations. For instance, Russia's domestic oil & gas prices are kept low. EU's Energy Charter Treaty perceives such structures as hidden tariff and prohibits it. However, if Russia suddenly makes export and domestic prices equal, its industrial output is going to crush (Boussena, Sadek, and Catherine Locatelli, 2013). Furthermore, Russia insists it has to make huge amounts of investment in its hydrocarbon infrastructure and is upset by EU's low carbon energy stimulation and diversification of its oil and gas supplies. From Russia's perspective, it obstructs exploitation of its national energy industry by not ratifying Energy Charter Treaty and aims to secure its demand security by long term take or pay agreements. Take or pay agreements mean Russia is going to provide a certain amount of gas to a country per year and even if that country consumes less than the agreed amount, it has to pay. Additionally, "dependence on revenues from energy exports has blurred the distinction between companies' and Kremlin's interests in decisions concerning investments or gas price increases." (Sierra, 2010). Another strategy Russia pursued was to obtain downstream assets in EU market in order to have direct access to customers. This would increase Gazprom's leverage, profit and influence. Gazprom aimed to achieve political influence through this direct access in its contract

negotiations with Western companies (Lucas, 2009). However, EU's assertion to increase competitiveness via unbundling energy networks is a significant challenge for Russia's strategy.

EU's diversification plan and USA's geostrategic considerations prove Turkey to be an integral part of Europe's energy security (Krauer-Pacheco, 2011). Especially, the natural gas disruptions in 2006 and 2009 placed energy security on the top of the agenda for EU policy makers. However, Russia's main customers and EU's leading countries like Italy and Germany solved this problem unilaterally with Russia by pipelines that bypass transit Eastern European countries. Russia contended that the reason of the gas disruptions was transit countries and itself didn't have any responsibility. Furthermore, Russia asserted that its demand security is as harmed as EU's supply security due to these developments.

Turkey's desire to become an energy corridor stemmed within this context, starting from 1990s. The energy corridor concept meant to realize Caspian oil and gas pipeline projects that bypass Russia through Turkey's territory. In that sense, the axis of the pipelines is east to west carrying a single dimension. Moreover, other means of energy transportation is also included like railways. Another important aspect of this concept is to gain enough amounts of energy resources to have a market value in European Union markets. The satisfaction of Turkish market is not the sole consideration. In this concept, long term oil and gas agreements are not providing Turkey the legitimacy to re-export the surplus every year. Hence, Turkey only has the transit fees which don't have any significance. The ratification or success of this concept has been vehemently depending on the relationships between big powers such as USA, EU and Russia. Turkey is important but has a passive role.

Throughout the years, Turkey has been a successful transit country and hence an energy corridor for EU. The existence of Turkish Straits (Bosphorus and Gallipoli Straits) indigenously presented Turkey as an important energy corridor since 3,7% of world's oil consumption is shipped through Turkish Straits (Republic of Turkey Ministry of Foreign Affairs, 2013). However, the energy corridor concept that targeted the EU markets was very evident with the realization of Baku-Tbilisi-Ceyhan oil pipeline

project (BTC) in 2006. BTC is a 1774 km long pipeline with a capacity of approximately 1 billion barrel per day that carries oil from Baku, through Georgia and reaches Eastern Mediterranean port of Ceyhan in Turkey to be shipped to world markets. Turkey is projected to receive \$140 to \$200 million in the first 16 years of the project and \$200 to \$300 million between the 17<sup>th</sup> and 40<sup>th</sup> years depending on the of transported oil, as transit fees (BTC Copl Directorate, 2013). Another component that supports Turkey's energy corridor role is Baku-Tbilisi-Erzurum natural gas pipeline (BTE) that runs parallel to BTC until Erzurum and it is envisaged that the pipeline will export 6,6 billion cubic meters a year from Azerbaijan's Shah Deniz Phase I field (Republic of Turkey Ministry of Foreign Affairs, 2013). Southern Gas Corridor is not just an additional manifestation of Turkey's role as an energy corridor, but it also portrays the interdependence between Turkey's foreign and energy policy. Turkey's relationship with Greece has been tense in the first half of 1990s, even getting closer to start a war in 1996. Deterrence between Turkey and Greece has been fueled by Turkey's energy corridor vision (Krauer-Pacheco, 2011). Furthermore, with Turkey-Greece Interconnector agreement, for the first time Turkey joined EU's energy network in 2003. In 2007 Italy joined the Interconnector (ITGI). ITGI is going to link Caspian and Middle Eastern gas resources to European markets (Republic of Turkey Ministry of Foreign Affairs, 2013). There is also a North-South aspect of the energy corridor vision: Samsun-Ceyhan pipeline. However, this pipeline is merely a bypass pipeline aimed at reducing the increasing tanker traffic in Turkish Straits. Therefore it's irrelevant in providing new resources. Moreover, Samsun-Ceyhan pipeline project's contract with Italian company ENI is cancelled by Turkish Government due to ENI's insistence on continuing its operations in disputed Cyprus Mediterranean gas fields (Hürriyet, 2013). As illustrated, it's clear that Turkey's role as a transit country and its energy corridor concept is implemented to a significant extend.

In Turkish foreign policy thinking, energy hub concept trended in tandem with Davutoglu's strategic depth concept's increasing effect on practical Turkish foreign policy. In general terms, Davutoglu criticised the traditional bridge metaphor attained to Turkey for its peculiar stance lying between East and West. For Davutoglu the bridge concept legitimizes Turkey's traditional pacifism (Davutoglu,

2001). Davutoglu attains Turkey a center role rather than a bridge. From his perspective, Turkey has the full potential to become a regional center for Balkans, Caucasus, Asia, Middle East and North Africa in political, economic and social terms. This potential can only be realized with activism in all these regions and bridge concept is a drawback from this vision. This study claims that energy hub concept is the manifestation of this vision in Turkey's energy policy. Considering the clearly intertwining aspect of energy and foreign policy, energy hub can't be distinguished from Turkish foreign policy thinking's new grand strategy.

Energy hub means a situation that is sum of certain conditions. First of all, Turkey's energy hub vision asserts Turkey to acquire comprehensive network of oil and gas pipelines from its surrounding regions. This is far beyond the abovementioned East-West anchored pipelines. Turkey has to obtain pipelines from Iran, Iraq, Egypt, Israel and Cyprus's new Eastern Mediterranean gas reserves. Consequently, Turkey should shift from East-West path to multi dimensional network of pipelines in an extensive way. Also, additional to pipelines, other transportation methods such as LNG and railways should be achieved through relevant infrastructure investments. For Turkey to become an important source for LNG, Turkey should make agreements for LNG from countries like Qatar. Additionally, for Turkey to fully benefit from these excessive resources, contract schemes should be under convenient terms for Turkey to independently re-export to European markets. Otherwise, corridor transit fees that corridor concept provide are very small in amount, and therefore irrelevant, compared to the huge scale of these projects. This requires Turkey's foreign policy capability to expand in order to influence the transit terms and conditions to main supplier states in a way that Turkey benefits upmost (Bilgin, 2010). Moreover, Turkey has to construct a significant storage capacity in order to deploy surplus gas to be used in re-exportation. Considering Turkey's soaring energy needs, to be able to export an appreciable amount of hydrocarbon resources, Turkey should diversify resources within its own domestic electric production. Natural gas's amount in Turkey's electric generation should be reduced by stimulating renewable energy and construction of other forms of power plants.

President Abdullah Gul claimed in a Davos meeting (ABHaber, 2007) that “EU gives great importance to (...) Turkey’s notion of being a great geographical energy hub (...)” This is one of the many examples reflecting the pervasive usage of energy hub concept in rhetoric as it’s already achieved. This research contends that this erroneous assertion derives from the blurriness of energy hub’s meaning on the mind of Turkish policy makers. However, it’s very evident that energy hub and energy corridor notions are completely distinguished from each other. Energy hub is a very complicated concept which is far from reality for Turkey, while it’s plausible to claim that Turkey is an energy corridor.

## **5. Turkey’s Energy Hub Vision: A Critical Assessment**

It’s theoretically persuasive to contend that Turkey is heading to the direction of becoming an energy hub. However, this study purports that it’s may not be so. First of all, there is a fundamental problem within Turkey’s energy hub concept since it projects a static international arena. Technological developments or potential large changes in EU’s energy mix are not taken into deliberation. In the recent years, increasing demand and decreasing operational reserves combined with tense political developments led to high oil and gas prices. This paved way to investment incentives in new extraction procedures. Thus, a new extraction method called fracking allowed access to once economically unfeasible unconventional reserves. This is called as the shale gas revolution (Alexander, 2011) and it’s expected to dramatically change the energy trends in certain countries, such as United States and China. Even though EU is projected to increase its net gas imports by %47, USA is going to become a net exporter by 2017 (BP Energy, 2013). This will require Turkey’s energy projects to be economically more competitive, since it’s clear that USA is going to enter the European markets. At the same time, some EU countries are developing shale gas themselves, such as Ukraine which signed a \$10bn contract with Royal Dutch Shell (New York Times, 2013). Moreover, developments in the energy efficiency technology is going to increase energy efficiency and only this development is estimated to decrease World’s energy demand by %65 in 2030 (Exxon, 2012).

Relatively, EU aims to increase its energy efficiency in order to save %20 of its energy consumption in 2020. At the same year, EU asserts to produce 20% share of its energy from renewable sources by 2020 and targets a 10% share of renewable energy specifically in the transport sector (Capros, 2012). For the time being, Turkey's energy hub vision doesn't take these technological developments into consideration that are very likely to shape EU's energy market.

Turkey's current hydrocarbon export contracts are based on take-or-pay (TOP) agreements. This is a major setback on the way to become an energy hub since it disallows Turkey to re-export the gas it doesn't consume. On the contrary, Turkey is in a position to pay the amount of gas per year written in the contract even it doesn't need it. Moreover, it doesn't receive the gas neither due to its storage facility shortcomings (Bilgin, 2010). Turkey has to renegotiate the existing treaties and influence new proposals with a re-export enabling clause. However, this isn't seem very likely for existing ones since supplier countries ingeniously claim that TOP agreements are the most essential because of the huge investments and high operational costs needed(Lucas, 2009). Similarly, the traffic in Turkish Straits is another setback for energy hub aim. According to Treaty of Montreux, Turkey is not able to charge the surpassing ships, while always experiencing the fear of an accident that may have terrible consequences (Cockayne, 2008). To ease the traffic and gain transit profit, Turkey proposed Samsun-Ceyhan pipeline project. However, according to calculations of the Russian side, Samsun-Ceyhan project is %40 more expensive than shipping operations through Turkish Straits (Zaman, 2013). This is also related to Russia's reluctance to support steps that reinforce Turkey as a Russia's alternative, fourth supply artery for Europe.

Turkey and Russia are rivals in the Eurasian energy competition, but it doesn't prevent their cooperation in energy issues. This is related to Turkey's foreign policy approach based on not the irk Russia, since Turkey is %65 dependent to Russia in its natural gas production. Even though Turkey and Russia have been in contradicting positions in various political issues ranging from NATO's missile defence system to Syrian Civil War, Turkey has been very careful not to openly confront Russia in

Russia vs. West disputes (Aras and Fidan, 2009). Davutoglu's strategic depth concept aims to increase Turkey's relationship with Russia in order to balance trade deficit by stimulating exports to Russia. Moreover, Turkey understands that Russia is one of the superpowers of the region and acts according to limits of its own power. Russia's policy is mostly concerned of dismantling Turkey from Western Alliance. These two considerations enable both sides to manage their complex interdependent relationship in a robust way. Turkey has been criticised as sacrificing its long term interests for the sake of short term interests such as continuing and even increasing its interdependence with Russia and Iran (Jarchalova, 2013).

Turkey's energy hub vision requires immense infrastructure investments. There is only one natural gas storage facility in Turkey with a capacity of 2.6 billion-cubic-meter storage (Republic of Turkey Ministry of Energy, 2010). Another 1 billion-cubic-meter natural gas storage facility is being built by a Chinese company under a lake in Eastern Anatolia (Hurriyet Daily News, 2011). These are positive developments. Another positive development is Qatar's desire to construct a LNG facility in Ceyhan. The annual amount of LNG agreement is going to be 3 billion-cubic-meter. Nevertheless, a 6 billion-cubic-meter storage capacity is needed just for its strategic reserves. In order to achieve energy hub status, Turkey must obtain a storage capacity of at least 10 billion-cubic-meter (Bilgin, 2010). Also, even if storage problem is solved, TOP agreements disallow Turkey to export that gas to third parties. Apart from storage facilities, Turkey needs at least two refineries since it only has TUPRAS refinery in Izmit. Azerbaijan State Oil Company SOCAR is going to build the second refinery in Izmir with a \$4bn investment (Socar Türkiye, 2013). To illustrate, between 2003 and 2013 Turkey obtained \$124,8bn with energy sector having only a %10 (T.C. Ekonomi Bakanlığı, 2013). In order for Turkey to satisfy its energy needs and realize its energy hub ambitions, Turkey needs at least \$4-5 foreign direct investments only to its energy sector (Bilgin, 2010). Considering Turkey's past investment attraction performance and shrinking global liquidity this seems very unlikely to happen.

Turkey's energy consumption is estimated to double by 2023 (Yıldız, 2013). In order for Turkey to reach an energy hub status it needs to diversify its resources. Turkish Government aims to construct three nuclear power plants, reach EU standards on energy efficiency and increase renewable energy's share in electric production to %25 from today's %4,2 in 2023(T.C. Enerji Bakanlığı, 2010). If these goals are achieved it will clearly be in the direction of energy hub vision. However, there are serious concerns regarding the realization possibilities of these targets. Firstly, two of the nuclear power plants' intergovernmental agreements are signed. The earlier Mersin Akkuyu Nuclear Power Plant is going to be operational only in 2020, while Sinop Nuclear Power Plant's agreements are signed between Turkey and Japan; project's details are not even published. Considering Mersin Akkuyu's performance, it's very unlikely to construct Sinop Plant to be able to function in 2023. Renewable energy aim is big but government is not doing much to catch it. The so-called government stimulus on electric production from renewable energy sources is lower than the market prize, so de facto there is not a stimulus. It prevents renewable energy sector from growth when Turkey has much more potential than EU's renewables champion Germany (T.C. Enerji Bakanlığı, 2010). If government policy continues as now, it's not possible for Turkey to reach 2023 goals. Energy efficiency transformation requires huge budgeted projects, but there hasn't been an attempt to address this issue yet. These serious problems regarding Turkey's 2023 energy targets are likewise valid for Turkey's energy hub vision. This study asserts that Turkey is not doing much to shift away from natural gasification in its electric production. Even so, this shift is turning to coal plants where Turkey imports a significant amount of coal, while it has huge potential in renewable energy resources.

Turkey's energy hub concept faces another handicap due to its dependence to political developments for its success. Davutoglu's zero problems with neighbours policy has been very supportive of hub vision. As a matter of fact, to a certain extent energy hub vision derived from the confidence gained from foreign policy's successful implementation. During the Arab Spring, Turkey positioned itself with the protesters and condemned the very same regimes that it founded positive

relations and urged them to step down. Turkey has been perceived as the winner of Arab Spring for some of the initial analysis (Aras, 2009). This has changed with fiasco in Turkey's Syria policy and other developments in the Middle East. Middle East is more instable now. Accordingly, Turkey's energy hub future is not certain. Turkey has yet to consolidate with Israel, Iraq's Central Government, Egypt's military rulers and Iran. Syria seems to continue its unpredictable and instable stance as a failed state.

Turkey-Israel relations gained momentum following Israeli Prime Minister Benjamin Netanyahu's apology over the death of 9 Turkish citizens in the flotilla incident. However, following low level contacts haven't been fruitful yet. The consolidation with Israel is important for Turkey to exploit Eastern Mediterranean natural gas reserves as a transit country. Israel has approached Southern Cyprus to cooperate for the extraction of natural gas reserves. Cyprus offered to carry the gas to world markets via LNG, but Israel finds it too expensive. In this case Turkey's Ceyhan port is the economically most viable option. Even if Turkey and Israel normalize their ties, Cyprus and Turkey have fundamental problems regarding the status of island.

Turkey's Iraq policy is another solid example of energy's influence on foreign policy. Following USA's Iraq invasion, Turkey vehemently oppose the formation of Kurdistan Regional Government (KRG) and threatened to intervene militarily because it perceived KRG as a threat to Turkey territorial integrity. Following the new vast energy findings, Turkey pursued an integration policy with KRG even at the cost of damaging ties with Iraqi Central Government. %90 of FDI in KRG is from Turkish companies with Turkish construction companies getting the most of the infrastructure contracts. This was because, Turkey knew in the middle term that it's going to import huge amounts of oil and gas from KRG and wanted to take precaution for future trade deficit. Also, it signifies Davutoglu's strategy to increase interdependence with neighbouring countries. Ironically, this time it was USA making the warning on sensitivities related to territorial integrity of Iraq.

Nevertheless, today Turkey is isolated from the Middle East due to miscalculations in Davutoglu’s foreign policy after 2011. This makes energy hub vision’s realization further difficult. Moreover, it reflects the one of the basic problematic within the concept; that it’s too much dependent to political developments.

Turkey has successfully implemented the collection of various pipelines to its territory. Table 1 and Table 2 show the oil & gas transit capacity of Turkey to EU markets.

<b>Turkey's Oil Pipelines</b>	<b>Capacity</b>
Baku-Tbilisi-Ceyhan	365 million barrels per year
Iraq - Turkey (Kirkuk – Yumurtalık) Crude Oil Pipeline System	340.000 barrels per year
<i>Turkish Straits</i>	<i>200 million tonnes per year</i>

*Table 1: Source: Republic of Turkey Ministry of Foreign Affairs, 2013*

Turkey’s total transit oil capacity is around 365 million barrels per year. The number will get dramatically higher with the addition of Turkish Strait’s capacity, but most of the oil that passes the Straits is exported by Russia. Also, Turkey’s transit natural gas capacity for European markets is 16,6 bcm today. It’ll increase to 26,6 bcm by 2018 with the completion of TANAP pipeline. On the other hand, Russia has 730 millions per year export capacity in oil (The Voice of Russia, 2013). Russia’s existing natural gas export capacity is 257 bcm and it’ll reach 390 bcm with the completion of Nord Stream (2013), South Stream (2015) and Yamal (2019) pipeline projects.

<b>Turkey's Natural Gas Pipelines to Europe</b>	<b>Capacity</b>
Baku-Tbilisi-Erzurum (BTE) Natural Gas Pipeline	6,6 bcm
Souther Corridor(Turkey-Greece-Italy Interconnectator)	10 bcm
TANAP – TAP(to be completed in 2018)	16 bcm

*Table 2: Source: Republic of Turkey Ministry of Foreign Affairs, 2013*

Statistic clearly portray that Turkey’s energy hub ambition require more than merging regional pipelines in its territory since Russia has and in the future will have much higher capacity.

Additionally, Russia has the means to influence the pipeline projects more effectively with its regional power and since it's a major producing country in the world.

Even if the Nabucco project was realized, it was supposed to have a capacity of 30 bcm per year. It would have a significant contribution to Turkey's energy hub goal, but it failed due to same shortcomings the energy hub itself suffers. Nabucco was a project that involved Austria, Bulgaria, Hungary, Romania and Turkey. Main problem of Nabucco was to find suppliers for the project, while in rival South Stream project Russia was providing a supply guarantee for investors. Potential suppliers were Azerbaijan, Turkmenistan and Iraq. The project failed with the announcement of Trans Anatolian Pipeline Project (TANAP) by Turkey and Azerbaijan. Turkmenistan yielded against the influence and pressure of Russia and instability in Iraq ruled its participation out. These are the exactly same reasons mentioned earlier as energy hub concept's shortcomings. TANAP, on the other hand, reflects successful and continuous manifestation of energy corridor concept. This East to West pipeline is going to reach European markets via Trans-Adriatic Pipeline Project (TAP). After TANAP's announcement, Nabucco asserted to position itself as an extension of TANAP, but with Shah Deniz Consortium's decision on TAP, it failed again. The fate of Nabucco project signifies the future of Turkey's energy hub vision. It's very unlikely to be realized, but the pursuit of it will further strengthen Turkey's role as a transit country for EU.

## **5. Conclusions**

In this study, the differences between Turkey's energy hub and corridor concepts are clearly illustrated. Moreover, the factors that shape these formulations are elaborated. According to this research, it's evident that there is a clear correlation and interdependence between Turkey's foreign policy thinking and energy policy. These concepts arise from Turkey's necessity to satisfy its domestic energy consumption, enhance its energy security, increase its regional influence and gain leverage in its relationship with EU.

While energy corridor term means Turkey to have East-West oriented pipelines from Caspian region and its broader transit country position due its geographical characteristic; energy hub is a more sophisticated notion than the energy corridor. Turkey is already an energy corridor and a transit state for the EU markets. At the same time, Turkey is far from being an energy hub. Energy hub requires an excessive effort to construct new energy infrastructure projects, access to new regional hydrocarbon reserves and a stable international political stance. These developments are very unlikely to occur in the short term. Failure of Nabucco provides us some clues about the future of Turkey's energy hub concept.

Turkey's energy hub vision has a positive effect on its EU membership. EU has recognized Turkey as a reliable transit country. Moreover, it provides energy policymakers with a theoretical knowledge in order to reflect the new foreign policy strategy to energy issues. Hence, the activism regarding the energy hub goal increases Turkey's visibility in regional issues.

Nevertheless, this study found out that the desire to achieve an energy hub status nourishes Turkey's energy corridor role with the construction of new pipelines from neighbouring countries. This claims purports that it's very unlikely for Turkey to be an energy hub in the foreseeable future, but its energy corridor and transit country for EU is stronger than ever.

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