ENERGY POLICIES OF TURKEY IN TRIANGLE OF THE USA, THE EU AND RUSSIA

A Master's Thesis

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To My Family

ENERGY POLICIES OF TURKEY IN TRIANGLE OF THE USA, THE EU AND RUSSIA

The Institute of Economics and Social Sciences
of
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by

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July 2010

I certify that I have read this thesis and have found that it is fully adequate, in scope and in quality, as a thesis for the degree of Master of Arts in International Relations.

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ABSTRACT

ENERGY POLICIES OF TURKEY IN TRIANGLE OF THE USA, THE EU AND RUSSIA

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This thesis aims to understand what motivates energy policies of Turkey with respect to three main actors in the world system, the USA, the EU and Russia in the light of two international relations theories; neorealism and neoliberalism. After giving detailed energy profile of Turkey, in the thesis, neorealism is utilized or energy relations between Turkey and the US, whereas neoliberalism is used to analyze energy relations of Turkey with the EU and Russia. The study reaches to a conclusion that energy politics compose a significant share for relations between states and in this context according neorealism the result would come up as little cooperation and according to neoliberalism, as middle cooperation considering gains and interests of the actors.

Keyword: Energy Politics, Turkey, the United States of America, the European Union, the Russian Federation, Neorealism, Neoliberalism

ÖZET

ABD, AB VE RUSYA ÜÇGENİNDE TÜRKİYE'NİN ENERJİ POLİTİKALARI

Kumaş, Gizem

Yüksek Lisans, Uluslararası İlişkiler Bölümü

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Bu tez, dünya sistemindeki üç ana aktör; ABD, AB ve Rusya açısından Türkiye'nin enerji politikalarını iki uluslararası ilişkiler teorisi ışığında; yeni – gerçekçilik ve yeni – liberalizm, incelemeyi amaçlamaktadır. Türkiye'nin detaylı enerji görünüşünü verildikten sonra, tezde, yeni – gerçekçilik Türkiye ve ABD arasındaki enerji ilişkileri; yeni – liberalizm ise Türkiye'nin AB ve Rusya ile olan enerji ilişkileri analiz etmek için kullanılmaktadır. Çalışma, enerji politikalarının devletlerarası ilişkilerin büyük bir yüzdesini oluşturduğu ve aktörlerin edinim ve çıkarlarını göz önüne alarak bu bağlamda yeni – gerçekçiliğe göre sonucun az işbirliği ve yeni – liberalizme göre orta işbirliği olacağı sonucuna ulaşır.

Anahtar sözcükler: Enerji Politikaları, Türkiye, Amerika Birleşik Devletleri, Avrupa Birliği, Rusya Federasyonu, Yeni – Gerçekçilik, Yeni - Liberalizm

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CHAPTER I

INTRODUCTION

1.1. Introduction

Energy issues constitute a considerable importance for strategies of states. Ease of access to and safe transportation of energy resources, cheap and cost-efficient energy, reduction of dependency on any source of energy imported from foreign states are fundamentals of well-functioning, developed and modern economies. Thus energy become a very important component of strategies in development plans of states, and since none of the states are hundred percent independent of imported energy, energy issues are essential elements of foreign policies of states.

The main aim of this thesis is to shed light energy policies of Turkey with respect to affairs between Turkey and its major allies; the United States of America (US), the European Union (EU) and the Russian Federation mainly in the last decade. Regarding energy issues, relations between the US and Turkey is discussed,

starting with circumstances in the Caspian region after dissolution of the Soviet Union; following this part, influence of the US on energy relations of Turkey with Iran and Iraq in the last decade is touched upon. With regards to the EU, energy relations between Turkey and the EU are explained taking declaration of candidacy of Turkey to the EU as origin of the period of time of the study. In the meantime, Turkish – Russian energy relations are argued taking the last decade, in which dense relations in energy relations are observed, into consideration. One of the essential questions this thesis asks is what motivates energy policies. How Turkish foreign policy and Turkish energy policy affect each other and how integrated they are, are amongst the other questions to be answered, when Turkey's position in the world affairs are considered. In this context, detailed explanations and analysis of Turkish energy policy with remarks of Turkish foreign policy is revealed. This is also important to give a clear understanding of what tools are used in energy policies, what the gains are; to turn expectations about these policies into reliable outcomes.

The research question this thesis is built upon is how energy relations affect state's interests. In order to build the arguments of the thesis on firm ground, theoretical explanations are also used in the thesis, since theories of international relations enable research to be supported by clear definitions of the actors in the system, relations between these actors and motivation yielding these relations. The theories used in the thesis are chosen according to the explanatory power of the theories on interests and through which theory Turkey increases its gains most. In this sense, this thesis uses two theories; neorealism and neoliberalism. These two variants of two grand theories; realism and liberalism, are the best theories to analyze the specific questions this thesis asks.

Since referring to energy profile of Turkey enables the thesis to have fruitful analysis of energy relations between Turkey and the three actors; the US, the EU and Russia, compendious introduction about energy sector of Turkey is useful to reach better understanding. Energy policies of Turkey, as a state having an emerging and rapidly growing economy, are shaped according to energy supply and demand. "Turkey has been experiencing rapid demand growth in all segments of the energy sector for decades" (Republic of Turkey Ministry of Foreign Affairs, 2009a: 9). According to statistics on sectorial energy consumption of the Republic of Turkey Ministry of Energy and Natural Resources (2008:b), Turkey's overall domestic energy demand increased by approximately 20 percent in 36 years (1970 – 2006). "Recent forecasts indicate that the growth trend of 6-8 percent per year will prevail in the energy sector in the following years. The primary energy consumption, which reached around 92 million tons of oil equivalent (toe) in 2006 will rise to 126 million toe in (by the end of) 2010 and 222 million toe in 2020" (Republic of Turkey Ministry of Foreign Affairs, 2009a: 9).

This brief explanation about Turkey's energy outlook (basically argues that Turkey has an increasing energy demand) – which will be discussed in a detailed way in the following chapter – yields the floor for a better preliminary analysis about Turkey's energy policies with the USA, the EU and Russia.

1.2. Case Studies

This section compendiously analyzes energy relations of Turkey with the US, the EU and Russia in terms of level, scope and context of the interactions. In this

sense, the energy relations between Turkey and the US are first touched upon and then, energy relations between Turkey and the EU – which is followed by Turkish – Russian energy relations.

Although the USA and Turkey are strategic partners in a very large range of issues in international relations, such as combating terrorism, security and non – proliferation, these two countries do not have direct energy relations, conversely relations regarding energy issues rely on joint projects and cooperation.

Regarding Caspian, the American – Turkish relations have always been in parallel. Cooperation and coordination in the region are the basic components for good relations between Turkey and the US. The evident examples of cooperation with regards to this region would be support of the USA to Turkey for enabling Turkey to become an energy hub and favoring international projects in this respect, such as the Nabucco Natural Gas Pipeline Project, and previously the Baku – Tbilisi – Ceyhan Crude Oil Pipeline. However, the recent Armenian – Turkish normalization talks, supported by the US, have negatively affected Turkish energy politics in this region. These normalization talks constitute a significant importance especially for the US since Armenia has started to become a second alternative route for safety and security of energy transportation in the Caspian when risks, occurred because of Russian – Georgian conflict are considered. The major adverse effect has been observed in Azerbaijani- Turkish energy relations. Azerbaijani side claims that this rapprochement favored by the US without any settlement of the Nagorno – Karabakh conflict contradicts with Azerbaijani interests. Following these debates, Turkey faced actions from Azerbaijani side in retaliation.

When Turkish – Iranian relations are considered, the scope of Turkish –

American relations get a new dimension. Basically the aim of Turkey to diversify dependency on imported sources of energy by including Iran, the second largest supplier of natural gas to Turkey (Stern, 2003: 3), yields development of Turkish – Iranian relation with regards to energy. However, concerning the contemporary international situation between Iran and the US, international support in favor of investments made in Iran is unlikely to be forthcoming. According to the US policy – makers, increasing relations between Iran and Turkey is not considered as only energy cooperation; yet as a rapprochement. The US strictly opposes all kinds of cooperation between Iran and Turkey (Radikal, July 2007), and, in this sense, limits benefits Turkey could gain from increased cooperation with Iran.

It should also be touched upon Iraq, when Turkish – American energy relations are analyzed. After the 2003 US invasion of Iraq, due to pursuit of a new but unsettled regime, security and balance in Iraq, circumstances in the country altered. Turkey and the US started to cooperate for promoting stability and peace in Iraq, and thus the Middle East. However, in the concept of energy issues, the same picture has not been envisaged. In the following years after the invasion, Turkey faced cuts and decrease in the flow in pipelines. Besides, problems in Iraqi petroleum law and its side effects have a role as an ignition key causing problems in the energy politics and states' interests. Benefits Turkey would gain have been limited due to the national interests of the US and Turkey's role in energy is highly influenced by the US.

Energy relations between Turkey and the EU have a scope of mainly the geostrategic location of Turkey. Proximity to resource rich regions of the world is the other main factor forming principles of Turkish energy policy, giving shifts to the

Turkish foreign policy and affecting interactions with the EU. Turkey becomes an important intermediate country between resource rich regions of the world and resource poor states, since its geographical position lies in the intersection point of resource rich regions such as the Caucuses and the Middle East. Turkey, due to its geopolitical position and proximity to major world energy exporter countries, aims to become the most feasible and desired route of the EU for energy transit not only from Russia; but from all other sources of gas and oil. For Turkey, in this sense, building the legal configuration in parallel with the EU *acquis communautaire*[1] becomes very important. Adaptations and implementations of new legislations in electricity, oil, gas, renewable and nuclear energy in Turkey, in parallel with the *acquis* constitute considerable importance, besides, pipelines passing through Turkey which strengthen Turkey's position to turn into an energy hub. Besides becoming an energy hub, in the integration process in order to become a member of the EU, Turkey's energy profile becomes more compatible with the EU criteria. Oil, gas, electricity, renewable and nuclear energy sectors face essential changes according to adjustments done in the context of EU accession process. Additionally, over - dependency of the EU[2] on proximal resource rich regions and its willingness to decrease its dependency on Russia enable Turkey, the contiguous ally, to become a very important actor in energy politics. However, as the duration of accession process extends, the Turkish foreign policy might shift its foci from the pro – EU to pro – Russian and cooperation between the EU and Turkey regarding energy might not be as strong as observed today.

In the meantime, when energy relations between Turkey and Russia are

[1] *Acquis communautaire* will be referred as *acquis* in the rest of the thesis.

[2] In the European continent, member countries of the EU compose 17.9 percent of the total world oil consumption, 16.2 percent of the total world gas consumption (and 9.1 percent of the total world coal consumption) (BP, June 2009; 11, 27, 35).

analyzed, increasing cooperation in the energy sector draws attention. Due to high need of energy and scarcity in Turkey of energy resources, oil and gas are the major commodities Turkey imports from the Russian Federation which is the leading one among states Turkey imports oil and gas from. Major export commodities of Russia – which is in the second rank in oil producing countries and is the leading country in gas producing countries – are petroleum and natural gas. Turkey is listed as the fourth country importing oil and gas in large amounts from Russia with percentage of 5.9 in Russian oil and gas exports[3]. When trade balance and commodity trade between Turkey and Russia are examined, it will be obvious that oil and gas[4] are the largest percentages among other commodities and goods traded between these countries. The Turkish Minister of Foreign Affairs, former Chief Advisor to the Prime Minister, Ahmet Davutoglu, in one of his speeches noted that "Turkey is almost 75-80 percent dependent on Russia [for energy]"[5]. These make it obvious that Turkey becomes over - dependent on Russia for energy imported. Thus increasing cooperation in energy is not surprising.

Turkish – Russian energy relations are not only composed of trade of major energy sources; but of many significant fields in energy sector. Turkey, due to its increasing energy consumption – especially in electricity in addition to an aim of reducing its over dependency on imported oil and gas, has been evaluating its nuclear option for cost-efficient resources. In order to construct a well-developed nuclear

[3] The Netherlands with a share of 12.2 percent in Russian oil and gas exports is the leading export – partner of Russia; meanwhile Italy (9 percent), Germany (6.9 percent), Ukraine (5 percent), China (4.5 percent), Poland (4.3 percent) are amongst the other main trading partners which mostly import oil and gas from Russia (CIA, 2010).

[4] According to Turkish general energy balance of 2008 (Ministry of Energy and Natural Resources, 2008c), petroleum and natural gas are the mostly used energy sources both in heating and manufacturing among other fossil fuels.

[5] Although this percentage does not rely on reliable data, the quotation is written to give a clear understanding of Turkey's dependency in energy issues.

energy plant with minimum risk and maximum efficiency, on January 13, 2010, Turkey signed a joint statement with Russia[6]. In addition to joint actions in nuclear power technology, Russia is involved in Turkish projects to construct and develop natural gas storage plants and to improve natural gas distribution networks. Russia again steps in the scene and becomes a partner of the Turkey's energy policy as its is observed in the oil and gas trade between each other.

In the light of the reality that Russia has the leading oil and gas reserves within its territories, it becomes evident that Russia maintains its importance as a supplier in energy projects. In this context, the Nabucco Natural Gas Pipeline Project, South Stream Natural Gas Pipeline Project and Samsun – Ceyhan Crude Oil Pipeline Project become the major issues to be analyzed in for a better understanding of Russian involvement in international energy pipeline projects and its effects.

1.3. Theories

This section of the chapter I analyzes two theories; neorealism and neoliberalism in order give a broader analysis of relations of Turkey with its allies and neighbors in energy issues in the following chapters.

As relied on hypotheses and assumptions of neorealism and neoliberalism, which are mentioned the following sections below; interactions of Turkey between three countries regarding energy are discussed. Neorealism has been chosen in order to explain energy relations between Turkey and the USA, since explanatory power of the neorealist approach is more appropriate to discuss influence of the USA on

[6] Russia has 31 operating nuclear plants and 8 nuclear reactors constructed in 2008 (International Atomic Energy Agency, 2009: 12; Global Times, 2010).

Turkey's energy policies; because when the period of time of the study is considered, instead of deep economic cooperation – which neoliberalism assumes – influence of the USA and pursuit of way to maximize the interests are observed. As for the EU – Turkey relations, one of the main reasons of analysis through neoliberalist approach is its approach towards actors in the system. It would be wrong to classify the EU as only a state. The EU is not a state; yet is a supranational actor[7]. Besides, in the EU case, negotiation process and mutual interactions are significant; meanwhile not only one side; but both sides have gains from this process such as benefits of implementation of the *acquis* for Turkey, use of advantage of geostrategic importance of Turkey by the EU regarding energy. These are the other reasons for choice of neoliberalism for the analysis. On the other hand, during the negotiation process, dominance and influence of the strong – which is the EU- have been observed in a sense that structuring the *acquis* requires candidate countries to adapt is inconvertible and Turkey has to accept and implement it. In this sense, neorealism might have been better to explain the dominance and influence. However inability of neorealism to explain deep economic cooperation and the description of the actors yields this thesis to analyze EU – Turkey energy relations through neoliberalism. As for the Turkish – Russian energy relations, what might draw attention in the first glance is that in energy relations, there are not only interstate interactions; but also transnational relations exist. The reason of why neorealism was not chosen to analyze these relations was that, other than Russia's use of gas a tool to threaten countries and increase its influence on Russian-gas-and-oil-dependent countries, there is not explanatory power of neorealism to explain increased economic cooperation, mutual gains and also interdependence in Turkish – Russian energy

[7] It should be borne in mind that the EU does not always constitute a supranational structure; yet it can be seen that there are intergovernmental and transnational properties.

relations.

The first part of this section explains neorealism to pose a puzzle of the international system with a specific focus on "relative gain" concept. Detailed definition and explanation of assumptions and hypothesis of neorealism yield a clear analysis of Turkey's relations with its allies and also its neighbors within energy framework in the next chapters. Finally the second part sheds light to neoliberal approach. Characteristics of neoliberalism, as well as complex interdependence – as an approach under liberalism, clarify energy politics.

1.2.1. Neorealism

Neorealism is a variant theory of realism, one of the grand theories of international relations. It is a systemic theory, shedding light to effects of the international system and, unlike realism, ignoring human nature (Walt, 1998: 31).

According to neorealism, in an international system, interactions take place at the level of the units which refer to sovereign states. "How units stand in relation to one another, the way they are arranged or positioned, is not a property of the units. The arrangement of units is a property of the system" (Waltz, 1979: 162). Thus, as in realism, the system in neorealism is defined as anarchic system is ordered by "the juxtaposition of similar units, but those similar units are not identical" (Waltz, 1979: 183). Following this argument, Waltz (1979:195) states that as a unit fostering its own size relative to other units, it generally identifies its own interest with the interest of the system. Since rationality is one of most important assumptions of

neorealism, units in a self - help system[8] are aware of external circumstances, and decide accordingly to find a better way for their survival. Mearsheimer (2001: 217) refers to 'survival' as a prerequisite for these units and maintaining their positions in the system – status quo – is the other main goal of the units. Since survival is the primary objective of units, it becomes a driving force for maximization of their interests. Basically, states that maximize their interests, thus their relative power, are very much concerned with the distribution of capabilities.

Distribution of capabilities between these units in a system is not fixed. "A state worries about a division of possible gains that may favor others more than itself. That is the first way in which the structure of international politics limits the cooperation of states" (Waltz, 1979: 178). In addition to this, since states cannot be certain and have imperfect information about other states' intentions, cooperation becomes uneasy to achieve.

Scholars of neorealist approach define 3 types of systems, according to changes in the distribution of capabilities, regarding the number of great powers in the system. The unipolar system involves one great power along with middle and small powers; conversely the bipolar system is composed of two great powers with middle and small powers. The multipolar system contains more than two great powers.

There are 3 hypotheses of neorealism. The first hypothesis is about response to threats. Basically, if a state is threatened, it becomes more likely to balance against the threat. The concept of threat is the major difference from realism. Unlike in

[8] Waltz (1979, 185) defines self – help system as "a system in which those who do not help themselves, or who do so less effectively than others, will fail to prosper, will lay themselves open to dangers, will suffer."

realism, in neorealism, balance of power alters into a new concept of perception of threat. According to this view, one of reasons of threat is proximity and/or contiguity.

The other two hypotheses of neorealist approach are about polarity. If the anarchical system is bipolar, possibility of conflict is less like to occur. "Bipolarity is the power configuration that produces the least amount of fear among great powers" compared to multipolar system (Mearsheimer, 2001: 224).

Following these definitions of assumptions and hypotheses of neorealism, in the following chapters, this theory is used to explain relations of Turkey with the US with respect to energy policies by illuminating tools used to pursue energy policies though the motivating factors. Diplomatic pressure and economic isolation from the world markets though sanctions - although neorealists do not value economic interests as neoliberals do - are main types of tools this thesis focuses on with respect energy policies. According neorealism, it can be stated that one of major elements motivating energy policy is geostrategic advantage of Turkey. Basically neorealism would be one of the best theories to interpret the function of interests (with respect to material relative gains) in energy policies. Rationality assumption of neorealism brings up reasons of interests of the USA within energy framework and actions taken accordingly. Besides, as a great power, reasons of maximization of relative material capabilities and of the competition between rivals in the system are analyzed.

1.2.2. Neoliberalism

Neoliberalism is the other theory which is shedding light to the foci of this

research. Neoliberals reject centrality of states and claim that key actors of the world politics are specialized international organizations, multinational corporations, transnational and transgovernmental coalitions (Grieco, 1988: 489).

One of the other assumptions of this school of thought is anarchy, which, in neoliberalism, is not overemphasized; conversely interdependence was mentioned (Milner, 1991 in Baldwin, 1993: 167). Neoliberalism does not assume anarchy as a system implying lack of cooperation, unlike neorealism which assumes states to pertain to power and security, to have a tendency toward conflict and competition, to fail to cooperate (Powell, 1994: 330). Cooperation among states is achievable and its likelihood of occurrence is predisposed due to interdependence between states in the system.

Neoliberalism argues that "states seek to maximize their individual absolute gains and are indifferent to the gains achieved by others" (Grieco, 1988: 487). Basically, common interests, especially in economic affairs, motivate states to cooperate. "Cooperation requires the actions of separate individuals or organizations … to be brought into conformity with one another through a process of negotiation, which is often referred as 'policy coordination'" (Keohane, 1984: 51). In order to prevent cheating and to maintain sound policy coordination, international institutions shoulder the responsibility to promote cooperation and joint action. When there are certain interests and certain fields where states can conduct collective policies and benefit jointly, it is expected that governments become much more eager to found institutions. "Institutions can provide information, reduce transaction costs, make commitments more credible, establish focal points for coordination, and in general facilitate the operation of reciprocity" (Keohane and Martin, 1995: 42).

As international institutions, regimes are also contributing factor in affairs of states. Ruggie (1975: 570) describes the term, regime, as "a set of mutual expectations, rules and regulations, plans, organizational energies and financial commitments, which have been accepted by a group of states." Besides, Krasner (1983) defines regimes as "implicit or explicit principles, norms, rules, and decision-making procedures around which actors' expectations converge in a given area of international relations" (cited in Hasenclever, Mayer and Rittberger, 1996: 179). Since international regimes touch upon norms along with decision making procedures, these become intervening variables of interests, and outcomes of behaviors of states (Katzenstein, 1996: 25). Basically, international regimes enable states to realize their common interests in economic affairs, and induce states to give more importance to absolute gains.

In addition to interest and absolute gains, intentions and flow of information through international regimes and institutions are also important key elements for neoliberals. Unlike neorealists, neoliberals do not specifically touch upon distribution of capabilities; yet they address intentions of states and regimes as a pattern of preferences of member states (Baldwin, 1993: 7 – 8).

Under liberal approach, complex interdependence is another concept which highlights the importance of transnational cooperation. According to complex interdependence, states have numerous channels to connect societies. These channels are interstate relations – which are the normal channels assumed by realists; transgovernmental relations, which apply when states act as units; and finally transnational relations, which apply when states are the only units of communication (Keohane and Nye cited in Boli and Lechner, 2004: 78). In the absence of hierarchy

among state goals, these channels provide adequate policy coordination both within governments and across them. Communication and information enables states to know about preferences of each other (Milner, 1991, cited in Baldwin, 1993: 165). This approach stresses maximization of interests with cooperation, all kinds of interveners, such as international institutions, regimes, which promote joint action among states, are desired. Keohane and Nye indicate that "governments must organize themselves to cope with the flow of business generated by international organizations…which may help to determine governmental priorities and nature of …other arrangements within governments" (cited in Boli and Lechner, 2004: 82).

In this research, neoliberal approach is the other useful mean to evaluate energy policies of Turkey with the EU and Russia. According to neoliberalism, common and economic interests, international integration and utilizing technologic progresses along with adaptation to world markets are leading motivations for states while forming their energy policies. In this regard, dominant tools are market widening, integration into international institutions and organization, invoking common policies. As mentioned in one of the paragraphs above, in neoliberalism, absolute gains are important. Especially energy relations between Turkey, and the EU and Russia with respect to economic and demand-supply relations, regional energy policies will be analyzed according to neoliberal approach. Preferences and joint actions within the energy framework are the key elements of this research with respect to neoliberalism. In this sense, expected outcome according to neoliberalism would be medium cooperation in the axis of economic and common interests. Along with these interests, negotiations will be one of the basic tools in cooperation.

1.4. Plan of the Book

As methodology, this thesis relies mainly on the textual analysis. Although the analyses of energy relation between Turkey and the three countries are categorized as case study, this thesis does not aim to compare and contrast these cases, yet it tries to give a broader explanation of the each relation and effects through theories. In order to give a clear understanding of the research, official documents and agreements are analyzed for each case. For the analysis of Turkish – American relations, Action Plans, Economic Partnership Commission Action Items, Shared Vision and Structured Dialogue to Advance the Turkish – American Strategic Partnership Agreement; for the analysis of Turkish – the EU relations, progress reports, the *Acquis Communautaire* and Accession Partnership Programme and for the Turkish – Russian energy relations, reports of government institutions and companies are the main sources constituting the backbone of textual analysis of these relations. In addition to these, statistical data and concrete numbers are utilized for a better analysis of the international energy issue.

Turkey's energy outlook is discussed in the second chapter of the thesis. Starting from general outlook, in this chapter, oil, gas, nuclear and renewables are respectively outlined. This chapter enables the research to have a sophisticated analysis of formation of Turkey's energy policies with respect to its interests taking allies and neighboring countries as foci in the framework of Turkey's foreign policy in the following chapters and concludes with an explanation how the information given in this chapter is going to be used in the following chapters.

The third, fourth and fifth chapter examines these three cases in a detailed way. The aim of these three chapters is to give main elements, situations and

circumstances of Turkey's energy relations with these countries. Additionally how energy relations between Turkey and these main actors affect Turkey's energy affairs with neighboring countries is one of the main questions which are answered with concrete examples.

The third chapter draws attention to energy relations between Turkey and the USA, basically mentioning the arguments, stated above, in a detailed way. This chapter uses neorealism to explain Turkish – American energy relations. In this chapter explanatory power of "relative gains" concept, maximization of interests of sovereign states, rationality assumption, are the basic tools to explain the relations. Cooperation between Turkey and the USA is observed; yet it is weak in harmony; and is limited due to maximization of interests and effort of the USA to maintain its status quo regarding the Caspian and the Middle East. The chapter explains the nature of Turkish – American relations as a conclusion.

The fourth chapter touches upon energy relations between Turkey and the EU. The main reason of use of neoliberalism in this analysis is the explanation of key actors in the world system. The EU is a supranational actor and Turkey is a state. Unlike neorealism, interactions do not take place at interstate level, but also in intergovernmental and transnational levels. Interdependence between common needs in energy sector puts forth cooperation. The chapter continues to touch upon absolute gain and collective policy assumption of neoliberalism and ends with an explaining how Turkey is important to the EU regarding energy.

The fifth chapter explains energy policies between Turkey and the Russian Federation. As in the forth chapter, in this chapter neoliberalism is the theory chosen to explain Turkish – Russian energy relations. This chapter mainly focuses on

complex interdependence theory which a sub – variant of neoliberalism. The scope of analysis focuses on increased cooperation, common interests in economic affairs; whereas the unit level of analysis is not only examined at interstate level; yet the effect of transnational relations, with specific examples from private companies in energy sector are also explained. This chapter ends with a conclusion which seeks an answer to the question about if there is dependence or interdependence between Turkey and Russia.

The final and sixth chapter is the conclusion part of the thesis. This part is the main part of the thesis – which combines addressed points in the second, third, fourth and fifth chapters. This chapter is the part which merges and concludes descriptive and analytical parts of the thesis. The conclusion echoes the analyses which are put forward through the whole paper and ends up with the overall assessment of how energy issues affect relations of Turkey with the three countries.

CHAPTER II

TURKEY'S ENERGY PROFILE

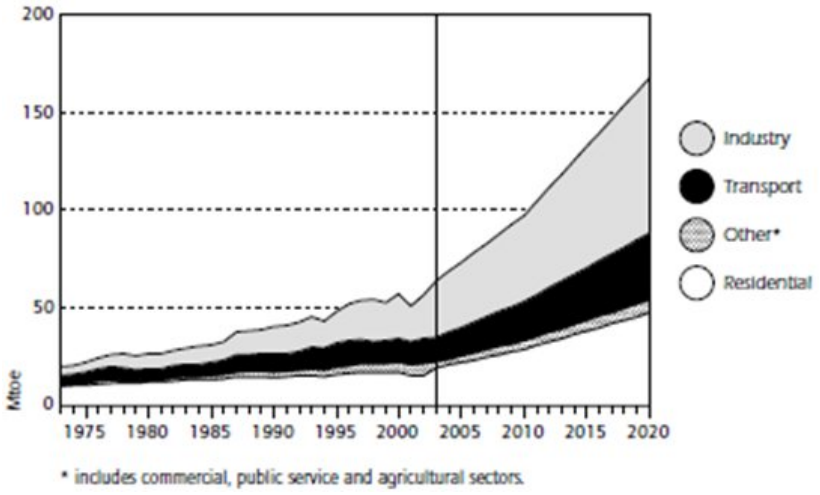
This chapter seeks to set out Turkey's energy profile with diagrams and graphs. Referring energy profile, this chapter gives explanation of current situations about oil, gas, nuclear and renewable energy resources from which Turkey utilize for its domestic energy needs. Then, the chapter briefly addresses energy routes passing through Turkey.

2.1. Turkey's Energy Profile

According to Turkish Statistical Institute, Gross Domestic Product (GDP) (by production approach) of Turkey is 620 billion US Dollars by 2009. GDP of Turkey is composed of industry and manufacturing with an approximate ratio of 30 percent (including construction sector with a ratio of 4 percent), agriculture (approximately 10 percent), and services with a ratio of 62 percent (Chamber of Mechanical Engineers, 2009: 1). Among Organization for Economic Co-operation and

Development (OECD) countries, Turkey has one of the fastest growing economies[9]. Due to this, Turkey's domestic energy demand has been increasing. "Turkey's economy is highly energy intensive – achieving rates that are significantly higher than most OECD countries" (Shaffer, 2006: 98). The share of energy remains to be in the first five components in the government spending following transportation, agriculture and education; and there has been an increasing trend in investments for energy[10] (State Planning Organization, 2010). "Turkey's energy policy has been highly supply – oriented, with emphasis replaced on ensuring additional supply to meet the growing demand (while energy efficiency has been a lower priority)" (International Energy Agency [IEA], 2005: 12).

Figure I – Sectors in Energy Consumption



Source: IEA, 2005; 53.

As shown in the figure I, the largest oil consuming sector is and is presumed

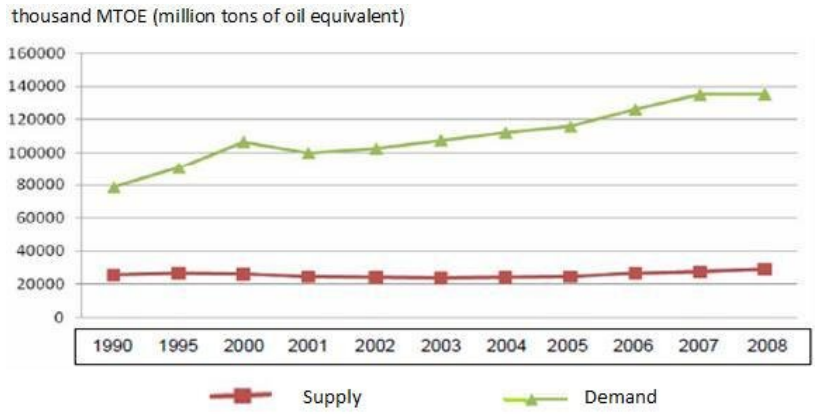
[9] Nevertheless Turkey has the lowest GDP per capita among OECD countries. Besides, it is evident that financial crisis of 2008 has negatively affected Turkish economy and due to the crisis Turkey faced recession especially in the first and second quarter of 2009. According to statistics of Turkish Statistical Institute, GDP at current prices in given quarters decreased by 2.7 percent and 4 percent. However it is assumed that starting from the third quarter, Turkey entered into a recovery and in the fourth quarter GDP growth rate at current prices was 8 percent.

[10] Only in 2003 and 2004 there was a slight decrease in investments for energy sector, according to current prices (State Planning Organization, 2010).

to be the industry (according to 2003 statistics of the IEA in Energy Policies of IEA Countries – Turkey, the share is 45 percent)[11], followed by the residential sector (31 percent), transport (19 percent), and "other" sectors, namely commercial, public service and agricultural sectors (4.8 percent) (IEA, 2005: 52).

Consumption of primary energy resources in Turkey (coal, firewood, petroleum, natural gas, renewable energy) has been rising, conversely domestic production of these resources do not meet this rising level of consumption. As the figure II shows below, there has been an emphatic gap between domestic energy supply and demand. Especially after 2001, there has been an increasing trend in energy demand.

Figure II – Evolution of Energy Domestic Supply and Demand in Turkey



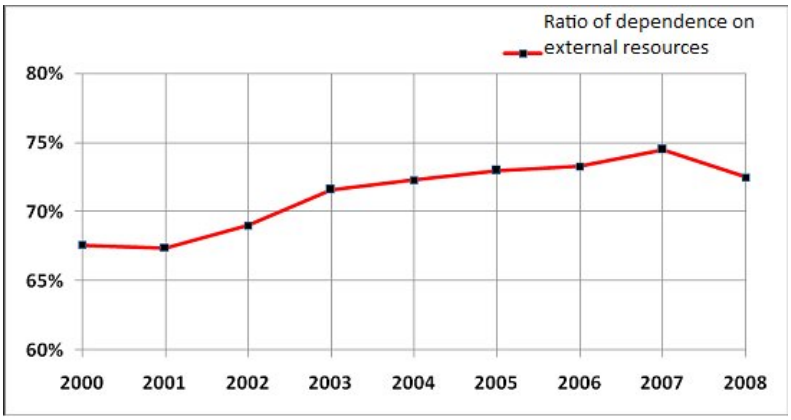
Source: Chamber of Mechanical Engineers, 2009: 12

Turkey, having limited sufficient domestic sources of energy, imports approximately 75 percent of the energy it consumes (Republic of Turkey Ministry of Energy and Natural Resources, 2010: 13). Turkey produces small amounts of oil,

[11] The most energy consuming branches of industrial sectors are iron and steel sectors, then chemicals and petrochemicals, followed by textile and leather industries. Besides, use of energy for transportation has grown significantly throughout the last two decades.

natural gas and poor quality coal. Among these primary energy resources, oil composes approximately 8 percent of total energy produced; meanwhile natural gas composes only 3 percent (Türkyılmaz, n.d.: 5). Currently Turkey does not have any nuclear power (U.S. Energy Information Administration [EIA], 2009: 1). Conversely overall energy consumption increases year by year. In 2008, oil consumption composed 31.5 percent of total Turkish energy consumption, meanwhile natural gas consumption was 31.5 percent, coal consumption was 29.6 percent; and consumption of hydroelectric and other renewables was 7.4 percent (BP, June 2009).

Figure III – Ratio of dependence of Turkey on external energy resources



Source: Republic of Turkey Ministry of Energy and Natural Resources, 2010: 13

As figured above (Figure III), Turkey's dependence on imported energy has been increasing year by year (Although there is a decrease in 2008, the ratio still remains to be as a significant proof of dependence on imported energy resources). Since domestic energy supply does not meet Turkey's demand for energy, percentage of imported energy products increase. The Table I, below, points out how the Turkey's energy profile has been altered throughout the years in the last two

decades. As mentioned before, since the domestic supply cannot meet the increasing demand, as the table puts out ratio of domestic supply to demand has been decreasing. Even in 2001, although demand diminished significantly compared to other years, the ratio of domestic supply to demand decreased.

Table I – Evolution of Energy Supply – Demand – Export and Import in Turkey

(thousand MTOE)	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007
Demand	52987	636679	80501	75403	78354	83826	87818	91362	99590	107625
Production	25656	26749	26156	24681	24324	23783	24332	24549	26802	27453
Import	30936	39779	56342	52780	58629	65239	67885	73480	80514	87614
Export	2104	1947	1584	2620	3162	4090	4022	5171	6572	6925.5
Bunker	355	464	467	624	1233	644	631	628	588	91.71
Net Import	28477	37368	54291	49536	54234	60505	63232	67681	73354	81111,8
Ratio of domestic supply to demand	48.1%	42.0 %	33.1%	32.6%	31%	28.4%	27.7%	26.9%	26.9%	25.5%

Source: Türkyılmaz, (n.d.): 6

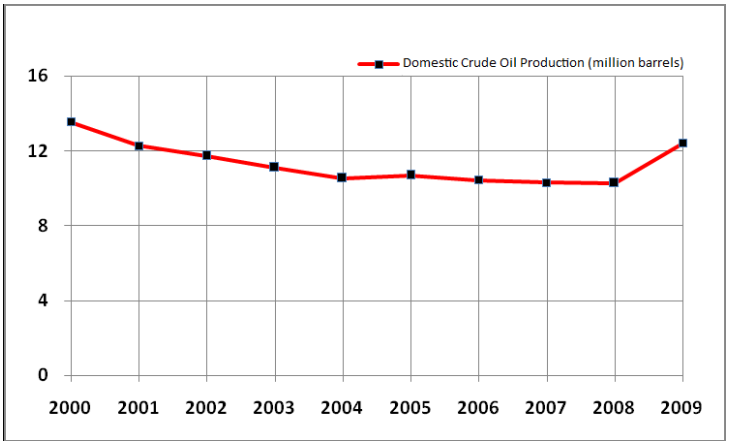
In the following sections, oil, natural gas, nuclear energy, electricity and renewable energy sectors are analyzed. Thus, in this section of the chapter, only these primary energy resources are examined.

2.1.1. Petroleum

Share of petroleum in primary energy resources used in Turkey has the second rank (with 29.9 percent following natural gas) among other resources (Chamber of Mechanical Engineers, 2009: 10). Although Turkey, due to its geographic region, borders oil rich countries, it is not bestowed with rich oil reserves.

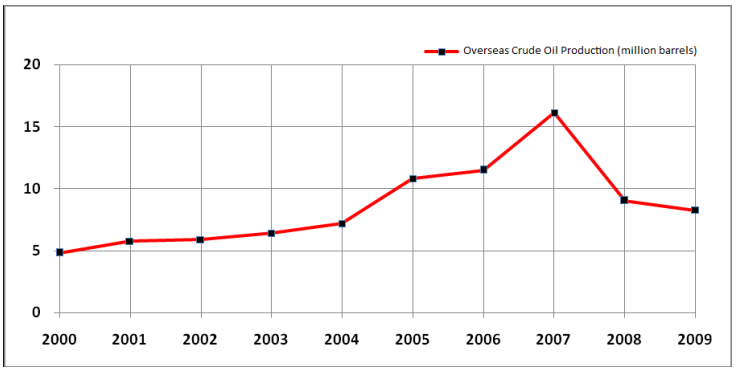
As stated above, domestic oil production remains to be very insufficient to supply the increasing demand for energy. In the last decade, it is observed there has been a decrease in domestic oil production by 24 percent (Republic of Turkey Ministry of Energy and Natural Resources, 2008d: 8). Non-discovery of new oil fields and aging of the current oil fields from which oil production has still been sustained are major contributing factors for this decline.

Figure IV – Domestic Crude Oil Production (Million barrels)



Source: Republic of Turkey Ministry of Energy and Natural Resources, 2010: 27

Figure V – Overseas Crude Oil Production (Million Barrels)



Source: Republic of Turkey Ministry of Energy and Natural Resources, 2010: 27

On the other hand, oil fields in Turkey are not the only fields where Turkish oil companies extract oil. Turkish Petroleum Corporation (in Turkish: Türkiye Petrolleri Anonim Ortaklığı [TPAO]) extracts oil in Kazakhstan, Azerbaijan (Shah Deniz, Guneshli and Alov) and Libya[12] (World Energy Council – Turkish National Committee [WEC – TNC], 2009: 18). However, overseas crude oil production is not sufficient (along with the domestic production). Thus in the 2010 – 2014 Strategic Plan of the Ministry of Energy and Natural Resources of Turkey it is stated that until 2014, overseas production will be doubled from 10 thousand to 20 thousand barrels.

Turkey supplies its petroleum demands from its imports. Thus Turkey has been trying to increase the number of international projects to feed its petroleum needs. In the 2010 – 2014 Strategic Plan (Republic of Turkey Ministry of Energy and Natural Resources, 2010: 30), it is specifically mentioned to double crude oil reaching Ceyhan by international projects.

2.1.2 Natural Gas

Natural gas leads the primary energy resources used in Turkey with a percentage of 31.8 (Chamber of Mechanical Engineers, 2009: 10). Due to the fact that demand for energy rises year by year, Turkey, having limited amounts of natural gas reserves within its borders[13], imports significant amounts of natural gas. In

[12] TPAO tries to enlarge number of fields of international exploration and production in Iraq and Syria (Turkish Petroleum Corporation, 2008)

[13] In 1999, Turkey started producing natural gas from Northern Marmara and Değirmenköy regions. In 2002, in Thracian region, TPAO with Amity Oil discovered natural gas reserves (Ministry of Energy and Natural Resources, 2008d: 8). It is assumed that Akçakoca (recently discovered natural gas reserve) and other fields in Thracian region will yield a positive shift in the domestic production of natural gas in coming years. In addition to this, Turkey is involved in overseas natural gas production. Amount of overseas production of natural gas has been gently increased since 2006 till the

Turkey, natural gas production is 1 million cubic meters per year, conversely consumption is 36 million cubic meters. When this significant production and consumption gap is taken into consideration, it becomes evident that Turkey is 97.3 percent dependent to external natural gas resources (Republic of Turkey Ministry of Energy and Natural Resources, 2010: 25).

Turkey uses most of the natural gas it imports for electricity. Following electricity, the second use of natural gas is manufacturing and industry. Residential consumption and consumption in commercial and public services take the third rank in use of natural gas (IEA, 2007).

Table II – Amounts of Imported Natural Gas According to Countries

YEARS	RUSSIAN FEDERATION (WEST)	BLUE STREAM	IRAN	AZERBAIJAN	ALGERIA LNG	NIGERIA LNG	SPOT LNG	TPAO	TOTAL
2000	10.082				3.594	704		151	14.531
2001	10.928		114		3.626	1.198			15.866
2002	11.574		660		3.722	1.139			17.095
2003	11.229	1.231	3.461		3.794	1.107			20.822
2004	10.919	3.183	3.498		3.182	1.016			21.798
2005	12.639	4.885	4.248		3.815	1.013		136	26.736
2006	12.038	7.278	5.594		4.211	1.099		87	30.307
2007	13.565	9.188	6.054	1.258	3.255	1.396	1.117	40	35.873
2008	13.156	9.806	4.113	4.580	4.220	1.017	333	895	38.120
2009	7.680	9.527	5.253	4.960	4.486	903	259		33.068

Source: Republic of Turkey Ministry of Energy and Natural Resources, 2010: 26

end of 2009 (Republic of Turkey Ministry of Energy and Natural Resources, 2010: 26). However domestic and overseas productions meet only approximately 3 percent of overall natural gas demand.

Turkey fulfills its natural gas needs mainly from 5 countries. Two – thirds of imports are from one country. The Table II sheds light specifically which country Turkey imports most of its natural gas from. Russia is the leading natural gas exporter country, holding a share of 63 percent in Turkey's natural gas imports. Iran is ranked as the second with a percentage of 15.5, followed by Azerbaijan with a percentage of 7.9. Besides natural gas delivered through pipelines, Turkey also imports liquefied natural gas (LNG) from Nigeria and Algeria (WEC – TNC, 2009: 20).

2.1.3. Nuclear Energy

Due to volatility in energy prices after energy crisis of 1974, limits of fossil fuel resources, increasing carbon dioxide emissions along with limitations in energy production to meet the demand, and necessity for energy supply security, nuclear energy has become an important alternative energy resource. It is claimed that nuclear energy extends important benefits to meet energy needs, significantly reduces the problem of air pollution and reduces overdependence on external energy sources.

In order to reduce dependence of Turkey on external resources of energy and to form alternative sources for increasing demand, one of the main studies has been performed in nuclear energy. Hitherto Turkey did not have any nuclear power plant. However construction of nuclear energy plants is not recently-planned. Studies to construct a nuclear power plant in Turkey started in 1965. After feasibility studies, in 1973, it was decided to build an 80 megawatt (MW) nuclear plant. However, in 1974 the project was cancelled. In the years of 1974 and 1975 Gülnar-Akkuyu (Mersin)

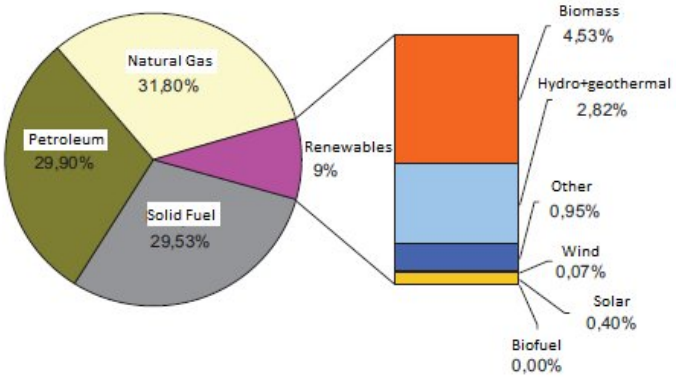
location was selected suitable for the construction and this location was granted license in 1976. However, in September 1980, the project was cancelled due to withdrawal of loan guarantees from Swedish government which was one of the partners of the project. In 1990, nuclear power plant discussion came into question again to construct four nuclear plants; but the project was cancelled (Nuclear Energy Agency, 2008). In the early 2000s, nuclear plans were postponed due to economic turndown in Turkey. In 2006 Sinop was proposed as an alternative location to Akkuyu (World Nuclear Association, 2010). Licensing process for Sinop nuclear plant still continues. The first nuclear reactor is expected to start operating in 2017, and the others in successive years.

2.1.4 Renewable Energy

To feed rising energy demand with minimum damage to environment, Turkey has been seeking alternatives such as solar, wind, hydro power and biomass to other primary energy resources. The dominant objective of Turkey about renewable energy is to increase the share of renewable energy sources in overall electricity production to at least 30 percent by 2023 (Republic of Turkey Ministry of Energy and Natural Resources, 2010: 16).

As shown in the Figure VI, renewable energy (according to 2008 statistics) composes only 9 percent of overall energy supply in Turkey. Among renewable energy sources, hydropower, with 18.5 percent, is the leading source in electricity generation. Both wind (0.78 percent) and geothermal (0.24 percent) have the least shares in electricity production (Chamber of Mechanical Engineers, 2009: 28).

Figure VI – Shares of Supply of Primary Energy Resources in Turkey (2008)



Source: WEC – TNC, 2009: 29

By 2009, Turkey is ranked thirteenth country amongst G – 20 countries in renewable (clean) energy investment (The Pew Environment Group, 2009: 37). In order to enhance share of renewable energy resources in energy supply, it is aimed to increase installed capacity of all renewable resources by the end of 2013, by utilizing from advanced technology and adoption of legal amendments in the envisaged period of time Republic of Turkey Ministry of Energy and Natural Resources, 2010: 16 – 17).

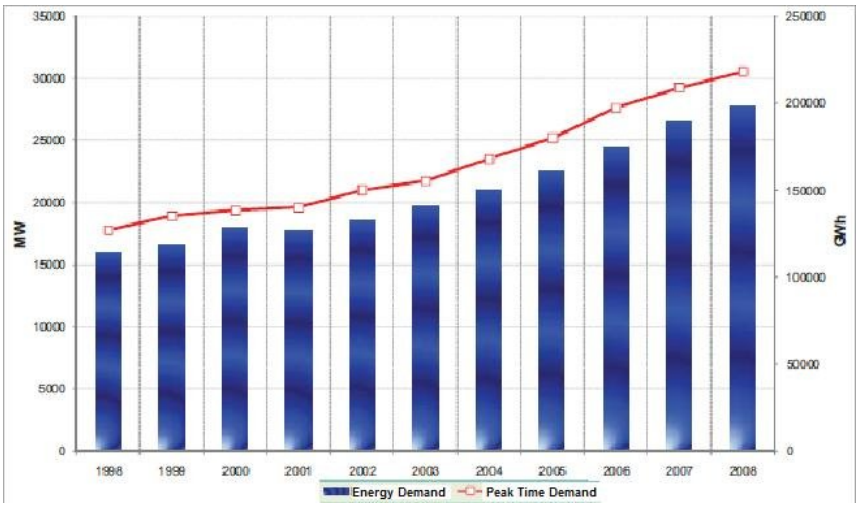
2.1.5 Electricity

In 2007, electricity consumption in Turkey (Electricity export is subtracted from total of electricity gross domestic production and electricity import) rose to 190.0 billion kilo-watt/hour (kWh) by 8.8 percent increase, whereas in 2008, by 4.3 percent increase, electricity consumption became 198.1 billion kWh (WEC – TNC,

2009: 59).

As a growing economy, electricity demand in Turkey has been increasing year by year. However, due to financial crisis which emerged in the second quarter of 2008, in 2009, Turkey faced a decrease in electricity demand by 2.17 percent (Chamber of Mechanical Engineers, 2009: 24). On the other hand, it is expected to increase starting from 2010.

Figure VII – Electricity Demand



Source: WEC – TNC, 2009: 60

As pointed out in the Table –III, electricity, in Turkey, is mostly produced from thermal power plants which composes hydro, geothermal and wind powers. Among them, hydro power ranks the first energy source for thermal power plants. The second major source of electricity generation is natural gas (excluding LNG) of which Turkey is over dependent on imports.

Table III – Electricity Generation According to Sources

	Coal	Imported Coal	Lignite	Fuel Oil	Diesel	LNG	Natural Gas	Waste	Thermal Total	Hydro	Geothermal	Wind	Total
1984	705,6		9412,7	6710,6	336,2				17165,1	13426,3	22,1	0,0	30613,5
1985	710,3		14317,5	7028,6	53,4		58,2		22168,0	12044,9	6	0,0	34218,9
1990	620,8		19560,5	3920,9	20,8		10192,3		34315,3	23147,6	80,1	0,0	57543,0
1995	2232,1		25814,8	5498,2	273,8		16579,3	222,3	50620,5	35540,9	86	0,0	86247,4
2000	3175,9	643,1	34367,3	7459,1	980,6	871,1	46216,9	220,2	93934,2	30878,5	75,5	33,4	124921,6
2001	2705,7	1340,3	34371,5	8816,6	904,0	645,6	49549,2	229,9	98562,8	24009,9	89,6	62,4	122724,7
2002	2646,1	1447,0	28056,0	9505,0	270,9	967,9	52496,5	173,7	95563,1	33683,8	104,6	48,0	129399,5
2003	2693,6	5969,4	23589,9	8152,7	4,4	1039,1	63536,0	115,9	105101,0	35329,5	88,6	61,4	140580,5
2004	2478	9520,1	22449,5	6689,9	7,3	973,1	62241,8	104,0	104463,7	46083,7	93,2	57,7	150698,3
2005	2965,1	10281,1	29946,3	5120,7	2,5	359,3	73444,9	122,4	122242,3	39560,5	94,4	59,0	161956,2
2006	3073,6	11143,0	32432,9	4232,4	57,7	50,3	80691,2	154,0	131835,1	44244,2	94,0	126,5	176299,8
2007	3289,7	11846,7	38294,7	6469,5	13,2	43,9	95024,8	213,7	155196,2	35850,8	156,0	355,1	191558,1
2008	3290,8	12566,8	41858,1	7208,6	266,2	43,6	98685,4	219,8	164139,3	33269,8	162,4	846,5	198418,0

Source: WEC – TNC, 2009: 68

Due to increasing demand for energy, in a few years time, nuclear power will be listed amongst electricity generating resources. Ascending number of installation and construction of renewable power plants, growing geothermal potential along with other renewables such as biomass, are expected to meet the electricity demand.

2.2 Energy Routes in Turkey

Regarding the proven oil reserves, the Middle East has 754 billion barrels (bb) and the Former Soviet Union (FSU) countries have 127.8 bb. On the other hand, the EU, within the continent, has the least oil reserves; the amount is 6.3 bb. In gas

reserves, the Middle East is again the leading region with 75.91 trillion cubic meters [tcm]; in the meantime the FSU has 57 tcm. Conversely the EU has 2.87 tcm –which is negligible when compared to the other regions (BP, 2009: 8, 24).

Turkey lies adjacent to countries or a region possessing about 74.8 percent of the world's proven gas and 72.6 percent of the world's proven oil reserves (Petroleum Pipeline Corporation, 2008: 12, 13). Around 3.7 percent of the world's daily oil consumption is shipped through the Turkish straits (European Commission, n.d.: 1). "The United Nations Economic Commission for Europe (in Report on global energy security and the Caspian Sea Region: Country Profiles, 2006) has estimated that Turkey may host 6 – 7 percent of global oil transport by 2012" (Tekin and Williams, 2009: 4). Thus Turkey plays an active role in pipeline projects to become a pipeline – based transit country.

In this sense, the following section of this chapter gives compendious explanation of the pipeline projects (either oil or gas) which are closely related the next chapter in which Turkey's energy relations with its allies are analyzed.

2.2.1 Iraq – Turkey (Kirkuk – Ceyhan) Crude Oil Pipeline

The Kirkuk – Ceyhan Pipeline is Iraq's largest crude oil export pipeline. The capacity of the pipeline has been increased throughout the years since the year it became operational. (In 1976 the capacity was 35 Million tons, and then was increased to 46.5 Million tons/year through the First Expansion Project in 1984. With the completion of the Second Pipeline in 1987, which is parallel to the first one, the

annual capacity reached 70.9 Million tons. Currently it transports 135,522 Thousand barrels of oil (Petroleum Pipeline Corporation, 2008: 22).

2.2.2 Baku – Tbilisi – Ceyhan (BTC) Crude Oil Pipeline

"The central component of the East- West Energy Corridor is the BTC pipeline, which is a dedicated crude oil pipeline system that extends from Azeri – Chirag – Deepwater Gunashli (ACG) field through Azerbaijan and Georgia to a terminal at Ceyhan on the Mediterranean coast of Turkey, bypassing the environmentally sensitive Black Sea and the Turkish Straits" (European Commission, n.d.: 1). BTC pipeline, which has a length of 1,730 kilometers (km), became operational in 2006 (Domanic. (n.d.): 6). Since 2006 oil flow through the pipeline has steadily increased, by the end of 2009, 287 million barrels of oil per year reached the world markets through this pipeline (Republic of Turkey Ministry of Energy and Natural Resources, 2010: 29). "By creating the first direct pipeline link between the landlocked Caspian Sea and the Mediterranean, the BTC project brings positive economic advantage to the region and avoids increasing oil traffic through the vulnerable Turkish Straits" (BP, n.d.). Proximity of Turkey to the Caspian region enables Turkey to overplay its geopolitical card with respect to East – West Energy Corridor since it lies in the transit routes for Caspian oil and gas (Müftüler – Bac, 2000: 498). In addition to these, "BTC is the first pipeline specifically designed to export Caspian oil without going through Russia" (Barysch, 2007: 3). In this sense, proposed Trans Caspian oil pipeline, aiming to enable Kazakhstani oil to reach world markets bypassing Russia, is another key element to strengthen importance of BTC if this proposed project is linked to the BTC.

2.2.3 Samsun – Ceyhan Crude Oil Pipeline Project

Samsun–Ceyhan pipeline is a planned crude oil pipeline in Turkey from Samsun on the Black Sea coast to Ceyhan on the Mediterranean coast. The length of the pipeline will be 550 km and capacity is 1.5 million barrels per day. The pipeline is scheduled to become operational in 2012 (IEA, 2006: 11).

The aim of the project is to provide a different route for oil imported from Russia and Kazakhstan and to bypass Turkish Straits. Ships passing through the Straits annually carry 120 million barrels of oil. Tanker traffic in the Straits is expected to decrease by 50% when the Samsun–Ceyhan pipeline becomes operational (Today's Zaman, 2006). In addition to these, it is proposed to construct gas pipeline parallel to the Samsun – Ceyhan oil pipeline to carry out Blue Stream 2.

2.2.4 Baku – Tbilisi – Erzurum Gas Pipeline

Baku – Tbilisi – Erzurum Gas Pipeline, which is considered as the second component of the East-West Energy Corridor along with the BTC, became operational in July 2007. The pipeline transports 6.6 bcm (a year) of natural gas from the Shah Deniz field in Azerbaijan, through Georgia. "It is also considered as the first leg of the Trans-Caspian Natural Gas Pipeline Project which will tap into the world's 4th largest natural gas reserves located in Turkmenistan and those in Kazakhstan" (Republic of Turkey Ministry of Foreign Affairs, 2009a: 4).

2.2.5 Blue Stream Gas Pipeline

The Blue Stream is a gas pipeline designed to deliver Russian gas to Turkey across the Black Sea, bypassing third countries. The pipeline, which is 1.213 km long, became operational in 2003. "Blue Stream was due to deliver [7.5 bcm in 2006] 10 bcm in 2007, with its full capacity of 16 bcm scheduled to be reached in 2010" (Barysch, 2007: 3).

It is stressed (on Gazprom's web-page) that in addition to gas transportation to Turkey, Blue Stream can also be 'gas transmission corridor' for other countries. In this sense, there have been ongoing discussions to extend the Blue Stream as Blue Stream 2 to alternative regions. The first alternative is to expand Blue Stream to the EU through Bulgaria, Serbia, and Croatia, ending with underground gas storage in Hungary (Alexander's Gas and Oil Connections, 2007a). On the other hand, the other option for Blue Stream 2 is highlighted as an extension of gas delivery to the Middle East, Israel and other countries within the region (on Gazprom's web-page).

2.2.6 Turkey – Greece – Italy Interconnector

This project is basically project which takes Caspian gas through Turkey. "Greece and Turkey built a two-way pipeline interconnection between 2005 and 2007 able carry up to 12 bcm of (primarily Caspian) natural gas to Europe" (Tekin and Williams, 2009: 7). Despite the fact that Italy – Greece pipeline has not been operational yet, the Turkey – Greece – Italy Interconnector is planned to supply West Balkan Pipeline and Trans – Adriatic Pipeline. Turkey – Greece Pipeline, which became operational in 2007, is a 296 km long natural gas pipeline of which 209 km

is within the territory of Turkey (Alexander's Gas and Oil Connections, 2007:b). The Greece – Italy section of the pipeline started to be constructed in 2009 and is envisaged to be operational in 2012.

2.2.7 Trans Caspian Gas Pipeline Project

The aim of the proposed Trans Caspian Gas Pipeline Project (also known as; Turkmenistan-Turkey-Europe Natural Gas Pipeline Project) is to transport gas from Turkmenistan via the Caspian Sea to Turkey and then to Europe. "According to this Agreement, 30 Bcma of Turkmen gas would be transported through this pipeline, with 16 Bcma being supplied to Turkey and the remainder to Europe" (Petroleum Pipeline Corporation, 2008: 54).

2.2.8 Iraq – Turkey Natural Gas Pipeline Project

This pipeline was planned to transport Iraqi natural gas from northeastern Iraq to Turkey. Although the agreement of the project was signed in 1996, it has been delayed due to sanctions of the United Nations during that period (Petroleum Pipeline Corporation, 2008: 54).

Turkey is currently trying to enlarge the scope of the project due to increasing demand of Europe. The ultimate purpose of the Project is firstly to transport Iraqi gas to Turkey and subsequently to Europe through Turkey. The Memorandum of Understanding of August 7, 2007 between Turkey and Iraq the parties declared their intention to transport Iraqi gas to Europe through Turkey (Petroleum Pipeline

Corporation, 2008: 54).

2.2.9 Nabucco Natural Gas Pipeline Project

"The Nabucco project represents a new gas pipeline connecting the Caspian region, the Middle East and Egypt (and maybe Qatar) via Turkey, Bulgaria, Romania, and Hungary with Austria and further on with the Central and Western European gas markets. The pipeline length is approximately 3,300 km, starting at the Georgian/Turkish and/or Iranian/Turkish border respectively, leading to Baumgarten in Austria" (Nabucco Gas Pipeline Project, n.d.). According to market studies, the pipeline has been designed to transport a maximum amount of 31 bcm/y from Azerbaijan, Turkmenistan and other Caspian resources; in addition to these, transportation of natural gas from Iraq and Egypt through Syria is among the long term plans (Mitschek, 2009: 8; Petroleum Pipeline Corporation, 2008: 51).

The construction process is planned to start between Ankara and Baumgarten, and then it is planned to connect existing pipelines between Georgia-Turkey and Iran-Turkey to the newly-constructed pipeline. Although the construction was predicted to start in January 2008, it has been delayed to January 2011 (Pamir, 2009). The Nabucco Company started prequalification tender for long term items for construction on April 23, 2010 (Nabucco Gas Pipeline Project, April 23, 2010).

2.3. Turkey's Energy Profile and Analyses

The energy outlook of Turkey is given to enable the following chapters to explain energy relations of Turkey with the USA, the EU and Russia in a detailed

way. This chapter yields to have better linkages between the arguments and "why"s of the thesis. Basically it is evident that as a growing economy, Turkey's overall energy consumption, thus demand, increases. Considerably high percentage of overall energy demand is met from external resources. Thus this causes Turkey's energy policies to be supply – oriented. For petroleum and natural gas, Turkey is over – dependent on imports. Since Turkey does not have enough technological progress in nuclear technology, the nuclear sources which are expected to decrease Turkey's dependency on imported oil and gas are also dependent on technology imported. In the meantime, the major energy type, electricity, is today generated by natural gas; and is expected to be generated by nuclear energy in the sooner future. On the other hand, renewable energy – which is considered as another tool to decrease dependency on external resources, is unfortunately not enough to meet considerable amount of energy demand. This information about the energy profile of Turkey is mainly important for the analyses of energy relations of Turkey with the EU and Russia. Basically Turkey's over – dependency on external resources provides the reasons of Turkey's increasing trade with Russia. This information also provides the scope of the relations of Turkey and Russia and exactly in which fields they are cooperating for. As for the EU, this chapter enables the following chapters to discuss the common needs and targets in energy. Increasing demand in the EU – as in Turkey – pushes them to seek common and collective policies to gain mutual benefits from cooperation.

The pipelines and pipeline projects mentioned in the chapter stands as a good tool analyze all of the three cases in this thesis. Since Turkey and the USA do not have direct energy relations, brief explanations of the pipelines deepens the meaning of the arguments in the related regions of the world, whereas energy relations of

Turkey with the EU and Russia has also the same scope other than the cooperation and increasing economic linkages due to dependency on energy and demands. The information about pipelines is used to explain arguments in a detailed way since this chapter provides information about important issues regarding the pipeline, such as the path, countries they pass though and shareholder

CHAPTER III

THE UNITED STATES OF AMERICA AND TURKEY

Turkey and the USA are two countries which have strategic relations in favor of promoting spread of stability and peace; and fighting against terrorism and fundamentalism. Especially when contemporary cases are discussed, it will be obvious that Turkey and the USA act jointly for crisis prevention and management; and combating terrorism. In addition to these joint actions regarding maintenance of security and stability especially in the Middle East region, Turkey and the USA also liaise for economic relations especially within the context of energy. In this chapter, after shedding light to an overview of energy relations of Turkey with the USA, how the USA influences relations with three neighbors of Turkey; Iraq, Iran and Azerbaijan (with a general explanation of the contemporary situation of the Caspian/South Caucuses) is discussed.

"In 1997, Turkey and the U.S. decided to formulate their mutual cooperation under a 'five item agenda' "(Republic of Turkey, Ministry of Foreign Affairs, 2009f). Energy, economy and trade, regional cooperation, (along with Cyprus, and defense and security cooperation) were amongst these five item agenda. Starting

from 1999, the name of the relationship between Turkey and the USA has been defined as "strategic partnership", meaning that the expansive cooperation is multi-dimensional and multi-faceted, involving a wide range of overlapping strategic interests in Europe, the Caucasus, Central Asia and the Middle East. (Republic of Turkey, Ministry of Foreign Affairs, 2009f). In addition to cooperation for defense and security, relations in the fields of economy, trade and commerce as well, witnessed development in the last decade. In this context, "the launch of the regular energy and trade dialogues, cooperation for the safe transportation of the Caspian energy resources to world markets and the growing interest of U.S. companies in Turkey, manifest the solid convergence of views and interests" (Republic of Turkey, Ministry of Foreign Affairs, 2009f).

Table IV - Turkey's Major Exported Goods and Commodities to the USA

(Million US dollars)	**2006**	**2007**	**2008**
Garment and textile products (fabrics, knitting, home textiles, yarn, fabrics, carpets, rugs, leather products)	1.332	1.151	883
Steel and iron products (long and flat products, tubes, pipes)	925	322	785
Machinery, Electrical and Mechanical Equipment (boilers, machinery and equipment, household appliances, motor fittings, pumps, hardware products)	331	395	437
Petroleum oils (heavy and light)**, Petroleum Gas** (ethylene, propylene, butane)	383	317	422[14]

Source: Undersecretariat of the Prime Ministry for Foreign Trade, 2009a: 3

[14] As Turkey's petroleum exports to the USA are relatively low, petroleum goods and products imported from the USA is completely negligible, whereas the trade volume between Turkey and Russia is significantly increasing (For instance; according to statistics of the Undersecretariat of the Prime Ministry for Foreign Trade (2009: 6), Turkey's energy imports from Russia is approximately 11 billion dollars in 2008.

With regards to energy relations between these two countries, it can be stated that Turkey and the USA do not have direct relations concerning energy, as Turkey has with either Russia or the EU. Trade of energy resources or energy goods between Turkey and the USA is comparably low. As figured out in Table IV, it becomes evident that petroleum products are ranked as the fourth among exported good and commodities of Turkey to the USA.

Energy relations between these two countries rather rely on influence and support of the USA on Turkey's role for secure transportation routes for efficient energy from regions which are rich in oil and gas; Caspian and the Middle East. Thus energy relations between these countries are not direct; but related to mutual scarcity interests. The Undersecretariat of the Prime Ministry for Foreign Trade (2008) also explains energy relations of Turkey with the USA as an important field for bilateral cooperation. The most significant example of cooperation for energy was pointed as Baku – Tbilisi – Ceyhan pipeline. The other US – backed pipeline projects which are planned to bring energy resources in Caspian to world markets are also considered as element for strong cooperation in energy relations.

In bilateral relations between Turkey and the USA, there are various action plans, memorandums and declarations, promoting cooperation in every field such as politics, development, share of information and technology; and also energy. For instance, an Action Plan which identifies areas of cooperation, such as universities, science & technology and energy projects, was adopted in 2008. Yet the energy aspects of these agreements do not focus on trade of energy goods and commodities; but actualization and projection of international energy projects regarding energy security. In one of the meetings of the Economic Partnership Commission (EPC) of

Turkey and the USA, the issue of energy security was given significant importance. It is evident that apart from cooperation for energy routes from oil and gas rich regions to demanding markets, joint action for nuclear energy is another example of cooperation – which should also be compendiously touched upon. Both Turkey and the USA also reached a consensus on the need for enhanced cooperation on nuclear energy (Republic of Turkey, Ministry of Foreign Affairs, 2008, 2). The Agreement for Cooperation Concerning the Peaceful Uses of Nuclear Energy between Turkey and the USA was signed in Ankara on July 26, 2000. Due to ratification and legislation process of the two countries in accordance with the agreement, it entered into force on June 2, 2008. In addition to information and transfer of nuclear research and development for peaceful purposes, use of technology, materials, equipment and components for cooperation in nuclear energy field were also expounded upon (Turkish Atomic Energy Authority, 2009). In EPC Actions Items 2008 – 2009, regarding energy supply security and diversification, it is stated for the USA to promote cooperation with Turkey on civilian power technology. Besides, the USA is expected to explore potential for exchange of scientists and technical experts from Turkish Atomic Energy Authority and US Nuclear Regulatory Commission (NRC) and US Department of Energy national laboratories, in the meantime to continue the consultations between the USA and the relevant Turkish authorities; whereas Turkey is anticipated to conduct workshop in Turkey on energy conservation (Republic of Turkey, Ministry of Foreign Affairs, 2009e: 2).

On the other hand, every energy oriented project in which Turkey is involved is not given full US support. Rapprochement between Turkey and Iran does not correspond to aims of the USA regarding the Middle East. When tension between Iran and the USA is analyzed, it will be obvious that increasing cooperation of

Turkey and Iran will unsettle the American policy makers. Meanwhile Iraq has been an unsolved issue for the USA. Impacts of inefficient and insufficient oil transportation from Iraq to Turkey, and support of the USA to the regional government of the Northern Iraq create question marks about how the balance of power in politics affects these energy relations. In this sense neo – realism is used to underline the reasons of policies and polities implemented regarding energy affairs between these countries.

3.1 Turkey – Caspian (Azerbaijan) – the USA Triangle

After the dissolution of the Union of Soviet Socialist Republics (USSR), the Western countries were seeking ways to integrate recently independent states of Caspian, Caucasus and Central Asia, since "until 1989, this region lay fully within the Soviet orbit" (Tekin and Williams, 2009c: 423). In addition to introducing them democracy and market economy, the possible easiest and mutually beneficial way to integrate them with the world was to enable them to use their rich energy resources which many of the Western countries were demanding. During the bipolar system of international relations (the USA and the USSR), the developed countries which were not rich of oil and gas resources, were suffering Socialist monopoly on natural resources of the Caspian, Caucasus and the Central Asia (in USSR era, all pipelines, exporting oil and gas to the West, were planned to be constructed within the territories of today's Russian Federation. Thus after dissolution of USSR, new pipelines had to be constructed to break down the Russian monopoly on transportation of Caspian energy to the West). Thus energy became an important tool of the policies toward these regions. On the other hand, the Russian Federation,

the successor of the USSR, was aiming to re-maintain its dominance on these independent countries of Caspian, Caucasus and Central Asia.

The best and the most reliable way to connect these newly independent states was Turkey. Therefore there were energy policies, in other words pipeline politics, which were Western – backed. These projects were basically aiming to by – pass the Russian Federation and to increase energy diversification routes of the Western developed countries. In this sense, as the hegemonic power, the USA has been supporting Turkey to become a major energy center for the sources coming from especially Caspian.

Turkey and the USA signed many agreements and memorandums to deepen their cooperation with regards to energy politics in the Caspian. Turkey became a major strategic partner of the USA in the region. One of the agreements which promote cooperation in energy between Turkey and the USA concerning the Caspian is Shared Vision and Structured Dialogue to Advance the Turkish – American Strategic Partnership Agreement of July 5, 2006. According to the Agreement, "Turkey and the USA pledges themselves to work together for (contributing to stability, democracy and prosperity in the Black Sea region, the Caucasus, Central Asia (and Afghanistan) enhancing energy security, through diversification of routes and sources including from the Caspian basin" (Republic of Turkey Ministry of Foreign Affairs, 2006: 3). In the context of EPC meetings, "cooperation in the energy field between the two countries was highlighted; the importance of the Nabucco and Turkey-Greece-Italy pipeline, including the Southern Corridor and regional cooperation in oil and natural gas in the common interest were discussed" (Republic of Turkey, Ministry of Foreign Affairs, 2008, 2). At the end of the meeting it was

decided to deepen and strengthen cooperation for gas transportation, meanwhile to ensure supply security for Turkey was amongst the other decisions taken (since diversification and security of energy supply sources and routes are important elements for Turkey – and Europe as well[15]). In the EPC Action Items 2008 – 2009, there have been mutual duties both two countries are expected to fulfill. The first one is to share information regarding ongoing and potential regional energy projects/initiatives. Continuation of work together to support regional efforts that will strengthen energy security, including the Nabucco Project which brings Caspian, and the Middle Eastern gas to the European markets, and the Turkey-Greece-Italy pipeline project (bringing Caspian gas to the demanding countries through Turkey) is the other element mentioned in the EPC Action Items.

3.1.1 Major important pipelines for cooperation in the region

The Baku – Tbilisi – Ceyhan (BTC) Crude Oil Pipeline is the major step concerning Turkish – US cooperation in the Caspian. The pipeline brings Caspian (Azerbaijani) oil to Ceyhan port (Turkey) through Georgia. "The opening of the BTC pipeline and the upcoming connection of the Kazakh pipeline system to the BTC pipeline effectuate a double break[16] of the Russian monopoly, a milestone in the diversification of energy flows from the east to the west. The dream of some Western political forces, especially the United States, of bringing Central Asian oil to the West by circumventing Russia has become true" (Weihe, 2007: 35).

[15] Reasons of importance of diversification and security for energy supply sources regarding Turkey and the EU are discussed in the following section, entitled Turkey – the European Union.

[16] The paragraph starts with a compendious explanation of the Russian – Ukrainian crisis of 2006. It basically states that this crisis "brought the energy alliance with Russia into question" (Weihe, 2007: 35). This is why the author mentions a double break of Russian monopoly.

When history of the negotiation process for BTC pipeline is analyzed, the US support for Turkey's role in transportation of the Caspian energy should be obvious at the first glance. "The competition over [possible] route to deliver oil from the Caspian Sea basin to the West is perhaps the most visible example of geopolitical competition between Russia and Turkey (and thus the USA)" (Bazoğlu – Sezer, 2000: 72). Baku – Novorossiysk[17] route, which Russia strictly supported, was the dominant rival against BTC. Upon pressure of Turkey, Baku - Supsa[18] route, which was assumed to be the first step towards BTC pipeline, was also suggested to deliver early oil from Baku until the time the BTC pipeline became operational. Although many oil companies such as BP (UK), Chevron (USA), ConocoPhillips Company (USA) supported the Baku – Novorossiysk pipeline since that pipeline had efficient infrastructure, was already in operation and much more feasible than the proposed BTC pipeline, the US government of the given period completely refused Baku – Novorossiysk route and backed up BTC. (Şen, 2009: 180 – 185, 215 – 220).

"The Russian lock on transport is being undermined by the BTC pipeline, bringing oil undermined by the BTC pipeline … and its twin Baku – Tbilisi – Erzurum (BTE) [gas] pipeline, also known as the South Caucasus Pipeline (SCP)…" (Tekin and Williams, 2009c: 423, 424). Basically, support of the USA for the BTC pipeline is an obvious example for use of geostrategic advantage of Turkey which motivates the energy policies regarding Caspian according to neorealist thought. Although, as mentioned above, the multinational or transnational corporations were insisting on the rival project of BTC pipeline, the US government influenced the negotiation process of Baku early oil and gave the advantage to BTC. This is a basic

[17] Novorossiysk is a city in the Southern Russia on Black Sea coast. This pipeline was constructed in Soviet era.
[18] Supsa is a Black Sea port in the Western Georgia.

example for identification of levels of units in the system. Unlike in neoliberalism, in neorealism, units are sovereign states and interactions take place at this level. Thus it can be stated that the USA which seeks survival and maximization of interests, chose to support BTC pipeline instead of Baku – Novorossiysk pipeline, whereas Turkey, a state maximizing its interests by BTC pipeline, chose to cooperate with the USA and tried to have the US government's backing for the project.

The Nabucco Pipeline Project which "will connect Europe with various non – Russian sources of gas from the East via Turkey" (Tekin and Williams, 2009c: 419), is another US backed project. The project is basically planned to decrease over dependency of the EU, in other words the West, on Russian energy resources. However due to economic, geopolitical and technical elements, Russian gas has been involved in the project[19]. On the other hand, as the USA and the EU oppose Russian gas to be involved in the project; since Russian involvement is completely against the nature of the project, does not correspond to expectations of energy consuming states from the project and strengthens Russian energy card over the West. In addition to these, the South Stream Project which is a rival of the Nabucco Gas Pipeline Project is also another alternative which actually creates negative aspects for diversification and energy security of the West. The South Stream Gas Pipeline Project[20] delivers Russian gas to the European markets through the Black Sea. Since both the USA and the EU are willing to undermine Russian dominance in energy and to diversify their energy routes, the western countries are favoring the Nabucco Gas Pipeline Project over the South Stream Gas Pipeline Project.

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[19] [13] Reasons and possible outcomes of inclusion of Russian gas in the Nabucco Gas Pipeline Project; and rivalry between the Nabucco Gas Pipeline Project and the South Stream Gas Pipeline Project are discussed in the next section, entitled "the Russian Federation and Turkey" in a detailed way.

In the meantime, the Nabucco Gas Pipeline Project stands as a key element, not only for the West; but for also Turkey. First of all, Turkey strengthens its energy card over Russia – which means; in neorealist approach, distribution of capabilities and relative gains are very important; in this context, such a project as Nabucco, Russian gas – assumed to be not included in the project (although Russia has declared its interest in the project and the Nabucco Gas Pipeline Company lists Russia as a supplier country, there haven't been any official documents enabling Russia to become a part of the project) – Turkey will increase its geopolitical advantage in energy security. Relative gains of Turkey either economically or politically will increase. Besides, Turkey will enjoy the advantage of regional cooperation with the USA which also supports Turkey's accession into the EU, due to the fact that Turkey will be able to fully integrate the Western community, will become more than a strategic partner with regards to policies directed towards the Middle East.

3.1.2 Turkish – Armenian Normalization Talks

In this part of the section, without getting into political outcomes of the Turkish – Armenian normalization talks, how rapprochement of Turkey and Armenia would affect energy policies in the region is discussed.

The problem which gave birth to normalization talks by the end f 2009originates after the dissolution of the Soviet Union. Turkey recognized all the newly independent former-Soviet states, including Armenia. However, Turkey did not establish diplomatic relations due to the fact that Armenia does not recognize the Turkish Armenian border agreed by the Kars Agreement (1921) signed by and

between Turkey and the Soviet Union. The land border between Armenia and Turkey was closed as a reaction to the invasion of the Azerbaijani territory of Nagorno – Karabakh by the Armenian forces in 1993 (Şen, 2009: 94).

Turkey and Armenia, which are the two parties of a long standing problem, signed protocols "in Zurich in October 2009 with participation of other international bigwigs from the USA, France, the EU and the Council of Europe" to improve relations, including various political joint actions (Torbakov, 2010: 32). Participation of these countries in the ceremony of signing is an evident proof that this rapprochement is supported by the Western countries. When the issue is analyzed in a detailed way, the first question coming into mind would be what would be the benefits to these countries which participated in the ceremony from the rapprochement. Aside from settling stability and peace in the region, there are other factors which enable these countries enjoying the advantages of such rapprochement. The war between Georgia and Russia in 2008 has proven that Russia has still been dominating in the politics and has been pursuing a goal of increasing its influence in South Caucasus or in other words the Caspian. As Russia, the successor of the USSR, tries to maintain its influence, conversely the Western countries try to increase cooperation and ensure energy security in the region. This competition and pursuit of power completely affect the balance of power in the region. Evidently the war between Georgia and Russia posed a serious threat and risk against efficiency of pipelines from Caspian – which are very significant for Western energy demands. Thus the situation in the region propelled Western countries to seek other routes for uninterrupted flow of oil and gas. In this context Turkish – Armenian normalization talks become very important since geographically Armenia – Turkey seem to be the new possible route for energy transportation. Armenia and Turkey lie in a region

which "connects Western markets to Central Asian energy routes and sources and offers energy suppliers other than Russia and Iranian monopolies to Europe" (Görgülü, 2009, 24). Basically, since a possible threat of cut – off of energy flow from the Caspian due to conflicts in the region, it is expected to observe [little] cooperation between states in order to enable them to take the advantage of geopolitical advantages of Armenia and Turkey – which has hitherto not been given significant geographical and geostrategic importance – for secure routes for energy transportation.

On the other hand – aside from any possible political and diplomatic outcome of the normalization talks between Turkey and Armenia – although at the first glance Turkey seems to strengthen its energy card, since Armenia is also another prospective gate for connecting Caspian to pipelines going through Turkey, negative immediate effects of the Turkish – Armenian rapprochement have been observed. Azerbaijan, sister country of Turkey, has declared its harassment because of the rapprochement. Although Azerbaijan (which has a long – standing dispute over Nagorno – Karabakh with Armenia) used to set comparably low price for its gas exported to Turkey, in the last months of 2009, it declared that it will increase the prices of gas Turkey imports and decided to sell half billion cubic meters of gas from Shah Deniz (Shah Deniz is the main field which feeds pipelines going through Turkey) to Russia (Azerbaijan also stated that the amount of the gas could also be increased) and then to Iran, besides its decision to export liquefied natural gas (LNG) extracted from Shah Deniz to Romania (Pamir, December 26, 2009; İlbaş, 2009a and Pamir, May 2, 2010). These declarations and decisions were interpreted as retaliation against the Turkish – Armenian normalization talks. Basically rapprochement between Turkey and Armenia which is backed up by the USA has affected

Azerbaijani – Turkish relations negatively.

3.2 Turkey – Iran – the USA Triangle

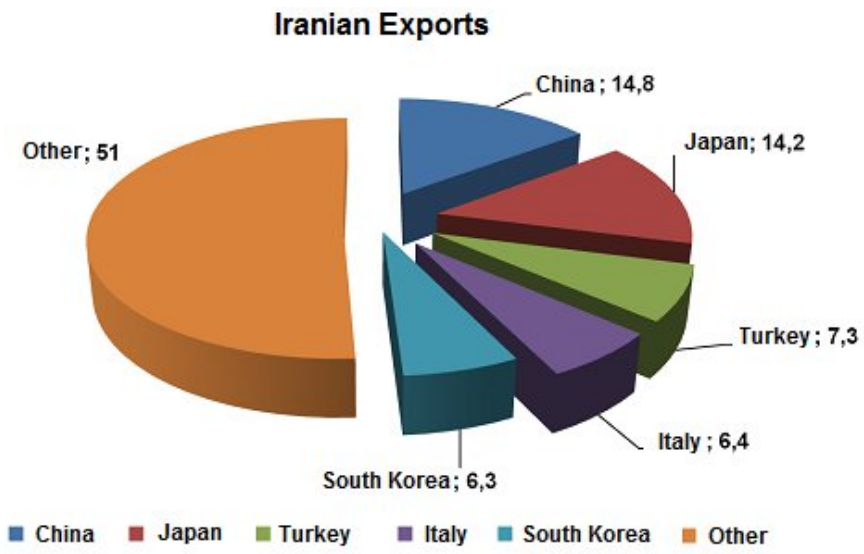
"The relations between Iran and the West are very difficult at the moment … because of the conflict about Iran's nuclear ambitions…" (Weihe, 2007: 35). As mentioned, Iran's nuclear program creates threat against the USA, the hegemonic power in the unipolar world system. Thus, Turkey, the neighbor of Iran and an ally of the USA, becomes a very important actor to cooperate against anti – civilian nuclear program and keep the status quo in the region. Concerning cooperation of Turkey and the US against nuclear activity of Iran, the Shared Vision and Structures Dialogue to advance the Turkish – American Strategic Partnership Agreement, which highlights support for diplomatic efforts regarding Iran's nuclear program including the recent P5+1 initiative (Republic of Turkey, Ministry of Foreign Affairs, 2006: 3), is one of the significant examples illustrating Turkey as an strategic partner of the USA against aggressive Iran.

On the other hand, there have been changes in the bilateral relations of Turkey and Iran in the last decade. After the dissolution of the USSR, Iran was willing to take the advantage of pipeline politics and due to this, Turkey and Iran became rivals to some extend (Ekinci, 2009; 2); yet Turkey and Iran relations have entered a new era in which close interactions and cooperation (especially) for energy have been observed in the last decade. In this context, this section aims to point out the main reasons of Turkish – Iranian cooperation within energy framework and then to highlight the US approach in neorealist thought.

3.2.1 An overview of Turkish – Iranian Relations

Despite the fact that Iran has been living disputes over its nuclear program with the international community, continuity in Turkey – Iran political, economic and cultural relations have been preserved. Especially, economically Turkey – Iran relations in recent times have experienced a remarkable growth. Turkey is amongst the major countries Iran export to as shown in the Figure VIII.

Figure VIII – Major Countries Iran Exports To



Source: Undersecretariat of Prime Ministry for Foreign Trade, 2009c: 3

The actual volume of trade which was 2.4 billion dollars in 2003, 2.8 billion dollars in 2004, 4.3 billion dollars in 2005, 6.6 billion in 2006, 8 billion dollars in 2007, is now over 10 billion dollars as clear figured out in Table V (Undersecretariat

of Prime Ministry for Foreign Trade, 2009c: 4; Embassy of Republic of Turkey in Tehran, 2008b).

Table V – Foreign Trade of Turkey with Iran (Thousand dollars)

Year	Export	Import	Volume	Balance
2003	533.786	1.860.683	2.394.469	-1.326.897
2004	813.031	1.962.059	2.775.090	-1.149.028
2005	912.940	3.469.706	4.382.646	-2.556.766
2006	1.066.902	5.626.610	6.693.512	-4.559.708
2007	1.441.190	6.615.393	8.056.583	-5.174.203
2008	2.028.451	8.199.594	10.228.045	-6.171.143

Source: Undersecretariat of Prime Ministry for Foreign Trade, 2009c: 4

Since Iran is a natural resource rich country which possesses 10 percent of the world's oil reserves and is the world's second-ranked country in term of amount of natural gas reserves, following the Russian Federation (BP, 2009: 6, 22), it is not astonishing that in volume of trade between Turkey and Iran the item which creates the largest impact for increasing volume is natural gas. Among the items Turkey imports from Iran, crude oil and natural gas compose a large share (90 percent of Iranian exports to Turkey) (Embassy of Republic of Turkey in Tehran, 2008b).

The origin of natural gas trade between Turkey and Iran is the Agreement on

Sales and Purchase of Natural Gas in 1995 – which came into force in 1996. This agreement stipulates at first 3 billion cubic meter of gas to be supplied for Turkey's domestic use. By 2007, the amount has increased to 10 billion cubic meters (Ekinci, 2009: 3).

The Memorandum of Understanding which was signed in both July and November 2007, are the further document for improved energy relations between Iran and Turkey. Aside from bilateral economic relations, concerning international projects the most important ones on the agenda of economic relations of two countries are to transport the Iranian gas to Turkey and then Europe via Turkey. Besides, there have been ongoing negotiations for transportation of Iranian gas to Europe via Turkey, Turkmenistan gas to Turkey via Iran and development of 22, 23 and 24 phases in Turkey's South Pars natural gas field. After deduction of Iranian share, some of the expected amount of 20 billion cubic meters of gas, produced from the South Pars field by Turkey will be used domestically in Turkey and the rest will feed the Nabucco Gas Pipeline Project (Ekinci, 2009: 4). Also signed memorandums envisage cooperation between the two countries in electricity field (Embassy of Republic of Turkey in Tehran, 2008b).

Increasing cooperation with Iran regarding energy enables Turkey to actualize its strategic aims. First of all, Turkey is willing to diversify its natural gas suppliers and strengthen energy security. In this sense, cooperation with Iran is desirable. Secondly, Iranian gas will bridge over the Nabucco Gas Pipeline Project. Cooperation with Iran will also form an alternative route for Turkmen and other Central Asian gas to reach the Western markets. In addition to these, since Turkey and Iran are neighbors, Turkey does not have to pay transit fee (which is paid to third

countries between the supplier and demanding countries) (Ekinci, 2009; 13)[21].

Meanwhile, Iran enjoys advantages of cooperation with Turkey. The Iranian economy highly depends on petroleum and gas revenues (Embassy of Republic of Turkey in Tehran, 2008a). Another client for its gas and a reliable way to deliver its gas to the world markets are basic positive aspects of Iran gaining from cooperation with Turkey. Besides, cooperation with Turkey would also enable Iran to break through isolation policies and to strengthen its foreign policy towards major Western countries; in this context the EU is the first choice coming into minds since the Nabucco Project enables Iran to actualize this aim. Potential to become a rival against Russia concerning delivery of the rich energy resources of the Caspian and Central Asia is the other gain Iran earns from cooperation.

3.2.2 Turkey, Iran and the USA

Turkey, a strategic ally of the USA throughout the years, has acted jointly with the USA with regards to almost every international issue (as long as these actions were within the framework of Turkish national interests). Memorandums, agreements and treaties on various issues has increased and also deepened the cooperation of these strategic allies. Regarding Iran, the aforementioned agreements (the Shared Vision and Structures Dialogue to advance the Turkish – American

[21] On the other hand, energy relations with Iran are not smooth as it is expected. There are problematic issues regarding the "take or pay" condition and due to "take or pay" article in the agreement, Iran claims compensation from Turkey (İlbaş, 2009b), besides pressurizing inclusion of an article related to cut-off of the flow of gas due to any reason Iran considers as important in the agreement; whereas Turkey demand reduction in gas prices since its trade deficit has been increased significantly because of the gas trade. In addition to these, the agreement does not allow Turkey to re-export the gas it buys from Iran. This is amongst the articles Turkey tries to amend. Since the agreement will be in force till 2023, these conditions become problematic and are against Turkey's national interests (Ekinci, 2009: 6).

Strategic Partnership Agreement, *et cetera*) also pushes both countries to take part on the same side and cooperate. However, demand for energy proportionally increasing with the population and growth in the economy, ambition to become an important regional actor and to maintain good relations with neighbors, Turkey has started to take its own steps in the way that the USA, hegemonic power of the unipolar system, does not expect. Cooperation between Turkey and Iran does not fit into the plans of the USA regarding the Middle East, since Iranian – American relations[22] are tense, currently due to uranium enrichment program of Iran. Basically, Iran's nuclear program creates certain threat against American power. Since there is no perfect information about intentions of the Iranian government, there is mutual mistrust and a risk of a threat against the USA, hegemonic power, the USA dogmatizes that use of nuclear program out of civilian purposes to develop nuclear weapons by Iran, classified as an aggressive country, is a step for deterrence against the Western power. In this context, the USA tries to obstacle every possible opportunity, which Iran would enjoy the benefits from.

"Several US laws and Executive Orders extend sanctions to foreign companies that do business with Iran, as part of an effort to persuade foreign firms to choose between the Iranian market and the much larger US market. A formal US effort to curb international energy investment in Iran began in 1996 with the Iran Sanctions Act (ISA)" (Pamir, 2009; 39). The US government prohibits companies or corporations to invest more than 20 million dollars in Iranian oil and gas sector and in such a case this decision enables the US government to put embargo on that corporation or company (Çekirge, 2007). This decision does not only concern American entrepreneurs; but also concern international companies and other national

[22] Currently, there have been no diplomatic relations between Iran and the US.

companies as well. Thus amount of investments of the Turkish Petroleum Corporation (in Turkish: Türkiye Petrolleri Anonim Ortaklığı – TPAO) in South Pars field has been restricted to 20 million dollars[23]. This limits Turkey's actions and benefits both Iran and Turkey would gain. As previously mentioned, due to sanctions, Iran suffers undeveloped and unimproved technology and needs large amounts of sound investments to improve its production capacity. However none of the companies choose to oppose the USA and suffer embargo.

The memorandums, which were mentioned as a positive step toward Iranian – Turkish cooperation in energy, have not been put into force yet (Ekinci, 2009; 4, 5). Although Turkish and Iranian governments signed the almost same memorandum (which foresees both governments to sign the agreement [which is the next step, guaranteeing the articles of the memorandum] in a – year – time after the day memorandum was signed) twice (in July and November 2007); yet due to strong opposition of the USA they haven't been turned into an agreement.

Regarding Nabucco Gas Pipeline Project, involvement of Iranian gas in the project is strictly opposed by the USA. The American side claims that the project is feasible enough with Azerbaijani and Turkmen gas which has to be delivered via Turkey without crossing the Iranian territory. An example for a similar case would be the BTC. In the first proposal for a pipeline connecting Caspian oil to Western markets via Turkey, Azerbaijan – Iran – Turkey was involved as another alternative to Georgia. Although Azerbaijan – Iran – Turkey route was 100 kilometers shorter than the route going through Georgia, the Iran option was strictly opposed by the other Western partners of the project. In addition to these despite the fact that Iranian

[23] The expected cost of the investment of Turkish Petroleum Corporation in the South Pars field is 12 million dollars (Ekinci, 2009;11).

government declared its interest in the BTC project and its willingness to be a partner of the consortium, Iran option was again opposed. (Şen, 2009; 71, 75, 134).

On the other hand, Turkish – Iranian relations can also serve for an aim of re-maintenance of the balance of power in the region when Russia and China, a country which has made its voice heard much more than ever in international arena in the last decade, are considered. High tension between Iran and the USA causes Iran and Russia, which is another dominant actor in the region aiming to maintain its influence again as it had in USSR era; to become closer regarding the policies for the Caspian. Thus close Turkish – Iranian relations, in the meantime increasing potential of Iran for energy routes via Turkey; in other word in pipeline politics, would put Iran and Russia on opposite side and make them rivals in a game over the Caspian energy sources.

3.3 Turkey – Iraq – the USA Triangle

Turkey and the US have been cooperating in the issues for Iraq, as in several issues related to the Middle East, Caspian and Europe. Maintenance of stability and security; settlement of democracy, contribution of economic development of Iraq are amongst the issues with regards to post – war Iraq. In the Shared Vision and Structured Dialogue to Advance the Turkish – American Strategic Partnership Document, it is mentioned that Turkey and the USA have joint actions for all issues of common concern in the Middle East, including promoting peace and stability in the broader Middle East through democracy; fostering stability and prosperity in a unified Iraq (Republic of Turkey, Ministry of Foreign Affairs, 2006: 3). Besides,

among EPC Action Items 2008 – 2009, continuation of work together on transportation of Iraqi natural gas to Turkey and European markets and beyond and establishment of bilateral-energy working groups on Iraqi gas and petroleum issues [in process] (in addition to Caspian gas), and exploration of opportunities to foster cooperation between the relevant Turkish and U.S. institutions on research, implementation, research and development activities for production, transportation, distribution and utilization of environmentally friendly energy resources, including hydrogen energy were highlighted (Republic of Turkey, Ministry of Foreign Affairs, 2009e: 2).

In addition to political cooperation, contribution to economic development in Iraq is also a major field for cooperation. The Turkish and US companies have been working in a number of joint construction projects all over the world. Turkish companies have been working under contracts with their US counterparts to build Iraq (and Afghanistan) (The Undersecretariat of the Prime Ministry for Foreign Trade, 2008).

On the other hand, there have been various arguments, claiming that the US policies in Iraq have negatively affected the Turkish interests in the region. Thus in this section, the US – Turkish energy relations are touched upon with an aim of finding an answer of mainly negative arguments which are opposing US – Turkish cooperation in Iraq, following a brief analysis of Iraqi – Turkish economic and energy relations in the last two decades.

3.3.1 Turkey and Iraq in Pre – War and Post – War Era

In pre – Gulf War period, Turkey's volume of trade with Iraq was approximately 5.5 billion US dollars. However by the 1990s, due to United Nations (UN) sanctions – which required ban of exports to Iraq and imports from Iraq (except food and medicine), trade between Turkey and Iraq perished[24] (Undersecretariat of Prime Ministry for Foreign Trade, 2009b: 3). In late 90s and early 2000s, with an increasing volume of trade, Turkey and Iraq started to cover the expenses of economic loss which were caused by the UN sanctions. In this era, trade relations between Turkey and Iraq relied on barter trade of goods and commodities in return of crude oil (Undersecretariat of Prime Ministry for Foreign Trade, 2009b: 3).

The Iraq – Turkey (Kirkuk – Ceyhan) Crude Oil Pipeline transports the oil produced in Kirkuk to the Ceyhan. The pipeline system with an annual transportation capacity of 35 Million tons was constructed in 1976 (Petroleum Pipeline Corporation, 2010b). The capacity of the pipeline was expanded twice throughout the years. Due to these expansions, the annual capacity reached 71 billion tons by the end of 1987. "The operation of the pipeline system was suspended on August 1990, in conjunction with the embargo imposed on Iraq by the UN. The suspension was ceased under the agreement of UN and Iraq on May 1996 and limited oil export has been allowed since then. Crude oil loading activities were initiated on December 16, 1996 under the UN Resolution" (Petroleum Corporation, 2010b).

[24] The total amount of economic loss Turkey due to UN sanctions was 120 billion US dollars) (Undersecretariat of Prime Ministry for Foreign Trade, 2009b, 3).

Figure IX – Crude Oil Transportation by Year [25]

CRUDE OIL TRANSPORTATION BY YEAR (THOUSAND BARRELS)					
	IRAQ-TURKEY P/L	CEYHAN-KIRIKKALE P/L	BATMAN-DÖRTYOL P/L	ŞELMO-BATMAN P/L	BTC P/L
1990	339.939	21.130	22.544	1.526	-
1991	-	17.697	27.944	1.332	-
1992	-	20.374	25.732	1.295	-
1993	-	24.210	23.041	804	-
1994	-	22.648	22.289	1.088	-
1995	-	24.887	20.146	832	-
1996	5.215	29.642	16.979	751	-
1997	134.562	27.644	18.753	703	-
1998	277.671	23.435	17.128	644	-
1999	305.603	28.897	17.767	611	-
2000	285.716	24.751	18.904	825	-
2001	230.855	24.779	19.836	793	-
2002	175.667	26.510	18.482	691	-
2003	60.824	26.357	9.417	851	-
2004	37.685	24.601	9.488	767	-
2005	13.166	25.986	10.108	634	-
2006	12.930	27.381	10.822	535	57
2007	39.833	23.003	10.147	507	210.352
2008	135.522	21.427	11.060	-	264.092
2009	167.600	20.173	12.210	-	285.492
2010*	46.685	4.096	4.671	-	88.935

* As of April 2010*

Source: Petroleum Pipeline Corporation, 2010

"The Kirkuk-Ceyhan pipeline was mainly empty from 2003, after the USA overthrow of Saddam Hussein, until late 2007, and it has since been the target of disruptive attacks (most recently last November), besides suffering general disrepair as a result of the prewar UN sanctions and subsequent collateral damage" (EnerjiEnergy, March 28, 2010b). As clear from the Figure IX, the main supplier of crude oil to Turkey is Iraq, whereas the Ceyhan Port is a major outlet for Iraqi oil exports and deactivation of the pipeline due to Iraq war severely affected both Turkey and Iraq. "On March 8, 2004, Iraq issued a tender for Kirkuk oils via the

[25] The reason of less oil in the Iraq – Turkey Crude Oil Pipeline in the year of 1996, was that on one of the parallel pipelines, pumps were dismantled and taken to Basra. In order to operationalize the pipeline, an investment, costing 12 million US dollars was made (Şen, 2009, 67).

Turkish port of Ceyhan, the first such sale from Iraq's northern oil fields in a year" (Devlet, 2004; 72). However since 2008, the oil flow is promising.

The other element negatively affecting Turkey's interests in Iraq is destruction of pipelines. Especially starting from the year of 2003, the Iraq – Turkey Crude Oil Pipeline was one of the targets of terrorists and insurgents. There have been numerous bomb attacks. The recent one happened in May 2010, and disrupted Iraqi crude oil export to Turkey (EnerjiEnergy Portal, May 17, 2010).

On the other hand, relations of Turkey with Iraq are not only bounded by only energy issues; yet composing a significantly large context. Turkey considers its relations with Iraq as a multi-dimensional integrated whole. Energy, economy and reconstruction are the most important dimensions of this whole (Republic of Turkey, Ministry of Foreign Affairs, 2009e). Thus Turkey and Iraq aim to accomplish a strategic relationship in a wide range of issues. According to Joint Political Declarations on the establishment of the High Level Strategic Cooperation Council between Governments of the Republic of Turkey and the Republic of Iraq of 2008, this cooperation is composed of political, economic, energy, water, cultural, security and military fields. According to the Joint Declaration, the basic principles in economic and energy related spheres are; "concluding strategic economic cooperation and integration agreements between the two countries by the end of 2008; cooperating in reconstruction work in Iraq; supporting cooperation in the field of transport infrastructure of Iraq with the aim of integrating Iraq with Europe through Turkey; cooperating in the field of energy by establishing partnerships between Turkish and Iraqi companies as well as transporting Iraqi natural resources to the world markets through most viable export routes, in this context upgrading and

expanding the existing capacity of Kirkuk - Yumurtalık oil pipeline; and building a pipeline network to transport natural gas from Iraq to international markets via Turkey (Republic of Turkey, Ministry of Foreign Affairs, July 10, 2008; 2-3). In order to promote economic and energy relations, Meeting of Ministers of Foreign affairs of the Neighbor Countries of the initiative entitled "International Compact with Iraq" was held in Turkey in November 2007, and Turkish representatives took an active role for the Energy Study Group[26] (Embassy of the Republic of Turkey in Bagdad, 2009).

Turkey is the main provider for Iraq's refined oil product needs. In 2005, 50% of Iraq's and 90% of northern Iraq's refined oil products were supplied through Turkey. Total oil products, imported by Iraq through Turkish companies between January 2003 and January 2007, is over 10 million tons (Republic of Turkey, Ministry of Foreign Affairs, 2009f).

3.3.2 Post War Era and US Influence on Oil Industry in Iraq

"Energy plays a crucial role in the survival and well – being of the USA and virtually all other countries, both developing and developed" (Kalicki and Goldwyn, 2005; xxi). The USA, due to its developed and technologically improved economy is the leading country in oil imports in the world. Imported oil accounts for about two-thirds of US consumption (CIA, 2010). Thus it is not surprising that the USA was in need of controlling the Middle East which is "said to be an isle sitting over a lake of oil" (Kumaş, 2009; 29). "In fact, the best way to see what's happening today in Iraq

[26] Other meetings of the Energy Study Group were held in two successive years, both 2007 and 2008 again in Turkey.

[mentioning the US intervention] and elsewhere is through a geopolitical prism. American leaders have embarked on the classical geopolitical project of assuring U.S. dominance of the most important resource areas, understood as the sources of power and wealth" (Klare, 2003). The USA had an aim to promote to dominance in the Persian Gulf and to serve as a springboard for further conquests and assertion of power in the region by the war against Iraq (Klare, 2003).

Aside from explaining the reasons of the war, the influence and effects of the USA on energy politics would much more appropriate to deal with in the context of the thesis. In the aftermath of shooting war, a new era started for Iraqi people. They, who were suffering of unfair policies of a dictator, were introduced to democracy, and they were expected to govern their own country according to necessities of democracy. As in every field, institutionalization and adopting necessary legislations became crucial. Despite its necessity, Iraqi government could not adopt a law for the oil industry – which (along with its economic wealth) admittedly seems to be the reason of most of most of the incidents.

Iraq does not have a sound legislation for extraction, trade and development of oil and natural gas fields. The proposed oil law of 2007 requires a shift of Iraq's massive reserves from public to private hands. "It could see private companies develop and profit from Iraq's oil for 15-30 year periods with virtually no possibility for the Iraqi state to renegotiate contractual terms and conditions" (Niqash, April 23, 2007). Rights to control of development, extraction, profits of the oil industry - which the state is able to claim - the control of oil flow would be passed to exclusive control of private companies. "Article 41 of the law stipulates that any disputes between foreign companies and Iraqi authorities which cannot be resolved through

negotiation, will be resolved 'through arbitration or the competent authority' " (Niqash, April 23, 2007). In practice this means that, the Iraqi government, wishing to reverse terms, would not be able to use its own judicial system. Besides, according to news agencies' sources, it was rumored that "Prime Minister Nouri Al Maliki had revealed he feared being ousted by the US administration if he did not secure the passing of an oil law by the end of June" (Niqash, April 23, 2007).

In addition to these, as the proposed law has several setbacks which are against Iraqi national interests, the Kurdish Regional Government tries to gain autonomy not only for domestic regional polities; but also for use and extraction of energy sources – which seriously challenges authority of the Iraqi government. As debates for proposed oil law were continuing; in August 2007, the Kurdish Regional Government adopted a law regarding the oil and gas industry in the region. "The law also decrees the establishment of a number of companies for exploration and production and marketing of oil, and the conclusion of contracts with foreign companies. All these companies are subject to the Ministry of Natural Resources of the region" (Niqash, September 2007). On the other hand, the federal government of the Republic of Iraq declared that they did not recognize contracts between the region and foreign companies that were signed without the approval of the Ministry of Oil of the Republic. (Niqash, September 27, 2007).

As evident from the explanations about the legislations for oil and gas above, Iraq has been suffering from lack of sound policies and implementation which would settle the oil and gas industries. The proposed oil law, which has not been adopted yet, was introduced to the Iraqi parliament – supposedly – under the pressure of the US government. This proposed oil law enables foreign companies to make profit for

15 to 30 years by preventing any interventions from the Iraqi government. According to the web – site of the Ministry of Oil of Iraq (2010), there are 5 American oil companies, which are the leading transnational oil companies (Chevron, ConocoPhillips, ExxonMobil, Motor Oil and Valero) amongst the companies which take place in exportation process of Iraqi crude oil. In addition to these American oil companies, there are other big transnational oil companies[27] involved in crude oil export process. When these are analyzed, it will be obvious that the proposed oil law had an aim to favor these companies, whereas, Turkish Petroleum Refineries Corporation (in Turkish: Türkiye Petrol Rafinerileri Anonim Şirketi – TÜPRAŞ) as a comparably small oil company, which does not have any global role in oil industry like the previously listed companies, would severely be affected from the law. Therefore 'Turkey would not gain a profitable share from the oil cake of Iraq' will be an outcome resulting from this analysis.

"Turkey [and Russia] associate Iraq not with the war against terrorism; but with destabilizing chaos that has damaged their national interests – [Turkey's more profoundly], given its Iraqi oil contracts" (Hill and Taşınar, 2006; 86). Turkey, since the start of the war, was not actively involved in Iraqi oil industry. "Relations [with the USA] have particularly deteriorated after March 1, 2003 parliamentary decision not to permit the deployment of US troops to Iraq via Turkish territory … The period between March 1, 2003 and November 5, 2007 marked the lowest point in relations since the US arms embargo 1975 – 78, and the reservoirs of trust on both sides have been greatly depleted" (Öniş and Yılmaz, 2009; 12 – 13). Deterioration was not only

[27] BP Oil and Shell from the United Kingdom, Total from France, ENI and ERG from Italy, China National, Nippon UNIPEC and Sinochem from China, Cepsa and Repsol from Spain, Hindustan and Indian Oil from India, Lukoil from Russia, SAMIR from Morocco, Jordan PET.CO from Jordan, SK Energy from South Korea and Koch from Greece are the other companies involved in Iraqi crude oil export (Ministry of Oil of the Republic of Iraq, 2010).

in diplomatic relations; yet it can be bought forward that energy role of Turkey in Iraq was affected due to tense relations with the USA in that period.

Although Turkish Petroleum Corporation was not able to have sound energy ties with Iraq (The corporation has been continuing its contracts with the Ministry of Oil of Iraq since 1994, for exploration and production opportunities in Iraq, yet there have not been concrete steps regarding these activities) (Turkish Petroleum Corporation, 2008), Turkey has been strengthening its position in Iraqi oil industry, especially in the aftermath of declarations regarding withdrawal of US troops from Iraq by 2011. Recently Turkish Petroleum Corporation obtained the bid for oil reserves in Qut in the context of consortium lead by Russian Gazprom which has a share of 40 percent, whereas Turkish Petroleum Corporation has 10 percent and in the meantime, the Minister of Oil, Hussain Sheristani, stated that along with achievement of Turkish Petroleum Corporation in the bid for oil reserves in Qut, Iraq would be willing to develop new routes with Turkey for oil fields in Kirkuk after developing the infrastructure (EnerjiEnergy, December 13, 2009; EnerjiEnergy, December 14, 2009). Another promising development was that Iraq, which aims to deliver its gas via Turkey to Europe, signed a Memorandum of Understanding with the EU for a strategic partnership in January (EnerjiEnergy, January 19, 2010). This definitely promotes Turkey's national interests in the region and strengthens its energy card towards the EU in the context of the Nabucco Gas Pipeline Project. In addition to these, Turkish Petroleum Corporation has been in talks with the Iraqi South Oil Company to drill 45 oil wells at the Rumaila field for $318 million (EnerjiEnergy, March 3, 2010). Regarding renewal of the existing agreements, Iraq and Turkey were trying to reach a consensus on two issues, the term of the agreement and the price. Turkey strengthened its energy ties with Iraq by renewing a

contract, covering 15 – 20 years to import Iraqi oil to the Turkish Mediterranean Sea port of Ceyhan, in March 2010 (EnerjiEnergy Portal, March 28, 2010a; EnerjiEnergy Portal, March 28, 2010b). One of the recent developments is that Turkish Petroleum Corporation, with its Chinese business partner CNOOCI, signed an agreement to develop 3 oil fields in Maysan which is located in the south of Baghdad. Total capacity of reserves in these 3 fields is 8 billion barrels whereas the production capacity is 2 billion barrels. It is expected that in six year time, daily production will reach 450 thousand barrels in the field which will be managed for 20 years (EnerjiEnergy, May 18, 2010).

These recent developments create a pursuit for an answer of a question which is "why has Turkey become so active in the oil industry of Iraq, despite the fact that it was not during the Iraq War?" During the Iraq war, as the USA was trying to fight against terrorists, insurgents and to maintain security, it was also trying to strengthen its dominance regarding policies of the country, thus the region. Many politicians and scholars claimed that the Iraq war did not bring stability and peace; yet it was all about passion of the USA on energy, and the war buried Iraqi people in the heart of clashes; conversely nowadays there have been ongoing discussion that after withdrawal of the US troops from Iraq, the country will go deep into a chaos, since it has not been stabilized yet, throughout the 7 years. Thus Iraq will be (and even now is) in desperate need in restructuring and reconstruction. Such a country would definitely be an exact place for policies, seeking for easy opportunities to get, bearing in mind that Russia and China stand as significant rivals of the USA. China, as a growing economy, has increasing energy needs, whereas Russia would like to dominate the Middle Eastern energy policies, in addition Caucasian and Caspian. These countries have the potential to challenge plans and dominance of the US

regarding the Middle East. In this sense, Turkey becomes an important mediator, to prevent threat of possible Russian or Chinese dominance in the region to some extend in the aftermath of the US withdrawal. Throughout the US view, instead of having a strong Russia and/or China in Iraq and shaping energy politics, partnership of Turkey in the consortiums where Russia and/or China are involved in would soften their dominance.

In addition to these, if the situation is analyzed through a different perspective, a different outcome would appear. According to some political activists, like Noam Chomsky, although President Barack Obama admitted that the Iraq invasion was "merely a mistake or strategic blunder", and the Obama government declared that they would withdraw American forces from Iran by 2011; in fact, the USA has not given up its desire to control the Middle East oil reserves, since the Middle Eastern oil reserves are considered to be "a stupendous source of strategic power" and "one of the greatest material prizes in world history" (La Progressive, November 3, 2009; Köni, November 8, 2009). According to this point of view, it can also be stated that Turkey, no matter what the US intentions concerning the Middle Eastern oil are, Turkey would be a mediator to soften supposed ambition of the current Obama government, which is blamed for pursuing policies of the Bush era in the Middle East, to some extend and prevent public opinion to have a negative shift against the current US government.

3.4 Strategic Partnership for Energy?

This chapter gives a detailed analysis of Turkish – American energy relations

focusing on three countries; Azerbaijan (mainly referred as Caspian), Iran and Iraq. Although Turkey and the USA cooperate in a wide range of issues such maintenance of security, prevention of terrorism and fundamentalism, promotion of peace and increasing economic cooperation, in energy sector the same development has not been observed, since these two countries do not implement direct energy policies and do not have direct energy trade between each other; yet it can be stated that influence and support of the US government regarding energy issues are mainly encountered.

Since assertions of neoliberalism; such as cooperation and common interests in economic affairs stand weak in harmony to explain energy relations between Turkey and the USA, neorealism is chosen to explain attitude of the USA regarding energy issues and Turkey's action according to the US influence. When energy is considered as a tool for power and wealth, it becomes significant for states' pursuit of survival. Thus rationality in states' actions becomes very important.

Caspian region is one of the regions in which Turkey's active role in energy sector has been supported by the USA. The aforementioned support results from rationality of the USA. By supporting Turkey, the USA prevents Russia to become a monopoly again and increases its access to the region by an ally; Turkey. Basically cooperation with Turkey in the region is a basic tool to prevent a possible rising power (Russia) in the Caspian after the Cold War era and to increase relative gains regarding rich energy resources of the region. The BTC Crude Oil Pipeline is an evident example for supporting the argument that the USA favored this pipeline, because geostrategic location of Turkey motivated the US government to back BTC instead of its rivals which were more desired by the major transnational energy companies. In this sense, from the first assumption of neorealism, it becomes obvious

that the major actors in the world system are sovereign states which are Turkey and the USA, and these actors accomplish interactions; there are no other units (as neoliberalism assumes) in the system affecting their interactions. Neither status of transnational companies nor their profits are important, when national interests are taken into consideration. In the meantime, the Nabucco Natural Gas Pipeline Project is a contemporary case in which the USA is willing to use Turkey's geostrategic importance again. By both projects, the USA tries to increase its relative gains in the region, whereas Turkey seeks for the same aim and increase its relative gains compared to any other alternate countries in major projects connecting the Caspian to the West and also benefiting from energy sources for its own domestic energy needs. Regarding the Caspian, it is observed that there is cooperation for common aims; yet it is limited. Although Armenian – Turkish normalization talks enrich outcomes of possible gains of the USA, from increasing energy routes in the Caspian, it is observed that the outcome of the talks will not be fruitful regarding energy; yet Turkey has faced setbacks from the Azerbaijani side. Normalization talks have been suspended and signed protocols have not been ratified yet. Neither Armenia, nor Turkey, (nor Azerbaijan) can evaluate possible fruitful economic outcomes resulting especially from cooperation for energy transportation in the region, since historical and political problems affecting their national security and sovereignty outweigh more than cooperation.

Iran is a threat against the USA, the hegemonic power of the world system challenging its status quo. Although cooperation with Iran enables Turkey to enjoy several advantages such as diversifying its imported energy, meeting its energy demands by rich Iranian sources (Unlike neorealism, according to neoliberalism, economic linkage and common economic aims are basically enough to have

cooperation. On the other hand cooperation of Turkey with Iran cannot be labeled as bandwagoning – which means alliance with the aggressor according to neorealism); the scenario alters when the USA steps into the scene. First of all, there is imperfect information about the intention of the Iranian government about its nuclear program and nuclear proliferation. Any attempt providing either political or economic benefit to Iran is a challenge against the US security. Thus increasing cooperation between these two countries encounters US opposition. From the Turkish perspective, it is evident that Turkish – Iranian relations are mostly influenced by the USA. Agreements signed by Turkey and Iran have not been ratified and Turkey cannot invest in Iranian energy sector more than the quota the US government allows. Turkey cannot negotiate with the USA about the level of its cooperation with Iran or cannot act against the US directions. Basically the USA pressurizes Turkey either diplomatically or politically and dominates the scope of Turkish – Iranian energy relations. These are specific examples for limitation of cooperation due to division of capabilities and possible gains. The USA is not willing to let Iran have economic benefits from trade of energy and increase its share in the energy sector, thus its power, influence and capabilities in the Middle East, and the USA does not want a threat challenging its national security and its dominating role in the Middle East; whereas Turkey cannot have the venture to act against the hegemonic power, so cooperation becomes hard to achieve due to dominance of the USA.

The USA considers Turkey as a strategic ally to establish strong bonds with the Muslim world. However, according to the research done for this thesis, this strategic alliance has not been observed regarding the Iraqi case. The pursuit of the USA for various alternatives other than Turkey to increase its gains and strengthen its position regarding energy created setbacks for Turkey. Cuts and decrease in the

flow in Iraq – Turkey Crude Oil Pipeline are evident examples favoring this argument. The post- war era does not create a positive atmosphere for Turkey to be active in the Iraqi oil sector. It has been observed that the USA favors Turkey's activeness as long as this activeness coincides with American interests, thus it can be said that the USA permits Turkey 'limited freedom' in issues regarding energy – the priority is American gains. On the other hand there have been some promising developments which favor Turkey's position in Iraqi energy sector in the last years after declaration about withdrawal of the US troops from Iraq. However the proposed Iraqi oil law which was introduced under the influence of the US government shows that it is proposed to favor presence of the USA and American interests, and limits Turkey's competitiveness in Iraqi oil sector (it is needless to say that lack of well-developed and competitive energy industry and well –organized energy companies is another contributing factor limiting Turkey's competitiveness).

To conclude, energy relations of Turkey and the USA mainly rely on the US influence and do not favor Turkey if the USA evaluates policies and Turkey's position against its interests. There is not negotiation or compromise between Turkey and the US for creating a common ground (however, negotiation was another assertion of neoliberalism yielding cooperation); instead, dominance of the US in every case has been observed. The US basically tries to maintain its status quo, prevent any challenge from any threat against its power. By international pipeline projects in the Caspian, the US tries to increase its relative gains compared to Russia, and by dominating Turkish – Iranian energy relations, it still increases its relative gains compared to Iran and keeps its status quo by preventing the threat to gain power; and in the Iraqi case it seeks for maximizing its own interests. Meanwhile Turkey, as a rational state, tries to maximize its national interests by integrating

international projects and seeks for support of the US for other possible pipeline projects, which increase its geostrategic importance and yield possible future gains. In the philosophy of neorealism, major expectation drawn from outcomes of energy affairs is little cooperation. Energy policies of Turkey and relations with the US are set into neorealist approach and expectations are drawn accordingly.

CHAPTER IV

THE EUROPEAN UNION AND TURKEY

Turkey stands as one of the important transit routes for pipeline based projects; since due to dependency of the EU on Russian energy; the EU tries to find feasible alternative transit routes. Turkey, due to its geopolitical position and proximity to major world energy exporter countries, aims to become the most feasible and desired route of the EU for energy transit not only from Russia; but from all other sources of gas and oil. Starting from declaration of the official candidacy of Turkey, accession process yields cooperation especially in energy relations and the *acquis* becomes the pushing pressure. Besides, pipelines passing through Turkey strengthen Turkey's position to turn into an energy hub. Along with the aim of becoming an energy hub, Turkey is passionate to turn its energy capacity into an artery supplying large amounts of oil and gas to the EU. Since energy is considered as one of the most important issues for the EU; and Turkey is a candidate country for membership to the Union, 'will its passion on energy pave its way for accession into the EU?' is the main question which an answer is searched about. This chapter uses neoliberalism in order to answer the question.

4.1 Benefits of implementation of the *acquis* on energy

The *acquis* basically refers to the total body of the European Union (EU) law accumulated so far. The EU acquis has currently been split up into 33 chapters (it was composed of 31 chapters for the fifth enlargement process of the EU) for candidate countries (Croatia and Turkey) for easier negotiation in accession process. "The accession process consists of holding explanatory and bilateral screening meetings on the harmonization of the [Turkish] legislation to the *acquis* [in 33 chapters and of negotiating these chapters]" (Republic of Turkey - Secretariat General for EU Affairs, 2008b: 2). "Implementing the acquis requires not only adequate legislation but also well functioning institutions" (Austrian Energy Agency, 2010) such as regulatory or control bodies and authorities. In order for the EU to reach secure, sustainable and reliable goals and objectives in every field of its policies, cooperation with countries - both recently joining and candidate - becomes very crucial. In this context, implementation of the acquis plays a vital role and enables the EU to act on common platform for its policies with member and candidate countries.

As for every sector and issue related with the EU, the EU acquis on energy embodies huge importance and covers key elements of both primary and secondary legislation in the topics of the EU energy policies. "Community energy policy objectives include the improvement of competitiveness, security of energy supplies and the protection of the environment. The energy acquis consists of rules and policies, notably regarding competition and State aid, the internal energy market, energy efficiency and nuclear energy" (European Commission, 2009). In order to maintain efficiency and consistency in energy sector, the EU must create

partnerships and cooperate to guarantee security of its energy supplies, especially with candidate countries. Thus not only countries, from which the EU imports its energy; but also countries, which have turned into energy corridors, stand as very important elements. The EU acquis on energy requires candidate countries to;

i) decide on an overall energy policy with clear timetables for restructuring the sector;

ii) prepare for the internal energy market (the Gas and Electricity directives; the Directive on electricity produced from renewable energy sources);

iii) improve energy networks in order to create a real European market;

iv) prepare for crisis situations, particularly through the constitution of 90 days of oil stocks;

v) address the social, regional and environmental consequences of the restructuring of mines;

vi) waste less energy and increase the use of renewable energies such as wind, hydro, solar and biomass in their energy balance;

vii) improve the safety of nuclear power plants in order to ensure that electricity is produced according to a high level of nuclear safety;

viii) ensure that nuclear waste is handled in a responsible manner; and prepare for the implementation of Euratom Safeguards on nuclear materials.[28]

Turkey, as one of the candidate countries for the EU and energy corridor whose importance and potential value have been increasing, is recognized by the EU as a secure and independent (of Russia) route for EU energy supplies (Tekin and Williams, 2009a: 352). Besides Turkey's strategic proximity to energy exporter countries, its importance to the EU increases the necessity of common or similar policies between the EU and Turkey. Thus implementation of the EU acquis on energy in Turkey becomes very important. In addition to the importance of the EU acquis for common policies, there are evident benefits Turkey gains within the context of rules and principles of the acquis. For instance; opening up of the electricity and gas markets, promotion of renewable energy sources, crisis

[28] European Commission, 2004.

management and oil stock security obligations are among the issues which Turkey improves its potential on.

According to Accession Partnership Program of 2008 of the Council for Turkey in Chapter 15 (which touches upon energy issues) in short term, Turkey should;

> i) Continue alignment with, and implementation of, the acquis on the internal gas and electricity market and on cross-border exchanges in electricity, also with a view to possible membership of the Energy community Treaty. Ensure the implementation of fair and non-discriminatory rules for the transmission of gas;
>
> ii) Continue to develop the capacities of the different regulatory authorities and ensure their independence;
>
> iii) Strengthen administrative capacity and continue alignment in the energy efficiency field, promote high – efficiency cogeneration, and develop renewable energy in transport, electricity and heating/cooling, including the setting of appropriate and ambitious targets and incentives;
>
> iv) Accede to the Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management for energy issues.

In the medium term, Turkey should;

> i) Ensure the establishment of a competitive internal energy market, in compliance with the electricity and gas directives. Further strengthen administrative and regulatory structures needed for a functional and competitive energy market;
>
> ii) Adopt a nuclear law which ensures a high level of nuclear safety in line with the EU standards.[29]

The energy sector in Turkey was one of the most important sectors which was considered as an issue of national sovereignty and was dominated by state - owned companies. "A privatization programme was nevertheless devised with a view to privatizing areas such as coal, oil, electricity and gas" (European Commission, 2009). With current developments, Turkey has allowed foreign investment to be

[29] Republic of Turkey – Secretariat General for EU Affairs, 2008a.

made in energy sector in order to supply energy for increasing demand - which is actually the aspect the European strategy gives importance to along with approximation of adopted laws in this sector.

The European Commission has been publishing annual reports on Turkey's energy policy, developments and implications since the year of officially – announced candidacy (1999). "The 1999 Report emphasized that the objectives of Turkish energy policy were largely in line with those of the EU. They were concerned with security and diversification of sources of supply, market principles, environmental standards and improving efficiency. The amendment of the Constitution, paving the way for privatization, and international arbitration procedures were important steps forward in this connection" (European Commission, 2009). The 2000 Report noted that the acquis in the field of energy had been limited (European Commission, 2009). A year later, in the 2001 Report, the Commission mentioned the importance of adoptions of two new laws regarding electricity and gas. Both the 2002 Report and the 2003 Report emphasized that Turkey had made significant progress in further aligning its legislation with the acquis in this area, particularly in the internal energy market (European Commission, 2009). Besides, in the 2003 Report it is mentioned that Turkey had some achievements in energy efficiency and renewables. The 2004 Report noted deficiencies and necessary progress of Turkish energy policy and the 2005 Report noted the continuation of efforts to align Turkey's energy laws along with a reasonable and ambitious timetable needed for energy efficiency and renewables (European Commission, 2009). This report is the first report especially touching upon nuclear energy. As in the 2004 Report, the 2006 Report noted the importance of progress and in the 2007 Report, especially renewable energy and the independence and capacity of the regulatory

authorities were touched upon (European Commission, 2009). The last report of 2008 puts forth that Turkey has not accomplished significant progress in implementation of the acquis. Regarding security of supply, internal energy market and energy efficiency, limited progress was made. State aid was among the ones where no progress was attained. Competition, transparent and cost-based pricing were not achieved (European Commission, 2008: 56-58).

According to these reports, it becomes evident that continuous efforts have to be made to ensure that the sector was compatible with the EU acquis and also the internal energy market of the EU.

4.1.1 Electricity

In European case, before liberalization of electricity markets, the electricity supply security in a given geographical area was usually ensured by a single, vertically integrated enterprise often publicly owned. In the present liberalized structure, investments are made by market decisions in a competitive framework but transmission investments are controlled by regulatory action or incentives. For electricity utilities, the advent of competitive pressure and falling prices have impacted significantly on financial performance.

In Turkey, according to data of Energy Market Regulation Authority – EMRA (2008: 19), since 1984, the share of the private sector (15%) in electricity production was relatively negligible, compared to share of production by state – owned companies (85%). However since the beginning of the 1990s, with tailor – made modeling for the Turkish electricity sector, share of state-owned companies in

electricity production has been decreased. “Turkey has improved the efficiency of its electricity market while increasing private sector participation in power distribution and generation” (World Bank, 2010), The Electricity Market Law (Law 4628), which was adopted in 2001 within the context of the EU acquis, had an aim to liberalize the electricity market along with maintaining efficiency in production and avoiding technical and other possible problems in production process, to diversify the costs of electricity production among state – owned and private companies, to achieve decrease in losses and leaks in production, and - due to competition – to have low prices (EMRA, 2001: 1). The Commission labels this law (along with the law of gas adopted in 2002 – which is discussed in the following part) as a milestone for energy issues, since “this law concerned in particular the definition of the new structure of the sectors and the status of the players in sector” (European Commission, 2009).

Along with advantages of the law of 2001, there have been inconsistencies of the law. Turkish legislation has not been completely aligned with the EU acquis in this field. There has been no progress with regards to security of supply. Inefficiency and lack of mature structures of state – owned, private companies and the market have made financing of the electricity production difficult. In production and distribution groups (despite existence of several actors, such as state- owned companies, private companies, auto - producer groups and licenses) the structure is vertically integrated. This is a proof of lack of mature structure of the liberalized market (Onel, n.d.).

On the other hand, Turkey has made progress in aligning with the acquis and in its preparations for the internal energy market through the adoption of two major framework laws for the electricity and gas sectors concerning in particular

restructuring and the players in the sectors. "Following the adoption of the 2002 Electricity Market Law, around 20% of the electricity market was opened up in 2002. The aim is to complete the opening up of the market by 2011. Five new implementing regulations have been adopted since the last report. The threshold for eligible consumers has moreover been reduced to 3 GWh" (European Commission, 2009).

Turkey has also set up an Energy Regulatory Board to monitor the energy sector[30]. "In 2002, the EMRA began to issue licenses for various activities in the electricity sector, to approve companies' tariffs and is basically responsible for energy supply security." (Onel, n.d.). Although the establishment, structure and capacity of the EMRA are legally aligned with the EU *acquis*, the Commission, in its reports, states that the independence and administrative capacity of this authority need to be strengthened, including in terms of the number of qualified staff it employs (European Commission, 2009).

Electricity plants operated by natural gas are another issue which embodies a potential problem in Turkish energy sector. In a case of volatility in price of gas with an increasing trend and stability in prices of electricity, profit margins of these plants have decreased. However, according to statistics of EMRA (2008: 6), electricity plants operated by natural gas have the biggest share to meet the demand for a specific date in which the highest demand is recorded. Such inefficiencies and decrease in profits due to volatility in prices threaten electricity supply security.

In this sense, the *acquis* contributes to Turkish legislation and implementation

[30] It should be noted that in the Commission reports the establishment of an energy regulatory board was mentioned as condition for International Monetary Fund (IMF) support for Turkey. In general, Turkey's priority in restructuring the energy sector is to attract investment and reduce state control.

of necessary step for efficiency in electricity sector. According to World Energy Council (WEC) Report on European Electricity Market Vulnerability (2008: 59), "to ensure a regular supply of electricity in the foreseeable future there are three prerequisites: sufficient generation to meet demand, adequate infrastructure to deliver the power and robust technical and administrative operational procedures." First of all, the EU *acquis* enables liberalization of the market by abolishing the vertical structure[31]. The dominant position of the state - owned company in the market becomes adjusted, and due to liberalization, the current restrictions for cross-border trading are removed. Thus this makes the market more competitive and open for new foreign and domestic investments. The domestic electricity market becomes well-designed to work smoothly, thus the European internal electricity market gets affected positively. More investment means more development in the sector. Technical and administrative (education of staff employed) skills becomes better. The *acquis* also accelerates restructuring of companies since there are time tables in terms of most of the principles of the *acquis*. Since the *acquis* makes the market open for investments, construction of small or medium sized plants are enabled and it becomes much easier to meet the demand. For instance; in line with the *acquis*, in the projection report of EMRA (2008: 6), it is stated that throughout the period of 2008 – 2017 capacities of medium sized electricity plants operated by natural gas will be increased with assumption of no shortage of supply of natural gas. In addition to these, since further legislative and administrative steps are needed to be taken for

[31] Vertical structure is in fact not an obstacle against liberalization of the market. Vertical structure becomes beneficial in a fully integrated liberalized market with various actors within the system. However, along with existence of one (or two) monopoly, in such a market, vertical structure prevents liberalization of the market. Due to vertical structure, the company which acts as monopoly prevents other small or medium sized companies to enter the market. Without mature and plausible conditions (such as existence of several actors), vertical structure becomes a threat against liberalization of the market. In Turkish case, as previously touched upon, there are several actors which are vertically integrated in the system. However due to limits in the legislation of Law 4628 and administration, private companies and other auto - producer groups cannot work efficiently within the market.

proper functioning of a competitive electricity market in line with the *acquis*, it enables the Turkish sector to be more improvable.

4.1.2 Oil and Gas

As the Electricity Market Law, the Gas Market Law (Law 4646) is considered as a milestone for the energy sector by the Commission. The law basically enabled the gas market to be opened up. In 2002, regulation on licenses was adopted, and the gas market was opened up for international investment and production. Ongoing monopoly of Turkish Petroleum Pipeline Corporation (in Turkish: Boru Hatlari ile Petrol Taşıma Anonim Şirketi – BOTAŞ) and limited production of gas in Turkey have been surpassed by the Law 4646. The EMRA, established in 2001, was assigned with regulation of gas market in 2002. In addition, other necessary steps have been adopted on tariffs, transport and distribution networks, infrastructure, consumer services and internal installations. Along with liberalization of the market, Turkish energy [gas] sector has started to benefit from foreign investments.

In addition to Electricity Market Law (adopted in 2001) and Gas Market Law (adopted in 2002), the proposed Oil Market Law (2004) is considered as an important step for energy sector. However, due to concerns on national sovereignty, the law was partially vetoed in 2007. Adoption of this law is very crucial to accelerate liberalization, research and development, and to avoid legal risks in the sector. The law in line with the EU *acquis* will enable various companies and institutions to search for oil in Turkish territories. The new Petroleum Law of 2004 is a step forward in terms of alignment with the oil stocks *acquis*. However, oil stocks

are still not calculated according to EU methodology (European Commission, 2009).

"On security of supply, Turkey has already introduced important measures and its oil reserves are more or less at the level of the 90 days required by the *acquis*. Turkey also has an important role to play in the EU's security of supply since it is a transit country for oil and gas from the Caspian Sea, the Black Sea and Central Asia" (European Commission, 2009). Construction of the Blue Stream, the Turkey-Greece-Italy Gas Interconnector, the Nabucco project and the Baku-Tbilisi-Erzurum pipeline are evident examples on Turkey's role in the regional as an energy corridor.

Illegal smuggling is a serious problem for both Turkish oil and gas markets. Thus increase in measures and control to prevent this problem is a significant step in line with the EU *acquis*. In addition to this, due to competition in the market, tax rates in these sectors have been revised. Legislation allows switching to tax system where the balance between direct and indirect taxing is kept constant[32].

4.2.3 Renewable Energy

Although generally renewable resources are more equally distributed and accessible than fossil and nuclear resources, use of this type of energy continues to have economic and technical constraints. Revisions and developments in the market of renewable energy bring significant benefits such as, energy supply security and shift of the sector to a more sustainable development and efficient path.

The problems in the energy efficiency and production yielded a common

[32] Otherwise, even though taxes are one of the income sources for the state, high tax rates affect income distribution negatively. The optimal rate has to be maintained.

response within the EU. In 2006, the Commission introduced the Green Paper on the European Strategy for Sustainable, Competitive and Secure Energy; touching upon ways to reduce the combined environmental and security of supply problems of the large fossil fuel consumption. The paper basically touches upon 6 key areas:

i) Complete the internal electricity and gas markets;

ii) Security of supply in the internal market;

iii) Tackling security and competitiveness of energy supply: towards a more sustainable, efficient and diverse energy mix;

iv) An integrated approach to tackle climate change in line with the Lisbon strategy;

v) A Strategic European energy technology plan;

vi) A common external energy policy.[33]

According to the Treaty of Establishing the Energy Community of October 25, 2005, in Chapter VI (Renewable Energy Sources and Energy Efficiency), Article 35, it is stated that "the Energy Community may adopt measures to foster development in the areas of renewable energy sources and energy efficiency, taking account of their advantages for security of supply, environment protection, social cohesion and regional development" (Stability and Growth Pact for South Eastern Europe, 2005: 12). Turkey is not yet amongst the parties of the Energy Community Treaty establishing a regional energy market in southeast Europe; and the Green Paper does not go beyond being a recommendation document for Turkish energy policies, since Turkey is not a member country of the EU.

On the other hand, Turkey adopted the Law 5346 for use of renewable energy resources for electricity generation in 2005. The law basically "involves energy production and an implementing regulation on the guarantee of origin. The

[33] European Commission, 2006.

framework law also increases the potential for promoting the production of electricity from renewable energy sources" (European Commission, 2009). It still needs to be supplemented by ambitious objectives in order to exploit the vast potential of renewable energy sources, to make prices more attractive and to enable Turkey to compete with other major world powers, since after the current global financial crisis world economy would depart for economic boom.

Nevertheless, Turkey has not yet set a certain target for renewable energy. It is possible to infer that currently Turkey is only partially aligned in this area. "With regard to energy efficiency, Turkey has made some progress by adopting a framework law on energy efficiency, in order to reduce the high energy intensity of the Turkish economy. The law does not, however, contain any objectives and the provisions on high-efficiency cogeneration do not comply with the *acquis*" (European Commission, 2009).

Implementation of the EU *acquis* also enables Turkey to diversify its renewable energy resources. Efficiency and developments in different sectors or branches of energy such as biomass, hydro energy, geothermal energy, wind energy, solar energy (photovoltaic technology) are encouraged, as well as dependency on imported energy decreases due to diversification. In line with the EU *acquis*, Turkey benefits improvements in research and development in this sector.

4.1.4 Nuclear Energy

In Turkey, electricity consumption has increased by 6-7% in recent years (Republic of Turkey – Prime Ministry, 2007: 4). Even if most of the energy sources

(coal, renewables, gas, *et cetera*) are used for electricity production, in medium and long term meeting demand will become a serious problem. Thus nuclear energy seems to turn into a necessity not only for its high efficiency in electricity production, but also for protection of the environment.

The Law 5710 (Construction and Operation of Nuclear Power Plants, and Energy Sale), adopted in 2007, aims to maintain supply security in medium and long term, to spread use of nuclear energy to every sector where necessary, to decrease dependency on foreign energy, and to stabilize energy prices. The framework law enables nuclear power plants which produce electricity to compete and have licenses (Republic of Turkey – Prime Ministry 2007: 4).

Although the law on installation of nuclear energy plants was adopted in 2007, Turkey does not currently have nuclear plants in operation or under construction in any of its various cities. The Commission (2009) states that legislative alignment with the *acquis* must continue and administrative capacity needs to be built up if the nuclear plant construction projects are carried out. In addition to this, the Commission (2009) highlights the importance of independence of the Turkish Atomic Energy Authority (in Turkish: Türkiye Atom Enerjisi Kurumu – TAEK). Supervisory responsibilities are not separated from research and the promotion of nuclear energy.

Nuclear safeguard issue is the other issue which has to be emphasized. "Turkey has concluded a comprehensive safeguards agreement and an additional protocol with the International Atomic Energy Agency (IAEA). Several implementing provisions have been adopted on radiological protection, the basic safety requirements for nuclear power plants, nuclear safety inspections and

penalties, and exports of nuclear materials. Substantial upgrading of existing facilities will however be needed, including radioactive waste management and storage facilities" (European Commission, 2009). Turkey has not acceded to the Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management[34], of which the European Atomic Energy Community (or the EURATOM) became a contracting party in January 2006.

4.2 Turkey's Role as an Energy Hub and its EU Accession Process

According to British Petroleum (BP) Statistical Review of World Energy, June 2009, in total world energy consumption, gas is listed as the third energy source used in the world with a share of 24.1 percent (oil is the leading energy source with a share of 34.8 percent; in the meantime with 29.3 percent coal follows oil as the second major energy source). According to the World Reference Scenario of World Energy Outlook (WEO) 2008 of the International Energy Agency (IEA), share of gas in the total world energy consumption will increase at least by 2 percent by 2030. In the European continent, member countries of the EU compose 17.9 percent of the total world oil consumption, 16.2 percent of the total world gas consumption (and 9.1 percent of the total world coal consumption) (BP, 2009, 11, 27, 35).

The Middle East has 31.9 percent, and the Former Soviet Union (FSU) countries have 16 percent, conversely the EU has 2.7 percent of the world's total proven oil reserves. Concerning the proven gas reserves, the Middle East composes 12.4 percent of total gas reserves; the FSU has 25.8 percent; meanwhile the EU has a

[34] To achieve a high level of safety; to maintain effective defenses against potential hazard; to prevent accidents with radiological consequences are among the objectives of this Convention (IEA, 1997).

share of 6.2 percent in the total proven gas reserves (BP, 2009: 7, 8, 24). Along with the fact that gas is the major energy resource consumed in the world; when ratios and amounts of consumption and proven oil reserves are compared, it will be evident that the EU is completely dependent on energy sources it imports.

Turkey lies next to a region which is rich of gas and oil reserves. Despite its location, Turkey is not bestowed with rich oil and gas reserves. However its proximity to these oil and gas rich countries becomes important in transportation of these energy sources to oil and gas importing countries. Thus, basically, Turkey has an aim to become an energy hub; a center where all energy routes intersect and all energy sources are delivered from. The European continent, which is poor in oil and gas resources, is dependent on the energy it imports. Russia, the North Sea and North Africa are the main sources which the EU meets its energy demand from; in this sense Turkey's main goal is to become an alternative to these sources for the EU by hosting the routes from Caspian and the Middle East (Roberts, 2004: 19). Therefore, Turkey possesses an important position in the EU's energy policies. As implementation of the EU *acquis* in energy sector, development of projects for mutual benefits between Turkey and the EU are essential for both parties.

East – West Energy Corridor is an expression used to define the energy route from basically Caspian to the western energy markets (mainly the EU countries. Targeted markets are: Balkans, Southeastern Europe, Central Europe and Western Europe). The 'energy corridor' term refers to the secure and efficient energy delivery route to meet European energy demand, whereas it depicts another meaning for the Caspian side; such as strengthening the independence and prosperity of Caspian states, encouraging market economy and forming economic linkages between all

consumer countries and supplier Caspian countries. Turkey, in this sense, shoulders a responsibility of being a bridge between these supplier and consumer countries. Turkey's strategy in the Caspian region is to become a major investor and a mediator to promote mutual economic linkage and to ensure the secure flow of oil and gas resources to western energy markets. Since Turkey, which is a major consumer of oil and gas as well, is one of the dominant choices for diversified energy supply portfolio of the EU, the energy transportation projects in which Turkey is involved are considered very important.

The BTC Crude Oil Pipeline and the BTE Gas Pipeline are among the most significant arteries of East – West Energy Corridor, since they carry Caspian oil and gas without crossing Russian territory. These pipelines are important for EU energy policies, since the EU tries to diversify its energy routes and avoid over dependency on Russian resources. Meanwhile Trans Caspian Gas Pipeline Project is another component of East- West Corridor since it is planned to transport gas from Turkmenistan to the EU through Turkey. This pipeline project enables Turkey to strengthen its role in becoming an energy hub, instead of remaining as a consumer country (Socor, 2006). Along with massive gas amounts from Caspian to Europe, the possibility to integrate Trans Caspian Pipeline into the Nabucco Pipeline Project is another positive aspect regarding this project.

Turkey – Greece – Italy Interconnector is another project which is designed to transport Caspian gas through Turkey to the EU without crossing Russian territory with an aim of satisfying the EU's energy demands. This project will make Caspian region available via Turkey and as the market grows in South Eastern Europe will gain another access to reach Caspian sources in order to meet increasing gas

demands of Europe.

The aim of the Blue Stream Gas Pipeline is to eliminate third counties in the gas transportation from Russia to Turkey. Blue Stream is, regarding Turkey's position in energy politics, an important element to make Turkey a gas transmission corridor. It has been recently debated to extend the pipeline to alternative regions. Although there are two alternatives for this plan[35], the first and the most important one, concerning the EU – Turkey energy relations, is expansion of the pipeline to the EU through Bulgaria, Serbia, Croatia, ending with underground gas storage in Hungary (Alexander's Gas and Oil Connections, 2007a). It would use Turkey as a transit point for gas export to the EU; Turkey will strengthen its position in becoming an energy hub. Meanwhile with respect to extension of the Blue Stream, Samsun – Ceyhan Pipeline Project which is planned to form an alternative route for oil, Russia and Kazakhstan export, to reach world markets and to eliminate oil tanker traffic in Turkish straits, is a sister pipeline for Blue Stream 2 Project which is planned to be constructed parallel to Samsun – Ceyhan. Meanwhile there are also ongoing discussions to enlarge the length of the Iraq – Turkey Natural Gas Pipeline Project (which was constructed to transport Iraqi gas to Turkey from northern Iraq) to Europe.

In addition to both operational and proposed pipelines, Nabucco Gas Pipeline Project stands as a crucial component for Turkey's passion to become an energy trade and transit center. The Nabucco Project is designed to deliver the Caspian, the Middle Eastern and Egyptian gas via Turkey, Bulgaria, Romania, and Hungary to Austria and further to the Central and Western European gas markets (Nabucco Gas Pipeline Project, n.d.).

[35] The second plan is to extend the pipeline to the Middle East, especially to Israel.

Shares of the project company are equally distributed between the countries, OMV of Austria, MOL of Hungary, Transgaz of Romania, Bulgargaz of Bulgaria and BOTAŞ of Turkey. "RWE, E.ON Ruhrgas AG of Germany, Gaz de France and Total of France also declared their interest in the project. However, following Turkey's strong resistance against French companies as a response to Nicholas Sarkozy's obstructionist role in Turkey's EU membership process, Gaz de France withdrew its interest in the project and Total was refused direct participation. Eventually RWE joined the project in February 2008, whereas France indirectly joined the project through Romanian Transgaz" (Ünver, 2009: 44)

"Nabucco Project, which, if it is developed in the way its promoters envisage, would do most to establish Turkey as Europe's fourth artery" (Roberts, 2004: 19). In 2000, 67 percent of European gas imports came from Russia (Domanic, n.d.: 6). This information is one of the evident examples of how dependent the EU is on Russia. "Potentially Nabucco can supply up to 5-10% of European gas demand, but in countries that are currently 100% reliant on one external supply route, it will provide immediate tangible security of supply benefits" (President Barroso and Commissioner Piebalgs welcome the signature of the Nabucco Intergovernmental Agreement, July 10, 2009). José Manuel Barroso, President of the European Commission, after the agreement of Nabucco Project, signed in Ankara in 2009, stated that the Nabucco project is very important for Europe's energy security and its policy of diversification of gas supplies and transport routes, besides he highlighted how beneficial the agreement between Turkey and the EU would be on the principles of mutual solidarity, mutual equality and interdependence (President Barroso and Commissioner Piebalgs welcome the signature of the Nabucco Intergovernmental Agreement, July 10, 2009). In addition to the advantages of the Nabucco for the EU

and Turkey, completion of the project will contribute to stability in the South Caucasus, which is the primary transit region hosting European Union-backed gas pipeline, and is expected to assist in the long-sought stabilization of the region (Adilgizi, 2009). Thus this project increases Turkey's position regarding the EU's energy security.

On the other hand although, at the first glance, the Nabucco Project might seem as an ideal project from which both parties, the EU and Turkey, will mutually benefit, there have been negative aspects and technical, geopolitical and economic inconsistencies about the project, concerning the EU, Turkey and the relationship in between.

The Nabucco Project faces the problem of limited production and export of Shah Deniz gas field which is listed as the main source of export of the project. Shah Deniz gas field has already been committed to several countries; such as Georgia, Turkey, Greece and Italy, to meet their domestic gas demands. When the total amount of gas committed to these four countries is deducted from the total amount of gas production in the two phases of gas production, only 3.6 billion cubic meters a year (bcm/y) remain for export which fulfills less portion of the project[36]. Besides, due to increase in the prices of gas Azerbaijan imports from Russia was increased by 46 percent in the first quarter of 2007, Azerbaijan started to utilize gas it produces for its own domestic use. This is another factor contributing to the challenge of Shah Deniz gas that the Nabucco targets as the most reliable gas. In addition to these, pricing conflict between Turkey and Shah Deniz stakeholders is still awaiting a compromise between parties (Pamir, 2009: 38). Since 2008, parties have been

[36] "The development of field is planned by the stakeholders to take place in two successive phases. The first phase is expected to produce 8.5 bcm/y, while the second phase will produce 16 bcm/y reaching a total peak volume of 24.5 bcm/y" (Pamir, 2009: 37)

negotiating for new prices and set the price ceiling for sale and purchase. In order to increase the amount of gas in the project, adding Turkmenistan into the project as a supplier country does not seem possible since there have been a dispute between Turkmenistan and Azerbaijan "over ownership of the three Caspian fields" (Pannier, 2009).

When the other alternative suppliers are analyzed, it becomes evident that the energy framework does not rely on reliable and stable resources. Iran, which has 16 percent of world's proven gas reserves, has, unlike its reserves, 3.8 percent in world's total gas production (BP, 2009: 24) due to sanction and economic isolation. Besides, because of political reasons, Iran does not illustrate a reliable source of energy. Although Iranian energy market stands as an attractive market to invest, investors step back from their investment plans. Meanwhile, instability and lack of appropriate infrastructure in Iraq do not enable Iraq as an efficient source of energy feeding Nabucco. Egypt, on the other hand, does not introduce a source supplying large amounts of gas for the project.

One of the elements which must be touched upon is the Intergovernmental Agreement for the Nabucco Project. The problem about the signed agreement in 2009 is that it does not involve supplier countries as signatory countries. With regards to Turkey's position in the project, the Agreement does not meet Turkey's expectations. There have been some issues considering Turkey, which turn into disadvantages. For instance; "one stop shop" concept contradicts Turkey's claims to become an energy hub, since this concept authorizes only Nabucco International Company for purchase and sale (Pamir, July 20, 2009).

Nabucco is a third party access pipeline; at least 50% of its capacity will be

sold on the open market so that any shipper may buy capacity in order to ship gas (President Barroso and Commissioner Piebalgs welcome the signature of the Nabucco Intergovernmental Agreement, July 10, 2009). Since Turkey is a major consumer country, it demands to retain 15 percent of the gas, transported through the pipeline. However, the Agreement does not illustrate an optimistic figure. This demand was one of the most discussed issues between Turkey and the EU before signing the Agreement, since the EU officials strictly opposed Turkey's demand. In the first clause of the related article (Article 3.3) of the Agreement, it is stated that "…fifty (50) percent of the maximum available total technical annual Transportation capacity in the Nabucco Project, but not more than 15 billion cubic meters per year in the event of a final expansion of capacity to 31 billion cubic meters per year, shall initially be offered to, and if accepted, reserved by the Shareholders, or their affiliates or transferees provided that the remaining capacity will be offered in a transparent, objective and non-discriminatory procedure for Shipper access…" (Agreement among the Republic of Austria, the Republic of Bulgaria, the Republic of Hungary, Romania and the Republic of Turkey regarding the Nabucco Project, July 13, 2009: 7). This article indicates that 50 percent of gas carried in the pipeline will be sold in open market. Stakeholders can have only remaining 50 percent of the total gas. This 50 percent is given "by a first option to the pipeline's owners or their affiliates; if these companies do not make use of this option, the capacity is offered on the open market" (President Barroso and Commissioner Piebalgs welcome the signature of the Nabucco Intergovernmental Agreement, July 10, 2009). Since there are 6 stakeholder companies, every stakeholder will have 16.6 percent, and it does not guarantee any volume to any partner. "The volumes will be 'offered' and at the terminal point (Baumgarten, Austria) without any commitment of volume and/or

price to any party, a competitive sales and purchase process will follow" (Pamir, 2009: 42).

4.2.1 Impacts of Turkey'role in energy security of the EU on its accession process

Turkey has been accused of "not belonging to Europe" by especially the right-wing politicians and supporters since the beginning of its accession process. Nicolas Sarkozy and Angela Merkel are the obvious current examples of political leaders, favoring this discourse. Throughout the fifty year EU accession period, Turkey has been exposed to negative ideological comments against its EU membership. To some Europeans, even if Turkey fulfilled the Copenhagen Criteria, it would never become a member of the EU, since either culturally or geographically, Turkey is not European. On the other hand, the other aspect some Europeans ask is how geopolitical importance of Turkey in the context of energy policies of the EU might affect Turkey's long EU accession journey, as EU becomes much more demanding of energy imported day by day. The pipeline projects, in which Turkey is involved, and adoption and implementation of similar legislations in Turkey enable it to use these as significant leverages for negotiations. In order to have an answer about the issue, neoliberal assumptions and outcomes, which has already been discussed in the second chapter, are utilized in this section.

Interdependence is one of the basic assumptions of the neoliberal school of thought. Interdependence puts forth cooperation, which is desired and achievable according to neoliberalism. Cooperation is grounded on common interests and mutual benefit expectations, as preferences of actors become one of the crucial

elements. Preferences of Turkey, expectations of the EU as an institution determining who will be involved in the European political platform and negotiation dynamics affecting outcomes of maximization attempts are important. The energy sector in Turkey was one of the most important sectors which was considered as an issue of national sovereignty and was dominated by state - owned companies. Nonetheless, in oil, electricity and gas sector privatization has been implemented. With current developments, Turkey has allowed foreign investment to be made in energy sector in order to supply energy for increasing demand – which is actually an aspect of the European strategy – gives importance along with approximation of adopted laws in this sector. This obviously shows that domestic preferences of Turkey have been changed in accordance with the aim of becoming an energy hub. Implementation of the EU *acquis* on energy paves the way for Turkey to enjoy specific advantages which improve and develop the markets as well as the sectors. Besides, such parallel implementations, legislations enable Turkey to have common platform to get integrated into the European structure in terms of energy. In addition to these, absolute gains of Turkey, which it gets from cooperation, compose becoming a major investor in the Caspian region, increasing its geopolitical importance in the region.

On the EU side, the most important problem of the EU is over dependency on Russia for energy imports. Russia is the leading energy source for energy imported. For instance; Russia meets a significant percent of EU's total gas demand (Unver, 2009: 46). The EU also "depends on Russia, the second largest oil exporter, for … oil imports" (Cohen, 2004: 580). Meanwhile, it is presumed that European need for natural gas will increase by 160 percent until 2030 (Domanic, n.d.). "Since the member states geopolitical position can be understood as a proxy variable for the imperatives induced by interdependence and, in particular, the…exogenous increase

in opportunities for cross-border trade and capital movements that should determine national preferences" (Moravcsik, 1998, in Moravcsik & Schimmelfennig, 2009: 81). In this sense, diversification of energy supply embodies a serious concern. In addition to these, relying on one source of energy creates other disadvantages. In winters of 2006 and 2009, when Russian – Ukrainian crisis occurred and blocked the flow of gas from Russia to the EU, it become clear that secure and reliable gas transit routes are crucial. With regards to common interests, joint actions for energy routes and proximal legislations enable both parties to benefit from advantages in the energy sector. For instance, as Turkey links the Caspian and the Middle East to the EU, it strengthens mutual economic linkage and prosperity. Since Turkey ensures a secure and reliable flow of oil and gas from suppliers to the consumers, common projects increase the level of economic cooperation between all parties. Nabucco, extension of Iraq – Turkey pipeline are fair alternatives for diversification of resources and decreasing dependence on Russia. In this sense Turkey, which is named the fourth artery, became one of the important routes for steady and uninterrupted gas routes, and Turkey started to be evaluated in a different perspective. It can be stated that its energy card afforded assistance to eliminate Turkey's negative impression and enabled cooperation to maintain economic benefits.

A possible full membership would enable Turkey "to benefit from a more open and predictable investment climate in its energy sector; by gaining access to EU expertise and new funding options (for example from the European Investment Bank or Germany's KfW, a state – controlled investment vehicle); and by giving Turkey a say in the EU's external energy policy, so allowing the two to cooperate in the Caucaus and Central Asia" (Barysch, 2007: 6). In the meantime it is stressed that

Turkey's full membership will introduce cost – effective means of transportation of energy sources from East to West (Tekin & Walterova, 2007, in Tekin & Williams, 2009b: 10). BTC, BTE Pipelines and Nabucco Project enable Caspian gas to compete with Russian and OPEC oil in Europe. These absolute geopolitical and economic gains oriented from national preferences and expectations of the actors, yield joint action in an area where common interests are satisfied.

As states achieve cooperation for mutual benefits, policy coordination and along with distribution of the mutual gains from cooperation are also other elements to be taken into account. Specific agreements for forcing other actors to make concessions, to encourage flow of information about other actors' preferences are the key elements. For instance; Accession Partnership Program of the Council with the annual reports of the Commission embodies a good example for flow of information, bargaining and concessions. As implementation of the *acquis* in Turkey is important to have parallel structure with the EU, negotiations on some chapters may not be opened, and this lengthens the process. For instance, "some key chapters relating energy, external relations and security and defense matters were held up by several EU member states, including France" (Morelli & Migdalovitz, 2009: 8). In addition to these, there has been weakness in the European Strategy for Turkey, which is, "as a mechanism for bringing Turkey closer to the EU in every field, this strategy was its preoccupation with reinforcing and extending the customs union arrangement above all else…The strategy was too one – dimensional. What Turkey needed most was … inclusion in the range of network projects in the fields of communications, transport, energy and the environment" (Rumford, 2000: 335). Even if the strategy of the EU is considered as one dimensional to some extent, joint actions regarding pipeline projects render Turkey advantageous in negotiations. Since negotiations in energy

chapter is not open (remain blocked because of the stance of Greek Cypriot administration), current pipelines, projects and Turkey increasing importance for secure energy routes to the EU might yield positive effects during negotiation process and might eliminate the blockage of talks on Chapter 15 (which is about energy). In this sense, energy routes through Turkey, emphasizing Turkey's strategic importance as energy transit country, stand as a key policy item in membership negotiations.

Trans – European networks (TENs) are one of the most crucial elements of EU's energy, transport, and telecommunication strategy. Trans – European energy networks (TEN – E), which is one of the three cornerstones of the TENs, "cover the transport and storage facilities of gas as well as the electricity transmission and make a significant contribution to the electricity and gas market" (European Commission, June 20, 2007: 1). TENs are the most significant element of joint action in which Turkey and the EU are involved for cooperation and coordination. "The European Commission believes that the development of TENs is important for boosting growth, competitiveness and employment and is seen as a good way of integrating the candidate countries" (Rumford, 2000: 338). In this sense, every energy route, going through Turkey has to be satisfying the both parties that these routes are well-developed and reliable. For instance; inclusion of Iran as one of the supplier countries for the Nabucco Project, which has been given so much importance by the Turkish side, jeopardizes the importance of the project from eyes of the Europeans. Since Iran has not been appraised as a reliable and stable country by the world public opinion; it faces sanctions and does not cooperate with IEA on its nuclear program; this country creates a question mark for the necessity of the Nabucco Project as there have been discussions about lack of enough gas fulfilling the proposed amount of the

project.

"Turkey also has an important role to play in the EU's security of supply since it is a transit country for oil and gas from the Caspian Sea, the Black Sea and Central Asia" (European Commission, 2009). Construction of the Blue Stream, the Turkey – Greece – Italy Gas Interconnector, the BTC, the BTE and Iraq – Turkey pipeline and proposed projects; Nabucco, Trans Caspian Pipeline, are evident examples on Turkey's role in the regional as an energy corridor. "Turkey, through the EU plan to build the Nabucco gas pipeline in part through Turkey, will play an even more important energy role and could play an important role with respect to Iraq, Iran, Russia, the Black Sea region" (Morelli & Migdalovitz, 2009: 12). However it should be borne in mind that despite energy being one of the important elements of the EU polities, energy and related issues compose only two or three chapters of the *acquis*, and there have been many other issues outlined in the *acquis* – which Turkey has to satisfy. Along with energy sector, Turkey has to comply with the Copenhagen criteria. Since the amount of gas Turkey delivers to the EU does not guarantee membership, progress in every chapter of negotiations must be accomplished.

4.3 How important is Turkey to the EU?

This chapter gives a discussion about energy relations between Turkey and the EU. Neoliberalism has been chosen to analyze energy relations between the two. According to neoliberalism, actors in the world system are not only states; in fact in

this case study it is evident that the EU is a supranational actor[37]; whereas Turkey is a state.

Since Turkish foreign policy gives considerable importance to membership to the EU, implementation of the *acquis* becomes important and the *acquis* has to be fully accepted and implemented. The *acquis* enables Turkey to have common targets with the EU and adapt its internal energy markets to the European system. Regarding energy, in either electricity, or oil and gas, or renewable and nuclear energy sectors, Turkey has accomplished several targets and had its internal markets compatible with the Union's. Basically, compatibility between Turkey and the EU with regards to energy creates a link between Turkey and the Union. Implementation of the *acquis* should not only be considered as a key to unlock the membership gate; yet it provides necessary suggestions and sound policies to prevent setbacks in the energy sector, such as smuggling, inefficiency and increasing costs. In addition to these, Turkey, like the EU, has been trying to find ways to decrease its dependency on imported energy sources. Thus implementation of parallel policies with the *acquis* enables Turkey to develop diversification policies by giving importance to renewable and nuclear energy; and to increase its absolute gains – which are to decrease its dependency on foreign resources and to have more sound policies for energy sector than it used to have. Briefly according to neoliberalism as energy related components of the *acquis* enables Turkey to benefit from absolute gains such as dispelling deficiencies in the energy markets and improving the sector, it also increases cooperation with the EU regarding energy. On the other hand inconvertibility of the *acquis* due to supranational structure of the EU and its dominance in one - dimension (which is that the EU introduces the rules and conditions; and Turkey has to accept

[37] It should be noted that the EU is not solely a supranational actor; yet it has intergovernmental and transnational aspects within itself depending on structuring and functions.

and implement) favors neorealist arguments. However explanatory power of neoliberalism is better than neorealism's, when increasing cooperation and absolute gains; instead of focusing relative gains and race of power, are considered.

International regimes enable states to realize their common interests in economic affairs, and induce states to give more importance to absolute gains. Dependency of the EU on external resources of energy motivates its policies regarding Turkey. Turkey, which is perfectly aware of the fact, tries to enjoy the benefits of international projects, such as Nabucco Pipeline Project, Turkey – Greece – Italy Interconnector, which will favor its energy card over Europe and will strengthen its ties with the Union. Thus international projects become a tool for actualization of Turkey's passion to become an important energy hub and increase its economic prosperity by distribution of energy sources and to have a concrete step towards EU – membership.

Increasing energy demands pressurizes the EU to have urgent actions, so diversification policies become significantly important. Diversification policy of the EU requires getting into closer relations with the Middle East and the Caspian (especially Kazakhstan and Turkmenistan – whose rich resources increase volume of flow of sources of the East to the West and by-pass Russia). Thus possible membership of Turkey as an alternative for efficient route may enable the EU to increase its influence on a larger geographical area than the area (mainly North Africa and Russia) the EU has now closer contacts with and meets its energy demands from. Turkish membership would also provide efficient and less costly route from the East to the West. Besides, Turkey is not only geographically important for efficient and relatively less costly energy routes; yet it also enables the EU to increase European influence in the Middle East and Caspian.

Interdependence along with desire of increasing prosperity and national preferences pushes the EU and Turkey to have increasing cooperation. Common interests and targets yields joint actions which can easily be observed in joints international projects to be constructed for diversification, and safe/secure transportation of energy sources. Thus it can be stated that Turkey serves in favor of the collective interest of the EU which is to diversify not only the route but also the sources it imports energy from.

On the other hand, Turkey's efforts for compatible implementations and joint projects are not enough to pave Turkey's way in favor of full – membership. The *acquis*, which provides sound policy coordination, constitutes a credible commitment towards Turkish accession. However, there is a variety of chapters in the *acquis* to be fully accomplished. Besides, to highlight energy policies of Turkey and EU's dependency on external sources of energy as a vital element for EU – accession does not yield accurate and reliable outcomes. There have been many other routes built or to be built to meet EU's energy demands and in these project Turkey is not involved. In addition to this, it is needless to say that Turkey's willingness and active role in energy security of the EU is not enough to dilute opposition of some European countries to Turkish accession, although Turkey's strategic importance has been recognized in reports of the Union. It should be borne in mind that Turkey is not the only choice for EU regarding energy. Turkey's position in energy can only be an ignition for its accession process. Conversely procrastinating Turkish accession into the Union might cause some problems for the European side. Longstanding accession process and unwillingness of the EU regarding Turkish accession might cause a change in the foci of the Turkish foreign policy, to decrease cooperation with the EU and to favor Russia. Due to the fact that Turkey would develop and favor

projects which are not in favor of interests of the EU; yet are in favor of Russian interests, create setbacks for the European energy security. At the first glance, the evident example would be support of Turkey for involvement of Russian gas in Nabucco. Since Turkey provides a diversified and secure route for energy transportation, stability Turkey ensures for ease of access and transportation of energy resources creates balance against Russia which has been using its natural resources as a tool for international politics (as clearly seen in the case of Russian – Ukrainian crisis recently). Besides, Turkish unsatisfaction might also affect aim of the EU – which is to enlarge its influence towards the Muslim world – and might negatively affect its interests in the Middle East.

As for the Turkish side, economic and common interests, integration with a strong union motivates Turkey to pursue a certain and parallel energy policies; for the European side, although Turkey does not constitute considerable importance for energy security of the EU in the short run; in the long run, it will become more important due to diversification policies and increasing demands of the EU on external energy sources.

CHAPTER V

THE RUSSIAN FEDERATION AND TURKEY

Turkey, whose relations with Russia had started centuries ago, has been a very important neighbor for Russia. After the collapse of the Union of Soviet Socialist Republics, relations of Turkey with the Russian Federation entered into a new era. Although in the first phase of emergence of the Russian Federation, Turkish – Russian relations were mainly focusing on competition over the Caspian region where the new independent states had emerged, the basis of current Turkish – Russian relations comes from increasing cooperation, good neighborhood, joint actions, cooperation and coordination for stability and welfare. In the last years, it has been experienced that Turkey and Russia have become significantly important trading partners. Besides increasing trade interactions, since Russia possesses considerable amounts of energy resources such as oil and gas, and Turkey, as an energy consuming country, lies in between the rich energy resources and energy importing countries of the West, it can be stated that contemporary Turkish – Russian relations are also shaped according to energy politics. Thus in the following

sections of this chapter, Turkish – Russian energy relations will be analyzed. Energy relations will first be highlighted concerning Turkey's domestic energy needs and demands; and then Turkish – Russian energy relations with respect to particular EU energy demand oriented international energy projects, such as Nabucco Gas Pipeline Project, South Stream Gas Pipeline Project and Samsun – Ceyhan Crude Oil Pipeline Project will be touched upon.

5.1 Turkey-Russia Energy Relations

Turkey is one of the fastest growing economies in the world. Turkey's energy demands have been increasing year by year, as access to efficient and continuous energy is a necessity of the modern economies to be enhanced. Oil and natural gas are amongst the major primary energy resources Turkey uses. Regarding energy resources, Turkey is not able to utilize from its own resources due to scarcity in reserves. Thus Turkey is dependent with a relatively large ratio to energy imports.

Russia, as the leading natural gas exporter and the second oil exporter (EIA, 2008: 1), is the main country of resource which Turkey feeds its energy demands from. Turkey exports approximately 65 percent of its natural gas from Russia (Hill and Taşpınar, 2006: 84)[38].

[38] The current level of dependence on imported Russian gas has not decreased and Turkey still remains as the second Russian natural gas importer, following Germany.

Table VI – Major recipients of Russian natural gas exports 2006 – 2007

Rank	Country	2006 Exports (bcf/y)	2007 Exports (bcf/y)	2006 % of Domestic NG Consumption
1	Germany	1,300	1,378	36%
2	Turkey	703	827	64%
3	Italy	756	742	25%
4	France	353	346	20%
5	Czech Republic	261	247	79%
6	Poland	272	247	47%
7	Hungary	272	226	54%
8	Slovakia	240	223	100%
9	Austria	233	191	74%
10	Finland	173	166	100%
11	Romania	180	138	28%
12	Bulgaria	113	120	96%
13	Greece	95	113	82%
14	Serbia & Montenegro	74	74	87%
15	Croatia	35	35	37%
16	Slovenia	25	18	64%
17	Switzerland	14	11	12%
18	Macedonia	4	4	100%
Sales to Baltic & CIS States				
1	Ukraine	2,085	2,240	66%
2	Belarus	724	763	98%
3	Baltic States	173	243	78%
4	Azerbaijan	141	0	35%
5	Georgia	67	36	100%

Source: EIA, 2008: 11

In 2007, 48 percent of imports of "petroleum, petroleum products and related materials" and 56 percent of "manufactured gas" were originated from Russia (Undersecretariat of the Prime Ministry for Foreign Trade, 2007: 49). Turkey is ranked as the second major recipient of Russian natural gas exports, as shown in Table VI.

"Turkey's imports from … Russia are mainly composed of mining products. In particular, 83 percent of imports from Russia … is made up of mining products" (Undersecretariat of the Prime Ministry for Foreign Trade, 2007: 18). As evident from the Table VII, main components of Turkey's imports from Russia are natural

gas, petroleum and their by-products. Especially dramatic change in natural gas imports is an obvious proof for Turkey's dependence on Russia for energy. "Imports of crude oil and oil products from the Russian Federation climbed by 48.7 percent while imports of gas increased by 19.3 percent in 2007" (Undersecretariat of the Prime Ministry for Foreign Trade, 2007: 49) and it has been experienced that this percentage rises year by year due to increasing demand for energy in 2008 and 2009.

Table VII - Primary Goods Imported from Russia (US Dollars)

Name of the product	2007	2008	Change %
Town gas, water gas, petroleum gas, natural gas	6.677.221.466	11.070.113.384	0,66
Coal tar and crude oil products	9.242.372.044	10.242.081.169	0,11
Iron and steel	2.240.806.673	3.732.553.524	0,67
Metals different from iron	1.435.239.762	1.461.057.687	0,02
Coal and lignite	1.163.520.491	1.404.114.801	0,21
Metal ore	1.142.815.329	1.240.630.807	0,09
Cereals	264.065.821	592.196.716	1,24
Organic chemical products	288.798.330	362.450.117	0,26
Fertilizers	150.955.277	274.995.030	0,82
Paper and point paper	163.253.008	187.695.192	0,15
Other Products	739.446.087	796.588.435	0,08
TOTAL	**23.508.494.288**	**31.364.476.862**	**0,33**

Source: Undersecretariat of the Prime Ministry for Foreign Trade, 2009b: 6

If sale and purchase of natural gas and oil is assumed to be as a clerk – client relationship, it would be evident that Turkey, as a client, would definitely have a comparably low share in Russian imports. "The share of the Russian Federation, the largest trade partner of Turkey in the region, incremented by 2.2 points in the previous two years and became 10.2 percent in 2007" (Undersecretariat of the Prime Ministry for Foreign Trade, 2007: 16). Roughly, according to the latest statistics of Undersecretariat of Prime Ministry for Foreign Trade (2009: 5) Turkey's share in

Russian imports is around 2 percent throughout the 2000s, whereas Russia's share in Turkish imports, which has an increasing trend, is (slightly) over 15 percent till the end of 2008. "Due to the massive energy exports, surrounding countries (mainly the Russian Federation) have a greater share in the Turkish foreign trade compared to the neighboring countries" (Undersecretariat of the Prime Ministry for Foreign Trade, 2007: 57).

Table VIII – Trade between Turkey and Russia

Year	Exports (million US dollars)	Turkish Share in Russian Imports	Imports (million US dollars)	Russian Share in Turkish Exports	Balance	Volume
2000	644	1,43	3.887	7,16	-3.243	4.531
2001	923	1,72	3.436	8,60	-2.513	4.359
2002	1.168	1,92	3.863	7,58	-2.695	5.031
2003	1.363	1,82	5.420	7,88	-4.057	6.783
2004	1.851	1,92	9.009	9,27	-7.158	10.860
2005	2.371	2	12.818	11,05	-10.447	15.189
2006	3.227	1,84	17.494	12,77	-14.267	20.720
2007	4.727	2,08	23.506	13,82	-18.779	28.233
2008	6.481	2,21	31.317	15,51	-24.836	37.798

Source: Undersecretariat of the Prime Ministry for Foreign Trade, 2009b: 5

As figured out in Table VIII, although the volume of trade between two countries has significantly increased, the balance of trade does not follow a positively increasing trend; conversely the gap has been increased year by year. Needless to say that the major component of this imbalance of trade is natural gas and oil imports from Russia. "…the Russian Federation is gaining share in Turkey's foreign trade volume. Particularly the rise in energy prices increases Turkey's trade deficit with the Federation" (Undersecretariat of the Prime Ministry for Foreign Trade, 2007: 16). The deficit resulted from Turkey's trade relations with Russia composes one third of the total trade deficit of Turkey (Ministry of Foreign Affairs, 2009b).

Although economic interactions between these two countries deepen, Russia strengthens its energy card over Turkey. Depending on only one source for energy enforces Turkey to accept Russian price setting for every energy resource Turkey imports (Pamir, January 29, 2010). "The rise in energy prices and the Russian Federation's gaining share in Turkish energy imports brought forth the Russian Federation as the top country in Turkish imports." (Undersecretariat of the Prime Ministry for Foreign Trade, 2007: 51). In addition to these, Turkey is obliged to pay for the gas it does not consume, since it commits to buy a certain amount of gas as indicated in the "take or pay" condition in articles of the agreements (Chamber of Mechanical Engineers, 2005).

5.2. Russia as Nuclear Energy and Gas Storage Expert?

According to report of the Turkish Electricity Transmission Company (in Turkish: Türkiye Elektrik İletim Anomim Şirketi – TEİAŞ), entitled 'Electricity Energy Generation Planning Study for Turkey (2005-2020)' which provides guidance for the decision makers, investors and market actors on the timing, composition and capacities of the additional electricity generation sources needed for the next 15 year period, Turkey's electricity demand increases 7.9 percent per year (Nuclear Energy Agency, 2008). This datum is a promising assertion in favor of nuclear plants. With regards to nuclear energy, the Law on Construction and Operation of Nuclear Power Plants and Energy Sale (Law 5710), which stipulates the procedures and principles concerning the construction and operation of nuclear power plants for electricity production and energy sale (Nuclear Energy Agency, 2008), was adopted in 2007. Although hitherto Turkey has not had any nuclear

power plants, many regulations about the licensing and safety of nuclear installations, have been issued to date.

As mentioned in the chapter II, Turkey has had a long period of time to decide and actualize construction of a nuclear plant. The concrete step was taken in 2009 and 2010 in which Turkish and Russian governments signed several protocols on cooperation for nuclear energy plant acquisition. On August 6, 2009, in the context of visit of Prime Minister of the Russian Federation, Vladimir Putin, to Turkey, Agreement Regarding Cooperation for the Use of Nuclear Energy on Peaceful Purposes and Agreement on Early Notification of Nuclear Accidents and Exchange of Information on Nuclear Facilities which envisage cooperation for nuclear energy were signed, in addition to 3 protocols regarding cooperation in two main fields, which are natural gas and petroleum.

During the visit President of the Russian Federation, Dmitry Medvedev, to Turkey in May 2010, 17 agreements on various fields were signed. Among these agreements, the one most prominent issue was about nuclear energy and partnership of Russia and Turkey. Agreement on Cooperation Regarding Construction and Operation of Nuclear Power Plant in Akkuyu was signed upon a unit price of 12.35 cents (Enerji – Energy Internet Portal, May 13, 2010). After ratification of the agreement by the Turkish Parliament, it is expected to construct the nuclear plant, which is presumed to cost 20 billion dollars, in seven years[39]. It is decided to have 4 nuclear reactors, constructed by a Russian company, Rosatom, which will have hundred percent of the shares of the plant in the first phase, and will open a bid for 49 percent of the shares to other investors in the following years. Due to agreements

[39] Previously, there were four auctions for construction of the possible nuclear plant in Akkuyu – Mersin. The last one which authorized a Turkish – Russian company, Atomstroyexport – Inter RAO – Park Teknik, was cancelled in November 2009 (Enerji – Energy Internet Portal, May 13, 2010).

of Rosatom in other countries, especially in China, India and Iran, the company is not allowed to play any role in management positions or to be one of the shareholders (Hürriyet, May 14, 2010).

The domestic energy sector in a country has to provide safe and sufficient energy to consumers in a case of possible problems and challenges such as long winter circumstances, increase in prices of energy imported or energy cuts. In order to supply changing demands and also peak demand for energy, gas storage plants are needed. In Turkey, which has a high level of demand for natural gas, the necessity for gas storage becomes important. Since underground storage plants are much safer and less costly than over ground plants (Petroleum Pipeline Corporation, 2005: 4), spores under the salina of Lake Tuz are more appropriate for such a project besides the other gas storage plants in operation in Turkey[40]. Even though there are not any recent developments regarding natural gas storage plants in Turkey, especially by the Memorandum of Cooperation of Gazprom and Petroleum Pipeline Corporation for Natural Gas of 2004, Russian energy companies has been involved in almost every natural gas storage bids (Fitin, n.d.). One of the recent examples from 2010 would be that one of the energy companies which Gazprom has 71 percent of shares of, Bosphorus Gas, is aiming to bid for the natural gas storage plants (Hürriyet, March 13, 2010).

5.3 Russian Involvement in Energy Routes Passing Turkey

As highlighted since the beginning of the thesis, Turkey strives for becoming

[40] In 1999, the Petroleum Pipeline Corporation and the Turkish Petroleum Corporation signed an Agreement on Storage and Production of Natural Gas, in order to transform the Northern Thrace region, where natural gas production is also conducted, into a natural gas storage plant. (WEC – TNC, 2009: 16)

an energy hub, carrying rich energy sources of the East to the world markets which have increasing energy deprivation from day to day. Russia, as one of the major oil and gas producers in the world, chooses Turkey as one of the main transit countries for delivering its oil and gas. Thus, there have been various accomplished and ongoing projects between Turkey and Russia to maintain safe and efficient energy transportation to consuming countries.

In chapter III, energy routes passing through Turkey were explained. In addition to current pipelines which are in operation; ongoing projects, which are expected to be carried out within a few years, were also expounded upon. Nabucco Gas Pipeline Project, South Stream Gas Pipeline Project and Samsun – Ceyhan Crude Oil Pipeline Project are amongst the most important projects which are in agenda to be discussed as significant efforts of Turkey to consolidate its efforts to become an energy center. However there are also privative points regarding these projects in the sense of hindering Turkey's efforts to strengthen its role in energy policy. Thus, in this section positive and negative aspects of cooperation with Russia for international projects for gas and oil transportation are discussed.

5.3.1 Nabucco Gas Pipeline Project with Russian gas involved

The Nabucco Gas Pipeline Project was introduced as a project serving in favor of diversification policies for energy of the EU to decrease dependency on Russia. Azerbaijan (through Baku – Tbilisi – Erzurum gas pipeline), Iran, Iraq (through proposed Iraq – Turkey gas pipeline project at a later point in time) and Egypt were involved in the project as main gas supplier countries in 2005 (Pamir, 2009: 37). However, insufficient resources of Iran and Egypt, instability in Iraq and due to Azerbaijan's gas commitments to other parties and projects, lack of efficient

amount of gas satisfying the expected volume of the Nabucco project stand as important problems against the project in terms of gas supply. In other words, geopolitical, economic issues and drawback in committed amount of gas from previously listed supplier countries, Russian gas started to be considered as an alternative in addition to the countries above. As a matter of fact, Reinhard Mitschek, who is the managing director of the Nabucco Gas Pipeline International Company, admits that Russian gas can be involved in the project (Mitschek, 2009: 4).

The specific target in such international projects is to enhance safe and secure supply of energy resources – which requires balanced diversification of supplies – with ease of access to cheap gas. The Nabucco stakeholders (which were elaborately listed in the previous section about the EU – Turkey relations) are mainly dependent on imported Russian gas, as figured out in Table IX.

Table IX – Nabucco Stakeholders' Gas Import Dependency to Russia (2008)

Country	Import	Total Consumption	Dependency
Germany	36.20	87.10	41.6 %
Turkey	23.55	37.61	62.7 %
Romania	3.50	4.50	77.7 %
Austria	5.80	8.10	71.60 %
Hungary	8.90	11.50	77.4 %
Bulgaria	3.10	3.10	100 %

Source: Pamir, September 30, 2009: 112

When Nabucco was first introduced, the selling point about the project was

that it was completely free of Russian gas and significantly in favor of the EU's policy for diversification of energy sources. However, involvement of Russia does not distinguish the Nabucco Project from any other Russian gas oriented pipeline project. Vladimir Socor, who is a political analyst of East European affairs, states that "…This is not what Nabucco was, is and should be about…With Russian gas, it does not matter whether this project is called Nabucco or Rigoletto or Aida" (Pamir, 2009: 37). The project, in this state, will not enable its stakeholders to decrease dependency percentages on Russian gas. Besides, this arouses suspicion in European creditors and investors about the project, since basically with the Russian gas they will be investing money for an additional Russian energy service.

5.3.2 South Stream Gas Pipeline Project

South Stream is defined by the Russian state – owned company, Gazprom (2010) as the other real step of the company to diversify the Russian gas supply routes and deliver gas to Europe by contributing energy security of the entire European continent with a system meeting the latest environmental and technological requirements. "The first component the South Stream pipeline at Beregovaya for 560 miles (900 km) under the Black Sea" to Varna (Country Analysis Brief: Russia, 2008: 12). The subsea was first proposed to cross Russian, Ukrainian, Romanian and Bulgarian economic zone. "The second, onshore component will cross Bulgaria with two alternatives; one directed towards the southwest through Greece and Albania; linking directly to the Italian network in Adriatic" (Country Analysis Brief: Russia, 2008: 12). The other alternative is to by-pass Greece and to construct the project through Bulgaria, Romania, Hungary, Slovenia, Macedonia, Albania, Montenegro, Italy and finally Austria. The aim of the project is not only to send gas to Europe and

also, upon suggestion of Greece, to feed the Italy-Greece Interconnector.

Since 2006, Ukraine and Russia have a dispute over price of cubic meter gas and debts which were not paid by Ukraine. The first outbreak of the incident was that in January 2006 Russia cut off supplies to Ukraine and caused gas shortages in European countries. In 2008, as in 2006, unpaid debts of Ukraine evoked gas cutoffs, although the Ukrainian government stated that they made the payment. In 2009, the crisis started again because of failure to reach an agreement on gas prices. These recent developments in relations between Russia and Ukraine, which was a partner of the South Stream Gas Pipeline Project, caused Ukraine to be expelled from the project. Currently the project route has been revised and the new route is planned to cross through Turkish economic zone in Black Sea, instead of Ukrainian economic zone. Exclusion of Ukraine, which transports 80 of gas supplies from Russia to the EU (Weihe, 2007: 35), strengthens Turkey's position regarding energy routes from Russia passing through the Black Sea. In the gas protocol between Russia and Turkey, which was signed on August 6, 2009, authorization of feasibility research done by the Russian Federation in Turkish economic zone of Black Sea in the context of South Stream Project, feasibility research for projects in which Turkey serves as a route for gas delivery to the third parties, in addition to issues such as construction of underground gas storage facilities, prolongation of Agreement on Purchase and Sale of Natural Gas (Memorandum for Western Route – I) dated February 14, 1986; and consortium of Gazprom and Turkish Petroleum Corporation in third countries was also included in the protocol. In the agreements between Russia and Turkey, signed in May 2010, South Stream Gas Pipeline Project was again touched upon.

On the other hand, the South Stream Gas Pipeline Project itself embodies an obstacle against the Nabucco Gas Pipeline Project which is considered as one of the agreements of the century signed for energy (Hürriyet, July 2009). In the context of actualization of the project, Gazprom first signed a deal with ENI, Italian multinational gas and oil company (which was in cooperation with Gazprom for the Blue Stream Project) on November 24, 2007. "On January 18, 2008, Russia and Bulgaria signed an inter – governmental agreement providing for Bulgaria's participation in the South Stream project" (Gazprom, 2010). Afterwards, on February 28, 2009, Russia and Hungary signed an inter – governmental agreement. In 2009, Hungarian Development Bank and Bulgarian Energy Holding signed Cooperation Agreement for implementation of the project (Gazprom, 2010). Bulgaria and Hungary are also the signatory countries of the Nabucco Agreement. Besides before these developments in 2008 and 2009 with two of Nabucco partners, "on November 5, 2008 Austria's OMV energy company advanced toward a final agreement with Russia's Gazprom to share the Baumgarten gas terminal near Vienna. That terminal, however, is the designated end point and regional distribution center for the Western-backed Nabucco gas transport project. Sharing Baumgarten with Gazprom risks pulling the rug from under the Nabucco project" (Sokor, 2008).

Both projects embody strategic and political importance. However both projects have the same target as customer – which is the EU. These projects reduce chances of each other to be built. According to some political – and maybe optimistic – views, these two projects are complementary to fulfill Europe's increasing energy demands; conversely these two are planned to actualize on the same lane. When all of the information is analyzed, such a conclusion would not be wrong that South Stream and Nabucco are rival projects. Besides, although Nabucco aims to diversify

EU energy dependency for different suppliers, Russia becomes another alternative for source of energy carried through Nabucco[41], then both of the projects becomes similar in a sense – which strengthens the rivalry between two.

5.3.3 Samsun – Ceyhan Crude Oil Pipeline Project

Samsun – Ceyhan Project is proposed oil pipeline which is planned to transport Russian oil from Black Sea to the Mediterranean, by-passing the Bosporus and the Dardanelles.

The real step to actualize of the project was taken in 2009. Actualization of common projects and initiatives between Turkish and Russian petroleum corporations on discovery and extraction of hydrocarbon resources in Russia, Turkey and third countries; confirmation of the Russian government to take part in actualization of Samsun – Ceyhan Crude Oil Pipeline Project, forming a group of experts for the Samsun – Ceyhan Crude Oil Pipeline Project, support of Russian government to Russian petroleum corporations to supply crude oil into the project and to construct refineries for Samsun – Ceyhan Crude Oil Pipeline Project and marketing of goods to the world markets were amongst the issues agreed upon in the petroleum protocol of August 6, 2009. Following this protocol, in October 2009, Italian, Turkish and Russian companies signed a memorandum of understanding to discuss conditions to allow Russian companies to participate in the project (Dow Jones Deutschland, October 19, 2009). The other positive step regarding the project was taken during visit of the President of the Russian Federation, Dmitry Medvedev,

[41] It is obvious that offshore projects are more expensive to construct than onshore ones. The cost of the South Stream is around €16 billion – which costs twice as much as Nabucco (The total estimated cost of Nabucco is €7.9 billion) (Spiegel, 2009).

to Turkey in May 2010. Protocols of May 2010 touch upon Samsun – Ceyhan Crude Oil Pipeline project which was highlighted in the Agreement on Cooperation Regarding Delivery of Crude Oil in Black Sea Zone Prioritizing Samsun – Ceyhan Crude Oil Pipeline (besides South Stream Project and extension of Blue Stream) (Enerji – Energy Internet Portal, May 13, 2010).

On the other hand, Burgas – Alexandroupolis Crude Oil Pipeline Project, which is planned to start from Bulgarian coast on Black Sea and to end on Aegean coast of Greece, stands as a rival[42] to Samsun – Ceyhan Crude Oil Pipeline Project to carry Russian and Caspian oil. However, since the pro – western government in Bulgaria, which came to power after the elections in 2009, does not implement parallel polities with Russia, Bulgaria's position in the project, thus the project itself, becomes unclear. This is the reason of Russia's sudden interest in Samsun – Ceyhan Crude Oil Pipeline Project as an alternative project (Euroactiv, October 20, 2009).

5.4 Dependence or Interdependence?

This chapter gives detailed explanation about the scope of Turkish – Russian energy relations. Through theoretical perspective, neoliberalism has been chosen to analyze the outcomes, since assertions of neorealism remain weak to explain increasing cooperation and motivations for energy policies of Turkey and Russia. On the other hand, in order to have a better theoretical explanation of the energy

[42] Burgas – Alexandroupoli is not the only alternative for Turkish straits by – pass plans. Pan European Oil Pipeline, which is a proposed pipeline, starting from Romania, crossing Serbia, Croatia and Slovenia and then ending in Italy, is another alternative plan to transport Russian and Caspian oil to the European markets. The existing Odessa – Brody pipeline between Ukraine and Poland is another alternative for Turkish straits by – pass plans. However negative developments between Russia and Ukraine decreases the chance of the pipeline to become a major element for transportation of oil from Russia and Caspian in Turkish straits by – pass plans.

relations, complex interdependence, a sub – variant of neoliberalism is utilized, since it gives a clear definition of levels of interactions.

The Russian – Turkish relations better fit into complex interdependence concept, rather than only the interdependence term of neoliberal approach. In the interactions of Turkey and Russia regarding energy, it is observed that there are not only states involved in relations; yet there are various channels through which energy relations are built upon. In the relations between these countries, it is obvious that aside from governments, deepened relations with companies in energy sector stand out. Interstate relations, transgovernmental relations and transnational relations are the basic channels for complex interdepence to pursue affairs between countries. The case of energy relations of Turkey and Russia satisfies all of these channels by agreements, talks between governments and companies. These channels provide adequate policy coordination. On the other hand official visits of the Russian President and Prime Minister, representing the state, might hinder this notion. What has been observed is that generally the statesmen direct the energy relations between these two countries. Following the visits, subsequently signed protocols and agreements might show that interactions are generally conducted at interstate level and this might favor neorealist arguments. However it should be considered that energy relations are not only composed of interstate interactions; yet there have been other channels deepening cooperation between these two countries.

Common economic interests, aims to fully integrate with the world markets, and to utilize and to share technologic developments motivate the basis for formation of energy policies between Russia and Turkey. Construction of nuclear plant in Turkey and mutual gains from international pipeline projects such as Nabucco, South

Stream are basic examples. Market widening (meaning cooperation not only in transportation of energy sources; yet collective actions in other fields of energy sector; so that the area in which Turkey and Russia build their relations enlarges) is the basic tool of energy policies of these two countries. On the other hand it can also be stated that the Russian side has been trying to use market widening as tool to increase its dominance on countries which are dependent on Russian energy sources. Neorealists might claim that, although cooperation in energy might be achieved, this cooperation basically favors Russian aims to make every possible actor in the system dependent on itself, so that it would enable Russia to increase its power for regional politics and, maybe, for politics in a wider scope. However the mutual benefits of both Turkey and Russia and inexistence of competition – which might urge these countries to seek for relative gains, decreases explanatory power of neorealism and favors neoliberalist arguments.

Relative gain concept of neorealism cannot fully explain common interests in economic affairs which are mainly observed in energy relations of Turkey and Russia. Thus "absolute gain" concept becomes more adequate for better explanation. Aims to increase economic relations and to enjoy economic gains have been observed especially in the last decade of the Turkish – Russian energy relations. Each state is concerned of their economic interests, and relativity of their gains is not important. For instance; South Stream is a project, introduced to diversify routes of Russian energy transportation, whereas Nabucco is a project developed to decrease dependency on Russian energy sources. There have been changes in both of the projects in favor of both countries; Turkey is planned to be included in the South Stream, and due to some technical and efficiency problems Russian gas is planned to be involved in Nabucco. In both cases Russia obtains economic gains. Conversely as

discussed in the previous sections, rivalry between these two projects may cause Turkey to suffer decrease in its gains. However even though both projects are rivals, and existence of one project decreases importance of the other and chance of actualization, both projects would definitely contribute Turkey's absolute gains by favoring its activeness in transportation of energy routes of the East to the West.

Collective policies and benefits with cooperation constitute a backbone regarding international energy projects. Russia aims to diversify its energy routes and maintain a secure path to deliver its energy sources to world markets, meanwhile Turkey tries to meet its own energy demands and to attract all energy-exporting countries to become an energy hub, and distribute energy sources from its territory to world markets. In this sense, these interests coincide and yield cooperation in the field of energy.

In addition to these, what has been observed in the Turkish – Russia relations in order to prevent cheating and causes for future problems which might result in decrease in cooperation, joint actions and credible commitments are achieved. For instance; Turkey committed Russia to construct one nuclear plant without initiating any bids, in order to assure full Russian support for Samsun – Ceyhan Crude Oil Pipeline project. During the visits of Russian authorities, Samsun – Ceyhan was favored in the agreements; so that it creates a commitment for actualization of the pipeline – which increases Turkey's absolute gains (such as preventing actualization rival projects, increasing its geostrategic importance, maintenance safety in Turkish straits).

This cooperation opened a new era in Russian – Turkish relations. After the dissolution of the Soviet Union, as the newly founded Russian Federation was trying

to maintain its influence on Caspian, Turkey was aiming to liaise with independent Caspian states and cooperate with them to deliver their rich sources to the world. In this sense, the Federation and Turkey were two main parties of a tough competition. However, especially with the recent developments cooperation for international projects, as well as for domestic needs of Turkey, turned into a smooth competition for regional policies. Briefly, "yet throughout the 1990s, the dramatic decrease in threat perception on both sides ways indeed conductive for the warming of Turkish – Russian relations and for the emergence of a plethora of common interests ranging from trade to the certain affinities in the two countries' strategic outlooks" (Torbakov, 2007: 6).

On the other hand, aforementioned arguments also result in negative effects, as they also yield positive outcomes. Interdependence also causes setback in relations between two. "Unilateral dependency generates unbalanced power and abuses" (Weihe, 2007: 33). In the case of Nabucco project, involvement of Russia hinders Turkey's deal of century for becoming an energy hub. Although Turkish – Russian economic relations have been deepening, the trade deficit of Turkey due to its over dependency on Russia for energy sources imported, is amongst negative aspects. Besides, signing agreement with Russia for construction of nuclear reactors without initiating any bids, just to gain support of the Russian Federation in favor of Samsun – Ceyhan Crude Oil Pipeline Project is another setback regarding energy issues. There might have been many other companies involved in the bid – which could have proposed lower costs, and if European companies were involved in construction of the nuclear plant, it might have been much more compatible with the European standards for nuclear safeguards. It is obvious that these relations deepen the economic relations between Russia and Turkey; yet, in the meantime, these cases

causes Turkey to depend on Russia with a considerable percentage. Thus it is not hard to reach a conclusion that unilateral dependency occurs in energy relations between Turkey and Russia. Although economic interests are maximized through cooperation, Russia becomes mostly favored party, whereas Turkey tries to gain more absolute gains to a limited extent, since Turkey is not the only country for Russia's aim to diversify its routes and to participate in international energy projects. Nevertheless, unilateral dependency does not mean that the energy relations fit into neorealist approach; yet it is one of the consequences of cooperation in the relations which arise from domestic needs and trade of energy.

CHAPTER VI

CONCLUSION

This thesis has aimed to explain and analyze energy relations of Turkey with its major allies and neighbors. Thus there have been three case studies in the thesis which basically touch upon energy relations of Turkey with the USA, the EU and Russia. These energy relations have been analyzed in a certain periods. Turkish – American relations were also discussed in three section – which expound upon energy relations of Turkey, the USA and neighbors of Turkey; Azerbaijan (usually referred as Caspian), Iran and Iraq. Mainly the time period chosen to be analyzed is the last decade for each (However for the Caspian there have been given examples earlier than 10 years time). The second case study which touches upon energy relations of Turkey and the EU, has taken start of the official candidacy status of Turkey as the initial point. In the meantime the last decade of the Turkish – Russian energy relations were analyzed since dense interactions especially in energy have been observed. This thesis has tried to find motivations behind the energy policies and discussed tools to achieve certain energy policies. In the final run, how Turkish

foreign policy gets affected by energy policies and Turkey's position in world energy politics have been discussed.

In order to strengthen arguments and assessments, this thesis has utilized two theories; neorealism and neoliberalism – variants of two grand theories. Through the theoretical analyses, especially relative and absolute gains and channels used by the actors for maximization of interests are considered while choosing the theory to be utilized for each case. For the first case study, due to explanatory power of neorealism about influence of dominant state, relative gain concept and maximization of national interests, Turkish – US relations have been examined through neorealist approach. Conversely, considering the structure of the actors in the system, negotiation and mutual interaction, for the Turkey – EU case, neoliberalism has been used, in the meantime the same theory has been chosen to analyze deep cooperation in economic affairs, common interests and credible commitments for the third case which touches upon Turkish – Russian energy relations. However complex interdependence; a sub-variant of neoliberalism has been mainly utilized for analysis of the Turkish – Russian energy relations, since it gives a better explanation for different levels of channels to pursue interactions.

This thesis has not aimed to compare and contrast these three cases; yet utilized mainly textual analysis as methodology. Every case has been examined separately from each other, and it has been tried to give broader explanation of each energy relations through theories. The study has aimed to discuss and find an answer of which energy policy or relations fit into which theory and what the possible outcomes and expectations are. Each chapter ends with its own conclusion and each case study has been analyzed through the theory applied for certain reasons.

First of all the thesis analyzes Turkey energy profile, aiming to yield better assessments for the case studies. The first outcome would be that Turkey is dependent on external energy sources and thus its energy policies remains as supply – oriented. The increasing demand in Turkey especially affects its relations with Russia due to increasing volume of energy trade. Meanwhile, pipeline and pipeline projects compose the other dimension of Turkey's energy policies. Especially for increasing cooperation in safe and secure transportation of energy resources also compose significant part of energy relations of Turkey with other three countries.

With regards to the Turkish – American relations, the first assessment is that there have not been direct energy relations with the USA, their interactions in energy mainly rely on US influence and dominance. Since energy is evaluated as a key element for wealth and power, it becomes an issue of national interest and security. In the Caspian, predominantly, policies of the USA and Turkey's aim correspond, on the other hand due to dominance of US politics regarding that region, Turkey has been facing some setbacks (such as increase in price of Azerbaijani gas in retaliation because of Turkish – Armenian normalization talks). Regarding the Middle East (Iran and Iraq), possibility of a threat which might challenge the USA and its security and passion to maximize its relative gains narrows Turkey's role in the region. According to the research pointed out in this thesis, the outcome about the relations between these two countries would be that energy relations have been directed by the US influence. Turkey fully enjoys the advantage of cooperation, if it gets support from the USA. In a case of a condition which is against the US interests, Turkey has to be contented with the outcomes resulted from the position of the USA. Thus it can be stated that Turkey cannot act as a sovereign regional actor regarding either Caspian or the Middle East and without the support of the USA the role it plays

shrinks. Thus through the neorealist approach, it can be stated that there has been little cooperation between these two countries.

For the energy relations between Turkey and the EU, the assessment is about the importance of Turkey to the EU and its accession process. Basically energy security issue deepens cooperation between Turkey and the EU. Energy cooperation between these two provides mutual benefits for both sides. It is expected that coordinated operation in energy security pushes Turkey to take active role in all EU actions regarding energy security. Collective policies for the proposed pipeline projects or the existing pipelines regarding integration to the European infrastructure and standards and implementation of the *acquis* are important during the accession process. On the other hand it should be borne in mind that Turkey is not the only country which would supply the overall energy demand of the Union. Although Turkey's geopolitical location stresses Turkey's importance regarding energy issues for the EU which is poor of major energy resources; the advantage of the location is not enough to draw a positive scene for future of Turkey's relations with the EU. Thus cooperation in the energy field is not sufficient to pave Turkey's way towards accession. In addition to these, uncertainty and ambivalence in decision of the EU regarding Turkish accession might push Turkey to choose decreasing the level of cooperation and switch its foreign policy toward other alternatives which might favor its energy card. In this sense Russia might become one of the alternatives. In addition to this, excluding Turkey may also cause interruptions between the Muslim world and the EU, and prevent aims of the EU to increase its influence in the Middle East.

As for the Turkish – Russian energy relations, this study reaches a conclusion regarding interdependence between these two countries. In these relations states are

not the only units pursuing energy policies; yet there are other various channels deepening cooperation for common interests in energy affairs by using market widening in energy sector as the basic tool. The focus of each country on absolute gains and increasing their shares in energy sectors ignoring the relativity of the gains compose the backbone of these relations, and Nabucco and South Stream Pipeline projects are conspicuous examples. Collective policies and benefits are backed by joint actions and commitment as observed in signed protocols and agreements. These positive aspects yielded these two countries to cooperate instead of pursuing rivalry between themselves and have closer ties than they used to have since the collapse of the USSR. "There is an influential school of thought arguing that it is the economic cooperation – above all, the massive trade ties, lucrative energy relations – that is the primary vehicle that has been bringing Moscow and Ankara closer together since the end of the 1990s" (Tobakov, 2007: 5). This enables both countries to benefit of advantages of a win – win strategy. On the other hand, in addition to the assessment regarding increased cooperation, the other assessment would be dependence of Turkey on Russia. The improving country share in Turkish imports and growing rate of energy imports from Russia are remarkable. Trading gap (mainly because of trade of energy sources) favoring Russia and Turkey's dependence on Russian sources, besides Russia's passion to be involved in every pipeline project and Turkey's aim for diversification, causes unilateral dependency which, actually, does not favor interdependence. However in any case, there has been increased cooperation favoring mutual interests and gains.

As concluding remarks, it should be noted that the aim of this thesis has not been to compare each case with each other and conclude that one is more dominant than the other in Turkish policies. Instead, this thesis has tried to analyze each case

separately and reach a conclusion in the light of applicable theories. As a result, it has reached to a general conclusion that the three countries have distinct importance. Effects of these cases on Turkish energy policies and Turkish foreign policies are varied, and it is hard to conclude that energy relations of Turkey with one country fundamentally come to the fore.

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