

**AN ASSESSMENT OF THE CHANGING DYNAMICS IN
TURKISH-AZERBAIJANI ENERGY RELATIONS SINCE
THE END OF COLD WAR**

Ayhan Gücüyener

112674008

ISTANBUL BILGI UNIVERSITY

SOCIAL SCIENCES INSTITUTE

INTERNATIONAL POLITICAL ECONOMY GRADUATE PROGRAM

Academic Advisor: Şadan İnan Rüma

February, 2017

An Assessment of the Changing Dynamics of
Turkish-Azerbaijani Energy Relations since
the End of Cold War

Soğuk Savaşın Bitiminden Sonra Türkiye-
Azerbaycan Enerji İlişkilerinin Değişen
Dinamiklerinin Değerlendirilmesi

Ayhan Gücüyener
112674008

Tez Danışmanı: Şadan İnan Rüma (İMZASI)
Jüri Üyesi: İlhan Sağsen (İMZASI)
Jüri Üyesi: Özge Onursal Beşgül (İMZASI)
Varsa İkinci Tez Danışmanı: (İMZASI)

Tezin Onaylandığı Tarih : 08.02.2017

Toplam Sayfa Sayısı: 148

Anahtar Kelimeler (Türkçe)	Anahtar Kelimeler (İngilizce)
1) Enerji	1) Energy
2) Güney Kafkasya	2) South Caucasus
3) Karşılıklı Bağımlılık	3) Interdependence
4) Ortak Fayda	4) Mutual Benefit
5) Boru Hattı	5) Pipeline

TEŐEKKÜR

Bu alıőmanın gerekleőtirilmesinde, iki yıl boyunca enerjinin akademik yönüne iliőklin tüm deęerli bilgilerini benimle paylaőan ve alıőmamda ok büyük emeęi geen Cem Deniz Kut'a; tezimi hazırlamamda yüksek lisans öęrenimim boyunca hiçbir yardımını esirgemeyen Yrd. Do. Dr. őadan İnan Růma'ya, alıőmam boyunca benden bir an olsun desteęini esirgemeyen kardeőim Neslihan Gücüyener'e sonsuz teőkürlerimi sunarım.

İstanbul, 2017

Ayhan Gücüyener

ABSTRACT

One nation-two countries became a fashionable motto in Turkish-Azerbaijani relations which has been promoted since 1990's. After the collapse of Soviet Union two countries became closer and strong cooperation showed its impact on social, economic and political fields. However, the most significant progress was observed in energy field and the current era of Turkish-Azerbaijani relations could be called as "energy relations" period according to many scholars.

Nevertheless, despite the increasing importance of "energy" in bilateral relations, most of the existing literature examines Turkish-Azerbaijani relations mostly by focusing on the political and historical process. Moreover, the field in energy cooperation is generally seen as a product of close historical bilateral relations. As a result, this study aims to investigate the nature of energy relations and try to focus on the real reason lies behind the energy cooperation between two countries. As a result, it could be claimed that two countries' different but complementary approaches to energy security phenomenon, interdependency, and mutual benefits obtained from energy trade consolidate the bilateral relations and trigger a solid cooperation in energy field.

Key Words: Energy, South Caucasus, Interdependence, Mutual Benefit, Pipeline, Natural Gas

ÖZET

Bir Millet-İki Devlet terimi Türkiye-Azerbaycan ilişkileri için 1990'lı yıllardan bu yana en sık kullanılmakta olan sembollerdendir. Özellikle, Sovyetler Birliği'nin çöküşünün ardından, iki devletin giderek yakınlaştığı ve bu yakın işbirliğinin sosyal, ekonomik ve siyasi alanlara da yansıdığı görülmektedir. Bununla beraber, tüm işbirliği alanları arasında, en çok ilerleme enerji alanında gözlemlenmiştir. Hatta enerji alanında gelişen işbirliğine istinaden bazı uzmanlar günümüzdeki Türkiye-Azerbaycan ilişkileri enerji dönemi olarak tanımlamaktadır.

Öte yandan, enerjinin ikili ilişkilerdeki önemine rağmen, günümüzde Türkiye-Azerbaycan ilişkilerine ilişkin yayınların çoğunlukla siyasi ve tarihi perspektif üzerine yoğunlaştığı gözlemlenmektedir. Bunun yanı sıra, enerji alanındaki işbirliği genellikle iyi giden siyasi ilişkilerin bir uzantısı ve ürünü olarak görülmüştür.

Bu çerçevede, bu çalışma iki ülke arasındaki enerji ilişkilerinin gerçek doğasını anlamayı ve iki ülke arasındaki enerji alanındaki işbirliğinin altında yatan ana sebepleri araştırmayı amaçlamaktadır. Sonuç olarak görülmektedir ki, iki ülke arasındaki sağlam enerji ilişkilerinin temelinde, iki ülkenin farklı ancak birbirini tamamlayıcı enerji güvenliği anlayışları, karşılıklı bağımlılık ögesi ve enerji ticaretinden sağlanan karşılıklı fayda yatmaktadır.

Anahtar Kelimeler: Enerji, Güney Kafkasya, Karşılıklı Bağımlılık, Ortak Fayda, Boru Hattı, Doğalgaz

TABLE of CONTENT

Chapter 1: Turkish-Azerbaijani Relations from a Historical Perspective.....	4
1.a. Political History of Turkish-Azerbaijani Relations since Independence.....	5
1.a.1. 1991-1993 Naiveté and Romanticism: Expectations versus Real Capacity.....	5
1.a.2. Disappointment and Understanding Shortcomings (1993-1995).....	10
1.a.3. Realism and Pragmatism Period (1995-2001).....	12
1.a.4. Time for Normalization and Institutionalization (2001-2012).....	13
1.b. Understanding Big Picture: the New World Order, Competition on Energy Resources and its Impacts on South Caucasus.....	17
1.b.1 Russian Federation’s Attitude Towards South Caucasus since 1991.....	18
1.b.2 Caucasus and United States: Pipeline Diplomacy.....	22
1.b.3 Iran’s Perceptions on South Caucasus.....	25
1.b.4 European Union: Ensuring Energy Security.....	32
1.c. Political History of Turkish-Azerbaijani Relations: Where Energy Stands?	28
Chapter 2: Building a Theoretical Framework for the Quest of Energy and Cooperation.....	39
2.a What Does Energy Security Mean in Foreign Politics?.....	40

2.b The Quest for Natural Resources in Theoretical Perspective.....	47
2.b.1 Realist Approach.....	47
2.b.2 Liberal Approach.....	51
2.b.3 Neo Realists Versus Neo Liberals.....	55
2.c Considering “Interdependence” Theory with Energy Security.....	57
2.d Energy Relations from an Institutional Perspective.....	65
Chapter 3: Assessing ‘Politics of Energy’ In Bilateral Relations: Mean of ‘Energy’ For Turkey and Azerbaijan.....	69
3.a Integrating Energy in Foreign Policy Making.....	69
3.b Turkey’s Energy Strategy: Determinants and Policy Implications.....	72
3.b.1. A Favorable Geopolitical Position.....	75
3.b.2 Turkey: An Energy Hunger Country.....	91
3.b.3 Turkey’s Energy Hub Strategy and the Role of Azerbaijan.....	99
3.c Azerbaijan’s Energy Policy: Where Energy Stands in Foreign Policy.....	102

3.c.1 Economic Recovery: Azerbaijan’s Economic Viability and Energy Exports.....	103
3.c.2 Energy as a Tool in Azerbaijan’s Foreign Policy.....	108
3.d Assessing Turkish-Azerbaijani Energy Relations and Understanding the Dynamics.....	113
Conclusion.....	117
Bibliography.....	120
Annex 1: Interview with Experts.....	143

ABBREVIATIONS

AGRI: Azerbaijan-Georgia-Romania Interconnector

AIOC: Azerbaijan International Operating Company

BCM: Billion cubic meters

BTC: Baku-Tbilisi-Ceyhan Crude Oil Pipeline

BTE: Baku-Tbilisi-Erzurum Natural Gas Pipeline

CSIS: The Center for Strategic and International Studies

EBRD: European Bank for Reconstruction and Development

EC: European Commission

EMRA: Energy Market Regulation Agency

EU: European Union

FDI: Foreign Direct Investment

FPA: Popular Front of Azerbaijan

IEA: International Energy Agency

IPE: International Political Economy

IR: International Relations

LNG: Liquefied Natural Gas

MoU: Memorandum of Understanding

NATO: North Atlantic Treaty Organization

NGO: Non-Governmental Organization

NIS: New Independent States

PSA: Production Sharing Agreement

TANAP: Trans-Anatolian Natural Gas Pipeline

TAP: Trans-Adriatic Pipeline Project

TCP: Trans-Caspian Pipeline

SGC: Southern Gas Corridor

SOCAR: State Oil Company of Azerbaijan

SOFAZ: State Oil Fund of Republic of Azerbaijan

UN: United Nations

,

LIST of TABLES

Table 1: Natural Gas Prices for Turkey and Discounts according to Resources

Table 2: How Strategic and Market-based Approach Assess Energy Affairs

Table 3: Linking Energy Security and Foreign Policy

Table 4: Oil Rich Countries in Turkey's Close Region

Table 5: Natural Gas Rich Countries in Turkey's Close Region (bcm)

Table 6: Turkey's Primary Energy Supply in 2013

Table 7: Natural Gas Purchasing Contracts for Turkey

Table 8: Main Natural Gas Suppliers of Turkey in 2015

Table 9: On the Path to Become an Energy Hub

LIST of FIGURES

Figure 1: Emergence of New Independent States

Figure 2: The Planned Route for Nabucco Pipeline

Figure 3: ACG Oilfield Map in Azerbaijan's Caspian Offshore

Figure 4: BTC as the New Component of East-West Energy Corridor

Figure 5: The Proposed Route for Trans-Caspian Pipeline

Figure 6: The Implementation of TANAP Project

Figure 7: Global Energy Consumption Has Been Increasing Since Industrial Revolution

Figure 8: The Energy Relation of EU Member States and Russian Federation

Figure 9: Location of West Siberian Basin in Russian Federation and Concentration of Resources

Figure 10: Iran's Oil and Gas Fields

Figure 11: Turkmenistan's Oil and Gas Field's Map

Figure 12: Natural Gas Bonanza in East Med Region and Discovered Fields

Figure 13: The Changes in Azerbaijan's GDP

Figure 14: The Change in Oil Prices/WTI

INTRODUCTION

After the dissolution of Soviet Union, Azerbaijan was assumed as the most important state that every expert predicted Turkey would make most progress in its post-Cold War relations.¹ Especially in early 1990's the perception of Turkey was not just seems as a friendly but also fraternal country and a natural ally for Azerbaijan.² Nevertheless, today most of the authors and scholars argue that it is time to develop more realistic and mature partnership between these two countries. Besides, they suggest that the relations should be accelerated to "strategic partnership" level.³

In addition to the political dimension, economic ties have had a special role in building strategic partnership which offers mutual benefits for all parties. Bilateral trade, joint energy projects, foreign direct investments (FDI) created a solid basis to two countries' multi-faced strategic cooperation. Especially after 1993, various limitations for both countries emerged, "romantic" period in relations has over and a more "pragmatic" era in bilateral relations has started. As a result "cooperation on energy" field has constituted an important component. Additionally, energy commodity trade and implementation of joint energy projects (for example: BTC and TANAP Pipelines) became the most crucial catalyst in the progress of relations for both countries.

Even though, "energy" constitutes a crucial part of modern states' foreign policy agenda, the lack of theoretical or conceptual background makes studying on energy security more challenging. As Brenda Shaffer points out in the journal of International Security which is a principal journal in international affairs and security studies, only eight articles have appeared in the journal's thirty year history.⁴ With respect to these significant gaps, this academic study aims to fill the gaps in three main points.

Firstly, it is possible to distinguish that despite the importance and determinant role of "energy" mainly in terms of trade of energy commodities, most of the existing literature on Turkish-Azerbaijani relations is based on historical, cultural or political facts. Turkey's

¹ Mustafa Aydın, "Turkish Policy Towards Caucasus", *The Quarterly Journal*, p.44

² Nazrin Mehdiyeva, **Power Games in the Caucasus: Azerbaijan's Foreign and Energy Policy towards the West, Russia and the Middle East**, 2011, p.153

³ Reha Yılmaz, "Türkiye-Azerbaycan İlişkilerinde Son Dönem", *Çankırı Üniversitesi*, p.37

⁴ Ronald Dannreuther, "International Relations Theories: Energy, Minerals and Conflict", Polinares Working Paper, No.8, 2010, p.1

approach to Central Asian Countries and NIS (Newly Independent States) became a popular topic since the end of Cold War. However, the direct reference to “Azerbaijan” is relatively underestimated. Thus this study aims to consider energy as the cornerstone of bilateral relations. Nevertheless, it should be reminded that energy is a large and inclusive notion and by mentioning “energy” mostly oil and gas will be referred.

Secondly, even though the energy literature has been expanding since the end of the Cold War, understanding the changing dynamics for both countries was another main research motivation of this study. For example, Turkey’s energy demand is significantly increasing and ensuring the reliable supply amounts of natural gas became a vital and crucial foreign policy agenda when the requirements is compared with the early 90’s. Simultaneously, Azerbaijan’s geo-political focused energy policy has been transforming and it is becoming more geo-economic which takes into account the rationality of market.

Finally, even though, “energy” plays a crucial role in shaping states’ foreign policy agenda from security and economics perspective, the current energy security literature is unsystematic and lack of theoretical perspective. There has not been a systematic approach or cumulative literature incorporating energy security into foreign policy and energy economics to international political economy. These two tracks generally considered as the separate disciplines. As a result, this study aims to create an added value for energy security literature.

From these assumptions, this study mainly aims to investigate: What is the central motivation of Turkish-Azerbaijani cooperation in energy field and which theoretical frameworks could interpret the nature of this cooperation with respect to the changing dynamics since the end of Cold War?

In that respect, this research will benefit from quantitative and qualitative research tools and comparative research methods in order to reach a solid analysis. While qualitative research methods are generally used to gain an understanding of underlying reasons, opinions and motivators in a fact, during this academic research existing literature and arguments were reviewed from an inductive approach and individual opinions of subject matter experts were taken into account. Additionally, in this study, quantitative method is mostly used to qualify a problem or a phenomenon by the way of generating the numerical data into statistics and information that energy studies require data and analytics for a rational analysis.

Finally, addressing the opinion of various experts by making personal interviews emerges as another research methodology for make a comparison about the existing theories. In that respect, during the next chapters, the determinants of bilateral energy relations will be assessed by taking into consideration historical, political and economic perspectives. In the first chapter, historical process of bilateral relations will be assessed after the dissolution of Soviet Union. Secondly, the role of energy in foreign policy making process will be explained by addressing various foreign policy and political economy theories. Finally, the role of energy in bilateral relations will be mentioned by taking into consideration national energy policies of both states.

CHAPTER 1

ASSESSING THE TURKISH-AZERBAIJANI RELATIONS FROM A HISTORICAL PERSPECTIVE

It is generally recognized that Turkey's relations with Azerbaijan are determined by historical, cultural, ethnic and religious connections. In addition to these factors, cooperation in energy field has been a key factor in bilateral relations.⁵ According to a Turkish scholar Ayça Ergun, four different dimensions could be used in interpreting Turkish-Azerbaijani relations: The capacity and limitations of Turkish foreign policy after the end of Cold War (1), the interest and attitude of West regarding the implementation of regional security (2), the international, regional and national economic interests (mostly the transportation and usage of hydrocarbon resources) (3), the mutual perception of two states.⁶⁽⁴⁾

Nevertheless, Turkish-Azerbaijani relations are not perfect and the recently observed “ups and downs” in bilateral relations means that the period of “romanticism” has over.⁷ Especially, after 1993, a more “pragmatic” nature in bilateral relations has started and “cooperation in energy” field has constituted an important component. In that regard, if the “energy cooperation” between countries is intended to be interpreted by addressing international political economy's and/or international relations disciplines' theoretical perspective, the foreign policy attitudes of both states and the global political context could not be ignored. In addition, Turkish-Azerbaijani relations could not be separated from Turkish Foreign Policy attitude towards Central Asia and Caucasus as well. Finally, the foreign policy dynamics of newly independent Azerbaijan is crucial for this research. In that sense, during this chapter, bilateral relations under a historical perspective will be tried to be handled under the Turkey's “new activism” in foreign policy where Central Asia and Caucasus have emerged as focal points for Turkish foreign policy after the end of the Cold War. Simultaneously the new dynamics and motives in Azerbaijan's foreign policy in the post-independence period will be assessed simultaneously.

⁵ Bülent Aras, “Turkish-Azerbaijani Energy Relations”, Istanbul Policy Center, April, 2014, p.3

⁶ Ayça Ergun, “Türkiye-Azerbaycan İlişkileri”, Mustafa Aydın (ed.), **Türkiye'nin Avrasya Macerası: 1989-2006**, Nobel, İstanbul, 2007, p.241-251

⁷ Uğur Özgöker and Ataman Korhan, **Analysis of the “new” Turkish Foreign Policy**, Hiperlink, 2013, p.123

1. a. Political History of Turkish-Azerbaijani Relations since Independence

For most of the scholars, the general remarks and policy attitudes of Turkish Foreign Policy through Central Asia and Caucasus after the collapse of Soviet Republic could be evaluated in four main periods: Naiveté⁸ and romanticism (1991-1993), Disappointment and Understanding Shortcomings (1993-1995), Realism and Pragmatism (1995-2001)⁹, Normalization and Institutionalization (2001-2012).¹⁰ While the Turkish-Azerbaijani energy relations cannot be evaluated separately from general Turkish foreign policy attitude towards newly independent Central Asian countries, a similar classification could be implemented for Turkish-Azerbaijani relations. For example, Orhan Gafarli who is an experienced expert on Turkish-Azerbaijani relations mentioned the realization of giant projects like BTK (Baku-Tbilisi-Kars) Railway which is an essential part of TRACECA (Transport Corridor Europe-Caucasus-Asia) assessed the changing dynamics in Turkish-Azerbaijani relations with a concept defining the way “from Romance to Pragmatism”.¹¹

1. a. 1. 1991-1993 Naiveté and Romanticism: Expectations versus Real Capacity

The end of the Cold War and the collapse of Soviet Union left no region or country unaffected. It had altered the character of the international political system and its regional subsystems.¹² Especially, for Turkey, this period has highlighted the neglected historical and geographical reality of interconnectedness with its environs. According to Kadri Kaan Renda, the recent activism in Turkish foreign policy and the changing nature of relations with neighbors requires a study which will focus on increasing interdependence. According to author, this new activism in foreign politics facilitates international cooperation, thus it creates a “complex interdependence.”¹³

Energy relations have a special and crucial role in the creation of this complex interdependence with newly independent states. In addition to new period’s political and

⁸Carlo Frappi, “Central Asia’s Place in Turkey’s Foreign Policy”, ISPI, December, 2013, p. 2

⁹Baskin Oran (Ed.), **Türk Dış Politikası: Kurtuluş Savaşından Bugüne Olgular, Belgeler, Yorumlar**, Vol.2, 2009, İstanbul, p. 366

¹⁰ Baskin Oran(Ed.), **Türk Dış Politikası: Kurtuluş Savaşından Bugüne Olgular, Belgeler, Yorumlar: 2001-2012**, Vol.3, 2013, İletişim Yayınları, p.468

¹¹ Orhan Gafarli, “Turkey-Azerbaijan Relations: From Romance to Pragmatism”, *The Jamestown Foundation*, 15.01.2015, Access: <https://jamestown.org/program/turkey-azerbaijan-relations-from-romance-to-pragmatism/>

¹² Shireen Hunter, “Turkey, Central Asia and The Caucasus: Ten Years of Independence”, *Southeast European and Black Sea Studies*, Vol. 1, No. 2, 2001, p.5.

¹³ Kadri Kaan Renda, “Turkey’s Neighborhood Policy: An emerging Complex Interdependence”, *Insight Turkey*, Vol.13, No.1, 2011, p.89.

economic impacts, the dissolution of Soviet Union has profoundly changed and updated traditional energy geopolitics which has led to emergence of a new energy rich location: Caspian Region. On the other hand, while the international political system has been re-emerging and re-defining since the end of the Cold War, Turkey has found it-self at the center of an emerging region: Eurasia. In addition, as NATO (North Atlantic Treaty Organization)'s role in a post-Cold War World was opened up for discussion, Turkey came up against a "security limbo".¹⁴

Despite Turgut Özal's personal leadership and active foreign policy understanding, there were crucial factors which forced to Turkey to lead a more multidimensional foreign policy orientation. According to İdris Bal, three main determinants could explain this shift in foreign policy. Firstly, with the end of the Cold War, the importance of Turkey for the West declined and Turkey was trying to find new arguments to prove that she was still important for world politics. Secondly, gradually cooling relations between European Community and Turkey forced the county to search alternatives as new partners. Especially after 1989 when European Community rejected Turkey's application for full membership, Turkey's Central Asian relations has assumed as an alternative to souring Turkey-EU engagement. Turkish bureaucracy was arguing that Turkey should use these relations as a weapon against the EU and other economic and political power.¹⁵ Thirdly, lack of support for Turkish position on international issues like Cyprus issue, separatism in South East Anatolia encouraged Turkey to look for new allies.¹⁶ On the other hand, according to Baskın Oran, the primary external factor was the US support which pushed the Turkey towards these new countries due to its fear of Iranian influence spreading in the region. ¹⁷During the first years of independence, Turkey was very excited and supposed to obtain a chance to develop relations with long-forgotten Turkic cousins and this emotional era even Tajikistan was mistakenly referred as a "Turkic Republic".¹⁸

In addition, during the early stages, Turkey was served as a model country for the Central Asia and Caucasus for development, thanks to its religious and ethnic ties with newly

¹⁴ Mustafa Aydın, "Turkish Policy towards the Caucasus", *The Quarterly Journal*, p. 39.

¹⁵ Yücel Bozdağlıoğlu, **Turkish Foreign Policy and Turkish Identity: A Constructivist Approach**, Routledge Group, 2003, Great Britain, 2003, p. 96.

¹⁶ İdris Bal, "Turkish Model as a Foreign Policy Instrument in Post-Cold War Era: The Cases of Turkic Republics and the Post September 11th Era", İdris Bal, **Turkish Foreign Policy in Post-Cold War Era (ed.)**, 2004, Brown Walker Press, p. 329.

¹⁷ Swante Cornell, **Small Nations and Great Powers: A Study of Ethnopolitical Conflict in the Caucasus**, Taylor & Francis Group, 2001, p. 279.

¹⁸ Gülay Mutlu, "Turkey's Foreign Aid Policy towards Central Asia", *Usak Yearbook*, Vol.5, 2012, p.130

emerging region. Especially former president Turgut Özal who has launched a concerted campaign to expand relations with NIS (New Independent States), saw Central Asia as a new field for expanding Turkish influence and enhancing Turkey's strategic importance to the West.¹⁹ Also, with the encouragement of the Western countries and ideological concerns of Turkish policymakers, Turkish officials supported the idea of Turkish World from Adriatic Sea to Chinese Wall and discussed the establishment of political and economic union in this geography.²⁰

Figure 1: Emergence of New Independent States



Source: Ifri, New Independent States, Access: <https://www.ifri.org/en/recherche/zones-geographiques/russie-nei/etats-independants>

Among all newly independent countries, Azerbaijan was crucial for Turkey more than one way. Turkey was the first state which recognized Azerbaijan, several weeks before it recognized other states of the region. In addition, Azerbaijan has appeared as the strategically most important country not only for Turkey, but for Iran and U.S as well.²¹ Süha Bölükbaş who is a Turkish scholar defined well the role of Turkish foreign policy in Azerbaijan:

- Support for Azerbaijan's independence
- Support for Azerbaijani Sovereignty over Nagorno-Karabakh

¹⁹F. Stephen Larrabee, "Turkey's Eurasian Agenda", *Washington Quarterly*, 2011, No. 34, p. 103

²⁰Ertan Efeçil, "Rationality Question of Turkey's Central Asia Policy", *Bilgi*, 2009, Vol.2, pp. 75.

²¹ Swante Cornell, *ibid.*, p.281

- Prevention or restriction of Russian presence and influence in the region

-Participation in Azerbaijani oil production and export

-A friendly- but not necessarily Pan-Turkic- Azerbaijani administration.²²

In their formative years, Turkish-Azerbaijani relations developed within the broader context of Turkey's Eurasia politics and Azerbaijan became a cornerstone of Turkey's Eurasia policy.²³ According to Nazrin Mehdiyeva who is an Azerbaijani scholar, between 1991 and 1993 the first stages of the period could be described as "Euphoria" where grand hopes and expectations were resulted with overestimation.²⁴ Similarly, according to Swante Cornell, especially during the first period, enthusiasm was great and sometimes overrode knowledge and reality.²⁵

During the first period of independence, the bilateral relations should also be assessed and perceived from the "leadership" characteristics of both states. During 1989-92, Azerbaijani elites regarded West as protective and liberating and under the Azerbaijan's President Elchibey the romantic admiration directly affected the policy choices of Popular Front of Azerbaijan (FPA). During this period, Turkey enjoyed excellent relations with Azerbaijan. Especially, Elchibey's leadership has significantly marked the period that he was a strong admirer of the founder of modern Turkey, Mustafa Kemal, and proud to point Atatürk pins on his jacket.²⁶

Since the disintegration from Soviet Union, Azerbaijan has been aware that, there are no other viable economic sectors aside from oil industry. Thus, "hydrocarbons" were perceived as a highly strategic commodity and asset. Additionally, energy has perceived as a strong policy tool for Azerbaijan since the country's independence and Baku saw its oil industry as asset to forge closer ties with foreign states.²⁷ This dependence on oil industry could also be rooted in country's geographical and geopolitical isolation as well.²⁸

²² Süha Bölükbaşı, "Ankara's Baku-Centered Transcaucasia Policy: Has it Failed?", *Middle East Journal*, Vol.51, No.1, Winter, 1997, p. 80.

²³ Şaban Kardaş, Fatih Macit, "Turkey-Azerbaijan Relations: The Economic Dimension", *Journal of Caspian Affairs*, Vol.1, No.1, Spring, 2015, p.25

²⁴ Nazrin Mehdiyeva, *ibid.*, p.154.

²⁵ Swante Cornell, *ibid.*, pp. 275.

²⁶ Zeyno Baran, "Turkey and the Caucasus", **İdris Bal, Turkish Foreign Policy in Post-Cold War Era** (ed.), 2004, Brown Walker Press, p. 275.

²⁷ David Hoffman, "Oil and Development in Central Asia and the Caucasus", *NBR Analysis*, Vol.10, No. 3, 199, p. 9.

²⁸ David Hoffman, *ibid.*, p. 9.

Especially, compared to onshore projects, oil projects in Caspian Sea (offshore) was perceived as they have a geopolitical importance.²⁹

However, according to Brenda Shaffer, during the independence period, Baku's view of the role of energy export as a foreign policy tool has evolved. While in the first decade of the independence the country has attempted to leverage its energy export as a foreign policy tool, especially during Ilham Aliyev's presidency, Baku seems to observe the limitations of energy as a political tool mainly in terms of the resolution of the conflict with Armenia on Nagorno-Karabakh.³⁰ While Baku could not be able to take sufficient support from West during Nagorno-Karabakh negotiations, Aliyev choose a more balanced and diversified foreign policy as a small-sized country.

When, the historical process of Azerbaijan's foreign policy is examined, it could be seem that after the independence, the pro-Western course was dominant in Azerbaijan's foreign policy that has launched under President Elcibey and negotiations with foreign oil companies on the exploration and development of country's oil and gas fields have started.³¹ In this conjuncture, it could be claimed that the energy relations between Turkey and Azerbaijan has started be more concretized since 1992 when Azerbaijan has decided to open its vast hydrocarbon reserves to world energy markets. In 5 December 1992, Elcibey who was the former President of Azerbaijan personally called Turgut Özal to send his two bureaucrats to participate energy deal negotiations running with Western energy companies.³²

Despite the excellent bilateral relations, Elchibey did not perceive neither as a great strategist nor a strong leader by certain scholars and authorities.³³ Even though Elchibey has gained a great support from Turkey, his erratic behavior and statements antagonized the country's giant neighbors, Russia and Iran.³⁴ When the country was on the verge of civil war, the short-lived democratically elected government led by Elchibey lost its public support and Elchibey government was ousted in June 1993 by the coup which brought

²⁹ David Hoffman, *ibid.*, p.10

³⁰ Brenda Schaffer, "Azerbaijan's Foreign Policy since Independence", *Caucasus International*, Vol.2, No.1, 2012, Spring, p.82.

³¹ Sabit Bagirov, "Azerbaijan's Strategic Choice in the Caspian Region", Gennady Chufrin (ed.), **The Security of the Caspian Sea Region**, p. 180

³² Serdar Arıkan, "Türkiye Azerbaycan İlişkilerinde TANAP Örneği", (Master's Thesis, İstanbul University), 2014, p. 30

³³ Zeyno Baran, *ibid.*, p.275

³⁴ Swante Cornell, *ibid.*, p. 282

Heydar Aliyev to power. Nevertheless, it should be highlighted that, many social, economic and cultural reforms were firstly declared under Elchibey's leadership. For instance, Latin-based alphabet pioneered during Elchibey's presidency.³⁵ Despite, the critics about Elchibey's so called romantic approach or naiveté, it should be nevertheless added that he was the person of his historical time and reflected the realities of his period.

From Azerbaijan's point of view, during this period, upon gaining independence, Azerbaijan acquired sovereignty over its natural resources and started to attract the attention of energy importing countries.³⁶ Also, the routes of the idea of constructing of Baku-Tbilisi-Ceyhan Pipeline go back to Elchibey's period.³⁷ It could not be ignored that, in the political history of Azerbaijan the role PFA is very important and a crucial landmark in terms of country's democratic transformation.³⁸

1. a. 2. Disappointment and Understanding Shortcomings (1993-1995)

Optimism has marked Turkey's relation with region and Azerbaijan during the period of the first years of independence as described above. However, there were significant constraints in developing relations in the following periods. For example, the Ankara Summit that was organized in October 1992 was later perceived as a disappointment by all parties. Even though, a declaration signed at the end of the summit, it did not entail very specific commitments and contained loose political statements.³⁹

For Turkish-Azerbaijani relations, during the early years of independence, summits were followed by reciprocal visits, business study trips, conferences and student exchanges. Almost all meetings ended with bilateral agreements and by February 1993 over 140 agreements signed between countries.⁴⁰ Even though, a solid partnership was established during Elchibey-Ozal period, according to Nazrin Mehdiyeva, the Azerbaijani government under PFA underestimated the importance of institutional concerns and misunderstood the

³⁵ NY Times, "Abulfaz Elchibey, Who Led Free Azerbaijan, Dies at 62", 23.08.2000,

<http://www.nytimes.com/2000/08/23/world/abulfaz-elchibey-who-led-free-azerbaijan-dies-at-62.html>

³⁶ Rufat Rustamov, "The Trans-Adriatic Pipeline and Nabucco West Pipeline Projects: Advantages and Disadvantages for Azerbaijan", Pleines, Heiko, Heinrich Andreas (ed.), **Export Pipelines From the CIS Region : Geopolitics, Securitization, and Political Decision-making**, 2014, p. 202

³⁷ Elnur Hasan Mikail, Alper Tazegül, **Türkiye ile Azerbaycan Siyasi ve Ekonomik İlişkileri: 1990-2005**, 2012, IQ Yayıncılık, p.25

³⁸ Beyazıt Erkin, "The Rise and Fall of Popular Front of Azerbaijan", *Türk Akademisi*, September, 2013, p.13

³⁹ Gül Turan, İlter Turan and İdris Bal, "Turkey's Relations with the Turkic Republics", İdris Bal, **Turkish Foreign Policy in Post-Cold War Era (ed.)**, 2004, Brown Walker Press, p. 308.

⁴⁰ Nazrin Mehdiyeva, p.162.

main motives.⁴¹ While U.S supported “Turkish Model” has failed, ideological considerations superseded considerations of material factors and long-term constraints were mostly ignored.⁴² For most of the scholars, Elchibey ignored many realities of regional power dynamics. For instance, the former Azerbaijani leader was criticized that Baku engaged in the conflict with Armenia with no allies while Armenia enjoyed a significant support from Iran and Russia.⁴³

When Heyder Aliyev came to power his accession marked a new era in Azerbaijan’s foreign policy.⁴⁴ Aliyev has reversed his predecessors strictly pro-Turkish foreign policy course and⁴⁵ the fall of Pan-Turkic leader Elchibey’s fall could not cope with Turkish foreign policy. During the following periods of President Heydar Aliyev and his son Ilham Aliyev Azerbaijan’s location as a landlocked state created and forced following influences on country’s foreign policy:

- Multi-directional foreign policy
- Multiple oil export pipeline policy
- Distinctive policies toward transit states
- Transportation as a major foreign policy issue⁴⁶

Unlike Elchibey, Aliyev plays the Turkish card whenever it suits his purposes, but can turn back also his back to Ankara if necessary. Annulment of many agreements signed under Elchibey and ordering Turkish nationals to apply visa for Azerbaijan shows well the shift in country’s foreign policy.⁴⁷ In other words, Aliyev sought an alignment not an alliance with Turkey in realizing its key foreign policy goals like exporting its hydrocarbon resources bypassing Russia. However, losing Azerbaijan meant too much risk for Turkey. When Demirel timely warned Aliyev about an imminent coup attempt, mutual trust was developed which enhanced bilateral relations.⁴⁸ This shift and new dynamics in bilateral

⁴¹ Nazrin Mehdiyeva, p.158.

⁴² Brenda Shaffer, “Foreign Policies of the States of the Caucasus: Evolution in the Post-Soviet Period”, *Uluslararası İlişkiler*, Vol.7, No.26, p.56.

⁴³ Brenda Shaffer, "Azerbaijan's Foreign Policy Since Independence", *Caucasus International*, Vol. 2, No. 1, 2012, p.77.

⁴⁴ Nazrin Mehdiyeva, p.172

⁴⁵ Fariz İsmailzade, “Turkey-Azerbaijan: The Honeymoon is Over”, *Turkish Policy Quarterly*, Vol.4, No.4, 2005, p. 7

⁴⁶ Avinoam Idam and Brenda Shaffer, “The Foreign Policies of Post-Soviet Landlocked States”, *Post-Soviet Affairs*, 2011, Vol.27, No.3, p.254

⁴⁷ Swante Cornell *ibid.*, p. 283

⁴⁸ Zeyno Baran, *ibid.*, p. 275

relations could be also considered as the origins of strategic friendship period.⁴⁹ During both Heyder and İlham's presidency, ideological and identity considerations were removed from state policy and National Security Concept of Azerbaijan clearly declares that 'The Republic of Azerbaijan pursuits a multidimensional, balanced foreign policy (balanslaşdırılmış xarici siyaset) (balanced policy was also identified with the name of Heyder Aliyev⁵⁰) and seeks to establish with all countries.⁵¹ Basically, much of Aliyev's policy towards Turkey was intended to prove that is not only Azerbaijan needs Turkey, Turkey also needs Azerbaijan.⁵²

1. a. 3. Realism and Pragmatism Period (1995-2001)

After "Turkish Model" lost its popularity, Turkey was forced to redefine its role and its involvement in the region. Turkey's historical problems with Armenia and the constraints on unilateral actions like country's NATO membership have limited Turkey's ambitions to become a cornerstone in the region.⁵³ Also, it could be claimed that Turkey has overestimated its capacity of assistance and support to the newly independent states of region. The economic aid, grants and credits promised to region's countries did not reached the levels initially promised.⁵⁴ Additionally, according a Turkish scholar Baskın Oran, during the period between 1995 and 2001, both the countries noticed that there were limitations and constraints in bilateral relations.⁵⁵ The both country's leaders were well aware that 'regionalism without realism' will not work.⁵⁶ In other words, if both countries aim to create a functional cooperation in the regional level, the realities of the region and the attitudes of other actors should be taken into account.

While Turkey was aware security concerns of Russian Federation and understood the need for cooperating with Russians in the Caucasus, from Azerbaijan's side, under the leadership of Heyder Aliyev, the period of multi-vectoral foreign policy has started simultaneously. Beyond the conflict with Armenia over the Azerbaijani territory of

⁴⁹ Nazrin Mehdiyeva, *ibid.*, p. 172

⁵⁰ Selma Akyıldız, "Azerbaijan Balance Policy in Heyder Aliyev Era (Between 1993-1995)", *Akademik Perspektif*, 18.01.2014, Access: <http://akademikperspektif.com/2014/01/18/azerbaijan-balance-policy-heydar-aliyev-era-1993-1995/>

⁵¹ Brenda Schaffer, *ibid.*, p.77

⁵² Swante Cornell, *ibid.*, p.283

⁵³ Leila Alieva, "Reshaping Eurasia: Foreign Policy Strategies and Leadership Assets in Post-Soviet Caucasus", *Berkeley Program in Soviet and Post-Soviet South Caucasus*, Winter 1999-2000, pp.8.

⁵⁴ Gül Turan, İlter Turan, İdris Bal, *ibid.*, p.315

⁵⁵ Baskın Oran (Ed.), *ibid.*, p.463

⁵⁶ Nazrin Mehdiyeva, *ibid.*, p.173

Nagorno-Karabakh, Azerbaijan's future was significantly dependent on its ability to forge working relations with its three large neighbors: Russia, Iran and Turkey.⁵⁷ Aliyev's first job was to minimize the interference from the larger states in Azerbaijan's internal affairs.⁵⁸

The period after 1996 was mostly characterized by the President Aliyev's consolidation of power in domestic politics and the ruling elite in New Azerbaijan Party. Under Heyder Aliyev's presidency an informal realist approach was adopted and the main objective was to maintain Azerbaijan's autonomy while deriving beneficial resources from constructive engagements with three major regional actors: the US, the Russian Federation and the Islamic Republic of Iran.⁵⁹

1 .a. 4. Time for Normalization and Institutionalization (2001-2012)

Since the beginning of 2000's, Turkey's relationship between Central Asia has entered "normalization" period rather than being "leader-centric" which is mostly relying on personal relations. When Turkey got rid of the burden of being "elder brother or the leader" of the region, the relations found the opportunity to be built on a more rational basis.⁶⁰

Since the end of the Cold War, the Caucasus has been emerging as main field for competition among global and regional powers. While the US and EU tried to align region's countries' policies with Western values and systems, Russian Federation tried to keep its backyard and preserve the status quo as it is. In fact, for modern Turkey, the Caucasus has not traditionally been a priority of the country and the Caucasus has been conditioned by relations with Russia.⁶¹ Also, according the Davutoğlu, Turkey's Caucasus policy in the 1990 was shaped by parameters of the Azerbaijani-Armenian war.⁶² While Turkey did not behave as a revisionist power in the region throughout the 1990's and early

⁵⁷ SAM (Stratejik Araştırmalar Merkezi), "The South Caucasus: Between Integration and Fragmentation", May 2015, p.30

⁵⁸ Nazrin Mehdiyeva, *ibid.*, p.173

⁵⁹ Jason Strakes, "Azerbaijan and Non-Aligned Movement: Institutionalizing the 'Balanced Foreign Policy' Doctrine", *IAI (Istituto Affari Internazionali)*, Vol.15, No.11, May, 2015, p.3

⁶⁰ Baskın Oran (Ed.), **Türk Dış Politikası: Kurtuluş Savaşından Bugüne Olgular, Belgeler, Yorumlar**, Vol.3, 2013, İstanbul, p. 469

⁶¹ Alexander Jackson, "The Limits of Good Intentions: The Caucasus as a Test Case for Turkish Foreign Policy", *Turkish Foreign Quarterly*, Vol.9, No.4, p.83

⁶² Mithat Çelikpala, "Turkish Foreign Policy and Cross-Border Competition in the South Caucasus", Hamlet Isaxanlı, Ayça Ergun(ed.), **Security and Cross-Border Cooperation in the EU, the Black Sea Region and Southern Caucasus**, *IOS Press*, p.121

2000's with the AKP government, Turkey has launched itself as a regional actor, the foreign policy discourse of the AKP administration emphasized Turkey's historical background and responsibilities. This geography also includes Caucasus.⁶³

Turkey's traditional foreign policy towards Caucasus has been criticized especially by Davutoğlu and he emphasized that the "problem-centered" perspective pursued since the collapse of Soviet Union has not produced any positive results in the regional policies of Turkey in the Caucasus.⁶⁴ However, according to Çelikpala, despite Davutoğlu's criticisms, it is not possible to speak about a different or new approach in Turkey's foreign policy trajectory towards Caucasus until August 2008⁶⁵ Russian-Georgian war. In brief, today, it could be said that Turkey's interest can be broadly group into three categories: ideational, economic and strategic interests.⁶⁶

For Turkish Azerbaijani relations, this period has witnessed the realization of many giant projects, the flow of huge reciprocal investments and the institutionalization of the bilateral relations. However, many tensions have also occurred and affected negatively the relations. First of all, the protocol signed between Turkey and Armenia strained Turkish-Azerbaijani relations and even brought it to the point of rupture. This result demonstrated well that due to the overconfidence the countries did not recognized each other well and there is the necessity that two countries' relations should be discussed and created on a new basis.⁶⁷

From Azerbaijani side, since 1997, unlike Elçibey's period, it could be claimed that Turkey became less important than the earlier years as Azerbaijan focused its efforts direct relations with US. On the other hand, during this period, the bilateral relations have accelerated to the "strategic friendship" level with more concrete projects and visions.⁶⁸ While Turkey has perceived as a reliable partner since 1997, in mid-2000's, Turkey has been increasingly seen as one of the main consumers of Azerbaijan's oil and gas resources.

Despite some disputes and ups and downs in bilateral relations, we could talk about an institutionalization and normalization period after 2000's. While the diplomatic, economic,

⁶³ Mithat Çelikpala, *ibid.*, p.120

⁶⁴ Mithat Çelikpala, *ibid.*, p.122

⁶⁵ Mithat Çelikpala *ibid.*, p.123

⁶⁶ Jackson, *ibid.*, p.83

⁶⁷ Reha Yılmaz, "Türkiye-Azerbaycan İlişkilerinde Son Dönem", *Bilge Strateji, Jeopolitik, Ekonomi-Politik ve Sosyo-Kültürel Araştırmalar Dergisi*, Vol.1., No.2, April, 2010, p. 23

⁶⁸ Nazrin Mehdiyeva, *ibid.*, p.185

military and social are developing rapidly, “The Contract of Strategic Partnership and Mutual Assistance” and “The Common Statement about Founding the Council of a High Level Strategic Cooperation” has signed in 2010.⁶⁹

In addition, the recent years mutual investments between two countries have reached the top levels and three projects have shaped the Turkish-Azerbaijani relations in the recent and latest period. Those of two projects were implemented and now operational: BTC (Baku-Tbilisi-Ceyhan) Crude Oil Pipeline and BTE (Baku-Tbilisi-Erzurum) Natural Gas Pipeline which also constitute the two main pillars of Turkish-Azerbaijani relations.⁷⁰ While BTC is called as the artery of the Azerbaijani economy⁷¹, finalization of Trans-Anatolian Pipeline Project (TANAP) would be the one of the most important developments after implementation of BTC and BTE. In addition to this two giant projects, even though the pipeline could not start its operations and cancelled by its stakeholders, the bilateral relations entered a new phase when intergovernmental agreement of Nabucco pipeline was started in 2009 even the project cannot be implemented⁷²

⁶⁹ Serhat Aktaş, ‘Ilham Aliyev’s Role in the Development of Relations between Turkey and Azerbaijan’, *International Association of Social Science Research*, 2013, p.19

⁷⁰ Bülent Aras, *ibid.*, p.3

⁷¹ Serhat Aktaş, *ibid.*, p.18

⁷² Şahnaz Yılmaz and Tahir Kılavuz, “Restoring Brotherly Bonds: Turkish Azerbaijani Energy Relations”, *PONARS Eurasia Policy Memo*, No.240, September, 2012, p.2

Figure 2: The Planned Route for Nabucco Pipeline



Source: Alternaturk

While Nabucco seems to be as a critical cornerstone and an important component in Turkish-Azerbaijani energy cooperation, some scholars assess that the energy cooperation around Nabucco was unsustainable and Turkey will be facing certain pressures to set a more realistic foreign policy agenda.⁷³ In fact, Nabucco project could never finalized when TAP (Trans Adriatic Pipeline) was chosen to be preferred route to carry Azerbaijani gas to Europe that this decision could be assumed as a signal that Nabucco has effectively been killed.⁷⁴ As a final step, following the signing of the agreement, TANAP is scheduled to be operational by 2018 with an investment of \$12 billion. Finally, it should be underlined that, perhaps TANAP does not reconcile every challenge of Turkey in its quest to become an energy hub, but it will enhance Turkey's potential and capacity along with its aspirations.⁷⁵

Finally, even this period the relations reached its maximum in economic dimension, the ups and downs in political relations are also important in shaping Turkish-Azerbaijani

⁷³ Şaban Kardas, "Turkish Azerbaijani Energy Cooperation and Nabucco: Testing the Limits of New Turkish Policy Rhetoric", *Turkish Studies*, Vol.12, No.1, 2011, p. 55

⁷⁴ Energy Post, "End of Nabucco- end of Southern Corridor?", 27.07.2013, Access: <http://energypost.eu/end-of-nabucco-end-of-southern-gas-corridor/>

⁷⁵ Efgan Nifti, Magsud Mammad, 'A Quest to Become an Energy Hub: The Case of Turkey', 14.01.2015, *Hazar Strateji Enstitüsü*, Access: http://hazar.org/analizdetail/analiz/a_quest_to_become_an_energy_hub_the_case_of_turkey__482.aspx

energy relations. For instance, the signing of April 2009 agreement between Turkey and Armenia created a discomfort in Azerbaijani side. Following this deal, the President of SOCAR (State Oil Company of Azerbaijan), demanded a new deal on energy prices. This request showed that Azerbaijan played the gas price card right after Turkish-Armenian rapprochement and the developments in foreign policy could significantly affect energy policy.⁷⁶

1.b. Understanding Big Picture: The New World Order, Competition on Energy Resources and its Impacts on South Caucasus

Besides the political, economic and cultural dimension of bilateral relations, it should be kept in mind that Turkish-Azerbaijani relations are also influenced by the competition of regional and global powers: Russian Federation, Turkey, Iran, US and EU⁷⁷ In other words historically, due to its critical geopolitical location, Southern Caucasus region has been an arena for the competition between Russian, Iranian and Turkish states. Especially, after the Cold War, the US has also entered in the game and currently the region is represents one of the newest fronts in US-Iranian competition.⁷⁸

Without understanding this new picture and raising importance of Caucasus in global geopolitics, understanding the bilateral relations between Turkey and Azerbaijan becomes more challenging. In other words, global and regional dynamics and interactions among regional powers should have direct or indirect impacts on the development Turkish-Azerbaijani relations. In that regard, during this subchapter, the region and global powers' approaches to South Caucasus region and Azerbaijan will be investigated.

Most of the scholars and authors argue that Caucasus became an area of contention between East-West, especially after the end of Cold War⁷⁹. Additionally, this so-called "New Great Game" and the contest among powers have also been compared by more than one analyst to "Great Game" of the late nineteenth century in which the British and

⁷⁶ Şuhnaz Yılmaz and Tahir Kılavuz, *ibid*, p.2

⁷⁷ Ali Faik Demir, "SSCB'nin Dağılmasından Sonra Türkiye-Azerbaycan İlişkileri", Faruk Sönmezoğlu(ed.), **Değişen Dünya ve Türkiye**, Bağlam Yayınları, 1996, İstanbul, p.221

⁷⁸ Anthony Cordesman, Byran Gold, Robert Shelala and Micheal Gibbs, **The US and Iranian Strategic Cooperation: Turkey and the South Caucasus**, 2013, CSIS, p.6

⁷⁹ Ronald Grigor Suny, "The pawn of Great Powers: The East-West Competition for Caucasia", *Journal of Eurasian Studies*, 2010, Vol.1, No.1, p. 10

Russian empires fight for the geopolitical control of Caucasus and Central Asia.⁸⁰ This situation is exacerbated by the rivalry among a number of countries that aim to fill the “power vacuum” which emerged in the wake of the collapse of Soviet Russia.⁸¹

Different than before the end of Cold War, South Caucasus is currently hosting three independent countries since 1991. While Azerbaijan, Georgia and Armenia are sharing the South Caucasus label, it should be underlined that they differ significantly in size, resources, political options, ethnic and religious structure. This heterogeneity is not important and determinant for local political and security dynamics, but also in terms of how these states relate to external players: Russian Federation, US/NATO and EU.⁸²

1. b. 1 Russian Federation’s Attitude towards South Caucasus since 1991

From Russian Federation’s side, Russian foreign policy continues to focus on upholding or creating a system of international relations in which large states are the primary guardians of global order and free to pursue their national interests.⁸³ In this perspective, Russia never ceased to see itself as one of the major powers. In such conjuncture, Russia maintains a multi-dimensional presence in the South Caucasus and Central Asia than any other countries.⁸⁴ In addition, the South Caucasus is one of the soft bellies of Russian Federation in terms of ensuring Russia’s security and the viability of country’s economy. Among all the factors determining Russian Federation’s attitude towards the region, certain points have the priority regarding South Caucasus:⁸⁵

- The region is a buffer zone with the North Caucasus, which generates grave internal threats to Federation’s security.
- The region’s borders separate Russia from its major southern partners: Turkey and Iran.

⁸⁰ Jim Macdougall, “Russian Policy in the Transcaucasian ‘Near Abroad’: The Case of Azerbaijan”, *Demokratizatsiya*, Vol.5, No.1, Winter, 1997, p. 90

⁸¹ Mustafa Aydın, “Geopolitical Dynamics of the Caucasus-Caspian Basin and the Turkish Foreign and Security Policies”, Fariz Ismailzade and Glen E. Howard (ed.), **The South Caucasus 2021: Oil, Democracy and Geopolitics**, The Jamestown Foundation, 2012, USA, p.171

⁸² Maria Raquel Freire, “Security in the South Caucasus: the EU, NATO and Russia”, *NOREF Policy Brief*, February 2013, p.1

⁸³ Jeffrey Mankoff, **Russian Foreign Policy: The Return of Great Power Politics**, *Council on Foreign Relations*, USA, 2009, p.12

⁸⁴ James Nixey, “The Long Goodbye: Waning Russian Influence in the South Caucasus and Central Asia”, *Chatnam House Briefing Paper*, June, 2012, p. 47

⁸⁵ Vitaly V. Naumkin, “Russian Policy in the South Caucasus”, *The Quarterly Journal*, No.3, September, 2002, p. 31

- The countries in the region have a prominent role in the development of the mineral sources of Caspian Region.
- The region is a gateway for Russian influence in the Middle East and Central Asia.

Since 1992, there have been numerous public statements which suggest Russian Government to intervene to former Soviet Republics as a part of Russia's general strategies. One of the detailed reports was produced by Shelov-Kovadyaev named: Russia in the New Abroad: Strategy and Tactics for Safeguarding National Interests. In the report it was clearly defined that Russia will become "the recognized leader" in the near abroad.⁸⁶In that regard, Moscow's strategic objectives in the Caspian and Caucasus region includes: keeping Azerbaijan's and its Caspian Sea oil fields in the Russian sphere of influence and limiting Turkey's and Iran's influence limited.⁸⁷

Under Putin's presidency, Russia noticeably demonstrated its renewed interest in South Caucasus. Especially, the crisis between Russia and Georgia in 2008 has highlighted the ways in which Moscow can exert its influence and power in South Casasia. Before this crisis, although Moscow utilized political and economic tools to exert it dominance over region's states, the war in 2008 has clearly showed that Russia did not hesitate to commence a military campaign in the region when Kremlin perceived a major assault to Russian national interests.⁸⁸

While political and economic concerns could explain Russian foreign policy attitude towards Caucasus, maintaining control over region's energy resources is one of the main components of foreign policy making process. In other words, the consolidation of control over oil and gas supplies throughout Eurasia is a main tenet in Russia's energy security.⁸⁹Especially during Putin's presidency, "pipeline politics" and the choice of transportation routes of the resources was regarded as a part of new Great Game and economic rationale played a secondary role in the motivations of Great Powers.⁹⁰ Finally,

⁸⁶ Fiona Hill, Pamela Jewett, "Back in the USSR: Russia's Intervention in the Internal Affairs of the Former Soviet Republics and the Implications for United States Policy towards Russia", *Ethnic Conflict Project*, 1994, p. 4.

⁸⁷ Fiona Hill and Pamela Jewett, *ibid.*, p. 10

⁸⁸ Fatma Aslı Kelkitli, 'Russian Foreign Policy in South Caucasus Under Putin', *Perceptions*, Winter, 2008, pp. 73

⁸⁹ Ariel Cohen, 'Russia: The Flawed Energy Superpower', Gal Luft and Anne Korin (ed.), **Energy Security Challenges for the 21st Century**, 2009, Library of Congress, USA, p.97

⁹⁰ Oksana Antonenko, 'Russia's Policy in the Caspian Sea Region: Reconcling Economic and Security Agendas', Shirin Akiner(ed.), **The Caspian: Politics, Energy and Security**, Routledge Group, 2004, p.228

the role of Russian government in the pipeline politics could be characterized by three strategies:

- Promoting the interests of Russian companies in all major Caspian projects
- Giving the 'green light' to foreign investment in Caspian projects undertaken on Russian territory
- Using high level political contracts to reassure Azerbaijan and Kazakhstan that Russia would not use transportation routes through its territory as a means of exerting political pressure on these countries and undermining their economic interests.⁹¹

Beyond the Caucasus, when a deeper analysis on bilateral relations between Russian Federation and Azerbaijan required. According to Araz Arslanlı who is an Azerbaijani expert, in the historical course of Azerbaijan, Russia has always been as an invader, while Russia considered Azerbaijan as both an opportunity and threat.⁹² In fact, while bilateral relations are assessed from an historical and factual perspective, it is possible to say that two main functions are driving the relations: the frozen conflict in Nagorno-Karabakh and the export of Azerbaijani hydrocarbon resources.⁹³ While at the early years of independence, Elchibey pursued a foreign policy which is more pro-Western, since mid-1990, Azerbaijan has been trying to balance its relations with Russian Federation by pursuing a Euro-Atlantic integration. Nevertheless, country has been avoiding actions which could unnecessarily provoke Russian Federation.⁹⁴

Firstly, Russian Federation is a leading actor in Nagorno-Karabakh conflict and this dominant role affects directly relations with Azerbaijan. Thanks to the inefficiency of Minsk Group, in 2008, country launched its own initiative named "Declaration between Azerbaijan, Armenia and Russian Federation" by aiming Russia's influence in the peace process.⁹⁵ However, Russian-Azerbaijani relations could be challenged during this process

⁹¹ Oksana Antonenko, *ibid.*, p.229

⁹² Araz Arslanlı, "Azerbaijan-Russia Relations: Is the Foreign Policy Strategy of Azerbaijan is Changing", *Turkish Policy Quarterly*, Vol.9, No.3, p. 137

⁹³ Heidi Kjaernet, "The Energy Dimension of Azerbaijani-Russian Relations: Maneuvering for Nagorno-Karabakh", *Russian Analytical Digest*, Vol.9, No.56, 2009, p. 2

⁹⁴ Global Security, "Azerbaijan-Russia Relations", Access: <http://www.globalsecurity.org/military/world/azerbaijan/foreign-relations-russia.htm>

⁹⁵ Nona Mikhelidze, "The Azerbaijan-Russia-Turkey Energy Triangle and its Impacts on the Future of Nagorno-Karabakh", *IAI*, Vol.10, No.18, 2010, p.6

while Russian Federation is likely to be Armenia's patron in international relations and two countries signed a treaty ensuring mutual military assistance if either country to be attacked.⁹⁶

Nevertheless, the close relations between Armenia and Russia do not prevent the rapprochement with Azerbaijan. Today, both Azerbaijani and Russian spokesmen tend to define the nature of bilateral relationship as a "strategic partnership", especially after Putin's official visit to Baku in 2016.⁹⁷ In contrast, certain experts claim that Russian-Azerbaijani alliance is weaker than it looks and this is a contemporary marriage of convenience to maximize both countries' geopolitical influence.⁹⁸

Secondly, when it comes to energy relations, it should be highlighted that Russia and Azerbaijan's energy policies are generally conflicting which could sometimes trigger tension in bilateral relations. Russian Federation highly criticized the projects which could challenge its domination in its political or economic sphere of influence. For instance when the first oil extracted from Azeri-Chirag-Guneshli Oil Field, Russian army transferred large amounts of military hardware to Armenia, despite the existence of Armenian-Azerbaijani conflict.⁹⁹ In addition, former Russian Foreign Minister Andrei Kozyrev convinced Boris Yeltsin to sign a secret MoU regarding the protection of Russian interests in Caspian Region.¹⁰⁰

Like several former Soviet republics Azerbaijan was dependent on energy transportation through Russian pipeline infrastructure. However, the establishment of BTC pipeline, Russian monopoly was broken. This means that Russian Federation must rely on another tool to keep Azerbaijan on its hold.¹⁰¹ In fact according to pro-Russian publications, at the early stages, before the implementation of pipeline, Russia saw BTC project as "politically motivated" and totally, US-backed project; believed that Azerbaijan alone can hardly

⁹⁶ Heidi Kjaernet, *ibid.*, p.2

⁹⁷ News.Az, "Relations Between Russia and Azerbaijan are those of Strategic Partnership", 05.08.2016, Access: <http://news.az/articles/interviews/111275>

⁹⁸ Samuel Ramani, "Why the Russia-Azerbaijan Alliance is Weaker than it Looks", *Huffington Post*, 22.08.2016, Access: http://www.huffingtonpost.com/samuel-ramani/why-the-russiaazerbaijan-b_11608854.html

⁹⁹ Svante E. Cornell and Fariz Ismailzade, "The Baku-Tbilisi-Ceyhan Pipeline and the Implications for Azerbaijan", *Central Asia-Caucasus Institute Silk Road Studies Program*, 2005, p.78

¹⁰⁰ Tuncay Babali, 'Implications of the Baku-Tbilisi-Ceyhan Main Oil Pipeline Project', *Perceptions*, Winter, 2005, p. 32.

¹⁰¹ Heidi Kjaernet, *ibid.*, p.3

produce the necessary amount of oil alone.¹⁰² However, in time, although Russia was against Azerbaijan's energy deals with foreign countries, it added more nuance on its stance especially under the rule of Putin.¹⁰³

Even though, Azerbaijan successfully implemented independent energy projects, Russian Federation was blamed the suspicious pipeline attacks to BTC and BTE. Especially, the series of pipeline attacks in 2015 raised some interesting questions in Turkey. For instance, a recent article appeared in 2015 by James Town Foundation questioned that "Could Russia Have Had Role in Recent PKK Attacks on Turkish Pipelines?"¹⁰⁴ The article referred the timing of stalled Russian-Turkish energy relations on Turkish Stream and ensuring PKK on BTE pipeline attacks. Interestingly, another article released by Bloomberg established a relation between the "claimed" cyber-attack on BTC pipeline and Russian energy policies.¹⁰⁵

Today, even though, some tensions could appear in the bilateral relations, Azerbaijan never attempt any acts which could trigger an open conflict with its biggest neighbor. For example, during the recent Russian-Turkish plane crisis in 2015, contrary to the official motto of relations one nation-two states, Baku distanced itself from Ankara which means that Baku need to keep its strong ties with both Turkey and Russia to maintain domestic stability.¹⁰⁶ Finally, it could be claimed that as a newly independent country Azerbaijan should maintain balance of power among the greatest nations in the region and benefit from the competition among the powers of region.¹⁰⁷

1. b. 2 Caucasus and United States: Pipeline Diplomacy

From the Western perspective, the Caucasus is far more important than its size alone, it would suggest its significance for US and Europe due to its crucial geographical

¹⁰² Sputnik, "Russia Skeptical About BTC Pipeline", 02.06.2005, Access: <https://sputniknews.com/business/20050602/40460669.html>

¹⁰³ Araz Arslanlı, *ibid.*, p. 141

¹⁰⁴ James Town Foundation, "Could Russia Have Had Role in Recent PKK Attacks On Turkish Pipelines?", 25.09.2015, *Oilprice*, Access: <http://oilprice.com/Latest-Energy-News/World-News/Could-Russia-Have-Had-A-Role-In-Recent-PKK-Attacks-On-Turkish-Pipelines.html>

¹⁰⁵ Jordan Robertson and Michael Riley, "Mysterious '08 Turkey Pipeline Blast Opened New Cyberwar", *Bloomberg*, 10.12.2014, Access: <http://www.bloomberg.com/news/articles/2014-12-10/mysterious-08-turkey-pipeline-blast-opened-new-cyberwar>

¹⁰⁶ Eurasianet Commentary, "Turkish-Russian Relations Creates Quandary for Azerbaijan", 30.11.2015, Access: <http://www.eurasianet.org/node/76331>

¹⁰⁷ Araz Arslanlı, *ibid.*, p. 145

location.¹⁰⁸ The region is on the one hand, lies at the intersection between Russia, Iran and Turkey. On the other hand it is the bottleneck of East-West Corridor connecting Europe to Central Asia. In that regard, the famous American author and Former National Security Advisor Zbigniew Brzezinski defined the region as a strategic location in his book “The Grand Chessboard”, in 1997¹⁰⁹ Azerbaijan was defined as a “geopolitical pivot” as well.

Most of the authors are evaluating US interests in Caucasus under three broad categories: security, energy and democracy.¹¹⁰ Also, ensuring the access of region’s unutilized natural resources and infrastructure corridors for transporting Central Asian products by avoiding Iran and Russia are the other components of U.S strategy.¹¹¹ Besides these classifications based on the topics and interests, Inessa Baban and Zaur Shiryev evaluate US’s policies towards South Caucasus in a historical review. According to the authors, three different concepts towards Caucasus developed: “soft power”, “hard power” and “smart power”, under the leadership of Bill Clinton, George Bush and Barack Obama respectively.¹¹² Especially, in the latest period, President Obama’s smart power approach toward the region combined the policy patterns of two previous periods: energy projects, military assistance and NATO cooperation.¹¹³

It is true that, especially in the beginning of 1990’s, US’s main concern was to manage a peaceful transition in newly independent countries and the country was mostly focused on the development of democracy and market economy. However, the Caspian oil boom and East-West Corridor for energy supplies to Europe gave the region a new significance.¹¹⁴ Finally, while all approaches regarding “security”, “democracy” and “energy” dimensions should be taken into account and they are highly interdependent, this sub-chapter mostly focuses on “energy” interests.

¹⁰⁸ Svante Cornell, Frederick Starr, Mamuka Tsereteli, “A Western Strategy for South Caucasus”, *Silk Road Paper*, February, 2015, p.5

¹⁰⁹ Svante Cornell, “Azerbaijan: U.S., Energy, Security and Human Rights Interests”, *John Hopkins School of Advanced International Studies*, February 2015, p. 2

¹¹⁰ Ariel Cohen, “Azerbaijan and U.S Interests in the South Caucasus Twenty Years after Independence”, *Caucasus International*, Vol.2, No.1, Spring 2012, p.25

¹¹¹ Anthony Cordesman, Bryan Gold, Robert Shelala and Micheal Gibbs, “U.S and Iranian Strategic Competition: Turkey and South Caucasus”, *CSIS*, 2013, p. 6

¹¹² Inessa Baban, Zaur Shiryev, “The U.S. South Caucasus Strategy and Azerbaijan”, *Turkish Policy Quarterly*, Vol.9, No.2, p.93

¹¹³ Maxim Suchkov, “Re-engaging the Caucasus: New Approaches of U.S Foreign Policy in the Region and Their Implications for U.S-Russia Relations”, *OAKA*, Vol.6, No. 11, 2011, p. 148

¹¹⁴ James Nixey, “The South Caucasus: Drama on Three Stages”, Robin Niblett (ed.), **America and a Changed World**, The Royal Institute for International Affairs, London, 2010, p. 126

Since the collapse of Soviet Union, most of Washington's policies towards region focused on to prevent Russia and Iran to re-establish their dominance in the region. Especially, with the emergence of region's vast natural resources, U.S have strongly supported Turkey to consolidate its regional leadership. In that regard, it could be briefly said that the major achievement of US policy were the implementation of "pipelines" which enhanced U.S's influence in the region more broadly.¹¹⁵

Even though, at the beginning, especially under Clinton's presidency mostly "Russia First" policy was adopted¹¹⁶ and sometimes South Caucasus was mostly disregarded, Caspian Region including South Caucasus has emerged as a strategically important region for U.S. with vast energy resources in the following years. From energy dimension, it could be briefly said that U.S's strategic policy goal was the promotion of the alternative transit routes for the exports of oil and gas from the region in order to by-pass and isolate Iran and to overcome region's overreliance on the Russian energy transport-pipelines- networks.¹¹⁷

Like the overall foreign policy attitude of U.S towards the region as a whole, there is no doubt that "energy" is one of the important dimensions in shaping US foreign policy with Azerbaijan as well. Within the policy of "Westernization" of energy industry in Azerbaijan, American money started to flow Baku thanks to the investments of American oil companies which were attracted by the energy resources of Azerbaijan. Following, close bilateral relations were developed when American companies secured major stakes in the "Contract of the Century" which aims to develop the major Azeri-Chirag-Guneshli oil field.¹¹⁸ Finally and soon, "energy diplomacy" has become the definitive part of US policy towards the country.¹¹⁹

In the beginning Armenia was also supposed to be a partner of US supported regional energy projects by American policy makers. However, while it was understood that Armenia's geopolitical orientation was mostly pre-Russian, Azerbaijan and Georgia were connected with the BTC Crude Oil Pipeline or called as "Silk Road of 21st Century".¹²⁰

¹¹⁵ James Nixey, *ibid.*, p.129

¹¹⁶ Fariz Ismailzade, "U.S Policy towards the South Caucasus: How to Move Forward?", *Caucasus Analytical Digest*, No.13, February, 2010, p. 5

¹¹⁷ Richard Giragosian, "U.S National Interests and Engagement Strategies in the South Caucasus", Gernot Eler (ed.), **South Caucasus: 20 Years of Independence**, Friedrich-Ebert-Stiftung, p.243

¹¹⁸ Nixey, *ibid.* p.129

¹¹⁹ Inessa Baban, Zaur Shiriyev, *ibid.*, p.95

¹²⁰ Laszlo Sebo, Klara Sipos-Kecskemethy, 'Energy Security and the Caucasus Region', *AARMS*, Vol.8, No. 3, 2009, p. 407

This project was aiming to create a solid axis linking Azerbaijan-Georgia and Turkey which will increase U.S presence in the region and ensure the access of non-OPEC energy giants to West.¹²¹

1. b. 3 Iran's Perceptions on South Caucasus

As a result of political and economic developments (collapse of Soviet Union, changing socio-economic realities) Iran ability to conduct active policies to its Western border has limited. As a result, Iran turned its attention to its Northern neighbors.¹²² While Tehran's ties with South Caucasus go back to centuries, South Caucasus is a source of opportunity and threat for the country as well.¹²³ Nevertheless, most of the experts call Tehran policy to South Caucasus as "pragmatic" that the country basically looking for diminishing the Western influence in the region.¹²⁴

For Azerbaijan, similar to Turkish-Azerbaijani relations, "one nations-two states", became a popular motto for Iran-Azerbaijan relations.¹²⁵ Nevertheless, the relations could be named as "complicated" that while Iran and Azerbaijan were assumed to be the cordial states and brotherly nations after the end of Cold War, then they almost engaged in an armed conflict a decade later.¹²⁶

In fact, three main factors have been shaping bilateral relations: ideology, geopolitics and economics.¹²⁷ Nevertheless, the core tension between two countries is mostly related to the ethnic tension concerning the ethnic Azeri in Iran. In addition, conflicting claims on maritime issues of Caspian Sea regarding both states' offshore energy reserves and Iran's support for Armenian position in Nagorno-Karabakh conflict are the other sources of tension in bilateral relations.¹²⁸

¹²¹ Inessa Baban, Zaur Shiriyev, *ibid.*, p.96

¹²² Kaweh Sadegh-Zadeh, "Iran's Strategy on South Caucasus", *Caucasian Review of International Affairs*, Vol.2, 2008, p. 2

¹²³ Amanda Paul, "Iran's Policy in the South Caucasus: Between Pragmatism and Realpolitik", *SAM*, May 2015, p. 53

¹²⁴ Evanthia Balla, "Turkish and Iranian Interests and Policies in the South Caucasus", *NOREF*, Policy Brief, April 2013, p. 2

¹²⁵ Güner Özkan, "Azerbaycan-Iran Relations: One Nation two States or Enemy Brothers", 09.06.2011, *USAK*, Access: <http://www.usak.org.tr/en/usak-analysis/turkey/azerbaijan-iran-relations-one-nation-two-states-or-enemy-brothers>

¹²⁶ Anar Valiyev, "Azerbaijan-Iran Relations: Quo Vadis, Baku?" *Ponars Eurasia Policy Memo*, No.44, September 2012, p.1

¹²⁷ Kaweh Sadegh-Zadeh, *ibid.*, p.4

¹²⁸ Evanthia Balla, *ibid.*, p. 3

Energy has been generally appearing a source of tension between two countries in the last decades. Despite, the balanced foreign policy approach of Aliyev and the first signed deal between two countries in 1992 concerning solving the energy problems in Nakhchivan region,¹²⁹ Iran's exclusion from BTC pipeline's construction and Contract of Century created a tension.¹³⁰ Also both countries have different priorities regarding the legal status of Caspian Sea. While Azerbaijan argues that Caspian should be divided according to national coast lines with respect to UN Convention Sea of Law, Iran argues that Caspian should be divided into five equal parts.¹³¹

Nevertheless, it should be kept in mind that various areas for cooperation could be occurred for both states. For example, Azerbaijan already invited Iran to use its oil and gas infrastructure to export its hydrocarbon resources to West via BTC or TANAP-TAP Projects. In addition, due to the fact that Azerbaijan is an experienced and reputable country in energy industry, Iran's officials often invited Azerbaijan to invest in country's infrastructures.¹³² In fact, it is obvious that rather than conflicts, the energy sector could suggest an effective partnership if both states could overcome their political clash of interests, especially for those over the Caspian Sea.

1. b. 4 European Union: Ensuring Energy Security

The European Union (EU) has become apparent in the South Caucasus scene in the early of 1990's. While "security" was the main concern at the beginning, during this period, the Union, has undertaken diplomatic efforts in conjunction with UN, OSCE, the Council of Europe, and NATO.¹³³ Nevertheless, the EU's policy towards Caucasus is a typical example of the inability of its members to develop a common policy towards the post-Soviet States.

¹³⁴Especially, the tragic events of 11 September 2001 brought changes to Union's policy that EU has redefined its attitude toward Caucasus. In December 2003, EU launched an action towards to 'take a stronger and more active interest in the problems in the Southern

¹²⁹ Omid Shokri Kalehsar, "Iran-Azerbaijani Energy Relations in the Post-Sanctions Era", *Middle East Policy*, Vol 13., No.1, Spring 2016, p.137

¹³⁰ Kaweh Sadegh-Zadeh, *ibid.*, p.5.

¹³¹ Omid Shokri Kalehsar, *ibid.*, p. 139

¹³² Omid Shokri Kalehsar, *ibid.*, p. 140.

¹³³ Elkhan Nuriyev, "EU Policy in the South Caucasus: A View from Azerbaijan", *CEPS Working Document*, No.272, p. 1

¹³⁴ Stefan Meister, "Recalibrating Germany's and EU's Policy in the South Caucasus", *DGA Panalyse*, 2010, p.4

Caucasus'.¹³⁵ Following when in 2004, European Neighborhood Policy (ENP) started, this policy allowed EU to foster cooperation and integration with South Caucasus states.¹³⁶

After the recent enlargements, EU's relations with South Caucasus became Union's one of the top priorities. Thus, currently, EU is seeking an increasing close relationship and trying to strengthen its ties with South Caucasus countries.¹³⁷ Nevertheless, the real reason behind this rapprochement could be also explained by the quest for energy supply security of Europe. In order to remain as another power center the European Union should supply secure, uninterrupted, clean and cheap energy and all of its energy sources should be diversified.¹³⁸ In that regard, EU's growing interest in diversification its energy resources and suppliers pushed the Union to develop closer relations with the Caucasus.¹³⁹ Currently, Europe is one of the major energy consumers in the world and the forecasts show that it will be the largest natural gas market in 2035.¹⁴⁰

Regarding the quest for ensuring European Energy security, the current discussions are focusing on establishing an "Energy Union". The Energy Union could be considered one of the biggest steps for Europe in the field of energy since the European Community for Coal and Steel entered into force in 1951.¹⁴¹ The energy proposal suggests a joint purchasing body that would seek secure gas supplies on behalf of all 28 member states.¹⁴² In the context of the Union, Caspian States, especially region's leading energy producer Azerbaijan has emerged as a critical key partner.

Before its suspension Nabucco project seems the most important initiative that aims to secure and diversify European natural gas consumption. The pipeline was arguably

¹³⁵ Uwe Halbach, "The Southern Caucasus' Integration with NATO and EU: Current Developments and Future Perspectives", Fariz Ismailzade and Glen E. Howard (ed.), **The South Caucasus 2021: Oil, Democracy and Geopolitics**, The Jamestown Foundation, 2012, USA, p.304.

¹³⁶ Nicu Popescu, "The EU and South Caucasus: Learning Lessons from Moldova and Ukraine", *IPF Policy Brief*, p. 1.

¹³⁷ Haydar Efe, "Foreign Policy of European Union towards the South Caucasus", *International Journal of Business and Social Science*, Vol.3, No. 17, September, 2012, p. 187.

¹³⁸ Seymour Huseynli, "Energy Policy of the European Union and Importance of the Energy Resources of Azerbaijan: Neo-functional and Liberal Intergovernmentalist Approach", *International Affairs and Global Strategy*, Vol.8, 2013, p.19.

¹³⁹ Leyla Alieva, "EU and South Caucasus", *Bertelsmann Group for Policy Research: Discussion Paper*, December, 2006, p. 1.

¹⁴⁰ The Jamestown Foundation, "Azerbaijan and the Southern Gas Corridor to Europe: Implications for U.S and the European Energy Security", *Conference Report*, 13.09.2013, p. 3

¹⁴¹ Maros Sefcovic, "Energy Union and the Caspian Countries", *Caspian Report*, Spring 2015, No.9, Caspian Strategy Institute, p.7

¹⁴² Frank Umbach, "Strategic Perspectives of the EU's Energy Union and the Southern Gas Corridor", *Caspian Report*, Spring, 2015, No.9, Caspian Strategy Institute, p. 15.

considered as the most important energy project undertaken by EU which would significantly reduce Russian gas imports and will account for a third of its gas imports.¹⁴³ However, today, Nabucco is no longer considered as a commercially viable project and replaced by TAP which will go from the Turkish border through Greece and Albania ending in Italy.¹⁴⁴

Among these projects, Azerbaijan seems as the only producer and a main transit country for Caspian oil and gas for EU. As a result the EU-Azerbaijani energy memorandum of 2006 declared the country to be a “strategic partner” for EU in the field of energy cooperation.¹⁴⁵ For the Union, Azerbaijan is a key partner on Caspian regional energy projects. As former Energy Commissioner of EU, Gunther Oettinger stated that ‘EU considers Azerbaijan as the key contributor to the Southern Gas Corridor Project (SGC) which includes TANAP and TAP Projects’ which supports Aliyev’s famous statement “happiness is multiple pipelines”.¹⁴⁶ In this chapter, finally, it could be briefly said that energy is definitely the most important area for the government of Azerbaijan in its relations with EU today; as there is a growing European interest in Azerbaijan’s energy capacity.¹⁴⁷

1. c. Political History of Turkish-Azerbaijani Relations: Where Energy Stands?

Azerbaijan and Turkey are two countries which initially had their own historical relationship, based on common culture and ethnic origin. Even though, these two countries developed their relation in all spheres, a special attention should be paid to their mutually beneficial cooperation in the energy sector.¹⁴⁸ In fact, energy is a key, even the cornerstone of bilateral relations that the current period of the two countries’ relations could be called as “energy period”. Additionally, energy partnership of Turkey and Azerbaijan was assessed under three phases by certain experts: (1) First Phase: Transit corridor for Azerbaijani oil, (2) Second Phase: Azerbaijan as natural gas supplier and

¹⁴³ The Telegraph, “EU: Energy security in its pipeline”, 25.09.2009, Access:

<http://www.telegraph.co.uk/news/worldnews/europe/6227454/EU-energy-security-is-in-the-pipeline.html>

¹⁴⁴ Micheal Ratner, Paul Belkin, Jim Nichol, Steven Woehrel, “Europe’s Energy Security: Options and Challenges to Natural Gas Supply Diversification”, *Congressional Research Service*, 20.08.2013, p.1

¹⁴⁵ Uwe Halbach, *ibid.*, p.307

¹⁴⁶ Amanda Paul, Gulmira Rzayeva, “Azerbaijan: The Key to EU Energy Security”, *European Policy Center*, 24.10.2011, p. 2.

¹⁴⁷ Rashad Shirinov, “A Pragmatic Area for Cooperation: Azerbaijan and the EU”, *International Politics and Society*, No.3, 2011, p.75.

¹⁴⁸ Rovshan Ibrahimov, ‘Turkish-Azerbaijani Energy Relations: Significant Leverage in the Implementation of the Foreign Policy Interests of Both Countries’, *Insight Turkey*, Vol.17, No.2, p.83

enabler of transit corridor, (3) Third Phase: Emergence of Multi-faced Energy Partnership.¹⁴⁹

While the interests of Turkey and Azerbaijan in the energy sector are complementary rather than competitive, energy sector has become as the driving force of economic and political initiatives.¹⁵⁰ Especially, with the realization of TANAP, Turkey and Azerbaijan will find the opportunity to enhance their bilateral relations and decrease their dependencies to Russia. It is planned that the first gas transfer will be held in 2018, 16 bcm will be transferred in 2020, 23 bcm in 2023 and finally 31 bcm in 2026.¹⁵¹ Briefly, it could be said that TANAP will be supporting the energy supply security by recognized natural gas capacity with reasonable prices. As technically being the second largest project after BTC, TANAP will contribute to the countries' economies in creating employment opportunities and increasing investments.¹⁵²

In addition, whether Turkish-Azerbaijan energy relations should be assessed in a political and economic way, both countries' foreign policy and energy strategies should be evaluated. The main aim is here to prove that both countries will benefit from this "energy cooperation" and increasing inter-dependence creates a win-win situation for both countries. While this statement will mostly cover in the third chapter of this thesis, in this section, the Turkish-Azerbaijani energy relations will be assessed on stressing the major projects.

In the energy field, the energy cooperation between two countries could not be limited only the pipelines, the energy projects should be assessed under the projects related to exploration of energy resources and projects related to transportation of energy resources.¹⁵³ While the issues of oil transport pipelines have been in negotiation since 1993, in the beginning of 1990's, the energy partnership between two states is mostly based on the

¹⁴⁹ Şaban Kardaş, 'The Turkey-Azerbaijan Energy Partnership in the Context of Southern Gas Corridor', *Istituto Affari Internazionali Working Paper*, April, 2014, p. 3

¹⁵⁰ Rovshan Ibrahimov, 'Turkish-Azerbaijani Energy Relations: Basis for Pragmatic Relations between Two Countries', *Natural Gas Europe*, 27.08..2015, Access: <http://www.naturalgaseurope.com/turkish-azerbaijani-energy-relations-25168>

¹⁵¹ Kenan Yavuz, 'Importance of Azerbaijan-Turkey Collaboration in Terms of Turkey's Energy Sector: TANAP Project', Sabit Bagirov (ed.), **Conference Book: TANAP Conference in Istanbul**, Baku, Entrepreneurship Development Foundation, 2012, p. 47

¹⁵² Çağla Gül Yesevi and Burcu Yavuz Tiftikçigil, 'Turkey-Azerbaijan Energy Relations: A Political and Economic Analysis', *International Journal of Energy Economics and Policy*, Vol.5, No.1, 2015, p. 43

¹⁵³ Rovshan Ibrahimov, opcit, p.85.

development and transportation Azerbaijani oil.¹⁵⁴In that period, while Azerbaijan was trying to balance Russian Federation's presence in the South Caucasus region, Turkey was also seeking the ways to ensure its energy supply for its increasing domestic energy demand from alternative sources. In that purpose, TPAO (Türkiye Petrolleri Anonim Ortaklığı) was elected as the main tool for the implementation of these purposes.¹⁵⁵

The Signature of Contract of Century: A New Era Starts

The signature of The Contract of Century which has dated in 1994 with AIOC (Azerbaijan International Operating Company), a new era has started for bilateral energy relations. As a result of this deal, this project gave a rise to a sustainable and productive cooperation between Turkey and Azerbaijan. Thirteen companies from eight countries have signed the PSA (Production Sharing Agreement) related to the development of "Azeri – Chirag – Guneshli" deepwater oil fields.¹⁵⁶ This accord allowed the involved companies to drill in these three major fields and involves 7.4 billion dollar.¹⁵⁷ Among these thirteen countries, TPAO has gained 6.75% stake. It should be highlighted that this was the first time in the history where TPAO has participated in the development of a field outside of Turkey.¹⁵⁸ (TPAO's initial share was 1.75%, until then Exxon did not participate in the contract another five percent was ceded to TPAO's share)¹⁵⁹ Even though TPAO has gained a limited stake, this was also a turning point for the internationalization of Turkey's energy companies.¹⁶⁰ Finally, it should be added that while TPAO is the largest public investor in Azerbaijan, in the period from 1994 to 2012, TPAO has invested a total of 2.3 billion dollar in the Azeri-Chirag and Guneshli Project and paid 650 million dollar to the Azerbaijani budget.¹⁶¹

¹⁵⁴ Şaban Kardaş, *ibid.*, p. 3.

¹⁵⁵ Rovshan Ibrahimov, *ibid.*, p.84

¹⁵⁶ Contract of Century, President of Azerbaijan, Access: <http://en.president.az/azerbaijan/contract>, 09.10.2015

¹⁵⁷ Brent Sasley, 'Turkey's Energy Policy in the Post-Cold War Era', *Middle East Review of International Affairs*, Vol.2, No.4, 1998, p.29

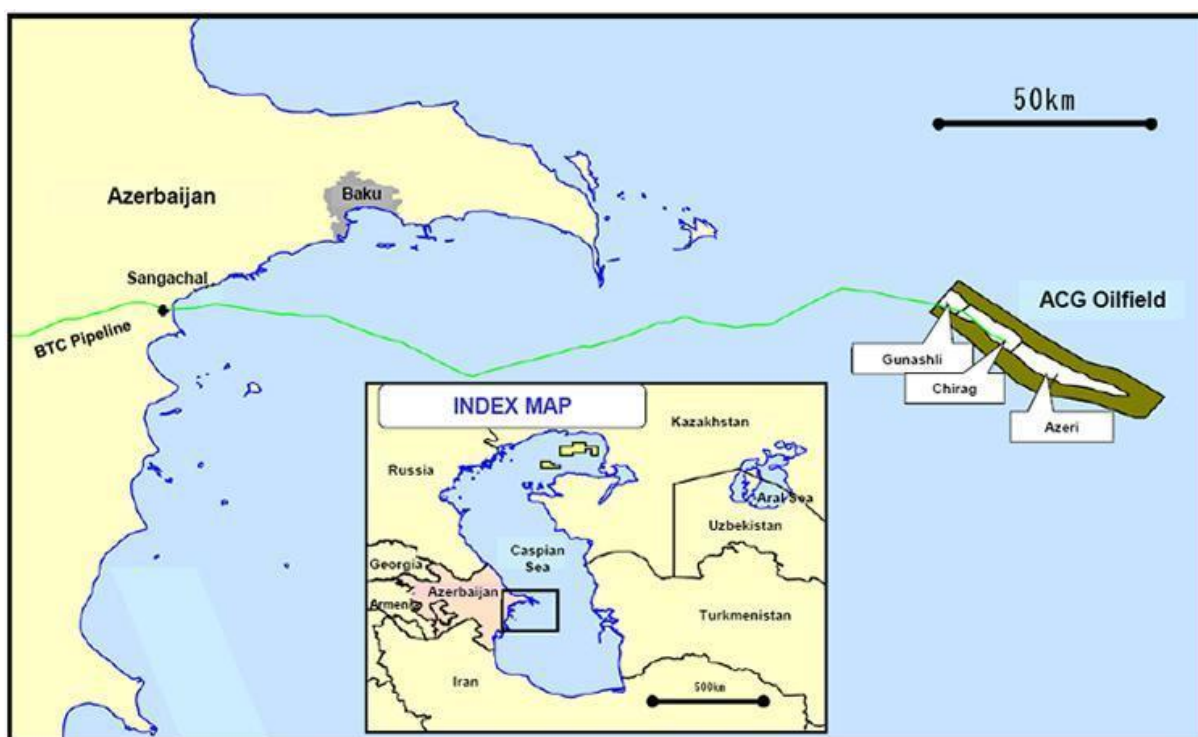
¹⁵⁸ Rovshan Ibrahimov, *ibid.*, p.85.

¹⁵⁹ Sabit Bagirov, 'Azerbaijani Oil: Glimpses of a Long History', *Center for Strategic Research*, Summer, 1996 p.11

¹⁶⁰ Şaban Kardaş, *ibid.*, p.3

¹⁶¹ Rovshan Ibrahimov, *ibid.*, p.86

Figure 3: ACG Oilfield Map in Azerbaijan's Caspian Offshore



Source: Energypedia, 2011, Access: <http://www.energy-pedia.com/news/azerbaijan/socar-seeks-some-of-ops-stake-in-the-azeri-chirag-guneshli-field>

Especially, the signature of “The Contract of Century” in 1994 with AIOC started a new era for Azerbaijan’s energy policy as well. While, Elchibey was totally excluded Russia from the contract, with the changing foreign policy dilemma, Heyder Aliyev invited Russian oil company Lukoil to join the oil projects in the Caspian offshore fields and SOCAR has accorded Lukoil a ten percent share.¹⁶² In addition, Azerbaijan has signed two further deals with Russian Federation in 1995 after the contract of century in which Russian Lukoil had a stake.¹⁶³ Heydar Aliyev did not also ignore Iran, when in June 1996 the third major consortium to develop was founded; Iran was included in the project as well. Nevertheless, National Iranian Oil Company was expelled from the consortium due to the law that passed from the congress ruled that no U.S company may take part with in a project with Iran.¹⁶⁴

¹⁶²Pinar İpek, “Azerbaijan: Oil Boom and Challenges”, Mustafa Kibaroglu(ed), **Turkey’s Neighborhood**, Foreign Policy Institute, 2008, p.122

¹⁶³ Pinar İpek, *ibid.*,p. 122

¹⁶⁴ Emil Souleimanov and Ondrej Ditrych, “Iran and Azerbaijan: A Contested Neighborhood”, *Middle East Policy*, Vol.14, No. 2, 2007, p. 104

Second phase of relations, according to experts, could be associated with the period that Azerbaijan has emerged as a natural gas supplier and enabler to transit corridor.¹⁶⁵ In that respect, especially under Heyder Aliyev's presidency, Turkish-Azerbaijani energy cooperation has started to be located in East-West Energy Corridor idea- could be called as multiple pipelines strategy as well-, which is a U.S led project to diversify export routes of hydrocarbons from Caspian Sea to Western Markets.¹⁶⁶ In other words, the East-West energy corridor was conceived in two stages: oil and a natural gas transportation corridor.¹⁶⁷ Within this idea, for the transportation of oil, BTC was chosen as the best route for the export of oil of Azerbaijan and this direction was supposed to meet Azerbaijan's interest best. As a result on October 1998, Georgia, Kazakhstan, Turkey, USA and Uzbekistan have signed Ankara Declaration supporting the BTC route.¹⁶⁸ The building of BTC constitutes a strategic milestone in post-Soviet Eurasia and it has implications that affect a larger region that South Caucasus most importantly Central Asia. In other words, this pipeline was the first step towards providing the lands East of Caspian Sea with a direct connection to Europe.¹⁶⁹ It should be highlighted that BTC Pipeline was not just about "oil", as Tuncay Babalı points out, political factors are dominant in the region and they are at least as important as economics in determining which pipeline is to be built.¹⁷⁰

¹⁶⁵ Şaban Kardaş, *ibid.*, p.4

¹⁶⁶ Şaban Kardaş, "Turkish Azerbaijani Energy Cooperation and Nabucco: Testing the Limits of New Turkish Policy Rhetoric", *Turkish Studies*, Vol.12, No.1, 2011, p. 57.

¹⁶⁷ Şaban Kardaş, *ibid.*, p.59.

¹⁶⁸ Sabit Bağirov, "Azerbaijan's Strategic Choice in the Caspian Region", *opcit.*, p. 192.

¹⁶⁹ Swante E. Cornell, Mamuka Tsereteli and Vladimir Socor, 'Geostrategic Implications of the Baku-Tbilisi-Ceyhan Pipeline', Frederick Starr, Svante Cornell(ed.), **The Baku-Tbilisi-Ceyhan Pipeline: Oil Window to the West**, Central Asia-Caucasus Institute Silk Road Studies Program, 2005, Johns Hopkins University, p.17.

¹⁷⁰ Tuncay Babalı, *ibid.*, p. 29

Figure 4: BTC as the New Component of East-West Energy Corridor



Source: BBC News, 2002, Access: <http://news.bbc.co.uk/2/hi/europe/2263611.stm>

After the implementation of BTC, the second phase, the transportation of natural gas was implemented with BTE pipeline. In fact, the transportation of Caspian Gas was supposed to be realized with the construction of TCP (Trans-Caspian Pipeline).¹⁷¹ However, until now, this project could not be implemented due to ongoing disputes on territorial boundaries in the Caspian Sea which was resulted with the emerging problems between Azerbaijan and Turkmenistan. This project is still on shelf. In addition, in May 2007, Turkmenistan, Kazakhstan and Russia agreed to carry Turkmen natural gas to Europe via Kazakhstan and Russia. Due to the failure in the realization of TCP Project, Turkey confirmed that she will be buying Azerbaijani gas from offshore of Shah Deniz field. Based on the terms of agreement between Turkey and Azerbaijan which will be in force for fifteen years, Turkey has committed that she will receive 6.6 bcm of natural gas annually.¹⁷²

¹⁷¹ Şaban Kardaş, *ibid.*, p. 61

¹⁷² Bülent Aras, *ibid.*, p. 4

Figure 5: The Proposed Route for Trans-Caspian Pipeline



Source: Natural Gas Europe, 03.02.2015, Access: <http://www.naturalgasworld.com/irans-proposal-to-deliver-caspian-gas-to-turkey>

Energy as a Tradable Commodity: Prices Never Lie

It is important to underline that Turkey is considered to be a natural energy partner of Azerbaijan. However, energy relations would not be strategic and commercial if they would not serve the interest of both sides.¹⁷³ If energy is tradable good, “prices” should be the main determinant factor in that sense. In that point, it should be added that, there is no consensus regarding the price of Azerbaijani gas. Hereby, different opinions and approaches are worth to be mentioned. First of all, it is “officially argued”¹⁷⁴ by former Turkish energy minister Taner Yıldız that Azerbaijan gas costs less than the gas which is exported by Turkey’s other major suppliers, Russia and Iran.¹⁷⁵

As a supporting argument to this fact that even though, natural gas prices are supposed to be a “commercial secret”, it is possible to make a comparative analysis from different resources. According to Reuters, in 2012, Turkey paid 20.2 billion dollar for natural gas imports. While the most expensive gas purchased from Iran, \$423 dollar per 1,000 cubic meters, Azerbaijan sold its gas from \$282 dollar for 1,000 cubic meters.¹⁷⁶ It should be highlighted that it is almost impossible to reach coherent prices if the trade of natural gas is in question. For example, according to another Turkish source, “Enerji Enstitüsü”, it is possible different data regarding the prices. According to Institute, in 2013, while Turkey

¹⁷³ Gulmira Rzayeva, ‘Turkey, Azerbaijan’s Natural Energy Partner’, *Natural Gas Europe*, Access: <http://www.naturalgaseurope.com/turkey-azerbaijan-natural-energy-partners-gulmira-rzayeva-25513>

¹⁷⁴ İhlas Haber Ajansı, “Azəri Gazı Daha mı Pahalı Olacak?”, 18.03.2015, Access: <http://www.ihha.com.tr/haber-azeri-gazi-daha-mi-pahali-olacak-447791/>

¹⁷⁵ Rovshan Ibrahimov, *ibid.*, p.90

¹⁷⁶ Elektrik Üreticileri Derneği, ‘En Pahalı Doğal Gaz İran’dan Satın Alındı’, 2012, Access: <http://www.eud.org.tr/TR/Genel/BelgeGoster.aspx?F6E10F8892433CFFA79D6F5E6C1B43FFEFF9A56CAA041EFE>

was purchasing the most expensive natural gas from Iran, \$507 dollar for 1,000 cubic meters, the price for Russian gas was \$428 dollar(via Blue Stream Pipeline).

Finally, at the same year, Turkey paid to Azerbaijan \$349 dollar for 1,000 cubic meters.¹⁷⁷(Figure 1) In 2014, according to a Turkish newspaper, Turkey pays \$418 per 1,000 cubic meters of natural gas from Russia and \$487 from Iran. According to journal, the third largest gas supplier, Azerbaijan sells gas to Turkey for \$340 per 1,000 cubic meters. As January of 2015, the price of Azerbaijani gas fell further and reached \$335 dollars per 1,000 cubic meters. For comparison, the price of Russian gas at time was already \$425 dollars and Iranian gas was \$490 dollars per 1,000 cubic meters.¹⁷⁸

In contrast to the arguments claiming that Azerbaijan is selling the cheapest gas to Turkey, some headlines and comments from Turkish newspapers are worth to be added in this chapter. For example, according to an analysis written by Gntay ŐimŐek in Habertrk in March 2015, TANAP might not be beneficial for Turkey as it intended. According to ŐimŐek, with the “cost of transportation”, Azeri gas would be more expensive than expected and Turkey will be paying \$79 additional for carrying gas from Georgia to EskiŐehir and \$109 to Thrace border per 1 bcm.¹⁷⁹In sum, with the revision agreement, Turkey is going to pay \$462 million additional.¹⁸⁰

Nevertheless, despite these different perspectives, it should be reminded that “energy prices” could be used as a gift or a weapon as a reflection of political incidents. For example, it should be added that “gas prices” was considered to be used as a political tool in 2009 when Turkish-Azerbaijani energy cooperation was destroyed due to the political reasons regarding the rapprochement process of Turkey and Armenia. During this period, Azerbaijani leadership complained about Turkey’s policies and demonstrated a willingness to use “energy card” more aggressively towards Turkey and the West.¹⁸¹ Following the signature of agreement between Turkey-Armenia in 2009, the president of SOCAR demanded a new deal on energy prices, as the agreement that had defined natural gas

¹⁷⁷ Enerji Enstits, “Trkiye Hangi lkeden Kaç Liraya Doęal Gaz Alıyor?”, *Enerji Enstitss*, 31.03.2013, Access: <http://enerjiinstitutusu.com/2013/03/31/turkiye-hangi-ulkeden-kac-liraya-dogalgaz-aliyor/>

¹⁷⁸ Rovshan Ibrahimov, *ibid.*, p.90.

¹⁷⁹ Gntay ŐimŐek, “Tanap ne getirip ne gtrecek”, 17.03.2015, Access: <http://www.haberturk.com/ekonomi/enerji/haber/1054446-tanap-ne-getirip-ne-goturecek>

¹⁸⁰ Gerçek Gndem, “Revize Gaz AnlaŐması Pahalıya Mal Oldu”, 23.10.2015, Access: <http://www.gercekgundem.com/ekonomi/163487/revize-gaz-anlasmasi-pahaliya-ml-oldu>

¹⁸¹ Őaban KardaŐ, “Turkish Azerbaijani Energy Cooperation and Nabucco: Testing the Limits of New Turkish Policy Rhetoric”, *ibid.*, p.63

prices had expired in 2008. The crisis was overwhelmed with the visit of Erdoğan to Baku.
¹⁸² Apart from this example, it could be claimed that even though “brotherhood” rhetoric is dominant in bilateral energy relations, political issues are also important in shaping in energy relations.

Table 1: Natural Gas Prices for Turkey and Discounts according to Resources

2012-2013¹⁸³

Source	2012's Price	2013's Price	Discount Ratio
Russian Fed. (West)	446	429	3,81
Russian Fed. (Blue Stream)	445	428	3,82
Iran	530	507	4,34
Azerbaijan	354	349	1,41

Source: Enerji Enstitüsü, 31.03.2014

Consolidation of Energy Partnership: Realization of TANAP

After the implementation of BTE, in 2011, it could be said that Turkey and Azerbaijan have entered a new phase in their energy cooperation: emergence of multi-faced energy partnership.¹⁸⁴ Nabucco project was eliminated and suspended; however, following the intergovernmental agreement on the construction of the TANAP gave a momentum to bilateral relations and Azerbaijan's investments in Turkey as well. It should be underlined that, TANAP is not only Azerbaijan's project, while Azerbaijani energy giant SOCAR acquired 58% of the shares of TANAP, Turkish BOTAŞ and TPAO hold 30% and BP %12 as well.¹⁸⁵ The geostrategic impact of TANAP should be assessed under the ‘Southern Gas Corridor’ (SGC is a project which includes TANAP and TAP which aim to reduce the relevance of Russian supplies for the European markets. It should be highlighted that

¹⁸² Şuhnaz Yılmaz and Tahir Kılavuz, *ibid.*, p.2

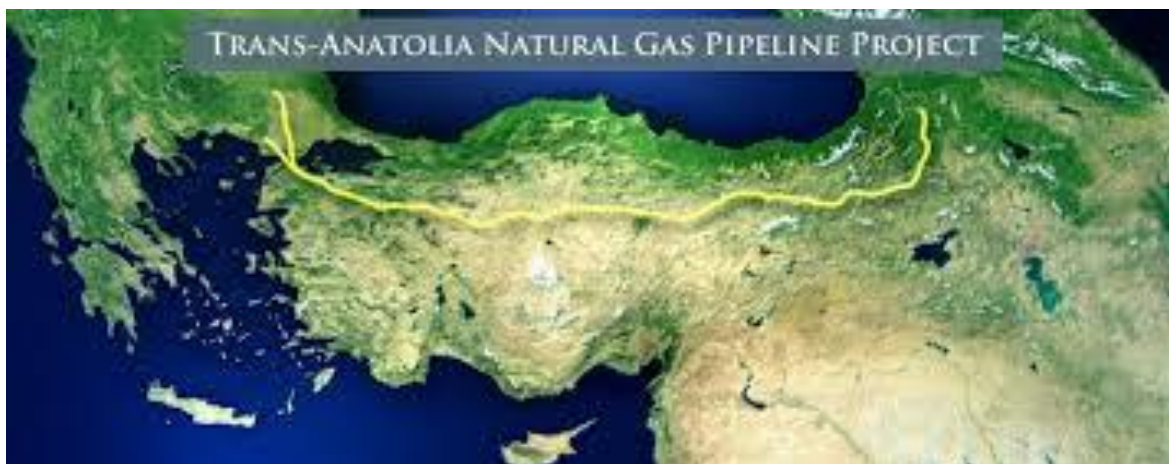
¹⁸³ Enerji Enstitüsü, ‘Türkiye Hangi Ülkeden Kaç Liraya Doğal Gaz Alıyor?’, 31.03.2013, Access: <http://enerjiinstitutusu.com/2013/03/31/turkiye-hangi-ulkeden-kac-liraya-dogalgaz-aliyor/>

¹⁸⁴ Şaban Kardaş, *ibid.*, p. 7

¹⁸⁵ Mübariz Hasanov, Zaur Heydarov, ‘Geopolitical and Strategic Rationale of Azerbaijan’ Investments in Turkey’, *Hazar Strateji Enstitüsü*, May 2015, p.28

TANAP contributes ensuring energy security of Southern Europe countries, it strengthens Turkey's relations with Azerbaijan and Georgia as well.¹⁸⁶

Figure 6: The Implementation of TANAP Project



In Turkish-Azerbaijani relations, Turkey is not only appeared as a transit country for Azerbaijani natural gas that the country will also is playing an important role in the natural gas production in Shah Deniz-2. In that regard, 30 May 2014 could be considered as an important date that, TPAO took over Total's 10% share stake in the Shah Deniz Consortium and increased its total share to 19%.¹⁸⁷ These strategic steps will certainly enhance Turkey's ambition to become an energy hub. However, for Turkey to prove itself to Azerbaijan, the country firstly has to prove that its aim in becoming an energy hub to create an open, competitive and transparent market place.¹⁸⁸ Finally, even though "becoming an energy hub" became a very popular rhetoric in the academia and business circles, it should be always kept in mind that the primary concern of Ankara is to satisfy Turkey's own energy needs. Ambitions to become a major energy transit state or a key energy hub are secondary.¹⁸⁹

If Turkish-Azerbaijani energy relations will be assessed, the role of STAR refinery could not be ignored. While project had three stakeholders, after Turcas (a Turkish energy company which is a local partner with big energy international energy giants like Shell and

¹⁸⁶ Rovshan Ibrahimov, *ibid.*, p.91.

¹⁸⁷ Mübariz Hasanov, "Some Remarks on Economic Benefits of TANAP for Turkey", *Hazar Strateji Enstitüsü*, 09.06.2014, Access:

http://hazar.org/analizdetail/analiz/some_remarks_on_economic_benefits_of_tanap_for_turkey_846.aspx

¹⁸⁸ John Roberts, "Turkey as a Regional Energy Hub", *Insight Turkey*, Vol.12, No. 2, 2010, p.48

¹⁸⁹ Gareth M. Winrow, "The Southern Gas Corridor and Turkey's Role as an Energy Transit State and Energy Hub", *Insight Turkey*, Vol.15, No.1, 2013, p.146

RWE) transferred its stake in the refinery to its Azerbaijani partners (SOCAR Turkey), Azerbaijan has currently the biggest share in 2014.¹⁹⁰ Finally, it is claimed that, Azerbaijan's investments in petro-chemical industry will help Turkey to reduce its dependence on petro-chemical materials and fuels and directly will contribute to the reduction of current account deficit.¹⁹¹

As the final words on bilateral energy relations, it could be said that the reciprocal investments are driven by economic and strategic interests and those projects will establish strategic foundations for the relations between the states. In addition, economic relations between countries provide a solid material basis for interactions and laying the groundwork for conducting relations on an equal footing.¹⁹²

¹⁹⁰ Hürriyet, "TURCAS Star Rafineri'deki Hisselerinin Tamamını Satmak için Görüşüyor", 25.03.2014, Access: <http://www.hurriyet.com.tr/turcas-star-rafinerideki-hisselerinin-tamamini-satmak-icin-gorusuyor-26080158>

¹⁹¹ Mübariz Hasanov, Zaur Heyderov, *ibid.*, p.29

¹⁹² Şaban Kardaş, Fatih Macit, *ibid.*, p. 23

CHAPTER 2

BUILDING A THEORETICAL FRAMEWORK FOR THE QUEST OF ENERGY and COOPERATION

Since Churchill's historic decision to shift the power source of the British Navy's ships from coal to oil has been implemented, energy security became an issue of great importance for modern nation-states.¹⁹³ Currently, it is possible to claim that there is a growing interest to examine "energy security" and "the impact of energy resources" in international relations and international political economy. Besides, there is no doubt that the nature of energy cooperation between Turkey and Azerbaijan could be explained by prevalent international political economy theories.

In general, the early studies of energy politics were motivated by the national security implications of resource dependence and energy resources -particularly oil- was handled as a problem of national security. As a result, firstly "realist tradition" became the prominent theory in assessing energy in politics.¹⁹⁴ The key underlying assumptions in the realist theory could be summarized as: Access and control of natural resources is the most critical issue and a key ingredient of national power and interest. Conflict and war over these resources are likely inevitable.¹⁹⁵ In contrast; "liberal" theory fits and could better interpret "cooperation" dimension in energy field.

The liberal theory believes that countries could rely on joint cooperation to address global issues.¹⁹⁶ Especially, neoliberalism which is emerged through the formulation of Robert O. Keohane suggests that the cooperation will occur where there is a common interest and all will benefit from cooperation and multilateralism.¹⁹⁷ In that regard, "energy relations" could be considered as one of the dominant elements in foreign policy making of states. For Turkey and Azerbaijan, the same hypothesis is still valid that the shared interests in energy field triggered cooperation which has started after the dissolution of Soviet Union. Today, energy relations became one of the major factors in shaping bilateral political and economic relations.

¹⁹³ Daniel Yergin, "Ensuring Energy Security", *Foreign Affairs*, Vol.85, No. 2, 2006, p. 69

¹⁹⁴ Llewelyn Hughes, Phillip Y. Lipsy, "The Politics of Energy", *The Annual Review of Political Science*, 201

¹⁹⁵ Ronald Dannreuther, *ibid.*, p.3

¹⁹⁶ Munir Alsaad, "Energy Security in International Relations" (Unpublished PhD Thesis), *University of Osmania*, 2014, p.51

¹⁹⁷ Alexander Elving, 'Achieving Energy Security in EU: National Self-Interest and Multilateral Cooperation', (Master Thesis: *Swedish National Defense College*, 2014), p. 11

In the theoretical framework, the interdependence triggered by bilateral economic relations could be explained by Robert Keohane's and Joseph Nye's neo-liberal model. In that sense, energy, as a strategic and tradable commodity, constitutes a crucial part of this "complex interdependence" relation. In the meanwhile, the assessing the energy relations, focusing on oil and gas, in Caspian Region requires a new approach. Because, it should be kept in mind that, after the dissolution of the Soviet Union a new and more complex energy, especially natural gas, transit system has emerged in the region.

In that regard, this chapter aims to establish the conceptual framework to understand energy security behavior of the countries which would be then focused specifically on Turkey and Azerbaijan. While rationalism and neo-realism would best explain the role of energy resources in foreign policy, particularly for Turkish-Azerbaijani relations, "cooperation theories" should be stressed as well. To achieve a comprehensive understanding, this chapter will firstly focus on "energy security" discussion in international relations. Secondly, the role of resources in foreign policy will be examined. Finally, in order to understand the nature of cooperation between Turkey and Azerbaijan energy relations, the interdependence and institutionalist approach will be handled.

2.a What Does Energy Security Mean in Foreign Politics?

In a fossil fuel world, the desire to have control over these sources is considered to be an essential component of power. In addition, it is widely known that the presence of fossil fuels and their transportation routes could highly affect the risk of conflict and civil wars. Nevertheless, among scholars and experts, there is no agreement that what exactly constitutes an energy conflict or how energy interacts with conflicts.¹⁹⁸

Despite the complexity in the literature, some scholars tried to elaborate broad categorizations to understand the relationship between energy and conflicts. For example, Felix Ciuta has developed three broad categories. According to this classification: 1) Energy could be the primary objective of conflict 2) Energy could have a mean in the conflict 3) Energy could be a cause of the conflict¹⁹⁹

In the first case, when energy would be the real source of conflict, it is possible to observe that some actors may try to secure the vital parts of the energy system like the locations

¹⁹⁸ André Mansson, "Energy, Conflict and War: Towards a Conceptual Framework", *Energy Researches and Social Science*, 2014, p.6

¹⁹⁹ Felix Ciuta, "Conceptual Notes on Energy Security: Total or Banal Security?", *Security Dialogue*, 2010

where resources are concentrating or transportation routes like pipelines or maritime routes. Alternatively, actors could try to influence international energy flows or control the structure of market systems in order to maintain their security. The competition among various states or non-state actors on energy rich Middle East region could be mentioned as a concrete example for this case.

Secondly, in case of energy has a means in the conflict, energy could be used a political tool to achieve non-energy-related objectives. The actors could use the vulnerabilities of the societies to disruption of energy flows or they could have the intention to damage the interests of producer or transit country. The Iranian oil embargo or the gas crisis between Ukraine and Russia in 2006 and 2009 could be mentioned as examples of this case. Like the resources, energy infrastructures could sometimes be used or destroyed as a result of political tensions. For example, interesting example could be mentioned from the recent crisis between Ukraine and Russia on Crimea problem. For example, in November 2015, Crimea plunged into darkness due to explosion of electric infrastructures and Russian Prime Minister Dimitry Medvedev accused Ukraine about being responsible of the sabotage against electricity pylons deprived Crimea of power.²⁰⁰

Finally, “energy” could emerge as a part of conflict. In that case, energy could be called as “threat multiplier” or “catalyst” which could destabilize a country or increased the tension in an existing conflict. Such consequences could occur in the case of resource curse, environmental degradation, reduced supply security, or interaction with food prices. As a socio-political factor, high food price crisis occurred during the “Arab Spring” where energy is a part of modern agriculture in these states.²⁰¹

The international energy market has always rested on the possibility that major market participants might be required to use force to manage its operations in the market.²⁰² Thus, it is increasingly popular to believe that states have gone or will go to war over energy resources. When a quick google search is conducted for “energy and war” topic, around three million research results came over which had more than five million hits. Nevertheless, despite the dooms day theories on “energy wars”, a recent academic paper searching the energy and external state behavior stresses that states rarely go to war over

²⁰⁰ BBC News, “Crimea Power Black Out: Russia Accuses Ukraine of Sabotage”, 30.11.2015, Access: <http://www.bbc.com/news/world-europe-34967093>

²⁰¹ Felix Ciuta, *ibid.*, p.7

²⁰² Daniel Moran, “Energy Security and Global Politics: The Militarization of Resource Management”, *Institutional Archive of the Naval Postgraduate School*, 2009, p.9

energy resources. They addressed, the states' external behaviors takes into account the fluctuations in international energy prices and the projections on the availability of energy supplies for power projection. As a result they assume that states will not take significant external actions under the circumstances when prices are low (P1) and access to resources is easy (Ff). Interestingly authors also found that there does not to be a direct link between energy prices and states' military budgets.²⁰³

P1+Ff= No Conflict

From these point of views described above, it is possible to claim that energy stands at the heart of the source of wealth and competition and it has a central role for economic development of every country. It is clear that when countries face severe energy security challenges they tend to shape their international behavior and national priorities. Nevertheless it should be highlighted that countries' definition of energy security has much to do with their own particular situation and how to they view their vulnerabilities to energy supply disruptions.²⁰⁴ For example, The US has been debating energy security since the oil crisis of the 1970's.²⁰⁵ None the less, for China, energy security became a more prominent topic, in 1993, when China's oil self-sufficiency ended. The country did not realize the urgency and importance of energy security until the late 1990's.²⁰⁶

For EU's side, it could be claimed that the concerned about energy security significantly increased since the natural gas flow interruptions resulted from the hostile relations between Kyiv, Minsk and Moscow as happened in 2006 and 2009.²⁰⁷ While energy security has different meanings for different countries, in addition, measuring energy security in a quantitative way is also another challenge that the problems in measuring energy security are not only to see through natural, technological and economic

²⁰³ Samuel R. Schubert and Johannes Pollak, "Realism, Energy and International Conflict: Why the Struggle for Power is Still the Name of The Game", *Annual Meeting of the American Political Science Association*, 2011

²⁰⁴ Gal Luft and Anne Korin, "Energy Security in the Eyes of the Beholder", Gal Luft and Anne Korin (ed.), **Energy Security Challenges for the 21st Century**, 2009, Library of Congress, USA, p.6

²⁰⁵ Carlos Pascual and Evie Zambetakis, "The Geopolitics of Energy: From Security to Survival", Carlos Pascual and Jonathan Elkind(ed.), **Energy Security: Economics, Politics, Strategies and Implications**, 2010, The Brookings Institution, USA, p.1

²⁰⁶ Zhang Jian, "China's Energy Security: Prospects, Challenges and Opportunities", *The Brookings Institution Center for Northeast Asian Policy Studies*, 2009, p.3

²⁰⁷ Micheal Ratner, Paul Belkin, Jim Nichol, Steven Woehrel, "Europe's Energy Security: Options and Challenges to Natural Gas Supply Diversification", *Congressional Research Service*, 20.08.2013, p.3

complexities and uncertainties but also to address the fact that it has different meanings for different groups.²⁰⁸

Energy security notion is frequently discussed in contemporary international relations as well. Two main dimensions could be mentioned that “energy-focused” notion means availability and accessibility of energy resources while “security-focused” notion examines physical security of energy exploration, development, transportation, marketing and consumption.²⁰⁹ In addition, many authors argue that despite the high importance of energy security in policy, there is not a clear definition and common interpretation.²¹⁰

Ensuring energy security stands at the core of the main missions of IEA (International Energy Agency) as well. The agency defines energy security as “the uninterrupted physical availability at a price which is affordable while respecting environmental concerns”.²¹¹ Besides, the agency has added a new dimension in the definition that in order to ensure promotion and protection of energy security a collective and cooperative action is a must.²¹² Apart from these different dimensions, it could be claimed that definition of energy security is “polysemic”. Basically, Daniel Yergin, identifies energy security as ‘the availability of sufficient supplies at affordable prices.’²¹³ However, this definition still remains limited and insufficient for explaining current conditions and issues. A recent study released in 2014 talked about seven dimensions of energy security:

- Energy availability
- Infrastructure
- Energy prices
- Societal effects
- Environment

²⁰⁸ Aleh Cherp and Jessica Jewell, “Energy Security Assessment Framework and Three Case Studies”, Hugh Dyer and Maria Julia Trombetta (ed.), **International Handbook of Energy Security**, Edward Elgar Publishing Limited, UK, 2013, p.146

²⁰⁹ Ilgar Gurbanov, “Energy Security Dimension in Foreign Policy”, *Strategic Outlook*, Access: <http://www.strategicoutlook.org/philosophy/news-energy-security-dimension-in-foreign-policy.html>

²¹⁰ Christian Winzer, “Conceptualizing Energy Security”, *Energy Policy*, No.46, 2012, p.36

²¹¹ Jessica Jewel, The International Energy Agency(IEA) Model of Short-term Energy Security: Primary Energy Sources and Secondary Fuels’, *International Energy Agency Working Paper*, 2011, p.9

²¹² Munir Alsaad, “Energy Security in International Relations (India’s Energy Security)”, *PhD Thesis: Department of Political Science, Osmania University*, 2014, p.54

²¹³ İbrahim S. Arınç and Süleyman Erik, “Guest Editor’s Note”, *Insight Turkey*, p.4

- Governance
- Energy efficiency²¹⁴

According to CSIS (The Center for Strategic and International Studies) which is a leading think-tank in US, the main components in energy security risks were summarized as following: Diversity of suppliers, level of imports, security of trade flows, geopolitics and economics, nuclear proliferation, diversity of fuels, market/price volatility, affordability/economic impact, energy intensity, reliability, feasibility.²¹⁵

After showing the multidimensional nature of energy security, it should be highlighted that the security of energy is not only about countering a vast number of threats, it is even more about the relations among nations, how these states interact with each other and how the security of energy has an impact on their overall national security.²¹⁶ In order to form national and international energy policies, energy security actors are using international indicators. In that regard, “The International Index of Energy Security Risk” explains the sources of the risks as following, physical risks, economic risks, political risks, regulatory risks, social risks and environmental risks.²¹⁷ Another expert, Christian Winzer confirms that there is no clear definition of energy security and it has become an umbrella term for many different policy goals.²¹⁸ Nevertheless, the author also argues that there is a consensus that energy security it concerning with different risks: Technical risk sources, human risk sources, natural risk source sources. Besides the risk sources, Winzer also evaluated the scope of impact measure which describes how energy security is measured. According to authors own assessment energy security the impacts of the risks could be measured by addressing the continuity of the commodity supplies, the continuity of service supplies, economic continuity and human safety, environmental sustainability.²¹⁹

Energy security, which requires an interdisciplinary approach, has been playing an important role in defining the arcs of global security in the 21st century. Especially after the

²¹⁴ B.W. Ang, W.L Choong, T.S. Ng, “Energy Security: Definitions, Dimensions and Indexes”, *Renewable and Sustainable Energy Reviews*, 2014, p.1077

²¹⁵ Jim Skea, Paul Ekins and Mark Winskel, **Energy 2050: Making the Transition to Secure Low Carbon Energy System**, Washington, 2011, p. 58

²¹⁶ Felix Kruse, **Oil Politics: The West and It's Desire for Energy Security since 1950's**, Anchor Academic Publishing, Germany, 2014, p.3

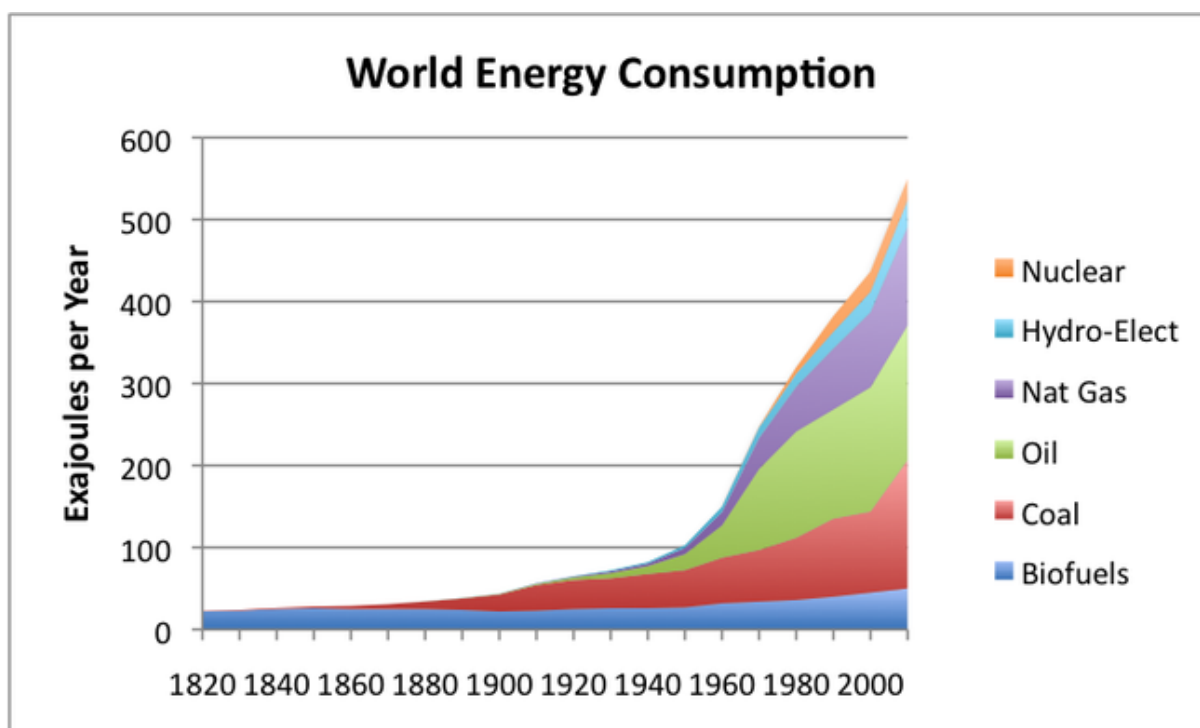
²¹⁷ Gelengul Kocaaslan, “International Energy Security Indicators and Turkey’s Energy Security Risk Score”, *International Journal of Energy Economics and Policy*, Vol.4, No.4, p.738

²¹⁸ Christian Winzer, “Conceptualizing Energy Security”, *Energy Policy*, 2014, p.36

²¹⁹ Christian Winzer, *ibid.*, p. 38.

Industrial Revolution, energy demand has increased sharply and obtaining adequate energy resources became a main political goal of states.²²⁰ German invasion of Baku during the first World War, Japan’s assault of the Pearl Harbor during the Second World War, the Suez Crisis, Global Oil Crisis are the most known examples show how energy has shaped the nature of global politics in the past century.²²¹

Figure 7: Global Energy Consumption Has Been Increasing Since Industrial Revolution



Source: Treehugger, March 2015, Access: <http://www.treehugger.com/fossil-fuels/world-energy-use-over-last-200-years-graphs.html>

In that point, the question of “how do states ensure their energy security” comes to forefront. Historical experiences show that several principles could be mentioned for maintaining energy security of states. Since, the big principle of Churchill’s “diversification” has announced, it has remained the fundamental principle especially for oil and gas. In addition, it should be highlighted that diversification can be approached in

²²⁰ Ilgar Gurbanov, “Energy Security Dimension in Foreign Policy”, *Strategic Outlook*, Access: <http://www.strategicoutlook.org/philosophy/news-energy-security-dimension-in-foreign-policy.html>

²²¹ Nalin Kumar Mohaptra, “Energy Security and Russia’s Foreign Policy”, *University of Cambridge: Centre for Rising Powers Department of Politics and International Studies*, May, 2013, p.2.

two dimensions: the source and the supplier.²²² Regarding the “sources” Daniel Yergin underlines that multiplying one’s supply source by providing alternatives serves the interests of both consumers and producers for whom stable markets are a prime concern.²²³ Source diversification is referring the country’s energy mix which consists of petroleum, natural gas, coal, nuclear, hydroelectric etc. Supplier diversification means multiplying the providers of the commodities.²²⁴

It is clear that in the past, energy played a crucial role in shaping the foreign policies of states and their war strategies as well. Nevertheless, the significance of energy in shaping the dynamics of world politics did not lost their importance in recent years.²²⁵ With the increasing interdependence among states, the nature of energy policy also changes significantly. At that point, it could be claimed that it is very difficult to understand the dynamics of energy security or diplomacy without taking into account a theoretical background. Also the integrated nature of national security and energy policy forms a bridge between security and international political economy studies.²²⁶

For example, the oil crisis in 1972 could be interpreted by the result “asymmetric interdependence” which has suggested by neo-realists like Kenneth Waltz. Similarly, “pipeline politics” could be also evaluated under the international relation theories. For example, the proponents of realism argue that the pipelines serve as instrument of competitive resource nationalism.²²⁷ On the contrary, certain authors argue that energy transit could reinforce cooperation. Even though, Brenda Schaffer argues that “there is simply no evidence that gas pipelines are a means to peace”, if each actor could convince the others that they will continue to cooperate after constructing pipeline or accepting new contractual obligations the “credible commitment problem” in energy transit could be overwhelmed.²²⁸ Clearly, understanding the energy attitudes of states should be evaluated in theoretical perspective. In this regard, the following chapter will be dedicated to cover the role of natural resources in foreign politics by stressing different international relations and international political economy theories

²²² Kevin D. Stringer, “Energy Security: Applying a Portfolio Approach”, *Baltic Security and Defence Review*, Vol 10, 2008, p.127

²²³ Daniel Yergin, *ibid.*, p.76

²²⁴ Kevin D. Stringer, *ibid.*, p.128

²²⁵ Nalin Kumar Mohaptra, p.2

²²⁶ Özgür Özdamar, p.1416

²²⁷ Adam N. Stulberg, “Strategic Bargaining and Pipeline Politics: Confronting the Credible Commitment Problem in Eurasian Energy Transit”, *Review of International Political Economy*, Vol.19, No.5, p.809

²²⁸ Adam N. Stulberg, *ibid.*, p.818

2.b The Quest for Natural Resources in Theoretical Perspective

When it comes to energy security, it could be claimed that there is a substantial vacuum in the literature dealing with this issue. The literature is supposed to be unsystematic and desultory which lacks a theoretical development in a cumulative way.²²⁹ While the policy-oriented journals publish exclusively on topics to energy policies, they have not published articles that look conceptually the role of energy supply in foreign policy.²³⁰

On the other hand, cooperation in energy issues is one of the main areas of this research as well. Thus, the question, “does energy is a reason for conflict or does energy is considered to be a valuable asset in trade?” emerges as a problematic to be investigated. In fact, the states have different attitudes and approaches on energy cooperation. For instance, as being an ex-Soviet state and has limited hydrocarbon resources; Azerbaijan has been active in cooperation with West whereas, Russia has been limiting its relations with Western world relatively. Moreover, while EU is seeking to reduce its dependence on Russian natural gas, Germany is seeking its close relations with the Federation. As a result of different patterns of states, “Why does energy cooperation succeed in some cases but fail in others” is worth to be assessed during this chapter²³¹

Finally, it could be reminded that since the end of Cold War, there have been no significant changes or processes in the academic literature concerning the role of energy in IR or IPE theories. Similarly, according to Joseph Nye, this phenomenon could be explained by the fact that “academic fashions in political science often reflect current concerns in public policy.”²³² Nevertheless, this chapter will try to handle the quest of natural resources by examining and interpreting the existing literature by a special focus on the main IR and IPE theories.

2.b.1 Realist Approach

In terms of generating a scientific background for energy politics analysis, two main categories could be proposed: First group reflects geopolitical concepts on energy policies, whereas second sees energy resources as a tradeable good that countries could gain political

²²⁹ Özgür Özdamar, *ibid.*, p.1417

²³⁰ Brenda Shaffer, “Natural gas Supply Stability and Foreign Policy”, *Energy Policy*, 2012, p. 2.

²³¹ Ekaterina Svyatets, **Energy Security and Cooperation in Eurasia: Power, Profits and Politics**, Routledge, US, 2016, p. 9

²³² Özgür Özdamar, *ibid.*, p. 1418

and economic benefits.²³³ First group could be broadly examined under realist school of thought (classical realism, neo-classical realism) which is historically the most dominant international relations theory since the end of Second World War.

Firstly, it could be reminded that realism approach has three main assumptions on how the world politics work:

- **Groupism:** To survive, people need cohesion by group solidarity. Today, nation-states are the most important human groups. The most important source of this group cohesion is nationalism
- **Egoism:** Political behavior is driven by self-interest and egoism is rooted in human nature
- **Power centrism:** Power is the fundamental feature of politics²³⁴

As it could be interpreted from the three main points above, realism assumes that countries are predisposed to pursue their self-interest using every aspect of their national power.²³⁵ They believe that “power” is the currency of international politics that the great powers pay careful attention how much “material”, economic and military power, they have relative to each other. According to realists, in domestic sphere, states are the only actors as the guarantor of law and order. However, in international sphere there is no power above the state that the world could be seen as an anarchic place.²³⁶

Realist theory could be regarded as a subset of realism approach in international relations that the states are struggling for power, prestige and influence. The market is potentially seen as negative and IPE realists are arguing that global political economy reflects only the interests of the most powerful states.²³⁷

While the realists did not handle “energy security” as a specific topic, according to classic realism, governments compete for power. Realist worldview energy security is a part of

²³³ Andras Molnar, “Russian Foreign Policy under Vladimir Putin: Norms, Ideas and Determining Factors”, Andreas Heinrich and Heiko Pleines (ed), **Export Pipelines from CIS Region: Geopolitics, Securitization and Political Decision-Making**, 2014, Germany, p.78

²³⁴ William C. Wohlforth, “Realism and Foreign Policy”, Steve Smith, Amelia Hadfield, Tim Dunne (ed.), **Foreign Policy: Theories, Actors and Cases**, Oxford University Press, UK, 2012, p.36

²³⁵ Gal Luft, Anne Korin, “Realism and Idealism in the Energy Security Debate”, Gal Luft and Anne Korin (ed.), **Energy Security Challenges for the 21st Century**, 2009, Library of Congress, USA, p.340.

²³⁶ Felix Kruse, *ibid.*, p.12.

²³⁷ Felix Kruse, *ibid.*, p.13

national security which cannot be separated from each other. In fact, realists argue that the trade of strategic resources is strictly determined by national interests that this theory highly prioritize concern for power and survival in the international system.²³⁸ As being one of the precursors' realist school of thought, Morgenthau, in that regard, considers energy as a main element for hard power which is the most effective factor to determine the political power of states.²³⁹ For realists energy is seen as a subset of global politics and energy commodities have strategic importance beyond their market price.²⁴⁰ While energy sector is considered as a strategically sensitive area, realist theory assumes that state's monitoring and engagement is necessary and essential for national survival. Thus, direct state action is legitimized by realist school of thought.²⁴¹ As an example, Russian leaders considers energy power as the fulcrum for nation's revival that energy is the key in realizing competitive advantages in abroad, especially in Eurasia. As a result, according to them pipelines that bypassing Russia is considered to be a threat Russia's legitimate interests in Eurasia²⁴²

Under the realist conditions, military force is regarded as a useable and effective instrument of energy policy which is frequently applied in practice by both energy consumer and producer states in order to provide their energy security.²⁴³ Thus, cooperation in international politics, including energy, is very difficult to achieve and sustain because of the competition in order to make relative gains. While realism is based on an anarchic world there is no authority to enforce cooperation and the interdependence resulted from cooperation is not suggested since it creates a relationship of dominance and vulnerabilities. For realists, cooperation between states including trade and strategic resources occurs only it gives advantage to national states in which security comes first

²³⁸ Ekaterina Svyatets, *ibid.*, p. 9

²³⁹ Ilgar Gurbanov, "Energy Security Dimension in Foreign Policy", *Strategic Outlook*, Access: <http://www.strategicoutlook.org/philosophy/news-energy-security-dimension-in-foreign-policy.html>

²⁴⁰ Cillian O' Donoghue, "Dealing with Russian Gas: Energy Management Dependency Strategies in Czech Republic and Hungary from Transit to Present", *Master Tesis: Central Euroepan University*, 2011, Hungary, p.16

²⁴¹ Filip Černoč, Martin Jirušek, "Strategic and Market Oriented Approaches in the Energy Policy of the European Union", *Center for Energy Studies*, 2014, p. 7

²⁴² Adam N. Stulberg, *ibid.*, p.812

²⁴³ Nataliya Esakova, **European Energy Security: Analysing EU-Russia Energy Security Regimes in Terms of Interdependence Theory**, *Springer*, 2012, p. 50

then profit maximization.²⁴⁴ If it does not create such situation, the better choice for states is to be independent or at least minimize its dependence.²⁴⁵

It could be claimed that most of the existing literature on international politics implicitly has a realistic and geopolitical approach regarding energy security. Some key arguments of realists regarding energy security could be summarized following:

- Access and control of natural resources is a key component of national power and interest
- Energy resources are becoming scarcer and more insecure which could be ended with resource wars
- The competition of states over resources will increase
- Conflict and war over resources is increasingly likely²⁴⁶

Besides the classic realism school of thought, other influencers like Stephen Krasner and Robert Gilpin tended to create the conceptual link between foreign and resource politics. For instance, Krasner examines how state builds relationship with multinational companies in formulating resources policies. On the other hand, Robert Gilpin states that in a highly integrated global economy, states use their power to channel economic forces for their own interests by addressing big industries, like giant energy companies.²⁴⁷

As states have different patterns regarding energy security and cooperation, referring case studies could be a good starting point. Thus, some examples from the recent study which tries to assess Russian energy policies from theoretical perspectives could be mentioned. For instance, according to Andras Molnar, while there is no acting global supranational actor on energy-related issues, states remain the dominant actors in international policy. Additionally, energy resources are material objects, realistic paradigm fits well in assessing the role of natural resources in foreign policy.²⁴⁸ Another example from Russian energy policy attitude concerning realism approach was associated with its point of view to ECT (Energy Charter Treaty) While Russia refused to commit a rule-based approach to energy

²⁴⁴ Ekaterina Svyatets, *ibid.*, p. 10

²⁴⁵ Felipe Mutis Tellez, "Energy Security and International Relations between Columbia and its Neighbors: A Factor Redefining Foreign Policies", *CEPMLP Annual Review*, Vol.15, 2013, p.4

²⁴⁶ Ronald Dannreuther, *ibid.*, p. 3

²⁴⁷ Ekaterina Svyatets, *ibid.*, p. 11

²⁴⁸ Andras Molnar, *ibid.*, p. 89

cooperation and multilateral regimes like ECT, this fact shows that the country exclusively focusing on its national interests.²⁴⁹

While realism remained the dominant theory in IR since the end of cold war, the definition of “security” has changed following the cold war and move beyond military issues to economic, environmental and social issues.²⁵⁰ In that respect, experts also try to assess securitization of energy by addressing emerging theories mainly Copenhagen School. A Turkish scholar recently put his analysis on securitization of energy resources and stated that energy securitization by Copenhagen School could be defined as “a security type realized in different sectors (political, military, economic, societal and environmental), at different levels (international, regional, national and individual) and through different actors’(states, companies, NGO’s, lobbies) ability to maintain a secure and sustainable demand/supply of energy at affordable prices.”²⁵¹

Finally, even though, the quest for national resources is mostly associated with the states’ search for power, there will always be an eternal discussion between realism and its competitors. While energy security is assumed as a “zero sum game” and energy policies are considered as a political tool for domination or conflict by realists,²⁵² the other side of coin should be taken into account as John Mearsheimer states in its article: “Realism is helpful for understanding how states interacted with each other before 1990’s but it is largely useless now that the Cold War is over”²⁵³. As a response to these critics, in the next chapters, liberal theories will be assessed in order to understand states’ behaviors in foreign politics.

2.b.2 Liberal Approach

Even though realism is seems to be the dominant approach in international relations since the end of the Cold War, it is not without critics. Over the past two centuries the most resistant of these came from Immanuel Kant, John Stuart Mill, Richard Cobden, Woodrow Wilson, Norman Angell, Joseph Schumpeter and John Maynard Keynes.²⁵⁴ Basically,

²⁴⁹ Lisa Pick, “EU-Russia Energy Relations: A Critical Analysis”, *POLIS Journal*, Vol.7, Summer, 2012, p. 346

²⁵⁰ Sezer Özcan, “Securitization of Energy Through the Lenses of Copenhagen School”, *East-West Journal of Social Sciences*, Vol.2, No.2, 2013, p. 57

²⁵¹Sezer Özcan, *ibid.*, p. 66

²⁵² Ekaterina Svyatets, *ibid.*, p. 13

²⁵³ John Mearsheimer, “Realism, the Real World and the Academy”, Michael Brecher and Frank P. Harvey (ed.), **Realism and Institutionalism in International Studies**, The University of Michigan Press, 2002, p. 24

²⁵⁴ Andrew Moravcsik, “Liberalism and International Relations Theory”, *Harvard University*, No. 92-6, p. 1.

liberal theory rejects the deterministic and pessimist realist view of international politics and focuses on the importance of justice, equality and freedom to achieve international peace and morality. While they believe that the economic cooperation among states could prevent international conflicts they also argue that the stability in international system could be only provided by a “hegemon” international system. Also according to them, cooperation and coordination is possible through international and regional organizations.

In addition, while the notion of “interdependence” will be assessed in a detailed way in the following chapters, this notion has a critical role in liberal theory as well. The central logic of most conflict studies states by addressing interdependence, states are less likely to fight if there is an additional opportunity costs associated with military force.²⁵⁵

Energy security could be also assessed in the framework of liberal theory. Firstly, in contrast to realism, liberalism argues that strategic resources, including energy should be able to trade if there is mutual benefit for both parties.²⁵⁶ Regarding energy security, all major players want to maximize the stability of the flow of oil onto the market and to minimize fluctuations over the prices. As US National Energy Policy Development Group indicates “In a global market place US energy and economic security are not only directly linked to domestic and international energy supplies but also out trading partners as well”²⁵⁷

In addition, in contrast to the realist tradition, liberalism gives a critical role to the cooperation between countries in energy issues. For example European Coal and Steel Community could be mentioned as a cooperation initiative in energy field aiming to prevent conflict. Liberals believe that global economy alters the relative cost of transnational exchanges, creates a pressure on domestic governments to create appropriate foreign economic and security policies.²⁵⁸ It could be claimed that in interpreting energy security while the realists mostly insist on security dimension, liberals focus on economic benefits. In other words, it is possible to observe that economic liberalism and

²⁵⁵ Erik Gartzke, Quan Li, and Charles Boehmer, ‘Investing in Peace: Economic Interdependence and International Conflict’, *International Organization*, Spring, 2001, p.394.

²⁵⁶ Ekaterina Svyatets, *ibid.*, p. 13

²⁵⁷ Sam Raphael and Doug Stokes, **Global Energy Security and American Hegemony**, *Johns Hopkins University Press*, 2010, p. 382

²⁵⁸ Spyridon Giotis, “Energy Security in Eastern Mediterranean; Gas Discoveries and Implications in Israel-Cyprus-Turkey Relations”, *MA Thesis in Politics and Economics of Contemporary Eastern and Southeastern Europe*, December, 2012, p.20

independence focuses on trade which could trigger cooperation among states.²⁵⁹ Also the war on energy resources could only be prevented by economic, political and social cooperation. Finally it could be claimed that while realists are insisting on “zero-sum” about the competition, on energy resources, liberals are concerning about absolute gains.

From the economical perspective, liberal school of thought on energy security also argues that “oil is a fungible product, diversification is counterproductive and energy security is better protected by markets.”²⁶⁰ The divergence between realists and liberals could be also evaluated regarding pipeline politics as well. While liberals believe that pipelines are facilitating cooperation by reinforcing mutual gains from energy interdependence, realists are arguing that pipelines are just the instruments at the hand of governments seeking to exploit their energy reserves to further political goals.²⁶¹ An interesting point could be mentioned from Ekaterina Svyatets’s study. In her book, she highlighted that in contrast to the realists who worry about the growing dangerous dependence of EU to Russian natural gas; experts committed to liberal interdependence theory see the other side of coin and stresses the Russian Federation’s dependence on European Commission which they argue as a guarantor of long term stability and peace.²⁶² Another related article made a clear link between peace and interdependence phenomena that “whether the energy producer and consumer are co-owners are belong to same chain (for example: producer country has shares in the downstream companies of consumer country), the interdependence between two states will ensure that this chain is indestructible since there is a common interest in each part of the chain.”²⁶³ In fact, Filip Černoč and Martin Jirušek made a comprehensive comparison between strategic and market based approaches which could be adopted to stress the differences between realist and liberal approaches on energy trade. (Figure 2)

²⁵⁹ Ekaterina Svyatets, *ibid.*, p. 13

²⁶⁰ William W. Hogan, “Energy, the Economy and Oil Security”, Richard J. Gonzalez, Raymond W. Smilor, Joel Darmstadter (Ed.), **Improving U.S. Energy Security**,. Cambridge (Ma), Ballinger Pub. Co., 1985, p.47

²⁶¹ Tolga Demiryol, “Does Economic Interdependence Promote Political Cooperation: Political Economy of Russian-Turkish Energy Relation”, *ECPR General Conference*, 2013, p.9

²⁶² Ekaterina Svyatets, *ibid.*, p. 13.

²⁶³ Iulian Chifu, “The Liberal Approach towards Energy Security Through Interdependence at Risk”, *U.P.B. Sci. Bull., Series D.*, Vol. 76, No.4, 2014, p. 2

Table 2: How Strategic and Market-based Approach Assess Energy Affairs

	The Strategic Approach	The Market-based Approach
Theoretical basis	Realist tradition in IR and classic geopolitics	Liberal tradition in IR, neoclassical and neo-institutional economics
General approach to energy in IR policies	The need for independence from external supplies of energy	Energy independence is impossible, attempts to achieve it could damage interstate relations
Role of energy policy in IR	Used to influence international relations	Politicization of energy affairs leads poor allocation and ineffective system
Definition to energy policy	Emphasis on adequate supply security, especially for oil and natural gas	Looking to the functioning and influence of markets.

Source: Filip Černoč, Martin Jirušek, “Strategic and Market Oriented Approaches in the Energy Policy of the European Union”, Center for Energy Studies, 2014, p. 9

When Azerbaijan’s and Turkey’s energy policies are tried to be assessed from a theoretical perspective, it is possible to find various interpretations. For example, in a recent PhD thesis, it was argued that liberal approach is more capable of explaining Azerbaijan’s energy policy since the country implements its energy politics through various partnerships with regional and interregional actors rather than involving into competition.²⁶⁴ Yet, similar argument could be applied for Turkish case that Turkey who does not have indigenous energy resources, the country uses multiple partnerships and deals to ensure its national energy security.

Besides the traditional two big theories, other most influential contemporary approaches to international relations theory could be listed as neo-realism and neo-liberalism.²⁶⁵ Six main points could be mentioned in order to understand the main differences between these two theories. They have different perspectives on the nature and consequences of anarchy, international cooperation, and relative versus absolute gains, priorities of state goals,

²⁶⁴ Kamran Abbasov, “Role of Energy in Azerbaijan’s Foreign Policy During Ilham Aliyev Era”, PhD Thesis, METU, October 2015, p. 6

²⁶⁵ Robert Powell, “Anarchy in International Relations Theory: The Neorealist-Neoliberal Debate”, *International Organization*, No.2, Vol.48, 1994, p.313

intentions versus capabilities, institutions and regimes.²⁶⁶ Based on these main differences, energy security could also be interpreted from neo-neo debate perspective in international relations.

2.b.3 Neo Realists Versus Neo Liberals

Neo-realism starts from the same point as neo-mercantilism does.²⁶⁷ While neo-mercantilists do not negate the possibility of cooperation, they argue that states are trying to maximize their wealth as a part of their increase their standing in international system. In energy politics, they see energy as simultaneously a source of wealth and political leverage. According to them states will act in zero-sum logic in the struggle for resources primarily marked by competition.²⁶⁸ In other words, for neo-realists, energy security is a zero-sum game, in which each actor seeks gains giving it a relative advantage over the other.²⁶⁹

In contrast, according to David Harvey stresses his views on neo-liberalism and states that neo-liberalism is firstly a theory of political and economic practices. He is claiming that the neoliberal theory argues that the best way for increasing the wealth is promoting the propriety rights, free trade and markets.²⁷⁰ Neo-liberals are still arguing that states are the main actors in international politics. Nevertheless, the central contention of neo-liberal approach is that institutions matter and they help the states to cooperate.²⁷¹

While energy security is considered as a part of contemporary policy debates, at the early stages, it could be claimed that neorealist school mostly includes military aspects of energy security whereas neoliberal framework focuses on role of institutions, international cooperation and liberal markets.²⁷² In that respect, Alexander Elving compared these two theories approaches to energy security in this analysis and claimed that “self-help” could interpret states behaviors in seeking ensuring energy security. He added that bilateral

²⁶⁶ David Baldwin, “Neoliberalism, Neorealism and World Politics”, **Neorealism and Neoliberalism: The Contemporary Debate**, Columbia University Press, Columbia, 1993, p.4

²⁶⁷ Charles Ziegler, Rajan Menor, “Neomercantilism and Great-Power Energy Competition in Central Asia and the Caspian”, *Strategic Studies Quarterly*, Summer, 2014, p.19

²⁶⁸ Charles Ziegler, Rajan Menori *ibid.*, p.19

²⁶⁹ Sascha Kuhn, David Mosler, Katharina Richter, “Energy Cooperation in the Caucasus”, *Malmö University*, 2010, p.11

²⁷⁰ David Harvey, **Neoliberalizmin Kısa Tarihi**, Sel Yayıncılık, İstanbul, 2005, p.10.

²⁷¹ Robert Powell, *ibid.*, pp.338

²⁷² Ksenia V. Trachuk, “Contemporary Energy Security Studies: Theoretical Aspects”, *MGIMO Review of International Relations*, No.4, 2013, Access: <http://www.vestnik.mgimo.ru/en/razdely/political-science/contemporary-energy-security-studies-theoretical-aspects>

supply deals also could be reached by self-help approach where multilateral cooperation seems less feasible for states.²⁷³

Nevertheless, it should be underlined that energy is double-edged: on the one hand, it can generate shared interests and opportunities for cooperation. On the other hand it may aggravate the conflict over scarce resources. The central question here is: How neo realists and neo liberal are interpreting cooperation, mainly in the field of energy? First of all, it could be claimed that neo-realists and neo-liberals have similar understandings of the nature of international politics. For instance, they are arguing as following: In the absence of a sovereign authority that can make and enforce binding agreements creates opportunities for states to advance their interests unilaterally and makes it important and difficult for states to cooperate with one another.²⁷⁴

Both two theories are stressing on cooperation, even though, they disagree on the prevalence and effects of inter-state cooperation.²⁷⁵ For instance neo-realists and neo-liberals view the “gains” resulted from cooperation from different angles. Whereas neo-realists are concerned with the relative gains, neoliberals are concerned to maximize their absolute gains. In addition, neo-realists are arguing that international anarchy resembles a prisoner’s dilemma game in which two self-interested players choose to defect separately, although both would fare better if they cooperated.²⁷⁶

A game theory on energy geopolitics was studied by American ecologist Garreth Hardin in its famous “Tragedy of Commons”. He described the dilemma of population growth and argues that free access and limitless demand for a finite source, in due course leads to over-exploitation and either temporary depletion. As a result actors’ short term interests are at odds with their long-term interests and a mutually beneficially outcome²⁷⁷ According to this statement, energy cooperation could be also discussed for states.

²⁷³ Alexander Elving, “Achieving Energy Security in the EU: National Self-Interest and Multilateral Cooperation”, Master Thesis, *Swedish National Defense College*, 2014, p. 11

²⁷⁴ Robert Jervis, “Realism, Neoliberalism and Cooperation: Understanding the Debate”, *International Security*, Vol.25, No.1, Summer 1999, p.42

²⁷⁵ Vessela Chakarova, “Oil Crisis and International Cooperation: Do International Institutions Matter?”,

²⁷⁶ Hyun Jin Choi, “Fueling Crisis or Cooperation: The Geopolitics of Energy Security in Northeast Asia”, *Asian Affairs*, 2009, p.4

²⁷⁷ Keith Weiber, “Azerbaijan-Turkmenistan Disputes and the Tragedy of Commons”, *CSIS*, 15.11.2012, Access: <http://csis.org/blog/azerbaijan-turkmenistan-disputes-and-tragedy-commons>

According to realist point of view two factors could inhibit cooperation: relative-gain cooperation and concern about cheating.²⁷⁸ Contrary to this, neo-liberal dimension claims that energy could serve as a catalyst in regional integration and cooperation. For maintaining this cooperation regional institutions could be helpful.²⁷⁹ Most of the scholars and experts pointed out EU example when they are arguing the neoliberal approach to energy security and integration effects by taken into consideration that energy security is a mutual interest for EU member states which makes cooperation more desirable.²⁸⁰

Finally, “interdependence” which is a concept that was addressed by both theories could be assessed for energy relations, especially for considering energy as a tradable good. In that regard, for assessing Turkish-Azerbaijani energy relations is a theoretical framework, the following chapter will be focusing on “interdependence” concept in international political economy discipline.

2.c Considering “Interdependence” Theory with Energy Security

The rapidly growing world economy in the post 1945 and the increasing transboundary interactions showed that the major and central concept of the 21st century would be the concept of interdependence and international organizations/regimes. As Robert Gilpin pointed out “one of the dominant themes in the study of political economy is the persistent clash between the increasing interdependence of the international economy and the desire of individual states to maintain their economic independence and political autonomy.”²⁸¹ In fact, interdependence is most often viewed through two conceptual lenses, classical liberal theory and set of critics like realists, dependency theorists and others.²⁸²

Accordingly, the two most famous authors Robert Keohane and Joseph Nye offered a neo-liberal critique of traditional realist worldview. They assume that in the post-Cold War era II, countries have become more and more intertwined economically.²⁸³ As a result, in the late 1970’s the authors have introduced their influential book: *Power and Interdependence*.

²⁷⁸ John J. Mearsheimer, “The False Promise of International Institutions”, *International Security*, Winter, 1994/95, Vol.19, No.3, p.12

²⁷⁹ Hyun Jin Choi *ibid.*, p.18

²⁸⁰ Alexander Elving, *ibid.*, p.12

²⁸¹ Robert Gilpin, **Global Political Economy: Understanding the International Economic Order**, Princeton University Press, 2001, p.80

²⁸² Erik Gartzke, “Interdependence Really is Complex”, *University of California*, 2010, p. 2

²⁸³ Robert O. Keohane and Joseph S. Nye, “Realism and Complex Interdependence”, C. Roe Goddard, Patrick Cronin, and Kishore C. Dash(ed.), **International Political Economy: State-Market Relations in a Changing Global Order, 2nd Edition**, 2003, p.49

The conception of “complex interdependence” was also seen in their first sentence: ‘We live an era of interdependence’.²⁸⁴ Keohane and Nye’s research was a major challenge to fundamental assumptions of traditional and structural realism which is focusing on military and economic capabilities to explain states’ behavior.²⁸⁵

According to another scholar, David Baldwin, the interdependence could be defined as the “international relationships that would be costly to break”. Barry Buzan also shared the idea of “interdependence” but differently he regarded the rising density of interaction networks as driving force of interdependence. Furthermore, Regional Security Complex Theory developed by Buzan and Waever indicates that energy security complexes could be defined as following: Regional energy security complexes are founded by energy related interaction between two or more states in a limited geographical area which includes an energy dependency relationship between the states involved and perception this dependency as a threat.²⁸⁶

According to Nye and Keohane, the energy relationship between the partners could be interconnected or interdependent. Still, there is always a more powerful party which leads the “asymmetry of the interdependence”. In order to assess how the parties influence each other Keohane Nye have also extended their research and distinguished “sensitivity” interdependence from “vulnerability” interdependence. Most economists are referring to sensitivity interdependence exemplified by responsiveness among economic variables²⁸⁷ or responsiveness within an existing policy framework. On the other hand, vulnerability interdependence is generally referring to the political exploitation of market interdependencies. According to Keohane and Nye, vulnerability dependencies are more serious and measure the ability to adjust to changes after policies have been changed.

Interdependency is not in heritably a positive phenomenon and it is not automatically creating a mutually beneficial relationship. Historical amity and enmity patterns have the influence on how the energy dependency is perceived by the actors. According to Keohane

²⁸⁴ Thomas Walker, “A Circumspect Revival of Liberalism: Robert O. Keohane and Joseph Nye’s Power and Interdependence”, **In Classics of International Relations: Essays in Criticism and Appreciation**, Henrik Bliddal, Casper Sylvest, and Peter Wilson. (ed), Hoboken, Taylor and Francis, 2013, p. 149

²⁸⁵ Waheeda Rana, “Theory of Complex Interdependence: A Comparative Analysis of Realist and Neoliberal Thoughts”, *International Journal of Complex Interdependence: A Comparative Analysis of Realist and Neoliberal Thoughts*, Vol.6, No.2, p.290

²⁸⁶ Mikko Palonkorpi, ‘Matter over Mind? Securitizing Regional Energy Interdependencies’, *Aleksanteri Institute*, p. 3

²⁸⁷ Robert Gilpin, *ibid.*, p. 82.

and Nye, the degree of asymmetry in interdependence provides the political bargaining power that enables control of resources and ability to affect outcomes.²⁸⁸ In case of such negative interdependence, partners would escape from a dependency and the relation could not be considered as mutually beneficial.

The liberals mainly regard interdependence as a key category in explaining international politics. In addition, it could be claimed that economic interdependence transforms not only the parameters of international relations but also the very fabric of nation-states. In fact, states have a choice between two survival strategies: either states can rely on cooperation or they can emphasize the military power and coercion.²⁸⁹ It is acceptable to talk about interdependence in energy relations which is particularly concerning the issue of energy security as well. For example EU-Russian energy partnership is one of the best examples that show the “interdependence” as a part of energy security between two actors. However, as expressed above, interdependence phenomenon should not be defined strictly in terms of “evenly balanced”. In other words, the asymmetries in dependence influence the relations. For instance, in Russian-EU energy case, Russia seems as less dependent actor and could use its position as a source of power on EU.²⁹⁰ Nonetheless, while the theories of cooperation have been applied to a variety of issue-areas, oil and energy are generally ignored.²⁹¹

Liberal school of thought also enlightens us about how cooperation among enemies could be possible in relation to sensitive issues like energy security which has both economic and strategic dimensions.²⁹² Especially, the increasing amount of gas trading among states has created interdependence between exporting and importing countries that both can become sensitive and vulnerable. Nevertheless, theorists underline that the calculation of the cost of the trust to other party and the level of affordability of this cost determines the decision to cooperate or not. The interdependence between energy exporter and importer countries and their shared interests does not rule out competition and conflicts as well.²⁹³

²⁸⁸ Mikko Palonkorpi, *ibid.*, p.7.

²⁸⁹ Tolga Demiryol, ‘The Limits of Cooperation Between Rivals: Turkish-Iranian Relations since 2002’, *Ortadoğu Etütleri*, Vol.4, No.2, January, 2013, p.119.

²⁹⁰ Henry Helen, “The EU’s Energy Security Dilemma with Russia”, *Polis Journal*, Vol.4, 2014, p. 31

²⁹¹ Vessela Chakarova, *ibid.*, p.3

²⁹² Nurşin Ateşoğlu Güney and Vişne Korkmaz, *ibid.*, p. 39.

²⁹³ Ole Gunnar Austvik, “EU Natural Gas Market Liberalization and Long-Term Security of Supply and Demand”, Gunnar Fermann(ed), **Political Economy of Energy in Europe: Forces of Integration and Fragmentation**, Bibliografische Information der Deutschen Nationalbibliothek, 2009, p.99.

It is possible to evaluate the degree of the energy interdependence in three levels. An energy (commodity) importing country can be somewhere in the continuum between neutral, sensitive or vulnerable on a commodity when its price or availability changes.²⁹⁴ Basically, neutral dependence could be defined as a situation when a country exports and imports a commodity, and always have an alternative if one of the customers or suppliers disappears. In such situation, there should be no concern over supply or demand security.²⁹⁵

According to Keohane and Nye, for instance, in energy terms the sensitivity of energy importers can be measured by the greater costs of foreign oil and proportion of petroleum they import. More concretely, the authors mentioned the sensitivity dependence of the United States, Japan and Eastern Europe which were affected by the increased oil prices in 1971 and 1973-1975. According the authors, during the oil crisis, U.S was less sensitive because a smaller proportion of its petroleum requirements were accounted for imports.²⁹⁶

One of the cornerstones of the interdependence theory of Robert Keohane and Joseph Nye is the differentiation between the conditions of realism and complex interdependence. In Keohane's and Nye's work 'Power and Interdependence' the complex interdependence is summarized as following:

- States are not the only units in international politics: there are multiple interstate, trans-governmental and transnational channels connecting societies.
- There is an absence of hierarchy among issues. Goals of states vary by issue area. Transnational actors pursue their own goals.²⁹⁷

According to the traditional realist approach which is based on the belief of an anarchical world, interdependence could be seen as a relationship of dominance-dependence which will not necessarily lead to cooperation.²⁹⁸ In contrast realists argue that interdependence increases the likelihood of conflict. Even though most of the literature claim that increased economic exchange inhibits interstate hostilities, Albert Hirschman for example has

²⁹⁴ Ole Gunnar Austvik, *ibid.*, p. 88

²⁹⁵ Ole Gunnar Austvik, *ibid.*, p. 89

²⁹⁶ Nataliya Esakova, **European Energy Security: Analysing EU-Russia Energy Security Regimes in Terms of Interdependence Theory**, Springer, 2012, p. 53

²⁹⁷ Nataliya Esakvova *ibid.*, p. 51.

²⁹⁸ Xuanli Liao, 'The Petroleum Factor in Sino-Japanese Relations: Beyond Energy Cooperation', *International Relations of the Asia-Pacific*, Vol.7, 2007, p. 24

pointed out that the gains from trade often do not accrue to states proportionately and the distribution of these gains can affect interstate power relations.²⁹⁹ According to him, Nazi Germany set out to make the smaller countries of Eastern and Southern Europe dependent on trade with Germany in order to gain political leverage over them.³⁰⁰ On the contrary, in the context of complex interdependence, energy security is perceived as in economic terms. National states are not the only players in energy security issue. Actors should cooperate in the framework of multilateral organizations which impose certain rules on energy security.

In order to understand the nature of Turkish-Azerbaijani energy relations, other examples could be assessed as “case studies” from other experiences. These case studies and examples would be useful to make comparison with Turkish-Azerbaijani case, especially in assessing the “interdependence” argument. First of all, the energy relations between Russian Federation and EU would be an appropriate example. It is obvious that interdependence has created a strong relationship between Russia and EU that their ultimate goal is integration of energy markets, reform of Russian energy industry and incorporation of the existing rules of the European energy market in Russia.³⁰¹ On the other hand, the energy security relations between Russia and European Union are mostly assessed from ‘the asymmetrical interdependence’ dimension by certain authors. In other words, it could be asked that what are the objectives of energy security in the policies of EU and Russia and how do they relate each other? In general, it could be claimed that as a supplier country, Russia is willing to strengthen interdependence due to its demand vulnerability and EU is seeing this interdependence more negative due to its supply sensitivity.³⁰² From a different perspective, another interesting study which used comparative research methods indicates that the official discourse of EU-Russian energy relations based on three approaches: Integration discourse, liberalization discourse and diversification discourse.³⁰³

²⁹⁹ Edward D. Mansfield and Brian M. Pollins(ed.), **Interdependence and International Conflict: New Perspectives on an Enduring Debate**, University of Michigan, 2003, p.3

³⁰⁰ Andrej Krickovic, ‘When Interdependence Produces Conflict: EU-Russia Energy Relations as a Security Dilemma’, *Contemporary Security Policies*, Vol.36, No.1, 2015, p.6

³⁰¹ Oleg Remizov, ‘The Concept of Energy Security in the EU-Russia Relations: New Interdependencies’, **Master Thesis**, 2013, p. 16.

³⁰² Oleg Remizov, *ibid*, p.5

³⁰³ Lukáš Tichý, Petr Kratochví, “The European Union’s Discourse on Energy Relations with Russia”, *UACES 43th Annual Conference*, September 2013, pp. 1- 26

In contrast to previous asymmetrical interdependence hypothesis, a recent article released in 2015, claims that Russia-EU energy relationship meets the definition of symmetrical interdependence. According to the author, while the EU is heavily dependent on Russia for its energy needs, Russia's energy trade with the EU is its most important foreign economic relationship.³⁰⁴ According to the Eurostat, Russia has maintained its position as the dominant supplier of crude oil and natural gas. For natural gas, after Norway, 16.7% imported gas is entering from Russia.³⁰⁵ Nevertheless, for instance according to Reuter's estimations as a result of the recent crisis with Ukraine on the Crimea the imports from Russia could slash by 45 bcm worth to \$18 billion a year by 2020.³⁰⁶

It is added that contrary to expectations of liberal theories, according to some experts interdependence between Europe and Russia in the energy sphere exacerbated security tensions between two sides due to the fact that both sides have been worried that in the future, the interdependence will come asymmetrical.³⁰⁷ According to the author, Russia-EU relationship is not one of the complex interdependence. It is also added that, even though, economic cooperation between Russia and EU has been growing since the end of the Cold War, it is not in the favor of EU.³⁰⁸ In the energy sphere, the natural interdependence between two sides is obvious but it is not in natural harmony, especially for the topics related to price and pricing of energy.³⁰⁹ On the other hand, it could be claimed that, EU-Russia energy relations could be understood in terms of power, security and zero-sum geopolitical competition.³¹⁰

³⁰⁴ Andrej Krickovic, *ibid.*, p.9

³⁰⁵ Eurostat, "Natural Gas Consumption Statistics", July 2016, Access: http://ec.europa.eu/eurostat/statistics-explained/index.php/Natural_gas_consumption_statistics

³⁰⁶ Reuters, "EU Gas Imports from Russia Could Drop a Quarter by 2020", 09.04.2014, Access: <http://www.reuters.com/article/us-ukraine-crisis-gas-idUSBREA3818J20140409>

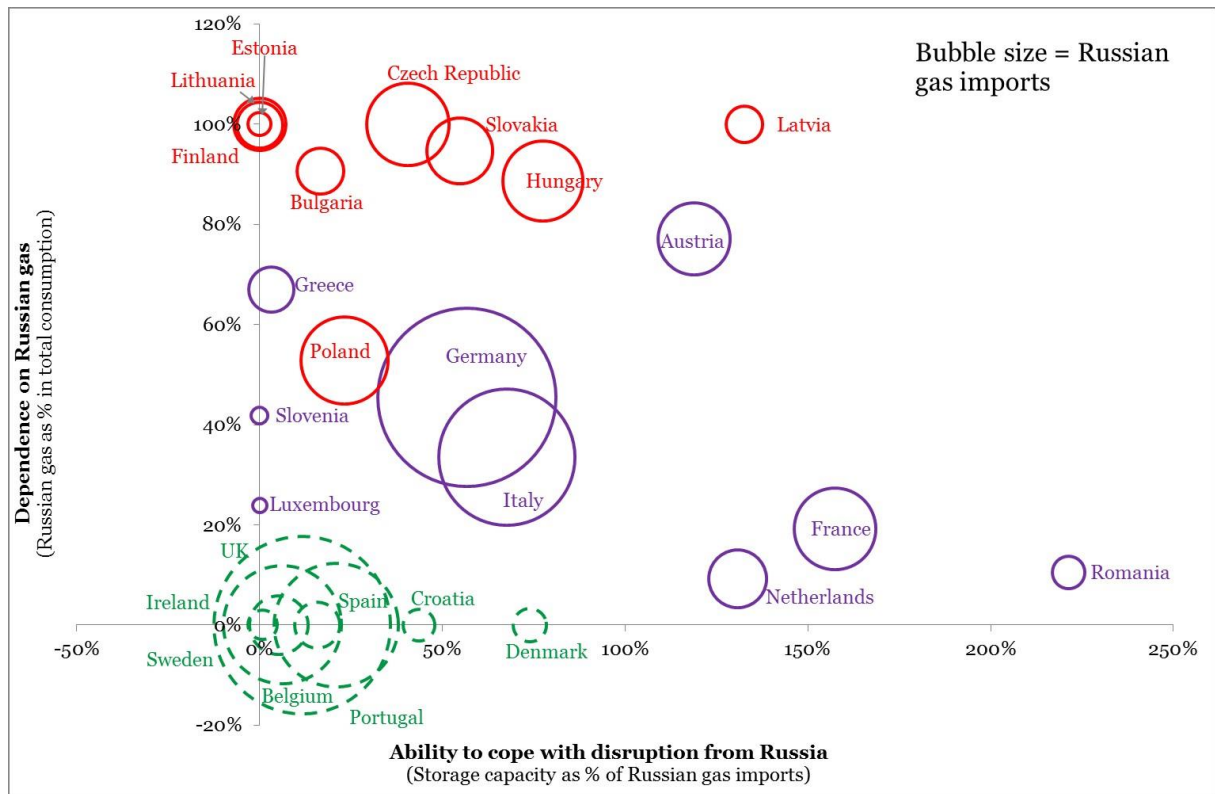
³⁰⁷ Andrej Krickovic, *ibid.*, p.3

³⁰⁸ Andrej Krickovic, *ibid.*, p.8.

³⁰⁹ Nurşin Ateşoğlu Güney and Vişne Korkmaz, "The Energy Interdependence Model Between Russia and Europe: An Evaluation of Expectations for Change", *Perspectives*, Autumn 2014, Vol.19, No.3, p. 41.

³¹⁰ Tom Casier, "Russia's Energy Leverage over the EU: Myth or Reality", *Perspectives on European Politics and Society*, 2001, Vol.12, No.4, p. 493.

Figure 8: The Energy Relation of EU Member States and Russian Federation



Source: European Council on Foreign Relations, Europe’s Vulnerability on Russian Gas

As a note about assessment of interdependency level between EU and Russia, it should be reminded that when considering the energy relations and interdependence factor between Russia and EU, the different approaches and situation of member countries’ should be taken into account. As the figure 8 shows above, the horizontal axis represents the ability of member states to cope with a major disruption; the vertical axis represents each country’s level of dependence on Russian gas. According to the chart, while the green symbolizes neutral states which mean that they do not import directly from Russia, the purple illustrates secure states those for example has sufficient gas storage capacity. In contract, red means insecure members who are fully or mostly dependent on Russian gas.³¹¹

Despite the existing literature for interdependence theory for understanding the energy relations, it should be clarified that whether the nature of this relation causes a symmetrical or asymmetrical interdependence. According to the personal notes taken in the NATO

³¹¹ European Council on Foreign Relations, “Europe’s Vulnerability on Russian Gas”, 17.03.2015, Access: http://www.ecfr.eu/article/commentary_europes_vulnerability_on_russian_gas

School's Energy Security Strategic Awareness Course held in September 2016, there could be three types of energy trade, firstly, there would be no significance to either side, secondly only one side would be dependent generally supplier and finally both sides could be interdependent. However, according to a leading energy expert, Brenda Shaffer's lecture, while there is no peace pipeline, energy trade will not solve border issues, refugees or security concerns and very few cases of interdependency could emerge in case of bilateral trade. Only the energy relations between Germany and Russia could be considered as symmetrical which could be considered as a secure state according to the Figure 3 due to the fact that it has strong, long-lasting and well established commercial relations with Russia in addition to its natural gas trade.³¹² Based on this assumption, it could be claimed that whether the symmetrical interdependency between Turkish-Azerbaijani relations is aimed to be created, the both states should establish well-structured and institutionalized relations in addition to their energy trade.

Another energy interdependency case could be mentioned from the interrelations between three Baltic States and the Russian Federation. The problem of energy security in the Baltics poses a serious dependency problem for countries' national security perception. According to many academic articles, the bilateral relations also could be assessed from the lens of asymmetrical interdependence between Russia and Baltic States³¹³.

On the other hand, from the other side of the Atlantic, energy security could be considered as one of the most determinant factors in explaining the relations for example between Colombia and its neighborhood. According to a recent study, despite the political and military tension among Latin American states, energy cooperation, motivated by strategic concerns and economic interests has prevailed.³¹⁴ Nevertheless, authors are urging the audience that *"the political economy of energy security is a constantly evolving process; each time the risks are different, the considerations for the best response change rapidly and the implications for solutions become far more complex."*³¹⁵

The energy interdependence in South Asia and its contributions to region's stability was also mentioned in a recent article. According to the author, satisfying the region's growing

³¹² European Council on Foreign Relations, *ibid.* p.6

³¹³ Philip Sebastian Veispak, "Asymmetrical Interdependence in Energy Relations between Russian Federation and Baltic States: Effects of the Finnish LNG terminal and Baltic Connector", Unpublished **Master Thesis**, pp.4

³¹⁴ Felipe Mutis Tellez, *ibid.*, p.14.

³¹⁵ Felipe Mutis Tellez, *ibid.*, p. 15.

energy demand will require a heightened degree of energy interdependence among historically antagonistic states.³¹⁶It should be highlighted that greater cooperation within South Asia and with adjoining regions would be one of the most effective ways to dealing with region's energy deficit.³¹⁷

The examples above show that the energy relations between an energy supplier and a consumer state could be well explained by the “interdependence” theory. This model and energy dialogue regime between energy producers, energy consumers and energy transit countries has a long history and has successfully passed a number of tests like a USA embargo during 1980's, the end of Cold War etc.³¹⁸Also one of the core assumption of this thesis claims that the “interdependency” model is also applicable for the energy relations between Turkey and Azerbaijan.

2.d Energy Relations from an Institutionalist Perspective

Even though, the main assumption of this thesis is to assess the bilateral energy relations from the perspective of interdependence, the outcomes from the authors and experts from the personal interviews opened a new perspective for theoretical chapter that the bilateral relations in Turkish-Azerbaijani energy relations should be assessed from the institutionalist perspective as well.

In fact, institutionalism is an approach mainly rose following the end of Cold War that experts were mainly arguing that institutions are significant to encourage the peace in the world.³¹⁹ Similarly, many scholars argue that institutions play a major role in facilitating the dialogue among the states and contribute to establish a form of cooperation based on rules of acceptable behaviors.³²⁰ On the other hand, liberal institutionalism is the main form of political liberalism in international relations.³²¹ While institutionalist theory brings the main assumptions of realism it also seeks greater incentives for cooperation and tries to understand how international institutions could foster the cooperation by relying on rules

³¹⁶ Joseph McMillan, “Energy Security in South Asia: Can Interdependence Breed Stability?“, *Strategic Forum*, No.232, September 2008, p.1

³¹⁷ Joseph McMillan, *ibid.*, p.3.

³¹⁸ Nurşin Ateşoğlu Güney and Vişne Korkmaz, *ibid.*, p.36.

³¹⁹ Bakhtiyar Badalov, “The European Union and Russian Federation Energy Relations: Petrification or Revival“, *Lund University*, 2012, p.11

³²⁰ Namrata Goswami, “Power Shifts in East Asia: Balance of Power vs. Liberal Institutionalism“, *Perspectives*, Spring, Vol 18, No.1, 2013, p. 18

³²¹ Caroline Kuzemko, Andreas Goldthau, Micheal F. Keating, **The Global Energy Challenge: Environment, Development and Security**, *Palgrave*, NY, 2015, 11

and norms. In that regard, liberal institutionalist approach which emerges in the 1970's and 1980's argues that cooperative behavior could promote positive sum results ³²² and states could delegate authority to supranational organizations which will later be capable of acting against the subsequent preferences of governments.³²³

When institutionalist theory is considered with energy policies, a number of institutions could be mentioned which are functioning globally or regionally. The main assumption of liberal institutionalists' is that the states could manage their energy relations and security concerns throughout these well-established organizations.³²⁴ In that regard, for instance, IEA (International Energy Agency) could be considered as international information based institution functioning in oil, gas and electricity segments.³²⁵ Another attempt to establish international energy governance could be mentioned as the Energy Charter. This initiative has launched in the Post-Cold War period with the aim of reinforcing global governance structure in energy trade, transit and investment areas. However, it is possible to highlight significant weaknesses of this multilateral system as mentioned by Andrei Belyi that for example Energy Charter is one of the explicit attempt to create an international governance although the issues of acceptance emerges as an important barrier to multilateralism in energy field.³²⁶

However, institutionalist approach has also its own challenges and limitations, realists also responded the arguments of cooperation and collective action with different criticisms. Arthur Stein's article on "Neoliberal Institutionalism" gives the main aspects of the idea of institutionalism and limitations of this theory. First critic related to institutions and cooperation is about relative gains that it is argued that cooperation is more difficult to achieve that states will be concerned about relative gains that would accrue about cooperation. Secondly, it is argued that international organizations are pictured and reflect the actions of powerful. Thirdly, it is criticized that institutions were created to improve

³²² Ronald Dannreuther, *ibid.*, p. 6

³²³ Alexandros Petersen, "Integration in Energy and Transportation Amongst Azerbaijan, Georgia and Turkey", *Unpublished PhD Thesis: London School of Economics*, 2012, p.52

³²⁴ Caroline Kuzemko, Andreas Goldthau, Micheal F. Keating, *ibid.*, p. 11

³²⁵ Andrei V. Belyi, "Cathedra on Political Issues of International Energy", *Higher School of Economics*, p.85

³²⁶ Andrei Belyi, "International Governance: Weaknesses of Multilateralism", *International Studies Perspective*, 2014, Vol.15, p. 313

outcomes for states however they do not provide any assurance they accomplished their objectives.³²⁷

When the energy relations between Turkey and Azerbaijan will be assessed from an institutionalist perspective, a recently published book written by Alexandros Petersen could be mentioned. According to his main arguments, energy and transit could be seen as facilitators of an organic process of integration for Azerbaijan-Georgia and Turkey's trilateral relations. Especially in the energy sector the integration could be explained through neoliberal institutionalist theory. Even though there had been some attempts to cooperate in limited areas such as pipeline security, they still lacked common attitudes and could diverge in their political systems and relations with their neighbors. Additionally, his research confirms that Azerbaijan, Georgia and Turkey are still far away from the integration facilitated by transport and energy which makes institutionalism as a dominant theory is questionable.³²⁸ Finally, his research is aiming to answer the question that why the sector specific integration between Turkey, Azerbaijan and Georgia has not still yet a spill-over in other sectors and triggered a domino effect.³²⁹

From the point of view explained above, it could be said that even though energy constitutes the most critical pillar of Turkish-Azerbaijani relations since the end of Cold War. Energy based integration has not transformed any installed and well established institutional relations yet. Instead of any specific mission or information institutions, bilateral energy relations are mostly conducted on energy companies (SOCAR-BOTAŞ) or energy ministries. Nevertheless, it could be argued that the increasing interdependence in energy field could create a need for an institution which will be solely functioning for the governance of Turkish-Azerbaijani energy relations.

For Turkey, Azerbaijan seems as a natural energy partner with its geographical proximity. However, energy relations would not be strategic and commercial if they would not serve for the interest of two parties.³³⁰ As a result, third chapter of this thesis will be analyzing the "energy interdependence" between two countries. In order to reach this purpose, first of all,

³²⁷ Arthur Stein, "Neoliberal Institutionalism", Christian Reus-Smit and Duncan Snidal (Ed.), **The Oxford Handbook on International Relations**, Oxford University Press, pp. 201-221

³²⁸ Alexandros Petersen, **Integration in Energy and Transport: Azerbaijan, Georgia and Turkey**, Lexington Books, 2016, US, p.8

³²⁹ Alexandros Petersen, *ibid.*, p.9

³³⁰ Natural Gas Europe, "Turkey: Azerbaijan's Natural Energy Partner", 28.09.2015, Access: <http://eiranews.com/index.php/en/open-forum/2252-turkey-azerbaijan-s-natural-energy-partner>

the role of energy in both states' foreign politics and national economics will be assessed. Secondly, the energy projects will be summarized in a more detailed way. Finally the interdependence in energy relations between two states will be interpreted.

CHAPTER 3

ASSESSING “POLITICS OF ENERGY” IN BILATERAL RELATIONS: MEAN OF “ENERGY” FOR TURKEY and AZERBAIJAN

When the existing international politics and security literature reviewed, it could be claimed that, for a long time there has not been a systematic approach incorporating energy security into foreign policy and these two tracks considered as the separate disciplines.³³¹ However, the milestones in international politics like the “gas crisis” between Russia and Ukraine, the localization of oil and gas markets in world’s volatile regions/countries makes the “energy” as a new, emerging concept and concern for foreign policy makers.

3.a Integrating Energy in Foreign Policy Making

Aleh Cherp and Jessica Jewell discussed the role of energy in a detailed way and they indicated that ‘as a policy problem, energy security emerged in the early 20th century in connection with supplying oil for armies’.³³² In the academic reflections, they added that the terminology of energy security has entered to agenda in 1960’s and 1970’s with the oil crisis and it re-emerged with the rising demand in Asia and gas disruptions in Europe.

Mert Bilgin, a Turkish scholar, also contributed the energy security literature by stressing that ‘the link between the tangible characteristics of energy security and foreign policy priorities emerges as a significant problematic which requires more attention.’³³³ According to him, countries who successfully manage environmental challenges who benefit from the energy trade and those who have a good energy mix, advanced technology will benefit from the energy transitions in the 21st century.³³⁴

³³¹ Tuncay Babali, ‘Regional Energy Equations and Turkish Foreign Policy:

³³² Aleh Cherp and Jessica Jewell, ‘The Concept of Energy Security: Beyond the Four A’s’, *Energy Policy*, No.75, 2014, pp.415.

³³³ Mert Bilgin, ‘Turkey’s Energy Strategy: Synchronizing Geopolitics and Foreign Policy with Energy Security’, *Insight Turkey*, Vol.17, No.2 2015, pp.67

³³⁴ Mert Bilgin, ‘Energy and Turkey’s Foreign Policy: State Strategy, Regional Cooperation and Private Sector Involvement’, *Turkish Policy Quarterly*, Vol.9, No.2, pp.82.

Figure 5: Linking Energy Security and Foreign Policy³³⁵

	Tangible Characteristics	Intangible Characteristics
Energy Security	Amount, price, timing, location, sustainability	
Foreign Policy	Bilateral and multilateral relations, trade agreements, military, cooperation	Ideals, principles, identity politics, soft power instruments

Energy Industry, Lobbying and Their Political Influence

World's economy functions have long been determined by both markets and policies of nations-states. In this process, "lobbying" has a crucial role in understanding the states' behaviors in the light of political economy theories. Lobbying could be associated with organized interests in democratic societies that many private companies,³³⁶ especially powerful multinational or national corporations have long been engaged in lobbying activities with the aim of influencing policy making process. In US, the oil and gas industry is one of the most influential industries on Capitol Hill.³³⁷ Additionally, it is recently reported that oil and gas industry spent more than \$60 million for lobbying activities in 2016 and in 2014, fossil fuel industry spent \$ 213 million in total ³³⁸³³⁹ Thus, it seems obvious that big energy giants desire to be a part of foreign policy making process to pursuit their interests. In line with this argument, according to an analysis conducted by Foreign Policy shows that two big energy companies, Exxon Mobile and Royal Dutch

³³⁵ This table prepared from Mert Bilgin, "opcit".

³³⁶ Eduard Tsvetanov, "Russian Politics or Russian Energy Industry Lobbying: European Union Perspectives", *Journal of Promotional Communications*, Vol.3, 2015, p. 341

³³⁷ Oil Change International, Access on 01.09.2016, <http://priceofoil.org/fossil-fuel-industry-influence-in-the-u-s/>

³³⁸ Open Secrets, Sector Profile, Access on 15.08.2016, <https://www.opensecrets.org/lobby/indus.php?id=E>

³³⁹ Chris Rose, "Fossil Fuel Lobby Spent \$213 Million Last Year to Influence US, EU Politicians", Desmog, 2014, Access: <http://www.desmogblog.com/2014/10/18/fossil-fuel-lobby-spent-213-million-last-year-influence-us-eu-politicians>

Shell respectively, listed as two most powerful corporates which are even stronger than states.³⁴⁰

While it's challenging to find a systematic or academic literature working on the energy industry, its lobbying capacity and role in state's political economy, in 2015, Eduard Tvsetanov put an interesting assumption in his article and argued that lobbying is significantly influenced by political economic narrative³⁴¹ by addressing the case study on Gazprom's behaviors in Russian energy industry. He firstly pointed that there is no one-size-fits-all model in interpreting lobbying and related activities and the way, the methods of lobbying could be differed in post-soviet countries and western countries which are tend to be more transparent. He mentioned that "when such a state (Russian Federation) is a major shareholder of an energy company, such as Gazprom, energy is associated with political interests to be protected and used as a powerful tool for exerting influence over international entities".³⁴² Finally he concluded that Russia's international politics have the tendency to resemble the country's energy industry efforts.³⁴³

In addition, while Gazprom's lobby in the EU could be considered as a hierarchical built, experts argue that when it comes to energy relations Russian Federation prefers state bilateral relations rather than companies. A report dated 2014, underlines that this tendency is showed by the fact that Gazprom has no office in Brussels, but in other European capitals that the company would directly impact the EC's decisions.³⁴⁴ In addition, Russian Federation is using NGO's and think-tanks in its lobbying activities and Russian company invests in social projects in Russian bad climate regions.³⁴⁵

Based on these assumptions and case studies described below, it will not be wrong to claim that Turkish and Azerbaijani energy company(s) should have a prominent role in determining bilateral energy relations and they have indirect impacts on the nature of relations of political economy. Although some steps launched for the liberalization of Turkish energy company BOTAS, the state has still the dominant stake. Similar to

³⁴⁰ Parag Khanna, "These 25 Companies are More Powerful than Many Countries", *Foreign Policy*, 15.03.2016, Access: <http://foreignpolicy.com/2016/03/15/these-25-companies-are-more-powerful-than-many-countries-multinational-corporate-wealth-power/>

³⁴¹ Eduard Tsvetanov, *ibid.*, p. 341

³⁴² Eduard Tsvetanov, *ibid.*, p. 356

³⁴³ Eduard Tsvetanov, *ibid.*, p. 358.

³⁴⁴ International Relations Report, "Russian Energy Lobby in European Union-II", 19.08.2014, Accessed: <http://ir-report.ro/index.php/perspective/308-russian-energy-lobby-in-the-european-union-ii>

³⁴⁵ International Relations Report, "Russian Energy Lobby in European Union-I", 14.08.2014, Access: <http://ir-report.ro/index.php/perspective/301-russian-energy-lobby-in-the-european-union-i>

BOTAŞ, Azerbaijani energy giant, is a wholly state-owned oil company. Thus it could be claimed that, similar to Gazprom, BOTAŞ and SOCAR could try to be effective in foreign policy making process which could affect Turkish-Azerbaijani relations. This argument will be discussed in a detailed way in the last chapter while Turkish-Azerbaijani relations will be assessed.

After examining the role of different energy companies in foreign policy, it could be reminded that even though there is a clear consensus on that energy has become a hot topic for academia and policy makers, there is no universally agreed definition on energy security and it also differs widely between nations.³⁴⁶ Accordingly, the energy security perception of Turkey and Azerbaijan differs significantly but this difference promotes their cooperation and interdependence in energy field as well. For instance, the key element in determining Turkey's energy policy is the gap between country's energy supply and demand. In that regard, in order to understand the nature of energy interdependence between two countries, first of all, the energy policies and strategies of Turkey (consumer and transit country) and Azerbaijan (supplier country) will be assessed in a comparative way.

3.b Turkey's Energy Strategy: Determinants and Policy Implications

While the global geopolitical chessboard has been changing dramatically in the last decades, the global energy map did not remain same. According to BP (British Petroleum's 2035 Projection) population growth and increases person per capita will remain as key players behind growing energy demand. According to BP (British Petroleum), by 2035, the world's population is expected to reach 8.7 billion which means 1.6 billion people will need energy³⁴⁷

On the other hand, the rise of emerging markets and their rapidly growing demand for energy resources constitute a crucial part of the new international energy policy era. As International Atomic Energy Agency indicates, global energy demand will grow by more than one third over the period to 2035, with China, India and the Middle East accounting

³⁴⁶ Henryk Faas, Francesco Gracceva, Gianluca Fulli, Marcelo Masera, 'European Security: A European Perspective', A. Gheorghe and L. Muresan (eds.), **Energy Security: International and Local Issues, Theoretical Perspectives, and Critical Energy Infrastructures**, 2011, Springer, pp.10

³⁴⁷ BP Energy Outlook 2035, February 2015, 09.02.2016, Access: <http://www.bp.com/content/dam/bp/pdf/energy-economics/energy-outlook-2015/bp-energy-outlook-2035-booklet.pdf>

for 60% of this increase.³⁴⁸ Moreover, despite the increasing trend in the usage of renewables and the shift in countries' energy mix, energy authorities claim that fossil fuels will be providing the majority of the world's energy need and meeting two-thirds of the increase in energy demand by 2035.³⁴⁹

Another academic article discussed by Asif and Muneer also highlights that five countries' which have a significant impact on global energy situation, China, India, Russia, UK and USA, energy budgets is roughly half that of globe.³⁵⁰ BP's latest statistical review dated in 2015 indicated that in contrast to the slowing consumption in OSCE countries, emerging economies continued to dominate the growth in global energy consumption. China (+2.6%) and India (+7.1%) recorded the largest national increments to global energy consumption.³⁵¹ According to Exxon Mobile (a leading global energy company), energy demand in developing non-OECD (Organization for Economic and Development) countries will rise about 65%, driving nearly all of the global increase.³⁵²

In addition to unprecedented increase in energy demand in emerging/newly industrialized markets, the gap between global-level energy supply and demand, the concentration of non-renewable stocks of oil and gas in the Greater Middle East could trigger a new 'Great Game' as global powers compete for energy access.³⁵³ In that regard, it will not be wrong to claim that, nowadays, emerging countries and the competition among them will be the key elements in designing international political arena in global economy and global energy markets³⁵⁴

This competition over depleting hydrocarbon resources is also shaping bilateral relations among countries, forming international relations and sometimes triggering conflicts. In other words, energy could be a resource for cooperation but conflict as well. Turkey in

³⁴⁸ Bud Fackrell, 'Current Developments in Regional Energy Security and Turkey', *Insight Turkey*, Vol.15, No.1, 2013, p. 64.

³⁴⁹ BP Energy Outlook 2035, *ibid*.

³⁵⁰ M. Asif, T. Muneer, 'Energy Supply, Its Demand and Security Issues for Developed and Emerging Economies', *Science Direct*, 2005, p.1388

³⁵¹ BP Statistical Review of World Energy, June 2015, p.2., Access: <https://www.bp.com/content/dam/bp/pdf/energy-economics/statistical-review-2015/bp-statistical-review-of-world-energy-2015-full-report.pdf>

³⁵² Clara Nwachukwu, 'Fossil Fuel'll Remain Dominant till 2040', 09.02.2016, Access:

<http://www.vanguardngr.com/2015/07/fossil-fuelli-remain-dominant-till-2040-exxonmobil/>

³⁵³ Bezen Balamir Coşkun and Richard Carlson, 'New Energy Geopolitics: Why Does Turkey Matter?', *Insight Turkey*, Vol.12, No.3, 2010, p.207

³⁵⁴ Jose Maria Martin-Moreno, 'The Rise of Emerging Markets and Its Impact on Global Energy Security', *Scientific Research: Modern Economy*, 2014, p.969

that sense, as a growing economy will likely require more access to fossil fuel resources to meet its increasing demand.³⁵⁵In line with this purpose, the country is increasingly committing itself to pursuing energy security as part of its national security agenda. For the decision makers, in the calculus of Turkey's energy security³⁵⁶, the economic concerns and trade opportunities seems as the most dominant and effective motivators. While considering energy policies of the country, it should be always kept in mind that Turkey is a net energy importer which makes its energy system heavily dependent on energy imports and thus vulnerable to political instabilities in its energy producing commercial partners.³⁵⁷

It is possible to find many documents which are trying to address Turkey's energy strategy. For instance, Tuncay Babalı summarized Turkey's energy strategy under three main points:

- Decreasing Turkey's dependence on imported energy products by increasing the use of domestic resources
- Ensuring the diversification of sources and suppliers as well as transport routes
- Introducing and gradually increasing the share of nuclear energy ³⁵⁸

In the latest version of the strategic plan for 2014-2019 released by Turkish Ministry Energy and Natural Resources the main points³⁵⁹ of national energy policy were listed as following:

- Strong and reliable energy infrastructure
- Diversifying the resources in the optimal degree
- An effective management of energy demand
- Enhancing energy efficiency³⁶⁰

³⁵⁵ Bud Fackrell, *ibid.*, p.63.

³⁵⁶ Mert Bilgin, *opcit.*, p. 67

³⁵⁷ İbrahim S. Arınç and Süleyman Erik, *ibid.* p.4

³⁵⁸ Tuncay Babalı, "The Role of Energy in Turkey's Relations with Russia and Iran", *Center for Strategic and International Studies*, 2012, p. 2

³⁵⁹ Strategy Document for 2014-2019 has listed sixteen purposes to be reached until 2019. The whole list could be found at: http://sp.enerji.gov.tr/ETKB_2015_2019_Stratejik_Planı.pdf

³⁶⁰ Turkish Ministry of Energy and Natural Resources, "2015-2019 Stratejik Planı", 2015, pp. 11-47

In shaping country's energy policies, basically three main factors are currently taken into consideration by policy makers: Turkey's favorable geostrategic position(1), country's rapidly increasing energy demand(2), especially for natural gas, and the desire to become a regional energy hub(3).³⁶¹ Clearly, these three factors are also emerging as the key three factors for understanding Turkish-Azerbaijani relations and answering the question that how an 'energy interdependence' between these two states could be promoted.

3.b.1. A Favorable Geopolitical Position

Energy and geopolitics have always been linked. During twentieth century, access to energy resources became a major factor in determining the winners of war and energy created new global alliances rewrote the relations among the countries.³⁶² Turkey, in that regard, of course, is not an exception. Turkey does not possess big reserves of petroleum and/or natural gas and she is highly dependent on importing energy especially hydrocarbon resources. World Bank's 2014 notes clearly stated the link between energy import and national economy that 6% GDP of Turkey is reserved for energy imports. ³⁶³

According to Turkish Petroleum's 2015 data, Turkey has imported %90 of its crude oil from six countries: Iraq, Iran, Saudi Arabia, Nigeria, Kazakhstan and Russia.³⁶⁴ For natural gas, Turkey has been importing its increasing natural gas demand mainly from three countries with the shares following: Russian Federation (54.76%), Iran (18.13%), and Azerbaijan (12.33%) according to 2014 dataset.³⁶⁵

Even though, Turkey does not possesses hydrocarbon resources, country is located between the Middle East and the Caspian Region on the East which holds, 75% of the world's oil and gas resources.³⁶⁶ In light of such circumstances, Turkey's aspiration is no doubt to improve it natural gas and oil positioning so that energy becomes a net strategic asset.³⁶⁷ As a result, country's "advantageous" geopolitical location is one of the most

³⁶¹ Emre Tunçalp, 'Turkey's Natural Gas Strategy: Balancing Geopolitical Goals&Market Realities', *Turkish Policy Quarterly*, Vol. 14, No.3, Fall 2015, p.67

³⁶² Carlos Pascual, "The New Geopolitics of Energy", *Columbia: Center on Global Energy Policy*, 2015, p.3

³⁶³ The World Bank, "Odak Notu: Aralık 2014", Access:

<http://www.worldbank.org/content/dam/Worldbank/document/eca/turkey/tr-focus-note-dec-2014-tr.pdf>

³⁶⁴ Türk Petrolleri, "Ham Petrol ve Doğal Gaz Sektör Raporu", Mayıs, 2015, p.40.

³⁶⁵ EPDK (Enerji Piyasaları Denetleme Kurumu), "Doğal Gaz Piyasası Sektörü Raporu", 2014, p.7

³⁶⁶ Emin Akhundzada, 'Turkey as an Energy Hub: Opportunities and Challenges', 23.04.2014, Access:

http://www.hazar.org/analizdetail/analiz/turkey_as_an_energy_hub_opportunities_and_challenges_796.aspx

³⁶⁷ Soner Çağatay, Tyler Evans, "Turkey's Energy Policy and the Future of Natural Gas", *James Baker Institute for Public Policy*, 2013, p. 17

influential elements in determining her energy policy and thus she presents itself as an emerging hub situated between the world's largest hydrocarbon suppliers (Russian Federation, Caspian Region and Middle East) and rapidly growing energy hunger consumers. (The European Union and world markets via Mediterranean)³⁶⁸As a result, the country would like to use its geostrategic asset in foreign policy and energy policy making process, especially in doing pipeline business.³⁶⁹Moreover, according to some experts while cooperating around regional energy resources is in everyone's interest, they argue that Turkey's geopolitical position and pipelines passing through this location will promote a system between suppliers and buyers and will inevitably lead to establishment of an organization like KAHEB.³⁷⁰³⁷¹

Crude Oil: At the Crossroad of Big Producers

Despite the shift in the global energy mix and increasing trend in renewable/unconventional resources, hydrocarbon resources will likely to still have a dominant role in global energy mix.³⁷² BP's 2035 projections claim that despite a lost in share, fossil fuels remain the dominant form with a share of 81% down from 86% in 2013.³⁷³Nevertheless, in 2013, petroleum has 33% in global energy mix.³⁷⁴ In that sense, it could be claimed that the quest and the access for cheap and secure petroleum will likely remain an important objective for countries as well.

Like natural gas, Turkey is a petroleum import dependent country that the country's crude oil imports peaked in 2015 with a 14% increase comparatively to 2014 according to TUIK.³⁷⁵ When energy producers of Turkey's closer region are examined in a detailed way, for oil, it is calculated that 72.2 percent of global reserves are located around Turkey

³⁶⁸ Mert Bilgin, *ibid.*, p. 84

³⁶⁹ Ksenia Krauer-Pacheco, 'Turkey as a Transit Country and Energy Hub: The Link to its Foreign Policy Aims', Forschungsstelle Osteuropa an der Universität Bremen, December, 2011, p.7

³⁷⁰ KAHEB: Karadeniz Hazar Enerji Birliği- The Black Sea-Caspian Energy Association

³⁷¹ Alaeddin Yalçınkaya, "An International Organization Necessitated by Pipelines: The Black Sea-Caspian Energy Association", *Journal of Caspian Affairs*, Vol.1, No.2, Summer, 2015, pp.20

³⁷² BP Energy Outlook 2035, February 2015, 09.02.2016, Access:

<http://www.bp.com/content/dam/bp/pdf/energy-economics/energy-outlook-2015/bp-energy-outlook-2035-booklet.pdf>

³⁷³ BP, *ibid.*

³⁷⁴ Türkiye Petrolleri, "Ham Petrol ve Doğal Gaz Sektör Raporu", May 2015, p.4

³⁷⁵ BBC, "Türkiye'de Ham Petrol İthalatında Tarihi Rekor", 02.02.2016, Accessed:

http://www.bbc.com/turkce/haberler/2016/02/160202_turkiye_hampetrol_rekoru

as it has borders with landlocked energy rich countries.³⁷⁶ According to OPEC (Organization of the Petroleum Exporting Countries), more than 80% of the world's proven oil reserves are located in the OPEC member countries and 66% of these countries are located in Middle East Region which is Turkey's near neighborhood.³⁷⁷

For understanding the current reserves of hydrocarbon producers, BP's statistics which have been releasing annually could be considered as another important reference document as well. According to BP's 2015 Statistical Review, Saudi Arabia, ranking first, has the largest share with 267 Thousand Million Barrels oil with 15.7% global share. Following Saudi Arabia, Iran has 9.3% and Iraq has 8.8% shares respectively.

Although international sanctions have profoundly affected Iran's energy sector, the country holds the world's fourth-largest crude oil reserves according to EIA. Also, BP's statistics shows that Iran holds 157.9 thousand million crude oil reserves with a 9.3% global share. On the other hand, 2015 has witnessed turmoil in energy markets that Iran and six world powers reached a nuclear agreement on April 2. Nevertheless, experts believe that world oil markets will not see a significant rise in Iranian supplies for up to five years.³⁷⁸

Despite the pessimistic estimations on Iranian future oil market, the country is a big energy actor which means that more Iranian oil on the world market could deeply hurt other oil producers such as Russia, Saudi Arabia and Venezuela etc. As traders expect the return of Iranian oil to world markets, the future markets lowered their expectations on oil prices with the contracts for December 2016 trading as less than \$60 barrel.³⁷⁹

Besides the Middle East, the Caspian Region has significant oil and natural gas reserves and has the potential to become an important energy supplier for European and Global markets.³⁸⁰ In the words of some experts, the resources of Caspian Region should be

³⁷⁶ Haydar Efe, 'Turkey's Role as an Energy Corridor and Its Impacts on Stability in the South Caucasus', *OAKA*, Vol.6, No.12, p.119

³⁷⁷ OPEC Share of World Crude Oil Reserves, 2014, Access: http://www.opec.org/opec_web/en/data_graphs/330.htm

³⁷⁸ Reuters, "IEA Sees a Sharp Rise in Iran Oil Output in 3-5 Years Post Nuclear Deal", 12.04.2015, Access: <http://www.reuters.com/article/us-iran-oil-ia-idUSKBN0N30RD20150412>

³⁷⁹ Bloomberg Business Week, "Iranian Oil Goes Back on the Market", 05.11.2015, Accessed: <http://www.bloomberg.com/news/articles/2015-11-05/iranian-oil-goes-back-on-the-market>

³⁸⁰ Fatih Macit, 'Caspian Energy Outlook', *Caspian Strategy Institute*, May, 2014, p.6

considered together with Gulf Region's energy resources that this 'energy ellipse' could be one of the most significant geostrategic realities of all times.³⁸¹

Even though, US overtakes Russian Federation (RF) as a top energy producer thanks to the shale revolution³⁸², in the Caspian Region, Russia was the world's largest producer of crude oil and the second largest producer of dry natural gas according to EIA (Energy Information Agency). BP's latest statistical review indicates that at the end of 2014, Russian Federation's oil reserve was around 103.2 thousand million barrels with a 6.1% share in total.³⁸³ Most of Russia's oil production is concentrated in West Siberia and Urals-Volga. However, the production in Russia's far-east and Russian Arctic is growing.³⁸⁴

Azerbaijan was one of another world's first oil producer countries and oil is still country's number one revenue source. The world's first paraffin factory was opened in Azerbaijan in 1823 and world's first oil was drilled in 1846.³⁸⁵ Today, according to BP, the country has 7 thousand million barrels of proven oil reserves that the production peaked 50.8 million tons in 2010.³⁸⁶ Especially, Azeri-Chirag-Guneshli (ACG) Field awarded in the contact of century achieved a great success and provides up to 80% of total Azeri oil output.³⁸⁷ Azerbaijan's main export crude oil streams are Azeri BTC and Azeri Light which is coming from BP-Operated ACG Field. However, Azerbaijan's crude oil exports peaked in 2010 and started to have fallen every year since the production declined.³⁸⁸

³⁸¹ Ali Karaosmanoğlu, 'Turkey's Objectives in the Caspian Region', Ed: Gennady Chufrin, **The Security of the Caspian Sea Region**,

³⁸² Reuters, "Russian Oil and Gas Reserves Jump Most in BP League Table", <http://uk.reuters.com/article/bp-oil-stats-idUKL5N0YW2E620150610>, 2015.

³⁸³ BP Statistical Review, July 2015, Access: <https://www.bp.com/content/dam/bp/pdf/energy-economics/statistical-review-2015/bp-statistical-review-of-world-energy-2015-full-report.pdf>

³⁸⁴ EIA (Energy Information Administration), "Russia: International Data and Analysis", July, 2015, p. 3.

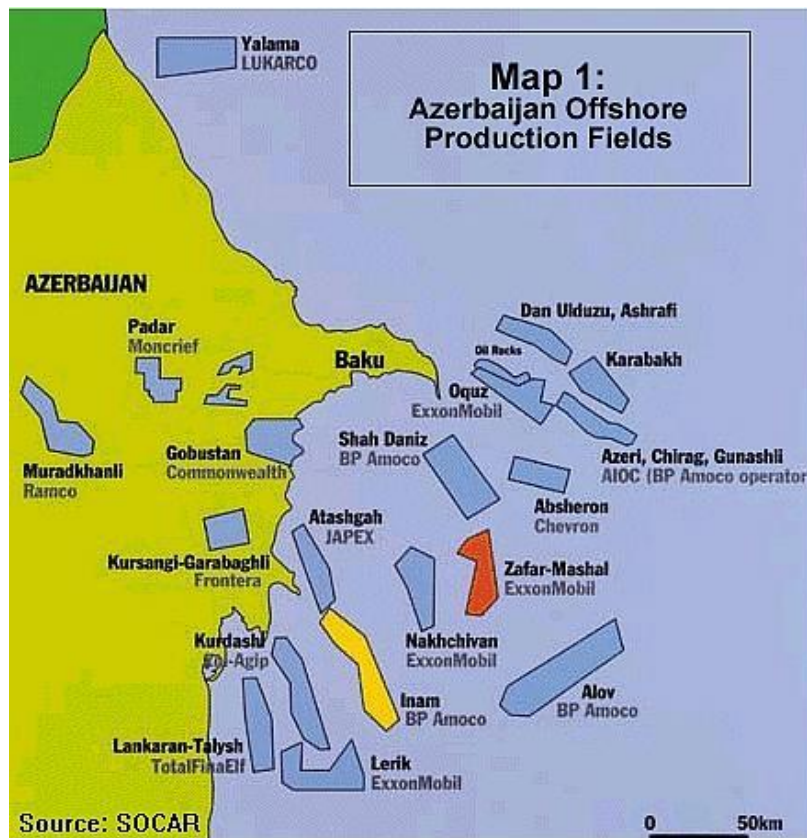
³⁸⁵ EIA (Energy Information Administration), "Azerbaijan: International Data and Analysis", August 2014, p. 2

³⁸⁶ Efgan Nifti, Emin Akhundzada and Emin Emrah Danis, 'Azerbaijan Energy Outlook', October, 2014, pp.6

³⁸⁷ Christof Van Agt, "

³⁸⁸ EIA, *ibid.*, p. 4.

Figure 9: Azerbaijan's Oil Production Fields



Source: Energy-pedia, 2009

As being one of littoral states of Caspian Sea, Kazakhstan's possesses proven oil reserves are around 30 thousand million barrels, representing 79% of the total reserves in the Caspian Region and 1.8% of the world's total reserves.³⁸⁹ Kazakhstan has also optimistic estimations for the future hydrocarbon development. According to the Chairman of KazMunayGas (the national oil company of Kazakhstan), annual oil production from country's major oil fields (Tengiz, Karachaganak and Kashagan) is expected to increase to around 283 million barrels by 2022.³⁹⁰

³⁸⁹ Fatih Macit, *ibid.*, p.14.

³⁹⁰Suat Mynbayev, "Kazakhstan 2014: National Transformation", *The Oil and Gas Year*, 2014, p.7.

Figure 10: Kazakhstan's Main Oil Fields: Tengiz and Kashagan



Source: Energy-Pedia, 2009, Access: <http://www.energy-pedia.com/news/kazakhstan/chevron-tengiz-field-project-needs-a-bigger-pipeline>

Turkmenistan, on the other hand, is one of the five Caspian Sea littoral countries with large volumes of oil and natural gas resources. However, for instance, Turkmenistan is not considered to be a big player in energy markets because of the lack of infrastructure, limited exporting capabilities.³⁹¹Comparatively to Azerbaijan and Kazakhstan, Turkmenistan has remained more self-reliant and established energy flows to Russia.³⁹²

Even though, there is no direct pipeline from Kazakhstan to Turkey, Turkmenistan and Kazakhstan are the third party suppliers and contributors of Baku-Tbilisi-Ceyhan Crude Oil Pipeline. According to Caspian Center for Energy and Environment, in 2014, 3.5 million ton crude Turkmen and Kazak oil transported via BTC.

³⁹¹ Caspian Center for Energy and Environment, "Third Parties' Oil Transportation via BTC Exceeded 347,000 tons in August", 08.10.2015, Accessed: http://ccee.ada.edu.az/selected_news/september_8_2015_-_third_parties_oil_transportation_via_baku-tbilisi-ceyhan_exceeded_347_000_tons_in_august.htm

³⁹² Christof Van Agt, "Caspian Oil and Gas New Perspectives Beyond Projects and Pipelines", CIEP, 2014, p.24.

Table 4: Oil Rich Countries in Turkey’s Close Region

(According to Existing Oil Pipeline Routes and Imports)

Country	Thousand Million Barrel	Share in Total
Russian Federation	103.2	6.1
Iran	157.9	9.3
Azerbaijan	7.0	0.4
Kazakhstan	30.0	1.8
Turkmenistan	0.6	-
Iraq	150.0	8.8

Source: BP Statistical Review, 2015

This data regarding the proven oil reserves located in Turkey’s neighborhood could explain the quest of Turkey to become an oil hub. Especially, Ceyhan port in the Southern Turkey has emerged as a point where Iraqi and Caspian oil meets, thus the region is considered to be an energy hub.³⁹³ It should be added that Ceyhan where Turkey’s two main crude oil pipelines meets, Baku-Tbilisi-Ceyhan and Kirkuk-Ceyhan, is an important component of Turkey’s energy corridor strategy.

Natural Gas: A Growing Trend for “Clean Energy”

While oil has long been perceived as political since the oil crisis of 1970’s, natural is a relatively new political commodity.³⁹⁴ Despite, the decline in the gas trade in the global scale, IAE states that natural gas will continue to increase its share of the global energy mix and growing 2% per year until 2020.³⁹⁵ Especially, despite the fall in the natural gas trades via pipelines, (3.4% in 2014), LNG has become a more popular option that global LNG trade increased by 2.4% in 2014.³⁹⁶ According to BP’s data, world proven natural gas

³⁹³ Anadolu Agency, “Turkish Port Ceyhan to be An Energy Hub”, 04.07.2014, Accessed: <http://aa.com.tr/en/turkey/turkish-port-ceyhan-to-be-an-energy-hub/145349>

³⁹⁴ Jessica Miltenberger, “Beholden the Bear: The Political Economy of Natural Gas Trade with Russia”, *Claremont-UC Undergraduate Research Conference on the European Union*, p.43.

³⁹⁵ IEA (International Energy Agency), “Natural Gas”, Accessed: <http://www.iea.org/topics/naturalgas/>

³⁹⁶ BP Statistical Review, July 2015, p. 21, Accessed: <http://www.bp.com/content/dam/bp/pdf/energy-economics/statistical-review-2015/bp-statistical-review-of-world-energy-2015-natural-gas-section.pdf>, p.4.

reserves is 187.1 trillion cubic meters (tcm) and the proven reserves are growing thanks to the new explorations in Russian Federation, Azerbaijan and U.S. In addition, it should be underlined that, currently, while Turkey's natural gas demand growing rapidly, country's two major neighbors hold the largest proven reserves in world-wide: Iran (34.0 tcm) and Russian Federation (32.6) tcm.³⁹⁷ Besides, Azerbaijan which is considered to be the birth place of the oil and gas industry is one of the main natural gas suppliers of Turkey which holds 1.2 tcm according to BP data.³⁹⁸

According to EIA, Russian Federation holds the second largest natural gas reserves in the world after USA. (According to BP, there is the difference: Iran ranks first in the proven natural gas reserves³⁹⁹) While its reserves considered to account for about a quarter of the world's total proved reserves, the majority of its reserves are located in West Siberia-Yamburg, Urengoy and Medvezhye.⁴⁰⁰ Despite the exploration of new fields, Russian Ministry of Energy states that Russian oil and gas production expected to decline by 2020. Specifically for natural gas, the forecasted 2035 level could be downgraded from 936 billion cubic meters to 885 billion cubic meters.⁴⁰¹

Even though, relation between Russian Federation and Turkey was hardly damaged after "plain crisis" emerged in November 2015, "natural gas" is still the most traded commodity between two states, as one of the Russian Federation's largest customers (for natural gas, ranks second after Germany), Turkey imports 55% of its natural gas from Federation and 30% of its oil.⁴⁰² According to some experts, this "strategic energy link" is one of the main reasons why Turkey and Russia cannot afford a trade war.⁴⁰³ When it comes to natural gas trades volume between two states, according the Russian natural gas giant company Gazprom, Turkey's natural gas imports from Russia were 27 billion cubic meters in 2015 a decrease of 320 million cubic meters compared to the previous year.⁴⁰⁴

³⁹⁷ BP, *ibid.*

³⁹⁸ BP, *ibid.*, p. 20.

³⁹⁹ BP, *ibid.*, p.20.

⁴⁰⁰ EIA (Energy Information Administration), "Russia: International Energy Data and Analysis", 2015, p.11.

⁴⁰¹ Russia Insider, "Long-term Russian Oil and Gas Production Expected to Decline", 17.03.2015, Accessed: <http://russia-insider.com/en/2015/03/17/4595>

⁴⁰² CNBC-E, "This is How Russia Could Hurt Turkey's Economy", 26.11.2015, Accessed: <http://www.cnbc.com/2015/11/26/this-is-how-russia-could-hurt-turkeys-economy.html>

⁴⁰³ CNN Money, "4 Reasons Russia and Turkey cannot effort a Trade War", Accessed: <http://money.cnn.com/2015/11/26/news/turkey-russia-economy-trade-sanctions/>

⁴⁰⁴ Daily Sabah, "Russian Natural Gas Imports to Turkey Decline in 2015", 17.02.2016, Accessed: <http://www.dailysabah.com/energy/2016/02/18/russian-natural-gas-imports-to-turkey-decline-in-2015>

Even though, the country has lacked the necessary export infrastructure unlike its competitors Russian Federation and Qatar; Iran, according to BP, holds the world’s largest natural gas reserves with 34.0 trillion cubic meters calculated at the end of 2014. Even though most of the Iranian natural gas fields are considered to be underdeveloped, South Pars field is estimated to hold country’s 40% natural gas reserves.⁴⁰⁵ Currently, the country wants to increase its production in South Pars field from the levels 350 mcm/d to 800 mcm/d by 2019 with investing at least \$43 billion.⁴⁰⁶ While, Iran trades its natural gas regionally via pipelines (the country is lacked LNG infrastructure for instance) more than 90% its exports goes to Turkey.⁴⁰⁷

Figure 9: Location of West Siberian Basin in Russian Federation and Concentration of Resources



Resource: EIA, Oil and Gas Resources of West Siberian Basin, Russia, 1997

Currently, most of the debates on Iranian energy future are focusing on “How Iran’s energy relations will change after Western sanctions”. According to Fitch for example, with its huge natural gas reserves Iran has definitely a potential to become a major player once the the sanctions are lifted.⁴⁰⁸ Besides, most of the analysis’ claim that Iran is now working on the options to join the international LNG club. However, at least for instance,

⁴⁰⁵ EIA (Energy Information Administration), “Iran:International Energy Data and Analysis”, 2015, p.9

⁴⁰⁶ Natural Gas Europe, “Prospects for Iran’s Gas Production, Usage and Export”, 22.04.2015, Accessed: <http://www.naturalgaseurope.com/prospect-of-irans-gas-production-usage-and-export-23322>

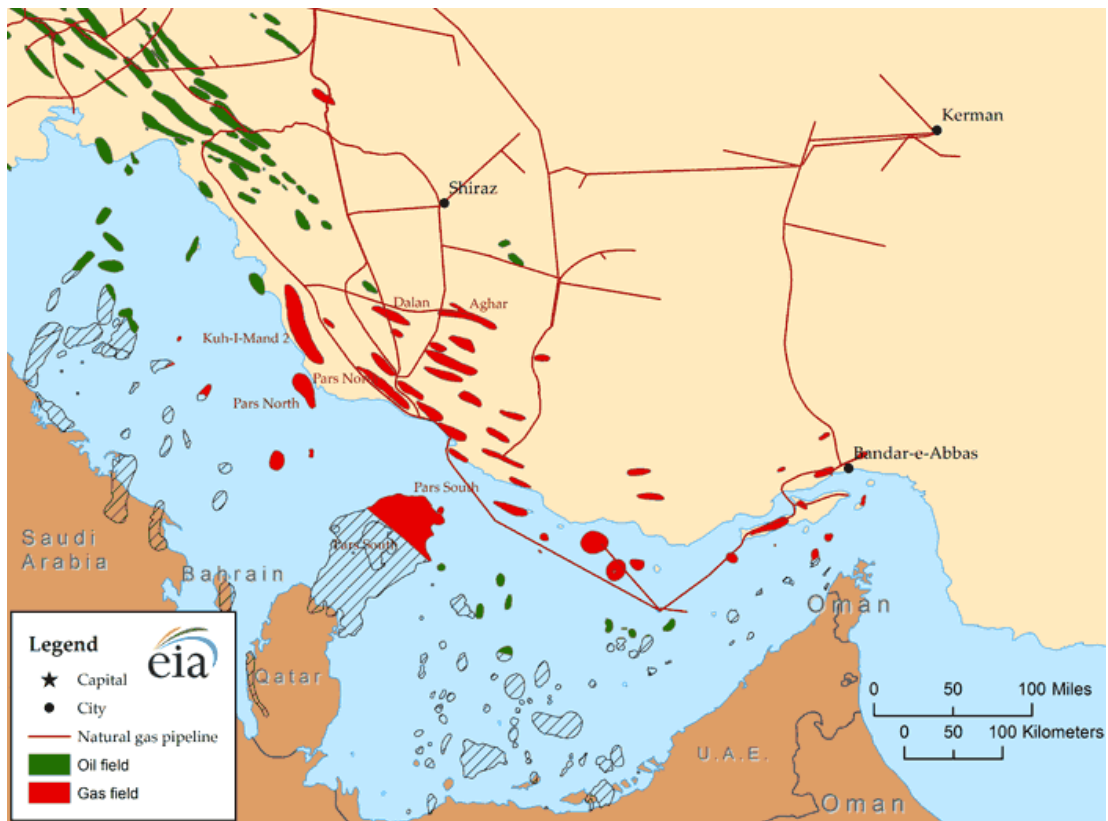
⁴⁰⁷ EIA, *ibid.*, p.12.

⁴⁰⁸ Oil Price, “What The Iran Deal Could Mean For Natural Gas Markets”, 17.06.2015, Accessed: <http://oilprice.com/Energy/Crude-Oil/What-The-Iran-Deal-Could-Mean-For-Natural-Gas-Markets.html>

experts believe that LNG option seems not realistic. For Iran, it is difficult to reach its LNG goal within two year that these projects costs billions and takes years to be built.⁴⁰⁹

Additionally, Iran should be also taken into account while Turkish-Azerbaijani energy relation is discussed. Because, currently, Iran has named as one of the countries who could supply Azerbaijani initiative Southern Gas Corridor with other potential gas suppliers: Iraq, the Mediterranean Sea and Turkmenistan.⁴¹⁰ This possible contribution was also confirmed by president of SOCAR (State Oil Company of Azerbaijan Republic) that Rovnag Abdullayev stated that “After the decision on lifting sanctions on Iran, we are ready to consider offers for the sale of part of our shares in TANAP (Trans-Anatolian Natural Gas Pipeline), if we get an advantageous offer.”⁴¹¹

Figure 10: Iran’s Oil and Gas Fields



⁴⁰⁹ Reuters, “Iran Plans to Export Natural Gas to Europe”, 28.01.2016, Accessed: <https://www.rt.com/business/330451-iran-gas-exports-europe/>

⁴¹⁰ Natural Gas Europe, “Removal of Sanctions from Iran: What Does it Promise for the Southern Gas Corridor”, 29.04.2015, Accessed: <http://www.naturalgaseurope.com/removal-of-iran-sanctions-and-southern-gas-corridor-23389>

⁴¹¹ Natural Gas Europe, “Removal of Sanctions from Iran: What Does it Promise for the Southern Gas Corridor”, 29.04.2015, Accessed: <http://www.naturalgaseurope.com/removal-of-iran-sanctions-and-southern-gas-corridor-23389>

Source: CNBC, 2016, Access: <http://www.cnbc.com/2016/11/07/persian-gulf-oil-giant-total-signs-deal-to-develop-iranian-natural-gas-field.html>

Azerbaijan must be mentioned when Turkey's natural gas rich neighbors are discussed. Like oil, Azerbaijan has a long history in natural gas production and the country has become to have a gas based economy during the World War II and 1970's when gas compromising country's 60% of energy inputs.⁴¹² Besides, it is remarkable oil and natural reserves Azerbaijan locates on the most important strategic export routes to the West. Although BP's latest statistics states that the country has 1.2 bcm natural gas reserves, the Azerbaijan Energy Outlook released by Hazar Strategy Institute indicates that Azerbaijan today has 3.35 tcm proven natural gas reserves which is expected to reach 6 tcm with the new explorations. While Shah Deniz emerges as one of the major gas reserves of world and country, Hafaq-Asiman, Zafer-Mashal, Babek, Nakhchivan, Absheron and Umid are the other suppliers.⁴¹³ With the development of gas reserves, Azerbaijan has become a net gas exporter country in 2007, previously importing gas from Azerbaijan.⁴¹⁴ (Around 6.5 bcm annually)⁴¹⁵

Azerbaijan's estimations about future gas production are optimistic that with the new explorations it is expected that country's gas production will be reached 60 bcm per year after 2030.⁴¹⁶ The exploration prospects are focusing on the Azerbaijani side in Caspian Sea, SD3, Nakhchivan, etc.⁴¹⁷ It could be said that despite some disappointing results from the drillings in the Caspian, this area is still undiscovered and further explorations could create encouraging results. For the future, it is expected that Azerbaijan will strengthen its geopolitical presence by being a transit country who is a producer and transporter of rich hydrocarbon resources of Caspian region to world markets.⁴¹⁸

⁴¹² Gulmira Rzayeva, "The Outlook for Azerbaijani Gas Supplies to Europe: Challenges and Perspectives", June 2015, *Oxford Institute for Energy Studies*, p.4.

⁴¹³ Efgan Nifti, Emin Akhundzada and Emin Emrah Danis, 'Azerbaijan Energy Outlook', Caspian Strategy Institute: Center on Energy and Economy, October, 2014, p.3.

⁴¹⁴ EIA, "Azerbaijan: International Energy Data and Analysis", 2014, p.8

⁴¹⁵ Gulmira Rzayeva, *ibid.*, p.9

⁴¹⁶ Efgan Nifti, Emin Akhundzada and Emin Emrah Danis, *ibid.*, p.4.

⁴¹⁷ Gulmira Rzayeva, *ibid.*, p.51.

⁴¹⁸ Emin Emrah Danis, "The Future of Azerbaijan-Turkmenistan and Turkey Energy Cooperation", 25.06.2015, Accessed: http://www.hazar.org/blogdetail/blog/the_future_of_the_azerbaijan_turkmenistan_turkey_energy_cooperation_923.aspx

Turkey, in that sense, seems as the most commercially viable market for Azerbaijani gas and according to 2014 data, while Turkey has imported 47,6 bcm in total,⁴¹⁹ Azerbaijan supplied 12.33% of Turkey's total natural gas imports after Russia and Iran.⁴²⁰ On the other hand, Azerbaijani gas would gain more importance when Turkey's gas demand will almost double by 2030. On the supply side, 6.6 bcm coming by TANAP would be a huge contributor in supply security while it is estimated that the pipeline will be operational by 2019.⁴²¹

Even though, currently, there is no direct pipeline relation with Turkey, Turkmenistan should be finally mentioned as a potential natural gas giant with 17,5 bcm according to BP. In that sense, Turkmenistan is Central Asia's biggest natural gas producer. However, despite its vast oil and natural gas resources, Turkmenistan is not a major player in energy market because of lack of infrastructure and investment which limits country's export capacity.⁴²² Nevertheless, country's "neutral" and relatively "closed" energy policy has yet changed little after Niyazov's death. With the new government of Berdymuhammadov has opened up the country albeit to a little degree.⁴²³ According to Turkmen officials, due to country's strategically located hydrocarbon resources Turkmenistan has strategic priorities to diversify its energy transit pipelines.

⁴¹⁹ Hurriyet Daily News, "Turkey's Gas Imports to Increase by 10 percent in 2014: Ministry", 29.01.2014, Accessed: <http://www.hurriyetdailynews.com/turkeys-gas-imports-to-increase-by-10-percent-in-2015-ministry----.aspx?pageID=238&nID=77620&NewsCatID=344>

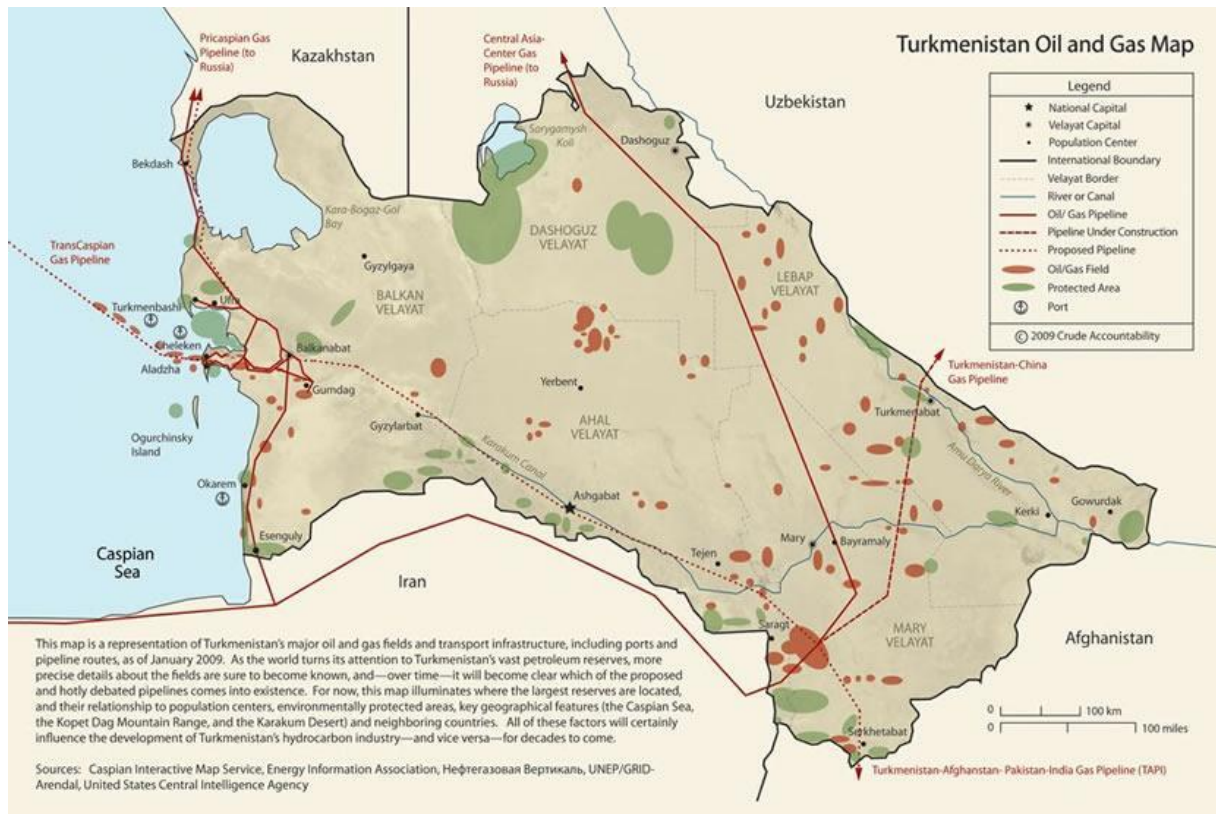
⁴²⁰ Emre Tunçalp, "Turkey's Natural Gas Strategy: Balancing Geopolitical Goals and Market Realities", Fall, 2015, p. 69.

⁴²¹ Fortune Türkiye, "Aliyev: TANAP'ın Türkiye'ye Doğal Gas Ulaştıracak Kısmı 2019'da Tamamlanacak", 12.03.2015, Accessed: <http://www.fortuneturkey.com/aliyev-tanapin-turkiyeye-dogalgaz-ulastiracak-kismi-2019da-tamamlanacak-9955>

⁴²² EIA, "Turkmenistan", 2015, Access: <https://www.eia.gov/beta/international/analysis.cfm?iso=TKM>

⁴²³ Saltanat Berdikieva, "Turkmenistan's Energy Policy: Risks and Opportunities", *Insight Turkey*, Vol.9, No.3, 2007, p.124

Figure 11: Turkmenistan's Oil and Gas Field's Map



Source: Energy-Pedia, 2010, Access: <http://www.energy-pedia.com/news/turkmenistan/cnpc-and-petrofac-win-gas-field-contract>

For instance, with its rapidly growing natural gas demand, China (the country's gas demand expected to reach 420 bcm/year by 2020⁴²⁴) is Turkmenistan's biggest natural gas customer that Turkmenistan has delivered 125 bcm of natural gas to China from 2009 to August 2005.⁴²⁵ In that sense, it could be claimed that Ashgabat's wish for diversification of exporting its gas resources and Beijing's search for alternative gas supplies continues to bring these two countries together.⁴²⁶

Even though, many projects are still pending, especially for transferring the Turkmen natural gas to Turkey, current energy relations between Turkey and Turkmenistan include the transportation of Turkmen oil to Ceyhan port via BTC pipeline, export to Turkmen

⁴²⁴ Natural Gas Europe, "Turkmenistan's Asian Pivot: Implications for the European Energy Dynamic", 2014, Access: <http://www.naturalgaseurope.com/turkmenistan-european-energy-dynamic-ccce>

⁴²⁵ Natural Gas Europe, "Turkmenistan Supplied 125 bcm of Gas to China", 28.09.2015, Access: <http://www.naturalgaseurope.com/turkmenistan-supplied-125-bcm-gas-to-china-25610>

⁴²⁶

electricity to Turkey, delivery of thousands of Turkmen oil products to Turkey.⁴²⁷ On the other hand, with its massive natural gas reserves, Turkmenistan has long been a strong candidate and priority for Turkish energy policy.

In fact, two theoretical and possible routes could be mentioned for transferring Turkmen gas to Europe markets while bypassing Russia: A pipeline to be constructed via Iran and a second pipeline crossing Caspian Sea, Azerbaijan and Georgia.⁴²⁸ The idea of transporting Turkmen gas via a Trans-Caspian Pipeline to Turkey goes back to early 1990's and it is at least 30 years old. However, despite the political support from the US and EU, this plan has never realized.⁴²⁹ The planned Trans-Caspian Pipeline project has planned to build as a 300-km, 30 bcm/year with a total cost of up to \$5 billion starting from the eastern coast of the Caspian Sea and connect to pipelines in Azerbaijan heading to Europe.⁴³⁰

Even though, Trans-Caspian Pipeline Project cannot be finalized yet, realization of TANAP could be an important opportunity to carry Turkmen gas to Europe as well. In this regard, on November 2014, Turkmenistan has signed an outline deal with Turkey to supply gas to a new pipeline that could help Europe reduce its dependence on Russian gas exports.⁴³¹ In addition, most of the Azerbaijani resources are highlighting that Turkmenistan's joining to TANAP becomes inevitable and this participation could add economic viability to the project.⁴³² It could be claimed that the final declaration of Turkmenistan in 2016 to commission its 30 bcm year/capacity to East-West pipeline could facilitate country's future exports to Europe⁴³³ and according to many experts if the geopolitical and environmental problems linked to the Trans Caspian Pipeline will be

⁴²⁷ Döwran Orazgylyjow, "Increasing Importance of Energy in Turkmenistan-Turkey Relations", 17.12.2013, *Hazar Strategy Institute*, Access: http://www.hazar.org/blogdetail/blog/increasing_importance_of_energy_in_turkmenistan_turkey_relations_399.aspx

⁴²⁸ Qaya Mammadov, "Oil and Gas Journal", *Turkmenistan Positions itself as Eurasian Natural Gas Power*, 12.07.2015, Access: <http://www.ogj.com/articles/print/volume-113/issue-12/transportation/turkmenistan-positions-itself-as-eurasian-natural-gas-power.html>

⁴²⁹ Emre Tunçalp, "Turkey's Natural Gas Strategy: Balancing Geopolitical Goals and Market Realities, *ibid.*, p. 78.

⁴³⁰ Qaya Mammadov, *ibid.*

⁴³¹ Reuters, "Turkmenistan Inks Deal with Turkey to Supply Gas to TANAP Pipeline", 07.10.2014, Access: <http://www.reuters.com/article/turkmenistan-turkey-tanap-idUSL6N0SX2QK20141107>

⁴³² Azernews, "Turkmenistan's Joining to TANAP Becomes Inevitable", 28.07.2015, Access: <http://www.azernews.az/analysis/85935.html>

⁴³³ Platts, "Turkmenistan Completes East-West Gas Link Enhances Export Efficiency", 23.12.2015, Access: <http://www.platts.com/latest-news/natural-gas/london/turkmenistan-completes-east-west-gas-link-enhances-26319461>

solved, Turkey and Turkmenistan would have a great opportunity to enhance their energy cooperation.⁴³⁴

However, the resistant barriers behind this project should be mentioned. One of the greatest obstacles is regarding Russian approach to the project that, for many experts, Russia does not want to see a threat to its market share in the EU and Turkey. Thus, in the current atmosphere Russia is likely to maintain its opposition to the Trans-Caspian Pipeline.⁴³⁵ The second greatest barrier is about the financial cost of such giant project. It is clearly stated that unlike Gazprom or SOCAR, Turkmen gas would not participate in building export pipelines to their customers and Turkmen officials state that as soon as the pipeline is ready for use, they will supply gas for it. In consequence, those who want Turkmen gas must build the pipeline to Turkmenistan to receive it.⁴³⁶

Figure 12: Natural Gas Bonanza in East Med Region and Discovered Fields



Source: Al Jazeera Turk, Access: <http://www.aljazeera.com.tr/haber/dogu-akdeniz-gazi-icin-ilk-adim>

⁴³⁴ Fabio Indeo, "Turkmenistan and Turkey: A Profitable and Strategic Partnership", *Central Asian Bureau for Analytical Reporting*, 25.02.2016, Access: <http://cabar.asia/en/turkmenistan-and-turkey-a-profitable-strategic-partnership/>

⁴³⁵ Trend News Agency, "Trans-Caspian Pipeline Project Requires Effective Russian Diplomacy", 08.01.2016, Access: <http://en.trend.az/business/energy/2478241.html>

⁴³⁶ Qishloq Ovozi, "The Trans-Caspian Pipeline: Technically Possible, Politically Difficult", 24.05.2015, Access: <http://www.rferl.org/content/turkmenistan-natural-gas-europe-pipeline-tcp/27033746.html>

As a final note, the explorations and recent natural gas developments in Eastern Mediterranean region is worth to be added to this chapter that it could affect potential gas supplies to Turkish gas market. According to the recent investigations over the last years, a number of major natural gas fields have been discovered which could be attractive for global oil and gas companies.⁴³⁷ For example, the Leviathan Field (Israel) which was discovered in 2010, seems to be one of the largest gas fields in the world with an estimated capacity of 535 bcm.⁴³⁸ Nevertheless, despite the existence of huge amounts, the way about how to export the gas to European markets is still a problematic. At that point, it should be added that creating an exporting route through Turkey seems to be one the most discussed agenda. Especially, following the resolution of Mavi Marmara Crisis and with the improvement of bilateral relations with Israel by the end of 2016, Israeli officials again started to discuss that when the gas fields like Karish and Tanin will be developed the gas may flow to Turkey.⁴³⁹ This initiative is also strongly supported by Turkish part that recently President Erdoğan indicated that “Turkey has the most viable route for eastern Mediterranean gas” in World Energy Conference organized in Istanbul in 2016.⁴⁴⁰ However, experts are highlighting that none of these project will be realized unless they are commercially viable and presents low risk also they are highly vulnerable to the changes in world gas prices.⁴⁴¹

⁴³⁷ Charles Ellinas, “Rapid Development in East Med Gas”, *Turkish Policy Quarterly*, Summer, 2016, p.97

⁴³⁸ TRT World, “Gas fueling new hope in Eastern Mediterranean”, 24.05.2016, Access: <http://www.trtworld.com/in-depth/gas-fueling-new-hope-in-eastern-mediterranean-112203>

⁴³⁹ Natural Gas World, “Israel Minister Sees Exports To Turkey”, 22.11.2016, Access: <http://www.naturalgasworld.com/israel-energy-minister-warns-energy-companies-not-to-delay-leviatha-development-34552>

⁴⁴⁰ Daily Sabah Energy, “Turkey has the most viable route for eastern Mediterranean gas, President Erdoğan says”, 10.10.2016, Access: <http://www.dailysabah.com/energy/2016/10/10/turkey-has-the-most-viable-route-for-eastern-mediterranean-gas-president-erdogan-says>

⁴⁴¹ Charles Ellinas, *ibid.*, p. 97

Table 5: Natural Gas Rich Countries in Turkey’s Close Region (bcm)

Russia	32.6
Iran	34.0
Azerbaijan	1.2
Iraq	3.6
Turkmenistan	17.5

Source: BP Statistical Review of World Energy June 2015

In brief, it could be argued that Turkey’s favorable geopolitical location has become one of the major factors in country’s energy policy making. Country’s location as a bridge to Europe, Central Asia and the Caspian Sea has historically been very advantageous for Turkey for its energy policy as well. Nevertheless, in addition to this natural advantage, the rapidly increasing energy demand of Turkey should be added as a crucial component in energy policy making calculation.

3.b.2 Turkey: An Energy Hunger Country

After 1980’s, the economic liberalization wave and freedom showed its impacts as an exponential increase in Turkey’s energy demand. For instance, in the late of 1980’s Turkey imported only a few billion cubic meters a year while this number reached 49.5 bcm in 2012. This statistics means almost a 20.5% increase between 1987 and 2012.⁴⁴² As a response to this significant rise in gas demand, unfortunately Turkey does not have enough indigenous natural gas sources to supply its demand gap and the country imports almost more than 98% of the natural gas that it consumes. Furthermore, future forecasts show that due to the increasing penetration and rise of the usage of natural gas in electricity generation, it is expected that Turkey’s natural gas demand could reach 73-75 bcm by 2030.⁴⁴³

⁴⁴² PwC, “Liberalizing Natural Gas in Turkey”, February, 2014, p.4

⁴⁴³ Ministry of Foreign Affairs of Turkey, “Turkey’s Energy Profile and Strategy”, Access: <http://www.mfa.gov.tr/turkeys-energy-strategy.en.mfa>

It will not be wrong to claim that Turkey's ambition to become a major energy transit state is motivated by energy security challenges of its own.⁴⁴⁴ While the country does not own any significant indigenous energy resources- in hydrocarbon means-, it is highly dependent on energy imports. For instance, in 2011, it was accounted that more than 20% of Turkey's annual trade deficit was due to imported natural gas equal to \$20 billion.⁴⁴⁵ It is expected that by 2030, Turkey will be paid \$1.4 trillion for its energy imports in total. ⁴⁴⁶

According to forecasts, while the total energy demand of Turkey could be doubled by 2030 and fossil fuels will likely to have a dominant role in country's energy mix that will meet 85% of total energy demand.⁴⁴⁷ It is critical to remind that according to Turkish Foreign Ministry, over the last decade, Turkey has been the second country after China, in terms of natural gas and electricity demand growth. Moreover, according to Turkish Ministry of Energy and Natural Resources, it is estimated that the demand for energy is expected to grow by about 6% per year until 2020.⁴⁴⁸

Primary Resources Types in Turkey's Energy Consumption (Energy Mix)

When Turkey's energy mix and primary resource of energy consumption is examined, it would be easier to understand why Turkey would like pursuit more active energy diplomacy especially for pipeline politics and put an ambitious agenda to become an energy hub. According to the hydrocarbon sector overview document released by Turkish Petrol, in 2013, natural gas has dominated Turkey's energy mix with a share of 31% which is followed by petroleum and imported coal with the shares of 28% and 18% respectively. According to the official data, natural gas is mostly used in electricity production (48.12%).⁴⁴⁹

Due to its crucial role in transportation sector, according to the demand projections for 2023, it is expected that petroleum will keep its dominant position in primary energy

⁴⁴⁴Andrew S. Weiss, Stephen Larrabee, James Bartis, Camille Sawak, "Promoting International Energy Security: Turkey and Caspian", *Rand Corporation*, 2012, p.6

⁴⁴⁵ Mehmet Melikoğlu, "Vision 2023: Forecasting Turkey's Natural Gas Demand between 2012 and 2030", *Renewable and Sustainable Energy Reviews*, No.22, 2013, p.393.

⁴⁴⁶ Enerji Enstitüsü, "2030'a Kadar Türkiye'nin Enerji İthalat Faturasının 1.4 Trilyon Dolara Ulaşması Bekleniyor", 2014, Access: <http://enerjienstitusu.com/2014/02/20/2030a-kadar-turkiyenin-enerji-ithalat-faturasinin-1-4-trilyon-dolara-ulasmasi-bekleniyor/>

⁴⁴⁷ Turkish Energy Foundation, "Turkey's Energy Outlook to 2030", 20.04.2015, Access: <http://www.tenva.org/en/2030lara-dogru-turkiyenin-enerji-gorunumu/>

⁴⁴⁸ A.J. Santos, "Turkish Energy Market 2015", Access: <http://www.mondaq.com/turkey/x/395770/Oil+Gas+Electricity/Turkish+Energy+Market+2015>

⁴⁴⁹ EPDK, "Doğalgaz Sektör Raporu 2014", 2015, p.47

supply and will have a 26% in total energy mix. Nevertheless, like natural gas, Turkey is highly dependent on imports for petroleum as well. According to Turkish Energy Markets Regulatory Agency (EMRA), while Turkey has importing 88.1% of its crude oil needs in 2011, this number has reached 89.3% in 2012.⁴⁵⁰ Most of the foreign oil is imported from Irak, Iran, Russia, Saudi Arabia, Kazakhstan and Libya.⁴⁵¹ According to a recent study conducted by OME (Observatoire Méditerranéen de l'Energie), it was claimed that Turkey's total petroleum demand will rise almost 80% by 2030.⁴⁵²

As one of the most preferred hydrocarbon resources, coal still has a dominant role in global primary energy supply that according to international energy agency, from 1973 to 2012, coal's share has increased from 24,6% to 29% in world. In addition all scenarios released by different agencies operated in world-wide shows that even by 2040, coal's share in world's primary energy supply won't be below than 24% in total energy consumption.⁴⁵³ However, like natural gas and petroleum, Turkey is highly dependent on imported coal. In addition, coal imports peaked in 2014 with a rise of 12% compared to the previous year and finally reached 9 million ton.⁴⁵⁴ In total Turkey has consumed more than 90 million ton coal in total.⁴⁵⁵

Even though Turkey has no nuclear power plants currently, Ankara attached a great importance nuclear energy in terms of reducing its dependency on energy import.⁴⁵⁶ In that regard, in 1974, Akkuyu was selected as a suitable location for building future nuclear power plant. While, in the first stages, a financial agreement could not be reached with Swedish and Canadian companies finally in 2010, an agreement with the Russian Government was signed and ratified by both countries.⁴⁵⁷ A second nuclear power plant is planned to be built at the Sinop side. For realizing this purpose, an agreement was signed with Japan in May 2013. Turkish Energy Ministry reports that these planning two plants

⁴⁵⁰ Enerji Günlüğü, "Türkiye 2012'de 26.4 Milyon Ton Petrol Tüketti", <http://www.enerjigunlugu.net/icerik/3954/turkiye-2012de-264-milyon-ton-petrol-tuketti.html>

⁴⁵¹ Türkiye Petrolleri, "Ham Petrol ve Doğal Gaz Sektör Raporu", 2015, p.38

⁴⁵² Turkish Energy Foundation, "Turkey's Energy Outlook to 2030", 20.04.2015, Access: <http://www.tenva.org/en/2030lara-dogru-turkiyenin-enerji-gorunumu/>

⁴⁵³ Türkiye Kömür İşletmeleri Kurumu, "Kömür Sektör Raporu 2014", 2015, p.3

⁴⁵⁴ Enerji Günlüğü, "Türkiye'nin Kömür İthalatı Rekor Seviyeye Çıktı", 2015, Access: <http://www.enerjigunlugu.net/icerik/12144/turkiyenin-komur-ithalati-rekor-seviyeye-cikti.html#.Vz9CtvmLRhE>

⁴⁵⁵ Enerji Enstitüsü, "2014'te 91 Milyon Ton Kömür Tüketildi", 2015, Access: <http://enerjienstitusu.com/2015/02/26/2014te-91-milyon-ton-komur-tuketildi/>

⁴⁵⁶ Turkish Ministry of Energy and Natural Resources, "Turkish Nuclear Power Programme".

⁴⁵⁷ Edam, "Center for Economics and Foreign Policy Studies", The Turkish Model for Transition to Nuclear Power, 2011, p.3.

will generate approximately 80 billion KWh of electricity in total.⁴⁵⁸ While the latest tension could have an impact on the construction of nuclear power plant with Russia, both the parties reject the idea that the construction has stopped but there is a risk that the project could delay.⁴⁵⁹

Despite the dominant role of fossil fuels in primary energy supply, Turkey's future energy strategy gives a special importance for developing renewables which is expected to have a 30% share in total by 2023.⁴⁶⁰ This target also includes the installation of wind capacity for 10.000 MW, 300 MW for geothermal and 5.000 MW for small hydro.⁴⁶¹ Renewables are mainly planning to be used for electricity production, that the government established very ambitious policies desiring to produce at least 30% of total electricity demand from renewable sources including solar irradiation, hydro, wind, geothermal etc.⁴⁶² In parallel with the increase of the share of renewables, Turkish energy strategy is forecasting a decrease in the share of natural gas to 30% as well by 2023.

Figure 6: Turkey's Primary Energy Supply in 2013

Type of Resource	Share (%)
Natural Gas	31
Petroleum	28
Imported Coal	18
Lignite	11
Hydro	4

Source: TPAO, 2013

Similar to the primary resource type, the source of suppliers constitute another part of Turkey's energy policy.

⁴⁵⁸ Turkish Ministry of Energy and Natural Resources, "Turkish Nuclear Power Programme

⁴⁵⁹ Hurriyet, "Rusya, Akkuyu Nükleer Santrali İnşaatını Fiilen Durdurdu İddiası", December, 2015, Access: <http://www.hurriyet.com.tr/rusya-akkuyu-nukleer-santrali-insaatini-fiilen-durdurdu-40024926>

⁴⁶⁰ Enerji Enstitüsü, "2023'te Hedef %30 Yenilenebilir Enerji", 2013, Access:

<http://enerjienstitusu.com/2013/05/14/2023te-hedef-yuzde-30-yenilenebilir-enerji/>

⁴⁶¹ Taner Yıldız, "Turkey's Energy Economy", *Turkish Policy Quarterly*, Vol.9, No.2, p. 15

⁴⁶² Turkish Ministry of Energy and Natural Resources, "National Renewable Energy Action Plan for Turkey", December 2014,

Who is Supplying Turkey's Energy Demand?

Turkey's indigenous energy resources are limited. Especially the country lacks world's two crucial fossil fuel sources: oil and natural gas.⁴⁶³ Thus, the gap between growing energy demand and domestic production makes the country dependent on foreign countries' import.⁴⁶⁴ As a result, for Turkey, likewise the diversification strategy concerning type of resources, diversification of country's energy suppliers and long term contract portfolio⁴⁶⁵ is one of key pillars in building country's energy security strategy. Thus, the energy relations between Turkey and Azerbaijan could be assessed from the "diversification strategy" perspective as well. In addition, it should be highlighted that "diversification" is crucial for both two countries that while Turkey is trying to multiply its energy suppliers and routes, Azerbaijan has long been seeking for diversifying its customers as well.

First of all, for natural gas which has a dominant role in country's primary energy sources, Turkey is 98% import dependency on this fossil fuel type.⁴⁶⁶ According to the recent data released by Turkish Foreign Ministry, in country's energy mix, Russia has the largest share in Turkey's natural gas imports with %55,3 in 2015 (this number was %54,76 in 2014)⁴⁶⁷ and the country is the second largest buyer of Russian gas after Germany.⁴⁶⁸ Following Russia, Iran, Azerbaijan and Algeria has the largest market shares in Turkey's natural gas market.

Most of the imported natural gas is coming through pipelines to Turkey and currently, Turkey has three long-term contracts for importing its natural gas needs from three different countries via pipelines.⁴⁶⁹ (Figure 9 below is showing the pipeline import routes to Turkey). While the first contract was signed with the aim of purchasing 6 bcm gas from

⁴⁶³ Natural Gas Europe, "Turkey's Natural Gas Strategy:: Balancing Geopolitical Goal&Market Realities", Accessed: <http://www.naturalgaseurope.com/turkeys-natural-gas-strategy-balancing-geopolitical-goals-and-market-realities-27212>

⁴⁶⁴ Global Energy Network Institute, "How is 100% Renewable Energy Possible for Turkey by 2020",

⁴⁶⁵ Olgu Okumuş, "Energy Hungry Turkey", *Internationale Politik*, August, 2012, p. 3

⁴⁶⁶ Natural Gas Europe, "Turkey's Natural Gas Strategy:: Balancing Geopolitical Goal&Market Realities", Accessed: <http://www.naturalgaseurope.com/turkeys-natural-gas-strategy-balancing-geopolitical-goals-and-market-realities-27212>

⁴⁶⁷ Ralf Dickel, Elham Hassanzadeh, James Henderson, Anouk Honoré, Laura El-Katiri, Simon Pirani, Howard Rogers, Jonathan Stern, Katja Yafimava, "Reducing Dependence on Russian Gas: Distinguished Natural Gas Security from Geopolitics", The Oxford Institute for Energy Studies, 2014, p.3

⁴⁶⁸ Foreign Ministry of Turkey, "Turkey's Energy Profile and Strategy", Accessed: <http://www.mfa.gov.tr/turkeys-energy-strategy.en.mfa>

⁴⁶⁹ EPDK (Enerji Piyasaları Denetleme Kurumu), Doğal Gaz Piyasası Sektör Raporu, 2015, p. 6.

Russian Federation in 1986, in the following years, Turkey signed contacts with Iran and Azerbaijan as well.

Table 7: Natural Gas Purchasing Contracts for Turkey⁴⁷⁰

Contact	Amount (bcm)	Date	Period(years)	Time of Starting Delivery
Russian Fed. (Western Line)	6	14.02.1986	25 ⁴⁷¹	1987
Russian Fed. (Western Line)	8	18.02.1998	23	1998
Russian Fed. (Blue Line)	16	21.05.1999	23	2003
Iran	10	08.08.1996	25	2001
Azerbaijan	6,6	12.03.2001	15	2007
Turkmenistan	16	21.05.1999	30	-
Algeria (LNG)	4	14.04.1998	20	1994
Nigeria				

⁴⁷⁰ EPDK, "Doğal Gaz Piyasası Sektör Raporu", 2014 ,p.22

⁴⁷¹ This contract has terminated in 2011 and instead of BOTAŞ, Turkish private sector energy companies (Akfel, Bosphorus, Kibar Enerji) signed contracts with Russian Federation for delivering 6 bcm gas to Turkey

(LNG)	1,2	09.11.1995	22	1999
-------	-----	------------	----	------

In addition to pipeline routes, Algerian and Nigerian gas is coming in LNG (liquefied natural gas) form to two LNG terminals- Marmara Ereğlisi, Egegas Aliğa- with a total capacity 1.5 bcm.⁴⁷² Other than Algeria and Nigeria, Qatar has emerged as another energy supplier, in December 2015, Turkey and Qatar decided to sign a MoU for long term LNG imports of Qatari gas.⁴⁷³ However, according to many experts increasing the share of LNG over the total gas supply could not be a reliable strategy for Turkey and cannot replace the Russian gas, at least in short term, because of the limited regasification and storage capacity of existing terminals.⁴⁷⁴

Table 8: Main Natural Gas Suppliers of Turkey in 2015⁴⁷⁵

Country	Share
Russian Federation	%55,31
Iran	%16,16
Azerbaijan	%12,74
Algeria	%8,09
Niger	%2,56

Apart from the statistics and number indicated below, it could be concluded that reducing the dependency on Russian gas remains at the top of the energy policy agenda of Turkey. In first stage, to reduce this over-reliance, Turkish policy makers have tried to diversify the nature of their energy resources by developing nuclear power option and other

⁴⁷² Ralf Dickel, Elham Hassanzadeh, James Henderson, Anouk Honoré, Laura El-Katiri, Simon Pirani, Howard Rogers, Jonathan Stern, Katja Yafimava, *ibid.*, p. 33.

⁴⁷³ Olgu Okumuş, "Will Turkey be Able to Replace Russian Gas with Qatari Imports?", December, 2015, *Al-Monitor*

⁴⁷⁴ Olgu Okumuş, *ibid.*, p. 4.

⁴⁷⁵ Foreign Ministry of Turkey, "Turkey's Energy Profile and Strategy", Accessed: <http://www.mfa.gov.tr/turkeys-energy-strategy.en.mfa>

alternatives.⁴⁷⁶ Multiplying the supplier countries and supply routes emerged as an immediate agenda in foreign policy perspective. If all planned projects could be realized, experts claim that Turkey's reliance on Russian natural gas could shrink from 55% to 30-35%.⁴⁷⁷

This policy orientation and scrambling to reduce this dependence has triggered the improvement of energy relations with Azerbaijan and moved to speed up the construction of TANAP.⁴⁷⁸ Especially, even though the bilateral relations are currently improving, the plain crisis between Turkey and Russian Federation highlighted Turkey's urgent need for supply diversity. As a result, following this crisis, Turkish President Erdogan visited Qatar to make a deal on a new gas imports and former Prime Minister Davutoğlu travelled to Azerbaijan.⁴⁷⁹ In this travel, Turkey and Azerbaijan has agreed on accelerate the TANAP Project with an aim to have the gas project completed before the planned 2018.⁴⁸⁰ However, even though this crisis would have never happened, the objective calculations shows that there might be a natural gas supply deficit starting from 2016-2016 before Azerbaijani gas arrives.⁴⁸¹ Once the project completes aiming to transport Azerbaijani gas from Shah Deniz II, TANAP will deliver 6 bcm gas to Turkey and 10 bcm gas to Europe.

Nevertheless, the calculations and estimates concerning the Turkey's future gas demand shows that Azerbaijani natural gas would not be sufficient to meet Turkey's growing natural gas demand. According to, Gulmira Rzayeva, Turkey could face with supply shortages if:

- The important volume of spot LNG is not increased
- Turkey does not import natural gas from Iraq in short term

⁴⁷⁶ Richard Weitz, "Russia-Turkey Energy Ties: Cooperation with Conflict", *Diplomaatia*, No.19, 2012.

⁴⁷⁷ The Turkish Sun, "Turkey's Reliance on Russian Gas and How it Plans to Reduce it?", 27.06.2016, Accessed: <http://theturkishsun.com/turkeys-reliance-on-russian-gas-and-how-it-plans-to-reduce-it-20707/>

⁴⁷⁸ Mehmet Çetingüleç, "Can Turkey Break its Russian Gas Habit", *Al Monitor*, 2016, Accessed: <http://www.al-monitor.com/pulse/originals/2016/04/turkey-russia-curtail-gas-bonanza.html>

⁴⁷⁹ International Business Times, "Russia-Turkey Crisis: Turkish Energy Projects with Russia Unharmmed, Erdogan Says", 12.06.2015, Accessed: <http://www.ibtimes.com/russia-turkey-crisis-turkish-energy-projects-russia-unharmmed-erdogan-says-2213138>

⁴⁸⁰ Hurriyet Daily News, "Turkey Agrees with Azerbaijan to Accelerate Gas Project", Accessed: <http://www.hurriyetaidailynews.com/turkey-agrees-with-azerbaijan-to-accelerate-gas-project.aspx?pageID=238&nID=92046&NewsCatID=348>

⁴⁸¹ Gulmira Rzayeva, "Natural Gas in the Turkish Domestic Gas Market: Policies and Challenges", *Oxford Institute for Energy Studies*, 2014, p.1.

- BOTAŞ does not invest in country's gas infrastructure (high-pressure compressor stations)
- Existing supplier countries may not wish to renew its contracts.⁴⁸²

3.b.3 Turkey's Energy Hub Strategy and the Role of Azerbaijan

For any Turkish government regardless its political or ideological orientation, the primary concern is to satisfy Turkey's own energy needs.⁴⁸³ Nevertheless, becoming an energy hub is considered to be a popular political goal for most of the governments, like Bulgaria, Greece in Europe. Turkey is one of them. At the first stage, it should be reminded that the terms of energy transit state and energy hub are used without a clear reference to what actually they mean.⁴⁸⁴ Being an energy hub requires an open, transparent, well-regulated and competitive market when producers and customers meet. In addition a well-designed physical infrastructure should be set.⁴⁸⁵

Nevertheless, according to the latest discussions, many experts warn that the term of energy hub is not used correctly. First of all, "energy" is a highly large and inclusive term and it should be limited for Turkish case and assumptions. First of all, it should be kept in mind that energy includes coal, petroleum, natural gas, nuclear and renewable energy. However, for Turkish case, hub is generally associates only with natural gas.⁴⁸⁶ As a result, most of the discussions in energy community are today built on "natural gas trading hub" terminology.

Despite the various assumptions and claims explained above, according to many authors, Turkey is already a major physical hub which hosts various types of oil and gas pipelines already transit into country and the country owns its LNG infrastructure.⁴⁸⁷ Nevertheless, it should be kept in mind that being an energy transit state and an energy hub are two different phenomena and the differences between these two should be stressed. Firstly, besides locating on transit and transport crossroads, being a hub is required a more liquid

⁴⁸² Gulmira Rzayeva, *ibid.*, p. 20.

⁴⁸³ Gareth M. Winrow, *ibid.*, p.146.

⁴⁸⁴ Nurettin Altundeğer, "A Dream Becoming True? Turkey Becoming an Energy Hub", *East West Institute International Conference Proceedings*, p.74.

⁴⁸⁵ Gareth Winrow, "Realization of Turkey's Energy Aspirations: Pipe Dreams or Real Projects", *Brookings Institution*, April 2014, p.11.

⁴⁸⁶ Sohbet Karpuz, "Hub Olacağım Demekle Hub Olunmaz", *Petrotürk*, May 2016, Access: <http://www.petroturk.com/HaberGoster.aspx?id=15176&haber=Hub-olacagim-demekle-hub-olunmaz>

⁴⁸⁷ John Roberts, *ibid.*, p.39.

market where trading environment or point is provided for a country. A hub should be mostly associated with a pricing point. In that respect, Ceyhan terminal which stand at the terminus point of BTC, is already becoming a price formation center and creating a regional “benchmark”.⁴⁸⁸

In addition, for creating a natural gas hub, a spot market where multiple consumers meet multiple customers should be established with competitive energy prices. Nevertheless, competitive prices could be provided only by the diversification of gas suppliers. Furthermore, gas hubs require a successful liberalization process by handling physical constraints and ensuring a better accessibility for third party. Besides receiving transit fees, Turkey should also be able to re-export some amount of oil and natural gas in line with the compatibility between international agreements and country’s domestic needs.⁴⁸⁹ On the path to become an energy hub, an analytic elaboration for Turkey’s strengthens and weaknesses could be presented as following:

Table 9: On the Path to Become an Energy Hub⁴⁹⁰

Strengthens	Weaknesses
An attractive and rapidly growing natural gas market and demand	A strong need for energy investments
Unique location at the crossroad of East-West, North-South Energy Corridors	A more comprehensive and transparent legislation
Increasing Number of Suppliers and Favorable International Conjuncture	Lack of infrastructure investments and weak storage capacity
A Mature Banking and Financial System	Slow path in the market liberalization

As the chart above describes, if Turkey aims to convert its existing strengthens into sustainable advantages, the country should overwhelm first structural challenges. For instances, solving the problem of lack of infrastructure or assuring market liberalization

⁴⁸⁸ John Roberts, *ibid.*, p. 42

⁴⁸⁹ Mert Bilgin, “Turkey’s Energy Strategy: What Difference Does it Make o Become an Energy Transit Corridor, Hub or Center”, *UNISCI Discussion Papers*, No.23, May, 2010, p. 113

⁴⁹⁰ Author’s Own Elaboration

especially for natural gas should be considered as a priority by decision makers. In addition, Turkey will have to negotiate well to create right conditions to create a kind of hub in which customers and producers wish to trade.⁴⁹¹In addition, the energy hub strategy of Turkey is discussed, gas matters than oil that Turkey could already buy oil from a various producers. Finally, a certain degree of stability and security are the immediate requirements in order to become for a successful energy transit or hub.

Similar to the discussion presented in the chart above, as being in the top 10 world importers of natural gas, Turkey shall find alternative resources which could contribute in achieving its 'hub' strategy. While Ankara is using its country's geographic location as an asset and the country is asserting itself as an energy hub for transporting Caspian resources to Europe⁴⁹², Azerbaijan comes to forefront as a major actor in country's hub strategy. Thus the bilateral relations should be assessed in Turkey's "energy hub" agenda. Turkey will be receiving its first gas from TANAP by 2018. In addition, it is projected that Azerbaijan will increase investments in Turkey until 2018 by about \$20 billion.⁴⁹³ Especially Azerbaijani media highlights that TANAP has less risks than the other projects because Turkey has already have a stake in the project and Azerbaijan will not be using its energy resources as a political tool.⁴⁹⁴It is true that with the realization of TANAP, Turkey will be crucial part of SGC it is still far from clear that whether Turkey is destined to become a major gas hub.⁴⁹⁵

On the other hand, while the widely supported arguments highlight that Turkey and Azerbaijan indeed dependent on each other when it comes to energy policy; there are still some counter-arguments which interestingly criticize the nature of this dependence. For instance, in his recent book on Turkish-Azerbaijani relations Norman Graham received some findings when he has been investigating the bilateral relations by addressing expert opinions. It is possible to mention that there is a significant energy dispute between Turkey and Azerbaijan caused by incompatibility between two countries' energy policies. For instance, as an emerging energy hub, Turkey wants to expand its role and rather than

⁴⁹¹ John Roberts, "Turkey Pivotal to Future of European Gas Supplies", *Financial Times*, 15.04.2015

⁴⁹² Şaban Kardaş, "Turkey and Azerbaijan: "One Nation-Two States?", *Eurasia Daily Monitor*, Volume 6, No.193

⁴⁹³ Trendaz, "Azerbaijan Turning Turkey into Energy Hub", 19.11.2015, Access: <http://en.trend.az/world/turkey/2458678.html>

⁴⁹⁴ Trendaz, "Azerbaijan Turning Turkey into Energy Hub", 19.11.2015, Access: <http://en.trend.az/world/turkey/2458678.html>

⁴⁹⁵ Gareth M. Winrow, *ibid.*, p.151

gaining only transfer fee, the country would like to sell energy products in its own terms. In contrast, Azerbaijan is aiming to become a direct energy supplier of the gas to Europe.⁴⁹⁶

Overall, it seems obvious that diversification strategy and the gas imports from Azerbaijan are the indispensable components for becoming an energy hub for Turkey. However, Turkey should not limit its perspectives and options with projected imports from Azerbaijan and immediately pursue active energy diplomacy. For most of the experts, Turkey could become a gathering and dispatching center however this requires tangible actions rather than rhetoric.⁴⁹⁷

3.c Azerbaijan's Energy Policy: Where Energy Stands in Foreign Policy

Following the dissolution of Soviet Union, as being one of the most powerful states in South Caucasus, Azerbaijan's foreign policy was tended to be regarded as a product of East-West's geopolitical competition by many experts.⁴⁹⁸ Due to the complex geopolitical theatre of South Caucasus, Azerbaijan remains between the integration and fragmentation; committed itself to maintain a secure corridor between Europe and Asia for free flow of trade, people, energy resources, technology and communications.⁴⁹⁹ Azerbaijan was defined as the "Geopolitical Center" of South Caucasus by Brzezinski⁵⁰⁰ and it is true that country made an economic peak in recent years, in terms of economic growth in GDP and country was listed as the fastest growing economy of 2007⁵⁰¹.

On the other hand, country's territorial integrity has long been threatened by the Nagorno-Karabakh dispute which called as a "frozen-conflict" with Armenia. This dilemma in Azerbaijan's security perspective forced the country to keep a balance between different geopolitical powers and interests. In sum, three main foreign policy objectives could be mentioned since the early stages of independence:

⁴⁹⁶ Norman Graham, Murad Ismayilov, **Turkish-Azerbaijani Relations: One Nation-Two States**, Routledge Advances in Central Asian Studies, 2016, New York, p.102

⁴⁹⁷ Sohbet Karpuz and Barış Şanlı, "On Formulating a New Energy Strategy for Turkey", *Insight Turkey*, Vol.12, No.3, 2010, p. 102

⁴⁹⁸ Jason E Strakes, "Situating the "Balanced Foreign Policy": The Role of System Structure in Azerbaijan's Multi-Vector Diplomacy", *Journal of Balkan and Near Eastern Studies*, Vol.15, No. 1, 2013, p. 37

⁴⁹⁹ Farhad Mammadov, "Azerbaijan's Foreign Policy-A New Paradigm of Careful Pragmatism", **The South Caucasus Between Fragmentation and Integration**, 2015, p. 29.

⁵⁰⁰ Laura Kirvelyte, "The Dilemma of Azerbaijan's Security Strategy: Energy Policy or Territorial Integrity?", *The Journal of Military Academy of Lithuania*, Vol.10, No.1, 2012, p. 200

⁵⁰¹ Jos Boonstra, Edward Burke and Richard Youngs, "The Politics of Energy: Comparing Azerbaijan, Nigeria and Saudi Arabia", *FRIDE*, 2008, p. 2.

1. Retaining country's independence
2. Restoring territorial integrity
3. Securing economic recovery and self-sufficiency⁵⁰²

In the pursuit of these three main objectives, energy policy stands at the heart of Azerbaijan's vision that as an energy rich country, Azerbaijan's political and economic livelihood is directly related to the stable exportation of its oil and gas to world markets.⁵⁰³ Thus, similar to the case of Turkey, Rovshan Ibrahimov argues that "the energy factor has contributed to transform of Azerbaijan's foreign policy from a geopolitical to a geo-economic focus."⁵⁰⁴ In fact, Azerbaijan's energy policy should tackle three practical issues: the status of Caspian Sea, pipeline routes and their financing, managing the oil revenues. In light with these assumptions, the role of energy in Azerbaijan's foreign policy could be assessed in two main points which are related to country's economic realities and its desire to expand its political influence in the region by leveraging its energy resources

3.c.1 Economic Recovery: Azerbaijan's Economic Viability and Energy Exports

Azerbaijan is one of the world's oldest oil producers and the first oil was drilled in Absheron, Bibiheyhat in 1847 using a primitive drilling mechanism. Following, with the increasing number of investments, by the end of 19th century Baku had become a center for world-scale industrial investments.⁵⁰⁵ In the early years of independence, Azerbaijan experienced an economic recession and demonstrated no significant economic improvement due to the reduction of oil production. From 1992 to 1995, the economic growth rate was negative, averaging -19.3%.⁵⁰⁶ Country's GDP reduced 30% by 1994 in comparison to 1990. Overall, during the transition to market economy, all macroeconomic

⁵⁰² Murad Ismayilov, "Continuity and Change in Azerbaijan's Energy Diplomacy", *Caucasus Analytical Digest*, No.16, 2010, p. 2.

⁵⁰³ Rovshan Ibrahimov, "Azerbaijan's Strategy for the Diversification of Energy Transport Routes", *USAK Yearbook*, Vol.6, 2013, p. 176

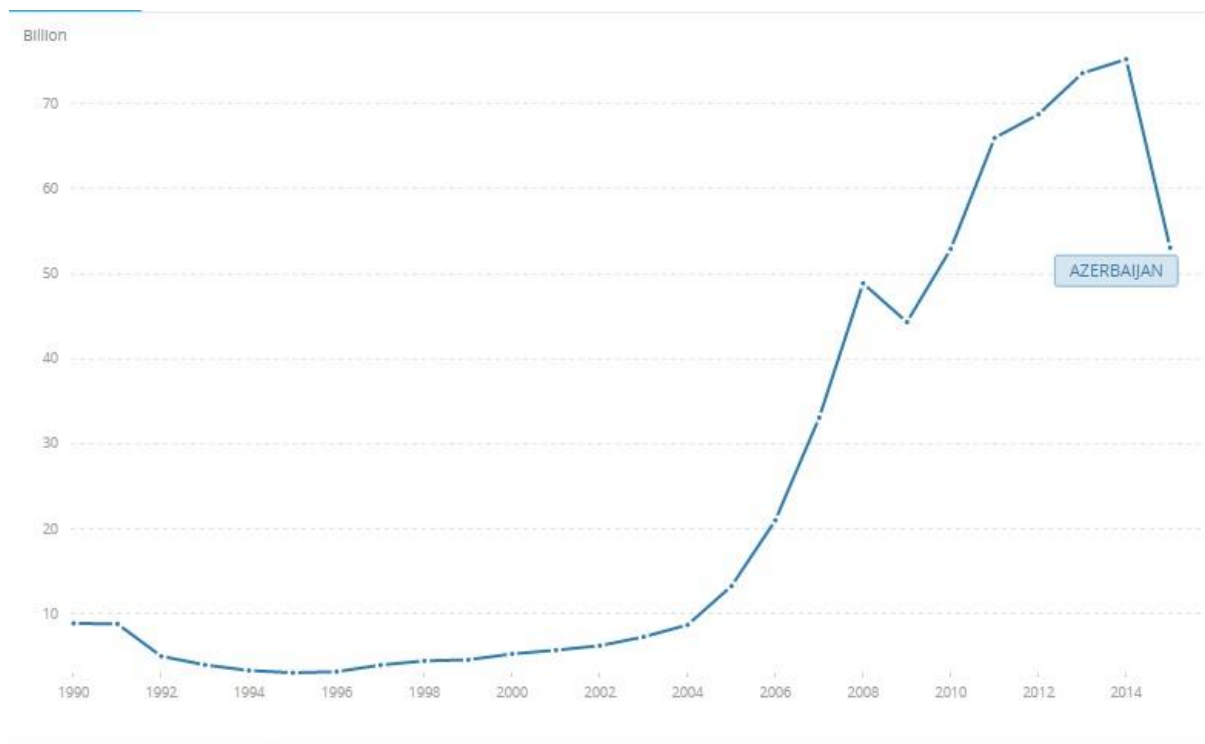
⁵⁰⁴ Rovshan Ibrahimov, *ibid.*, p. 93

⁵⁰⁵ Aitor Ciarreta and Shahriyar Nasirov, "Analysis of Azerbaijan Oil and Gas Sector", *United States Association for Energy Economics Research Paper Series*, 2010, p. 2

⁵⁰⁶ Fatih Macit and Şaban Kardaş, *ibid.*, p. 34.

indicators were negatively impact from the war with Armenia and occupation of Nagorno-Karabakh.⁵⁰⁷

Figure 13 : The Changes in Azerbaijan’s GDP



This pessimistic economic outlook dramatically reversed with the signature of “Contract of Century” in 1994. As a result of a massive diplomatic effort, this contract was signed for the development of Azeri-Chirag and Deep Water Guneshli offshore oil fields. In case of preventing Russian opposition, Russian oil giant Lukoil was invited to the contract and the company handled a 10% stake of SOCAR. This successful manoeuvre was followed by a deal to develop Shah Deniz field in 1996. These developments led a significant amount of international investment in Azerbaijan and it is projected that country’s oil and gas exports will reach to \$200 billion by 2024.⁵⁰⁸

Besides the rising amount of foreign investment, the increasing oil prices had significantly led to Azerbaijan’s GDP’s growth (Figure 13). Particularly, after 2002, the revenue

⁵⁰⁷ Osman Nuri Aras, Elçin Süleymanov, Ruslan Huseynov, “The Importance of Azerbaijan’s Energy Revenues in its Export Volume and the Effects on the National Economy”, *International Journal of Business and Social Science*, Vol.4, No.6, June 2013, p. 80

⁵⁰⁸ Aitor Ciarreta and Shahriyar Nasirov, *ibid.*, p. 2.

generated from energy resources became the main factor of economic growth. In addition, due to the increased volume of FDI after 2005, the current account balance achieved a surplus.⁵⁰⁹ Currently, Azerbaijan's main export product is still crude petroleum with a share of 87% in whole exports accounted in 2014.⁵¹⁰ The bigger consumers of Azerbaijani oil were Italy, Germany, France and Czech Republic respectively.

To manage energy export revenues and ensure a fair distribution, a State Oil Fund (SOFAZ) was established with the decision of President Aliyev in 1999. In December 2015, estimated fund revenues accounted \$33.6 million that most of this amount has been using for funding the infrastructure developments, financing key economic projects and create a government backed study-abroad program.⁵¹¹ In addition and more importantly, non-oil sector economy is mainly driven by financial transfers from SOFAZ which gives a crucial role to the institution.⁵¹²

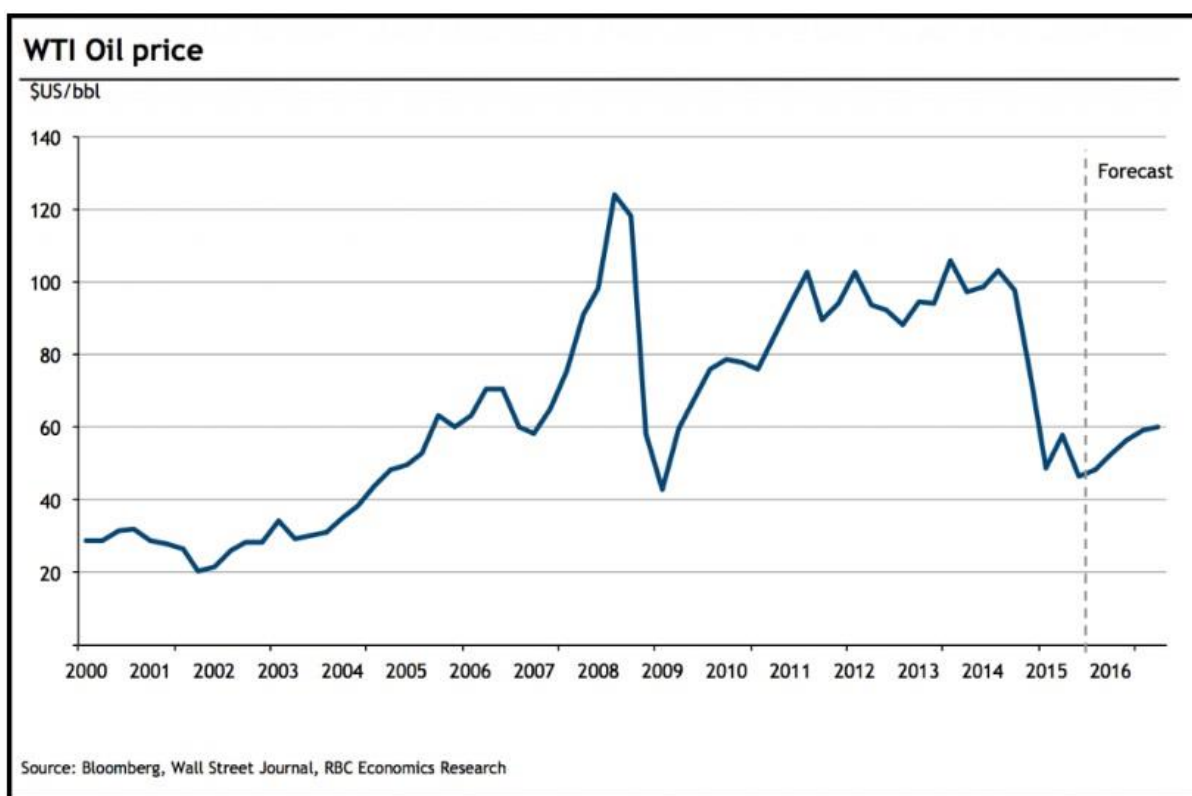
⁵⁰⁹ Fatih Macit and Şaban Kardaş, *ibid.*, p. 36.

⁵¹⁰ The Observatory of Economic Complexity, 2014, Access: http://atlas.media.mit.edu/en/visualize/tree_map/hs92/export/aze/show/all/2014/

⁵¹¹ Durna Safarova, "Azerbaijan: Baku's Reserves Rapidly Evaporating Amid Fiscal Storm", EurasianNet, 13.01.2016, Access: <http://www.eurasianet.org/node/76811>

⁵¹² Aitor Ciarreta and Shahriyar Nasirov, *ibid.*, p.6.

Figure 14 : The Change in Oil Prices/WTI



Source: Bloomberg, Wall Street Journal, RBC Economics Research

In addition to having vast energy resources, expert stresses that the landlocked countries, like Azerbaijan, which have no access to open waters and seas, are highly dependent on their political relations with transit states and neighbors.⁵¹³ Even there is a conflict or not, they also affected by the political priorities of their neighbors. Such geographic limitation forms Azerbaijan's foreign policy in exporting its hydrocarbon resources. Thus, by taken into consideration different scenarios like blockage, pipeline attack, sabotage etc., the solution is suggested as developing alternative routes.⁵¹⁴

Despite its huge benefits, the economic structure of Azerbaijan which relies mostly on the energy export revenues has been highly criticized by economists and experts for being not sustainable for a long time. In addition while most of the budget consists of the energy export revenues (approximately 92% of total budget in 2014)⁵¹⁵, experts warned Azerbaijani policy makers whether they could face a "Dutch Disease" phenomenon. This

⁵¹³ Rovshan Ibrahimov, *ibid.*176

⁵¹⁴ Rovshan Ibrahimov, *ibid.*177

⁵¹⁵ Gulgiz Dadashova, "Oil Price Drop: Azerbaijan Relies on Non-Oil Sector", *Azernews*, 28.11.2014, Access: <http://www.azernews.az/analysis/73933.html>

situation was called as a resource curse by some experts that they argue that Azerbaijan's state has remained in control of the petroleum-dominant economy.⁵¹⁶ In addition, in contrast to general political rhetoric, they argue that oil wealth has not been translated into the improvement of population's living standards and did not reduce high unemployment rate. As a result, economic diversification was considered as the primary concern for Azerbaijani economy which could solve macro-economic problems in overall.

Even though from 2010 until mid-2014,⁵¹⁷ world oil prices had been fairly stable, this constant trend did not remain same for long time and in the last two years; oil industry has witnessed one of its deepest downturn since 1990's. While the hidden reason of this dramatic fell has still been discussing by many experts, it is argued that weak demand in consumer countries and overconsumption in US seems like the main reasons.⁵¹⁸ As a result, prices for a barrel of WTI fell from an average of \$90 to an average of \$40. Due to this immediate fell, most of energy investments were delayed or cancelled and experts still believe that oil/gas investments will likely to decrease in the fall 2017. Additionally, approximately 250.000 employees lost their jobs only in US.⁵¹⁹ There is no doubt that falling oil prices showed dramatically its negative impacts on energy exporter countries, like Azerbaijan.

First of all, there is a significant slowdown in economic growth with a deficit of 2.9% of GDP expected. In addition, it is forecasted that the share of oil revenue in state budget will fall from 63.5% to 53.5% in 2016.⁵²⁰ As a result of these negative developments S&P (Standards and Poor) has changed its Azerbaijan outlook from stable to negative.⁵²¹ Low oil prices also threaten State Oil Fund and social stability that Azerbaijani government launched a three year austerity program. Despite all of the measures taken by economic authorities and experts, it seems clear that Azerbaijan should revise its economy strategy in medium and long term.

⁵¹⁶ Vugar Gojajev, "Resource Nationalism Trend in Azerbaijan between 2004-2009", *Russcasp*, 2010, p. 27.

⁵¹⁷ Tim Bowler, "Falling Oil Prices: Who are the Winners and Losers?", *BBC*, 19.01.2015, Access: <http://www.bbc.com/news/business-29643612>

⁵¹⁸ Tim Bowler, *ibid*.

⁵¹⁹ Clifford Krauss, "Oil Prices: What is Behind the Drop", 27.07.2016, Access: http://www.nytimes.com/interactive/2016/business/energy-environment/oil-prices.html?_r=0

⁵²⁰ Reuters, "Azerbaijan sees 1.8 pct in GDP growth in 2016, bases budget on \$50 oil price", 20.10.2015, Access: <http://uk.reuters.com/article/azerbaijan-budget-idUKL8N12K1IO20151020>

⁵²¹ Reuters, "Azeri growth forecast seen as unrealistic at current oil prices", 03.08.2016, Access: <http://www.reuters.com/article/azerbaijan-economy-idUSL8N18P0JN>

Similarly, Prof. Robert Cutler stresses on the same challenge and try to answer the question: How can Azerbaijan transform its natural resource wealth into generalized economic development?⁵²² In fact, there are many policy options in order to escape from this curse that the priority should be achieving economic and export diversification for resource rich countries. Similar to these suggestions, EBRD, in 2014 suggested four strategic orientations to Azerbaijan: promoting a market-driven diversification, developing a sustainable financial sector to support private sector development, improving governance and business environment.⁵²³

Overall, despite the falling trend in recent oil prices, hydrocarbon resources have still a pre-dominant role in Azerbaijan's budget. In addition, with regard to their economic value for national economy, exporting energy resources from diversified channels is a strategic priority in Azerbaijan's foreign policy. Thus, in general Azerbaijan's energy strategy is based on the creation of alternative transport corridors that relations with Turkey have gained a special importance in that regard.⁵²⁴

3.c.2 Energy as a Tool in Azerbaijan's Foreign Policy

Using energy trade as a foreign policy has become a regular attitude for energy rich countries and addressing energy resources as a "weapon" or "leverage" in foreign policy generally attributed with Russian Federation's foreign policy ambitions. However, even two countries are not using this tool at the same degree; Azerbaijan could address its energy resources in shaping its foreign policy agenda. Moreover, even some experts claim that at the moment, Azerbaijan's energy policy also drives its foreign policy.⁵²⁵

Especially, after the dissolution of Soviet Union and with the increasing indigenous energy production, it seems obvious that "energy card" brought a significant economic and political stability to Azerbaijan and strengthened country's position in international community. In addition, energy was considered as a trump card for Azerbaijan to resolve

⁵²² Robert Cutler, "Azerbaijan Can Keep Developing Energy for its Exports but Needs and Entrepreneurial Business Environment at Home", 08.07.2016, *Policy Options*, Access:

<http://policyoptions.irpp.org/2016/06/08/azerbaijan-age-low-energy-prices/>

⁵²³ EBRD (European Bank for Reconstruction and Development, "Strategy for Azerbaijan", 2014

⁵²⁴ Rovshan Ibrahimov, *ibid.*, p.33

⁵²⁵ Rovshan Ibrahimov, *opcit.*, p.97.

the Nagorno-Karabakh conflict and strengthen country's independence.⁵²⁶ Also, some authors argue that Azerbaijan used energy resources to access, Western world, especially, US government and attracted their attention. As a result, the first Bush Administration clearly recognized the critical importance of energy wealth of Caspian Region. As described in the previous chapters, by-passing Russian Federation in transporting energy resources to West became a political priority for previous US governments, thus Azerbaijan came forefront as an import partner for Western countries.⁵²⁷

Energy versus Territorial Integrity: Nagorno-Karabakh Conflict

Nagorno-Karabakh is a multidimensional conflict which is touching upon ethnic, historical, legal, economic and geopolitical issues. After 22 years of the signature of the ceasefire, the peace process is still very fragile and depends on the geopolitical re-organization of the region and the energy agreements.⁵²⁸ In light with this fact, while there is a consensus on the argument that energy could be weaponized in foreign policy, the question of "Can Azerbaijan use energy card in the solution of Nagorno-Karabakh" has become popular among academicians and experts.⁵²⁹

Some authors argues that, by securing Western support for its territorial integrity, Baku was hoping to instrumentalize its pipeline diplomacy and put pressure on Armenia to withdraw from Azerbaijani territory.⁵³⁰ Besides, it is widely known that energy resources and pipeline politics was perceived as a "rescue" card by the politicians in Baku. Especially, the signing of the Contract of the Century in 1994 has created a significant geopolitical significance and with this agreement, Azerbaijan aimed to build the available environment to pursuit an independent foreign policy by minimizing the influence of third countries. Additionally, strong energy policy is considered to be the main assumption for preserving Azerbaijan's neural security strategy. This relative neutrality provides Azerbaijan a wider opportunity to develop energy cooperation directions.⁵³¹

⁵²⁶ Rovshan Ibrahimov, opcit, p. 94

⁵²⁷ Priti Vaishnav, "Azerbaijan-US Relations based on the Energy Card", *Russian International Affairs Council*, 2014, Access: http://russiancouncil.ru/en/inner/?id_4=3211#top-content

⁵²⁸ Nona Mikhelidze, ibid., p. 2.

⁵²⁹ Ilgar Gurbanov, "Energy Security of Azerbaijan: Interview with Rovshan Ibrahimov", *Strategic Outlook*, 01.07.2012, Access: <http://www.strategicoutlook.org/interviews/news-energy-security-of-azerbaijan.html>

⁵³⁰ Murad Ismayilov, ibid., p. 2

⁵³¹ Laura Kirvelyte, ibid., p. 226.

As another concrete example, it could be mentioned that Azerbaijan used its energy card to create a sort of “lobbying” activity to balance strong influence of Armenian lobby, in the eye of US by addressing the vital interests of US energy companies. In this way, it is expected that Azerbaijan could assure the Western interest and support to preserve its political and economic stability.⁵³²

Today, with the realization of many giant energy and transportation corridors, it is possible to claim that Azerbaijan has gained a dominant power in South Caucasus. In addition, it becomes almost impossible to realize any regional energy and transportation projects without Azerbaijan’s participation or support.⁵³³ In fact, Azerbaijan always stresses the geopolitical significance of Nagorno-Karabakh and tries to take Western support by highlighting region’s importance for energy security. In line with this argument, an article appeared in *National Interest* clearly states that the possible conflict or war between Armenia and Azerbaijan could damage region’s critical energy infrastructures which would undermine region’s energy projects and investments.⁵³⁴

Some case studies could be mentioned about how Azerbaijan could use its energy resources as a political pressure tool. First of all, as a result of the rapprochement efforts between Turkey and Armenia, Azerbaijan felt left and abandoned by its closest ally, Turkey. While, Aliyev did not explicitly link it to the Turkish-Armenian deal, this rapprochement created a new tension between two close allies and showed its negative impacts on Turkish-Azerbaijan energy cooperation; triggered a price discussion on the natural gas trade which has been fixed \$120 per one tcm.⁵³⁵ Some experts argue that, even without the rapprochement the price dispute might occur.

However, in the long-term Turkey’s efforts towards normalization process might have challenged country’s commercial exclusivity in the eyes of Azerbaijan.⁵³⁶ Secondly, especially, in the period of Aliyev, Azerbaijan pursuit a multidimensional energy policy including strengthening its cooperation with Russian Federation and Turkey, alongside US

⁵³² Rovshan Ibrahimov, *ibid.*, p. 131.

⁵³³ Rovshan Ibrahimov, *opcit.*, p.96.

⁵³⁴ Ilgar Gurbanov, “The Frozen War that Threatens Global Energy Flows”, *National Interest*, 10.05.2016, Access: <http://nationalinterest.org/feature/the-frozen-war-threatens-global-energy-flows-16136>

⁵³⁵ Brian Whitmore, “Azerbaijan Could Scuttle Nabucco over Turkey-Armenia Deal”, *Eurodialogue*, Access: <http://www.eurodialogue.eu/energy-security/Azerbaijan-Could-Scuttle-Nabucco-Over-Turkey-Armenia-Deal>

⁵³⁶ Norman Graham and Murad Ismayilov, *ibid.*, p. 102.

and EU.⁵³⁷ Nevertheless, the country sometimes addressed its energy card in protecting its political interests in international arena. For instance, after Azerbaijan could not take enough support from West concerning resolving Nagorno-Karabakh issue, country signaled to West that it can consider other gas export options including Russia. As a result, in 2009, a series of gas agreements were signed with Russia which could reduce the volume the available gas for former pro-western Nabucco Project.⁵³⁸

Overall, it should be reminded that pipeline diplomacy was necessary but not sufficient in fulfilling the security requirements of Azerbaijan in the post-independence period especially in preventing Armenian occupation on Nagorno-Karabakh territory or creating an effective lobbying in diplomatic channels mainly in UN. Similarly, Azerbaijan's pipeline diplomacy was not enough effective in providing the international recognition of the Khojaly massacre as a genocide.⁵³⁹

Energy as a part of Balanced Foreign Policy and Retaining Independence

While Azerbaijan has long been known for the presence of oil since ancient times, with the declaration of independence, Baku's oil has become not only a become source of income, but also subject matter of struggle among major powers.⁵⁴⁰ Especially, after independence, as being a part of South Caucasus, Azerbaijan ultimately became a side of a complicated region where various regional and global powers, Russian Federation, Turkey, Iran, US and EU have critical political and economic interests. As a result, it seems logical for Azerbaijan to transform possible threats and risks in region into strategic partnerships and opportunities.⁵⁴¹

At that point, for Azerbaijan, energy serves as a political tool for both ensuring domestic stability and balancing the interests with external actors.⁵⁴² According to the notes from personal interview with Azerbaijani energy expert Rovshan Ibrahimov, at the very stages,

⁵³⁷ Nona Mikhelidze, *ibid.*, p.8

⁵³⁸ Nona Mikhelidze, *ibid.*, p.6

⁵³⁹ Murad Ismayilov, "Power, Knowledge and Pipelines: Understanding the Politics of Azerbaijan's Foreign Policy", *Caucasus Survey*, Vol.2, No.1, 2014, p. 89

⁵⁴⁰ Rovshan Ibrahimov, "Azerbaijan's Energy History and Policy from Past Till Our Days", **Energy and Azerbaijan: History, Strategy and Cooperation**, Ed.Rovshan Ibrahimov, SAM, 2013, SAM, p.11

⁵⁴¹ Kamal Makili Aliyev, "Azerbaijan's Foreign Policy between East and West", *IAI Working Papers*, 2013, p.3.

⁵⁴² Leila Aliyeva, "Quo Vadis, Azerbaijan? The Country's Growing Challenges", *Heinrich Böll Stiftung South Caucasus*, 01.04.2016, Access: <https://ge.boell.org/en/2016/04/01/quo-vadis-azerbaijan-countrys-growing-challenges>

Azerbaijan's energy policy was mostly geo-political oriented.⁵⁴³ In other words, Azerbaijan was pursuing political goals rather than economic commercial goals by trying to balance Russia's influence in the region.⁵⁴⁴

In the early 1990's, all energy export routes of land-locked Azerbaijan was passing through Russian territory that this situation makes the country dependent to Russian policies. Thus, changing this status emerged as a primary purpose of Azerbaijan. It should be underlined that, this idea was crucial for Azerbaijan is preserving its independence that Russian influence triggered and caused instability in Azerbaijan's internal politics.⁵⁴⁵

While the contact of the century dated 1994 has triggered profound changes in Azerbaijan's regional status and economic prosperity; some authors underlined the disappointments from energy focused foreign policy and argued that Baku failed to secure recognition that Armenia occupied one part of country's territory. As a result, Baku did no more see the energy and pro-Western diplomacy as a receipt for all its problems.⁵⁴⁶ In addition, the inability to block Russian challenge to Georgian territory in 2008 undermined the West's credibility in the eye of region's states as well.

Similarly, another expert, Kamal Maliki Aliyev, argued that "Azerbaijan's pragmatic approach sometimes misunderstood or mistaken the passivity induced by country's geopolitical location and reel politik."⁵⁴⁷ Even though, Azerbaijan is still fully supporting pro-Western energy and infrastructure projects, Azerbaijan's close cooperation with Russia include various spheres in economic and military areas continues. For instance, the cancellation of Azerbaijan's visit to EC due to the commission's critics Baku's human rights reports and \$5 Billion US budget close cooperation between Russia and Azerbaijan⁵⁴⁸ could be mentioned as a proof of Azerbaijan's balanced foreign policy and seeking alternatives rather than "energy focused" strategy.

⁵⁴³ Rovshan Ibrahimov, "Personal Communication", November 2016

⁵⁴⁴ Rovshan Ibrahimov, *ibid.*, p. 16.

⁵⁴⁵ Rovshan Ibrahimov, "Azerbaycan ve Enerji Politikası: Alternatif Enerji Nakil Hatları Arayışı", *USAK*, Vol.7, No. 14, 2012, p. 127

⁵⁴⁶ Murad Ismayilov, *ibid.*, p. 2.

⁵⁴⁷ Kamal Maliki-Aliyev, *ibid.*, p. 3.

⁵⁴⁸ Robert Cutler, "Azerbaijan and Russia Deepen Relations", 2015, Access: <http://policyoptions.irpp.org/2015/10/09/azerbaijan-and-russia-deepen-relations/>

3.d Assessing Turkish-Azerbaijani Energy Relations and Understanding the Dynamics

During the previous chapters, firstly Turkish-Azerbaijani relations were assessed during a historical perspective following, cooperation in energy field was tied to be elaborated from IPE theories and finally the role of energy in both states foreign policy building process were observed. As a result, a main question remains to be responded: What is the central motivation for establishing cooperation in energy field for both states? This central question will be tried to be elaborated during this sub-chapter by addressing the personal views of experts (Annex 1) and main assumption of previous chapters' main findings.

1) *Mutual Benefits:* Firstly, it could be said that for both Azerbaijan and Turkey, neoliberal theories in energy politics seems to be dominant approaches. Additionally, it could be noted that “creating interdependency by addressing energy field (boosting trade, implementing mega projects, increasing reciprocity of investment) seems to be an incompatible part of recent period of Turkish-Azerbaijani relations.

For both states, the idea of positive interdependence resulted from energy trade fits well with both states' energy policy actions. According to the supporters of this theoretical framework, while the complex interdependence significantly increases the cost of non-cooperation, pursuing a policy of complete energy independence becomes untenable within a global energy market as well.⁵⁴⁹ Especially an increased competitiveness among transit and supplier countries could reduce costs and improve the pay-offs of all players in the game.⁵⁵⁰

For Azerbaijan, as a landlocked state and an energy supplier (in terms of oil and gas) countries energy policies should be based on rational choices and mutual gains. Hereby, it should be again highlighted that especially landlocked states like Azerbaijan have much less maneuverability and narrower policy options than their counterparts.⁵⁵¹ Thus, developing partnerships with its multiple neighbors, investing in cross-border pipeline projects, focusing on energy investments in numerous foreign countries could be mentioned as concrete actions for country's energy policy agenda. In that sense, on the one

⁵⁴⁹ Jochen Prantl, “Cooperating in the Energy Security Regime Complex”, *Centre for Non-Traditional Security Studies: Asia Security Initiative Policy Series Working Paper*, No.18, August, 2011, p.3

⁵⁵⁰ Wafik Grais, Kangbin Zheng, “Strategic Interdependence in the East-West Gas Trade: A Hierarchical Stackelberg Game Approach”, *The World Bank Policy Research Working Paper*, 1994, p. 1.

⁵⁵¹ Avinoam Idan and Brenda Schaffer, *ibid.*, p. 242

hand Azerbaijan tries to strengthen its political and economic relations with West, on the other hand, country tries to maintain its balanced relations with its big neighbors Turkey, Russia and Iran. As a final note, it should be added that Azerbaijan's approach to its energy resources are evolving from focusing on geostrategic approach to a more market focused approach. As Rovshan Ibrahimov indicated during the personal interview, "While Nabucco did not fit well with Azerbaijan's economic interests, the determination of TANAP and TAP was based on geo-economic calculations."

Turkey, on the other hand, is not a landlocked state and possesses significant geopolitical advantages to be used in its energy policies and strategies. However, the country does not possess any indigenous resources and she is increasingly facing with a growing energy demand in terms of fossil fuels. It should be here noted that most of country's electricity production is coming from natural gas (%37,9) and coal (%29,1).⁵⁵² From this data, it could be claimed that despite the huge investments in renewables and nuclear energy, for a short and mid-term period, Turkey shall rely on the presence and sustainable import of fossil fuels. Thus, importing the energy from the most secure supplier with the less cost are the cornerstones of national energy policy. In such regard, cooperation in energy field which would bring mutual ways seems the most beneficial way for both states from a rationalist approach. As Turkish official declares that they are buying the cheapest gas from Azerbaijan, Azerbaijan seems Turkey as an opening gate to European energy market. In sum, it could be claimed that the ratios of Turkey and Azerbaijan in energy sector are complementary rather than competitive and mutually beneficial cooperation could be the driving force of economic and political initiatives.⁵⁵³

2. Interdependency: Asymmetrical or Symmetrical?

Even though there are different approaches, the existing literature and large part of experts' views shows that tackling interdependency approach could best explain the nature of cooperation in energy field for Turkish-Azerbaijani relations. Besides the realist assumptions and calculations of national interests, for instance, in his personal interview, experienced energy expert Robert Cutler express that "Bargaining between Turkey and Azerbaijan over gas certainly can be said to be based on "national interest" calculated in

⁵⁵² Turkish Ministry of Energy and Natural Resources, "Elektrik", Access: <http://www.enerji.gov.tr/tr-TR/Sayfalar/Elektrik>

⁵⁵³ Rovshan Ibrahimov, "Turkish-Azerbaijani Relations: Basis for Pragmatic Relations Between the Two Countries", 27.08.2015, *Natural Gas World*, Access: <http://www.naturalgasworld.com/turkish-azerbaijani-energy-relations-25168>

economic prices, even if a-priori "theory" gives few clues about this: what is involved is bilateral give-and-take, and each side appears to be unitary, so "realism" provides a framework for this. On the other hand, if one looks at the actually existing situation on the ground, it is clear that there are contacts and cooperative relations (not contradicting "conflict" of "national interests") between, for example, national energy ministries and the "para-statal" companies (SOCAR, BOTAS, etc.)⁵⁵⁴

But, the main question here is: What is the nature of this interdependency based relations: Are they symmetrical or asymmetric, could we talk about the same amount of benefits? As previously mentioned in the previous chapters, if there is certain level of cooperation in energy field, generally an asymmetry in bilateral relations is visible. Perhaps, only the Russo-German energy relations could be exceptional where we could talk about almost equal benefits. For Turkish-Azerbaijani relations this calculation is more problematic.

As Rovshan Ibrahimov expressed in his interview "If we would like to talk about "interdependence", the economic and political capacities of the states should be equal. Otherwise the relations will be asymmetric. Especially, as a landlocked country for Azerbaijan, she should sell its oil and gas in an independent way. Also, the relations between producer and transit states should be well."⁵⁵⁵ At that point it was added that due to complex relations, building a symmetrical energy relations with Russian Federation might be challenging for Azerbaijan. However, the country is trying to invest in strategic fields in its bigger neighbor, Turkey, to ensure the symmetry for bilateral relations. Especially, Azerbaijan is using its national state company SOCAR to create more sustainable relations with Turkey which would strengthen the ties in cooperation and create a more symmetrical relation. Recently, participation of SOCAR in Petkim Petrokimya, construction of the largest container port in Turkey, realization of TANAP are the most concrete examples for this strategy.⁵⁵⁶

As a final note, it should be reminded that there is no consensus about the interdependent nation of bilateral relations. In contract to this argument, Murad Ismayilov who is the co-author of Turkish-Azerbaijani Relations: One Nation-Two States While the book mentioned in this interview energy partnership between Turkey and Azerbaijan is not a

⁵⁵⁴ Robert Cutler, "Personal Communication", September 2016

⁵⁵⁵ Rovshan Ibrahimov, "Personal Communcation", November 2016

⁵⁵⁶ Rovshan Ibrahimov, *ibid*

result of the quest of interdependency which could be solely a function or a positive externality of security based cooperation.

Additionally, Sohbət Karbuz who is the Director of Hydrocarbons in Mediterranean Association for energy assesses the nature of bilateral relation from a different perspective and rather than focusing on brotherhood rhetoric, he assessed bilateral relations mostly from realistic approach. Besides, for whole projects he finds Azerbaijan in a more advantageous position and added “Turkey provided a significant geopolitical opening chances and various insurance to Azerbaijan and I expected that Azerbaijan would economically respond it.” Also he questioned that despite the favors provided by Turkey like opening the corridor for Azerbaijani oil and gas exports, political support etc., does Azerbaijan act equally concerning Shah Deniz-2 gas, BTC or TANAP Projects?

In sum, from the expert views and the main assumptions from existing literature, it could be briefly said that there are two main motivations in Turkish-Azerbaijani energy partnership: Mutual benefits (economic and political) and ensuring a symmetrical interdependent relation (especially from Azerbaijani side). However, among all those factors, personally I could add that the biggest catalyst in this process is the quest for “energy security”. Clearly, on the one hand, landlocked Azerbaijan should be able to export its energy commodities (oil and gas) in rational prices with minimum costs in the most secure way. On the other hand, energy hunger Turkey should be able to import cheapest energy in a sustainable way. As this basic assumptions seems that the complementary approaches for both states’ view to energy security is the main force of the motivation which makes the complex interdependency theory from a neo-liberal perspective worth to be assessed.

CONCLUSION

With respect to the changing dynamics of post- Cold War era, Turkish-Azerbaijani relations have been based on the rhetoric highlighting the assumptions that both states are sharing the same origin and culture. In such context, while in the early stages of Azerbaijan's independence, both countries have underemphasized historical and geographical reality of interconnectedness in their environments; particularly Turkey remarked that the country should pursue a more realistic foreign policy agenda. Following the romance in the relations has started to be evolved into pragmatism and a more institutionalized approach became more visible in the late of 1990's and 2000's.

In fact, both states have desired to boost economic and political cooperation and achieve strategic partnership level. Nevertheless, the most significant progress was experienced in energy field. As a result, the current era in Turkish-Azerbaijani relations are also called "energy partnership" period by many scholars. Due to this assumption, this study aims to search the main motivation of this partnership and tried to elaborate a conceptual framework for understanding Turkish-Azerbaijani energy relations.

As a result, firstly from the historical perspective, it was recognized that both states cannot ignore the geopolitical realities in their environments and their foreign policy agenda should be built on more rational choices. While the relations between the individuals and leaders like Elchibey-Özal were significantly critical, lately it was well understood that a more institutional approach should be implemented. Especially, during the Nagorno-Karabakh conflict, both states approaches were similar and Turkey has provided a significant support to Azerbaijan. However, the real cooperation started by the decision of opening up Baku's energy resources to the West with the Contact of the Century. Hereby, it could be argued that in the early stages of energy partnership and during the selection of BTC Pipeline route, the motivation in building energy policies were mostly political and geostrategic rather than focusing on economic realities. In order words, at the first stage, by-passing Russian territory policy by BTC project initiated by US government and European states was more crucial.

In the late of 1990's, more rational and market oriented policies in energy relations were started to be implemented. Especially, with the reanimation of Azerbaijan's economy and Turkey's growing natural gas consumption forced the countries to build more sustainable and institutionalized energy partnership. The elimination of Nabucco Project due to its

economic viability and the realization of Southern Gas Corridor with TANAP and TAP Projects could be considered as the last steps of energy partnership.

Under this partnership, there are some main motivations which foster energy cooperation. First of all, both countries' policies on energy security are not competitive; instead they have a complementary nature. In other words, as a consumer while Turkey shall maximize its energy imports with affordable prices, in contrast, Azerbaijan shall find a secure gate to sell its resources to world market. These motivations put "national interests" at the core and makes realist theory more acceptable for understanding the political acts.

On the other hand, energy cooperation makes the bilateral relations more complex and interdependent which makes neo-liberal theory is worth to elaborate for this partnership. In other words, for instance, instead of conflict, both countries will rationally try to maintain their cooperation in energy field with the quest of relative gains and mutual benefits. For example, selling Turkey a cheaper gas perhaps might not be a rational economic choice or an absolute gain for Azerbaijan, however preserving the cooperation could create a more long-term focused sustainable benefits. From these two different assumptions, it could be argued that both neo-realist and neo-liberal approach could be applicable for different dimensions while assessing the energy cooperation in Turkish-Azerbaijani relations.

Nevertheless, at the end, another research question emerged: What is the nature of this interdependency based on energy relations? At that point it is generally argued that there could be three levels of interdependency in energy relations. A commodity importing country (Turkey) can be somewhere in the level of being neutral, sensitive or vulnerable on a commodity when its price or availability changes. For Turkish-Azerbaijani energy relations, it could be claimed that both countries are sensitive for the changes in prices or availability (supply or market). For instance, for Turkey, Azerbaijan is a crucial natural gas supplier in terms of prices of Azeri gas and increasing consumption. However, in case of a scarcity, the scenario shows that Turkey could find another gas supplier or it could subsidize its gas consumption with LNG. On the contrary, Azerbaijan seems more vulnerable in this partnership. In other words, Turkey is not only the customer of Azeri gas, most of major energy projects of Azerbaijan is passing through Turkish territory which makes Azerbaijan more vulnerable in this interdependency.

In balancing such asymmetry in interdependent relations, Azerbaijan is using its financing capacity and national state company's SOCAR's investments and power to create more

sustainable relations with Turkey which would strengthen the ties in cooperation and create a more symmetrical relation. Similarly, Turkey would like to change its role in energy relation and be more active in production and pricing process.

Finally, it should be added that among all kind of natural resources, in the upcoming years rather than oil, natural gas would be the driving force of this partnership due to the falling oil reserves of Azerbaijan and increasing gas demand of Turkey. Besides, it could be projected that the complex interdependent nature of energy partnership between countries could open a way for further institutionalization. For further research, the role of energy partnership in integrating global economic order could be investigated for both countries from the international political economy perspective.

BIBLIOGRAPHY

Books:

Akiner S., (Eds.), (2004), *The Caspian: Politics, Energy and Security*, Routledge Group, USA

Aydın M., (Eds.) (2007), *Türkiye'nin Avrasya Macerası: 1989-2006*, Nobel, İstanbul.

Alsaad M., (2014), *Energy Security in International Relations* (Unpublished PhD Thesis), *University of Osmania*

Bagirov S., (Eds.), (2012), *Conference Book: TANAP Conference in Istanbul*, Baku, Entrepreneurship Development Foundation, Istanbul.

Bal İ., (2004), *Turkish Foreign Policy in Post-Cold War Era*, Brown Walker Press.

Bliddal H., Sylvest C., and Wilson P. (Eds.), (2013), *Classics of International Relations: Essays in Criticism and Appreciation*, Hoboken, Taylor and Francis

Bozdağlıoğlu Y., (2003), *Turkish Foreign Policy and Turkish Identity: A Constructivist Approach*, Routledge Group, 2003, UK.

Chufrin G. (Eds.), (2001) *The Security of the Caspian Sea Region*, Oxford University Press

Cornell S., (2001), *Small Nations and Great Powers: A Study of Ethnopolitical Conflict in the Caucasus*, Taylor & Francis Group, USA

Dyer H. and Maria Julia Trombetta (Eds.), (2013), *International Handbook of Energy Security*, Edward Elgar Publishing Limited, UK.

Erler G., (Eds.) (2011), *South Caucasus: 20 Years of Independence*, Friedrich-Ebert-Stiftung, Germany.

Esakova N., (2012), *European Energy Security: Analysing EU-Russia Energy Security Regimes in Terms of Interdependence Theory*, Springer, US.

Fermann G., (Eds.) (2009), *Political Economy of Energy in Europe: Forces of Integration and Fragmentation*, Bibliografische Information der Deutschen Nationalbibliothek, Germany.

- Gilpin R., (2001), *Global Political Economy: Understanding the International Economic Order*, Princeton University Press, USA.
- Gheorghe A. and Muresan M., (Eds.), (2011), *Energy Security: International and Local Issues, Theoretical Perspectives, and Critical Energy Infrastructures*, Springer.
- Goddard C., Cronin P, and Dash K. (Eds.), (2003) *International Political Economy: State-Market Relations in a Changing Global Order*, 2nd Edition, USA
- Graham N., Ismayilov M., (2016), *Turkish-Azerbaijani Relations: One Nation-Two States*, Routledge Advances in Central Asian Studies, New York.
- Harvey D., (2005), *Neoliberalizmin Kısa Tarihi*, Sel Yayıncılık, İstanbul.
- Ismailzade F. and Howard G. (Eds.) (2012), *The South Caucasus 2021: Oil, Democracy and Geopolitics*, The Jamestown Foundation, USA.
- Isaxanlı H., Ergun A., (Eds.), (2013), *Security and Cross-Border Cooperation in the EU, the Black Sea Region and Southern Caucasus*, IOS Press.
- Kibaroğlu M., (Eds) (2008), *Turkey's Neighborhood*, Foreign Policy Institute, Istanbul.
- Kuzemko C., Goldthau A., Keating M., (2015), *The Global Energy Challenge: Environment, Development and Security*, Palgrave, NY.
- Kruse F., (2014), *Oil Politics: The West and It's Desire for Energy Security since 1950's*, Anchor Academic Publishing, Germany.
- Keohane R., (1984), *After Hegemony: Cooperation and Discord in the World Political Economy*, USA.
- Luft G. and Korin A., (Eds.) (2009), *Energy Security Challenges for the 21st Century*, Library of Congress, USA
- Mankoff J., (2009), *Russian Foreign Policy: The Return of Great Power Politics*, Council on Foreign Relations, USA.
- Mansfield E. and Pollins B. (Eds.) (2003), *Interdependence and International Conflict: New Perspectives on an Enduring Debate*, University of Michigan.

- Mikail E., Tazegül A., (2012) *Türkiye ile Azerbaycan Siyasi ve Ekonomik İlişkileri: 1990-2005*, IQ Yayıncılık, Turkey.
- Nazrin M., (2011), *Power Games in the Caucasus: Azerbaijan's Foreign and Energy Policy towards the West, Russia and the Middle East*, UK.
- Niblett R., (Eds.), (2010), *America and a Changed World*, Royal Institute for International Affairs, London
- Oran B. (Eds.), (2009), *Türk Dış Politikası: Kurtuluş Savaşından Bugüne Olgular, Belgeler, Yorumlar*, Vol.2, İstanbul.
- Oran B. (Eds.), (2013), *Türk Dış Politikası: Kurtuluş Savaşından Bugüne Olgular, Belgeler, Yorumlar: 2001-2012*, Vol.3, İletişim Yayınları.
- Özgöker U., Ataman K., (2013), *Analysis of the "new" Turkish Foreign Policy*, Hiperlink, İstanbul.
- Pascual C. and Elkind J. (Eds.) (2010), *Energy Security: Economics, Politics, Strategies and Implications*, the Brookings Institution, USA.
- Pleines H., Andreas H. (Eds.), (2014), *Export Pipelines from the CIS Region: Geopolitics, Securitization, and Political Decision-Making*, UK.
- Raphael S. and Stokes D., (2010), *Global Energy Security and American Hegemony*, Johns Hopkins University Press, USA
- Sönmezoğlu F.(Eds.) (1996), *Değişen Dünya ve Türkiye*, Bağlam Yayınları, İstanbul.
- Svyatets E., (2016), *Energy Security and Cooperation in Eurasia: Power, Profits and Politics*, Routledge, US.
- Skea J., Ekins P., and Winskel M., (2011), *Energy 2050: Making the Transition to Secure Low Carbon Energy System*, Washington.
- Waltz K., (1979) *Theory of International Politics*, University of California, Berkeley.

Articles

Agt C., (2014), Caspian Oil and Gas New Perspectives Beyond Projects and Pipelines, *CIEP*

Aktaş S., (2013), Ilham Aliyev's Role in the Development of Relations between Turkey and Azerbaijan, *International Association of Social Science Research*, pp. 17-21

Aliyev K., (2013), Azerbaijan's Foreign Policy between East and West, *IAI Working Papers*

Alieva L., (1999), Reshaping Eurasia: Foreign Policy Strategies and Leadership Assets in Post-Soviet Caucasus, *Berkeley Program in Soviet and Post-Soviet South Caucasus*

Alieva L., (2006), EU and South Caucasus, *Bertelsmann Group for Policy Research: Discussion Paper*, December

Alsaad M., (2014), Energy Security in International Relations (India's Energy Security), *PhD Thesis: Department of Political Science, Osmania University*,

Altundeğer N., (2015), A Dream Becoming True: Turkey Becoming an Energy Hub, *East West Institute International Conference Proceedings*

Aras B., (2014), Turkish-Azerbaijani Energy Relations', *Istanbul Policy Center*

Aras O., Süleymanov E., Huseynov R., (2013), The Importance of Azerbaijan's Energy Revenues in its Export Volume and the Effects on the National Economy, *International Journal of Business and Social Science*, Vol.4, No.6

Arıkan S., (2014), Türkiye Azerbaycan İlişkilerinde TANAP Örneği, (Master's Thesis, *İstanbul University*, pp. 30.

Arslanlı A., (2009), Azerbaijan-Russia Relations: Is the Foreign Policy Strategy of Azerbaijan is Changing, *Turkish Policy Quarterly*, Vol.9, No.3

Aydın M., (2010), Turkish Policy towards Caucasus, *The Quarterly Journal*

Babalı T., (2005), Implications of the Baku-Tbilisi-Ceyhan Main Oil Pipeline Project, *Perceptions*, pp. 29-59.

- Babalı T. (2012), The Role of Energy in Turkey's Relations with Russia and Iran, *Center for Strategic and International Studies*
- Baban I, Shiriyev Z., (2010), The U.S. South Caucasus Strategy and Azerbaijan, *Turkish Policy Quarterly*, Vol.9, No.2, pp.93-103
- Badalov B., (2012), The European Union and Russian Federation Energy Relations: Petrification or Revival, *Lund University*,
- Bagirov S., (1996), Azerbaijani Oil: Glimpses of a Long History, *Center for Strategic Research*
- Berdikeeva S., (2007), Turkmenistan's Energy Policy: Risks and Opportunities, *Insight Turkey*, Vol.9, No.3
- Balamir B. and Carlson R., (2010), New Energy Geopolitics: Why Does Turkey Matter?, *Insight Turkey*, Vol.12, No.3
- Baldwin D., (1993), Neoliberalism, Neorealism and World Politics, *Neorealism and Neoliberalism: The Contemporary Debate*, Columbia University Press, USA
- Balla E., (2013), Turkish and Iranian Interests and Policies in the South Caucasus, *NOREF*, Policy Brief
- Belyi A., (2014), International Governance: Weaknesses of Multilateralism, *International Studies Perspective*, Vol.15, No.10
- Bilgin M., (2011), Energy and Turkey's Foreign Policy: State Strategy, Regional Cooperation and Private Sector Involvement, *Turkish Policy Quarterly*, Vol.9, No.2.
- Bilgin M., (2010), Turkey's Energy Strategy: What Difference Does it Make to Become an Energy Transit Corridor, Hub or Center, UNISCI Discussion Papers, No.23
- Bilgin M., (2015), Turkey's Energy Strategy: Synchronizing Geopolitics and Foreign Policy with Energy Security, *Insight Turkey*, Vol.17, No.2, pp.67-81.
- Boonstra J., Burke E., Youngs R., (2008), The Politics of Energy: Comparing Azerbaijan, Nigeria and Saudi Arabia, *FRIDE*

- Bölükbaşı S., (1997) Ankara's Baku-Centered Transcaucasia Policy: Has it Failed?, *Middle East Journal*, Vol.51, No.1, Winter, pp. 80-94.
- BP Statistical Review of World Energy, June 2015.
- Černoch F., Jirušek M., (2014), "Strategic and Market Oriented Approaches in the Energy Policy of the European Union", *Center for Energy Studies*
- Česnakas G., (2010), Energy Resources in Foreign Policy: A Theoretical Approach, *Baltic Journal on Law and Politics*, No.3
- Choi H.,(2009), Fueling Crisis or Cooperation? The Geopolitics of Energy Security in Northeast Asia, *Asian Affairs*
- Ciuta F., (2010), Conceptual Notes on Energy Security: Total or Banal Security?, *Security Dialogue*
- Cohen A., (2012), Azerbaijan and U.S Interests in the South Caucasus Twenty Years after Independence, *Caucasus International*, Vol.2, No.1
- Cherp A., and Jewell J., (2014), The Concept of Energy Security: Beyond the Four As., *Energy Policy*, No.75, pp.415-421.
- Chifu L. (2014), The Liberal Approach towards Energy Security Through Interdependence at Risk, *U.P.B. Sci. Bull., Series D.*, Vol. 76, No.4, pp. 257-266
- Ciarreta A. and Nasirov S, (2010), Analysis of Azerbaijan Oil and Gas Sector., *United States Association for Energy Economics Research Paper Series*
- Cordesman A., Gold B., Shelala R. and Gibbs M., (2013), U.S and Iranian Strategic Competition: Turkey and South Caucasus, *CSIS*
- Cornell S., Starr F., Tsereteli M., (2015), A Western Strategy for South Caucasus, *Silk Road Paper*, February
- Cornell S., (2015), Azerbaijan: U.S., Energy, Security and Human Rights Interests, *John Hopkins School of Advanced International Studies*
- Cornell S., Ismailzade F., (2008), The Baku-Tbilisi-Ceyhan Pipeline and the Implications for Azerbaijan, **The Baku-Tbilisi-Ceyhan Pipeline: Oil Window to the West**, ed.

Demiryol T., (2013), The Limits of Cooperation between Rivals: Turkish-Iranian Relations since 2002, *Ortadoğu Etütleri*, Vol.4, No.2, pp.119

Casier T., (2001), Russia's Energy Leverage over the EU: Myth or Reality?, *Perspectives on European Politics and Society*, Vol.12, No.4, pp. 493-508.

Çağatay S., Evans T., (2004) Turkey's Energy Policy and the Future of Natural Gas, *James Baker Institute for Public Policy*

Çetingüleç M., (2016), Can Turkey Break its Russian Gas Habit, *Al Monitor*

Dannreuther R., (2010), International Relations Theories: Energy, Minerals and Conflict, *Polinares Working Paper*, No.8

Donoghue C., (2011), Dealing with Russian Gas: Energy Management Dependency Strategies in Czech Republic and Hungary from Transit to Present, *Master Thesis: Central European University, Hungary*

EBRD (European Bank for Reconstruction and Development), (2014), Strategy for Azerbaijan

Edam, (2011), Center for Economics and Foreign Policy Studies, *The Turkish Model for Transition to Nuclear Power*

Efe H., (2012), Foreign Policy of European Union Towards the South Caucasus, *International Journal of Business and Social Science*, Vol.3, No. 17, September, pp. 187-199.

Efe H., (2011), Turkey's Role as an Energy Corridor and Its Impacts on Stability in the South Caucasus, *OAKA*, Vol.6, No.12, pp.118-147

Efegil E., (2009), Rationality Question of Turkey's Central Asia Policy, *Bilgi*, Vol.2

EIA (Energy Information Agency), (2014), Azerbaijan: International Data and Analysis

EIA (Energy Information Administration), (2015), Iran: International Energy Data and Analysis

EIA (Energy Information Administration), (2015), Russia: International Data and Analysis

- Ellinas C, “Rapid Development in East Med Gas”, Turkish Policy Quarterly, Summer, 2016
- Elving A., (2014), Achieving Energy Security in the EU: National Self-Interest and Multilateral Cooperation, Master Thesis, *Swedish National Defense College*
- EPDK (Enerji Piyasaları Denetleme Kurumu), (2014), *Doğal Gaz Piyasası Sektörü Raporu*
- EPDK (Enerji Piyasaları Denetleme Kurumu), (2015), *Doğal Gaz Piyasası Sektörü Raporu*
- Erkin B., (2013), The Rise and Fall of Popular Front of Azerbaijan, Türk Akademisi, September
- Fackrell B., (2013), Current Developments in Regional Energy Security and Turkey, *Insight Turkey*, Vol.15, No.1, pp. 63-72
- Frederick Starr&Svante E. Cornell, *Central Asia-Caucasus Institute Silk Road Studies Program*, p.78
- Finon D., Locatelli C., (2007), Russian and European Gas Interdependence: Can Market Forces Balance out Geopolitics, *Laboratoire d’Economie de la Production et de l’Integration Internationale*
- Frappi C., (2013), Central Asia’s Place in Turkey’s Foreign Policy, *ISPI*, December
- Freire M., (2013), Security in the South Caucasus: the EU, NATO and Russia, *NOREF Policy Brief*
- Gartzke E., (2010), Interdependence Really is Complex, University of California
- Gartzke E., Li Q., and Boehmer C., (2001), Investing in Peace: Economic Interdependence and International Conflict, *International Organization*, pp.391-438
- Giotis S., (2012), Energy Security in Eastern Mediterranean; Gas Discoveries and Implications in Israel-Cyprus-Turkey Relations, *MA Thesis in Politics and Economics of Contemporary Eastern and Southeastern Europe*, December
- Gojayev V., (2010), Resource Nationalism Trend in Azerbaijan between 2004-2009, *Russcasp*

- Goswami N., (2013), Power Shifts in East Asia: Balance of Power vs. Liberal Institutionalism, *Persceptions*, Vol 18, No.1
- Grigor R., (2010), The pawn of Great Powers: The East-West Competition for Caucasia, *Journal of Eurasian Studies*, Vol.1, No.1
- Güney N. , Korkmaz V., (2014), The Energy Interdependence Model Between Russia and Europe: An Evaluation of Expectations for Change, *Perspections*, Vol.19, No.3
- Hasanov M., Heydarov Z., (2015), Geopolitical and Strategic Rationale of Azerbaijan, Investments in Turkey”, *Hazar Strateji Enstitüsü*
- Helen H., (2014), The EU’s Energy Security Dilemma with Russia, *Polis Journal*, Vol.4
- Hill F., Jewett P., (1994), Back in the USSR: Russia’s Intervention in the Internal Affairs of the Former Soviet Republics and the Implications for United States Policy toward Russia, *Ethnic Conflict Project*, pp. 4
- Hoffman D., (2008), Oil and Development in Central Asia and the Caucasus, *NBR Analysis*, Vol.10, No. 3
- Hunter S., (2001), Turkey, Central Asia and The Caucasus: Ten Years of Independence, *Southeast European and Black Sea Studies*, Vol. 1, No. 2
- Huseynli S., (2013), Energy Policy of the European Union and Importance of the Energy Resources of Azerbaijan: Neo-functionalist and Liberal Intergovernmentalist Approach, *International Affairs and Global Strategy*, Vol.8, pp.19-34.
- Ibrahimov R., (2013), Azerbaijan’s Strategy for the Diversification of Energy Transport Routes, *USAK Yearbook*, Vol.6
- Ibrahimov R., (2012), Azerbaycan ve Enerji Politikası: Alternatif Enerji Nakil Hatları Arayışı, *USAK*, Vol.7, No. 14
- İbrahimov R., (2013), Azerbaijan’s Energy History and Policy from Past Till Our Days, *Energy and Azerbaijan: History, Strategy and Cooperation*, Ed.Rovshan Ibrahimov, SAM
- Ibrahimov R., (2014), Turkish-Azerbaijani Energy Relations: Significant Leverage in the Implementation of the Foreign Policy Interests of Both Countries, *Insight Turkey*, Vol.17, No.2, pp. 83-100

- Idam A. and Shaffer B., (2011), The Foreign Policies of Post-Soviet Landlocked States, *Post-Soviet Affairs*, Vol.27, No.3, pp.241-268
- Ismailzade F., (2010), U.S Policy towards the South Caucasus: How to Move Forward?, *Caucasus Analytical Digest*, No.13, February
- Ismayilov M., (2010), Continuity and Change in Azerbaijan's Energy Diplomacy, *Caucasus Analytical Digest*, No.16
- Ismayilov M., (2014), Power, Knowledge and Pipelines: Understanding the Politics of Azerbaijan's Foreign Policy, *Caucasus Survey*, Vol.2, No.1, pp.79-129.
- Jackson A., (2012), The Limits of Good Intentions: The Caucasus as a Test Case for Turkish Foreign Policy., *Turkish Foreign Quarterly*, Vol.9, No.4, pp.81-90.
- Jervis R., (1999), Realism, Neoliberalism and Cooperation: Understanding the Debate, *International Security*, Vol.25, No.1
- Jewel J., (2011), International Energy Agency (IEA) Model of Short-term Energy Security: Primary Energy Sources and Secondary Fuels, *International Energy Agency Working Paper*
- Jian Z., (2009), China's Energy Security: Prospects, Challenges and Opportunities, *The Brookings Institution Center for Northeast Asian Policy Studies*
- Kalehsar O., (2016), Iran-Azerbaijani Energy Relations in the Post-Sanctions Era, *Middle East Policy*, Vol 13, No.1
- Kardas Ş. (2011), Turkish Azerbaijani Energy Cooperation and Nabucco: Testing the Limits of New Turkish Policy Rhetoric, *Turkish Studies*, Vol.12, No.1, pp. 55-77.
- Kardaş Ş. (2014), The Turkey-Azerbaijan Energy Partnership in the Context of Southern Gas Corridor, *Istituto Affari Internazionali Working Paper*
- Kardaş Ş., (2015), Turkey and Azerbaijan: "One Nation-Two States?", *Eurasia Daily Monitor*, Volume 6, No.193
- Kardaş Ş., Macit F., (2015), Turkey-Azerbaijan Relations: The Economic Dimension, *Journal of Caspian Affairs*, Vol.1, No.1, pp.23-46.

- Karpuz S. and Şanlı B.,(2010), On Formulating a New Energy Strategy for Turkey, *Insight Turkey*, Vol.12, No.3, pp. 89-105
- Kelkitli F., (2008), Russian Foreign Policy in South Caucasus Under Putin, *Perceptions*, Winter, 2008, pp. 73-91
- Kjaernet H., (2009), The Energy Dimension of Azerbaijani-Russian Relations: Maneuvering for Nagorno-Karabakh, *Russian Analytical Digest*, Vol.9, No.56
- Kirvelyte L., (2012), The Dilemma of Azerbaijan's Security Strategy: Energy Policy or Territorial Integrity?, *The Journal of Military Academy of Lithuania*, Vol.10, No.1
- Kocaaslan G., (2012), International Energy Security Indicators and Turkey's Energy Security Risk Score, *International Journal of Energy Economics and Policy*, Vol.4, No.4
- Krickovic A., (2015), When Interdependence Produces Conflict: EU-Russia Energy Relations as a Security Dilemma, *Contemporary Security Policies*, Vol.36, No.1, pp. 3-26.
- Larrabee S., (2011), Turkey's Eurasian Agenda, *Washington Quarterly*
- Liao X., (2007), The Petroleum Factor in Sino-Japanese Relations: Beyond Energy Cooperation, *International Relations of the Asia-Pacific*, Vol.7, pp.23-46.
- Macdougall J., (1997), Russian Policy in the Transcaucasian 'Near Abroad': The Case of Azerbaijan, *Demokratizatsiya*, Vol.5, No.1, pp. 90-99.
- Macit F., (2014), Caspian Energy Outlook, *Caspian Strategy Institute*, May
- Mansson A., (2014), Energy, Conflict and War: Towards a Conceptual Framework, *Energy Researches and Social Science*
- Martin-Moreno J., (2014), The Rise of Emerging Markets and Its Impact on Global Energy Security, *Scientific Research: Modern Economy*, pp.967-979.
- McMillan J., (2008), Energy Security in South Asia: Can Interdependence Breed Stability? , *Strategic Forum*, No.232
- Mearsheimer J., (1995), The False Promise of International Institutions, *International Security*, Vol.19, No.3, pp.5-49.

- Mearsheimer J., (2002), Realism, the Real World and the Academy, Michael Brecher and Frank P. Harvey (ed.), *Realism and Institutionalism in International Studies*, the University of Michigan Press
- Meister S., (2010), Recalibrating Germany's and EU's Policy in the South Caucasus, *DGAPanalyse*
- Melikoğlu M., (2013), Vision 2023: Forecasting Turkey's Natural Gas Demand between 2012 and 2030, *Renewable and Sustainable Energy Reviews*, No.22
- Miltenberger J. (2012), "Beholden the Bear: The Political Economy of Natural Gas Trade with Russia", *Claremont-UC Undergraduate Research Conference on the European Union*
- Mutlu G., (2012), Turkey's Foreign Aid Policy Toward Central Asia, *Usak Yearbook*, Vol.5.
- Molnar A., (2014), Russian Foreign Policy under Vladimir Putin: Norms, Ideas and Determining Factors, Andreas Heinrich and Heiko Pleines (ed), *Export Pipelines from CIS Region: Geopolitics, Securitization and Political Decision-Making*, Germany
- Mohaptra N., (2013), Energy Security and Russia's Foreign Policy, University of Cambridge: Centre for Rising Powers Department of Politics and International Studies
- Mikhelidze N., (2010), Azerbaijan-Russia-Turkey Energy Triangle and its Impacts on the Future of Nagorno-Karabakh, *IAI*, Vol.10, No.18
- Moran D., (2009), Energy Security and Global Politics: The Militarization of Resource Management, *Institutional Archive of the Naval Postgraduate School*
- Mynbayev S., (2014), Kazakhstan: National Transformation, *The Oil and Gas Year*, p.7
- Nifti E., Akhundzada E. and Danis E., (2014), Azerbaijan Energy Outlook, *Caspian Strategy Institute: Center on Energy and Economy*, October
- Nixey J., (2012), The Long Goodbye: Waning Russian Influence in the South Caucasus and Central Asia, *Chatnam House Briefing Paper*
- Okumuş O., (2012) Energy Hungry Turkey, *Internationale Politik*

- Özcan S., (2013), Securitization of Energy through the Lenses of Copenhagen School, *East-West Journal of Social Sciences*, Vol.2, No.2
- Özdamar Ö., (2011), Energy, Security and Foreign Policy, *ISA*, Vol.3, No. 61, pp. 1415
- Pacheco K., (2011), Turkey as a Transit Country and Energy Hub: The Link to its Foreign Policy Aims, *Forschungsstelle Osteuropa an der Universität Bremen*
- Paul A., (2015), Iran's Policy in the South Caucasus: Between Pragmatism and Realpolitik, *SAM*
- Paul A., Rzaeva G., (2011), Azerbaijan: The Key to EU Energy Security, *European Policy Center*
- Pascual C.,(2015), The New Geopolitics of Energy", Columbia: Center on Global Energy Policy
- Pick L., (2012), EU-Russia Energy Relations: A Critical Analysis, *POLIS Journal*, Vol.7, pp. 323-365
- Powell R., (1994), Anarchy in International Relations Theory: The Neorealist-Neoliberal Debate, *International Organization*, No.2, Vol.48
- Prantl J., (2011), Cooperating in the Energy Security Regime Complex, Centre for Non-Traditional Security Studies, *Asia Security Initiative Policy Series Working Paper*, No.18, p.3.
- PwC, (2014), Liberalizing Natural Gas in Turkey.
- Rana W., (2015) Theory of Complex Interdependence: A Comparative Analysis of Realist and Neoliberal Thoughts, *International Journal of Business and Social Science*, Vol.6, No.2, pp.290-297.
- Ratner M., Belkin P., Nichol J., Woehrel S., (2013), Europe's Energy Security: Options and Challenges to Natural Gas Supply Diversification, *Congressional Research Service*,
- Remizov O., (2013), The Concept of Energy Security in the EU-Russia Relations: New Interdependencies, Unpublished Master Thesis, *University of Tartu*

- Renda K., (2011), Turkey's Neighborhood Policy: An emerging Complex Interdependence, *Insight Turkey*, Vol.13, No.1, 2011, pp.89-107.
- Roberts J., (2010), Turkey as a Regional Energy Hub", *Insight Turkey*, Vol.12, No., pp.39-48
- Roberts J., (2015), Turkey Pivotal to Future of European Gas Supplies, *Financial Times*
- Rzayeva G., (2015), The Outlook for Azerbaijani Gas Supplies to Europe: Challenges and Perspectives, *Oxford Institute for Energy Studies*. June 2015.
- Rzayeva G., (2014), Natural Gas in the Turkish Domestic Gas Market: Policies and Challenges, *Oxford Institute for Energy Studies*
- SAM (Stratejik Araştırmalar Merkezi), (2015), 'The South Caucasus: Between Integration and Fragmentation', pp.30
- Strakes J., (2015), 'Azerbaijan and Non-Aligned Movement: Institutionalizing the 'Balanced Foreign Policy' Doctrine', *IAI (Istituto Affari Internazionali)*, Vol.15, No.11, May, 2015.
- Strakes J., (2013), Situating the "Balanced Foreign Policy": The Role of System Structure in Azerbaijan's Multi-Vector Diplomacy, *Journal of Balkan and Near Eastern Studies*, Vol.15, No. 1, pp. 37-67
- Sasley B., (2008), 'Turkey's Energy Policy in the Post-Cold War Era', *Middle East Review of International Affairs*, Vol.2, No.4, 1998, pp.28-36
- Schaffer B., (2012), Foreign Policies of the States of the Caucasus: Evolution in the Post-Soviet Period, *Uluslararası İlişkiler*, Vol.7, No.26, pp.51-65.
- Schaffer B., (2012), Azerbaijan's Foreign Policy since Independence, *Caucasus International*, Vol.2, No.1, pp.73-84
- Sebo L., Sipos-Kecskemethy K., (2009), Energy Security and the Caucasus Region, *AARMS*, Vol.8, No. 3, pp. 407
- Sefcovic M., (2015), Energy Union and the Caspian Countries, *Caspian Report*, No.9, Caspian Strategy Institute, pp.7-10

- Shaffer B., (2012), Natural gas Supply Stability and Foreign Policy', *Energy Policy*
- Shirinov R., (2011), A Pragmatic Area for Cooperation: Azerbaijan and the EU, *International Politics and Society*, No.3
- Stein A., (2008), Neoliberal Institutionalism, Christian Reus-Smit and Duncan Snidal (Ed.), *The Oxford Handbook on International Relations*, Oxford University Press
- Stulberg A., (2002), Strategic Bargaining and Pipeline Politics: Confronting the Credible Commitment Problem in Eurasian Energy Transit., *Review of International Political Economy*, Vol.19, No.5, pp.808-836.
- Souleimanov E. and Ditrych O., (2007), Iran and Azerbaijan: A Contested Neighborhood, *Middle East Policy*, Vol.14, No. 2, pp.101-116
- Stringer K., (2008), Energy Security: Applying a Portfolio Approach, *Baltic Security and Defence Review*, Vol 10, pp.127
- Suchkov M., (2011), Re-engaging the Caucasus: New Approaches of U.S Foreign Policy in the Region and Their Implications for U.S-Russia Relations, *OAKA*, Vol.6, No .11., pp.134-152.
- Tellez F., (2013), Energy Security and International Relations between Columbia and its Neighbors: A Factor Redefining Foreign Policies, *CEPMLP Annual Review*, Vol.15
- Tichý L., Kratochví P., (2013), The European Union's Discourse on Energy Relations with Russia, *UACES 43th Annual Conference*
- Tsvetanov E., (2015), Russian Politics or Russian Energy Industry Lobbying: European Union Perspectives, *Journal of Promotional Communications*, Vol.3, pp. 340-362
- Tunçalp E., (2015), Turkey's Natural Gas Strategy: Balancing Geopolitical Goals&Market Realities, *Turkish Policy Quarterly*, Vol. 14, No.3, pp.67-79.
- Turkish Ministry of Energy and Natural Resources, "2015-2019 Stratejik Planı", 2015.
- Türk Petrolleri, (2015), Ham Petrol ve Doğal Gaz Sektör Raporu.
- Umbach F., (2015), Strategic Perspectives of the EU's Energy Union and the Southern Gas Corridor, *Caspian Report*, No.9, Caspian Strategy Institute, pp. 10-25.

Vitaly V. Naumkin, (2002) Russian Policy in the South Caucasus, *The Quarterly Journal*, No.3

Valiyev A, (2012), Azerbaijan-Iran Relations: Quo Vadis, Baku?, *Ponars Eurasia Policy Memo*, No.44

Yesevi Ç. and Tiftikçigil B., (2015), Turkey-Azerbaijan Energy Relations: A Political and Economic Analysis, *International Journal of Energy Economics and Policy*, Vol.5, No.1

Yalçınkaya A., (2015), An International Organization Necessitated by Pipelines: The Black Sea-Caspian Energy Association, *Journal of Caspian Affairs*, Vol.1, No.2, Summer, pp.13-28

Yergin D., (2006), Ensuring Energy Security, *Foreign Affairs*, Vol.85, No. 2

Yılmaz R., (2010), Türkiye-Azerbaycan İlişkilerinde Son Dönem, *Bilge Strateji, Jeopolitik, Ekonomi-Politik ve Sosyo-Kültürel Araştırmalar Dergisi*, Vol.1., No.2

Weiss A., Larrabee S., Bartis J., Sawak C., (2012), Promoting International Energy Security: Turkey and Caspian, *Rand Corporation*

Weitz R., (2012), Russia-Turkey Energy Ties: Cooperation with Conflict, *Diplomaatia*, No.19

Winrow G., (2013), The Southern Gas Corridor and Turkey's Role as an Energy Transit State and Energy Hub, *Insight Turkey*, Vol.15, No.1

Winrow G., (2014), Realization of Turkey's Energy Aspirations: Pipe Dreams or Real Projects ,Brookings Institution, April

Winzer C., (2012), Conceptualizing Energy Security, *Energy Policy*, No.46

Wohlforth W., (2012), Realism and Foreign Policy, Steve Smith, Amelia Hadfield, Tim Dunne (ed.), *Foreign Policy: Theories, Actors and Cases*, Oxford University Press, UK.

Yılmaz Ş., Kılavuz T., (2012), Restoring Brotherly Bonds: Turkish Azerbaijani Energy Relations, *PONARS Eurasia Policy Memo*, No.240

Yıldız T., (2012), Turkey's Energy Economy, *Turkish Policy Quarterly*, Vol.9, No.2.

Ziegler C., Menor R, (2014), Neomercantilism and Great-Power Energy Competition in Central Asia and the Caspian, *Strategic Studies Quarterly*

Online Resources:

A.J. Santos, “Turkish Energy Market 2015”, Access:

<http://www.mondaq.com/turkey/x/395770/Oil+Gas+Electricity/Turkish+Energy+Market+2015>

BBC News, “Crimea Power Black Out: Russia Accuses Ukraine of Sabotage”, 30.11.2015,

Access: <http://www.bbc.com/news/world-europe-34967093>

Brian Whitmore, “Azerbaijan Could Scuttle Nabucco over Turkey-Armenia Deal”,

Eurodialogue, Access: <http://www.eurodialogue.eu/energy-security/Azerbaijan-Could-Scuttle-Nabucco-Over-Turkey-Armenia-Deal>

Chris Rose, “Fossil Fuel Lobby Spent \$213 Million Last Year to Influence US, EU

Politicians”, *Desmog*, 2014, Access: <http://www.desmogblog.com/2014/10/18/fossil-fuel-lobby-spent-213-million-last-year-influence-us-eu-politicians>

Clifford Krauss, “Oil Prices: What is Behind the Drop”, 27.07.2016, Access:

http://www.nytimes.com/interactive/2016/business/energy-environment/oil-prices.html?_r=0

Contract of Century, President of Azerbaijan, Access:

<http://en.president.az/azerbaijan/contract>

Durna Safarova, “Azerbaijan: Baku’s Reserves Rapidly Evaporating Amid Fiscal Storm”,

EurasianNet, 13.01.2016, Access: <http://www.eurasianet.org/node/76811>

Efgan Nifti, Magsud Mammad, ‘A Quest to Become an Energy Hub: The Case of Turkey’,

14.01.2015, *Hazar Strateji Enstitüsü*, Access:

http://hazar.org/analizdetail/analiz/a_quest_to_become_an_energy_hub_the_case_of_turkey_482.aspx

Energy Post, “End of Nabucco- end of Southern Corridor?”, 27.07.2013, Access:

<http://energypost.eu/end-of-nabucco-end-of-southern-gas-corridor/>

Enerji Enstitüsü, “2030’a Kadar Türkiye’nin Enerji İthalat Faturasının 1.4 Trilyon Dolara Ulaşması Bekleniyor”, 2014, Access: <http://enerjienstitusu.com/2014/02/20/2030a-kadar-turkiyenin-enerji-ithalat-faturasinin-1-4-trilyon-dolara-ulasmasi-bekleniyor/>

Eurasianet Commentary, “Turkish-Russian Relations Creates Quandery for Azerbaijan”, 30.11.2015, Access: <http://www.eurasianet.org/node/76331>

Europe Council on Foreign Relations, 17.03.2016, Access: http://www.ecfr.eu/article/commentary_europes_vulnerability_on_russian_gas

Eurostat, “Natural Gas Consumption Statistics”, July 2016, Access: http://ec.europa.eu/eurostat/statistics-explained/index.php/Natural_gas_consumption_statistics

Foreign Ministry of Turkey, “Turkey’s Energy Profile and Strategy”, Accessed: <http://www.mfa.gov.tr/turkeys-energy-strategy.en.mfa>

Gerçek Gündem, “Revize Gaz Anlaşması Pahaliya Mal Oldu”, 23.10.2015, Access: <http://www.gercekgundem.com/ekonomi/163487/revize-gaz-anlasmasi-pahaliya-ml-oldu>

Global Security, “Azerbaijan-Russia Relations”, Access: <http://www.globalsecurity.org/military/world/azerbaijan/foreign-relations-russia.htm>

Guliz Dadashova, “Oil Price Drop: Azerbaijan Relies on Non-Oil Sector”, Azernews, 28.11.2014, Access: <http://www.azernews.az/analysis/73933.html>

Güntay Şimşek, “Tanap ne getirip ne götürecektir”, 17.03.2015, Access: <http://www.haberturk.com/ekonomi/enerji/haber/1054446-tanap-ne-getirip-ne-goturece>

Hurriyet, “Rusya, Akkuyu Nükleer Santrali İnşaatını Fiilen Durdurdu İddiası”, December, 2015, Access: <http://www.hurriyet.com.tr/rusya-akkuyu-nukleer-santrali-insaatini-fiilen-durdurdu-40024926>

International Business Times, “Russia-Turkey Crisis: Turkish Energy Projects with Russia Unharmful, Erdogan Says”, 12.06.2015, Accessed: <http://www.ibtimes.com/russia-turkey-crisis-turkish-energy-projects-russia-unharmful-erdogan-says-2213138>

James Town Foundation, “Could Russia Have Had Role in Recent PKK Attacks On Turkish Pipelines?”, 25.09.2015, *Oilprice*, Access: <http://oilprice.com/Latest-Energy->

[News/World-News/Could-Russia-Have-Had-A-Role-In-Recent-PKK-Attacks-On-Turkish-Pipelines.html](#)

Jordan Robertson and Michael Riley, “Mysterious ’08 Turkey Pipeline Blast Opened New Cyberwar”, 10.12.2014, *Bloomberg*, Access:

<http://www.bloomberg.com/news/articles/2014-12-10/mysterious-08-turkey-pipeline-blast-opened-new-cyberwar>

Keith Weiber, ‘Azerbaijan-Turkmenistan Disputes and the Tragedy of Commons’, *CSIS*,

15.11.2012, Access: <http://csis.org/blog/azerbaijan-turkmenistan-disputes-and-tragedy-commons>

Ksenia V. Trachuk, “Contemporary Energy Security Studies: Theoretical Aspects”,

MGIMO Review of International Relations, No.4, 2013, Access:

<http://www.vestnik.mgimo.ru/en/razdely/political-science/contemporary-energy-security-studies-theoretical-aspects>

Mikko Palonkorpi, “Matter over Mind? Securitizing Regional Energy Interdependencies”, *Aleksanteri Institute*, Access:

<http://busieco.samnet.sdu.dk/politics/nisa/papers/palonkorpi.pdf>

News.Az, “Relations Between Russia and Azerbaijan are those of Strategic Partnership”,

05.08.2016, Access: <http://news.az/articles/interviews/111275>

Samuel Ramani, “Why the Russia-Azerbaijan Alliance is Weaker than it Looks”,

Huffington Post, 22.08.2016, Access: http://www.huffingtonpost.com/samuel-ramani/why-the-russiaazerbaijan- b_11608854.html

Selma Akyıldız, ‘Azerbaijan Balance Policy in Heyder Aliyev Era (Between 1993-1995)’,

Akademik Perspektif, 18.01.2014, Access:

<http://akademikperspektif.com/2014/01/18/azerbaijan-balance-policy-heydar-aliyev-era-1993-1995/>

Today’s Zaman, ‘Turkey pays exorbitant prices for Russian and Iranian gas’, Access:

http://www.todayszaman.com/business_turkey-pays-exorbitant-prices-for-russian-and-iranian-gas_366626.html

Elektrik Üreticileri Derneği, ‘En Pahalı Doğal Gaz İran’dan Satın Alındı’, 2012, Access: <http://www.eud.org.tr/TR/Genel/BelgeGoster.aspx?F6E10F8892433CFFA79D6F5E6C1B43FFEFF9A56CAA041EFE>

Fortune Türkiye, “Aliyev: TANAP’ın Türkiye’ye Doğal Gaz Ulaştıracak Kısmı 2019’da Tamamlanacak”, 12.03.2015, Accessed: <http://www.fortuneturkey.com/aliyev-tanap-in-turkiyeye-dogalgaz-ulas-tiracak-kismi-2019da-tamamlanacak-9955>

Güner Özkan, “Azerbaycan-Iran Relations: One Nation two States or Enemy Brothers”, 09.06.2011, USAK, Access: <http://www.usak.org.tr/en/usak-analysis/turkey/azerbaijan-iran-relations-one-nation-two-states-or-enemy-brothers>

Hurriyet Daily News, “Turkey’s Gas Imports to Increase by 10 percent in 2014: Ministry”, 29.01.2014, Accessed: <http://www.hurriyetdailynews.com/turkeys-gas-imports-to-increase-by-10-percent-in-2015-ministry---.aspx?pageID=238&nID=77620&NewsCatID=344>

Hurriyet Daily News, “Turkey Agrees with Azerbaijan to Accelerate Gas Project”, Accessed: <http://www.hurriyetdailynews.com/turkey-agrees-with-azerbaijan-to-accelerate-gas-project-.aspx?pageID=238&nID=92046&NewsCatID=348>

Ilgar Gurbanov, “Energy Security of Azerbaijan: Interview with Rovshan Ibrahimov”, *Strategic Outlook*, 01.07.2012, Access: <http://www.strategicoutlook.org/interviews/news-energy-security-of-azerbaijan.html>

Ilgar Gurbanov, “The Frozen War that Threatens Global Energy Flows”, *National Interest*, 10.05.2016, Access: <http://nationalinterest.org/feature/the-frozen-war-threatens-global-energy-flows-16136>

Mübariz Hasanov, ‘Some Remarks on Economic Benefits of TANAP for Turkey’, *Hazar Strateji Enstitüsü*, 09.06.2014, Access: http://hazar.org/analizdetail/analiz/some_remarks_on_economic_benefits_of_tanap_for_turkey_846.aspx

Natural Gas Europe, “Prospects for Iran’s Gas Production, Usage and Export”, 22.04.2015, Accessed: <http://www.naturalgaseurope.com/prospect-of-irans-gas-production-usage-and-export-23322>

Natural Gas Europe, “Removal of Sanctions from Iran: What Does it Promise for the Southern Gas Corridor”, 29.04.2015, Accessed:

<http://www.naturalgaseurope.com/removal-of-iran-sanctions-and-southern-gas-corridor-23389>

Natural Gas Europe, “Turkmenistan Supplied 125 bcm of Gas to China”, 28.09.2015,

Access: <http://www.naturalgaseurope.com/turkmenistan-supplied-125-bcm-gas-to-china-25610>

Natural Gas Europe, “Turkey’s Natural Gas Strategy: Balancing Geopolitical

Goal&Market Realities”, Accessed: <http://www.naturalgaseurope.com/turkeys-natural-gas-strategy-balancing-geopolitical-goals-and-market-realities-27212>

Parag Khanna, “These 25 Companies are More Powerful than Many Countries”, Foreign

Policy, 15.03.2016, Access: <http://foreignpolicy.com/2016/03/15/these-25-companies-are-more-powerful-than-many-countries-multinational-corporate-wealth-power/>

CNBC-E, “This is How Russia Could Hurt Turkey’s Economy”, 26.11.2015, Accessed:

<http://www.cnbc.com/2015/11/26/this-is-how-russia-could-hurt-turkeys-economy.html>

Reuters, “Azerbaijan sees 1.8 pct in GDP growth in 2016, bases budget on \$50 oil price”,

20.10.2015, Access: <http://uk.reuters.com/article/azerbaijan-budget-idUKL8N12K1IO20151020>

Rovshan Ibrahimov, “Turkish-Azerbaijani Relations: Basis for Pragmatic Relations

Between the Two Countries”, 27.08.2015, *Natural Gas World*, Access:

<http://www.naturalgasworld.com/turkish-azerbaijani-energy-relations-25168>

Russia Insider, “Long-term Russian Oil and Gas Production Expected to Decline”,

17.03.2015, Accessed: <http://russia-insider.com/en/2015/03/17/4595>

Reuters, “Iran Plans to Export Natural Gas to Europe”, 28.01.2016, Accessed:

<https://www.rt.com/business/330451-iran-gas-exports-europe/>

Döwran Orazgylyjow, “Increasing Importance of Energy in Turkmenistan-Turkey

Relations”, *Hazar Strateji, Enstitüsü*, 17.12.2013, Access:

http://www.hazar.org/blogdetail/blog/increasing_importance_of_energy_in_turkmenistan_turkey_relations_399.aspx

Fabio Indeo, “Turkmenistan and Turkey: A Profitable and Strategic Partnership”, *Central Asian Bureau for Analytical Reporting*, 25.02.2016, Access:

<http://cabar.asia/en/turkmenistan-and-turkey-a-profitable-strategic-partnership/>

Leila Aliyeva, “Quo Vadis, Azerbaijan? The Country’s Growing Challenges”, *Heinrich Böll Stiftung South Caucasus*, 01.04.2016, Access: <https://ge.boell.org/en/2016/04/01/quo-vadis-azerbaijan-countrys-growing-challenges>

Oil Change International, Access on 01.09.2016, <http://priceofoil.org/fossil-fuel-industry-influence-in-the-u-s/>

Orhan Gafarli, “Turkey-Azerbaijan Relations: From Romance to Pragmatism”, *The Jamestown Foundation*, 15.01.2015, Access: <https://jamestown.org/program/turkey-azerbaijan-relations-from-romance-to-pragmatism/>

Priti Vaishnav, “Azerbaijan-US Relations based on the Energy Card”, *Russian International Affairs Council*, 2014, Access:

http://russiancouncil.ru/en/inner/?id_4=3211#top-content

Reuters, “Turkmenistan Inks Deal with Turkey to Supply Gas to TANAP Pipeline”, 07.10.2014, Access: <http://www.reuters.com/article/turkmenistan-turkey-tanap-idUSL6N0SX2QK20141107>

Reuters, “Azeri growth forecast seen as unrealistic at current oil prices”, 03.08.2016, Access: <http://www.reuters.com/article/azerbaijan-economy-idUSL8N18P0JN>

Robert Cutler, “Azerbaijan Can Keep Developing Energy for its Exports but Needs and Entrepreneurial Business Environment at Home”, 08.07.2016, Policy Options, Access: <http://policyoptions.irpp.org/2016/06/08/azerbaijan-age-low-energy-prices/>

The Turkish Sun, “Turkey’s Reliance on Russian Gas and How it Plans to Reduce it?”, 27.06.2016, Accessed: <http://theturkishsun.com/turkeys-reliance-on-russian-gas-and-how-it-plans-to-reduce-it-20707/>

The Observatory of Economic Complexity, 2014, Access:

http://atlas.media.mit.edu/en/visualize/tree_map/hs92/export/aze/show/all/2014/

Tim Bowler, “Falling Oil Prices: Who are the Winners and Losers?”, *BBC*, 19.01.2015, Access: <http://www.bbc.com/news/business-29643612>

Trend News Agency, “Trans-Caspian Pipeline Project Requires Effective Russian Diplomacy”, 08.01.2016, Access: <http://en.trend.az/business/energy/2478241.html>

Trendaz, “Azerbaijan Turning Turkey into Energy Hub”, 19.11.2015, Access: <http://en.trend.az/world/turkey/2458678.html>

TRT World, “Gas fueling new hope in Eastern Mediterranean”, 24.05.2016, Access: <http://www.trtworld.com/in-depth/gas-fueling-new-hope-in-eastern-mediterranean-112203>

Qishloq Ovozi, “The Trans-Caspian Pipeline: Technically Possible, Politically Difficult”, 24.05.2015, Access: <http://www.rferl.org/content/turkmenistan-natural-gas-europe-pipeline-tcp/27033746.html>

Open Secrets, Sector Profile, Access on 15.08.2016, <https://www.opensecrets.org/lobby/indus.php?id=E>

Sputnik, “Russia Skeptical About BTC Pipeline”, 02.06.2005, Access: <https://sputniknews.com/business/20050602/40460669.html>

Sohbet Karpuz, “Hub Olacağım Demekle Hub Olunmaz”, Petrotürk, May 2016, Access: <http://www.petroturk.com/HaberGoster.aspx?id=15176&haber=Hub-olacagim-demekle-hub-olunmaz>

ANNEX 1. INTERVIEWS WITH EXPERTS

1. Interview with Robert Cutler⁵⁵⁷

Q: Ayhan Gücüyener: How do you assess the nature of Turkish-Azerbaijani Energy Relations and do you believe that which theory explains better the nature of these relations?

A: Robert Cutler: Realist and interdependence approaches are two different types of explanation. Political science sometimes demands to choose between them, but when one looks at actually existing situations (realists sometimes prefer their own theories to reality, despite what they call themselves!), both can be "correct".

For example, bargaining between Turkey and Azerbaijan over gas certainly can be said to be based on "national interest" calculated in economic prices, even if a-priori "theory" gives few clues about this: what is involved is bilateral give-and-take, and each side appears to be unitary, so "realism" provides a framework for this. On the other hand, if one looks at the actually existing situation on the ground, it is clear that there are contacts and cooperative relations (not contradicting "conflict" of "national interests") between, for example, national energy ministries and the "para-statal" companies (SOCAR, BOTAS, etc.). Under this examination, the Keohane-Nye category of "trans governmentalism" correctly describes relations. But "interdependence" does not try to "predict" in such a (pseudo)scientific way, as does "realism".

2. Interview with Murad Ismayilov

Q: Ayhan Gücüyener: How do you assess the nature of Turkish-Azerbaijani Energy Relations and do you believe that which theory explains better the nature of these relations?

A: Murad Ismayilov:⁵⁵⁸ Regarding the question, the starting point of any bilateral relationship is normally grounded in realist-like pursuits of power and survival, including as I believe it was the case with Azerbaijan and Turkey. While the dynamic process of bilateral interaction, then, normally works to gradually emancipate the bilateral dynamics

⁵⁵⁷ Robert Cutler is a Senior Research Fellow at Carleton University and an expert on European, Russian and Eurasian Studies

⁵⁵⁸ Murat Ismayilov is a Research Fellow at Azerbaijan Diplomatic Academy and an editor-in-chief of the Azerbaijan in the World

from the dictates of security and power pursuits/politics alone and renders it a function of what one could call structural interdependence, this one could argue never happened in the case of Azerbaijani-Turkish relations. Now, the various measures the two states took to overcome the crisis of 2008/09 and the gap the crisis laid bare can potentially serve to bring the bilateral relationship to that stage, but even if the effort succeeds in that respect, the endogenisation of bilateral relations will not be a function of the energy partnership as its starting point, but will rather be a "positive externality" of a security-based cooperation that we could see unfolding between the two states these days. Hence I would suggest that you try the constructivist theory (particularly as embodied in Adler & Barnett's theory of security community and the associated tripartite model of the latter's evolution), but apply it critically along the lines I have outlined above.

3. Interview with Rovshan Ibrahimov

Q: Ayhan Gücüyener: Could you give your insights regarding the changes in Azerbaijan's energy strategy and how do you assess the nature of Turkish-Azerbaijani energy relations?

A: Rovshan Ibrahimov: Azerbaijan's energy strategy in the early 1990's could be assessed as more "geopolitics" focused rather than pursuing economic interests. Besides, Azerbaijan would like to take support of Western energy companies. Azerbaijan's pro-western approach caused the tension between Russia and during the Nagorno-Karabakh crisis; Armenia had the support of Russia while Azerbaijan was losing its territories. While Haydar Aliyev would like to change this status quo, with the deal of contract of century he succeeded to take the support of West. As a result, Azerbaijan created a zone of economic interest for Western actors. Also, Azerbaijan was trying to pursuit lobbying activities in the eyes of American Congress to balance the influence of Armenian lobby.

The next step and the main discussion were determining the pipeline routes for transporting the early oil. Two main options were emerged, Baku-Supsa and Baku-Novorossiysk Pipeline which was supported by US and Russian Federation respectively. While two countries' delegations arrived at Azerbaijan at the same day, both pipelines were decided to be built. Following, in 1999, BTC Pipeline was supported by US that is a pipeline to transport Azerbaijani oil by-passing Russian territories.

In time, geopolitical focuses became to transform into economic interest. Especially, natural gas policies of Azerbaijan were based on revenue generation. In addition, while Nabucco did not fit well with Azerbaijan's interest, the determination of TANAP and TAP was based on geo-economic calculations.

If we would like to talk about "interdependence", the economic and political capacities of the states should be equal; otherwise the relations will be asymmetric. Especially, as a landlocked country for Azerbaijan, she should sell its oil and gas in an independent way. Also, the relations between producer and transit states should be well.

While Georgia would like to benefit from the gains of being a transit state, Turkey asked additional requests. For instance, rather than a transit country, Turkey would like to be an energy hub and sell the Azerbaijani gas to Europe with a higher price. At that time, while Turkey was paying \$360 for one bcm Russian gas, Azerbaijani gas price was \$120. Also, there are some disaccords between Turkey and Azerbaijan regarding the tariffs and volumes. So, AGRI (Azerbaijan-Georgia-Romania Interconnector) suggested as an alternative route for Azerbaijan.

SOCAR made large investments in Turkey and Georgia, for instance the company is the bigger foreign investor in Turkey. Especially, foundation of Egean Refinery is very symbolic that Turkey did not construct any new refineries since 1972. Another large investment is port of Petlim whose 30% was sold to American company, Sachs. In fact, all of these large investments were realized with the aim of increasing the "interdependence" and prevent asymmetry among relations. Thus, Azerbaijan would like to block the future disaccords and create a strategic and mutually beneficial partnership.

Turkey's geo-politic location is the biggest asset for Azerbaijan at this point while in a geo-economic way, building the interdependence with Russia seems impossible for Azerbaijan. It is expected that this spill-over effect will be strengthen by the BTE Railway and revival of the Silk Road. It should be remind that during the Russian-Turkey plain crisis, the containers were transported through Azerbaijani territories by minimizing impediments.

Q: Ayhan Gücüyener: How do you see the role of BOTAS and SOCAR in the foreign policy making process?

A: Rovshan Ibrahimov: BOTAS is relatively a new player which took the place of TPAO in the relations with Azerbaijan. In fact, the first foreign investments were made by TPAO and it has a stake in Shah Deniz project. When Turkey decided to diversify the area of expertise in energy, TPAO was nominated as the primary institution for oil and BOTAS was nominated for natural gas. SOCAR, on other hand is a leading actor in the foreign policy making process of Azerbaijan. Basically, SOCAR was encouraged to solve Nagorno-Karabakh problem. However, today, the institution is becoming a more geo-economic actor.

Q: Ayhan Gücüyener: How do you assess the gas dispute between two countries in 2008?

A: Rovshan Ibrahimov: 2008's gas dispute was not related to the problem of the Turkish-Armenian rapprochement and the prices did not intended to use as a tool. While in the media, this incident was speculated, it should be remind that Azerbaijan is not responding Turkey's whole gas demand. Also, at that time, the market prices was around 360-400\$ which makes Azerbaijani gas remarkably cheaper than Russian and Iranian gas.

4. Interview with Gulmira Rzayeva

Q: Ayhan Gücüyener: How do you assess the nature of the political economy of Turkish-Azerbaijani energy relations and which IPE, realist, interdependence could explain the nature of bilateral relations better?

A: Gulmira Rzayeva⁵⁵⁹: The Turkish-Azerbaijani energy relations are very pragmatic based on the business interest and also political interest of both sides. This is to say that despite the unprecedented close relation and historic, ethnic, cultural ties existing between two states when it come to energy and negotiations on the commercial conditions, the sides can scarify the existing close ties and try to achieve better terms for a deal. This was the case during the negotiations on BTC (Turkey wanted more share for TP and got it in return to give AZE all the permission of pipeline contraction), and on Shah Deniz (Turkey signed the sales and purchase agreement only under the conditions that Azeri gas price will be cheaper than Russian gas at all times).

⁵⁵⁹ Gulmira Rzayeva is a senior research fellow at the Center for Strategic Studies (SAM) under the President of the Republic of Azerbaijan and Research Associate at the Oxford Institute for Energy Studies (OIES) and founder and CEO of Eurasia Analytics, the energy consulting company, based in London, the UK.

In fact, you can consider three approaches: realism, liberalism and institutionalism which are similar to constructivism. In order to define which of these approaches suits your topic well and why you have to make critical engagement with these theories in your topic. The Institutionalism theory considers economic development as a priority for international relations contrary to the realism theory which considers national interest as a priority. So, I think institutionalism is the most relevant to your topic.

5. Interview with Sohbet Karbuz

Q: Ayhan Gücüener: How do you assess the Turkish-Azerbaijani energy relations? Do you believe that which theory seems predominant?

A: Sohbet Karbuz⁵⁶⁰:

Rather than focusing on brotherhood rhetoric, I'm assessing bilateral relations mostly from realistic approach. Azerbaijan has been playing a very strategic role in Turkish energy sector and country's critical projects. In these projects I find Azerbaijan in a more advantageous position. Turkey provided a significant geopolitical opening chances and various insurance to Azerbaijan and I expected that Azerbaijan would economically respond it. Here by, I would like to question that despite the favors provided by Turkey like opening the corridor for Azerbaijani oil and gas exports, political support etc., does Azerbaijan act equally concerning Shah Deniz-2 gas, BTC or TANAP Projects? I believe that in international relations, emotional reactions and interests should be assessed independently and Turkey's interests should be questioned in assessing bilateral relations.

For instance, BTC Pipeline is operating under its full capacity and Turkey is impacting negatively because of such position. In such case, we should question that why Azerbaijan is using other export routes for selling its petroleum. Or, does Azerbaijan make any discounts for the oil sold to Turkey? If we will talk about the "interdependency" in

⁵⁶⁰ Sohbet Karbuz is the Director of Hydrocarbons at Mediterranean Association for Energy.

bilateral relations, the both countries should be benefitted from economic, politic and military advantageous equally.