

MAIN DETERMINANTS OF TURKEY'S FOREIGN OIL AND NATURAL GAS STRATEGY

Türkiye'nin Dıř Petrol ve Doğal Gaz Stratejisinin Temel Belirleyici Faktörleri

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Abstract

This paper has the goal of contributing to the academic literature on Turkey's energy strategy in two ways. Firstly, through explaining the role of and interaction between the most important determinants of Turkey's foreign oil and natural gas strategy, the paper aims at contributing to further understanding of the strategy. Secondly, while a number of academic studies have analyzed Ankara's energy policy, they have remained mostly policy-based. Thus, by describing the key determinative elements of Ankara's external oil and natural gas strategy in the framework of Realism and Liberalism, the paper also aims to fill in this important gap in the academic literature. As shown in this article, both theories are rather helpful in explaining the principal determinants of Turkey's foreign oil and natural gas strategy. The paper argues that the most crucial determinative elements of the strategy, in terms of the order of their importance, are the concerns of the country over its energy security, its goal of becoming an energy hub, several regional developments, the economic and business partnerships between Turkey and its energy allies, and foreign ambitions of Turkish energy firms.

Keywords:

Energy Security,
(Inter)Dependence,
Energy Collaboration,
National Interests,
Energy Hub

JEL Codes:

F50, F59, Q49

Özet

Bu çalıřma, Türkiye'nin enerji stratejisi konusunda yapılan akademik literatüre iki řekilde katkı sunmayı amaçlamaktadır. İlk olarak, bahsi geçen çalıřma, Türkiye'nin dıř petrol ve doğal gaz stratejisinin en temel belirleyici faktörlerini ve bu faktörler arasındaki etkileřimi anlatarak, söz konusu stratejinin daha çok anlaşılmasına katkıda bulunmayı hedeflemektedir. İkinci olarak, Ankara'nın enerji politikasını analiz eden birçok akademik çalıřma olmakla beraber, bahsi geçen çalıřmalar çoğunlukla politika bazlı kalmıřtır. Bu nedenle, bu çalıřma Ankara'nın dıř petrol ve doğal gaz stratejisini Realizm ve Liberalizm çerçevesinde tarif ederek, akademik literatüre katkı sunmayı hedeflemektedir. Bu çalıřmada da gösterildiđi gibi, söz konusu iki teori Türkiye'nin dıř petrol ve gaz stratejisinin en önemli belirleyici faktörlerini anlatmakta oldukça faydalıdır. Sonuç olarak, bu çalıřma, bahsi geçen stratejinin en önemli belirleyici faktörlerinin, önem sırasına göre, Türkiye'nin enerji güvenliđi konusundaki kaygıları, ülkenin enerji merkezi olma hedefi, bölgedeki bazı gelişmeler, Türkiye ile enerji ortakları arasındaki ekonomik ortaklık ve Türk enerji firmalarının diđer ülkelerdeki hedefleri olduğunu ileri sürmektedir.

Anahtar Kelimeler:

Enerji Güvenliđi,
(Karřılıklı) Bađımlılık,
Enerji İşbirliđi, Ulusal
Çıkarlar, Enerji Merkezi

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1. Introduction

The significant growth in Turkey's economy, population, urbanization and industrialization has recently caused a rapid increase in the energy demand of the country. The average annual increase rate in its energy need since 1990 is 4.6 percent (Çalikoğlu, 2012). The annual energy need of the country is envisaged to double in 10 years and to grow annually 4,5 percent until 2030 (BOTAŞ, 2013). Since the country does not have sufficient domestic energy resources to meet its energy demand, it has to import around 75 percent of its energy demand. More particularly, the country needs to import around 98 percent and 90 percent of its gas and oil supplies, respectively. While, some volatility has been observed in the oil and gas imports parallel to the economic growth of the country, Turkey's oil and gas imports have been augmenting.

Turkey's total gas imports in 2016 were 46.352 million cubic meters (Mcm), originating mainly from Russia (52,94 percent), Iran (16,62 percent), Azerbaijan (13,98 percent) and other countries (16,45 percent) (EMRA, 2017a). On the other hand, the country imported 40,064 million tons of petroleum in the same year, mainly from Iraq (23,09 percent), Russia (19,38 percent), Iran (17,32 percent) and other suppliers (40,21 percent) (EMRA, 2017b). These figures indicate that Turkey is highly reliant on Russia and Iran to meet its energy need.

While numerous studies have so far covered Ankara's energy policy, they have been overwhelmingly policy-based. Thus, by explaining the major determinants of Ankara's external oil and natural gas strategy in the framework of Realism and Liberalism, this paper seeks to fill in this important gap in the academic literature. Besides, the paper seeks for contributing to further understanding of Ankara's energy policy by describing in details the main determinative elements of Turkey's foreign oil and natural gas strategy.

The paper is organized in four sections. First, it analyses in details the major determinants of Turkey's foreign oil and natural gas strategy and the interactions between them. Second, it covers realist and liberalist debate on energy in order to analyse the key determinants of Turkey's external oil and natural gas strategy. Third, it scrutinizes these determinative elements based on the theoretical framework which consists of Liberalism and Realism. Finally, the paper ends with an overview and assessment of the findings.

This paper chose the realist and liberal paradigms in order to analyse the key determinants of Turkey's foreign oil and natural gas strategy due to the strength of the two paradigms in explaining under which conditions countries collaborate or confront and which issues affect their energy strategy.

2. Main Determinants of Turkey's Foreign Oil and Natural Gas Strategy

The major determinative elements of Turkey's foreign oil and natural gas strategy include its concerns over the energy security, the aspiration of the country to become an energy hub, some regional developments, business and trade cooperation between Turkey and its (potential) energy partners, and the foreign ambitions of Turkish energy firms.

2.1. Concerns over Energy Security

Like any country, energy is crucial for the Turkish economy, which has great influence on the military capability, the regional power and the national security of the country. Thus, security of energy supplies has been a significant issue in Turkey's energy strategy. "Turkey's main goal in formulating its energy strategy is first and foremost to strengthen its energy security" (Babali, 2012). According to Turkey's Ministry of Energy and Natural Resources (MENR) Strategic Report 2015-2019, this issue is the main priority of the country. Turkish officials try to ensure meeting the energy need of the country in uninterrupted, sustainable way and at affordable prices. However, Turkey's growing energy demand, the lack of indigenous resources, the high dependence on imported oil and gas resources, the insufficient capacity of domestic energy infrastructure, the lack of available suppliers and terrorist attacks on energy infrastructure cause significant concerns over its energy security.

The main reason behind Turkey's energy security concerns is its increasing energy need. The rise in internal energy need pressurizes Turkey's requirement for guaranteeing supplies from an energy security approach (DEK-TMK cited in Bilgin, 2015) and results in endeavours to diversify supplies and suppliers (Bilgin, 2015). In addition, the growing need has pushed Ankara to participate in several international energy pipeline projects. That is, its increasing participation in international projects is not only as a transit country but also as a great end-consumer (Alsancak, 2010).

Insufficient domestic energy resources are the second reason of Turkey's concerns over its energy security. As Figure 1 illustrates, there is a great difference between produced and supplied energy in the Turkish energy market. As mentioned previously, the country does not have self-sufficiency in energy. The lack of domestic resources and the fall in the contribution of the internal energy reserves have forced the country to import more volumes of oil and gas. Thus, limited indigenous energy resources have compelled Ankara to increase its cooperation and energy trade with suppliers, participate in cross-border oil and gas pipeline projects and augment operations of energy firms abroad.

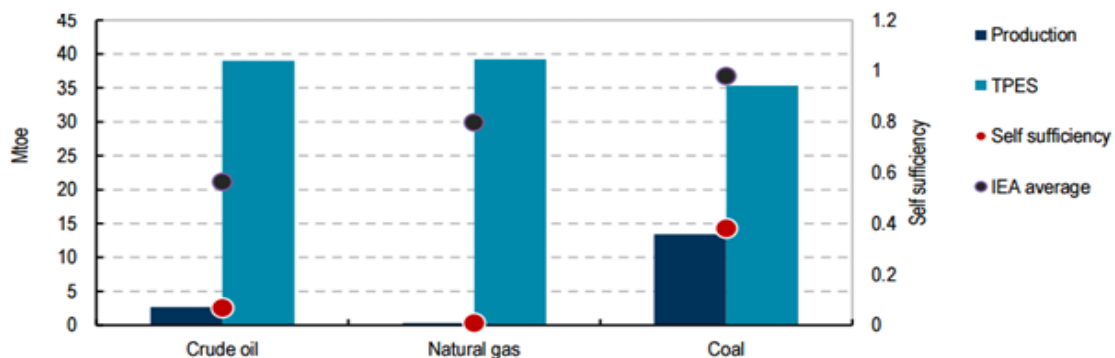


Figure 1: Turkey's Energy Production and Self-Sufficiency
Source: IEA, 2016.

The high dependence on gas and oil imports is the third major cause of Turkey's anxieties regarding its energy security. The augmentation of the reliance on energy imports has been increasingly worrisome for Turkish officials due to several causes. First of all, the country is highly reliant on a few external suppliers. As said above, the country is highly reliant on Tehran

and Moscow to meet its energy demand. This high dependence, of course, brings about serious anxieties over the energy security of the country. Additionally, the reliance on the foreign hydrocarbons is growingly seen as a menace to Turkey's ambitious plans for the economic development (Kardaş, 2013). An increment in the natural gas volume which Turkey needed in addition to the augmented prices of oil and natural gas propelled the total trade deficit to approximately \$177 billion during the past 10 years (2005-2014). For comparison, the deficit was solely \$23 billion in the previous 10 years (1995-2004) (Yardımcı, 2015). Thus, it is more and more highlighted by Turkish officials that Turkey cannot achieve its goal of becoming one of the top ten economies by 2023 if it is unsuccessful in boosting its energy security (Kardaş, 2013). Last but not least, the high dependence on a few external oil and natural gas suppliers sometimes limits Turkey's foreign policy manoeuvre. Therefore, Ankara's principal strategy in this regard is to import gas from multiple countries and decrease the reliance on any single supplier. This policy is driven mostly by concerns of refraining from single suppliers' market power as well as existing or possible worsening in the bilateral ties with the suppliers. The overall aim is to decrease energy supply sensitivity and vulnerability (Austvik cited in Austvik and Rzayeva, 2016).

The lack of alternative energy supplies is the fourth significant reason behind Turkey's energy security concerns. Turkey's long-term sales and purchase agreements with the three current land based gas suppliers, i.e. Azerbaijan, Russia and Iran, will expire in the 2020s. In addition, Turkey is also concerned about finding suppliers in order to fulfil the growth in the energy demand. Turkey's supply sources of contracted natural gas are not adequate and the country needs to meet any, even small, increase in need and seasonal fluctuations with the help of spot LNG (Austvik and Rzayeva, 2016). Beyond existing volumes, no short-term supply growth from Iran or Russia can be envisaged (IEA, 2016). Ankara has the goal of finding alternative gas suppliers in the medium and long term in order to decrease its reliance on Russia and Iran and to address its growing energy. Ensuring a balance which shall generate a diversification of source country with new contracts is very crucial from the strategic standpoint in terms of controlling the risks and tackling the temporary difficulties to happen (MENR, 2014). However, in the short and medium term, there are no considerable alternative suppliers, thus Ankara prefers to cooperate with Russia and Iran.

The fifth major source of Turkey's energy security anxieties is insufficient capacity of the domestic energy infrastructure. The capacity of the energy infrastructure is crucial for Turkey to meet its energy need and become an energy hub. Turkey's domestic pipeline network has grown with the increasing energy need and the participation in international pipeline projects. However, there are serious structural constraints in the internal pipeline network. First, the Turkish gas network has a maximum entry-point capacity of 196.5 mcm/d.¹ However, winter peak need can reach much over 230 mcm/d, causing difficulties in gas supply security (IEA, 2016). Therefore, the gas demand can swiftly increase over the supply, because of the supply margin and the little distribution capacity of the Turkish gas network, which is due to the east-west transmission difficulties and restricted network flexibility, plus insufficiency of the gas storage (IEA, 2016). If northwest gas flows halt, partly or completely, it is not possible to replace this quantity with another alternative on the south or east entry point (Austvik and

¹ The total of 196.5 mcm/d includes daily contracted pipeline imports (140), maximal send-out capacity from LNG (36), underground storage (20), and daily production (0.5) (IEA, 2016a).

Rzayeva, 2016). Furthermore, pipelines in Turkey are only laid down in one direction, and it is not feasible to reverse the flow of natural gas when the necessity emerges. In this regard, Turkey needs to construct interconnected pipelines in various directions and spread this pipeline network across all of its territory (Akhundzada, 2014). Due to the lack of the storage capacity, Turkey has to continue to pay for natural gas even if it may not sometimes take all the contracted gas because of take-or-pay conditions.

The final important reason of Turkey's energy security concerns is internal and external security challenges that the country is facing. Oil and natural gas infrastructures, especially pipelines, have long been target of the PKK attacks. The PKK terrorist group has increased its assaults against the energy pipelines in Turkey and in the region since the break of the peace negotiations in July 2015. Such attacks cost loss of revenues of million dollars and the cut of oil and gas supplies for a certain period. Thus, such attacks cause anxieties regarding the security of supplies and the infrastructure. Besides, the internal instability due to the PKK attacks has negatively affected the energy operations in the country. For instance, while firms started exploratory hydraulic fracturing in the optimistic Dadař shale formation in the Diyarbakir region in south-east Turkey in 2013, activities have been disrupted after terrorist attacks in the region (IEA, 2016). That is, the insecurity due to the PKK has been preventing Turkey from benefitting from its domestic resources and decreasing its reliance on the external suppliers. Furthermore, the instability due to PKK attacks has negative influence on the potential energy investments and cross-border pipeline projects in and passing through the country. The fact that Turkey does not own a particular security body for its wide network of pipelines is costly for the country. The losses taken in Turkey's pipeline network have by now obliquely impacted the countries which are either providing or getting the hydrocarbons (Eissler, 2012). Thus, such attacks jeopardize Turkey's energy security and potential to emerge as a key transit country. In addition, there has been serious instability in the Middle East for long time. The war in Syria and Iraq has caused a growing number of terrorist assaults and sabotage of oil infrastructure, particularly in the south and east of Turkey (IEA, 2016). Thus, Turkey's economy may be vulnerable to interruptions of oil and gas supplies which might stem from Middle East crises (Lenore and Martin cited in Tokuř, 2010). Additionally, the Caucasus, and to a certain degree also Central Asia, are politically rather unsteady. The tensions such as the dispute between Armenia and Azerbaijan over the political jurisdiction of Nagorno-Karabakh and the war between Georgia and Abkhazia (Hill cited in Krauer-Pacheco, 2011) might endanger the continuous and projected pipelines which pass through this area, such as the BTC and the BTE, and might result in the interruption of the flow of oil and gas to Europe (Krauer-Pacheco, 2011). Hence, regional unsteadiness in the Caucasus and Central Asia is one of the biggest menaces to the accomplishment of Turkey's energy target of promoting itself as a secure and solid transition of oil and natural gas to Europe (Krauer-Pacheco, 2011).

2.2. Turkey's Ambition of Becoming an Energy Hub

Turkey's geographic location helps it to import oil and gas resources from energy rich countries in the neighbouring regions and establish close relations with them in order to enhance its energy security and optimize its energy interests. That is, its geographic closeness facilitates and contributes to its energy cooperation with suppliers in the region. Moreover, Turkey and its energy partners can construct cross border pipelines with comparatively low costs thanks to their geographical closeness. This issue particularly plays an important role in Ankara's energy

talks with Azerbaijan, Baghdad, the Kurdistan Regional Government (KRG) and Israel due to the opportunity of importing the gas resources of these countries with low costs.

Turkey generally takes advantage of its location when defining its energy strategy (Shaffer, 2006). For instance, Turkish President Recep Tayyip Erdoğan highlighted the significance of Turkey’s location in the country’s energy policy by saying that “One of the main factors of Turkey’s energy strategy is making use of its geography and geostrategic location by creating a corridor between countries with rich energy resources and energy consuming countries” (AFP quoted in Shaffer, 2006). In this regard, the MENR Strategic Plan 2015-2019 notes that integrating the country’s energy market with other external markets might make the country an active player in these markets (MENR, 2014). Hence, the strategic goal of becoming an energy hub encourages Ankara to be more active in regional energy politics and contributes to the energy collaboration between Ankara and energy suppliers. Therefore, Turkish governments have continuously developed transportation projects to transform the country into a major hub.

Becoming an energy hub will be advantageous for Turkey because first and foremost it will contribute to the energy security of the country. In addition, being an energy hub will allow Ankara to secure an influencing position in the region through transporting energy resources from suppliers to Europe. For instance, hosting gas pipelines from Russia and Central Asia to Europe would give Ankara a strong position in its negotiations with Moscow, Brussels and other related actors. Moreover, transit pipeline projects can support the economy of the country through creating new jobs and providing transit fees and new investments along routes of pipelines. Considering these political and economic advantages, Turkish leaders strive for turning the country into a genuine energy hub.

2.3. Regional Developments

Regional events such as the collapse of the Soviet Union, the new ‘Great Game’ in the Caspian Sea, the dispute over the Legal Status of the Caspian Sea, the Russia-Ukraine (gas) conflicts, and the Syrian crisis are important regional developments that have so far impacted Turkey’s foreign oil and natural gas strategy.

The Collapse of the Soviet Union

After the collapse of the Soviet Union in 1991, markets opening in the post-Soviet Republics of Azerbaijan, Kazakhstan and Turkmenistan provided access to non-OPEC oil and gas supplies. The main difficulty for multinational oil firms was to convey the resources of these landlocked states to Western markets (İpek, 2017). In this regard, Turkey emerged as a key transit country to import energy resources of these countries to European markets. The Turkish market has also become one of possible destinations for these energy resources.

The New ‘Great Game’

Although it is not logical to make comparison between the Caspian basin and the Persian Gulf (especially with regards to the oil potential), the Caspian resources are envisaged to reduce the reliance of the Western countries on the Middle Eastern and Persian Gulf oil. Therefore, some researchers consider that a new competition, reminding the 19th century’s famous ‘Great Game’, will occur for the control of the Caspian’s resources (Erşen, 2003). Compared to the

past, there are new players in the new game. Four giants that are active in the region are Russia, China, and to a lesser extent the internally-divided EU and the US. Turkey, and to some degree Iran, are two regional states with growing impact (Balcer, 2012). At the centre of the continuing geopolitical competition in the region is a long-standing Russia-US conflict for supremacy in this region that include many interested regional players on both sides (Yuldasheva, 2008). While the West has started to initiate new pipelines to carry out its east-west energy corridor from Eurasia to Europe via Turkey, Russia has used its influence to manipulate ethnic tensions in the Eurasian countries as trump card against the West's energy policies (Tokuř, 2010). In addition to Russia and the US, China is also increasing its activities in the region. China, which became the world's most dynamic importer of energy resources at the end of the 1990s, has growingly obtained access to the Caspian region (Heinrich and Pleines, 2015). Of course, China is not the sole Asian country interested in oil and gas resources of the region. Japan and South Korea are even more reliant on oil and gas imports compared to China. Additionally, India's import demands are also increasing (Chow and Hendrix, 2010).

But, endeavours of all these countries to import the Caspian energy resources are progressively arising as a difficulty to Turkey's goal to become an energy hub between Caspian suppliers and European consumers (Balcer, 2012). Various economic and political challenges show up as individual countries, especially the US, Russia and China, argue and defend diverse geostrategic interests. Mapping out a Turkish strategy to handle successfully with the opportunities and difficulties in the region is not an easy task (Alcenat and Özkececi-Taner, 2010). Any big Turkish difficulty – real or perceived – to US or Russian interests in the region, particularly without forming partnerships with regional countries, will cause tensions between Turkey and these two states (Gelb cited in Alcenat and Özkececi-Taner, 2010).

The Dispute over the Legal Status of the Caspian Sea

The five littoral countries of the Caspian Sea, namely Azerbaijan, Iran, Russia, Turkmenistan and Kazakhstan, have diverging positions regarding the status of the Caspian Sea. However, the disagreement among them left several oil and natural gas fields underdeveloped in the southern part of the Sea. It has also prevented occasions for regional collaboration for long time, especially regarding the establishment of trans-Caspian energy corridors, from Central Asia to Europe (Garibov, 2017). The demarcation of the Caspian Sea is vital for bringing Turkmen gas and Kazakh oil to the EU energy market through the energy hub of Turkey, independent of the pipeline network overseen by Russia (İpek, 2008). But, the unresolved dispute regarding the legal status of the Caspian Sea continues to prevent Turkey from developing substantial energy collaboration with Turkmenistan and Kazakhstan. Consequently, it keeps limiting Turkey's potential for emerging as a key energy hub.

Ukraine-Russia (Gas) Conflicts

Russia-Ukraine disputes on gas transit issues in 2006, 2008, 2009 and 2014 have made the EU to be increasingly concerned about its dependence on Russian gas. Particularly, Russia's annexation of Crimea in 2014 proved once again Europe's vulnerability due to its high gas reliance on Russia. Hence, after this crisis, the EU has intensified its diplomatic efforts to materialize the Southern Gas Corridor project. Considering that Turkey is one of the key transit countries in the project, its importance for the energy security of European consumers has even increased. The crisis between Moscow and Kiev has also augmented the significance of Turkey for Russia as Moscow looks for opportunities for exporting its gas via non-Ukraine routes.

Thus, Russia-Ukraine conflicts have boosted Turkey’s significance as a transit country and enabled it to participate in international gas pipeline projects such as TANAP and Turkish Stream.

The Syrian Crisis

The Syrian conflict has caused instability in Turkey’s region and thereby negatively affected the development of energy activities in Turkey and the region. In addition, the crisis has hampered Turkey’s bilateral relations with some of its energy allies including Russia, Iran and Iraq as well as with Washington, which has been an important supporter of Turkey’s role as a transit country. The reason is, of course, the diverging positions of Ankara and these states with regards to the crisis.

To conclude, regional developments have forced Turkey to adopt a more active energy diplomacy in order to achieve its energy targets. While some of these developments such as the dissolution of the USSR and the Ukraine-Russia crisis have helped Turkey to emphasize more the significance of its geographical position as an energy transit country; some other developments, like the Syrian conflict, have caused questions regarding Turkey’s reliability as a transit corridor and prevented the materialization of the pipeline projects passing via Turkey.

2.4. Business and Trade Cooperation with (Potential) Energy Partners

It is not possible to identify Turkey’s energy strategy as if it solely derives from a geopolitical agenda. Instead, Turkey’s energy strategy stems from policy preferences as much as market features. On the policy side, economic interests and trade occasions seem to be effectual drivers behind Turkey’s strategy (Bilgin, 2015). Turkish business groups have increasingly invested in countries of the Caspian Sea and the Middle East, including Azerbaijan, Kazakhstan, Turkmenistan, Russia, Iran, Iraq and Israel. In addition to these countries, the EU has stayed an important economic partner of Turkey. All these players are the ones with which Ankara has been trying to develop strong energy collaboration. That is, there is an important overlap between the regions where Turkey seeks for developing solid economic and energy relations. Turkey’s firm economic relations with these countries generally boost mutual trust between Turkey and its partners and generate good political relations between them, which encourage Turkish leaders and their counterparts to expand their economic cooperation to other sectors, including energy. For instance, Turkey’s strong trade relations with Russia, Iran and the KRG have importantly contributed to its energy collaboration with the three partners.

Picturing Turkey’s growing trade with its neighbours, especially Russia, rather naturally a new type of Turkish entrepreneurs has arisen as “a viable force that could shape bilateral energy relations as well as Turkey’s foreign energy diplomacy” (Babalı, 2010). Preferences and interests of Turkish business groups sometimes have a determinative role in Turkey’s stance towards its energy partners. For instance, there are intense ties between “Russian interlocutors and some construction and energy companies—some with media connections—in Turkey and from time to time they become vocal in favor of further cooperation between the two countries” (Babalı, 2012). One of the reasons of Ankara’s conclusion of the deal on the Blue Stream project with Moscow was the strong lobby of Turkish construction groups which have substantial investments in Russia, even though there were critics that the project would increase Turkey’s dependence on Russian gas and this gas is more expensive than that of Turkmenistan.

2.5. Foreign Ambitions of Turkish Energy Firms

One of the effective ways of ensuring energy security in Turkey is to carry out energy operations abroad by state-owned and private energy enterprises considering that the country is an energy poor country. Therefore, Turkish authorities encourage Turkish energy firms to hold operations abroad. According to the Strategic Plan 2015-2019, Turkish companies are expected to carry out energy operations in the region or in far geography in order to contribute to the energy security of the country. The Plan envisages that new partnerships for exploration of oil, natural gas, coal and non-energy raw materials should be established and an active growth policy through acquisitions should be pursued by Turkish energy firms abroad in order to receive new resources (MENR, 2014). In compliance with such expectations, a number of public and private companies of Turkey have already been engaged in energy-related projects in the Middle East, Caspian Sea, Latin America, Central Asia and Africa. Turkish energy companies are engaged in petroleum and natural gas exploration and production activities abroad in order to meet the increasing energy demand of the country in an uninterrupted, sufficient and economic way and to decrease its dependence on a few external suppliers. Their direct involvement in external energy operations, to a certain extent, eases Turkey's direct access to necessary resources. Therefore, they help the country to diversify its energy suppliers and thereby increase the security of its energy supplies. Moreover, these companies take active roles abroad because Turkey seeks to become an important actor in regional energy geopolitics, taking the advantage of its geographic position. Hence, external operations of Turkish energy firms are instrumental in Turkey's efforts to become an energy corridor, considering that these firms actively participate in pipeline projects which pass through the country. Furthermore, their energy activities have also generated positive relations between Turkey and its energy partners. For example, Turkish private sector participation in upstream and downstream business in the northern Iraq was an inducement to keep good political ties between Turkey and the KRG (Bilgin, 2015). Turkish energy firms also participate in hydrocarbon projects abroad with the view of increasing their expertise in the field of hydrocarbons and becoming globally important energy companies. Last but not least, these companies obtain substantial economic benefits via their oil and gas activities abroad. Briefly, external energy operations of Turkey's energy firms provide the country with economic and geo-strategic benefits.

Interactions between the Determinants

Some of these determinants considerably overlap and contribute to each other. For instance, aspirations of Turkey's economic partnerships with its energy allies and goals of external activities of Turkish energy companies coincide since both of them seek for economic gains and help the country to promote its national (economic) interests. Besides, foreign aspirations of Turkey's energy firms contribute to the energy security of the country and increase its potential to emerge as an energy hub. Likewise, Turkey's efforts towards the enhancement of its energy security are instrumental in increasing its potential to become an energy hub. Still, sometimes there could be confrontations between these determinants. For example, Turkey's continuous energy collaboration with Russia and Iran to meet its energy demand and secure necessary supplies may contradict its goal of becoming an energy hub as the priority of addressing energy need might prevent the diversification of gas suppliers and the creation of further competition in the Turkish energy market. Yet, the energy security outweighs all the other determinants and when there is a confrontation between this and the other ones, the

former prevails over the others. Turkish leaders try to make the necessary balance between these elements in a way that the clashes between them will not jeopardize the energy security of the country.

3. Energy in the Context of Realism and Liberalism

Theoretical principles of Realism "draw from deeper historical traditions of thinking about international politics" (Dannreuther, 2010). It includes the tradition of *realpolitik* developed from Machiavelli onwards, which attaches priority to the interests of the sovereign, and where the main target of statesmen aiming to maintain international steadiness is to contain the inevitable drive for power by states, and the disputes which this inescapably creates, by maintaining a lasting balance of power (Dannreuther, 2010).

Realism is a paradigm since it is a family of a number of theories including Classical Realism, Neoclassical Realism and Structural Realism, which is known also as Neo-Realism. "Classical" realists such as Hans Morgenthau and Reinhold Niebuhr thought that states, like human beings, had an innate will to influence others, which cause them to fight wars (Walt, 1998). By contrast, the "neorealist" theory, put forward by Kenneth Waltz, disregarded human nature and concentrated on the impacts of the international system. For Waltz, the international system included several great powers, each aiming to survive. Because the system is anarchic (i.e., there is no central authority to safeguard states from one another), each state needs to survive on its own (Walt, 1998). Taking neorealism as their point of departure, neoclassical realists claim that states respond in large part to the limitations and occasions of the international system when they carry out their foreign and security policies, but that their reactions are determined by unit-level elements like state–society relations, the nature of their domestic political regimes, strategic culture, and leader perceptions (Ripsman, 2017).

Realists contend that it is difficult to succeed and sustain cooperation among states. They advocate that anarchy prevents collaboration not only as it creates cheating problems but also as it causes states to be concerned that partners can attain relatively greater gains from cooperation and, thereby reinforced, become more domineering friends in the present or probably more capable enemies in the future (Grieco, 1993).

Realists presume that countries are inclined to strive for their self-interest utilising every aspect of their national power (Luft and Korin, 2009). Thus, they have the tendency of seeing energy as a subset of global power politics and a legitimate instrument of foreign policy, and they are doubtful about the actual energy market's capability to guarantee long term supply (Luft and Korin, 2009). In a realist world, since energy is one of the main elements of power, countries concentrate on how much energy power they hold relative to each other. It is significant not only to possess a considerable amount of power in the energy relations, but also to make sure that energy partners do not change the balance of power in their favour. Considering that states are inclined to increase their power and energy is vital for economy, military and sovereignty of countries; energy security is considered as a zero-sum game: more energy security of a state means less energy security of the other state.

Because of the importance of energy for the power and growth of the country, states are not eager to give control over energy resources to international energy firms, free market mechanisms or supranational organizations (Česnakas, 2010). For realists, states – via strategic

thinking and competition in order to control resources – can best guarantee energy security (Alsaad, 2014). Thus, the state and the state-owned companies need to possess the exclusive control on this field (Iozzi, 2014).

Although realists acknowledge the role of cooperation and interdependencies as a manner to boost collective energy security, they do stick to balancing this against other material forces, together with a comprehension of the history, culture and economics of the societies consisting of the international system (Luft and Korin, 2009).

Energy security realists consider the world struggling with a bunch of difficulties which will merely get worse as time goes by (Luft and Korin, 2009). In this regard, Michael Klare (2007) argues that:

As doubt increases about the future sufficiency of global stockpiles of key sources of energy, especially oil and natural gas, states seek to maximize their control over—or access to—remaining sources of supply, either to ensure adequate supplies for themselves or to profit from the sale of these supplies to others. The result is a growing risk of *territorial disputes* over areas harboring valuable reserves of oil and gas and *access conflicts*, involving efforts by outside powers to ensure access to their major sources of supply in conflict-prone resource areas. (p.50)

In the context of the realist paradigm, energy geopolitics, which is defined as the study of the supply of oil and natural gas from a geopolitical approach (Mitchell cited in Dimitrov, 2015), helps to analyse the interaction between geographical location, energy and power of states. In energy geopolitics, political actors participate in cross-border activity to gain access to energy resources in order to meet energy demand of their countries and keep their economies functioning, which is vital for their regional and global standing, military capability, security, territorial integrity and independence. Transit countries, due to the importance of their geographic location, play a key role in the energy transportation from energy producing states to importing ones. Transit states use their geographic positions as leverage in order to promote their national interests. Similarly, energy exporting states favour to utilize their energy resources as a tool in order to promote their external policy targets. The increasing contest between importers over energy resources enables exporting state to enhance its relative power (Česnakas, 2010).

Liberalism is a theoretical approach which stresses international norms, interdependence among states, and international collaboration (Korab-Karpowicz, 2010). It has focused on tackling with issues of international relations, on the significance of justice, equality and freedom of the press, civil rights, freedom of religion, free trade and investment, and a right to life, liberty, and property, as principal ways of succeeding a society ruled by international peace and international morality and justice (Kant cited in Alsaad, 2014). “Liberal theory elaborates the insight that state-society relations—the relationship of states to the domestic and transnational social context in which they are embedded—have a fundamental impact on state behavior in world politics” (Moravcsik, 2007).

Like Realism, Liberalism is a name given to a family of linked theories of international relations (Moravcsik, 2010) including Regulatory Liberalism and Commercial Liberalism. According to Regulatory Liberalism, international law and institutions encourage international reconciliation (Moravcsik, 1992) and cooperation among states. Institution building to decrease

unsureness, information costs, and anxieties of disloyalty; ameliorated international education and communication to improve anxieties and hostilities due to misinformation and misperceptions; and the positive-sum probabilities of such activities as trade are a few of the manners, by which states might mutually obtain and thus alleviate, if not eliminate, the most severe characteristics of a self-help international system (Holsti, 2004).

Commercial liberalism aims at describing the international behaviour of states grounded on the domestic and global market position of domestic companies, workers, and assets holders. It is assumed that material interests of domestic groups influence states' preferences and behaviour at international arena. Besides, Commercial Liberalism states that economic interdependence generates encouragements for peace and collaboration (Moravcsik, 1992). Additionally, the economic cooperation has spill-over impact on other areas. That is, the economic partnership may encourage countries to extend their collaboration to other fields such as energy, education, culture, military etc. and vice versa.

According to liberal thinking, under the circumstances of interdependence, countries can tolerate the cost of collaboration because of a number of reasons. First of all, they focus on absolute gains instead of relative ones. Also, actors might pay attention to common gains since they are acting under the economic and political rational of interdependence according to which their welfare is related to the welfare of the other side (Keohane cited in Ateşoğlu Güney and Korkmaz, 2014). In this system of interdependence, states cooperate because it is in their own common interest and direct result of this cooperation is prosperity and stability in the international system (Rana, 2015).

According to Keohane and Nye, interdependence should not be defined completely as circumstances of 'evenly *balanced* mutual dependence'. They assert that it is asymmetries in dependence which are mainly probable to give sources of power for actors in their relations with one another (Keohane and Nye, 1989). Circumstances of asymmetrical interdependence, where one state holds more intense preference for a deal than another, generate bargaining power (Moravcsik, 2010).

In Liberalism, economic decisions are mostly determined by the forces of supply and demand, internally and internationally, and are free from firm control by governments (Doyle, 2016). Here, political strategy of states should be to implement liberal reforms in relevant sectors in order to increase competition and transparency, and to protect consumers' rights. According to liberals, market mechanisms and liberal regulations are enough to make markets work and the state intervention is not necessary.

In contrast to realists, liberals believe that wars to access and control energy resources are not necessary. For instance, Fettweis (2009) argues that "the interests of consumers and producers do not conflict—all parties involved in oil production have serious interests in stability, without which no one can benefit" (quoted in Luft and Korin, 2009). Liberals also consider that involved countries in the energy context can collaborate and this is in their benefit.

According to Liberalism, energy is another commodity traded in the market (Sulejmanovic, 2014). Liberalization of internal and international energy markets indicates the provision of free competition, the preservation of consumers' rights and the hindrance of emergence of oligopolistic market conditions in energy sector, production operations, transport, distribution and trade (Mladenova cited in Abbasov, 2015). Besides, from the point of view of

Liberalism, energy firms act in accordance with the rules of the market and make their business decisions for increasing their gains (Iozzi, 2014). Liberals view international competitive and integrated markets as tension reducers that augment market certainty and “create a healthy equilibrium between the economic interests of consumers and producers” (Luft and Korin, 2009).

According to liberals, energy interdependence relationships include both costs and benefits. Under the circumstances of interdependence, actors can tolerate the cost of collaboration in the field of energy because it is in their common interest. Besides, energy interdependence generates incentives for further cooperation, increases trust and communication between states. This, in turn, facilitates resolution of bilateral conflicts. Additionally, when political, economic and security interests coincide, that is, if there is a room for win-win situations, energy cooperation could be encouraged and boosted between states. That is, cooperation in non-energy areas might stimulate collaboration in the field of energy and vice versa.

Furthermore, energy interdependence is not necessarily equally balanced mutual dependence. Unequalled energy reliance provides less dependent country with a source of power in bargaining over an issue regarding energy or other bilateral issues.

4. Analysis of the Main Determinative Factors of Turkey's Foreign Oil and Natural Gas Strategy Based on Realism and Liberalism

Realism has strong explanatory power in explaining Turkey’s concerns over its energy security. First of all, Turkey sees its energy security as a part of its national security, regional power and global standing. For Turkey, adequate energy resources translate into economic and political power in the international arena. Hence, their lack threatens its economy, power, military capability, security, territorial integrity and thereby its survival. Besides, Turkey perceives its high reliance on a few gas suppliers as a menace to its energy security, and as a result to its national security, power and economy. Thus, the country endeavours to achieve self-sufficiency, which will make bilateral energy ties less necessary to the survival of the country, as a result decrease its (inter)dependence and augment the national security. Because of the growing energy demand, Turkey’s dependence on energy exporting states has been rising. But, anarchy in the international system makes the country to worry that its energy partners can obtain relatively greater benefits from energy collaboration and, thus become more powerful. In a realist world, since balance of power is crucial and Turkey aims to augment its benefits by doing better, or at least not worse, than its energy partners; it is important for Turkey not only to have a significant amount of power in energy ties, but also to make sure that its energy partners do not alter the balance of power in their favour. In this respect, it is required to diversify both energy sources and suppliers in order to get rid of the risk that its energy suppliers utilize their energy card against Turkey for political and economic benefits. Hence, the country has been particularly seeking at profiting more from its national energy resources. On the other hand, the shortage of national energy resources compels Turkey to cooperate with energy exporting states with the view of addressing its growing energy demand. This means that the liberal paradigm, to a certain extent, may be applied in order to explain Turkey’s approach towards its energy security concerns. Generally speaking, in energy relations with partners, Ankara favours win-win energy projects and focuses on absolute gains. Even though its energy partnerships might

cause some costs for the country, it may still prefer to maintain these partnerships as the country pays attention to mutual benefits.

Both Realism and Liberalism can be useful in describing Turkey's goal of becoming an energy hub. From the point of view of Realism, Turkey desires to become an energy hub by profiting from its strategic geographical location because it will help the country to increase its regional power. In a realist world, increasing power is vital for security and survival of the country. Besides, becoming an energy hub will contribute to Turkey's energy security since it will provide access to new sources, and as a result reduce its dependence on a few suppliers. This will also increase the power of the country in energy geopolitics. Turkey strives for obtaining significant weight in Eurasian energy politics so that it might reinforce the position of the country in the eyes of Brussels and Washington. The more Turkey gets an important strategic role in the eyes of the Western powers, the more Russia and Iran will allow Turkey to "stake a greater claim in the ongoing Eurasian energy deals" (İşeri and Dilek, 2011). It is in this way that Turkish statesmen seek for obtain the advantages of being a strategic connection between the West and East (İşeri and Dilek, 2011). On the other hand, from the liberal perspective, the country has to embrace a collaborative attitude towards relevant suppliers, consumers and transit countries in order to become an energy hub. Without collaboration with them, it is out of question for Turkey to become an energy hub. In this respect, especially Ankara's collaboration with the EU plays a key role. Without energy need and desire of Brussels to import energy resources via the Turkish corridor, it is not possible for the country to emerge as an energy hub.

Realism, especially energy geopolitics, can best help explain the role of regional developments in Turkey's foreign oil and natural gas strategy. In the regional energy politics, there are a number of actors who have different interests and each of them strives for augmenting their national power. Both Turkey and these actors endeavour to use energy as a tool to increase their power. They seek for either changing the balance of power in their favour or at least not doing worse than other involved states. They develop conflicting strategies in order to achieve this. Hence, there is a strong competition between Turkey and relevant actors in the context of the regional energy politics.

Liberalism can be instrumental in describing the role of business and trade partnerships in Turkey's foreign oil and natural gas strategy. First of all, business and trade cooperation with energy allies provides Turkey with strong economic advantages, which is significant for the economic development and the prosperity of the country. Secondly, Turkish authorities endeavour to establish economic interdependence between Turkey and its energy partners since such an interdependence helps them bolster their political relations. Such economic interdependence also enables Turkey to continue economic and energy partnerships with these countries even when it has strained political relations with some of them. Additionally, strong economic relations allow the Turkish government to prevent the further deterioration of the bilateral relations with these states in cases of crisis. For instance, Turkey's strong economic and energy relations with Russia and Iran have helped Ankara smoothen the differences in its bilateral relations with the two states and maintain its energy collaboration with them in spite of some bilateral disagreements. In addition, economic partnerships with these countries allow Turkey and these countries to ameliorate their strained relations since there is an established interdependence between them, that is, future benefits prevent the immediate defection. The economic collaboration between Turkey and these states enables them to have peaceful relations

in order not to negatively affect their economic interests. Thirdly, due to their material interests, Turkish firms pressurize the Turkish state to develop strong energy relations with some states instead of others. These firms sometimes strongly lobby on behalf of some countries in the state institutions in order to encourage Turkish authorities to conclude energy deals with some energy partners instead of others.

Both Liberalism and Realism can help describing the role of foreign ambitions of Turkish energy firms in Turkey's foreign oil and gas strategy. From the liberal point of view, these energy firms carry out energy operations abroad in order to increase their wealth. But, from the realist perspective, these firms help Turkey to reduce its reliance on a few suppliers and thereby make energy relations with these suppliers less necessary for Turkey. In addition, since energy security is vital for the Turkish economy, external energy operations of Turkish energy firms directly or indirectly contribute to augmenting economic and military capabilities of the country and thereby increase its regional power and security. Moreover, Turkish policy makers use external energy activities of these firms as a tool in order to maximize national interests of the country.

5. Assessment and Conclusion

Considering the importance of energy for the Turkish economy, which has direct or indirect impact on its military power, national security and global standing; energy security is the main determinant of Turkey's foreign oil and gas strategy. Due to Turkey's increasing energy demand, insufficient indigenous resources, high dependence on imported oil and gas resources, inadequate capacity of domestic energy infrastructure, the terrorist attacks against its energy infrastructure and the lack of alternative suppliers; the country has serious concerns over its energy security. The second major determinant of Turkey's foreign oil and gas strategy is its ambition of becoming an energy hub between energy producers in the Caspian Sea, the Middle East and the East Mediterranean and European consumers because it will provide the country with certain economic and geostrategic advantageous. In order to become an energy hub, the country has been involved in several international pipeline projects. Turkey's roles as an importing and transit country are considerably influenced by some regional developments, which are the third key determinative element of the external oil and natural gas strategy of the country. While some of these events positively contribute to Turkey's energy security and the achievement of its energy targets, several developments negatively influence the foreign oil and natural gas strategy of the country. The fourth major determinant of Ankara's external oil and natural gas strategy is the business and trade partnerships between Turkey and its (potential) energy partners. Turkish business groups have growingly made investments in the Caspian Sea and Middle East countries. Strong economic ties between Turkey and these countries contribute to their relations in other sectors, including energy. Last but not least, foreign ambitions of Turkish energy firms, especially state-owned ones, are the fifth principal determinant of Turkey's external oil and natural gas strategy. These firms have recently adopted an assertive approach towards the energy exploration and exploitation activities in the Middle East, the Central Asia, Africa, Latin America and the Caspian Sea. Some of these determinants considerably overlap and contribute to each other. Still, sometimes there could be confrontations between these determinants. Yet, the energy security outweighs all the other determinants and when there is a confrontation between this and the other ones, the former prevails over the others.

Realism can help explain Turkey's anxieties regarding its energy security. For Turkey, enough energy resources provide economic and political power in the international arena. Hence, their shortage menaces its economy, power, military capability, security, territorial integrity and thus its survival. In addition, Turkey considers its dependence on oil and gas exporting states as a threat to its energy security, national security, power and economy and hence works towards self-sufficiency in order to make bilateral energy relations less necessary to the survival of the country, as a result reduce its interdependence and enhance the national security. On the other hand, the lack of domestic energy resources forces it to collaborate with energy partners in order to meet its energy need. This means that Liberalism can also, to a certain degree, may help explain Turkey's attitude regarding its energy security concerns.

Both Realism and Liberalism are helpful in describing Turkey's ambition of becoming an energy hub. From the realist perspective, Turkey seeks to become an energy hub by profiting from its geo-strategic location between energy producers and consumers since Ankara seeks to enhance its regional power. But, from the point of view of Liberalism, Turkey has to adopt a collaborative stance towards related energy suppliers, consumers and transit countries in order to emerge as an energy hub. Without energy partnership with these actors, it is impossible for Turkey to become an energy hub.

Realism, particularly energy geopolitics, can best help explain the role of regional issues in Turkey's foreign oil and natural gas strategy. In the relevant regional developments, there are various actors who have divergent interests and each strives for increasing national power. Hence, they have contradictory policies towards energy issues in the region. Consequently, there is a serious contest between Turkey and these actors in order to realize their energy goals.

Liberalism can provide the best explanation of the role of business and trade partnerships between Turkey and its energy partners in Ankara's foreign oil and natural gas strategy. First of all, Turkish leaders try to form economic interdependence between Turkey and its energy partners since such an interdependence can enable them to reinforce political and energy relations of Turkey with these partners. Such economic interdependence enables the Turkish state to impede the further worsening of bilateral ties with these partners and keep energy collaboration with them. In addition, economic partnerships with these countries allow Turkey and these countries to appease and improve their strained ties. Besides, material interests of Turkish companies shape energy preferences and relations of the Turkish state.

Both liberal and realist paradigms can help analysing and explaining foreign ambitions of Turkish energy firm. From the liberal perspective, these energy companies conduct external energy operations with the view of wealth maximization. But, from the realist perspective, these companies enable Turkish leaders to decrease the dependence of the country on a few gas suppliers and hence make energy relations with these suppliers less required for the energy security of Turkey. Additionally, as energy security is crucial for the Turkish economy, power, security and territorial integrity; energy operations of Turkish energy companies abroad are directly or indirectly instrumental in enhancing economic and military capabilities of the country and thereby enhancing its regional power and security.

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