

ROLE OF ENERGY IN AZERBAIJAN'S FOREIGN  
POLICY DURING ILHAM ALIYEV ERA

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## **ABSTRACT**

### **ROLE OF ENERGY IN AZERBAIJAN'S FOREIGN POLICY DURING ILHAM ALIYEV ERA**

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This Ph.D thesis seeks to explore the political and economic aspects of Azerbaijan's energy sector and its role in the conduct of Azerbaijan's foreign policy during the Presidency of Ilham Aliyev. The thesis focuses mainly on the formation and development of Azerbaijan's energy policy after the collapse of the Soviet Union.

The thesis argues contrary to the arguments of the political realists scholars who argue that Azerbaijan's energy policy reflects the dynamics of power politics in and around Azerbaijan, this thesis argues that a liberal approach is more capable of explaining Azerbaijan's energy policy since Azerbaijan implements its energy policy through forging partnerships with regional and international actors rather than through rivalries with the relevant actors. Azerbaijan emphasizes its potential role in European energy security by developing joint ventures with the regional and European companies without alienating any country in its neighborhood, including Russia.

The thesis consists of eight chapters. The introduction and the second chapter are dealing with general theoretical frameworks. The third chapter examines post-Cold war historical development in the energy sector of Azerbaijan. The fourth chapter describes energy strategy of Azerbaijan government in internal and external dimension in the period from 2003 to 2013. The fifth chapter deals with competition and cooperation of Azerbaijan with other Caspian countries and Azerbaijan's main contracts. The sixth is on BTC oil pipeline, its construction and management. The next chapter, studies Azerbaijan's

cooperation with the EU in energy projects. Finally, the conclusion chapter underlines and summarizes the main ideas and approaches.

**Keywords:** Azerbaijan, Energy Security, Oil, Natural Gas, Pipeline Politics.

## ÖZ

### İLHAM ALİYEV DÖNEMİNDE AZERBAYCAN'IN DIŞ POLİTİKASININ ENERJİNİN ROLÜ

Kamran Abbasov

Uluslararası İlişkiler Bölümü

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Bu doktora tezi İlham Aliyev'in iktidara geldiği 2003'den bu güne Azerbaycan'ın enerji sektörünün politik ve ekonomik yapısını ve bu yapının dış politikaya etkisini incelemeyi amaçlamaktadır. Tez, Sovyetler dönemi sonrası Azerbaycan'ın enerji politikalarının oluşumu ve gelişimine yoğunlaşmaktadır.

Tez, Azerbaycan'ın enerji politikasının ülke içi ve etrafındaki güç politikalarının yansması olduğunu iddia eden politik realistlerin iddialarının aksine, liberal yaklaşımın bu politikaları anlamakta daha işlevsel olduğunu iddia etmektedir. Söz konusu liberal yaklaşıma göre, Azerbaycan, enerji politikasını ilgili aktörlerle çatışarak değil bölgesel ve uluslararası aktörlerle ortaklıklar kurarak oluşturmuştur. Azerbaycan, Avrupa enerji güvenliği içindeki potansiyel rolünü bölgesel ve Avrupalı firmalar ile ortak yatırımlar yaparak ve Rusya dahil hiçbir komşusunu karşısına almadan oluşturmayı becermiştir.

Bu tez, altı ana bölümden oluşmaktadır. Girişten sonra ikinci bölüm genel teorik çerçeveyi incelemektedir. Üçüncü bölüm Soğuk Savaş sonrası Azerbaycan'ın enerji sektörünün geçirdiği tarihsel süreçleri ele almaktadır. Dördüncü bölüm 2003-2013 yıllarında İlham Aliyev yönetimindeki enerji stratejisinin iç ve dış boyutları incelenmiştir. Beşinci bölüm Azerbaycan'ın Hazar bölgesindeki enerji kaynaklarının paylaşımındaki iş birliği ve rekabet tartışılmaktadır ve ana anlaşmalar incelenmektedir. Altıncı bölümde Azerbaycan'ın Bakü Tiflis Ceyhan boru hattının yapımı ve işletimindeki iş

birliđini ele almaktadır. Yedinci bölümde Azerbaycan'ın ve Avrupa Birliđi ile enerji alanındaki iş birliđinin gelişimi incelenecektir. Sonuç bölümü ise tezin ana bulgularını tartışmaktadır.

**Anahtar Kelimeler:** Azerbaycan, Enerji Güvenliđi, Petrol, Dođal Gaz, Boru Hattı Politikaları.

To My Parents



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# CHAPTER 1

## INTRODUCTION

**This Ph.D thesis, with a very rich literature research, seeks to explore the political and economic aspects of Azerbaijan's energy sector and its role in the conduct of Azerbaijan's foreign policy during the period under the Presidency of Ilham Aliyev since 2003. The thesis focuses mainly on the formation and development of Azerbaijan's energy policy after the collapse of the Soviet Union.**

The end of the Cold War and the collapse of the former Union of the Soviet Socialistic Republics (USSR) led to the creation of more gaps in the geography of the USSR. One of such gaps occurred in the area of energy. Although due to the increased number of claims, related to the energy areas at the Caspian basin, some of sources were used during USSR period, other ones remained completely unused. This resulted insuggestion of the ideas in connection with the volume of these energy sources which were sometimes being exaggerated and far from reality and which were sometimes, to the contrary, very close to reality. However, in all cases it was supposed that energy sources in a region could create serious consequences in the world energy market. At the same time it was well known that the process of production and export of the energy sources to the international market would not only create economic consequences but also affect the politic situation in the region.

One of the most interesting aspects within this framework is the issue whether energy in a region would be considered as a cooperation or competition factor since Russia, considering itself the owner of the region, was not interested in presence of Iranian and western companies at the region. On the other hand, both Caspian basin countries and western countries had their own interests in the region. For the most part the conflict of interests of the countries, having energy

sources, interested neighborhood countries and foreign companies and countries was presupposed.

In this way, the country which was in the center of competition and cooperation was Azerbaijan. Azerbaijan, which was the first country to produce the oil by industrial means, appeared as an independent state on the international political scene in 1918, being saved from tsarist Russia (in May 28, 1918 the Azerbaijan Democratic Republic was established). Yet, the international environment and power balance were against it, which led to the end of the independence (in April 27, 1920 Azerbaijan was occupied by the 11th Red Army). During the USSR period the energy sources of Azerbaijan were under the control of this enormous empire and remained out of competition. After the collapse of the USSR Azerbaijan oil and gas qualified as one of the crucial means of not only strengthening political and economic independence but also the way to the energy sources of the Caspian basin for the Western countries.

Moreover, the points of view in connection with the role of foreign policy (international relations) of energy differ<sup>1</sup>. The most valuable points towards this topic are the ones of realism and idealism (liberalism) theories of international relations. The attitude of the liberal theory gives special value to the cooperation in international relations and considers international originations and international law norms development and strengthening and transparency of international relations as important conditions for this, to the energy factor proves itself in two directions.

Azerbaijan emphasizes its potential role in European energy security by developing joint ventures with the regional and European companies without alienating any country in its neighborhood, including Russia.

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<sup>1</sup> For general information see: Roland Dannreuther, International Relations Theories: Energy, Minerals and Conflict, POLINARES working paper n. 8, Sentyabr 2010; Jeffrey D. Sachs, Andrew M. Warner, Natural resource abundance and economic growth. //NBER Working Paper 5398, 1995; Daron Acemoglu və Mikhail Golosov, Aleh Tsyvinski, Pierre Yared, A Dynamic Theory of Resource Wars, NBER Working Paper 16682, January 2011, <http://www.nber.org/papers/w16682>, s.1. (18.09.2011); Andrei V. Belyi, Energy Security in International Relations (IR) Theories, [www.hse.ru/data/339/636/.../ReaderforLecturesOnEnergySecurity.do...](http://www.hse.ru/data/339/636/.../ReaderforLecturesOnEnergySecurity.do...), ss.34-43. (25.09.2011); Giedrius Česnakas, "Energy Resources in Foreign Policy: A Theoretical Approach", Baltic Journal of Law & Politics, Cild 3, Sayı 1, 2010

First of all, the first problem standing behind liberalism is the clarification on the issue of “what kind of factor is the energy factor from its theoretical perspective”. From this standpoint, according to the liberal theory international energy industry creates serious problems.

From the standpoint of international relations, energy can be characterized as an unsafe and risky factor by the liberal theory for several basic criteria. The first one is that, energy is the main topic of the most dangerous factors to the cooperation concept, which is especially valuable for liberalist’s theory. Therefore, one of the main reasons of the competition within the international system is the established on the control over natural resources. In the process, “War for resources”, competition and conflicts over the energy and its revenue remained the main topic<sup>2</sup>. The second one is that the energy factor creates a barrier for the provision of transparent and universal democratic standards which makes it one of the main topics of “secret and dirty connections” strongly argued in international relations by liberalism<sup>3</sup>. Hence, the energy factor remains the reason for the establishment of especially close relations between the states or non-state actors which step forward with their democratic nature and countries with autocratic regimes, rich with such resources. The relations between USA and Great Britain with Iran before Islamic revolution, Venezuela and USA before Hugo Chavez, Nigeria-Great Britain, Burma-France and currently Saudi Arabia-USA are such examples of the relations, emerged by the means of the energy factor. Again it is not a secret that the support of the Western companies like BP, Exxon-Mobile, TOTAL and other similar companies to Middle East and Africa and other autocrat regime states is based, for the most part, on the energy factor.

Second, the liberalist theory pays special attention to the issue of what steps need to be taken to make the international energy industry, which is considered to be problematic area, in order to be more transparent and serving to

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<sup>2</sup> Daron Acemoglu və Mikhail Golosov, Aleh Tsyvinski, Pierre Yared, A Dynamic Theory of Resource Wars, NBER Working Paper 16682, January 2011, <http://www.nber.org/papers/w16682>, s.1. (18.09.2011); Susanne Peters, “Coercive Western Energy Security Strategies: Resource Wars as a New Threat to Global Security”,

<sup>3</sup> Dannreuther, International Relations Theories: Energy, Minerals and Conflict, s. 6-7.

cooperation. The main purpose of this is to remove negative consequences of non-liberal practice and establish transparent institutions within the international energy sector. Suggestions in this area come mostly from neoclassic economists, activist scientists, international finance corporations, NGO's like "Global witness", "Revenue Watch" and "Publish what You Pay"<sup>4</sup>. In the Azerbaijan case EITI is a good example. At the international EITI Conference held in London in June 2003, the President of the Republic of Azerbaijan Mr. İlham Aliyev declared the decision of the government of Azerbaijan to join the EITI and support the international efforts aimed at ensuring transparency in extractive industries. Azerbaijan also volunteered to become a pilot country in the EITI implementations.<sup>5</sup> Nevertheless, the liberal theory pays special attention to the economic liberalization of international and internal energy market and it is presupposed that by this means economic productivity will increase while geopolitical competition, conflicts and wars will be reduced.

From the assumptions which set forth the cooperation of international relations in the international energy relations, the most distinguished is the one explaining the topic within the theory of "interdependency" by Robert Keohane. Keohane in his book "After Hegemony: Cooperation and Discord in the World Political Economy" discussed the international cooperation and regimes and he also gave special importance to the activity of the International Energy Agency in the international oil regime in 1974-1981<sup>6</sup>.

Keohane, in his analyses of the condition of oil in this period from the perspective of liberalism, emphasizes the importance of competition for the two oil crises in 1973-1974 and 1979-1980 years. One of the interesting ideas of the American scientist is that after the first crisis, there was strong activation in international oil sector before 1978 by International Energy Agency and it created opportunities for cooperation in this period between the countries. He mentioned that this process was disturbed by the oil crisis in 1979-1980 years. Keohane, in

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<sup>4</sup> Dannreuther, *International Relations Theories: Energy, Minerals and Conflict*, s. 6-7.

<sup>5</sup> <http://www.eiti.az/index.php/en/reports/2012/308-eiti-annual-report-2012>

<sup>6</sup> Robert O. Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy*, Princeton University Press, 1984.



his article written in cooperation with two another authors and which analyses the international energy regimes, discusses the issue of the prospective role of the International Energy Agency in the condition of increasing globalization and interdependency.

As for realism, the realist's theory, giving special importance to the terms like competition, security, national power and national interest, accepts the strategic importance of the energy strategy from the standpoint of power concept<sup>7</sup>. This theory emphasizes states to be rational actors from the economic standpoint and the energy to be the means of strengthening of the influence of the energy in the foreign policy. Realist theory also pays attention to the fact that a state is the main actor in the energy sector and 85% of world oil reserves and about 70-80% of gas reserves are under the control of energy companies owned by states<sup>8</sup>. Given that, the theory divides the states in the global energy system into three diverse types, i.e. producers, transistors and consumers and it emphasizes that being consumer and transistor of energy at the same time increases both the economic revenue and the influence of a state in international relations from the standpoint of strategic power.

Realist theory considers natural resources as the main units of the national power and national interest. Within this framework, it pays attention to the energy sources as a competing area. Especially, ideological controversies between capitalism and socialism after the end of the Cold War and the emergence of new economic powers became the main topics of the entrance to and control of sector of natural sources issue. On the other hand, as time passed, the use of armed forces became an indistinctly used factor within this power conflict. The main actors of this conflict are USA, China, Russia, Japan, India and other similar states.

The competition between the actors of the international system especially for the new energy regions such as Middle Asia and Africa is increasing. Weak

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<sup>7</sup> Giedrius Česnakas, "Energy Resources in Foreign Policy: A Theoretical Approach", *Baltic Journal of Law & Politics*, Volume 3, Number 1, 2010, p. 30.

<sup>8</sup> Antonio Marquina, "On the Deceit of Globalization, Energy Security and Challenges to European Foreign Policy", <http://www.theory-talks.org/search/label/Energy%20Security> (30.05.2011), p. 5.

and fragile state systems, increased tension between states and ethnos and strengthening of political and religious radicalism create new safety risks both on the regional and international levels.

According to realism, as a logical consequence of the above, conflicts and wars for these resources are increasing. Conflicts for the energy sources, especially for oil, have become the main topic of the international policy. The importance of the concepts like energy geopolitics and energy safety in international relations draws attention to this framework<sup>9</sup>.

**This thesis argues that contrary to the arguments of the political realist scholars who argue that Azerbaijan's energy policy reflects the dynamics of power politics in and around Azerbaijan, this thesis argues that a liberal approach is more capable of explaining Azerbaijan's energy policy since Azerbaijan implements its energy policy through forging partnerships with regional and international actors rather than through rivalries with the relevant actors.**

This thesis consists of the introduction, 7 chapters and the conclusion. The first chapter "Liberalism and Realism Theories: Energy Factor" describes international relations theories, covering the general significance of liberalism and realism and their attitudes toward the energy factor. Comparative overview and analysis of the theories in connection with the role of the energy in international relations were provided within this framework.

The second chapter Azerbaijan energy sector explains the general significance of the energy sector and provides information on the Azerbaijan energy (oil, gas and electro energy sectors) history, the way of Azerbaijan oil and gas in the period of the independence, the current composition of energy sector and important institutions.

The third chapter Energy policy of Azerbaijan in the period of Ilham Aliyev tries to explain the general significance of energy for Azerbaijan and

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<sup>9</sup> See: Carlos Pascual, "The Geopolitics of Energy: From Security to Survival", [http://www.brookings.edu/~media/Files/rc/papers/2008/01\\_energy\\_pascual/01\\_energy\\_pascual.pdf](http://www.brookings.edu/~media/Files/rc/papers/2008/01_energy_pascual/01_energy_pascual.pdf) (31.05.2011), Michael T. Klare, "Energy Security", Paul D.Williams, Security Studies: An Introduction, London and New York, Routledge, 2008, pp.483-496.; Andrei V. Belyi, "Energy security in International Relations (IR) Theories", [www.hse.ru/data/339/636/.../ReaderforLecturesOnEnergySecurity.doc](http://www.hse.ru/data/339/636/.../ReaderforLecturesOnEnergySecurity.doc), (31.05.2011)

details of the peculiarity of energy policy of Azerbaijan in the period before Ilham Aliyev came to power. After that, it analyses the energy policy of the current president Ilham Aliyev. The periods when he was Vice-President of SOCAR, the Prime Minister and the President of Azerbaijan are all considered separately.

The fourth chapter Foreign states and the Energy of Azerbaijan provides information on the energy resources of Azerbaijan, at the same touching upon the subject of the significance of Azerbaijan in transportation of the energy sources of the Caspian basin to the international market. In addition, it analyses the policies of the global actors like Russia and USA, and regional actors like Turkey and Iran in the framework of energy competition in Azerbaijan. Additionally, it briefly qualifies the positions of comparatively small, but significant, actors like Georgia and Israel, along with them the ascending powers of the global system like the European Union, China, Japan and India. The fourth chapter also provides information on the energy agreements, which Azerbaijan has signed up to this date.

The fifth chapter International cooperation and Ccompetition in the Caspian Region explains new situation emerging in international relations after the completion of the Cold War and the collapse of the USSR by further analyzing the geopolity of the Caspian region. This chapter analyses the legal status of the Caspian Sea, explains the problems of the examples of cooperation between the Caspian states by separately specifying the views of liberalist and realist theories towards the Caspian region. Further, it describes the strategies of the enormous states like USA and Russia towards the Caspian region and additionally it touches upon the subject of the policies of Iran, Turkey, European Union, China and India towards the region under the heading the Caspian Region and other foreign states.

The sixth and seventh chapters of the thesis cover the projects on the transit of energy sources to international markets by Azerbaijan (at the same time other independent countries on the other side of the Caspian Sea). Firstly, the sixth chapter Baku-Tbilisi-Ceyhan (BTC) Main Export Pipeline focuses on the subject of the first initiatives and expresses the ideas and the difficulties of the period emerging in connection with transit of energy from the Caspian basin to the Western markets. It explains the earliest projects for transit of oil like Baku-

Novorossiysk and Baku-Supsa pipelines and finally Baku-Tbilisi-Ceyhan from the standpoint of historical directions and technical means.

The last chapter the Southern Corridor and the natural gas reserves of Azerbaijan explains the official document on the energy safety of both Europe and Azerbaijan and provides examples of their policies, establishing interconnection between them. Furthermore, it explains the initiatives of the European Union to own the natural gas of Azerbaijan and the Caspian basin, including the Southern corridor and specific projects. Besides the European Union and Azerbaijan, it also dwells on the positions of the interested parties like USA and Russia.

The seventh chapter also explains the recent processes in connection with Baku-Tbilisi-Erzurum, NABUCCO and TANAP projects, which bear special significance from the standpoint of European energy security.

## **CHAPTER 2**

### **REALIST AND LIBERAL APPROACHES TO ENERGY IN IR**

After oil and then natural gas are employed for economic purposes, they have been accepted not only as energy resources, but also as economic important, and gradually political, as well as strategic substances. Namely, oil has made decisions as a result of the wars which determine the fate of the world. At present, oil and natural gas continue to be “Number one” products in meeting the various needs of humanity.

At the end 20<sup>th</sup> Century, economic, political and strategic importance of oil intensified the struggle among the centers of power for oil resources more on one hand, and on the other hand, led to the formation of grand political and economic strategies of countries for oil. When analysts noted that 20<sup>th</sup> century is oil century, they particularly emphasized the increasing importance of natural gas among other strategic substances in the 21<sup>st</sup> century. In addition, the strategic and security sides of the nuclear issue became to the forefront due to Iran as it is also an energy issue.

The traditional place and gradually increasing importance of the energy in the system of international relations turned the mentioned factor into one of the most important objects of the scientific research aiming at interpretation of the global policy. In this aspect, the energy factor became one of the important subjects in the science of international relations. However, considering that the energy factor in the international relations have become and is formed to be internationally strategic importance in the 20<sup>th</sup> century, it should be accepted as a normal situation. In order to interpret the global policy and inter-states relations, the energy factor in the science of international relations may be approached theoretically.

It should be noted that the theories of international relations have touched upon to the said issue in general aspects. However, the liberalism and realism theories should be emphasized particularly among the above mentioned theories.

Since liberalism is the first theory of international relations, and at present, its concept has become the leading trends of the international relations system, this theory has special importance. Also, realism, another theory of the international relations as the most popular and pretending theory of the mentioned science in history, has importance in protecting its functionality in the modern inter-states relations.

This chapter, within the context of above mentioned, will provide general theses of the liberalism and realism theories of international relations, will compare these two theories, and will clarify the reviews pertaining to the energy factor.

### **2.1. Political Realist Approach to IR**

Realist theory has a special role in the terminological development of international relations. Realist theory was characterized as the sole theory of international relations from its formation in 1930s till the mid of 1980s. Such characterization of this theory is closely connected with the salvation of international relations from the sphere of influence of philosophy, history and law and the terms which were put to force and gave rise to dispute in order to interpret their theses.<sup>10</sup>

Though the foundation of realist theory was laid in 1930s, among its idea authors Thucydides, Machiavelli and Hobbesu may also be considered. The main founders of realist theory are considered Edward Carr and Hans Morgenthau. Moreover, a number of researcher hold a special place in the development of realist theory with their ideas and thoughts.<sup>11</sup> Other scientists, being the theorists of geopolitics, one of the popular methods of analysis of international relations, also take part among the representatives of realist theory. George Kennan, the

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<sup>10</sup> For more information: Robert L. Pfaltzgraff, *Contending Theories of International Relations A Comprehensive Survey*, Fifth Edition, New York, 2001, pp.63-148; Jack Donnelly, *Realism and International Relations*, Cambridge, Cambridge university press, 2000.; Scott Burchill, "Realism an Neo-realism", Scott Burchill, Andrew Linklater, *Theories of International Relations*, London, Macmillian press, 1996, pp.67-92.; П.А. Цыганков, *Теория международных отношений*, MoskWa, Qardariki, 2003. pp.109-112; Mustafa Aydın, "Uluslararası İlişkilerin Gerçekçi Teorisi: Kökeni, Kapması, Kritiği", *Uluslararası İlişkiler*, Volume 1, Number, Spring 2004, pp.33-60.

<sup>11</sup> Ole R. Holsti, "Theories of International Relations", <http://www.duke.edu/~pfeaver/holsti.pdf>, (30.05.2011), p.1.

American diplomat, one of the main ideologists of the Cold War and Henry Kissinger, United States Foreign Policy Minister took an important role in the development of this theory, both theoretically and practically.

In general, it is possible to interpret the key theses of realist theory under some headings as follows: First of all, the representatives of realist theory keep pessimist approach to human nature.<sup>12</sup> Realists put forth that the human being only seeks his/her own interests and is unable to get rid of these weaknesses. According to this theory, the states that people unite and build for the salvation from natural state seek only their own interests like people. Besides this, individuals by their nature are willing to rule their sides and obtain regular power to provide it. The elimination of the sense to obtain power is a fanciful effort and history shows that such character of human nature has remained unchanged for ages.

Secondly, the realist theory pays special attention to national security and the strength of state. As per this thesis, the key and important actor of international politics is the state. Such states are sovereign and their main functions are to ensure their national interests characterized within the power. The key point of these national interests is to ensure the persistence and strength of a state. According to this notion again, taking into consideration that international system is an anarchical environment, states are obliged to ensure their security with their own forces and prepare strategies and take actions in this regard. For the implementation of this purpose, the main question is to get power. As per realism within this context, there is power factor at the heart of international politics. War in its turn, is being characterized as a norm method to obtain or use power.

Thirdly, international relations are mainly based on confrontation. According to realism, these confrontations may be solved only by wars. The realist approach explains this confrontation with the negative nature of the humans and absence of central authority in the international system. First of all, realists stress on the points that the negative nature of a human being is being

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<sup>12</sup> Aydın, "Uluslararası İlişkilerin Gerçekçi Teorisi: Kökeni, Kapması, Kritiği", p. 38-39.

passionate to get regular power and his/her steps taken in this regard cause confrontation. Secondly, the absence of central authority in the international system leads to anarchy and doubt in the international system and draws states to power struggle in order not to fall under the control of others. Realism considers the power, especially military power, the most important factor to ensure the strength of state and national security in this process which means that international politics becomes the power struggle.

Fourthly, the realist approach has doubts on the structures and processes similar to internal politics in international politics. As mentioned above, realism exaggerates the differences between internal and foreign policies stressing on the the absence of central authority in international system, existence of anarchy in this regard and the main struggle to obtain power.

In realism, state, national interest and power notions are the terms of special significance. According to realists, the state is characterized as an actor standing on the top of unitary, rational and national security hierarchy. As per realism, the unitarity of a state means that it is an actor united against the outside world. According to this approach, all differences sooner or later result in putting forward a sole political course against the outside world. This is the basic principle and though there are sometimes exceptions and different approaches, the state is able to convert all these alternative proposals into an integral part of a common policy.

Realists stress on the point that states' foreign policy formulation process is rational. This rationality first of all consists of the determination of purposes in administrative level, secondly putting forward of all alternatives in order to reach these purposes, thirdly the estimation of these of which are suitable for the opportunities of a state and the determination of advantages and disadvantages of each of them and, as a result, the selection of alternatives making it possible to reach goals by gaining maximum benefit. Realism notes that the biggest problem that states face in international arena is the question of national security. Realist approach mainly directs the attention to political and military topics which it namely characterizes as "high politics" for the protection of the existence of states. The main purpose of realists is to investigate how to ensure international



stability, how the wars break out and how the protection of territorial integrity will be organized by paying attention to the conflicts existed or supposed to exist among the states.

One of the important terms of realism is the notion of national interest. While realism notes that the key actor of international relations is a state, at the same time it emphasizes that this state is “national state”.<sup>13</sup> Realists, who note that the international system consists of national states, put forth that national states act in accordance with their own interests within this system. In this regard, the way for realist theory to interpret international relations is to understand the national interests of states.

Hans Morgenthau, one of the founders of realism used another notion “power” while interpreting “national interest”.<sup>14</sup> He put forth that national interest of states is to obtain power. Morgenthau who noted that power is the main purpose in international relations emphasized the importance that national states should consider the power of countries protecting their interests. In general, according to realism there is a direct connection between these two terms, while national interest expresses stability and durability for states in international politics, the term power explains elasticity and changeability in its turn.

Power policy concept on which realism is grounded is being criticized by its conservative structure, power not being absolutely measurable, paying great importance to the terms state and national interest in analysis. However, the realist tradition managed to protect its strong position with innovations, additions and methodical changes. Notwithstanding all criticisms, realism still remains the most effective and widely accepted theory of international relations. It is possible to interpret such strong position of realism in international relations science with some factors.

First of all, it should be specially noted that realist theory has the leader role in the foundation of international relations. Realists played a great role in the determination of the subject of international relations and revealing its difference

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<sup>13</sup> Eralp, “Uluslararası İlişkiler Disiplininin Oluşumu: İdealizm-Realizm Tartışması”, p.74.

<sup>14</sup> Eralp, “Uluslararası İlişkiler Disiplininin Oluşumu: İdealizm-Realizm Tartışması”, p.74.

from other branches of science. Secondly, the realist theory has a systematic, simple and understandable essence. In this aspect, realism distinguishes internal and foreign policy with sharp lines, characterizes international relations merely as international politics, emphasizes that the key actors are national states that are similar to one another and puts forth that these states act rationally around national interests. Such character of realism causes it to be considered an attractive theory among scientists engaged in international relations.

Thirdly, the power of realism is closely connected with the easy adoption of its key theses by state figures and diplomatists closely engaged in foreign policy. The above-mentioned systematic, easy and understandable theses of realism create a suitable practical frame for state figures and diplomatists to make decisions in international relations. Besides this, the approach of realism opens way for political figures to win popularity among masses of people who widely support the notions of nationalism and sovereignty.

**Fourthly, it is possible to consider the period in which the theory emerged as a positive factor influencing its power. Realism as a theory appeared after World War II and during the period in which the USA had been ready to play an active part in the global system. Stanley Hoffman, who puts forth that international relations is “an American social science”, exaggerates the role of realism in special form in this process.<sup>15</sup> Hoffman, who estimates realism as a theory rationalizing the international politics of the USA during the Cold War, puts forth that the theory ensures the legitimacy of the armament of the USA with the notion of balance of power on the one hand and reduces international tension with reasonable suggestions on the other. Within this notion, the scientific research of realist theory of international relations is supported by the state bodies of the USA**

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<sup>15</sup> For more information see: Stanley Hoffmann, “An American Social Science: International Relations”, *Daedalus*, Vol. 106, No. 3, Summer, 1977, pp. 41-60, <http://www.jstor.org/pss/20024493> vø Steve Smith, “The Discipline of International Relations: Still an American Social Science?”, The Annual Conference of The Australian Political Science Association, Canberra, October 5<sup>th</sup> 2000, [apsa2000.anu.edu.au/Smith.rtf](http://apsa2000.anu.edu.au/Smith.rtf)

**and private societies built a close connection between the theory and practice and strengthened the realism much more.**

Fifthly, realism has a pluralist nature involving different thoughts and methods itself. Firstly, there are persons among realists who use both traditional and behavioural methods from the methodological point of view. Secondly, though at the beginning realism merely paid attention to the political and military topics as a matter of fact, the next generations of realists put forward the theses considering new factors being economic ones. In general, realism has classical, neorealist, defensive, offensive and neoclassical variants which ground on the principle of realism that national state is intact and put forth different theses in other directions. While classical realism pays main attention to political and military subjects of which it characterizes as high politics, other variants give importance to economic and social subjects being characterized as low politics and international conditions and actors.

## **2.2. Liberalist Approach to IR**

Liberalism was formed as the first theory attempting to interpret the international relations in Great Britain after World War I. The disasters arisen as a result of World War I and the purpose to prevent that the war should not occur once again had been the main subjects in emergence of the mentioned approach also named as the idealism theory in USA.<sup>16</sup> In the scientific research focused on this frame, the main attention was drawn to authoritarian administration of the countries formed as a result of the war, the lack of democratic liabilities of the leaders, and the lack and failure of the international mechanisms to prevent the disputes and conflicts between countries<sup>17</sup>. The results obtained as a result of the research proved the needs to conduct reforms in both intra-countries and globally. Such reforms actualized the building of a democratic system instead of the

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<sup>16</sup> Christian Reus-Smit, "The Strange Death of Liberal International Theory", EJIL, Volume 12, Number 3, 2001, p.573.

<sup>17</sup> Atilla Eralp, "Uluslararası İlişkiler Disiplininin Oluşumu: İdealizm-Realizm Tartışması", Atilla Eralp (red.) Devlet, Sistem Kimlik: Uluslararası İlişkilerde Temel Yaklaşımlar, Ankara. İletişim, 1996, p.63.

authoritarian and monarchical systems inside countries, and conducting transparent diplomacy instead of “secret diplomacy in international relations”<sup>18</sup>.

Liberalism theory emerging in international relations system with the above-mentioned concerns grounded its philosophical principles on the thoughts of wise persons of Renaissance period such as John Locke, Charles Montesquieu, and Francois Voltaire. Furthermore, the thoughts of philosophers such as Immanuel Kant, Hugo Grotius and Emmerich de Vattel played a great role in important theses of liberalism theory such as international peace and human rights. Among the founders of theoretical bases of liberalism theory there were scholars such as Sir Alfred Zimmern, S.H.Bailey, Philip Noel-Baker and David Mitrany from England and President Woodrow Wilson (he was the scientist, as well), James T. Shortwell, Pitman Potter and Parker T.Moon. In derivation of neo-liberalism, the variant of liberalism which obtained important impulse in 1970s again, Robert Keohane, Joseph Nye and Ernst Hass played a special role. In the formation process of liberalism theory (which gained an important popularization during last years) after 1991, specially the influence of some theses of different scientists from new conservative intellectuals in the USA and some scientists such as Samuel Huntington and Francis Fukuyama were felt in certain meaning.<sup>19</sup>

In general, the liberal approach being characterized as international liberalism theory accepts the Renaissance covering the period from 1488 to 1789 as its access point from the philosophical point of view and considers its wisdom and rationality as the important factors ensuring development. In this frame, international liberalism theory grounds on the positive view and individualistic approach of classical liberalism theory and tries to show the ways of peace and

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<sup>18</sup> Eralp, “Uluslararası İlişkiler Disiplininin Oluşumu: İdealizm-Realizm Tartışması”, p. 63.

<sup>19</sup> For more information see Andrew Moravcsik, “Liberalism and International Relations Theory”, [https://www.princeton.edu/~amoravcs/library/liberalism\\_working.pdf](https://www.princeton.edu/~amoravcs/library/liberalism_working.pdf), (30.05.2011), Andrew Moravcsik, “Taking Preferences Seriously: A Liberal Theory of International Politics”, *International Organization*, Volume 51, Number 4, pp. 513–53; П.А. Цыганков, Теория международных отношений, Москва, Qardariki, 2003. pp.106-109; Davut ATEŞ, “Uluslararası İlişkiler Disiplininin Oluşumu: İdealizm / Realizm Tartışması ve Disiplinin Özerkliği”, *Doğuş Üniversitesi Dergisi*, Volume 10, Number 1, 2009, pp.11-25.

cooperation in international relations.<sup>20</sup> Such approach characterizes the human as a rational being and good creature by nature and explains the wars with the existence of states and their organization in monarchical and authoritative forms.

Liberalist theory accepts cooperation as a key thesis in international relations systems and considers the protection of international law, economic cooperation and spread of democracy as basic means to provide peace in the world. According to this approach, the foreign policy of state is not determined by the international system, but by its internal structure, whether it is a democratic, communist, dictatorial government or not. In this frame, liberal approach puts forth the Democratic Peace Theory while explaining international system. In general, the Democratic Peace Theory is considered as one of the strongest theses of liberal approach. Liberals explain this theory as “liberal democracies having democratic government and capitalist economic systems do not make war on one another”.<sup>21</sup>

There is influence of this general approach in the view of liberal theory on the actors in international relations. International liberal theory puts forth three main theses in this regard.<sup>22</sup> According to these theses, first of all, in general liberalism stresses that the key actors of politics are not only states, but also non-governmental organizations and individuals which also take active part in this process. Secondly, all governments represent a certain strata of society and in this frame how a government represents a certain strata and the role of such strata in this process is of great importance. Thirdly, conflict and cooperation in international system emerge as a result of the behaviours and choices of states.

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<sup>20</sup> Tayyar Arı, *Uluslararası İlişkiler Teorileri: Çatışma, Hegemonya, İşbirliği*, İstanbul, Alfa, 2002, p.367.

<sup>21</sup> For more information Kyle Grayso, *Democratic Peace Theory as Practice: (Re) Reading the Significance of Liberal Representations of War and Peace*, Mart 2003, <http://www.yorku.ca/yciss/publications/WP22-Grayson.pdf>, (30.05.2011); Azar Gat, “The Democratic Peace Theory Reframed: The Impact of Modernity”, *World Politics*, Volume 58, N 1, October 2005, pp.73-100.; Sebastian Rosato, “The Flawed Logic of Democratic Peace Theory”, *American Political Science Review*, Volume 97, N 4, November 2003, pp.585-602.

<sup>22</sup> Andrew Moravcsik, “Liberalism and International Relations Theory”, [https://www.princeton.edu/~amoravcs/library/liberalism\\_working.pdf](https://www.princeton.edu/~amoravcs/library/liberalism_working.pdf), pp.6-13.

In this context, liberal approach characterizes non-state factors such as civil society, multinational cooperation and international organizations as important actors. Liberal theory continues to stress that the main purpose of a state in foreign policy is to provide peace in the world. Consequently, in order to realize this mission the liberal theory considers that it is important to develop and strengthen international organizations and international law. In line with this, the spread of concept of universal international human rights, United Nations' prevention of conflicts by intervention and the liberalization of markets through World Trade Organization are considered as the key theses of liberalism with regard to formation of international systems.<sup>23</sup>

Liberal theory has idealistic, neoliberal and trade-oriented variants. In its first idealistic variant, liberalism mainly paid attention to the issues of war and peace in international system and aimed to prevent war and build democratic world peace. The main founder of neoliberalism, emerged in 1970s and grounded on Kant's liberalism and Wilson's idealism, is considered by Kenneth Waltz.<sup>24</sup> Like in idealist liberal theory, the neoliberal version of the theory stresses that it places special importance on the democracy and promotes international peace.<sup>25</sup> Neoliberalist theory notes that the changes in internal policy influence foreign policy and national security and puts forth that there is no internal-foreign policy difference in the world where borders lose meaning. Again within this frame, Wilson's principle of "Self-determination" is considered one of the important integral parts of neoliberalism. Neoliberalism draws attention to the point that anarchic situation hampers the cooperation among the states, but international institutions are the factors that facilitate international cooperation. Moreover, commercial liberalism included non-state actors to liberalism such as corporations and social movements and stressed on their active part in the process.

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<sup>23</sup> Ole Kirkelund, "Free Trade, Public Goods, and Regime Theory: A theoretical discussion of the links between trade theory and IR-theory", March 2000, [http://rudar.ruc.dk/bitstream/1800/820/1/Free\\_trade\\_public.pdf](http://rudar.ruc.dk/bitstream/1800/820/1/Free_trade_public.pdf), pp.30-38.

<sup>24</sup> See Jennifer Sterling-Folker, "Neoliberalizm" , Tim Dunne, Milja Kurki, Steve Smith, *International Relations Theories: Discipline and Diversity*, Nyu-York, Oxford University Press, 2010, pp.116-134.

<sup>25</sup> Arı, *Uluslararası İlişkiler Teorileri: Çatışma, Hegemonya, İşbirliği*, p.368.

Mr. Robert O. Keohane (1941-), an American scientist, has an important role in forming the thesis reporting that the neoliberalism prioritizes international institutions. History of such scientific research, which are resulted with the valuation of Mr. Keohane's liberal international theory as the leader of Harvard school, is originated from the mid of 1960s. The American scientist studied whether the power or an organization is the key factor in determination of behavior of states in his Ph.D in 1965.

Mr. Keohane's critical thoughts relating to the realism and his thoughts emphasizing the liberal theory in the international relations are provided in the book titled as *Transnational Relations and World Politics* which was published jointly with Joseph Nye in 1972. The book, which was published when the USA was defeated in Vietnam in military and when economic studies were prioritized in the international relations, emphasized that the international policy should not only be interpreted in the aspect of intergovernmental relations, that international pluralism had been developing, that dependence and mutual dependence had been formed in the relations, and that the role of transnational organizations and international institutions should pay special significance in such relations.<sup>26</sup>

Mr. Keohane, noting especially the role of international organizations in international relations, emphasized that this role has been extending daily, that it is the duty of the government officials to sit to discuss together, and that this role is significant in potential cooperation.<sup>27</sup>

Keohane and Nye, developing their thoughts in their joint book titled as *Power and Interdependence: World Politics in Transition* in 1977, presented the key thesis of the theory as interdependence. According to the book, the mentioned theory pretends that intergovernmental and inter-society channels are extended, that the actuality hierarchy is not available in the international subject, and that military power importance now and then decreases.<sup>28</sup> The theory also pretends

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<sup>26</sup>See "Transnational Relations and World Politics", Evan Luard, Basic Texts in International Relations, London, Macmillan Press, 1992, pp.552-558.

<sup>27</sup>Keohane, Nye, Power and Interdependence: World. Politics in Transition, p..35-36.

<sup>28</sup> Robert O. Keohane, Joseph S. Nye, Power and Interdependence: World. Politics in Transition, Boston, Little, Brown & Co., 1977, pp. 24-29

that there is interdependence between the actors in the international system within this framework, and that it is a necessity to have cooperation in the international relations.

Mr. Keohane studied the cooperation possibilities in the international system after 1945 in his book titled as *After Hegemony: Cooperation and Discord in the World Political Economy* published in 1984. The American scientist also noted the importance of historic examples of international regimes that ensured and strengthened the international cooperation process in spite of changed power balance after the Second World War.<sup>29</sup>

However, liberalism is being criticized due to the fact that there is no coherence among its theories and the Western-oriented approach is characteristic. Especially, realists note that the purpose of liberals to make peace in the world is very naïve set and they are against the estimation of factors like cooperation and international organizations as the key actors of international system. Again, liberalism is being blamed to connive at the application of force frequently by imperial democracies such as Great Britain and the USA in their foreign policy. Besides this, the human rights concept of liberalism is denounced of being much more western-oriented than universal.

### **2.3. Comparison of Liberal and Realist Theories**

There are serious differences between liberalism and realism, the two important theories of international relations. First of all, both theories have a different approach to competition and peace issues. Therefore, unlike the realist theory, liberalism pays main attention to conflict and competition issues and peace and cooperation subjects in international relations. Liberals stress that security is not the only and main agenda and article of international relations and especially from the 20th century onwards, welfare, modernization, protection of nature and other subjects begin to gain great importance. In this context, liberalism puts forth that new subjects influence positions and behaviours with regard to foreign policy at least as far as security and the factors such as trade, finance, migration, health,

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<sup>29</sup> See Robert O. Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy*, Princeton University Press, 1984.



protection of nature play an important role in the determination of foreign policy of states.

The second important difference between two theories is about the actors of international system. While realism estimates the state merely as the main actor of international system, liberalism accepts the existence of other actors as well as the state and puts a special importance on it. According to liberalists, these actors are lined up in the form of international organizations, commercial organizations, supranational bureaucracy, international companies, international community, trade unions or political parties. What is more, while realists see the state as a rational and unitary organism, liberalists mainly are against to this approach. According to liberal theory, the state may not be considered to be a unitary organism, first of all, since in such modern states authority is not central, but they bear centralization natures. Secondly, liberalists stress that the thesis of realists with regard to rational decision-making by state is not right by putting forward the participation of a number of bodies and persons in the decision-making process of a state and their trying to influence the decisions both with the ideological and organizational motives.

The third important difference between the liberal and realist theories reflects itself in relation to international institutions. While realists do not put great importance on the international organizations, liberalists note that such structures are of great significance from the point of assurance of regional peace and security. As per liberalism within this context, international institutionalization creates favourable conditions both for the reduction of uncertainty and fear in international relations and mutual understanding and cooperation of states.

Fourthly, liberalism and realism have different approaches in relation to military power and weapons. While realists consider military power the main power attribute, liberals consider economic one much more important. Unlike realists, liberalists put forth that there is inverse proportionality between military expenditures and economic development and national security. In this regard, while armament assumes the importance for realism, for liberalism disarmament is considered a significant factor. Especially, neo-liberalists note great importance of disarmament for the assurance of common security.

Fifthly, these two theories prefer different methods in approaching to the analysis of international relations. While the liberal theory makes no difference between internal and foreign policy since the beginning, realism notes that these two fields are absolutely different. Liberals interpret the processes happened in international relations on the basis of actors, while realists mainly choose the system-based approach. Liberalism attaches importance to the influence of actors' decisions and behaviours on the system, but realists emphasize the determining role of the system. Especially, neo-realists try to investigate how states use their powers while for neo-liberals the choices and the factors influencing them are question of investigation.

Before interpreting different concepts of (whose details are disclosed below) liberal and realist theories with regard to the energy factor, it would be reasonable to state some common points. First of all, the first common part of both theories is the acceptance of the importance of the energy factor. The second common point is that there is particularly the influence of the oil crises of 1970s in acceptance of the importance of energy factor by both theories. Thirdly, both theories consider energy as one of the important means of competition in the international system. However, while liberal approach tries to eliminate this competition and its negative results, the realist theory emphasizes the natural character of this competition and the struggle for getting power.

#### **4.4. Realist Approach to Energy**

As it mentioned above, the paradigm on which the realist theory is grounded are based on three important principles.<sup>30</sup> First of all, realism characterizes the key actors of the international system as rational and unitary structures in a chaotic condition. Secondly, the realist theory emphasizes that states' preferences cause conflicts and disorders. Thirdly, the realist theory estimates the international relations as a field of struggle for the superiority of material resources. Within this framework, power (material) factor and the struggle for it played a certain role in the principles on which the realist theory basically grounded.

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<sup>30</sup> Jeffrey W. Legro vø Andrew Moravcsik, "Is Anybody Still a Realist?", *International Security*, Volume 24, Number 2, 1999, pp.12-18.

Although, according to the realist theory, the main motive of this power and struggle comprises of military power, other material power elements and energy are also considered important points within this context. From the point of the modern international system, gradual strengthening of the struggle for the energy sources and military power, together with the economic factors used with diplomacy are the important components of the foreign policy, which caused realism to pay attention to this matter as well.

Two points are significant in the approach of the realist view to the energy factor. First of all, the approach to the energy from the point of realist paradigm is an important factor in general. In this context, the elements causing interest show the place of the energy as a factor in the realist paradigm and are theses of the paradigm with regard to this factor. Secondly, the role of energy has a lot of significance in the realist paradigm and its variations. Below, these two important points will be explained in detail.

### **Realist Paradigm and Energy Factor**

Realist theory, paying special importance to the terms such as “competition”, “security”, “national power” and “national interest” in its views generally accepts the strategic importance of the energy from the point of power concept.<sup>31</sup> Seeing states as rational bodies and stressing that they try to strengthen their powers, the realists consider energy sources as one of the important means for states to increase their powers. In this context, rationality requires the states to pay special attention to the energy factor in order to ensure their security. However, the rationality notion of realism sometimes contradicts from the point of energy. Hence, while the rationality in the energy from the economic point of view means selling this product at higher prices, and strengthening the economic power, some states act on the contrary. For example, states such as Russia, Iran or Venezuela sell energy below market values both at home and especially abroad. Realism explains such behaviour of it (being in the irrational form) with the fact that the state power is not measured only with economic parameters but also with other elements. Thus, the realist theory stresses that states are generally the

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<sup>31</sup> Giedrius Česnakas, “Energy Resources in Foreign Policy: A Theoretical Approach”, *Baltic Journal of Law & Politics*, Vol 3, No 1, 2010, p. 30.

rational actors from the economic point of view and energy is one of the means for the state to strengthen its influence in the foreign policy.

The realist theory puts forth and stresses that the state is also the key actor in the energy sector and 85 percent of world oil reserves and approximately 70-80 percent of gas reserves are under the control of the energy companies owned by the states.<sup>32</sup> The theory notes that there are three types of states in the global energy system. In this context, realism classifies the states as producer, transitory and consumer ones. Realists stress that being an energy producer and a transitory increase the influence of a state in international relations from the point of both economic income and strategic power.<sup>33</sup>

In this context, security and competition notions of the realist paradigm convey different meanings for producer, transitory and consumer countries. For example, for producer country the provision of the security assumes importance for the production and transportation of the energy. However, sometimes the existence of security problem in the same or different regions enables the producer country to sell energy at higher prices and gain great income and economic strength. This case means additional finances especially for a consumer state. From the point of competition, energy is characterized as the factor increasing the strategic importance and strength of a consumer country in the international system. On the other hand, the importance of the energy factor encourages the transitory and consumer states to play a more active role in the provision of this product and necessitates the strengthening of the international competition.

The realist theory does not attach great importance to the role of superpower institutions in the energy sector. Realists note that such bodies are not able to effectively control the international system and states continue to remain as independent actors. According to the theory, regional systems, like EU, are effective only when all members have common interests. Realism especially

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<sup>32</sup> Antonio Marquina, "On the Deceit of Globalization, Energy Security and Challenges to European Foreign Policy", <http://www.theory-talks.org/search/label/Energy%20Security> (30.05.2011), p.5.

<sup>33</sup> Česnakas, "Energy Resources in Foreign Policy: A Theoretical Approach", p.35.

emphasizes that this union does not have a common energy policy. Moreover, realists draw attention to the point that the international organizations like the International Energy Agency and OPEC are only functional when there appears a serious danger to the interests of the member states.<sup>34</sup>

Taking into consideration of the above-mentioned, it is possible to line up the key theses of the realist theory as follows: First of all, access to the natural resources sector and control over them are considered the main components of national power and national interest.<sup>35</sup> As a result, Hans Morgenthau, one of the founders of the realism, defines the elements of power as geography, natural resources and production capacity of the industry, level of military preparedness, population, national character and morals, diplomacy and quality of the government. Within this framework, energy forms the most important part of natural resources. Besides this, it is clear that at present energy, especially oil, plays an irreplaceable role in the development of economic systems and the industrial production of country. Particularly, as the ideological confrontation between capitalism and socialism after the Cold War came to an end and new economic powers have risen, this factor made the access to natural resources sector and control over them the main subject of the power struggle. In this power struggle, the use of military power assumes importance as the increasingly crucial diffuse factor. In this struggle process, the USA, China, Russia, the EU, Japanese, India and such other countries are the main actors of this confrontation.

Secondly, energy resources are gradually decreasing and they bear unreliable character. The thesis peak point of oil production expressing the achievement of maximum oil production in the literature draws attention to the fact that energy resources have decreased and will finish after a certain period and puts forth this anxiety. The theses like *resource curse* and *resource wars* which were used in analysing the view of the liberal theory to the energy above, draws attention like the approaches that reveal the unreliability of energy for the realist

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<sup>34</sup> Česnakas, "Energy Resources in Foreign Policy: A Theoretical Approach", p.37.

<sup>35</sup> Dannreuther, International Relations Theories: Energy, Minerals and Conflict, p.3.

theory. Especially, the rapidly increasing demand of the Asia to the energy resources strengthens this concern once more.

Thirdly, the states increased the competition for access to the sector of these natural resources and control over them. Especially, the competition is gradually strengthened among the actors of the international system in the new energy regions such as Middle East and Africa. The existence of weak and fragile states in these regions, the growing tension between the states and ethnic groups, the strengthening of political and religious radicalism create new security risks from the point of both regional and international system.

Fourthly, the conflicts and wars for these resources as a reasonable result of the above-mentioned points gradually increase. The struggle for the energy sources, especially including oil, has been the main and gradually intensifying topic of the international politics. In this context, the concepts like energy geopolitics and energy security assume importance in international relations and this, in turn, attracts attention.<sup>36</sup> The importance that the USA in this foreign policy pays attention to the Near East, Middle East and Asia which are rich in energy resources, the attempts of Russia in the direction to become an energy superpower and China's gradual increase of importance in energy may be considered practical examples of this approach.

### **Types of Realist Theory and Energy**

Realism has different types which are lined up as classical realism, neo-realism, defensive realism, offensive realism and neoclassical realism and they have serious differences in relation to the energy factor.

Classical realism theory in international relations is an approach that mainly appeared during the World War II. The main theses of this approach were reflected in the work of Edward Hallett Carr named *The Twenty Years` Crisis* written in 1939 and the book of Hans Morgenthau named *Politics Among Nations*:

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<sup>36</sup>See Carlos Pascual, "The Geopolitics of Energy: From Security to Survival", [http://www.brookings.edu/~media/Files/rc/papers/2008/01\\_energy\\_pascual/01\\_energy\\_pascual.pdf](http://www.brookings.edu/~media/Files/rc/papers/2008/01_energy_pascual/01_energy_pascual.pdf) (31.05.2011), Michael T. Klare, "Energy Security", Paul D.Wiliams, Security Studies:An Introduction, London and New York, Routledge, 2008, pp.483-496.; Andrei V. Belyi, "Energy security in International Relations (IR) Theories", [www.hse.ru/data/339/636/.../ReaderforLecturesOnEnergySecurity.doc](http://www.hse.ru/data/339/636/.../ReaderforLecturesOnEnergySecurity.doc), (31.05.2011)

*The Struggle for Power and Peace*.<sup>37</sup> Classical realism mainly defences the thoughts parallel to the realist paradigm. According to realism, international system is a state centered system and these states compete with one another in order to gain power that is the purpose of their political activities and motivations. In this approach, the material resources are the factors that both increase the power of the state abroad and for which the struggle is conducted in order to get control over them in the international struggle.<sup>38</sup> In this framework, the energy factor is also estimated as material resource increasing the power of a state.<sup>39</sup> However, it should be noted that the energy factor in classic realism assumes less importance due to the reason that this theory appropriates and evaluates the power as the notion of military character. The theory assesses a state's possession of energy resources as the factor to increase its influence in the international relations system. Again according to classical realism, a state being energy transition country is characterized as the factor increasing its relative power. The importance of energy brings to the agenda the desire and attempts of importer states to control over these resources.

The main theses of neo-realism appeared in the work of Kenneth Waltz named *Theory of International Politics* written in 1979.<sup>40</sup> Though neo-realism represents a state-centered approach, it is grounded on the systematic approach in the analysis of international relations. In neo-realism, which is grounded on the international system comprising of states, the struggle of states for the power is explained by the fact that the power ensures the security. Waltz especially attaches importance to the military opportunities of the international system. Within this framework, as neo-realist theory does not give importance to the internal factors of a state and it does not pay attention to the energy factor either.<sup>41</sup>

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<sup>37</sup> Colin Elman, "Realism", Paul D. Williams, *Security Studies: An Introduction*, p. 17.

<sup>38</sup> Česnakas, "Energy Resources in Foreign Policy: A Theoretical Approach", p.50.

<sup>39</sup> Anita Orban, *Power, Energy and The Russian Imperialism*, Westport, Prager, 2008, p.10.

<sup>40</sup> Colin Elman, "Realism", Paul D. Williams, *Security Studies: An Introduction*, p. 18-19.

<sup>41</sup> Česnakas, "Energy Resources in Foreign Policy: A Theoretical Approach", p.50.

The most important example of defensive realist approach is the *balance of threat* theory which Stephen Walt introduced in his article "*Alliance Formation and the Balance of World Power*" published in 1985.<sup>42</sup> Like neo-realism, defensive realism also considers the international relations within the framework of a systematic approach and stresses that states seek only security and try to strengthen their impact abroad.<sup>43</sup> In contrast, unlike neo-realism, defensive realism demonstrates a more rational approach while explaining state's behaviours and emphasizes that the offence-defence balance is changeable and it stresses the importance of the protection of the existing status-quo of states.<sup>44</sup> Principally, ignoring the thesis that states seek power, defensive realism accepts that power possesses other factors outside military factor. In this context, the theory assesses the energy factor in the analysis of international relations. In its general concept, defensive realism notes that a state's security seeking force the state to pay attention to energy security too. However, defensive realist theory applies the auxiliary theories and refers to a larger-scale analysis of local policy.<sup>45</sup> This, in turn, lessens the importance of the energy factor within the theory.

Offensive realism, like other system theory notes that states try to strengthen themselves as much as possible.<sup>46</sup> Offensive realism introduced by John Mearsheimer in 2001 differs from defensive realism from the point of security concept. Mearsheimer notes that security is weak in the international

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<sup>42</sup> Stephen Walt, "*Alliance Formation and the Balance of World Power*", *International Security*, Vol 9, No 4, summer 1985, pp.3-43.

<sup>43</sup> Colin Elman, "Realism", Paul D.Wiliams, *Security Studies:An Introduction*, p. 20.

<sup>44</sup> Colin Elman, "Realism", Paul D.Wiliams, *Security Studies:An Introduction*, p. 20.-21

<sup>45</sup> Česnakas, "Energy Resources in Foreign Policy: A Theoretical Approach", p.50.

<sup>46</sup>See Glenn Herald Snyder, "Mearsheimer's World-Offensive Realism and the Struggle for Security", *International Security*, Vol. 27, No 1, Summer 2002, p. 149-173. [http://polsci.ku.dk/bibliotek/publikationer/2003/ap\\_2003\\_01.pdf/](http://polsci.ku.dk/bibliotek/publikationer/2003/ap_2003_01.pdf/) və Peter Toft, "John J. Mearsheimer: An Offensive Realist Between Geopolitics and Power", *Journal of International Relations and Development*, Vol 8, No 4, Dekabr 2005, pp.381-408, <http://www.palgrave-journals.com/jird/journal/v8/n4/pdf/1800065a.pdf>, (26.09.2011).



system.<sup>47</sup> Putting forward that anarchism reigns in the international system, offensive realism emphasizes that the great powers expand their opportunities for military attack and states never possess a clear idea about their intentions. It also characterizes states as rational actors and notes that to continue their existence is the important purpose of great powers.<sup>48</sup> While noting that the main purpose of a state is to protect its existence, offensive realism accepts that it may also have a purpose not relating to security, such as economic welfare.<sup>49</sup> In this regard, the theory estimates the energy resources as the main attribute of a state's power and the factor strengthening military power.<sup>50</sup> Consequently, offensive realism generally builds a direct connection between the energy resources and military power which is considered the main power attribute by realist paradigm. Yet, offensive realism does not disclose the role of the energy factor in the foreign policy of the countries importing this resource or having transit status.

Another theory which takes the energy factor into consideration is neoclassical realism. Neoclassical realist theory is an approach which synthesizes classical realism and neo-realism and adds some attributes of the constructive theory with internal changes to it.<sup>51</sup> In this approach, the main changeabilities in the foreign policy are the international system and the views of state officials as to the system and a state's power. Here, the energy factor also holds a position among the power attributes of a state which are considered one of the main changeabilities of the foreign policy.<sup>52</sup> The diversity of outlooks with regard to a state's power and international system causes to the different assessment of the energy factor. Neoclassical realism characterizes the energy resources as more

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<sup>47</sup> Brandon Valeriano, "The Tragedy of Offensive Realism: Testing Aggressive Power Politics Models", [usccis.org/tools/software/original/public/fileforward.php?Id..](http://usccis.org/tools/software/original/public/fileforward.php?Id..), (26.09.2011) p. 3-4.

<sup>48</sup> Toft, "John J. Mearsheimer: An Offensive Realist Between Geopolitics and Power", p.383.

<sup>49</sup> Orban, Power, Energy and The Russian Imperialism, p.15.

<sup>50</sup> Česnakas, "Energy Resources in Foreign Policy: A Theoretical Approach", p.50

<sup>51</sup> Orban, Power, Energy and The Russian Imperialism, and see Jeffrey W. Taliaferro, "State Building for Future Wars: Neoclassical Realism and the Resource-Extractive State", *GLOBAL REVIEW* (Trial Issue) 2007, pp.128-165. [http://www.sjis.org.cn/Sh\\_Yj\\_Cms/Mgz/200704/20086241817107124.PDF](http://www.sjis.org.cn/Sh_Yj_Cms/Mgz/200704/20086241817107124.PDF) (26.09.2011).

<sup>52</sup> Česnakas, "Energy Resources in Foreign Policy: A Theoretical Approach", p.50.

active, effective and frequently used the factor for states to increase their national power and strengthen their impact in the international relations.

#### **2.4. Liberal Approach to Energy**

The approach of the liberal theory (which attaches great importance to cooperation in the international system and highly appraises the development and strengthening of international bodies and international rules of law and the creation of transparency in international relations for the mentioned purpose) to energy factor reflects itself in various directions.

Firstly, liberal theory makes no sharp difference between the internal and foreign policies from the methodological point of view. Such understanding reflects itself from the methodological point of view in the approach of liberalists to the energy factor. When liberalism appraises the energy factor, it also evaluates its place in internal economics and politics, as well as in international relations from the point of view of their theses.

Secondly, another question appeared for liberalism is to investigate the energy factor from the point of theory and perspectivity. In this regard, according to the liberal theory, energy and international energy industry created by it are characterized as the fields causing serious problems. As per liberal approach, the problems aroused due to energy mainly reflect itself in the economics, internal political system and international relations.<sup>53</sup> Liberalists line up these problems as *resource curse*, *rentier state* and *resource wars*.

Thirdly, liberal theory pays attention to the point that international energy industry is as problematic field and should bear more transparent and service-oriented cooperation character. According to liberals, the important points for the realization of this purpose are global and regional institutions in the energy sector and the transparency and proposals ensuring cooperation in the sector. Within the frame of mentioned points, it is possible to explain the view of liberalism to energy factor with 5 key notions which will be lined up as *resource curse*, *rentier state*, *resource wars*, transparency in international energy sector and the proposals ensuring the cooperation.

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<sup>53</sup> Roland Dannreuther, International Relations Theories: Energy, Minerals and Conflict, POLINARES working paper n. 8, Sentyabr 2010, p. 6.

## Resource Curse

The notion mainly characterized as resource curse or paradox of plenty in scientific literature for the first time appeared in 1980s with the works of Jeffrey Sachs and Andrew Warner. Each author emphasized it in their research as a special thesis that the abundance of natural resources hampers the economic development of the country and even becomes its “curse”.<sup>54</sup> The term *resource curse* was for the first time used by Richard Auty in 1993 to explain that the countries rich in natural resources do not use them for their economic development and, as a result, they fall behind the countries having fewer natural resources.<sup>55</sup>

In general, the notion *resource curse* puts forth that in less developed countries the abundance of minerals and fuels has the character of influencing the development in negative form. According to this thesis, the abundance of natural resources causes serious problems such as the slow growth rate from the economic point of view and crisis in development.<sup>56</sup> It should be noted that these problems arouse due to three main reasons. Firstly, as a result of the abundance of natural resources and their export, large amount of foreign currency flows into the country, this in its turn, artificially increases the rate of national currency and decreases the competitiveness of other sectors of the local economics.

Secondly, there appears direct and high-level dependence of the budget and revenues of country on the prices of natural resources in world market. As a result of this, the economics of the country remains vulnerable against the crises happened in foreign markets and it often causes significant problems. Consequently, in a country where the economic climate instantly changes, there appears non-stability in the economics and a large number of economic contracts

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<sup>54</sup> Jeffrey D. Sachs, Andrew M. Warner, Natural resource abundance and economic growth. //NBER Working Paper 5398, 1995.

<sup>55</sup> Richard M. Auty Sustaining Development in Mineral Economies: The Resource Curse Thesis, London: Routledge, 1993.

<sup>56</sup> Jonathan Di John, “The ‘Resource Curse’: Theory and Evidence”, [http://www.realinstitutoelcano.org/wps/wcm/connect/8719a780450e2d74a5dea7f55cb546a4/ARI172-2010\\_DiJohn\\_Resource\\_Curse\\_Theory\\_Evidence\\_Africa\\_LatinAmerica.pdf?MOD=AJPERES&CACHEID=8719a780450e2d74a5dea7f55cb546a4](http://www.realinstitutoelcano.org/wps/wcm/connect/8719a780450e2d74a5dea7f55cb546a4/ARI172-2010_DiJohn_Resource_Curse_Theory_Evidence_Africa_LatinAmerica.pdf?MOD=AJPERES&CACHEID=8719a780450e2d74a5dea7f55cb546a4) 15/12/2010, p.1.

are liquidated. Thirdly, the flow of “easy” money into the economy and state’s economic regulation lead to the occurrence of mistakes and growing of corruption rate.

The concept *Dutch Syndrome* is considered one of the key notions in the characterization and explanation of economic problems caused by resource curse. This term was for the first time used by the Economist (the journal) in 1977 for the description of economic situation of the Netherlands.<sup>57</sup> The discovery of rich gas resources from such part of the North Sea belonging to the Netherlands in 1959 and export of the gas in large scales created large-sized currency flow into the country. As a result, national currency strengthened rapidly, and this, in turn led to a number of negative consequences in other export-oriented sectors.

Being called also as *Dutch Disease*, this notion is used to explain the interaction between the exploitation of natural resources and decline in manufacturing sector. According to this economic concept, large-sized revenues obtained from natural resources weaken the competitiveness of manufacturing sector by increasing exchanging rate. *Dutch Syndrome*, as a whole, leads only to the dependence of manufacturing sector on natural resources and decreases the development perspective of other sectors. Under these conditions, there appears artificial revival in the economics and capital investments are spent on the exploitation and transport of natural resources. After natural resources are fully exploited and finish, the industry cannot change its structure in a short limit of time. In order to prevent the appearance of *Dutch syndrome*, the capital investments should be proportionally and gradually distributed on the all sectors of the industry.<sup>58</sup>

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<sup>57</sup> Owen Barder, A Policymakers’ Guide to Dutch Disease: What is Dutch Disease, and is it a problem?, Center for Global Development, July 2006, [http://www.cgdev.org/files/8709\\_file\\_WP91.pdf](http://www.cgdev.org/files/8709_file_WP91.pdf) , (22.09.2011). p.4.

<sup>58</sup> Terry McKinley, Why is ‘The Dutch Disease’ Always a Disease? The Macroeconomic Consequences of Scaling up Oda?, International Poverty Centre, Noyabr 2005, <http://www.ipc-undp.org/pub/IPCWorkingPaper10.pdf> , (22.09.2011), s.3-4. Thorvaldur Gylfason, Lessons from the Dutch Disease: Causes, Treatment, and Cures, Institute of Economic Studies, Avqust 2001, <http://www.ioes.hi.is/publications/wp/w0106.pdf>. (22.09.2011).

Within the context of the above-mentioned, the energy resources like oil and gas are considered the important examples of *resource curse* problem and its demonstration itself in the form of *Dutch syndrome* from the economic point of view. In addition, as in the countries rich in energy the economics is based on this factor, *Dutch syndrome* happens and the development problem of other sectors of the economics appears. This, in turn strikes a serious blow on economic freedoms being one of two factors to which liberal theory pays special attention from the point of international system and on which “liberal democracies” is based and the capitalist economic system formed by it.

### **Rentier State**

The concept *rentier state* whose roots are grounded on Karl Marx’s *rentier capitalism* term was for the first time used by Hossein Mahdavy to express the situation of Iran before Islamic revolution.<sup>59</sup> This thesis of Mahdavy was later one of the popular methods in the political and economic analyses of the countries of the Near East and especially of the Arab world and also other countries of the world which are rich in natural resources. In general, the term *rentier state* is used in the political sciences and international relations theories to characterize the states which obtain the whole or main part of their revenues from the granting of local resources on lease to foreign clients.<sup>60</sup>

Rentier state bears the purpose to express the influences of the notion *resource curse* on the political, administrative and social life of a country, in addition to the economic sector. This influence particularly reflects itself in the process of formation and management of state structure and regulation of its relations with citizens. Here, in the formation of the state the economic motive originated by the abundance of natural resources assumes special importance. In

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<sup>59</sup> Douglas A. Yates, *The Rentier State in Africa: Oil Rent Dependency and Neocolonialism in The Republic of Gabon*, Africa World Press, Trenton, NJ, 1996. p.11.

<sup>60</sup> See John, “The ‘Resource Curse’: Theory and Evidence”, pp.3-5; Yates, *The Rentier State in Africa: Oil Rent Dependency and Neocolonialism in The Republic of Gabon*, pp.11-40.

this regard, the economic system on which rentier states are grounded has four main characteristic peculiarities.<sup>61</sup>

First of all, the rental fee is the main source of income in the economy of such states. It should be noted that 100 percent of revenues of any rentier state is not only comprised of the lease. However, in all of such states, the rental fee is considered the main source of income. Secondly, the source of the rental incomes of such state is outside the country. Thirdly, though in the rentier state the small strata representing the political and administrative authority plays a key role in the acquisition of rental fee, people or the absolute majority of the society is only involved in its distribution and consumption. In other words, those who govern the state make income by signing contract and then distribute the so-made income among the masses of people who do not take part in this process. It should be noted that authorities usually distribute only a small portion of these revenues among the large masses of people. Fourthly, in this system the government should be the main receiver of the rental fees acquired from abroad.

Such structure of the rentier state causes serious problems from the political, administrative and social points of view. First of all, the abundance of resources and high revenues strengthen the severity of struggle to get power. Large-sized incomes received from the leasing both strengthen the inter-power struggle and also raise the separatist tendencies in such region or regions of the country rich in resources. Especially, the rich regions behave very unwillingly in the question to distribute their incomes and wish to act independently.

Secondly, the political authorities who receive great-sized incomes from the rental fees and are in no need to collect tax from the citizens do not feel more need to get legitimacy from the people.<sup>62</sup> This, in turn, hampers the political and administrative authority to be responsible before the people and also the transparency of the authority and leads to the point that recruitment system grounded on nepotism, ethnicity or religion becomes the determining factor

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<sup>61</sup> “What is a Rentier State?”, [http://www.semp.us/publications/biot\\_reader.php?BiotID=227](http://www.semp.us/publications/biot_reader.php?BiotID=227) (17.09.2011)

<sup>62</sup> Yates, *The Rentier State in Africa: Oil Rent Dependency and Neocolonialism in The Republic of Gabon*, p.15.

instead of the objective standards such as professionalism, education and talent in the management system. Within this framework, high-level corruptibility, bad governance and strengthening authoritarianism are the main characteristic factors in the political and administrative authority.<sup>63</sup>

Thus, the social-political system of the rentier state is a structure where there is no social agreement between the authority and the people. In such society tension reigns and the government does not feel the necessity to be accountable before the people and even the political freedoms are restricted and human rights are violated. At present, taking into consideration that the most characteristic examples of the rentier state are the countries rich in oil and natural gas, the thesis that energy is the most important “fuel” of this system assumes significance.<sup>64</sup>

As a result, from the point of internal political system, liberalism considers that the appearance of *rentier state* mechanism is due to large-sized energy incomes and authoritarian regimes which are mainly in the countries rich in energy resources as the reasons for anxiety. Such structure hampers the political and administrative authority to be under the control of the constitution and prevents the model of democratic development, stimulates the development of the authoritarian state model and commits a serious obstacle to the development of civil society.

### **Resource Wars**

The concept *resource wars* in the theory of international relations is used to express the existence of relation between the natural resources and interstate conflicts. In general, the history of scientific research with regard to the building of the relation between resource deficit or abundance and the conflicts goes to the deep past. The main thesis of the research is that the purpose to control over the natural resources has been one of the important reasons of the wars. For example, John Edwin Bakeless indicated in his one research in 1921 that the reason of 14

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<sup>63</sup> John, “The ‘Resource Curse’: Theory and Evidence”, p.1.

<sup>64</sup>In order to refer to other authors about similar theses see the following: Stephen Haber and Victor Menaldo, “Do Natural Resources Fuel Authoritarianism? A Reappraisal of the Resource Curse”, *American Political Science Review*, vol 105, No 1, Fevral 2011, pp.1-26; Sousan Badiei and Cyrus Bina, “Oil and The Rentier State: Iran’s Capital Formation: 1960-1997”, <http://www.luc.edu/orgs/meea/volume4/oilrentier/oilrentier.pdf> (17.09.2011)

wars out of 20 main ones happened during 1878-1918 had been economic one and most time it had been due to the motive of control over the natural resources.<sup>65</sup> Among the modern research in this regard, Arthur Westing's survey of 1986 is of special importance. Westing specially emphasizes the role of resource factor in most of 12 important wars and conflicts of the 20th century.<sup>66</sup> Again Michael T. Klare puts forth that the importance of the natural resources strengthens rapidly after the Cold War and will be the key motive of the wars in the future.<sup>67</sup>

Within this context, there are three main reasons for the point that the natural resources have become the important factor in interstate conflicts.<sup>68</sup> Firstly, market conditions do not always lead to the desirable results and incites the states to other means in order to ensure their national security. Secondly, the resources are the factors whose importance gradually increases from the point of political and military purposes of competitor states during wars and conflicts. Thirdly, the dangers directed to important resources are often accepted as the threat to the national security by the great powers and important actors and plays the role of incendiary of foreign interference. While foreign powers and companies ensure their geopolitical and commercial interests in this process of interventions, they use such theses as assurance of order and stability, in addition to democracy and principles of international law.<sup>69</sup> It is significant to emphasize that the main target of the frequently happened interventions is the countries especially rich in energy resources.

Taking into consideration the above-mentioned, in international relations the energy factor may be characterized as a harmful factor mainly from two

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<sup>65</sup> Daron Acemoglu vø Mikhail Golosov, Aleh Tsyvinski, Pierre Yared, A Dynamic Theory of Resource Wars, NBER Working Paper 16682, January 2011, <http://www.nber.org/papers/w16682>, p.1. (18.09.2011)

<sup>66</sup> Susanne Peters, "Coercive Western Energy Security Strategies: Resource Wars as a New Threat to Global Security", p. 188.

<sup>67</sup> See Michael T. Klare, Resource Wars: the New Landscape of Global Conflict, New York, Metropolitan Books, 2001.

<sup>68</sup> Ashley Hamilton, "Resource Wars and the Politics of Abundance and Scarcity", Dialogue, Volume 1, Number 3, 2003, <http://www.polsis.uq.edu.au/dialogue/vol-1-3-5.pdf>, pp.27-28.

<sup>69</sup> Philippe Le Billon, The political economy of resource wars, p.28-29.



aspects for liberal theory.<sup>70</sup> First of all, energy forms one of the important damages to the concept of cooperation to which liberal theory pays special importance. As a result, one of the main reasons of competition, conflict or war in the international system is ensuring control over the natural resources. Within this framework, the appearance of *resource wars* and its composition of mainly the competitions and conflicts for the energy and its incomes is another point. Hence, according to liberal theory the energy factor is estimated as the problematic question in international arena.

Secondly, the energy factor is one of the main subjects of secret and dirty relations that liberalism is seriously against in international relations. Furthermore, the realist theory assumes the preventing character of energy to the assurance of transparent and universal democratic standards within this framework. Consequently, the energy factor causes the building of special close relations with authoritarian regimes of the countries rich in this resource by the states appearing with their democratic character or non-state actors and the support of such regimes.<sup>71</sup> The relations of the USA and Great Britain with Iran before the Islamic revolution, Venezuela - USA relations prior to Hugo Chavez and Nigeria-Great Britain, Burma-France and at present Saudi Arabia-the USA relations are merely some examples of special relations that the energy factor causes. Again, it is clear that the energy factor plays a key role behind the support provided by BP, Exxon-Mobile, TOTAL and some Western energy companies to the different authoritarian regimes in the world, the Near East and Africa being on the top.

### **Cooperation in International Energy Sector**

Liberal theory pays special attention the question of which steps should be taken to make the international energy industry (of which liberal theory characterizes as problematic sector) function more transparently and serve for cooperation at the international level. Here, the main focus in this is the

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<sup>70</sup> Dannreuther, *International Relations Theories: Energy, Minerals and Conflict*, p. 6-7.

<sup>71</sup> Dannreuther, *International Relations Theories: Energy, Minerals and Conflict*, p. 6-7.

elimination of negative consequences of the non-liberal practice in international energy sector and the building of transparent institutions. The suggestions in this direction mainly come from neoclassical economists, activist scientists, international finance organizations and non-governmental organizations such as 'Global Witness' 'Revenue Watch' and 'Publish what you Pay'. It is possible to classify the main principles put forward for the elimination of non-liberal practice in international energy sector under 6 headings.<sup>72</sup>

The first of these principles is the strengthening of transparency and transparency measures against secret transactions. For this purpose, the provision of political participation in the decision-making process is the granting of right and opportunity to citizen and elements of civil society to get information. *Publish what you pay* campaign and *The Extractive Industries Transparency Initiative* have special importance in the provision of transparency in energy sector. The purpose of *Publish what you pay* campaign which was announced by the organization of Global Witness in 2002 and in which more than 300 groups took place is to strengthen the transparency in oil & gas and processing industry. According to the campaign, informing the public is the most important mechanism in this direction.<sup>73</sup> *The Extractive Industries Transparency Initiative* was firstly announced by Tony Blair, the Prime Minister of Great Britain in October 2002 and its first conference was held in London in June 2003.<sup>74</sup> *The Extractive Industries Transparency Initiative* considers the common activity among governments, companies and civil societies for the much more transparency of oil and gas sector and extractive industry and provision of independent social control.<sup>75</sup>

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<sup>72</sup> Dannreuther, *International Relations Theories: Energy, Minerals and Conflict*, p. 6-7.

<sup>73</sup> For more information: Mabel van Oranje and Henry Parham, *Publishing What We Learned: An Assessment of the Publish What You Pay Coalition*, <http://eiti.org/document/publishing-what-we-learned> (20.09.2011)

<sup>74</sup> "History of EITI", <http://eiti.org/eiti/history> (20.09.2011)

<sup>75</sup> "The EITI Principles and Criteria", <http://eiti.org/eiti/principles>

The second one is the restriction and elimination of illegal trading and practice by international regulations. Though no actual step has been made yet in the settlement of similar problem in energy sector, *Kimberley Process* may be considered a suitable example in the direction to solve the problem of illegal trading of the natural resources in international arena. *Kimberley Process* was established in the meeting of the states producing diamond in the city of Kimberley of the Republic of South Africa on May of 2000.<sup>76</sup> In the meeting, the question to prevent the use of diamonds in financing the wars waged against the legal governments by the rebels in the countries of Africa rich in diamonds, such as Angola, Kot Divuar, Kongo and Sierra Leone was discussed. In November 2002, as a result of discussions among states, international diamond industry and non-governmental organizations, *The Kimberley Process Certification Scheme* was designed.<sup>77</sup> The signatories of this document which is effective from 2003 have undertaken the obligation to follow the serious requirements during bringing diamond from the zones of conflict. Until the beginning of 2010, totally 76 countries signed on to *The Kimberley Process*.

The third proposal is the application of Corporate Social Responsibility (CSR) concept to the energy sector. The term Corporate Social Responsibility came in to common use in the late 1960s and early 1970s. This term means voluntarily undertaking obligations and following them by the companies in order to proceed their activity by taking into consideration of the interest of everyone who engaged in the process and in general the interests of the society.<sup>78</sup> The question to apply the concept *Corporate Social Responsibility* to the energy sector and the attention of the energy companies to the social and ecological questions within this framework assumed urgency in the 1970s.<sup>79</sup> In the 1980s, social

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<sup>76</sup> [http://www.kimberleyprocess.com/home/index\\_en.html](http://www.kimberleyprocess.com/home/index_en.html)

<sup>77</sup> [http://www.kimberleyprocess.com/home/index\\_en.html](http://www.kimberleyprocess.com/home/index_en.html)

<sup>78</sup> See [http://www.hks.harvard.edu/mrcbg/CSRI/publications/workingpaper\\_10\\_kyle\\_ruggie.pdf](http://www.hks.harvard.edu/mrcbg/CSRI/publications/workingpaper_10_kyle_ruggie.pdf)

<sup>79</sup> Jon Birger Skjørseth, Kristian Tangen, Philip Swanson, Atle Christer Christiansen, Arild Moe, Leiv Lunde, Limits to Corporate Social Responsibility: A comparative study of four major oil companies, <http://www.fni.no/doc&pdf/FNI-R0704.pdf>, p.4.

responsibility assumed more important meaning in the oil industry and especially the questions of environmental sustainability and human rights became of great significance.<sup>80</sup> In general, the concept *Corporate Social Responsibility* strengthens the responsibility of the energy companies before individual, society, nature and other companies. It is possible to divide the activities in the energy sector with regard to *Corporate Social Responsibility* into two parts, mainly of micro- and macro-scale.<sup>81</sup> Micro-scale Corporate Social Responsibility activities have a character not clashing with the general policy of the government and supporting this policy in specific sectors. Such types of activities deal mainly with the operations of the energy companies, and the layers and the subjects which are directly influenced, and they sometimes cover the projects at the national level. Macro-scale Corporate Social Responsibility activities pay attention to the indirect influences of the sudden relative rises in the extractive industry to the political, economic and social life of the country. It is possible to show the strengthening of the transparency and responsibility in the payments to the state by the energy companies in oil sector, the programs with regard to good governance and democratic development, anti-corruption and human and social rights as an example to macro Corporate Social Responsibility activities in the oil industry.<sup>82</sup>

In the fourth place, liberal theory intends to apply the notion good governance to the rentier state mechanism and the management of energy revenues. The concept *Good Governance* is one of the frequently used notions in political sciences, social management and development management in recent

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<sup>80</sup> Skjærseth and others, , Limits to Corporate Social Responsibility: A comparative study of four major oil companies, p.4.

<sup>81</sup> Lars H. Gulbrandsen and Arild Moe, "Oil Company CSR Collaboration in 'New' Petro-States", JCC, Sayı 20, Qış 2005, [commdev.org/files/1791\\_file\\_caroil.pdf](http://commdev.org/files/1791_file_caroil.pdf), p.55.

<sup>82</sup> Gulbrandsen və Arild Moe, "Oil Company CSR Collaboration in 'New' Petro-States", s.55. and see "Corporate Social Responsibility: Between Civil Society and the Oil Industry in the Developing World", ACME: An International E-Journal for Critical Geographies, Vol 8. No 3, 2009, pp. 530-541, <http://www.acme-journal.org/vol8/Tuodolo09.pdf>,

years.<sup>83</sup> From the political point of view, “good governance” means the relation with public and management of social resources to ensure the succession of the state structures in the realization of human rights.<sup>84</sup> According to UN Standards, the main peculiarities of good governance are to be consensus-oriented, participatory, complaint with legal norms, responsible, transparent, sensible, effective and fair.<sup>85</sup> The liberal theory believes that good governance will give opportunity to eliminate the negative consequences in the rentier state mechanism and the management of energy revenues within this framework.

In the fifth place, according to liberal theory, the promotion of international and regional energy regimes and institutions based on liberal values assume great importance. As per liberal theory, the International Energy Agency has an important role in the provision of international cooperation. The International Energy Agency was established in Paris in 1973 with the initiative of the USA after the oil crisis of 1973-1974. At present, having 28 members, this organization aims to ensure international cooperation in the field of energy resources and services. The activities of the IEA in this regard are grounded on the principles of collective energy security, economic development and protection of environment.<sup>86</sup>

International Energy Agency attached special importance to Mr. Robert Keohane who studied scientifically the liberal institutions and explained the main keys “interdependence” in international cooperation. Thus, Mr.Keohane also studied the international oil regime between 1974 and 1981 and the activities performed by the International Energy Agency in his book titled *After Hegemony*:

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<sup>83</sup> Sam Agere, Promoting Good Governance: Principles, Practices and Perspectives, London, Commonwealth Secretariat, 2000, p.1.

<sup>84</sup>“What is Good Governance?”, <http://www.unescap.org/pdd/prs/ProjectActivities/Ongoing/gg/governance.asp>

<sup>85</sup> “What is Good Governance?” in European Governance: A White Paper, Commission Of The European Communities, 2001, p.10-11., Fikret Toksöz, İyi Yönetişim El Kitabı, İstanbul, TESEV, 2008, p.8.

<sup>86</sup> See <http://www.iea.org/index.asp>

*Cooperation and Discord in the World Political Economy*.<sup>87</sup> Mr. Keohane, studying the situation in the oil field in the mentioned periods in the aspect of liberal perspectives, noted particularly the role of competition in the two oil crises. The American scientist also drew attention to the points that the International Energy Agency became more active in the international energy sector after the first crisis up to 1978 and that cooperation opportunities among countries was one of the most discussed issues in agenda. He also noted that this process was broken again due to the oil crisis of 1979-1980. Mr. Keohane described the International Energy Agency, together with OPEC, the most important organizations in global energy regime in extending globalization and interdependence conditions in the article, which was written by him in joint with two other authors in 2011 and in which he studied the international energy regimes.<sup>88</sup>

According to the liberal approach, building international energy regime in the provision of international cooperation in the energy sector assumes great importance.<sup>89</sup> In this regard, the liberal approach attaches great importance to the Energy Charter Treaty.<sup>90</sup> The question of the Energy Charter Treaty (ECT) was announced by Ruud Lubbers, Prime Minister of the Netherlands in June 1991 to settle the question of energy security, one of the main factors of stability in the post-Soviet area. Within this framework, on December 17, 1991 the Energy Charter was signed in the EU summit held in The Hague. From 1992, the negotiations on the Energy Charter Treaty started and, as a result, on December 17, 1994 in Lisbon, the Energy Charter Treaty was initiated. Nearly 30 states joined Final Decision and Protocol on Energy Efficiency and Related Environmental Aspects of the Energy Charter. Being effective on April 16, 1998 and having final amendments in 2004, the Energy Charter Treaty has 51 members

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<sup>87</sup> See Robert O. Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy*, Princeton University Press, 2005, pp.217-242.

<sup>88</sup>Robert O. Keohane, Jeff D. Colgan, Thijs Van de Graaf, "Punctuated equilibrium in the energy regime complex", *The Review of International Organizations*? Number. 7 2012, p. 130.

<sup>89</sup>See Andrei V. Belyi, *Energy Security in International Relations (IR) Theories*, [www.hse.ru/data/339/636/.../ReaderforLecturesOnEnergySecurity.do...](http://www.hse.ru/data/339/636/.../ReaderforLecturesOnEnergySecurity.do...), pp.34-43. (25.09.2011)

<sup>90</sup> See <http://www.encharter.org/>

at present. Azerbaijan joined the Energy Charter Treaty and its Protocol on Energy Efficiency and Related Environmental Aspects on December 23, 1997 and Amendments to the Trade-Related Provisions of the Energy Charter Treaty on April 24, 1998.<sup>91</sup> Taking into consideration of the above-mentioned with regard to the functions and missions of the IEA and the Energy Charter Treaty, the requirements on the point that China is a member to the IEA or Russia (being strategic actors from the point of international energy sector) signs the Energy Charter Treaty may be regarded some of the important examples of the liberal approach in the practice.

Lastly, the liberal theory attaches special importance to the economic liberalization of international and local energy market. The liberalization of international and local energy market means the provision of free competition, the protection of consumers` rights and the prevention of appearance of oligopolistic market conditions in energy sector, production activities, transport, distribution and trade.<sup>92</sup> It is put forth that in this case the economic productivity will increase in the energy sector and geopolitical competition and conflicts and wars will be fewer.

Having analyzed the two prominent approaches to IR and their viewpoints as regards energy, namely realism and liberalism, this thesis will now focus on the energy sector of Azerbaijan and its legal framework.

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<sup>91</sup> [http://mfa.gov.az/index.php?option=com\\_content&task=view&id=201&Itemid=1](http://mfa.gov.az/index.php?option=com_content&task=view&id=201&Itemid=1)

<sup>92</sup> Adriana Mladenova, "Energy Liberalization?", 27.06.2007, <http://ime.bg/en/articles/energy-liberalization/> (25.09.2011)

## CHAPTER 3

### ENERGY SECTOR OF AZERBAIJAN

This chapter explains the general significance of the energy sector and provides information on the Azerbaijan energy (oil, gas and electro energy sectors) history, the way of Azerbaijan oil and gas in the period of the independence, the current composition of energy sector and important institutions.

#### 3.1. Energy Sector

Energy sector is considered to be one of the most important factors providing development and economic stability in any country. The main reason for such importance is production of oil, power and heating for human. This importance can be perceived much better when we consider that energy consumption is irreplaceable factor in human life in modern society. The mentioned sector, which is also called energy industry in the Western scientific literature, covers different energy producing fields. These fields include oil, gas, power, coal, nuclear energy and alternative energy sources. Within this definition, energy sector means a comprehensive structure covering whole steps from production to the delivery of energy.

In comparison to Western terminology, the definition of *oil and power engineering complex* is used instead of energy sector or energy industry in Azerbaijan. This definition remains from the Soviet and is formed from the translation from Russian definition of “Топливно-энергетический комплекс (ТЭК)” “into Azerbaijani. Oil and power engineering complex definition means exploring, extracting, transporting, distributing and using oil and power engineering resources.<sup>93</sup>

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<sup>93</sup> А.Т. Хрушев, География промышленности СССР, Москва, Мysl, 1979, p.152-206, В.И. Видяпин, М.В. Степанов, Экономическая география России, М.: ИНФРА-М, Российская экономическая академия, 2000. p.98. və R.H. Məmmədov, (elmi redaktor), Azərbaycan Respublikasının iqtisadi və sosial coğfayası, Bakı, 2003, p.37.



The main fields of oil and power engineering complex of Azerbaijan being rich with significant energy resources include oil, gas and power engineering sectors. Although these three sectors do not have deep historic roots and significant impact scope, the efforts made to produce energy from non-traditional energy sources, such as wind, sun and geothermal waters should also be noted. This thesis will assess the energy sector of Azerbaijan within the framework of oil, gas, power engineering and alternative energy sources.

### **3.2. Origins of Oil Sector in Azerbaijan**

The information and data on existence of oil in Azerbaijan is rooted from ancient times. The term, *Land of Fires*, which is one of interpretations of the name of Azerbaijan and which is used to characterize the country in the modern period, is also closely related to existence of oil in Azerbaijan. Mr. Charles Marvin, an English traveler and writer, noted in his work titled *The Region of the Eternal Fire* written in 1877 that the oil in Absheron peninsula had history of 2500 years.<sup>94</sup> The facts of existence of oil in Azerbaijan may be seen in the works written by travelers and historians, such as Pontu Prisk (V Century), Abu-Istakhri (VIII Century), Ahmad Balazuri (IX Century), Masudi (X Century), Marko Polo (XIII-XIV Centuries), Evliya Chalabi və O'Leari (XVII Century).<sup>95</sup>

History sources note that the key region of Azerbaijan where the oil sources are located is the Absheron peninsula. The oil was used in medicine and in the local lighting in the Absheron peninsula which was the main praying center of the fire-worshippers.<sup>96</sup> Several sources note that the oil had been extracted in Azerbaijan in VII-VI Centuries in BC.<sup>97</sup> The 60 meter well constructed by master from Balakhani in 1594 is considered to be a evidence confirming the extraction

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<sup>94</sup> Sabit Bağirov, "Azerbaijani Oil: Glimpses Of A Long History", Perceptions, Volume 1, İyun-Avqust 1996, <http://www.sam.gov.tr/perceptions/Volume1/June-August1996/AZERBAIJANIOILGLIMPSESOFALONGHISTORY.pdf>, p.1

<sup>95</sup> Natig Aliyev, "The History of Oil in Azerbaijan", Azerbaijan International, Yay 1994, Volume 2, p.22  
[http://azer.com/aiweb/categories/magazine/22\\_folder/22\\_articles/22\\_historyofoil.html](http://azer.com/aiweb/categories/magazine/22_folder/22_articles/22_historyofoil.html)

<sup>96</sup> Natig Aliyev, "The History of Oil in Azerbaijan", p.22

<sup>97</sup> E.M.Hacıadə, Azərbaycanın quruda neftqazçıxarma kompleksində iqtisadi islahatlar və səmərəlilik problemləri, Bakı. Elm, 1998, p.9.

of oil in Azerbaijan in the middle ages.<sup>98</sup> Furthermore, the map of oil wells in Absheron were made in 1724. Gasimbay Mansurbayov, a residence of Baku, managed drilling two oil wells, one 18 m and another one 30 m, near Bibiheybat in 1803.

The formation and development of oil in Azerbaijan as an industry sector occurs particularly in the mid of 19<sup>th</sup> century. In this aspect, the development history of the oil industry of Azerbaijan may be divided into five main phases.<sup>99</sup> The first phase covers the period from 1847 to 1920. This period started with the extraction of industrially important oil from the wells drilled on mechanical manner in Bibiheybat and Balakhani fields first time in 1847-1848. Within this period, the first oil refinery plant was constructed in Baku in 1859. Mr. Javad Malikov constructed the kerosene plant in 1863 and used coolers in the oil refine process for first time in the world. There were already 15 oil refinery plants in Azerbaijan in 1867. Oil production was more intensified through the development of Balakhani-Sabunchu-Ramana field in industrial manner in 1871.

After the Tsar ruling prohibited the employment of serfdom in the mining industry in 1864, two laws on Excise Tax in Oil Mines and Oil Products and Sale of Oil Fields of Leaseholders to Physical Entities through auction were adopted in 1872 in order to regulate the gradually developing oil industry.<sup>100</sup> After the adoption of the laws, 15 oil fields were offered for sale in Balakhani and 2 oil fields were offered for sale in Bibiheybat on December 31 of the same year.

The adopted laws pushed the development of oil industry. Thus, the new legislation facilitated exploring oil in unused lands belonging to the state and leasing the oil fields for 24 years. The leaseholder had the right to export and define the price of the crude oil extracted by him. Net national capital invested on oil industry was 4% in 1870s, and in general, the amount of total capital including national capital was about 10%.

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<sup>98</sup> Mir Yusif Mir-Babayev, "Azerbaijan's Oil History: A Chronology Leading up to the Soviet Era", p.34.

<sup>99</sup> Hacızadə, Azərbaycanın quruda neftqazçıxarma kompleksində iqtisadi islahatlar və səmərəlilik problemləri, p.9.

<sup>100</sup> Hacızadə, Azərbaycanın quruda neftqazçıxarma kompleksində iqtisadi islahatlar və səmərəlilik problemləri, p.10.

In these years, oil related industry was formed, and the Black City (Gara Sheher), where the oil industry of Baku was accumulated, was constructed in 1875.<sup>101</sup> While the oil production in Baku provided an opportunity to make Baku be an industrial city, it contributed to the development of the national bourgeoisie in Azerbaijan. Thus, 49 (24,8%) of 167 owners acting in the oil industry were Azeri at the end of 19<sup>th</sup> century. Among them, Haji Zeynalabdin Taghiyev, Isa bey Hajinski, Murtuz Mukhtarov, Shamsi Asadullayev and Seyid Mirbabayev were particularly notable.

“Baku Oil Society”, the first joint-stock company, was established in Baku in 1874. The Nobel brothers incorporated an oil company for oil production and oil refinery in Baku in 1876.<sup>102</sup> The Nobel brothers had several oil mines, oil refinery plants and Caspian oil shipping tanks in Azerbaijan.

After the excise tax on oil products was prohibited in 1876, new oil refinery plants were constructed and started operations. Oil pipeline with 12 km length connecting Baku oil refinery plant to Balakhani field was constructed for the first time in Russia in 1878. The total length of oil pipelines connecting the oil mines to Baku oil refinery plants was 230 km in 1898, and 1 million tones of oil was transported through this pipeline per annum. The Baku-Batumi railway, which started its operations in 1883, was a particularly significant railway in the exportation of the oil and oil products of Azerbaijan to European countries. In 1890, 55 millions tones oil was transported from the Baku terminal to the West, and the Baku port held the first place for turnover of shipments among the ports of Russia.<sup>103</sup>

Rotshild started its financial-lending operations, and engaged in oil sale in Baku in 1883. Rotshild established Caspian-Black Sea Oil Company in 1886. In 1890, Rotshild’s bank controlled 42% of export of Baku oil. In 1901, Azerbaijan,

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<sup>101</sup> Mir Yusif Mir-Babayev, “Azerbaijan's Oil History:A Chronology Leading up to the Soviet Era”, p.35.

<sup>102</sup> Natig Aliyev, “The History of Oil in Azerbaijan”, p.23.

<sup>103</sup> Hacızadə, Azərbaycanın quruda neftqazçıxarma kompleksində iqtisadi islahatlar və səmərəlilik problemləri, p.11.

producing 11,5 million tones of oil, held the first place in the world.<sup>104</sup> This covered more than 50% of the world oil for the mentioned time whereas the USA produced 9, 1 million tones oil in the said year.

D. I. Mendeleev, famous chemist, proposed to construct Baku-Batumi oil pipeline in order to transport the Baku oil to the world markets in 1880. The total length of tis pipeline was 833 km, its construction started in 1897 and finished in 1907.

109 joint-stock companies had been acting in Azerbaijan until the date of the nationalization of the oil industry in Azerbaijan. 72 were under Russian capital (240 million Russian Rouble) and 37 were under English capital (100 Millions Pounds). The amount of the capital invested by Nobel brothers in the oil industry was 30 millions Rouble. “Haji-Cheleken” Oil Company owned by Mr. Isa bey Hajinski, one of the richest owners in oil industry of that period, invested 1, 25 million Pounds in the oil industry. 270 oil producing companies, 49 middle and small companies engaged in drilling oil wells, 25 companies engaged in oil refinery, more than 100 workshops, maintenance shops and etc. acted within the nationalization of oil industry in Azerbaijan. The condition of oil industry was complicated due to the war and revolutions at the final years of this period, and, as a result, the oil production decreased significantly.

The second important phase of the Azerbaijan oil industry covered 1920-1949. This period started with governing the oil industry in Azerbaijan and ended with the exploration of “Neft Dashlari” (Oil Stones) field in the Caspian Sea. When the Soviet ruling was built in Azerbaijan after the Great October overturn and the Bolshevik occupation on April 28<sup>th</sup> of 1920, the oil and gas industry entered a new phase. The Azerbaijan Revolution Committee adopted a decree on the nationalization of the oil industry on May 24, 1920.<sup>105</sup> In order to manage the nationalized oil industry, the Azerbaijan Oil Committee was established and Mr. Alexander Serbrovski was appointed to be the chairman of the committee.

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<sup>104</sup> <http://new.socar.az/socar/az/company/about-socar/oil-history-in-azerbaijan>

<sup>105</sup> Hacızadə, Azərbaycanın quruda neftqazçıxarma kompleksində iqtisadi islahatlar və səmərəlilik problemləri, p.11.

This period is characterized with the expansion of oil search and exploration works and the rapid increase of oil production in parallel with it. Within this framework new oil fields including Gala, Buzovna-Mashtaga oil fields had been explored and put into operation. As a result of this development process, oil production, arranging 2.4 million tons in 1921, reached 23.5 million tons in 1941. This figure has arranged 71.4 % of the oil produced in whole Soviet Union in 1941. Such a high production ensured the victory of the USSR in the World War II and increased the special role of oil in the settlement of issues of national economy.<sup>106</sup>

The oil of Baku was one of the important targets that Fascist Germany wanted to obtain during the Great Patriotic War in 1941-1945. For this reason, the important part of oil equipments and oil worker specialists were moved during war to Tatarstan, Bashkiria and Turkmenistan in the south part of the USSR. However, the oil workers of Azerbaijan won an important part in victory over Fascism by producing total 75 million tons of oil, 73.4 % of the oil produced in the USSR during war.<sup>107</sup>

One of the most important achievements of the second stage has been the extraction of oil in the sea in Azerbaijan for the first time. In 1949, the Council of Ministers of the USSR adopted a decision on the actions with respect to the improvement of exploration and commissioning of offshore oil fields in Azerbaijan SSR and particular Azerdeniz Trust were established for execution of these actions.<sup>108</sup> Within this framework on November 7, 1949, oil was found in “Neft Dashlari” field in an open sea 40 km far from the coast and 90 km far from Baku and was put into operation.<sup>109</sup>

The third stage of the history of Azerbaijan Oil Industry covers the period of 1950-1969. The most important feature of this stage is the expansion of

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<sup>106</sup> <http://new.socar.az/socar/az/company/about-socar/oil-history-in-azerbaijan>

<sup>107</sup> Hacızadə, Azərbaycanın quruda neftqazçıxarma kompleksində iqtisadi islahatlar və səmərəlilik problemləri, p.11.

<sup>108</sup> Hacızadə, Azərbaycanın quruda neftqazçıxarma kompleksində iqtisadi islahatlar və səmərəlilik problemləri, p.11.

<sup>109</sup> Ильхам Алиев, Каспийская нефть Азербайджана, Москва, Известия, 2003, p.40.

offshore geological-exploration works, the discovery and commissioning of Gum-Deniz, Sangachal-Divanni-deniz-Khara-Zire islands, Bahar, Bulla-Deniz, Darwin kupesi, Palchig pilpilesi oil and gas fields, and the development of offshore oil extraction infrastructure through techniques and the technology of construction of hydrotechnical oil plants. Within this framework, offshore fields were constructed on scaffold beams in an open sea for the first time in world practice. In this stage, new oil and gas condensate fields such as Kurovdag, Mishovdag, Kursanga, Garabagli, Galmaz, Garadagh were discovered and put into operation in onshore fields.

The fourth stage of the history of Azerbaijan Oil Industry covers the years from 1970 until 1991 when it has gained its independence. In 1970 "Khazardenizneft" Production Unity (PU) was established and the Ministry of Oil Industry of USSR, taking into account the experience of the oil workers of Azerbaijan to conduct works in sea conditions, assigned oil workers of Azerbaijan to the implementation of all geological-exploration, drilling, processing and other works in all sectors of Azerbaijan. It should be noted that in that year the Caspian Sea has been divided into sectors. As a result of the initiative and efforts of Heydar Aliyev that led Azerbaijan in that period, more than 400 and 75 types of heavy load lifting crane ships, pipelaying ships, seismic and passenger ships were brought to Azerbaijan in the years of 1970 – 1980. Within this framework, the crane ship named *Azerbaijan* in the capacity of 2500 tons began to operate in the Caspian Sea and Shelf type half-sunk sailing drilling plants which enabled working in the fields in the depth of 200 m of the sea were purchased. In 1980, the number of sailing drilling plants reached 11. At the end of 1970 and in the beginning of 1980, the fields whose names are now well-known in the whole world such as Azeri, Chirag, Kapaz and Gunashli which provided more than 60 % of oil of the SOCAR were discovered in the depth of 80-350 m of the sea. In this period, 450 million US dollars for the construction of Deep Sea Deposits Plant in Bakued were allocated and permission to build the plant was obtained. This plant whose construction was deemed to be implemented in Astrakhan was constructed in Baku by the efforts of Heydar Aliyev.

The fifth and the last stage in oil sector of Azerbaijan is characterized with the production of Azerbaijan oil sources on account of new investments and presenting it to the foreign markets after Azerbaijan has gained its independence. This process that is characterized as "New Oil Strategy" deems especially great capital investments of Western companies on the oil sector of Azerbaijan and the transportation of the produced oil through the routes alternative to Russia. The practical application of this oil strategy has been implemented through the production of Azerbaijan oil under multiple contracts signed with foreign companies including the Contract of the Century and transportation of it via various oil pipelines including Baku-Tbilisi-Ceyhan.

### **3.3. Origins of Gas Sector in Azerbaijan**

The availability of natural gas in the territory of Azerbaijan comes from many centuries. The main sign of this fact is that Azerbaijan is one of the lands of fire-worshippers. One of the most important evidences of this moment that have been proved through historical evidences is the establishment of temples of fire-worshippers in the territory of burning area in Surakhani that natural gas is extracted by the Indian merchants visiting Azerbaijan in Middle Ages and the conversion of this place into saint pilgrimage of other fire-worshiper pilgrims afterwards.<sup>110</sup> At the end of 19<sup>th</sup> and in the beginning of 20<sup>th</sup> century, fire and burning events have been observed in the territory of Bibiheybat in Absheron with respect to the extraction of natural gas from sea surface for long years. There is a well-known Yanar Dag surface (Burning Mountain) that continues to burn permanently in the territory of Mahammadli village of Absheron.

Especially, natural gas began to be used in industry and in household in the middle of the 19<sup>th</sup> century. Within this framework, natural gas was used as fuel in order to obtain vapour in one plant in Surakhani in 1859.<sup>111</sup> The well dug in Surakhani in 1902 created gas fountain, that well, the daily discharge of which

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<sup>110</sup> Hacızadə, Azərbaycanın quruda neftqazçıxarma kompleksində iqtisadi islahatlar və səmərəlilik problemləri, p.17.

<sup>111</sup> Mir Yusif Mir-Babayev, "Azerbaijan's Oil History: A Chronology Leading up to the Soviet Era", p.37.

was 57 thousand m<sup>3</sup>, caused the establishment of the first gas transportation system.<sup>112</sup>

On the other hand, the main decisive steps in this process were taken by exploration and commissioning of new gas fields from 1920.<sup>113</sup> 34 million m<sup>3</sup> gas was produced in Azerbaijan in respect to increase of production in 1920-1921.<sup>114</sup> A new department on utilization of gas within the structure of Azneft was established in 1924 in respect to development of gas industry and afterwards the department was parted from Azneft PU and began to act as an independent organization.

The gas industry has turned into an important sector since 1928.<sup>115</sup> In the same year 0.17 million m<sup>3</sup> of gas has been produced in Azerbaijan.<sup>116</sup> 90-95 % of residential complexes in Baku were heated by gas in 1931.<sup>117</sup> In 1936, an independent organization “Azqaz” dealing with gas exploration and commissioning drill in Azerbaijan was established in respect to rapid growth of gas industry.

A new stage started in the development of gas sector from 1950. The discovery and commissioning of independent gas fields in Garadagh between 1955 and 1958 is of great importance in this process.<sup>118</sup> At the same time, together with this field, gas was being produced in onshore Gurgan-Zira, Salyan-Ali Bayramli, Siyazan areas and Caspian Sea. In Azerbaijan, gas coincided with oil extracting areas. Within this framework, the development of oil industry ensured

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<sup>112</sup> Hacızadə, Azərbaycanın quruda neftqazçıxarma kompleksində iqtisadi islahatlar və səmərəlilik problemləri, p.17.

<sup>113</sup> Z.S. Abdullayev, E.M.Hacızadə, Neft Təsərrüfatının İqtisadi Strukturunun Modernizasiyası, Bakı, Elm, 2003, p.13-14.

<sup>114</sup> Hacızadə, Azərbaycanın quruda neftqazçıxarma kompleksində iqtisadi islahatlar və səmərəlilik problemləri, p.18.

<sup>115</sup> Z.N.Eminov, Coğrafiya: Azərbaycan fiziki və iqtisadi coğrafiyası, Bakı. 2000, p.98.

<sup>116</sup> Abdullayev və d. , Neft Təsərrüfatının İqtisadi Strukturunun Modernizasiyası, p.14.

<sup>117</sup> Hacızadə, Azərbaycanın quruda neftqazçıxarma kompleksində iqtisadi islahatlar və səmərəlilik problemləri, p.18.

<sup>118</sup> Eminov, Coğrafiya: Azərbaycan fiziki və iqtisadi coğrafiyası, p.98.



the development of the gas sector and rapid growth of gas production. Consequently, the gas production being 2.5 billion m<sup>3</sup> in 1941 increased up to 5.8 billion m<sup>3</sup> in 1960, 9.9 billion m<sup>3</sup> in 1976 and 15 billion m<sup>3</sup> in 1980.<sup>119</sup> Together with the destruction process of the USSR, a decrease started in gas production in Azerbaijan. Hence, the total gas production decreased to 6.6 billion m<sup>3</sup> in 1991 and this trend continued for 10 years and the gas production fell down to the level of 5.6 billion m<sup>3</sup> in 2000.<sup>120</sup> This trend lasted until 2004 when 5.57 billion m<sup>3</sup> gas was produced.<sup>121</sup>

However, as a result of independence and contracts signed with foreign companies and works conducted in order to ensure development in oil and gas field, it was observed that gas production in Azerbaijan rapidly increased from the middle of 2000s. Within this framework, Azerbaijan produced gas in the volume of 6.487 billion m<sup>3</sup> in 2005, 9.044 billion m<sup>3</sup> in 2006, 16.964 billion m<sup>3</sup> in 2007, 23.405 billion m<sup>3</sup> in 2008 and at last record level 26.349 billion m<sup>3</sup> in 2010.<sup>122</sup>

#### **3.4. Oil and Gas Sector of Azerbaijan during the Independence Period**

With the demise of the USSR and the end of Cold War, unilateral violation of balance existed to the extent between power centers and this brought the problem of distribution of energy reserves in the post Soviet geography to the center of attention. This distribution will provide the parties that will have the possibilities to control great oil (or natural gas) reserves with the opportunities to be a great global power in the 21<sup>st</sup> century. Especially, the great use of energy factors in foreign policy in 2000s and the increasing impacts of energy needs on political decisions in Euroasia mainland (either West European countries or the states as China, India or even Japan) show that how much this thesis is right.

In this meaning, the interest on energy sources of Azerbaijan and in general on its energy sector after gaining its independence has increased significantly. As supposed, the main direction of this interest has been arranged by

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<sup>119</sup> Məmmədov, Azərbaycan Respublikasının iqtisadi və sosial coğrafiyası, p.41

<sup>120</sup> Məmmədov, Azərbaycan Respublikasının iqtisadi və sosial coğrafiyası, p.41

<sup>121</sup> <http://new.socar.az/socar/az/economics-and-statistics/economics-and-statistics/gas-production>

<sup>122</sup> <http://new.socar.az/socar/az/economics-and-statistics/economics-and-statistics/gas-production>

the oil and gas reserves of Azerbaijan. The increase of interest on Azerbaijan oil and gas may be explained by two factors. First of all, in historical point of view oil and from a certain period the natural gas has a strategic importance from the point of the global system. Secondly, for Azerbaijan oil and gas reserves arrange the alternative differed from energy sources of Near East and Russia, it is of necessary strategic importance especially for the West. Thirdly, when taking into account the factors such as a relatively small area, allocation of energy sources more compactly, production potential, consumption possibilities and quality and transport possibilities of energy sources, the importance of oil and natural gas reserves of Azerbaijan continues to be powerful, which has also been stated by the reliable international reports.

According to the publication of BP Statistical Review of World Energy, one of most reliable sources of the world, published in June of 2011, as to the end of 2010 the proved oil reserves in the world are total 188,8 billion tons or 1383,3 billion barrels.<sup>123</sup> The first five countries having more proved oil reserves are Saudi Arabia (36,3 billion tons - 19,1 %), Venezuela (30,4 billion tons - 15,3 %), Iran (18,8 billion tons - 9,9 %), Iraq (15,5 billion tons - 8,3 %) and Kuwait (14 billion tons - 7,3 %).<sup>124</sup> Azerbaijan with oil reserves of 1 billion tons or 7 billion barrels (0,5 %) is in the 20<sup>th</sup> place in the world and the 3<sup>rd</sup> place after Kazakhstan in the CIS (5,5 billion tons).<sup>125</sup>

According to the same report, the annual oil consumption in the world at the end of 2010 has been 3,9137 billion tons or daily 82,095 billion barrels.<sup>126</sup> The first five countries having the most oil production is Russia (505,1 million tons - 12,9 %), Saudi Arabia (467,8 million tons - 12 %), the USA (339,1 million tons - 8,7 %), Iran (203,2 million tons - 5,2 %) and China (203 million tons - 5,2 %).<sup>127</sup>

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<sup>123</sup> BP Statistical Review of World Energy, June 2011, p.6.

<sup>124</sup> BP Statistical Review of World Energy, June 2011, p.6

<sup>125</sup> BP Statistical Review of World Energy, June 2011, p.6

<sup>126</sup> BP Statistical Review of World Energy, June 2011, p.8-10.

<sup>127</sup> BP Statistical Review of World Energy, June 2011, p.8-10.

Azerbaijan with annual 50,9 million tons or daily 1,037 million barrels of oil production (the share in world total 1,3%) is in the 21<sup>st</sup> place, but in the CIS in the 3<sup>rd</sup> place after Russia and Kazakhstan (annual 81,6 million tons).<sup>128</sup> As to the information of the State Oil Company of Azerbaijan Republic, Azerbaijan produced 50,7955 million tons of oil in 2010.<sup>129</sup>

Again according to the report of BP, annual 4,0281 billion tons or daily 87,382 million barrels of oil was produced in the world at the end of 2010.<sup>130</sup> The first five countries that produced the most oil in the world is the USA (850 million tons - 21,1 %), China (428,6 million tons - 10,6 %), Japan (201,6 million tons - 5 %), India (155,5 million tons - 3,9 %) and Russia (147,6 million tons - 3,7 %).<sup>131</sup> Azerbaijan with annual 3,3 million tons or daily 73 thousand barrels of oil (share in world consumption - 0,1 %) is in the 70<sup>th</sup> place in the world, and in the 7<sup>th</sup> place in the CIS after Russia, Kazakhstan (annual 12,5 million tons), Ukraine (annual 11,6 million tons), Belorussia (annual 6,6 million tons), Turkmenistan (annual 5,6 million tons) və Uzbekistan (annual 5 million tons).<sup>132</sup>

The report of BP provided statistical information on natural gas reserves, their production and consumption in general in the world and specifically in Azerbaijan. As to the report, the proved total gas reserves in the world are 187,1 trillion m<sup>3</sup> as to the end of 2010.<sup>133</sup> The first five countries having the greatest proved gas reserves is Russia (44,8 trillion m<sup>3</sup> - 23,9 %), Iran (29,6 trillion m<sup>3</sup> - 15,8 %), Qatar (25,3 trillion m<sup>3</sup> - 13,5 %), Turkmenistan (8 trillion m<sup>3</sup> - 4,3 %) Saudi Arabia (8 trillion m<sup>3</sup> - 4,3 %). However, Azerbaijan with 1,3 trillion m<sup>3</sup> of natural gas reserves (share in world total - 0,7 %) is in the 19<sup>th</sup> place in the world,

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<sup>128</sup> The statistics here have been provided by the writer himself.

<sup>129</sup> <http://new.socar.az/socar/az/economics-and-statistics/economics-and-statistics/oil-production>

<sup>130</sup> BP Statistical Review of World Energy, June 2011, p.9-10.

<sup>131</sup> BP Statistical Review of World Energy, June 2011, p.9-10

<sup>132</sup> The statistics here have been provided by the writer himself.

<sup>133</sup> BP Statistical Review of World Energy, June 2011, s.20.

but in the CIS in the 5<sup>th</sup> place after Russia, Turkmenistan (8 trillion m<sup>3</sup>), Kazakhstan (1,8 trillion m<sup>3</sup>) and Uzbekistan (1,6 trillion m<sup>3</sup>).<sup>134</sup>

As to the report, total 3 193,3 billion m<sup>3</sup> of natural gas was produced in the world in 2010.<sup>135</sup> The first five countries that extracting the molts natural gas in a year is the USA (611 billion m<sup>3</sup> - 19,3 %), Russia (588,9 billion m<sup>3</sup>- 18,4 %), Canada (159,8 billion m<sup>3</sup>- 5 %), Iran (138,5 billion m<sup>3</sup>- 4,3 %) and Qatar (116,7 billion m<sup>3</sup> - 3,6 %). Azerbaijan with annual 15,1 billion m<sup>3</sup> of oil production (the share in world production 0,5 %) is in the 32<sup>nd</sup> place in the world, but in the CIS in the 6<sup>th</sup> place after Russia, Uzbekistan (59,1 billion m<sup>3</sup>), Turkmenistan (42,4 billion m<sup>3</sup>), Kazakhstan (33,6 billion m<sup>3</sup>) and Ukraine (18,6 billion m<sup>3</sup>).<sup>136</sup> On the other hand, as to the information of the State Oil Company of Azerbaijan Republic, Azerbaijan produced 26, 3496 billion m<sup>3</sup> of gas in 2010.<sup>137</sup>

According to the report of BP, an annual total 3.169 billion m<sup>3</sup> of natural gas was consumed in the world at the end of 2010.<sup>138</sup> The first five countries having the most annual natural gas consumption is the USA (683,4 billion m<sup>3</sup> - 21,7 %), Russia (414,1 billion m<sup>3</sup> - 3 %), Iran (136,9 billion m<sup>3</sup> - 4,3 %), China (109 billion m<sup>3</sup> - 3,4 %) and Japan (94,5 billion m<sup>3</sup> - 3%). Azerbaijan with 6,6 billion m<sup>3</sup> of natural gas consumption (share in world consumption - 0,2 %) is in the 51<sup>st</sup> place in the world, but in the CIS in the 7<sup>th</sup> place after Russia, Ukraine (52,1 billion m<sup>3</sup>), Uzbekistan (45,4 billion m<sup>3</sup>), Kazakhstan (25,3 billion m<sup>3</sup>), Turkmenistan (22,6 billion m<sup>3</sup>) and Belorussia (19,7 billion m<sup>3</sup>).<sup>139</sup>

Thus, Azerbaijan is in the position of important players of world energy market with respect to either oil and natural gas reserves or production power. The international contracts that Azerbaijan signed have a special role in this position of Azerbaijan.

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<sup>134</sup> The statics here have been provided by the writer himself.

<sup>135</sup> BP Statistical Review of World Energy, June 2011, s.21.

<sup>136</sup> The statics here have been provided by the writer himself.

<sup>137</sup><http://new.socar.az/socar/az/economics-and-statistics/economics-and-statistics/gas-production>

<sup>138</sup> BP Statistical Review of World Energy, June 2011, p.21.

<sup>139</sup> The statics here have been provided by the writer himself.

The first and the most important contract among the contracts that Azerbaijan signed with foreign companies is the treaty signed on September 20, 1994.<sup>140</sup> This contract is the first contract deeming the joint commissioning of Azerbaijan oil after independence by Western and Turkish companies. The contract was called *the Contract of the Century* for its historical, political and international importance. 13 most popular oil companies (Amoco, BP, MacDermott, YUNKal, SOCAR, LUKOIL, STATOIL, Ecsen, Turkish Petrols, Penzoil, Itochu, Remco, Delta) of 8 countries of the world (Azerbaijan, the USA, Great Britain, Russia, Turkey, Norway, Japan and Saudi Arabia) have taken part in the Contract of the Century. With the contract signed in Baku, there came an agreement oil and gas production in Azeri, Chirag and Gunashli fields in the Azerbaijan part of the Caspian Sea. The contract took effect on December 12, 1994. The first calculated extractable oil reserves were 511 million tons, afterwards as to the results of the estimating wells this reserve reached 730 million tons and the investment costs required for processing fields in respect to this was adopted as 11,5 billion US dollars; 80 % of the total net profit falls into the share of Azerbaijan, and 20 % into the share of investors.

According to the present contract, during the commissioning process of these fields after various share selling processes BP has the share (England) - 34.14%, CHEVRON (the USA)- 10.28%, SOCAR (Azerbaijan) - 10.00%, INPEX (Japan)- 10.00%, STATOIL (Norway)- 8.56%, EXXONMOBIL (the USA)- 8.00%, TPAO (Turkey)- 6.75%, DEVON ENERGY (the USA)- 5.63%, ITOCHU (Japan)- 3.92% and AMERADA HESS (the USA) - 2.72%.<sup>141</sup> For the implementation of this contract, Azerbaijan International Operations Company was established (AIOC) in 1995 where the shareholders has participated. This consortium has extracted the first oil from Chriag field in November 1997. The AIOC, for the first time, exported its first oil through Novorosiysk oil pipeline of

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<sup>140</sup>See "Əsrin müqaviləsi" (Bakı, 20 sentyabr 1994-cü il) mövzusunda ümumi tarixi arayış", <http://library.aliyev-heritage.org/az/917277.html>, <http://www.president.az/azerbaijan/contract/>, <http://library.aliyev-heritage.org/az/917277.html> and <http://new.socar.az/socar/az/company/production-sharing-agreements-offshore/absheron>

<sup>141</sup> "Əsrin müqaviləsi" (Bakı, 20 sentyabr 1994-cü il) mövzusunda ümumi tarixi arayış", <http://library.aliyev-heritage.org/az/917277.html>

Russia on March 24, 1998, through Supsa terminal of Georgia on April 8, 1999 and Baku-Tbilisi-Ceyhan on May 25, 2005.

The second international contract signed after the Contract of the Century was signed on November 10, 1995. SOCAR (Azerbaijan - 7,5 %) LUKOIL (Russia - 7,5 %), PENZOIL (the USA - 30 %), AGIP (Italy – 5 %) and LUKACIP (Russia-Italy – 50 %) oil companies were the shareholders in the contract deeming the joint processing of “Garadagh” field.<sup>142</sup> As to the initial calculations, though it was supposed that there would be 120 million tons of oil and 50 billion m<sup>3</sup> natural gas reserves in the field, only 30 million tons of oil were found in the field, so the performance of the contract was suspended on January 21, 1999.<sup>143</sup>

Another important contract is on processing of “Shahdeniz” field. First of all, as to the existing explorations, “Shahdeniz” is one of the greatest and the largest gas fields of Caspian Sea and at the same time the world. Secondly, one of the most important features of the contract is absence of the USA, but Iran’s participation in it. The field is situated in the shelf of Caspian Sea, in 70 km south-east from Baku where the depth of water changes between 50-500 m. There are important oil and gas reserves in the field that discovered in 1954.<sup>144</sup> The contract was concluded between the following for commissioning of “Shahdeniz” field on July 4, 1996 in Baku: BP (England) - 25,50 %, Statoil (Norway) - 25,50, Total (France) - 10 %, LukAgip (Russia/İtaliya) - 10 %, NICO (Iran) - 10 %, SOCAR (Azerbaijan) - 10 % and TPAO (Turkey) - 9 %. The contract took effect on October 17, 1996.<sup>145</sup>

As a result of the explorations conducted in this field, great gas reserves were discovered in July 1999. This field is one of the greatest gas-condensate fields of the world with 1 trillion m<sup>3</sup> of gas reserves. Due to the new capital investments and explorations, it is supposed that the reserves of the field may be increased twice. BP Company operates Shahdeniz field on behalf of its partners in

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<sup>142</sup> Eminov, Coğrafya: Azərbaycan fiziki və iqtisadi coğrafyası, p.92.

<sup>143</sup> Eminov, Coğrafya: Azərbaycan fiziki və iqtisadi coğrafyası, p.92.

<sup>144</sup> Eminov, Coğrafya: Azərbaycan fiziki və iqtisadi coğrafyası, p.92.

<sup>145</sup> See <http://www.bp.com/sectiongenericarticle.do?categoryId=9006917&contentId=7014321>

the Treaty for Share Distribution of Production on Shahdeniz. As to the contract, the consortium would invest 22 billion US dollar during 35 years. According to the contract, gas production started in 2006.

The commissioning of Shahdeniz field is deemed in two phases. Within the framework of the first phase, producing an annual of 8.6 billion m<sup>3</sup> of natural gas in 2011 and continuing this level until 2020 were planned. About ¾ part of this gas (6,6 billion m<sup>3</sup>) would be sold to Turkey. The commissioning of the second phase of Shahdeniz field is deemed to start in 2016. It is supposed to produce an annual of 16 billion m<sup>3</sup> of natural gas from the field between years 2019-2020.<sup>146</sup> The proposals on transportation of of Shahdeniz gas through Caspian Sea to the Europe are estimated by the Shahdeniz consortium. In this process tender proposals by NABUCCO, Trans-Adriatic Pipeline and IGI-Poseidon were adopted until October 1, 2011. Besides, the Shahdeniz project group estimates the fourth potential export variant that the gas may be transported to the markets in South-East Europe through existing and future interconnector infrastructure system.

The other contract between Azerbaijan and foreign energy companies is the treaty on the commissioning of Dan Ulduzu and Ashraflı oil fields on October 14, 1996.<sup>147</sup> This contract that was signed with the following participation shares but it was later cancelled for sufficient oil reserve was found: AMACO (the USA) - 30 %, Unicol (the USA) - 25,5 %, ITOCHU (Japan) - 20%, Delta (Saudi Arabia) - 4,5 % and SOCAR - 20%.

The contract signed in Paris on January 13, 1997 is the contract on the commissioning of Lankaran-deniz and Talış-deniz oil fields.<sup>148</sup> Elf Akiten company of France (40 %) and Total (10 %), Deminco company of Germany

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<sup>146</sup> <http://www.bp.com/sectiongenericarticle.do?categoryId=9006917&contentId=7014321>

<sup>147</sup> "Dan ulduzu" və "Əşrəfi" strukturlarının birgə işlənməsi haqqında sazişin imzalanması mərasimində Azərbaycan Respublikasının Prezidenti Heydər Əliyevin nitqi-14 dekabr 1996-cı il", <http://www.mie.gov.az/cgi-bin/min/main.cgi?id=677>

<sup>148</sup> "Xəzərin Azərbaycan sektorunda yerləşən "Lənkəran-dəniz" və "Talış-dəniz" yataqlarının birgə işlənməsi haqqında sazişin imzalanması mərasimində Azərbaycan Respublikasının Prezidenti Heydər Əliyevin bəyanatı - Paris, 13 yanvar 1997-ci il", <http://www.mie.gov.az/cgi-bin/min/main.cgi?id=678>

(10 %), ACIP company of Italy (5 %) and National Oil Company of Iran (NICO-10 %) and SOCAR - 25 % participated in the contract with these shares.

Two contracts were signed with the Russian companies in Moscow on July 4 of the same year.<sup>149</sup> As to the first contract, the contract has been signed Lukoil and Rosneft on the commissioning of Kapaz field. On the other hand, since this field is disputed with Turkmenistan, there are problems on the processing of it. The second contract is the treaty signed with Lukoil for the commissioning of Yalama or so called D-222 oil field.

In general, a while after commencement of the Contract of the Century, 27 oil contracts were signed with 43 companies belonging to 21 countries of the world. Investing capital in Azerbaijan in the amount of 60 billion US dollars for development of Azerbaijan oil industry is deemed.<sup>150</sup> In these contracts, the commissioning of important offshore and onshore oil and gas fields of Azerbaijan is provided.

At present, the activities on the commissioning of oil and gas in 6 important fields in Azerbaijan sector of Caspian Sea are continued.<sup>151</sup> Detailed information was provided above on the commissioning of Azeri, Chirag fields and deep water part of Gunashli field and Shahdeniz field. The commissioning which continues in the sea except these two fields is Absheron field. This field is commissioned by the following companies: SOCAR - 40 %, Total - 40 % and GDF Suez S.A. (France) - 20 %.<sup>152</sup> However, the field which includes Araz, Alov and south perspective rocks is commissioned by the companies ENCANA - 40 %, SOCAR in ONŞ - 15 %, BP Exploration (Azerbaijan) Limited -15 %, Turkish Petroleum overseas Company - 15 %, Statoil Azerbaijan Alov a.s. - 10 % and Exxon - 5 %.<sup>153</sup> The following companies were established jointly for the

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<sup>149</sup> “Rusiya və Azərbaycan prezidentlərinin görüşündə Azərbaycan Prezidenti Heydər Əliyevin çıxışı - Moskva, Kreml, 3 iyul 1997-ci il”, <http://www.mie.gov.az/cgi-bin/min/main.cgi?id=680>

<sup>150</sup> <http://library.aliyev-heritage.org/az/917277.html>

<sup>151</sup> <http://new.socar.az/socar/az/company/production-sharing-agreements-offshore/shafag-asiman>

<sup>152</sup> <http://new.socar.az/socar/az/company/production-sharing-agreements-offshore/absheron>

<sup>153</sup> <http://new.socar.az/socar/az/company/production-sharing-agreements-offshore/araz-alov-sharg>



commissioning of Shafag - Asiman perspective structure Azerbaijan (ASC) Limited - 50 % and BP Exploration (Caspian Sea) Limited - 50 %.<sup>154</sup> At last, the block that, includes Bahar and Gum-Deniz fields, is processed in the framework of the share distribution of the companies, Bahar Enerji Limited - 80 % and SOCAR - 20 %.<sup>155</sup>

The number of important oil and gas fields being commissioned in onshore was 11 as to the end of 2011.<sup>156</sup> The block that includes Balakhani-Sabunchu-Ramana and Kurdakhani oil fields is commissioned by UQE Lanser PTİ. LTD - 75 % and SOCAR - 25 %. The participant parties of the block that includes Binagadi, Girmaki, Chakhnaglar, Sulutapa, Masazir, Fatmayi, Shabandag and Sianshor oil fields are AZEN - 75 % and SOCAR - 25 %. On the other hand, the block that includes Kurovdag oil field is processed by Global Energy Azerbaijan - 80 % and SOCAR - 20 %. The participant parties of Kursangi-Garabagli fields are SOCAR - 50 %, CNODC - 25 % and Fortunemight - 25 % companies. The block that includes Mishovdag and Kalamaddin oil fields is commissioned by Global Energy - 85 % and SOCAR - 15 %. Neftchala Investments LTD (80 %) and SOCAR (20 %) have shares in the block that includes Neftchala, Khilli, Durovdag-Babazanan oil fields and South-West branch of Mugan Monoclinial. The participant parties in the block that includes Padar oil field are the companies Global Energy - 80 % and SOCAR - 20 %. The block that includes Pirsahhat oil field is commissioned by Petro Hong Kong Limited - 50 %, Middle East - 30 % and SOCAR - 20 % jointly. The shareholders of the block that includes "Surakhani" oil field are the companies Rafi Oil - 75 % and SOCAR - 25 %. Moreover, the three blocks of South-Western Gobustan are distributed among Commonwealth - 40 %, Union Texas - 40 % and SOCAR - 20 %. At last, the block that includes Zig and Hovsan oil fields is commissioned by Absheron Investments - 75 % and SOCAR - 25 %.

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<sup>154</sup> <http://new.socar.az/socar/az/company/production-sharing-agreements-offshore/shafag-asiman>

<sup>155</sup> <http://new.socar.az/socar/az/company/production-sharing-agreements-offshore/bahar-gum-deniz>

<sup>156</sup> See <http://new.socar.az/socar/az/company/production-sharing-agreements-onshore/balakhany-and-other-fields>

In general, after Azerbaijan gained its independence, a new development phase has been commenced in the oil and gas sector of Azerbaijan. The most important characteristic feature of this phase is capital investments in a large amount in Azerbaijan oil and gas sector by leading Western Companies including multiple foreign energy companies and the provision of the transportation of produced energy resources to the new markets through these ways.

### **3.5. Origins of Electricity Sector of Azerbaijan**

In general, power industry sector is a field of economy dealing with the production, transportation and distribution of power and heating energy.<sup>157</sup> Taking the importance of electric energy in modern world, industry and welfare life into account, the importance of power industry is shown closely. In world practice electric energy is produced through water power stations (WPS), heating power stations (HPS) and atomic power stations (APS). In the last period, though various measures were taken in respect to electric energy production by installing stations based on factors as sun, wind, geothermal and ebb, WPS, HPS and APS hold leading place in power industry sector.

The bases of Azerbaijan Power Industry sector in this framework are organized by WPS and HPS and electric energy obtained by them. The leading role of WPS and HPSs in power industry sector of the country is closely related to the possession of important fuel and water sources together. Historically these types of stations are the first in the power production field. That is why when looking through the history of power production and use in Azerbaijan, it is possible to see that the first steps were parallel to development of oil industry in Baku in the 19<sup>th</sup> century.<sup>158</sup> The power generators that were brought to the country at that period began to be an important factor in the use of new technologies in lightening and oil production in Baku.

Beginning from the 1880s, the first power stations began to be constructed in Azerbaijan. In this meaning, the bases of Azerbaijan power industry were set

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<sup>157</sup> Elektroenergetika haqqında Azərbaycan Respublikasının Qanunu, <http://www.azerenerji.gov.az/Qanunlar/Elektroenerghaqqqanun.pdf>, p.1.

<sup>158</sup> Onur Kerem Günel, “Electricity Sector Privatization In Azerbaijan”, <http://www.ogunel.av.tr/ELECTRICITY%20SECTOR%20PRIVATIZATION%20IN%20AZERBAIJAN.pdf>, p. 5.

by the installation of two vapour turbines with 16 horse power in Baku in 1883.<sup>159</sup> In order to supply the rapidly developing oil industry in Absheron peninsula, as well as Baku with electric energy, Elektrik Guju Shareholder Company was established in 1898-1899. This organization constructed two power stations in the power of Bibiheybat (1470 t) and Ag Sheher (4260 t). The transfer of electric energy through 20 kW voltage line to Balakhani oil fields situated in 8.5 km distance from Ag Sheher HPS started for the first time in Azerbaijan in 1906.<sup>160</sup> In 1913, there were two middle and 5 small power stations of 40 thousand in Azerbaijan. In 1915, the length of air transfer lines reached 75 km and the length of cable lines reached 52 km. The power transfer line of 20 , ensuring the parallel performance of both power stations in Baku was laid in January 1916. The program on the construction of hydro power engineering plants and the development of various fields of economy of the republic has been worked out by using cheap natural resources of Kur, Araz, and Samur Rivers.

The development of power industry field was quickened through the establishment of Soviet power in Azerbaijan. The Republic was also included in SCER (State Commission on Electrification of Russia) plan that was considered the Power Program of the USSR in 1920.<sup>161</sup> Within this framework, small water power stations were installed in Shaki, Guba, Khanlar and other regions. The first electrical railway line was laid between Baku and Sabunchu and Surakhani oil fields in Baku in 1926. In 1932, HPS was constructed in Ramana. While total power of HPS was 110 MW and total power production was 377 million in 1928, the total power of HPS in the Republic increased to 296 MW and power production to 1 billion 827 in 1940.<sup>162</sup>

Especially, necessary measures were taken before the Great Patriotic War. In this framework, in 1938, 110 high voltages Girmizi Ulduz – ramana line was put into operation. In the next years, 110 Surakhani substation was constructed

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<sup>159</sup> “Azərbaycan energetikasının tarixi”, <http://www.mie.gov.az/cgi-bin/min/main.cgi?id=461>

<sup>160</sup> “Azərbaycan energetikasının tarixi”, <http://www.mie.gov.az/cgi-bin/min/main.cgi?id=461>

<sup>161</sup> “Краткий обзор газвития энергетики в Азербайджанской Республике”, <http://www.azenerji.com/ru/information/articles/article1.html>

<sup>162</sup> Günel, “Electricity Sector Privatization In Azerbaijan”, s.5.

and 110 Ramana-Surakhani high voltage power transfer line was laid. In 1938, 110 kW the 2<sup>nd</sup> Gala substation and 110 kW Surakhani-Gala high voltage power transfer line were ready to be put into operation.

At the beginning of 1940, the commencement of drilling and commissioning of deep oil wells required increasing the power of energy system. In these years, DRES named after L.Krasin and Girmizi Ulduz HPS were put into operation in Bayil settlement. In 1940, the power of power stations of the republic was 250 mW, and electric energy production was more than 1,7 billion /h.<sup>163</sup> In February 1941, the HPS number 1 of Sumgait was put into operation. The construction of power substations and ETLs was continued after the World War II. 110 Alat-Neftchala line in the length of 81 km and 110 Gala-Damba line in the length of 17.7 km are of this type. The oil wells were supplied with electric energy through those ETLs. Together with these lines, 110kW Neftchala and Damba (Pirallahi island) substations were constructed and put into operation. The HPS number 2 was started in Baku in 1953. In 1964, the last 4 turbogenerators were put into operation and total electric power of the center was 24 MW, but the heating power was 383 MW.

The first shift of Mingachevir water power station range – 359 MW Mingachevir water power station began to operate in 1954.<sup>164</sup> Mingachevir hydro-complex include Varvara small WPS too. In the same year, the first shift of North DRES supplied with two turbo-aggregate each with 25 MW power started electric energy production. In 1960, open type power block of 150 MW was installed in the station. The last – the eleventh turbo-generator was put into operatin in HPS number 1 of Sumgait in 1962.

At the end of 1950s years, 220 kW Agstafa junction substations and 220 kW Mingachevir -Agstafa-Navtlug and Agstafa-Atarbekyan high voltage lines were constructed. These lines created possibilities to increase electric energy transfer to Georgia and Armenia and ensured the parallel processing of energy

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<sup>163</sup>“Azərbaycan enerjetikasının tarixi”, <http://www.mie.gov.az/cgi-bin/min/main.cgi?id=461>

<sup>164</sup> Eminov, Coğrafiya: Azərbaycan fiziki və iqtisadi coğrafiyası, p.99.

systems of the republics of South Caucasus. In 1964, these ETLs were transferred to 330 kW voltages.

In 1959, the construction of Ali-Bayramli (Shirvan) DRES – open structured first large heating power station in Europe was started.<sup>165</sup> The commissioning of the first shift consisting of 4 power blocks each in the power of 150 mW of the station not only enabled to meet the energy needs of Azerbaijan, but also enabled to transfer electric energy of 1.7 billion /h to the republics of South Caucasus in 1964-1965. The commissioning of the 5-7<sup>th</sup> blocks of the second shift increased set power of the station up to 1050 MW.

The first turbo generator of Ganja HPS was started in 1964.<sup>166</sup> After the commissioning of all plants here, the power of the station reached 72 MW. In order to meet the increasing heating and electricity needs of developing Sumgait industrial region, the construction of Sumgait HPS number 2 was started. The first turbo generator of the station was put into operation 1966, and the last – the fourth turbogenerator in 1972. After all aggregates were operated, the total power of the station reached to 220 MW.

330 kW Ali-Bayramli Dres in the length of 383, 330 kW Ali-Bayramli DRES in the length of 287 km in the territory of Agdam, Ganja, Agstafa and Azerbaijan, and 49 km in the territory of Dagestan, Yashma, Derbent high voltage lines, as well as 330/1 10/10 kW Yashma, Ganja and Agstafa junction substations were built and put into operation between 1968 and 1971. These measures ensured the durability of energy system and strengthened the connections between various energy systems. Two 220 kW Ali-Bayramli – Khirdalan lines in the length of 124.8 and 128 km were laid. The commissioning of these lines ensured the transfer of electric energy from Ali-Bayramli DRES to Absheron peninsula.<sup>167</sup> In 1971, the construction of two power stations each in the power of 22 MW included in Araz Azerbaijan – Iran joint hydro range was started in the territory of Nakhchivan Autonomous Republic.

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<sup>165</sup>“Краткий обзор газвития энергетики в Азербайджанской Республике”, <http://www.azenerji.com/ru/information/articles/article1.html>

<sup>166</sup> “Azərbaycan energetikasının tarixi”, <http://www.mie.gov.az/cgi-bin/min/main.cgi?id=461>

<sup>167</sup> “Azərbaycan energetikasının tarixi”, <http://www.mie.gov.az/cgi-bin/min/main.cgi?id=461>

At the end of 1970s, the power stations of the Republic with a total power of 2882.4 MW produced 15.4 billion /h electric energy. However, the increasing demands of the economy that developed rapidly made Azerbaijan export electric energy of 2.9-3.5 billion /h from the neighbouring republics. Starting the construction of Shamkir WPS and Azerbaijan DRES in order to prevent this shortage was decided. The construction of Azerbaijan DRES started in 1974.<sup>168</sup> The first power block of 300 mW power was put into operation in 1981, and the last power block of the same power started to operate in 1990. At present the set power of this station is 2400 MW. The first hydrological plant of 380 MW power of Shamkir WPS range was put into operation between 1981 and 1982.

The construction of Azerbaijan DRES was the beginning of new phase in development of power grid of the Republic. The first Absheron ETL of 500 kW in the length of 239,4 km (at present it performs with 330 kW voltage temporarily), the second Absheron ETL of 500 kW in the length of 242,8 km, Mukhrani-Vali ETL of 500 kW in the length of 197 km in Georgia (at present it is partly destroyed), appropriately the fourth and the fifth Mingachevir ETLs in the length of 46,4 and 88,7 km were laid. Also in the 1980s, 500/330/220 kW Absheron, 330/1 10/10 kW Imishli, 220/1 10/10 kW Hovsan, Nizami, Mushfig, Sangachal, Masalli, Agsu, Babak junction substations were put into operation, several ETLs related to the construction of Azerbaijan DRES were laid in that period. Besides, the third Ali-Bayramli and the third Imishli ETLs of 330 kW in the length of 85,1 and 114,3 km were put into operation.

### **3.6. Electricity Sector of Azerbaijan during Independence Period**

After Azerbaijan gained its independence in 1991, a new stage of development of the power industry sector started. Though limited financial possibilities of new independent state did not allow the implementation of new projects in the field of electric energy, beginning from the middle of 1990, the country authorities started to pay special attention to attraction of foreign investment into the power industry sector. The first efforts in this direction were arranged by the completion of projects remaining incompleting during the Soviet

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<sup>168</sup> “Azərbaycan Respublikasında enerjetikann inkişafi barədə”, <http://www.azenerji.com/az/information/articles/article1.html>

period and the reconstruction of power industry sector of Azerbaijan. One of the important steps in this framework was made by obtaining credit in the amount of 53 million US dollars from the European Bank of Reconstruction and Development for the construction of Yenikand WPS during the visit of the president Heydar Aliyev to England in December 1995.<sup>169</sup> On account of obtained credit, the construction of Yenikand WPS of 150 MW power, the construction of which started in 1984, has been completed in 1999.<sup>170</sup>

Besides, during the period of the President Heydar Aliyev, the reconstruction of Mingachevir WPS and construction of 330 Agjabadi, 110 barda substations and 330 Azerbaijan HPS – Agjabadi-Imishli EVK were implemented on account of the credits allocated by the European Bank of Reconstruction and Development and Islamic Development Bank.<sup>171</sup> Besides in 2001 and 2002, two gas turbine plants each with the power of 53.5 MW were put into operation in Baku HEE on account of the credits of Bayerische Landesbank Girocentrale Bank and in 2002, 400 MW vapour gas plant was put into operation in North ES on account of credits of Japan International Cooperation Bank.<sup>172</sup> In order to reconstruct the system arranging electric grid together with the start of new generation powers, allocating credit from KFW Bank of Germany was achieved. In general, about 3500 MW generation power started during the period of the president Heydar Aliyev.

During the period of the President Ilham Aliyev after Heydar Aliyev, the power industry sector began to appear in the center of attention. Within this framework the leader of the country has approved “the State Program on (2005-

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<sup>169</sup> “Azərbaycan müstəqil enerjetika sisteminə malikdir”, <http://www.mie.gov.az/cgi-bin/min/main.cgi?id=413>

<sup>170</sup> Eminov, Coğrafiya: Azərbaycan fiziki və iqtisadi coğrafiyası, s.100.

<sup>171</sup> “Azərbaycan müstəqil enerjetika sisteminə malikdir”, <http://www.mie.gov.az/cgi-bin/min/main.cgi?id=413>

<sup>172</sup> [http://www.azerenerji.gov.az/index.php?option=com\\_content&view=article&id=91&Itemid=112&lang=az](http://www.azerenerji.gov.az/index.php?option=com_content&view=article&id=91&Itemid=112&lang=az)

2015) development of fuel-power complex in Azerbaijan Republic”.<sup>173</sup> Within the framework of the State Program, Azerenerji OJSC is assigned the task to operate new generation powers in short period in the regions in which there may be difficulties in power supply. For this purpose, power stations each with 87 MW power in Astara, Shaki, Khachmaz and Nakhchivan in 2006, and power station with 105 MW power in Baku in February 2007 were constructed and put into operation.<sup>174</sup> The generation source with a total power of 300 MW was put into operation near the Sangachal settlement in the south of Absheron peninsula in December 2008. Hydroelectrical generator number 1 with total power of 190 MW after the completion of reconstruction and restoration projects was switched to the grid in December 2008 in Shamkir WPS. In order to supply electric power to the Shahdag Winter-Summer Tourism Complex in the territory of Gusar region of the Republic and as well as to improve the power supply of of North region, Shahdag Power station with total power of 105 megawatt and consisting of 12 aggregates was taken over by the power engineering specialists in September 2009. Beginning from the end of 2008, a vapour-gas power station with 525 MW power began to be constructed in Sumgait city and it was switched to the power sytem of the Republic in November 2009. Bilav water power station having the power of 20 MW was put into operation by the end of 2010. As a continuation some reconstruction was implemented in 2005 in the 5<sup>th</sup> power block of Azerbaijan heating power station and in other power blocks reconstruction continued beginning from July 2008 and finalized in November 2011. As a result of reconstruction, the initial power was restored in power blocks and multiple additional power was obtained. By applying new technologies enabling use of either gas or fuel oil, the construction of new South Power Station with 780 MW power started in Shirvan in 2007. It was planned to be put into operation in 2012.

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<sup>173</sup> See <http://www.mie.gov.az/cgi-bin/min/main.cgi?s=1;s2=2> və A.S.İsayev, M.C.Ataqişiyev, R.Ə.Teymurova, Azərbaycan Respublikasının yanacaq-enerji kompleksinin inkişafı üzrə dövlət proqramından irəli gələn elmi-əməli fəaliyyət vəzifələri, Bakı, 2011.

<sup>174</sup> Prezident İlham Əliyev düvründə elektrik enerjisi sahəsində görülən işlərlə bağlı ətraflı məlumat üçün baxımı [http://www.azerenerji.gov.az/index.php?option=com\\_content&view=article&id=91&Itemid=112&lang=az](http://www.azerenerji.gov.az/index.php?option=com_content&view=article&id=91&Itemid=112&lang=az)



The construction of power block with 400 MW power started in North Power Station in 2011.

In general, during the period of Ilham Aliyev about 1500 MW generation powers were put into operation.<sup>175</sup> As to the Report of the Government of Azerbaijan Republic on results of 2009, power industry sector took the second place after oil industry for capital investments in the country.<sup>176</sup>

As to the end of 2011, the needs of Azerbaijan Economy for electric power are met by the 13 heating power stations Azerbaijan HPS (2400 mW) , Shirvan HPS (900 mW), Sumgait ES (525 mW), "North" PS (400 thousand ) , Sangachal PSS (300 mW), Baku HPS (106 mW), Shahdag PS (105 mW), Baku PS (105 MW), Astara PS (87 MW), Shaki PS (87 MW), Khachmaz PS (87 MW), Nakhchivan PS (87 MW), Nakhchivan QTPS (64 MW) and by 8 water power stations - Mingachevir WPS (402 mW ) , Shamkir WPS (380 mW), Yenikand WPS (150 min ) , Tar-tar WPS ( 50 mW), Araz WPS (22 min ) , Bilav WPS (22 mW), Varvara (16 mW) and Vaykhir WPS (5 mW).<sup>177</sup> It should be noted that the WPS on the river Tar-Tar is under occupation of Armenia from 1993. The total power of these stations is more than 6 gigawatt and the power of 5 stations in Nakhchivan Autonomous Republic is more than 190 megawatt.<sup>178</sup>

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<sup>175</sup> "Azərbaycan energetikasının tarixi", <http://www.mie.gov.az/cgi-bin/min/main.cgi?id=461>

<sup>176</sup> "2003-2011-Ci İllərdə Azərbaycan Respublikasının Sosial-İqtisadi İnkişafı", Azərbaycan Respublikasının Prezidenti yanında Strateji Araşdırmalar Mərkəzinin şərhləri, buraxılış 7, 2011 , p.7.

<sup>177</sup>[http://www.azerenerji.gov.az/index.php?option=com\\_content&view=article&id=91&Itemid=112&lang=az](http://www.azerenerji.gov.az/index.php?option=com_content&view=article&id=91&Itemid=112&lang=az)

<sup>178</sup>[http://www.azerenerji.gov.az/index.php?option=com\\_content&view=article&id=91&Itemid=112&lang=az](http://www.azerenerji.gov.az/index.php?option=com_content&view=article&id=91&Itemid=112&lang=az)

About 90 % of the electric power production of Azerbaijan falls into share of HPS and the remaining 10 % into the share of WPS.<sup>179</sup> As to the schedule showing the production dynamics of electric power in Azerbaijan for the last 100 years and prepared by the State Statistic Committee of Azerbaijan Republic,

### Production rate of electric power in Azerbaijan

Years	Electric power production, million kW /hour	Products				
		Production by power stations	Production by hydro electric station HES	Production by non-energy companies	Production by generators	Wind energy
1913	110.8	...	...	...	...	-
1920	122.0	...	...	...	...	-
1930	503.9	...	...	...	...	-
1940	1.827	1.802	24.3	...	...	-
1950	2.924	2894	29.5	...	...	-
1960	6.590	4.626	1.963	...	...	-
1970	12.027	10.893	1.022	111.7	...	-
1980	15.045	13.825	1.098	122.2	...	-
1990	23.152	21.399	1.658	95.6	...	-
1995	17.044	15401	1 556	86.6	...	-
2000	18 699	17.069	1 534	83.1	13.0	-
2001	18 969	17.521	1 301	131.2	15.9	-
2002	18 701	16.558	2 020	103.8	18.8	-
2003	21 286	18.681	2 470	104.9	30.4	-
2004	21 744	18.589	2 755	365.4	33.8	-
2005	22 872	19.344	3 009	430.5	88.0	-
2006	24 543	21.407	2 518	475.9	141.8	-
2007	21.847	19.051	2.364	432.0	-	-
2008	21.642	19.090	2.232	319.6	-	-
2009	18.869	16.289	2.308	269.2	-	2.1
2010	18.710	15.003	3.446	259.7	-	0.5

18.710 billion kW/h electric power was produced in the country in 2010.<sup>180</sup>

<sup>179</sup>“Azərbaycan müstəqil energetika sisteminə malikdir”, <http://www.mie.gov.az/cgi-bin/min/main.cgi?id=413>

<sup>180</sup> <http://www.azstat.org/statinfo/industry/az/index.shtml>

The unified power-engineering network has been formed in Azerbaijan. This system is also connected to Russia through 330 line from North, to Georgia through 500 line from West, and to Iran power lines through 230 lines from South.<sup>181</sup> Furthermore, to meet energy demands of the Autonomous Republic of Nakhchivan, energy network of this region is connected to the energy networks of Iran through 150 line, and to Iran through 230 lines.

As noted in the table above, numbers of alternative energy sources (sun and wind energy, biomass, small water power stations and geothermal energy) are very limited in Azerbaijan. However, the calculations show that Azerbaijan has a great potential in this field. Thus, if this potential is applied on required manner, it is proposed that the country will obtain about 10-12% electric power and 10% heating energy due to alternative energy sources.<sup>182</sup> The steps made for the implementation of this potential are indicated in the state program on Development of Power Engineering Complex of Azerbaijan<sup>183</sup> dated 2005 under the state program on Employment of Alternative and Recoverable Energy Sources in Azerbaijan Republic adopted on October 21, 2004.<sup>184</sup>

In general, the rapid development rate of the Azerbaijan power engineering during the Soviet time has been pushed forward during the independence. The major part of this sector is heating and power stations. While water and power stations hold the second place in the country, wind, sun energy and other such alternative energy sources have very limited numbers.

### **3.7. Legal Framework of Azerbaijan's Energy Sector**

The legislation on the energy sector in Azerbaijan is based on the constitution of Azerbaijan adopted on November 12, 1995 and was amended for 3 times (August 24, 2002, December 13, 2005 and March 18, 2009). While Article

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<sup>181</sup> Azərbaycan Respublikasının Yanacaq-enerji kompleksinin inkişafı (2005-2015-ci illər) üzrə Dövlət Proqramı, [http://www.azenerji.com/az/powersystem/law/Dovlet\\_enerji\\_proqrami.pdf](http://www.azenerji.com/az/powersystem/law/Dovlet_enerji_proqrami.pdf), p.28-29.

<sup>182</sup> Azərbaycan Respublikasının Yanacaq-enerji kompleksinin inkişafı (2005-2015-ci illər) üzrə Dövlət Proqramı, p. 63.

<sup>183</sup> See Azərbaycan Respublikasının Yanacaq-Enerji Kompleksinin İnkişafı (2005-2015-ci illər) üzrə Dövlət Proqramı, xüsusən pp.59-65.

<sup>184</sup> See [http://www.azenerji.com/az/powersystem/law/Alternativ\\_enerji\\_proqrami.pdf](http://www.azenerji.com/az/powersystem/law/Alternativ_enerji_proqrami.pdf)

14 of the Constitution specifies that natural resources belong to the Azerbaijan Republic without any prejudice to the rights and interests of either natural or legal persons, Articles 15 and 16 defines duty before government to ensure economic and social development based on market economy.<sup>185</sup> In addition, Articles 81-133 of Chapters V, VI and VII of Part 3 of the Constitution specify the duties of executive power and judicial authorities.

Within this framework, the key instruments of statutory legal base of energy sector of Azerbaijan include the followings:

1. The Law of Azerbaijan Republic on Earth,
2. The Law of Azerbaijan Republic on Employment of Energy Resources,
3. The Law of Azerbaijan Republic on Protection of Foreign Investment,
4. The Law of Azerbaijan Republic on Natural Monopolies
5. The Law of Azerbaijan Republic on Power Engineering
6. The Law of Azerbaijan Republic on Power and Heating Stations,
7. The Rules for Application of Power Engineering
8. The State Program for Development of Power Engineering Complex of Azerbaijan Republic (2005-2015 years).
9. The State Program for Employment of Alternative and Recoverable Energy Sources of Azerbaijan Republic.

In addition, the laws of Azerbaijan on civil defense, health and safety and fire safety may also be related to the regulation of the energy sector of Azerbaijan.

The Law of Azerbaijan on Earth dated February 13, 1998 governs the relations in connection with the exploration of the earth within the territory of Azerbaijan, including the part of the Caspian belonging to Azerbaijan, its effective employment, protection, as well as the safety of the works performed, and ensures the protection of the state, employers and citizens in the use of the

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<sup>185</sup> Azərbaycan Respublikasının Konstitusiyası  
<http://www.azerenerji.gov.az/Qanunlar/Azrespkonst.pdf>

earth.<sup>186</sup> The Law specifies that the earth belonging to the Republic of Azerbaijan may be employed by both local and overseas natural and legal persons without prejudice to the rights of any natural and legal persons of the Republic of Azerbaijan.

The Law of Azerbaijan on employment of energy resources dated May 30, 1996 specifies the legal, economic and social bases of the state in this field, including the main directions of its implementation, and governs the relationship between the state and legal and natural persons.<sup>187</sup>

The Law of Azerbaijan Republic on Protection of Foreign Investment adopted on January 15, 1992 and amended 11 times, defines the legal and economic principles of foreign investment within the territory of Azerbaijan Republic. This law specifies the involvement of foreign material and financial resources, advanced foreign techniques and technology and management practice in the national economy, as well as their effective employment, and ensures the protection of the rights of foreign investors.<sup>188</sup>

The Law of Azerbaijan Republic on Natural Monopolies defines the organizational and legal bases for state governing in connection with natural monopoly in the Republic of Azerbaijan.<sup>189</sup>

The Law of Azerbaijan Republic on Power Engineering dated November 24, 1998, reflects the types of activities in the field of power engineering, allocation, construction and commissioning of plants for the implementation of these activities; protection and beneficial use of power, as well as the measures of prevention or decrease of negative impacts of the activities in the field of power engineering on environment. It is the most important legal basis of state regulation of oil, gas and electro power engineering fields of power industry.<sup>190</sup>

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<sup>186</sup> See <http://www.mie.gov.az/cgi-bin/min/main.cgi?s=1;s2=2>

<sup>187</sup> See <http://www.mie.gov.az/cgi-bin/min/main.cgi?s=1;s2=2>

<sup>188</sup> [http://economy.gov.az/index.php?option=com\\_content&view=article&catid=11:qanun&id=82:arici-investisiyann-qorunmas-haqqnda](http://economy.gov.az/index.php?option=com_content&view=article&catid=11:qanun&id=82:arici-investisiyann-qorunmas-haqqnda)

<sup>189</sup> [http://economy.gov.az/index.php?option=com\\_content&view=article&catid=11:qanun&id=71:tarii-inhisarlar-haqqnda](http://economy.gov.az/index.php?option=com_content&view=article&catid=11:qanun&id=71:tarii-inhisarlar-haqqnda)

<sup>190</sup> [http://www.azenerji.com/az/powersystem/law/Energetika\\_haqqinda.pdf](http://www.azenerji.com/az/powersystem/law/Energetika_haqqinda.pdf)

The law of Azerbaijan Republic on electro power engineering dated April 3, 1998 that has been amended eight times, deems the regulation of relations in the field of economy dealing with production, transportation and distribution of power and heating energy.<sup>191</sup>

The law of Azerbaijan Republic on Power and Heating stations determines the legal basis of design, construction, commissioning and use of permanent plants producing power and heating energy in accordance with the legislation of Azerbaijan Republic.<sup>192</sup> The decision on rules to use power energy, adopted by the Cabinet of Azerbaijan Republic on February 2, 2005 and as amended three times, regulates the legal and technical conditions of use of power energy by state, legal or natural entities.<sup>193</sup>

The purpose of the State Program for (2005-2015) development of Fuel and Energy Complex of Azerbaijan Republic adopted in 2004 consists of the determination and provision of implementation of the program of complex measures for the development of fuel and energy complex of Azerbaijan Republic during 2005-2015.<sup>194</sup> The program analyzes the last condition of fuel and energy complex in the country and identifies the problems and determines the solutions and new targets.

The State Program on use of alternative and recoverable energy sources in Azerbaijan Republic covers the expansion of recoverable and ecologically clean energy production by the application of mineral potentials of the country and employment of hydrocarbon energy resources in more effective manner. The Program deems to pay special attention to the expansion of use of wind, sun, biomass and geothermal energy and installation of small power stations.<sup>195</sup>

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<sup>191</sup> <http://www.azerenerji.gov.az/Qanunlar/Elektroenerghaqqanun.pdf>

<sup>192</sup> For full text of the law: <http://www.azerenerji.gov.az/Qanunlar/Elektristikstansqaydalar.pdf>

<sup>193</sup> For full text of the law: <http://www.azerenerji.gov.az/Qanunlar/Elektreneristqayd.pdf>

<sup>194</sup> For full text of the law: [http://www.azenerji.com/az/powersystem/law/Dovlet\\_enerji\\_proqrami.pdf](http://www.azenerji.com/az/powersystem/law/Dovlet_enerji_proqrami.pdf)

<sup>195</sup> For full text of the law: [http://www.azenerji.com/az/powersystem/law/Alternativ\\_enerji\\_proqrami.pdf](http://www.azenerji.com/az/powersystem/law/Alternativ_enerji_proqrami.pdf)

### **3.8. Main Actors in Azerbaijan's Energy Sector**

The main organizations of energy sector of Azerbaijan within the framework of the applicable legislation can be listed as follows: the Ministry of Industry and Power Engineering, State Oil Company of Azerbaijan Republic (SOCAR), State Oil Fund of Azerbaijan Republic, Azerenerji. The Ministry of Industry and Power Engineering of Azerbaijan Republic is the central executive power authority implementing state policy and regulation in industry and fuel-power engineering complex.<sup>196</sup> It should be noted that the regulation of fuel and energy complex has been implemented by the Ministry of Fuel and Power Engineering established in 2001. However, on December 6, 2004, this ministry has been cancelled by the Decree of the President of Azerbaijan Republic, Ilham Aliyev number 150 and its duties were assigned to the Ministry of Industry and Power Engineering. The Ministry of Industry and Power Engineering in its activities refers to the Constitution of Azerbaijan Republic, the laws of Azerbaijan Republic, the decrees and orders of the president of Azerbaijan Republic, International treaties supported by Azerbaijan Republic and the Regulations of the Ministry of Industry and Power Engineering of Azerbaijan Republic dated May 15, 2006 number 404. The activity fields of the Ministry include industry and fuel-power engineering complex, mining, processing (processing, transportation and distribution of oil and gas, chemistry, machinery, metallurgy, light and other industry fields), production, supply, transfer of power and heating energy and legal or individual entrepreneurs implementing the works related to these fields.

One of the important structures of the energy sector of the country is the State Oil Company of Azerbaijan Republic (SOCAR). SOCAR is engaged in prospecting, exploration and processing of oil and gas fields in Azerbaijan territory, production, processing and transportation of oil, gas and gas condensate, the sale of chemical and petrochemical products and gas in domestic and foreign markets, as well as the supply of the industry and population with natural gas in the territory of the country. There are 22 structural sections of SOCAR consisting of 3 production units having legal status within the structure (Azneft, Azerigas

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<sup>196</sup> Azərbaycan Respublikasının Sənaye və Energetika Nazirliyi haqqında ətraflı məlumat üçün baxınız: <http://www.mie.gov.az/cgi-bin/min/main.cgi?id=909>

and Azerikimya), 2 oil refineries (Azerneftiyag oil refinery and Baku Oil Refinery named after Heydar Aliyev), 1 gas refining factory, Oil Marine, Baku Deep Deposits Factory named after Heydar Aliyev, 2 trusts and 1 institute.<sup>197</sup> The joint ventures, alliances, operating companies established by participation of the company (as well as in Georgia and Turkey) perform in various fields of oil and gas industry. There are incorporated representative offices of SOCAR in Georgia, Turkey, Romania, Austria, Sweden, Kazakhstan, Great Britain, Iran, Germany and Ukraine and trading companies in Switzerland, Singapore, Vietnam and Nigeria.

In the framework of activities abroad, SOCAR has purchased 51 % of the shares of Petkimya Holding A.S., the greatest petrochemical organization in Turkey, for 2 billion 40 million US dollars in the auction held on May 30, 2008.<sup>198</sup> SOCAR considered investing 17 billion US dollars in this factory during the next 7 years. On November 14, 2008 the memorandum was signed between the governments of Azerbaijan and Georgia for transportation of Azerbaijan gas to Georgia during five years. As to the conditions of the Memorandum, SOCAR obtained the right to control the distribution of gas resources of Georgia. With the decision of the president of Georgia dated May 26, 2008, SOCAR gained the distributorship of gas distribution network of 22 regions of this country without paying any resources.<sup>199</sup> SOCAR implemented several important structural projects in Georgia and increased the number of fuel filling stations to 100 at the end of 2011. SOCAR, purchasing 15 fuel filling stations in Romania for 2 million US dollars in the beginning of 2011, deemed to increase this number to 300 during three years. SOCAR will open 17 fuel filling stations in Ukraine. It is also stated that SOCAR conducts discussions for purchase of oil refineries in Italy and Ukraine.

Another organization, which becomes one of the important organizations in the energy sector of Azerbaijan in the last period, is the State Oil Fund of Azerbaijan Republic. The purpose of the State Oil Fund of Azerbaijan Republic is

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<sup>197</sup> See <http://new.socar.az/socar/az/company/about-socar/discover-socar>

<sup>198</sup> See <http://new.socar.az/socar/az/company/about-socar/discover-socar>

<sup>199</sup> Vüsal Qasımlı, “Arxasıza arxa ol ki, sənə dayaq desinlər!”, [http://www.gun.az/vusal\\_qasimli/7079](http://www.gun.az/vusal_qasimli/7079)



to effectively manage the profits gained from the joint processing of oil field of the country jointly with foreign companies from 1994, and to ensure the provision of those resources to the development of the key fields and to the implementation of projects with great importance from social and economical point of view.<sup>200</sup> In this framework, the State Oil Fund of Azerbaijan Republic was established under the decree of the president Heydar Aliyev number 240, dated December 29, 1999. The regulations of the Fund were approved under the decree number 434 dated December 29, 2000.<sup>201</sup>

Another one of the most important structures in the energy sector of the country is Azerenerji.<sup>202</sup> The history of this organization starts in 1935, with the order of the Heavy Industry Public Commissar of the USSR dated July 29, Elektrotok Administration was excluded from structure of Azneft and it was assigned to the subordination of Bashenerji General Energy Administration. Azerenerji Azerbaijan Regional Energy Administration of Bashenerji General Energy Administration was established. After various structural changes during the USSR period, in 1988, by the order of the Ministry of Power Engineering and Electrification of the USSR number 296a dated 03.08.1988, the Ministry of Power Engineering and Electrification of the USSR, Azerbaijan SSR Power Engineering and Electrification Azbashenerji General Production Unit was cancelled and Azerbaijan SSR Power Engineering and Electrification Azbashenerji Production Unit was established on its basis. After getting independence, in 1993 Azerenerji Production Unit became the Power Engineering and Electrification Azerenerji State Company of Azerbaijan Republic, and in 1996 it became Azərenerji Open Joint Stock Company. The main function of this Shareholder Company is the management of production and transfer of electric energy in Azerbaijan Republic. Besides, the shareholder company implements the distribution of electric energy in other territories of the country except for Baku city, its districts and Nakhchivan Autonomous Republic. Azərenerji OJSC, being the largest electric

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<sup>200</sup> See [http://www.oilfund.az/az\\_AZ/about\\_found/history/uemumi-melumat.asp](http://www.oilfund.az/az_AZ/about_found/history/uemumi-melumat.asp)

<sup>201</sup> See <http://www.oilfund.az/uploads/esas.pdf>

<sup>202</sup> See <http://www.azerenerji.gov.az/>

energy manufacturer in Azerbaijan, takes the leading position in Caucasus for the number and length of distribution networks and power transfer lines. At present the total length of power transfer lines of Azərenerji OJSC (including the distribution lines with the voltage 35, 10, 6 and 0,4 kilovolt) is more than 100 000 km.

To sum up, 4 main organizations of Azerbaijan energy sector have been mentioned which are the Ministry of Industry and Power Engineering carrying the function of central executive power authority implementing state policy and regulation in this sector, SOCAR in the position of leading organization of oil and gas sector, the State Oil Fund of Azerbaijan Republic having leading role in management of oil and gas profits obtained in the result of contracts signed with foreign companies, and Azərenerji OJSC responsible for the management of power engineering field.

This thesis next focuses on Azerbaijan's energy policy during the rule of Ilham Aliyev by paying special attention to the importance of energy in the post-Soviet Azerbaijan.

## CHAPTER 4

### ILHAM ALIYEV'S PRESIDENCY AND AZERBAIJAN'S ENERGY POLICY

Azerbaijan gained a significant part of its great achievements in the energy sector, during the rule of Ilham Aliyev, the current head of state. In this period, some projects of regional and global importance, foundations of which were laid earlier were completed, and some activities under some new projects commenced. This section will first set forth the general view of the period until the presidency of Ilham Aliyev so as to more better understand the energy policy of the rule of Ilham Aliyev. Then, the energy policy of President Ilham Aliyev will be stated more broadly. This chapter will also focus on the attitudes and opinions of the President of Republic of Azerbaijan Ilham Aliyev, about energy prior to his presidency. That is, Ilham Aliyev performed important duties related to the subject, until he was elected President of Republic of Azerbaijan in 2003. Ilham Aliyev held the positions of Vice-President, State Oil Company of Azerbaijan Republic (SOCAR) in 1994-2003 and the Prime Minister of Republic of Azerbaijan from August 2003 until his election as President. In this context, in order to clearly understand the period of his presidency, it will be important to state not only the energy policy of the former presidents, but also the views, explanations of Ilham Aliyev himself during the previous period.

#### **4.1. Importance of Energy for post-Soviet Azerbaijan**

Energy is a subject of strategic importance for Azerbaijan. Azerbaijan does not consider its natural resources (energy resources) only as a source capable of meeting its energy needs. For Azerbaijan, it has been assessed as a means of either strengthening of independence as a country that has recently gained its energy independence, or resistance to Armenian occupation, or a piece of policy for releasing the territories from occupation, or tackling of internal economic problems. In fact, this is not a very particular approach. The facts that various

factors play important roles in various stages in global fighting, and that the place and means of global fighting change, are generally evident issues. One of the most important indicators of this change of means is the fact that currently energy has turned into one of the most important tools of the fighting as a result of the changes.

For various countries, energy is one of the most primary subjects of foreign policy and one of the significant components of security concept that has a continually changing meaning and framework. Hence, energy has not been left only as an economic value in the global game and it has also created a field of political power at the same time, and countries started using it as a means of foreign policy. Furthermore, the most natural result of this is the fact that the concept of energy security was created and that the countries consider their energy security as one of the most important political priorities<sup>203</sup>.

The discovery of energy sources, energy production, its transportation to international markets and the specific points in respect of its buyers are of great importance from the viewpoint of both the countries that are rich in energy sources, and the parties to the global and regional fighting. Certainly, the role of energy in the foreign policy of producing and consuming countries is not absolutely the same, and naturally, it does not cause the same manners of policy. However, the fact that Europe's energy security has become current in the recent years, and the results caused by the use of energy factor by Russia is an evidence to indicate how this subject is important for both parties.<sup>204</sup> It is remarkable that

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<sup>203</sup> See Carlos Pascual, "The Geopolitics of Energy: From Security to Survival", [http://www.brookings.edu/~media/Files/rc/papers/2008/01\\_energy\\_pascual/01\\_energy\\_pascual.pdf](http://www.brookings.edu/~media/Files/rc/papers/2008/01_energy_pascual/01_energy_pascual.pdf) (31.05.2011), Michael T. Klare, "Energy Security", Paul D. Williams, Security Studies: An Introduction, London and New York, Routledge, 2008, pp.483-496.; Andrei V. Belyi, "Energy security in International Relations (IR) Theories", [www.hse.ru/data/339/636/.../ReaderforLecturesOnEnergySecurity.doc](http://www.hse.ru/data/339/636/.../ReaderforLecturesOnEnergySecurity.doc) (31.05.2011) ; Jeff Kueter, "National Security, Energy Security, and a Low Carbon Fuel Standard", <http://www.marshall.org/pdf/materials/643.pdf> (11.04.2012); S.A. Van Vactor, "Energy Security and National Security", <http://www.econ.com/EnergySecurity0702.pdf> (11.04.2012); "NATIONAL ENERGY SECURITY POST 9/11", <http://www.usea.org/Publications/Documents/USEAReport.pdf> (11.04.2012)

<sup>204</sup> Paul Saunders, "Russian Energy and European Security", <http://cftni.org/monographs/saunders08.pdf>, s. v, (11.04.2012); Lukáš TICHÝ, "Energy Security in the EU-Russia Relations", <http://www.ecprnet.eu/databases/conferences/papers/527.pdf>, s. 1-2, (11.04.2012); Ariel Cohen, "The Russian and Eurasian Energy Outlook and US National

consuming countries do their best to have sources to ensure their energy security, and diversified energy lines to transport oil and natural gas extracted from these sources. For these targets, there are changes of power in countries (rebellions, military takeovers etc), and sometimes the countries are occupied. On the other hand, it is necessary to take into account that the participants of this process on the whole are not the states only since the large oil and gas companies also become the participants of this process.

When Azerbaijan newly gained its independence, it faced most of the details of energy-political game described above. When Azerbaijan gained its independence, it experienced either the agitation of protection of its independence, or encountered a number of problems including Karabakh problem and it also had to clarify the questions about how it would determine the destiny of its energy resources.<sup>205</sup> To consider that the political and military instability inside Azerbaijan was at its peak point, there also existed the problem of economic and political transition to the new system. The existence of the problem in relation to the legal status of Caspian Sea in which a very large portion of Azerbaijan's energy resources is located can also be added as a problem.

Another point that should be taken into account from the viewpoint of Azerbaijan was the fact that it was not only an energy exporting country, but also it had particularities of being an energy transit country for the Trans-Caspian projects. Thus, what did energy mean for Azerbaijan, potential internal instability and the real source of Azerbaijan's problems (the so called real instigator of troubles it suffered) or a potential capable of being used for strengthening of statehood and economic development?

The governments in Azerbaijan either had to respond to these questions, or were obliged to use the subject of energy and its transportation routes for solution of Azerbaijan's problems and for development. In the early years of Azerbaijan's

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Interests", <http://foreignaffairs.house.gov/112/coh060211.pdf>, p. 3, (11.04.2012); Andrey S. Makarychev "Russia's Energy Policy", [http://csis.org/files/media/isis/pubs/pm\\_0425.pdf](http://csis.org/files/media/isis/pubs/pm_0425.pdf), (11.04.2012)

<sup>205</sup> Nasib Nassibli, "The Independent Azerbaijan's Oil Policy", <http://www.azeri.com/azeri/nasibzade1.html> (10.12.2011)

independence, though all the governments had varied ideologies, views, strategies, they tried to benefit from the existing opportunities as much as possible, and to apply the strategy to reduce to minimum the difficulties and to increase the benefits following an attentive political line. In this respect, especially the policy of ensuring the internal stability first at any cost that was founded by Haydar Aliyev was a significant condition from the viewpoint of the wish of Baku to determine and carry out its energy strategy. Also, it was evident that after internal stability was ensured, there would be a higher possibility that the efforts to use energy factors in the settlement of various problems in foreign policy yielded better results.

#### **4.2. Azerbaijan's Energy Policy before the Presidency of Ilham Aliyev**

Energy policy also relates to the names of presidents as all the other directions of internal and foreign policy of Azerbaijan, due to the fact that it was governed with the form of the government of president (even an extremely powerful president according to some specialists) and that the particular role of the leader as a new independent country, had a powerful determining position in the progress of the system.

During the period until Ilham Aliyev, three leaders took presidency in Azerbaijan. They were Ayaz Mutallibov, Abulfaz Elchibay and Haydar Aliyev. Each of these leaders had unique foreign policy line and oil policy in parallel to this.

Ayaz Mutallibov's government started in the last years of Azerbaijan's fight for independence and continued until the early months of independence. There are different opinions about whether or not Mutallibov had a specific strategy on the country's foreign policy, even on the independence of the country. According to the majority, Mutallibov's home and foreign policy had a rather indefinite nature and this was reflected in his oil policy as well.<sup>206</sup> However, especially the higher interest of the international oil companies in the region caused to take certain steps in respect of Azerbaijan's energy resources.

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<sup>206</sup> Araz Aslanlı, İlham Hasanov, Haydar Aliyev Dönemi Azerbaycan Dış Politikası, Ankara, Platin Yayınları, 2005, p. 18-20

In fact, the interests of oil companies in Azerbaijan started just before the collapse of USSR. Azerbaijan's oil which was at the circle of interests of the world's large companies before the occupation of Azerbaijan by Bolshevik Russia and before the establishment of USSR, again entered the center of attention of Western oil companies together with the visit to Azerbaijan of S.Rimp the Head of Ramco Company in 1989.<sup>207</sup> Following Ramco, the representatives of large companies such as Penzoil, BP/Statoil and Amoco also started negotiations with the government of Azerbaijan.

During the rule of Mutallibov, either before the collapse of USSR or at the initial stage of independence, Azerbaijan decided to establish partnerships with foreign companies in order to produce its oil and it signed some documents.<sup>208</sup> The companies of AMOCO, UNCAL of USA, and British Petroleum of England more actively participated in this process.<sup>209</sup> In February 1992, the process was joined by RAMCO and PENZOIL companies and they started negotiations with SOCAR. However, the fact that Mutallibov was obliged to resign from office influenced by the wave of protests caused by Khojali Genocide in March 1992, suspended this process to a certain extent.<sup>210</sup> In May 1992, Mutallibov's initiative to return back to power, failed, and he was obliged to leave the country. As a result, the energy policy that Mutallibov tried to apply ended in failure even without taking the initial steps in a right and proper manner.

The wave of protests that put an end to Mutallibov's reign, came to an end with the coming to power of Abulfaz Elchibay, the Chairman of Azerbaijan Popular Front which was the most powerful organization of the popular

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<sup>207</sup> Məmməd Əhmədov, Azərbaycan: Yeni Neft Erası və Beynəlxalq Siyasət, Bakı, Elm Nəşriyyatı, 1997, p. 15

<sup>208</sup> Nasib Nassibli, "The Independent Azerbaijan's Oil Policy", <http://www.zerbaijan.com/azeri/nasibzade1.html> (10.12.2011)

<sup>209</sup> Elkhan Polukhov: "Contract of the century (The problem in an Historical Retrospektive)", Caucasian Regional Studies, Vol. 2, Issue 1, 1997, p. 18

<sup>210</sup> "Chronology of events that led Azerbaijan to independence and remarkable days after gaining the independence", Administrative Department of the President of the Republic of Azerbaijan  
P R E S I D E N T I A L L I B R A R Y, [http://files.preslib.az/projects/republic/en/azr6\\_1.pdf](http://files.preslib.az/projects/republic/en/azr6_1.pdf), p. 7., (13.04.2012)

movement against USSR and the factual leader of popular movement. Elchibay had a much more different political view than Mutalibov from the viewpoint of either its opinion towards independence or the importance he attached to Turkish world and the West, at the same time his anti-Russian and anti-Iranian views, as well as democratic approach.<sup>211</sup> These views were also reflected in his energy policy too. Abulfaz Elchibay who was elected president on June 7, 1992, restarted the energy talks during a short period of time. An Agreement with BP and Statoil was signed on September 7-8, 1992. According to the Agreement, BP and Statoil had to develop their feasibility studies in connection with the oil production in Chirag and Shahdeniz Fields

Similar agreements with other companies were signed as well. However, the most primary process was the one related to the joint development of Azeri, Chirag and Gunashli Fields which would be the subject matter of Contract of the Century later. Since these three oil fields in the Caspian Sea are located in the territories near one another, it was considered that their joint development in future would be advantageous while it was thought that their separate development would cause a number of economic and political problems. On November 9, 1992, a memorandum on establishment of a company for these fields between SOCAR and the members of consortium established by the foreign companies was signed<sup>212</sup> One of the most significant results of Elchibay's views in this process was that Russia and Iran were kept away from energy agreements and that TPAO (Turk Petrolleri Anonim Ortakligi), the company of Turkey, was involved in the consortium together with other global-scale foreign oil companies. Either Western companies, or Iran and Russia understood this step of Elchibay's power as a gesture to TPAO that had no great technical and financial power, and indirectly to Turkey. Meanwhile, it is also necessary to take into account that Elchibay's power rejected Iran's and Russia's similar efforts. For example, in

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<sup>211</sup> Aslanlı, Hasanov, qeyd olunan əsər, p. 25-27.

<sup>212</sup> "Chronology of AIOC Oil Contract", Azerbaijan International (2.4) Winter 1994 , p. 66, [http://www.azer.com/aiweb/categories/magazine/24\\_folder/24\\_articles/24\\_oilchronology.html](http://www.azer.com/aiweb/categories/magazine/24_folder/24_articles/24_oilchronology.html) (12.04.2012); Suha Bolukbasi, "Ankara's Baku-Centered Transcaucasia Policy: Has It Failed?" The Middle East Journal, Vol. 51, No. 1 (January 1997), p. 87-dən nəql edən Aslanlı, Hasanov, q.o.ə., s.87.



November 1992, the Ambassador of Iran to Baku Ali Akbar Nahavendiyan put forward his wishes in this direction in his meeting with the Chairman of the Parliament of Azerbaijan Isa Gambarov. However, Isa Gambarov stated that it was impossible to accept Iran to consortium without the consent of the consortium members.<sup>213</sup> Lukoil also faced the same future. According to some opinions, among other things, this factor caused Russia and Iran to make great changes in their policy towards Azerbaijan.

Elchibay's power, setting aside Russia's and Iran's protests, signed the next (6th) memorandum with the foreign countries in 1993 and continued the preparations for signature of main agreement in June 1993.<sup>214</sup> In this stage, the foreign factor (Russia and Iran) started performing their jobs in two directions. Armenia increased its aggressive attacks directed at Azerbaijan and the internal confrontation was fired. Armenian armed forces as assisted by the Russian army occupied Azerbaijan' Kalbajar region.<sup>215</sup> On the other hand, Colonel Surat Huseynov who held office in Elchibay's government previously, tried to make a military takeover. First, Colonel Surat Huseynov withdrew the troops under his control from frontal region, and then stirred up a rebellion in Ganja city, and then made an attack towards Baku (and other territories of Azerbaijan).

The country was face-to-face with civil war. In order to prevent the events to become worse, first, the Prime Minister Panah Huseynov and Chairman of Parliament Isa Gambarov resigned. The Chairman of Nakhchivan, Ali Mejlis Haydar Aliyev, was invited to Baku. After a short period of time, Haydar Aliyev was selected the Chairman of Parliament. While the events continued being more strained (there were efforts by Russia and Iran to strengthen separatists inclinations in the North and South of Azerbaijan), the President Abulfaz Elchibay left Baku and escaped to Kalaki village (the village in which he was born) in

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<sup>213</sup> Xalq Qəzeti, 15 noyabr 1993.

<sup>214</sup> İlham Aliyev, Каспийская нефть Азербайджана, МОСКВА, ИЗВЕСТИЯ, 2003, s. 69.

<sup>215</sup> “Dağlıq Qarabağ problemi beynəlxalq təşkilatların müzakirəsində”, <http://files.preslib.az/site/karabakh/gl2.pdf>, p. 6, (04.04.2012).

Ordubad region, Nakhchivan Autonomous Republic.<sup>216</sup> In the following stage, Azerbaijan Parliament, assuming as basis the fact that Abulfaz Elchibay was unable to discharge his duties, decided to assign his authorities to the parliament (i.e., to Haydar Aliyev in fact). Therefore, the rule of Haydar Aliyev started in Azerbaijan. In October 1993, Haydar Aliyev was elected the President of Republic of Azerbaijan. Hence, Elchibay also ended his rule without having an opportunity to apply his energy policy which was just taking its initial steps.<sup>217</sup> This process is called as “oil turnover” by Turkey media (also within Azerbaijan).<sup>218</sup>

The study of Haydar Aliyev’s energy policy is of greater importance than the others from the viewpoint of understanding of Ilham Aliyev’s energy policy because, as more broadly explained below, the energy policy also had the nature of continuation of Haydar Aliyev’s energy policy as in the political line of Ilham Aliyev in general. In the meantime, a large majority of significant energy agreements including the Contract of the Century that underlies the economy and energy policy in Azerbaijan were just signed during the rule of Haydar Aliyev’s government.

Haydar Aliyev, who was quite an experienced politician, preferred to take maximum care to the subject of energy resources as always. Haydar Aliyev, who properly assessed the importance attached to energy resources in global policy, and the role it would play in economic and political life of Azerbaijan at the same time, also took notice of the necessity for this factor to be taken into consideration in international relations of the country. As aforesaid, in fact preparations were made for the signature of a significant oil agreement, the initial negotiations were held and the documentation was carried out during the rule of Elchibay. However, the negotiations with oil companies were suspended and the process of signature

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<sup>216</sup> Ferai Tınç, “Aliyev’in gücü”, *Hürriyet*, 08 Ağustos 2003; Elkhan Mekhtiev, “Security Policy in Azerbaijan”, pp. 19-20, <http://www.nato.int/acad/fellow/99-01/mekhtiev.pdf> (18.12.2011)

<sup>217</sup>“Perspectives of the Caspian Littoral States”, Michael P. Croissant, Bülent Aras, *Oil and Geopolitics in the Caspian Sea Region*, Westport: Greenwood Publishing Group, 1999, pp. 106-107.

<sup>218</sup> Tunca Bengin, Rehber Beşiroğlu, “Petrol Darbesi”, *Milliyet*, 27 June 1993.

of the agreement was extended because of the disorders that started in Azerbaijan and the danger of civil war. The large companies responded to this with anxiety.

On June 1993, i.e. while the uncertainty as regards the issue of government in Azerbaijan continued, the foreign oil companies, passing a joint decision, declared either that they would refuse the agreement in case an agreement was not signed during the period, or that they would be able to pay earlier to Azerbaijan the bonus in amount of US dollars 70 million provided for payment after signature of the agreement. However, Haydar Aliyev did not agree with this.<sup>219</sup> Haydar Aliyev stated in his interview to Chicago Tribune newspaper: “We understand the foreign oil companies; they wish to protect their interests, but we also wish to protect the interests of Azerbaijani people.”<sup>220</sup>

Haydar Aliyev in his meeting with the representatives of large foreign companies on August 17, 1993, first touched upon the reasons why oil agreement was not signed. Haydar Aliyev said that opinions had been broadly expressed that in the recent years that Azerbaijan’s resources were barbarously and unfairly devastated by foreign countries. He said: “Perhaps such cases happened, and that we could not allow this anymore, therefore, on June 24, we passed a decision to temporarily suspend the agreements that are almost about to be entered into with foreign companies.”<sup>221</sup>

Aliyev established a direct relation between energy and political stability and demanded open support from foreign countries and companies for political stability: “...if the oil companies of the large countries of the world are interested in oil fields of Azerbaijan, probably, the governmental circles of these countries

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<sup>219</sup> İlham Aliyev, Каспийская нефть Азербайджана, МОСКВА, ИЗВЕСТИЯ, 2003, p. 71.

<sup>220</sup> James P. Gallagher, “Azeri Pumping Oil Accord For A Bigger Payoff”, Chicago Tribune, July 18, 1993, [http://articles.chicagotribune.com/1993-07-18/business/9307180294\\_1\\_caspian-sea-amoco-geidar-aliyev](http://articles.chicagotribune.com/1993-07-18/business/9307180294_1_caspian-sea-amoco-geidar-aliyev) (04 April 2012) .

<sup>221</sup> Heydər Əliyev, Müstəqilliyimiz Əbədidir, Bakı, Azərneşr 1997, s. 84; “Aparıcı Neft Şirkətlərinin Və Korporasiyalarının Nümayəndələri ilə Görüşdə Çixişi”, 17 Avqust 1993, p. 42, [http://files.preslib.az/projects/toplu/v2/f3\\_3.pdf](http://files.preslib.az/projects/toplu/v2/f3_3.pdf) (04 April 2012)

should also be interested in the present-day socio-political condition of the Republic of Azerbaijan as well.”<sup>222</sup>

Haydar Aliyev preferred to secure the internal political stability and to reconsider the previous preparations of the agreements instead of continuing energy negotiations in this stage. Though the policy of Haydar Aliyev, the essence of which was once more clarified during the meeting with the heads of State Oil Company of Azerbaijan Republic, oilmen-scholars and specialists on February 5, 1994, was not accepted univocally by Western companies, it was emphasized that that step had been taken to the benefit of Azerbaijan.<sup>223</sup> In fact, it was to demonstrate that how much Heydar Aliyev gave priority to the stability. In logic, Heydar Aliyev pre-calculated to keep other provisions in back plan in favor of the maintenance of stability, even if he would be the target of several critics, in further years of his power.

Haydar Aliyev, suspending negotiations with energy companies in the initial stage and delaying the signature of energy agreements, did not only wish to succeed in changing the nature of agreements, at the same time he tried to normalize relations with Russia and Iran and to secure stability in the internal socio – political conditions in order that Haydar Aliyev would have the opportunity to make powerful purchases with the foreign companies as well. It is not by mere chance that Haydar Aliyev conducted energy talks with Russia in autumn 1993, and even an agreement between the two countries entered into force on October 23 1993, to authorize Lukoil to work in in Azerbaijani sector of Caspian Sea. Just as a result of these steps, Russia’s Prime Minister Viktor Chernomirdin stated that they had no objection for Azerbaijan to sign an agreement with Western Companies, in early 1994. This issue which is not

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<sup>222</sup> Heydər Əliyev, Müstəqilliyimiz Əbədidir, Bakı, Azərneşr 1997, s. 87; “Aparıcı Neft Şirkətlərinin Və Korporasiyalarının Nümayəndələri ilə Görüşdə Çıxışı”, 17 Avqust 1993, [http://files.preslib.az/projects/toplu/v2/f3\\_3.pdf](http://files.preslib.az/projects/toplu/v2/f3_3.pdf), p. 43, (04 April 2012)

<sup>223</sup> Nitqləri, çıxışları, məruzələri, müsahibələri, bəyanatları, Azərbaycan Respublikası Prezidentinin İşlər İdarəsinin PREZİDENT KİTABXANASI, [http://files.preslib.az/projects/toplu/v2/f3\\_4.pdf](http://files.preslib.az/projects/toplu/v2/f3_4.pdf), p. 33, (04 April 2012) ; Natig Aliyev, “The Contract Anticipating the Future”, Azerbaijan International, 1994 (2.4) Page 25, [http://www.azer.com/aiweb/categories/magazine/24\\_folder/24\\_articles/24\\_oilcontract.html](http://www.azer.com/aiweb/categories/magazine/24_folder/24_articles/24_oilcontract.html)

considered so important for some in present time, was very important in the period in which USSR had newly collapsed.

In order achieve this, Haydar Aliyev, as the Chairman of Azerbaijani Parliament, accepted Valter Shoniya, the Ambassador Plenipotentiary and Extraordinary of Russia to Azerbaijan on June 16, 1993<sup>224</sup> (n.b. Haydar Aliyev accepted Altan Karamanoghlu, the Ambassador Plenipotentiary and Extraordinary of Turkey in Baku city on June 19, Richard Mayls the Ambassador Plenipotentiary and Extraordinary of USA to Azerbaijan on June 21, and Brian Fall the Ambassador Plenipotentiary and Extraordinary of Great Britain to Russia and Azerbaijan on June 22). Aliyev made his first official visit to Moscow on September 6 – 8, 1993 and he participated in the meeting of Commonwealth of Independent States (CIS) countries Heads of State on September 24, 1993 and signed the documents about Azerbaijan's accession to CIS in Kremlin.<sup>225</sup> On February 4, 1994, SOCAR officially notified its shareholders that Azerbaijan assigned to Lukoil a portion up to 10 % out of its own interest.<sup>226</sup>

On December 19 – 22, 1993, Haydar Aliyev carried out his visit to France as his first important visit.<sup>227</sup> During this visit, Haydar Aliyev conducted negotiations with President Francois Mitterand related to the participation of Elf, an energy company of France, in the projects in Azerbaijan. Haydar Aliyev visited Turkey on February 8 – 11, and to England on February 22 – 25, 1994.<sup>228</sup> Among other things, the issues related to energy agreement were also discussed, during the two visits of Haydar Aliyev.

During the rule of Haydar Aliyev, the first, and probably, the most important step was the signature of the Contract of the Century. The Contract of

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<sup>224</sup> “XARİCİ SİYASƏT FƏALİYYƏTİNİN XRONİKASI: 1993-cü il”, [http://files.preslib.az/projects/toplu/v2/f4\\_1.pdf](http://files.preslib.az/projects/toplu/v2/f4_1.pdf), p. 1, (05.04.2012).

<sup>225</sup> “XARİCİ SİYASƏT FƏALİYYƏTİNİN XRONİKASI: 1993-cü il”, [http://files.preslib.az/projects/toplu/v2/f4\\_1.pdf](http://files.preslib.az/projects/toplu/v2/f4_1.pdf), p. 4, (05.04.2012).

<sup>226</sup> Kenan Çelik ve Cemalettin Kalaycı, “Azəri Petrolünün Dünü ve Bugünü”, Avrasya Etüdləri, Sayı: 16; Sonbahar-Kış 1999, p. 107.

<sup>227</sup> “XARİCİ SİYASƏT FƏALİYYƏTİNİN XRONİKASI: 1993-cü il”, [http://files.preslib.az/projects/toplu/v2/f4\\_1.pdf](http://files.preslib.az/projects/toplu/v2/f4_1.pdf), p. 8-9., (05.04.2012).

the Century was signed between SOCAR and a group of foreign companies in Gulustan Palace, Baku city, on September 20 as a result of the talks that continued for three years.<sup>229</sup> Azerbaijan International Operating Company (AIOC) was authorized to make oil exploration and extraction works in respect of the Agreement of Joint Development of Oil and Share Distribution in Azeri, Chirag, Gunashli fields in Azerbaijani sector of Caspian Sea that is called the Contract of the Century or Mega project.<sup>230</sup>

As mentioned above, though SOCAR held 30 % share in the agreement previously, it assigned 10% out of this to Lukoil. Then, though SOCAR wished to assign 5 % out of its share to Iran, this step was not realized since other Western Companies led by US energy companies opposed thereto. In April, 1995, SOCAR assigned 5 % out of its share to Exxon Company of USA, and 5 % thereof to TPAO. First, Haydar Aliyev accepted the Vice-President of Exxon Company of USA, Tim Sayka in April 3. President Haydar Aliyev also accepted, on the same day, the delegation of Turk Petrolleri Anonim Ortakligi company headed by the Vice-President of the Company Mustafa Murad. In addition, during the short – term visit, in April 12, to Azerbaijan of Tansu Chiller, the Prime Minister of Turkey, an agreement of cooperation in the sphere oil was signed between Azerbaijan and Turkey.<sup>231</sup> Haydar Aliyev, in his statement in the signature ceremony, emphasized that that agreement resulted from the brotherhood

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<sup>228</sup>“AGREEMENT ON THE JOINT DEVELOPMENT AND PRODUCTION SHARING FOR THE AZERI AND CHIRAG FIELDS AND THE DEEP WATER PORTION OF THE GUNASHLI FIELD IN THE AZERBAIJAN SECTOR OF THE CASPIAN SEA” [http://www.bp.com/liveassets/bp\\_internet/bp\\_caspian/bp\\_caspian\\_en/STAGING/local\\_assets/downloads\\_pdfs/pq/ACG\\_PSA.pdf](http://www.bp.com/liveassets/bp_internet/bp_caspian/bp_caspian_en/STAGING/local_assets/downloads_pdfs/pq/ACG_PSA.pdf), (27.04.2012) ; Elman Nasirov, “THE CONTRACT OF THE CENTURY”, <http://www.visions.az/oil.206/> (27.04.2012); Nasser Sagheb and Masoud Javadi, “Azerbaijan's `Contract of the Century””, Azerbaijan International, (2.4) Winter 1994, [http://www.azer.com/aiweb/categories/magazine/24\\_folder/24\\_articles/24\\_aioc.html](http://www.azer.com/aiweb/categories/magazine/24_folder/24_articles/24_aioc.html), (27.04.2012).

<sup>230</sup> Mir-Yusif Mir-Babayev, “Azerbaijan's Oil History: Brief Oil Chronology since 1920 - Part 2”, Azerbaijan International, Summer 2003 (11.2), p. 56-63, [http://azer.com/aiweb/categories/magazine/ai112\\_folder/112\\_articles/112\\_chronology.html](http://azer.com/aiweb/categories/magazine/ai112_folder/112_articles/112_chronology.html) (18.12.2011)

<sup>231</sup> “Azerbaycan Cumhurbaşkanı Haydar Aliyev’in, Azerbaycan ve Türkiye cumhuriyetleri arasında petrol alanında işbirliğine ilişkin sözleşmenin üst düzey yetkililerin katılımıyla gerçekleşen imza töreninde konuşması - Gülistan Sarayı, 12 Nisan 1995”, <http://library.aliyev-heritage.org/tk/6428457.html> (29.04.2012).

relationships between the two countries and he added that Azerbaijan would continue its efforts so that oil pipeline for oil export passed through Turkey.

After the Contract of the Century was ratified by the Parliament of Republic of Azerbaijan on December 2, 1994, it became effective on December 12, 1994.<sup>232</sup> In the following periods, Azerbaijan signed nearly 30 energy agreements. Furthermore, what was at least as important as them, was the policy pursued by Azerbaijan in respect of transportation of its energy resources to the world market. Baku – Novorossiysk, Baku – Supsa, Baku – Tbilisi – Ceyhan oil pipelines, Baku – Tbilisi - Erzurum natural gas pipeline, ideas, projects, plans and specific steps related to Trans Caspian pipeline served to ensure the energy security of Azerbaijan. Azerbaijan attached importance to variety (alternativeness) in energy production agreements signed and in its selection of routes in relation to the transportation of its energy resources to international markets.

During the rule of Haydar Aliyev, Iran also was not entirely kept away from the energy projects as a logical consequence of this nature of Azerbaijan's energy policy. Notwithstanding that Iran's attitude towards the energy resources in Caspian Sea and approach of the new independent countries to these energy resources coincided with the attitude of Russia, which is Iran's historical opponent in the region, Azerbaijan took steps of relationships again within the framework of balanced policy. Azerbaijan, while involving the recent technologies and large investments of USA and Europe in the process of production and transportation of rich oil and natural gas resources possessed in the region on one hand, it applied the strategy to also reduce the dissatisfactions of Iran as Russia on the other hand. In this framework, Iran either possessed 10-% share in the Agreement related to Shahdeniz, Lankaran – Deniz and Talish – Deniz fields<sup>233</sup>, or there was placed on agenda, from time to time, the Iranian version in the discussion of the issue of energy resources transportation. However, it is also noteworthy that despite all the aforesaid, both Iran, and Russia never entirely gave up their refusals from

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<sup>232</sup> Osman Nuri Aras, *Azerbaycan'ın Hazar Ekonomisi ve Stratejisi*, İstanbul, Der Yayınları, 2001, p. 59.

<sup>233</sup> "Shah Deniz Signed", *Azerbaijan International*, Autumn 1996 (4.3), p. 35, [http://azer.com/aiweb/categories/magazine/43\\_folder/43\\_articles/43\\_shah.html](http://azer.com/aiweb/categories/magazine/43_folder/43_articles/43_shah.html) (02.05.2012).

Azerbaijan's energy policy, and sometimes they opposed the agreements it signed, and sometimes they tried to prevent Azerbaijan's oil and natural gas production activities in its own sector.

For example, on April 27, 1994, the Ministry of Foreign Affairs of Russia addressed a note Great Britain. Moreover, on June 21, 1994, the President of Russian Federation Boris Yeltsin signed a secret decision No.396 upon the presentation of the Ministry of Foreign Affairs of Russia. According to this decision, if Azerbaijan signed energy agreement with foreign companies, then there would be applied sanctions against it.<sup>234</sup> Nonetheless, in general, Azerbaijan had broken down the resistance of Russia in relation to the subject.

The agreements signed with China can also be given as an example in this direction. Though China's effort to sign an oil agreement with Azerbaijan failed since it was contrary to Abulfaz Elchibay's foreign policy in the early years, China made large investments in Energy Sector in Azerbaijan especially in 2000s. Although China first tried purchase the portions of UNCAL company in the Contract of the Century, its effort was unsuccessful. Shengli Oil Company of China has conducted negotiations with Azerbaijan since mid 2002 for the Pirsaat field and signed an agreement for this field with the Azerbaijani side on June 4, 2003 together with Middle East Petroleum Company registered in United Arab Emirates.<sup>235</sup> Additionally, on June 18, 2004 the two countries signed an agreement with Azerbaijan for Garachukhur oil field as well.

As evident from the aforesaid, Haydar Aliyev's government always tried to determine and apply its energy policy taking into account the global and regional equilibriums and assuming the national interests of Azerbaijan as the bases. Consequently, the countries with which Azerbaijan concluded an energy agreement includes USA, Russia, Great Britain, Turkey, France, Italy, Japan, China, Norway, even Saudi Arabia and Indonesia, and the companies include BP, Statoil, Lukoil, AGIP, Itochu, Exxon, UNCAL, Total, TPAO, Chevron, Delta, Japan Petroleum, RAMCO etc. In accordance with the nature of Haydar Aliyev's

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<sup>234</sup> İlham Aliyev, Каспийская нефть Азербайджана, МОСКВА, ИЗВЕСТИЯ, 2003, p. 163.

<sup>235</sup> "Shengli and Middle East Petroleum to invest in Azeri fields", Jun 07, 2004, [http://www.gasandoil.com/news/central\\_asia/24578efbb83b67df361018513d9e101a](http://www.gasandoil.com/news/central_asia/24578efbb83b67df361018513d9e101a) (02.05.2012).



policy, the existence of foreign countries in Azerbaijan's oil sector had a nature in parallel with their global and regional power and with the fact that they act taking into account Azerbaijan's interests.

### **4.3. The Energy Policy of Ilham Aliyev**

The energy policy of the President of Azerbaijan Ilham Aliyev, as mentioned above, is the continuation of his father Haydar Aliyev's energy policy. About half of his activities in the energy sector of Azerbaijan was a component of Haydar Aliyev's energy policy (as the Vice-President of State Oil Company of Azerbaijan Republic in 1994 – 2003, and the Prime Minister of Republic of Azerbaijan from August 2003 to October 2003).

#### **4.3.1. Ilham Aliyev as the Vice- President of SOCAR**

Ilham Aliyev was appointed as the Vice – President of SOCAR in 1994.<sup>236</sup> Since then, Ilham Aliyev participated and reported in the determination of energy policy of Azerbaijan, in the discussions held with foreign energy companies in Azerbaijan and abroad, in reception of guests, in the events regarding energy held in Azerbaijan and abroad. His reports and statements made to Mass Media contained unique opinions (which did not completely coincide with the opinions of Haydar Aliyev in that period), and sometimes they were for the absolute support of his father's policy.

In his statement made as the Vice – President of SOCAR, Ilham Aliyev was supportive of a political line that protected Azerbaijan's interests as much as possible in respect of pipelines. For example, in November 1997, after the presentation in the conference Caspian Oil Pipeline in Washington, Ilham Aliyev the First Vice-President of State Oil Company of Azerbaijan Republic, put forward in his statement in Harvard, that there existed various versions about the best routes in order to construct pipelines for the purpose of transportation of Azerbaijan's oil to West. He especially emphasized that the oil is Azerbaijan's oil

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<sup>236</sup> “Tərcüme-yi-hal”, <http://president.az/president/biography/> (13.04.2012).

and this resource belongs to Azerbaijani people. Therefore, the best oil route should correspond to the national interests of Azerbaijan.<sup>237</sup>

Ilham Aliyev also demonstrated a similar attitude in the discussions related with the passing of oil pipelines through Armenia and Georgia. About the possibility for the pipeline to pass through Armenia, he said: “It is not a wise strategy to conduct negotiations on passing an oil pipe line route through Armenia unless it liberates our lands. I am against this.”<sup>238</sup>

As evident, the passing of the pipeline through Georgia had reached a deadlock for some time. That is, Georgia demanded higher tariffs, international companies were against this, and some countries wished that Georgia’s demands were also met. In that stage, even a day earlier than the disclosure of the decision, on March 22, 2000, Ilham Aliyev in his statement made at Baku Airport, was against any serious compromises for Georgia with regard to oil pipeline, he was against the compromise and placed the Iranian version on the agenda.<sup>239</sup> He justified this movement with the fact that the amount that Georgia required as the transportation fee was quite high and this enables Azerbaijan to commence negotiations in regard to Iranian Version that it never ruled out. However, one day later, his father demonstrated a completely different attitude and stated that the additional amount requested by Georgia would be paid.

On November 20, 1998, while Ilham Aliyev was on a visit to USA, he participated in the conference held on Eurasia Transport Corridor: Legend and Reality. He made some statements, in his meetings therein, about the fact that

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<sup>237</sup> “Press Conference with Ilham Aliyev (VP of SOCAR) and Terry Adams (President of AIOC)”, Spring 1997 (5.1), Pages 44-47, [http://azer.com/aiweb/categories/magazine/51\\_folder/51\\_articles/51\\_socar\\_ilham\\_%20adams.html](http://azer.com/aiweb/categories/magazine/51_folder/51_articles/51_socar_ilham_%20adams.html) (03.05.2012).

<sup>238</sup> “No Pipeline for Armenia”, Azerbaijan International, (5.4) Winter 1997, [http://azer.com/aiweb/categories/topics/Quotes/quote\\_aliyev\\_ilham.html](http://azer.com/aiweb/categories/topics/Quotes/quote_aliyev_ilham.html), (03.05.2012).

<sup>239</sup> “İlham Əliyev: Biz İran variantını heç vaxt diqqətdən kənar qoymamışıq”, Azadlıq qəzeti, 23 mart 2000-ci il

Azerbaijani government was devoted to Baku – Ceyhan route, and his attitude was highly appreciated by the US Officials.<sup>240</sup>

One of the most important statements of İlham Aliyev as the Vice – President of SOCAR was his report in the ceremony dedicated to the fifth anniversary of the Contract of the Century in the Republican Palace on September 20, 1999.<sup>241</sup> This report provided a brief excursion to the history of Azerbaijan’s energy agreements, Azerbaijan Popular Front government and even Rasul Guliyev, who worked for a long time in Haydar Aliyev’ government. Moreover, it laid down specific facts about how the points that were against Azerbaijan in the previously prepared oil agreements were removed from the agreement or how they were changed to the benefit of Azerbaijan. In the mentioned statement oil was assessed as “a means to secure the welfare of Azerbaijani people and welfare of future generations, a means to create new workplaces, a means to create new spheres of economy in order not to be dependent only on oil sector in the future, a means to improve the welfare of Azerbaijani people, a means to increase salaries, allowances and pensions, and primarily as a means to strengthen the independence of Azerbaijan.”<sup>242</sup>

One of the most important works of İlham Aliyev as the Vice – President of SOCAR was his book named *Azerbaijan’s Caspian Oil* (Каспийская нефть Азербайджана) published in Moscow in 2003.<sup>243</sup> In his work, İlham Aliyev touched upon the history of Caspian oil, the economic and strategic directions of the subject, the subject of legal status of Caspian Sea, the geopolitical fight for the Caspian region, the pipeline projects intended for the transportation of oil resources in Caspian region into international markets and environmental subjects,

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<sup>240</sup> “Azərbaycan Respublikası Dövlət Neft Şirkətinin birinci vitse-prezidenti, millət vəkili İlham Əliyev 1998-ci ilin noyabrında ABŞ-da rəsmi səfərdə olmuşdur”, İlham Əliyev – Azərbaycan Respublikası Dövlət Neft Şirkətinin birinci vitse-prezidenti (30 aprel 1994 – 4 avqust 2003), <http://files.preslib.az/site/oil/gl1.pdf> (08.04.2012).

<sup>241</sup> “Respublika Sarayında "Əsrin Müqaviləsi"nin beşinci ildönümünə həsr olunmuş təntənəli mərasimdə ARDNŞ-in birinci vitse – prezidenti, Milli Məclisin deputatı İlham Əliyevin məruzəsi”, Azərbaycan qəzeti, 21 sentyabr 1999-cu il

<sup>242</sup> İlham Aliyev, Каспийская нефть Азербайджана, МОСКВА, ИЗВЕСТИЯ, 2003

<sup>243</sup> İlham Aliyev, Каспийская нефть Азербайджана, МОСКВА, ИЗВЕСТИЯ, 2003

and conducted interesting comparative analysis of various political stages (e.g. Mutallibov's period, Elchibay's period and Haydar Aliyev's period) and of various projects (e.g. Blue Flow and Trans Caspian projects).

#### **4.3.2. Ilham Aliyev as the Prime Minister**

As the Prime Minister, Ilham Aliyev's first activity in regard to energy sector was getting familiarized with the Lider semi- submersible floating drilling unit capable of making offshore exploratory drillings created at the joint efforts of Exxon Mobil, Chevron Texaco, Konoko Phillips and Total companies on August 7, 2003, several days later than his appointment.<sup>244</sup> Ilham Aliyev, while answering the journalists' questions there, encountered a question: "The foreign oil companies operating in the country are convicted of being engaged in lobbying. Even specific names are called such as BP. What is your attitude towards this?" Prime Minister Ilham Aliyev while answering this question, assessed it as a next sabotage against foreign oil companies and especially he emphasized that the oil companies operating in Azerbaijan never intervene the political processes. Ilham Aliyev said<sup>245</sup>:

I, in my former office, while working as Vice-President, State Oil Company of Azerbaijan Republic, insistently asked them in our talks, to keep away from the political processes. They have signed agreements with Azerbaijani government to conduct commercial works here, and their activities should also be carried out within this framework. I can say with great satisfaction that neither BP, nor any other foreign oil company has been intervening since the very beginning of our activity and will not intervene, the political processes.

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<sup>244</sup> "Azərbaycanın Baş naziri İlham Əliyev "Lider" yarımdalma üzən qazma qurğusu ilə tanış olmuşdur", İlham Əliyev – Azərbaycan Respublikasının Baş naziri, p 2. <http://files.preslib.az/site/oil/gl2.pdf> (08.04.2012), RAMİZ MEHDİYEV, İLHAM ƏLİYEV: İnkişaf – məqsədimizdir(Birinci Kitab), Bakı, Azərneşr, 2009, p. 17

<sup>245</sup> RAMİZ MEHDİYEV, İLHAM ƏLİYEV: İnkişaf – məqsədimizdir(Birinci Kitab), Bakı, Azərneşr, 2009, p. 28

This explanation by Ilham Aliyev was also important from the viewpoint of putting an end to the possibilities for the foreign oil companies to intervene the home policy (either in favour or disfavour of Ilham Aliyev) for the period after Haydar Aliyev in Azerbaijan.

Ilham Aliyev conducted certain meetings and gave some significant statements related to the energy sector in this sufficiently short stage which can be assessed as a period of candidacy for presidency rather than Prime Ministership. For example, he was familiarized with the construction conducted in the territory called Umbaki near Baku city, in Azerbaijani part of Baku – Tbilisi – Ceyhan Main Export Pipeline on August 11.<sup>246</sup> In addition, on September 2, he accepted the delegation of KazMunayQaz oil company in order to conduct negotiations for the transportation of Kazakhstan’s oil via BTC.<sup>247</sup> In this meeting, the unity of intention in the nature of continuation of the earlier steps the fruits of which were harvested in the following years was acknowledged.

Prime Minister Ilham Aliyev, during his statement in the opening ceremony of Qafqaz canning plant in Khachmaz on September 12, spoke of the oil strategy of Haydar Aliyev and declared that the strategy would continue.<sup>248</sup> Ilham Aliyev stated that after 2005, following the commissioning of Baku – Tbilisi – Ceyhan oil pipeline, funds would flow to Azerbaijan in larger amounts: “and after 2008, just as a result of implementation of the oil strategy of Azerbaijan, billions of dollars will enter the treasury of our country. It will be possible to re-build Azerbaijan with those funds. New factories, plants, roads,

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<sup>246</sup> Redaktor RAMİZ MEHDİYEV, İLHAM ƏLİYEV: İnkişaf – məqsədimizdir (Birinci Kitab), Bakı, Azərneşr, 2009, p. 28

<sup>247</sup> “Azərbaycan və Qazaxıstanın neft sahəsində uğurlu əməkdaşlığı bundan sonra da davam edəcəkdir”, İlham Əliyev – Azərbaycan Respublikasının Baş naziri, s. 2. <http://files.preslib.az/site/oil/gl2.pdf> (08.04.2012).

<sup>248</sup> “Prezident Heydər Əliyevin Azərbaycanın iqtisadi yüksəlişinə, xalqımızın firavanlığının təmin olunmasına yönəldilmiş siyasətinin daha bir bəhrəsi”, Azərbaycan (rəsmi dövlət qəzeti), 13 sentyabr 2003.

hospitals, educational institutions, and other infrastructure will be established with those funds.”<sup>249</sup>

Ilham Aliyev, in his statement in the opening ceremony of Eupec – Azerbaijan, Germany – Azerbaijan Joint venture on October 2, pointed out that Haydar Aliyev’s oil strategy was diversified. He also shared his opinions about that strategy.<sup>250</sup> In Ilham Aliyev’s opinion, the most important issue in the initial stage was the involvement of investment to Azerbaijan. Another direction of oil strategy was the establishment of transport infrastructure and construction of oil pipelines in Azerbaijan. Another direction of Haydar Aliyev’s oil strategy was to create the domestic production in Azerbaijan, and to create workplaces.

#### **4.3.3. Ilham Aliyev as the President**

Mr. Ilham Aliyev was selected as the President of the Republic of Azerbaijan on October 15, 2003.<sup>251</sup> After Ilham Aliyev started working as the President of Azerbaijan, both his foreign policy in general, and the energy policy in particular, were mainly the continuation of Haydar Aliyev’s policies and there were simply certain changes in accordance with the conditions of that period in some points. Ilham Aliyev gave statements both in the presidential election campaign and in his commencement of discharge of duties as a president, that he would be the follower of Haydar Aliyev’s political course. Ilham Aliyev, in his first inauguration ceremony, claimed that people actually voted for Haydar Aliyev’s policy in the presidential elections and that there was no alternative for this policy in Azerbaijan.<sup>252</sup>

Ilham Aliyev, similar to his statements as the president of SOCAR, put forward that Azerbaijan’s foreign policy was based on national interests, that Azerbaijan implemented its foreign policy in accordance with national interests of

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<sup>249</sup> “Prezident Heydər Əliyevin Azərbaycanın iqtisadi yüksəlişinə, xalqımızın firavanlığının təmin olunmasına yönəldilmiş siyasətinin daha bir bəhrəsi”, Azərbaycan (rəsmi dövlət qəzeti), 13 sentyabr 2003.

<sup>250</sup> “İlham Əliyev: Biz Azərbaycanı çox qısa bir zamanda zəngin dövlətə çevirmək niyyətindəyik”, Azərbaycan, 3 oktyabr 2003.

<sup>251</sup> “Biography”, <http://en.president.az/president/biography/> (15.03.2012)

<sup>252</sup> “Prezident İlham Heydər oğlu Əliyevin andiçmə mərasimində nitqi” (31 oktyabr 2003) [http://president.az/articles.php?item\\_id=20070816113145063&sec\\_id=11](http://president.az/articles.php?item_id=20070816113145063&sec_id=11) (04.05.2012).

Azerbaijani people under these bases and that its succeeded, and that Azerbaijan's authority and role in international organizations continually increased thereby.<sup>253</sup> One of the targets of this foreign policy was expressed as an avoidance of turning Azerbaijan into an area of global and regional fight of influence, and as an avoidance of intervening the internal affairs of other countries.<sup>254</sup>

One of the major priorities of Azerbaijan's foreign policy during the rule of İlham Aliyev is diversification.<sup>255</sup> As mentioned earlier, the foundation of this policy was, in fact, laid during the rule of Haydar Aliyev and it was formed as a logical consequence of the fact that Azerbaijan is located in a difficult geographical condition, and that it is a small country from the viewpoint of global fighting.

During the presidency of İlham Aliyev, the National Security Concept was adopted for the first time in Azerbaijan. This document dated May 23, 2007, characterized Azerbaijan as "a country located in an area that joins Western and Eastern Worlds, that shares the progressive values of Europe and that is an integral ring of Euratlantic security architecture and that is a part of the Islamic word at the same time."<sup>256</sup> The National Security Concept emphasized that "Azerbaijan is an extremely important, and a decisive state in most cases for regional cooperation in Caspian – Caucasian area, and that especially it plays an irreplaceable role in the implementation of energy and transport projects."<sup>257</sup>

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<sup>253</sup> Xalid Niyazov, "Milli Maraqlara Söykənən Mövqe", Azərbaycan, 5 iyun 2009.

<sup>254</sup> "Yaponiya Beynəlxalq Münasibətlər İnstitutunda Azərbaycan Prezidenti İlham Əliyevin çıxışı" (08 mart 2006), [http://president.az/articles.php?item\\_id=20070816114228941&sec\\_id=11](http://president.az/articles.php?item_id=20070816114228941&sec_id=11) (08.05.2012) və "Azərbaycan Respublikasının diplomatik xidmət orqanları rəhbərlərinin ikinci müşavirəsində Prezident İlham Əliyevin nitqi" (14 August 2006), [http://president.az/articles.php?item\\_id=20070817112740285&sec\\_id=11](http://president.az/articles.php?item_id=20070817112740285&sec_id=11) (08.05.2012).

<sup>255</sup> "Beynəlxalq sülh, əməkdaşlıq, şəffaflıq və çoxsaxəlilik prinsiplərinə sadıq qalan Azərbaycan 2011-ci ildə sülhə,təhlükəsizliyə və sabitliyə qarşı təhdid və risklərlə mübarizədə beynəlxalq səylərə fəal şəkildə cəlb olunmuşdur", 23.01.2012, <http://azertag.com/node/908585> , (08.05.2012)

<sup>256</sup> "Azərbaycan Respublikasının Milli Təhlükəsizlik Konsepsiyası", [http://www.mns.gov.az/img/3766779-5me02.%20Milli Tehlukesizlik Konsepsiyasi.pdf](http://www.mns.gov.az/img/3766779-5me02.%20Milli%20Tehlukesizlik%20Konsepsiyasi.pdf), p. 2, (11.05.2012).

<sup>257</sup>"Azərbaycan Respublikasının Milli Təhlükəsizlik Konsepsiyası", [http://www.mns.gov.az/img/3766779-5me02.%20Milli Tehlukesizlik Konsepsiyasi.pdf](http://www.mns.gov.az/img/3766779-5me02.%20Milli%20Tehlukesizlik%20Konsepsiyasi.pdf), p. 2, (11.05.2012).

The National Security Concept also contains points related to the energy policy. The Concept's introduction about security states that Azerbaijan's rich natural resources provide perspectives for the prosperity of the country and for ensuring the national welfare, and turns it into an energy source of international importance and a significant component part of international energy supply network. The Concept argues that the development of transport and communication corridors of international importance that have already contributed to the development of Republic of Azerbaijan and partner countries' economies and the construction of oil and gas pipelines are an obvious example for cooperation of regional countries.<sup>258</sup>

The foreign visits made by Ilham Aliyev as the President are also of significance in showing the diversification of his foreign policy. Ilham Aliyev, remaining devoted to his father's line as the President, visited France first. During the period of the first two years and a half after having been elected as President, Ilham Aliyev made official visits to the countries which are the five permanent members of UN Security Council and signed various agreements with these countries that laid the foundation for large scale cooperation relations. It is observed that the notion of diversified foreign visit was one of the main priorities of the rule of Ilham Aliyev in the following years.

Ilham Aliyev did not make special statements with respect to the energy sector in the first press conference held as the President after the Inauguration ceremony on October 31.<sup>259</sup> As the President, his first serious step in respect of the energy sector was the familiarization with the new huge platforms constructed in Baku Deep Water Jacket Plant in November 24 where he, as the President, made his first statement about the issue. It drew attention either to the importance of the steps taken by Azerbaijan on account of its own opportunities, and

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<sup>258</sup>“Azərbaycan Respublikasının Milli Təhlükəsizlik Konsepsiyası”, [http://www.mns.gov.az/img/3766779-5me02.%20Milli Tehlukesizlik Konsepsiyasi.pdf](http://www.mns.gov.az/img/3766779-5me02.%20Milli%20Tehlukesizlik%20Konsepsiyasi.pdf), s.2. (11.05.2012).

<sup>259</sup> “Azərbaycan Prezidenti İlham Əliyev jurnalistlərə ilk müsahibəsini vermişdir”, Azərbaycan (rəsmi qəzet), 2 noyabr 2003-cü il



production activities within the framework of Contract of the Century, or Azerbaijan's decisive position in regard to BTC and BTE pipelines.<sup>260</sup>

Moreover, Mr. İlham Aliyev, as President, first accepted Mr. Hilmi Gular, the Minister of Power Engineering and Mineral Resources of Turkey on February 2, 2004.<sup>261</sup> Further, on February 3, 2004, the final financial instruments of the project were signed in order to fund the construction of Baku – Tbilisi – Ceyhan (BTC) export pipeline. The Funding Agreements were signed by the representatives of Republic of Azerbaijan and Republic of Turkey and the representatives from lenders group of BTC, with the participation of Mr. İlham Aliyev, the President of Republic of Azerbaijan, Mrs. Hilmi Gular, Minister of Power Engineering and Mineral Resources of Turkey, and Mr. Steven Mann, the Ambassador of the USA for Energy Diplomacy of the Caspian Basin.<sup>262</sup>

During İlham Aliyev's Presidency, the energy was rather brought to the foreground sometimes as an economic factor, sometimes as a political factor, and sometimes as a military factor. One of the points that was frequently emphasized by İlham Aliyev was the point of involvement of foreign investment in Azerbaijan as result of energy projects, and the increase at workplaces and profits due to this. For example, the Minister of Economic Development of Azerbaijan Şahin Mustafayev, providing information to İlham Aliyev in the national exhibition named Independent Azerbaijan during 20 years dedicated to the 20th anniversary of the restoration of state independence of Republic of Azerbaijan, in the Baku Exhibition Center on September 27, 2011, stated an investment of 35,8 billion dollars was made in Azerbaijan's oil industry, including 24,4 billion dollars under Azeri – Chirag – Gunashli Project<sup>263</sup>. In total, a foreign investment of 65 billion

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<sup>260</sup> Redaktor RAMİZ MEHDİYEV, İLHAM ƏLİYEV: İnkişaf – məqsədimizdir (İkinci Kitab), Bakı, Azərənşr, 2009, p. 71-72

<sup>261</sup> “Türkiyə hökuməti Ceyhan terminalına ümummilli liderimiz Heydər Əliyevin adının verilməsi barədə qərar qəbul etmişdir: Azərbaycan Prezidenti İlham Əliyev Türkiyənin energetika və təbii ehtiyatlar naziri Hilmi Güləri qəbul etmişdir”, Azərbaycan, 3 fevral 2004.

<sup>262</sup> Yalçın Tahiroğlu, “Petrol Ceyhan'a ziyarət Moskova'ya”, 7 Şubat 2004, <http://arsiv.ntvmsnbc.com/news/256039.asp?cp1=1> (12.05.2012).

<sup>263</sup> “Bakıda "Müstəqil Azərbaycan 20 ildə" adlı milli sərgi açılmışdır”, [http://www.fhn.gov.az/newspaper/?type=view\\_news&news\\_id=1957](http://www.fhn.gov.az/newspaper/?type=view_news&news_id=1957), (11.05.2012).

dollars was made in the economy of South Caucasus during 1993- 2010, and Azerbaijan accounted for nearly 55 billion out of this amount.<sup>264</sup>In addition, the Minister of Economic Development of Azerbaijan Shahin Mustafayev stated in February 2012, that a total amount of USD 120 billion (domestic and foreign together) had been in the economy of Azerbaijan by that time<sup>265</sup>.

In this period, an important change of nature of energy as investment was the steps taken in the direction of transformation of Azerbaijan from an investment – involving country into an investment – making country. Azerbaijan carried out capital investments in the energy sector in some foreign countries led by the brother Republic of Turkey and built schools and other social facilities at the expense of financial opportunities of SOCAR and Haydar Aliyev Foundation. The Minister Mustafayev also added, to his above mentioned statement, that Azerbaijan had already turned into an investment – exporting country and an amount of 6 billion dollars was invested in foreign countries<sup>266</sup>.

During the rule of Ilham Aliyev, the production in Azeri – Chirag – Gunashli fields within the framework of Contract of the Century and under other oil agreements increased, the projects of international importance such as Baku – Tbilisi – Ceyhan oil pipeline and Baku – Tbilisi Arzurum natural gas pipeline were completed.<sup>267</sup> During Aliyev’s Presidency, the discovery of new oil and especially natural gas fields in Azerbaijan gave a boost to strengthening the

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<sup>264</sup> ELBRUS CƏFƏRLİ, “Azərbaycan iqtisadiyyatına yönəldilmiş xarici sərmayələrin həcmi 50 milyard dolları ötüb”, <http://www.yeniazerbaycan.com/news/13564.html>, 17 fevral 2011, (11.05.2012).

<sup>265</sup> “Şahin Mustafayev: Azərbaycan iqtisadiyyatına 120 milyard dollar sərmayə yatırılıb”, <http://baku.adalet-az.com/v4/2012/02/10/yazar=68670>, 08.02.2012, (11.05.2012).

<sup>266</sup> “Şahin Mustafayev: Azərbaycan iqtisadiyyatına 120 milyard dollar sərmayə yatırılıb”, <http://baku.adalet-az.com/v4/2012/02/10/yazar=68670>, 08.02.2012, (11.05.2012).

<sup>267</sup> “Bakü Ceyhan boru hattı açıldı”, <http://www.haber7.com/haber/20060713/Baku-Ceyhan-boru-hatti-acildi.php>, 13 Temmuz 2006; “Bakü-Tiflis-Ceyhan Boru Hattı Açıldı”, <http://www.voanews.com/turkish/news/a-17-2006-07-13-voa12-88020607.html> 13 Temmuz 2006, (11.05.2012); Tamam Bayatli, “ Tankers Finally Leave Ceyhan Port for World Markets”, Azerbaijan International, Autumn 2006 (14.3) Pages 92-95, [http://www.azer.com/aiweb/categories/magazine/ai143\\_folder/143\\_articles/143\\_bp\\_developments.html](http://www.azer.com/aiweb/categories/magazine/ai143_folder/143_articles/143_bp_developments.html), (11.05.2012); Zafer ATEŞ “Doğu-Batı Enerji Koridoru: 2 Tamam 1 Eksik”, [http://www.mfa.gov.tr/dogu-bati-enerji-koridoru\\_-2-tamam-1-eksik.tr.mfa](http://www.mfa.gov.tr/dogu-bati-enerji-koridoru_-2-tamam-1-eksik.tr.mfa) (11.05.2012).

positions of Azerbaijan from energy viewpoint. Certain steps were also taken in respect of NABUCCO in this period. However, Azerbaijan did not treat this issue such enthusiastically as in BTC and BTE, due to certain economic and political matters. However, it still demonstrated in general, that it positively treated the project because, Aliyev stated in his book named *Azerbaijan's Caspian Oil* that the fact of possessing proper export routes either for Azerbaijan, or other Caspian littoral countries was very important from the viewpoint of success of energy policy as a whole.<sup>268</sup>

During Ilham Aliyev's Presidency, energy was of importance both from the viewpoint of development of relations with European institutes for Azerbaijan and the viewpoint of the fact that the adverse party is a component of the policy to create source difference. On November 7, 2006, Ilham Aliyev conducted negotiations with the representatives of NATO and European Union, and signed an agreement that would play an important role in the future of Azerbaijan – EU relations.<sup>269</sup> The energy factor was especially emphasized in Azerbaijan – EU Energy Cooperation Memorandum, signed by the Head of European Commission José Manuel Barroso and the head of state of Azerbaijan Ilham Aliyev, and it consisted of the following important points:

- Bringing Azerbaijan's electricity and natural gas laws in line with EU laws in order to ensure harmonization between the energy markets of the parties,
- Increasing the security of energy pipelines to be extended from Azerbaijan and from Caspian Basin to Europe,
- Increasing the technological cooperation in the field of energy,
- Developing the policy of managing the diversified energy demand.

Also during the following years of Ilham Aliyev's Presidency, the subject of energy predominated in the discussions between Azerbaijan and EU officials.

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<sup>268</sup> İlham Aliyev, *Каспийская нефть Азербайджана*, МОСКВА, ИЗВЕСТИЯ, 2003, s. 181.

<sup>269</sup> Leila Alieva, "Azerbaijan's Presidential Elections: do Oil and Democracy Mix?", [http://www.iss.europa.eu/uploads/media/Azerbaijan\\_Presidential\\_Elections.pdf](http://www.iss.europa.eu/uploads/media/Azerbaijan_Presidential_Elections.pdf), (12.05.2012); Azerbaijan on the international arena, [http://files.preslib.az/projects/republic/en/azr2\\_4.pdf](http://files.preslib.az/projects/republic/en/azr2_4.pdf), p. 10, (12.05.2012).

For example, the European Union and Azerbaijan signed a joint declaration on Southern Gas Corridor during the visit of Head of European Commission José Manuel Barroso to Baku on January 13, 2011.<sup>270</sup> The document provided the supply of gas from Baku to Europe for a long time in sufficient amount. The declaration was signed by José Manuel Barroso and the President of Azerbaijan Ilham Aliyev.<sup>271</sup> The information disseminated by European Commission states that this is Azerbaijan's first written undertaking in Azerbaijan's gas supply to Europe.<sup>272</sup>

During Aliyev's Presidency, the most important example for the effort to benefit from energy factor in the direction of protection of national interests of Azerbaijan was the period of initiatives to improve Turkey – Armenia relations in 2008 – 2010. In this period, the pressures by USA and some European countries on Turkey to develop its relations and to immediately open the borders with Armenia ignoring the current status in the Karabakh problem and the fact that Azerbaijan's lands remain occupied by Armenia, also influenced Azerbaijan's attitude on NABUCCO, and its relations with Turkey. In accordance with the anxieties experienced by Azerbaijan, it also remembered Turkey some of its obligations on energy that it failed to comply with previously.

Azerbaijan joined NABUCCO project signature ceremony only on the level of minister, and even it signed an agreement on the sale of natural gas with the Russian Federation with which it partially experienced problems as it sold natural gas to it at high prices previously just prior to a short period of time to signature of NABUCCO.<sup>273</sup> This Agreement stipulates that Azerbaijan gas shall

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<sup>270</sup> "Europe to Cook with Azerbaijani Gas?", January 14, 2011, <http://www.eurasianet.org/node/62714> (19.03.2012).; "EU signs Azeri gas deal, reducing reliance on Russia", 14/01/11, <http://www.euronews.com/2011/01/14/eu-signs-azeri-gas-deal-reducing-reliance-on-russia/> (19.03.2012)

<sup>271</sup> "Joint Declaration on the Southern Gas Corridor" [http://ec.europa.eu/energy/infrastructure/strategy/doc/2011\\_01\\_13\\_joint\\_declaration\\_southern\\_corridor.pdf](http://ec.europa.eu/energy/infrastructure/strategy/doc/2011_01_13_joint_declaration_southern_corridor.pdf) (19.03.2012)

<sup>272</sup> Azərbaycan «Cənub qaz dəhlizi»nə qaz verir", <http://www.azadliq.org/content/article/2275474.html>, 13 yanvar 2011, (24.03.2012).

<sup>273</sup> "Rusiya ilə Azərbaycan təbii qaz sazişi imzaladı", 29 İyun 2009, <http://www.voanews.com/azerbaijani/archive/2009-06/2009-06-29->

be purchased by Russian party as of January 1, 2010. Though no official explanation was provided about the gas price, the Russian press claimed that Azerbaijan would sell the gas to Russia for USD 350 per cubic metre.<sup>274</sup>

This step by Azerbaijan had a wide echo in the West, including in Turkey. Turkey treated with certain refusals the intense process related to the price of natural gas sold to Turkey from Azerbaijan. It should be noted that Azerbaijan sold Shahdeniz natural gas to Turkey for USD 120 per cubic metre.<sup>275</sup> However, actually the Agreement stipulated that this price should be changed by revision as of 2008. While the prices were much higher than this in the world market and even while Turkey sold to Greece at a much higher price a portion of natural gas it purchased from Azerbaijan, no step was taken in relation to price change in 2008. However, after the occurrences in regard to Turkey – Armenia borders, the Azerbaijani side placed on agenda the issue to fix a new price for gas sale and this subject was widely responded both on official level and media level.<sup>276</sup> In the following stage, an agreement was reached in the gas price in parallel with the normalization of relations between Azerbaijan and Turkey.

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[voa10.cfm?CFID=277391265&CFTOKEN=49534810&jsessionid=883061616a37618f2a10425d1d26762b5c6b](http://voa10.cfm?CFID=277391265&CFTOKEN=49534810&jsessionid=883061616a37618f2a10425d1d26762b5c6b), (24.03.2012) ; Vladimir Socor, “Azerbaijan-Russia Gas Agreement: Implications for NABUCCO Project”, October 15, 2009, [http://www.jamestown.org/programs/edm/single/?tx\\_ttnews%5Btt\\_news%5D=35615&tx\\_ttnews%5BbackPid%5D=485&no\\_cache=1](http://www.jamestown.org/programs/edm/single/?tx_ttnews%5Btt_news%5D=35615&tx_ttnews%5BbackPid%5D=485&no_cache=1), (24.03.2012).

<sup>274</sup> “Russia’s Gazprom signs major gas deal with Azerbaijan”, [http://www.europeanforum.net/news/662/russia\\_rsqquo\\_s\\_gazprom\\_signs\\_major\\_gas\\_deal\\_with\\_azerbaijan](http://www.europeanforum.net/news/662/russia_rsqquo_s_gazprom_signs_major_gas_deal_with_azerbaijan), 30 June 2009, (15.03.2012) ; “Azəriqaz’da dəyişikliklər aparılacaq”, Ayna, 4 iyul 2009, <http://www.ayna.az/2009-07-04/siyaset/169-Azeriqaz-Rovnaq-Kazmunayqaz/print> (15.03.2012) ; “Azərbaycan Rusiyaya ixrac edəcəyi qazın satış qiymətindən razıdır”, <http://www.azerbaycanli.org/az/news-249.html>, (15.03.2012)

<sup>275</sup> “Azerbaycan Türkiyə’ye piyasa şərtlərində doğalgaz satmaq istiyor”, 22 Mayıs 2009, <http://haberrus.com/eurasia/2009/05/22/azerbaycan-tuerkiyeye-piyasa-artlarnda-doalgaz-satmak-istiyor.html> (24.03.2012).

<sup>276</sup> Cavid Veliyev, “Azerbaycan Rusya'ya mı Yanaşıyor?”, [http://www.gunaskam.com/tr/index.php?option=com\\_content&task=view&id=208&Itemid=44](http://www.gunaskam.com/tr/index.php?option=com_content&task=view&id=208&Itemid=44), (15.05.2012); “Gardaş’tan ekstra doğalgaz faturası”, [http://haber.gazetevatan.com/Gardastan\\_ekstra\\_dogalgaz\\_faturasi\\_/285614/2/Haber](http://haber.gazetevatan.com/Gardastan_ekstra_dogalgaz_faturasi_/285614/2/Haber) (15.05.2012); “Azerbaycan, bize verdiği doğalgaza zam yapıyor”, 26 Nisan 2009, <http://www.turkiyegazetesi.com/haberdetay.aspx?haberid=406756#.T895f7B1CqA> (15.05.2012); “Azerbaycan’dan Türkiyə’ye sattığı gaza zam”, 26.04.2009, <http://www.cnnturk.com/2009/ekonomi/dunya/04/25/azerbaycandan.turkiyeye.sattigi.gaza.zam/524038.0/index.html> (15.05.2012).

This was another example of the energy factor in a political issue. Before this, when information relating to the fact that Russian Federation supplied arms to Armenia was revealed, Azerbaijan reduced the oil transportation via Baku – Novorossiysk pipeline to minimum in addition to the political responses.

During Ilham Aliyev's Presidency, the subject of energy was also important as a military factor. As the military / security factor of energy, it is possible to speak in two directions. One of them is the increase of military power of Azerbaijan on account of energy profits while the other is the cooperation with Western security organizations for the protection of energy lines such as BTC, and of energy resources such as oil-gas fields.

The first direction was declared by most officials led by Ilham Aliyev openly and several times. The Azerbaijani officials state that as long as the lands are under occupation and the funds from energy allow so, Azerbaijan will increase its military power and will be fully ready from military viewpoint to liberate its territories from occupation. For example, the Defense budget which stood at 144 million dollars in 2003, increased to 1.2 billion dollars in 2004. This figure was 2 billion dollars in 2008, and it increased more than 3 billions USD in 2011-2012.<sup>277</sup>

Aliyev, drawing attention to the fact that just the defence budget of Azerbaijan which grows with oil revenues, is equal to Armenia's total budget, emphasized that Armenia will be unable to continue its occupation before Azerbaijan.<sup>278</sup> It should be noted that such policy of Azerbaijan caused protests of Armenia and sometimes several sources in the West.

In respect of the second direction, both the subject of establishment of special military units (Azerbaijan, Georgia, Turkey) to ensure the security of BTC and the probability to deploy NATO military units in the region to ensure the

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<sup>277</sup> "Dünyada hərbi xərclərini ən çox artıran dövlət Azərbaycandır", 17.04.2012, <http://www.azadliq.org/content/article/24551353.html> (16.05.2012).

<sup>278</sup> "Azerbaijan president's perspective on Nagorno Karabakh impasse resolution", 26.04.2011, <http://www.euronews.com/2011/06/24/azerbaijan-president-s-perspective-on-nagorno-karabakh-impasse-resolution/>; "Ilham Aliyev gave an interview to "Euronews" TV Channel in Brussels", 22 June 2011, <http://en.president.az/articles/2500> (16.05.2012).

security of BTC were discussed.<sup>279</sup> Even the Ambassador of Great Britain to Azerbaijan, Lorens Bristow, emphasized that it was most likely for the NATO forces to predominate in the region for this duty.<sup>280</sup> From the viewpoint of Azerbaijan, the deployment of NATO forces in the region is important not only from the viewpoint of ensuring the security of BTC, but also from the viewpoint of gaining additional security guarantee against any northern threat likely to happen after the difficulties experienced by Georgia in August 2008.

Hence, Ilham Aliyev's energy policy, as his father Haydar Aliyev's energy policy was based on forming as much a powerful state as possible, and on resisting the foreign factor as much as possible by preferring the domestic interests, and on implementing a diversified energy policy within the framework of a balanced foreign policy. The steps taken by each government existed in Azerbaijan before Ilham Aliyev, had their unique impacts on his period. However, Aliyev continued his policy rather in his father's course. As pointed out earlier, some steps were taken that were deemed to be radical in the policy in respect of energy in accordance with processes of Ilham Aliyev's period as well.

The thesis will now dwell on the topic of international cooperation and competition in the Caspian region with a specific emphasis on the main contracts of Azerbaijan with international corporations.

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<sup>279</sup> "NATO BTC-nin mühafizəsi üçün kömək göstərməyə hazırdır", 23.11.2005, <http://www.azadliq.org/archive/news/20051123/1/1.html?id=154217>(16.05.2012).; "NATO-dan Bakıya yeni plan: Hərbi Alyans BTC-ni mühafizə etmək istəyir", 28 May 2008, [http://www.gunaz.tv/aze/37/newsCat/1/newsID/2438-NATO-dan-Bakiya-yeni-plan-Herbi-Alyans-BTC-ni-muhafize-etmek-isteyir-Bu-gun-NATO-bas-katibi-Azerbaycanla-telekorpu-quracaq.html/newsPage\\_1/561](http://www.gunaz.tv/aze/37/newsCat/1/newsID/2438-NATO-dan-Bakiya-yeni-plan-Herbi-Alyans-BTC-ni-muhafize-etmek-isteyir-Bu-gun-NATO-bas-katibi-Azerbaycanla-telekorpu-quracaq.html/newsPage_1/561) (17.05.2012).

<sup>280</sup> "Baku-Tbilisi-Ceyhan Pipeline Under Threat?", 11 March 2005, <http://www.turkishweekly.net/news/6105/baku-tbilisi-ceyhan-pipeline-under-threat.html> (17.05.2012).

## CHAPTER 5

### INTERNATIONAL COOPERATION AND COMPETITION IN THE CASPIAN REGION AND MAIN ENERGY CONTRACTS

The end of the Cold War and the collapse of the USSR created a new situation in the international relations system. The most important nature of the new geopolitical situation was the end of the bipolar international system of the West and East, communism and capitalism or USA and USSR led by ideology, based on the multi-pointed competition. In particular, due to the collapse of USSR, regions of strategic importance appeared in the geography of Eurasia. One of these regions was the Caspian region.

Processes show that either regional or global – scale international actors pay special attention on the Caspian region. The fact that this region is located in the transition point of West and East, and that it is neighbour to Russia and Iran and that it has important energy resources, strengthens its strategic importance. The importance attached to it from the strategic, political, economic, security and cultural viewpoints, turned the Caspian region into an area in which the trends of international cooperation and competition exist together. Moreover, the major actors of this process were the countries such as Russia, USA, European Union (EU), Turkey, Iran, China and India, as expected.

#### **5.1. The Geopolitics of the Caspian Region**

There are various opinions about the name and the borders of the Caspian region which has been one of the most important centres of the fight in Eurasia since 1991. First, the name of the region is connected with the Caspian Sea. The Caspian Sea which is known as “Kaspiyskoe more” in Russian, “Caspian sea” in English, and “Daryâ-ye Xazar ” in Persian, is the largest closed water basin in the world, surrounded by the territories of countries of the Russian Federation, Kazakhstan, Turkmenistan, Azerbaijan and Iran and located on the borders of



Europe and Asia.<sup>281</sup> The Caspian Sea, which is, in fact, considered to be the largest lake of the World, is called a sea due to its largeness and hydrological properties.

Historically, the Caspian Sea had 70, and even nearly 100 names according to some sources.<sup>282</sup> Among them, there are the names such as Janub, Hirkan, Abeskun, Khazar, Khvalinsk, Caspian, Pontik, Kimmerik, Sarmat, Khorasan, Tabasaran, Mazandaran, Goy, Aghdaniz, Rus, Baki, Darband etc. Yet, only the names of Khazar and Caspian out of them have gained a geographical right and survived to date and both of these names are connected with the tribes of Khazar and / or Caspian of Turkish origin who lived in the territory of contemporary Azerbaijan.

The total area of the Caspian Sea is 392, 6 thousands km<sup>2</sup>, which had an area of 422 thousands km<sup>2</sup> in 1929.<sup>283</sup> The total length of the coastal line (perimeter) is 6500 km. the length of its longest area is 1200 km, its width – 554 km, and its deepest place – 1025 m. The level of the Caspian Sea is 27,7 m below the ocean surface. The length of the coastal line of the Caspian Sea is nearly 825 km in the Republic of Azerbaijan, 695 km in the Russian Federation, 2320 km in the Republic of Kazakhstan, 1200 km in Turkmenistan, and 900 km in the Islamic Republic of Iran.<sup>284</sup> 130 large and small rivers run into the Caspian Sea. Volga River occupies the primary place among the rivers running into the Caspian Sea. The three rivers account for 90% of the water mass running into the Caspian Sea from the rivers: Volga River (80%), Kura River (6%), and Ural River (5%). The rivers Terek, Sulak, Samur bring 5% of the water running into the Caspian Sea in total. The remaining water is brought by the small rivers of Iran. No river runs into the sea in the Eastern coast of the Caspian Sea. The Caspian Sea is rich in the

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<sup>281</sup>See [http://www.azerbaijan.az/portal/WorldCommunity/CaspianStatus/caspianStatus\\_01\\_a.html](http://www.azerbaijan.az/portal/WorldCommunity/CaspianStatus/caspianStatus_01_a.html)

<sup>282</sup> Rustam F. Mamedov, “International-Legal Status of the Caspian Sea in Its Historical Development”, <http://dergiler.ankara.edu.tr/dergiler/44/670/8530.pdf>, p.109-111.

<sup>283</sup> Budaq Budaqov, Yaqub Qəribov, Şəfiqə Hübətova, Azərbaycan Respublikasının Fiziki Coğrafiyası, Bakı Təhsil mətbəsi, 2011, p.49.

<sup>284</sup> [http://www.azerbaijan.az/portal/WorldCommunity/CaspianStatus/caspianStatus\\_01\\_a.html](http://www.azerbaijan.az/portal/WorldCommunity/CaspianStatus/caspianStatus_01_a.html)

precious and rare kinds of fish as well. Among them, the sturgeon and its caviar are world-wide famous.

There are also various approaches to the borders of the Caspian region which is basically comprised of the geography surrounding the Caspian Sea. In general, the name of the Caspian region started to be frequently used in the modern international political and scientific literature after “the Contract of the Century” that was signed in 1994 and that ensures the West’s participation in the energy sources of this region.<sup>285</sup> It is also observed that there are two different approaches as “broad” and “narrow”, to the borders of the region in the sources in which this term is used. The notion of “Caspian region” is mostly used in the narrow sense in the sources of Russia and Iran.<sup>286</sup> The notion of “Caspian region” in the narrow sense is confined to the neighbouring five countries, i.e. Azerbaijan, Kazakhstan, Iran, Russia and Turkmenistan.<sup>287</sup> The fact that the summit of the Caspian Sea neighbouring countries has been held since 2007 may be an example for the execution of this notion as well.

The term of Caspian region” in the broad sense which is frequently found in Western sources, covers the Caucasian, namely, Southern Caucasian and Middle Asian regions.<sup>288</sup> According to this approach, Azerbaijan, Armenia and Georgia from the Caucasus, and Kazakhstan, Uzbekistan, Kirgizstan, Turkmenistan and Tajikistan from the Middle Asia together form the Caspian

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<sup>285</sup> Seyed Mohammad Reza Shamsdoulatabadi, “A Theoretical Analysis Of The Caspian Region”, World Affairs, Winter 2009, Vol. 13 Number 4, p. 62.

<sup>286</sup> Ву барәдә нумунә кими бахınız: Вагиф Гусейнов, Каспийская Нефть: Экономика и Политика, Москва, ОЛМА-ПРЕСС, 2002 p.128.

<sup>287</sup> Timothy L. Thomas, “Russian National Interests and the Caspian Sea”, <http://www.fas.org/nuke/guide/russia/agency/fmso-caspian.htm> (15.06.2012); “Caspian Region”, [http://www.unep.org/regionalseas/programmes/independent/caspian/instruments/r\\_profile\\_caspian.pdf](http://www.unep.org/regionalseas/programmes/independent/caspian/instruments/r_profile_caspian.pdf) ; Timothy L. Thomas, “Russian National Interests and the Caspian Sea”, <http://www.fas.org/nuke/guide/russia/agency/fmso-caspian.htm> (15.06.2012);

<sup>288</sup> “The Caspian Region and Central Asia”, March 2010, [http://ec.europa.eu/energy/observatory/doc/country/2010\\_03\\_caspian.pdf](http://ec.europa.eu/energy/observatory/doc/country/2010_03_caspian.pdf), (15.06.2012); Bülent Aras, “The Caspian Region and Middle East Security”, <http://sam.gov.tr/wp-content/pdfs/25.pdf> , (15.06.2012); Ilgar Mammadov, Geopolitics of Energy in the Caspian Sea Region Azerbaijan’s Challenges, April 2009, <http://repository01.lib.tufts.edu:8080/fedora/get/tufts:UA015.012.075.00005/bdef:TuftsPDF/getPDF> (15.06.2012), pp.13-18.

region. In addition to the terminological erasure of the remainders of Soviet legacy, the fact that these countries have similar political, economic and social nature and problems, has a special place in this approach as well. More importantly, Azerbaijan, Kazakhstan, Turkmenistan and to a certain extent, Uzbekistan out of these countries have hydrocarbon resources in a large quantity. The named countries are of strategic importance for transportation of these energy resources to the international markets too. Still, out of the countries of the region, Georgia and Armenia are of special importance for its transportation to West, and Tajikistan – to Asian markets which have a gradually increasing importance. In addition, it is also necessary to state that Afghanistan and Pakistan are in the position of important geographic transit point from the viewpoint of the Eastern markets.

From the geopolitical viewpoint, the most important point that specifies the Caspian region is its geographic situation. The geography covered by the Caspian region is situated in the centre of Eurasian region in which international competition is gradually strengthening, either in the narrow or broad sense, and indirectly, it is being turned into one of the areas of this competition. Nevertheless, the region is situated within the neighbourhood of the Near East and AfPak (Afghanistan – Pakistan) in which the most actual and intense matters of the international relations system happen. From the viewpoint of this geographic position, it is observed that the international actors are especially interested in the Caspian region that is located in the intersection of East and West, North and South. They are led by the number one circle of interest of Russia that was historically one of the most important actors of this geography, and that has lost its status of superpower since after 1991, and that makes efforts to regain its status. In addition, the region is considered one of the geographies in which USA is interested, an only country that is globally on the level of superpower and that tries to protect this. It is also remarkable that the historical actors of the region Iran and Turkey have special interests and policies in respect of the Caspian region as well.

The Caspian region is also in the circle of interest of another power that was especially interested in the region historically as represented by England,

Germany and France, and that tries to take part in the international relations system as European Union. Among the countries interested in the region, is the People's Republic of China is situated in the neighbourhood of this geography and about which there are gradually actualized analyses in respect of the fact that it will become the superpower of the 21st century, as well. In this respect, within a period in which the importance of Asia started strengthening, it is also observed that the interest of India towards the Caspian region started strengthening.

Another factor that specifies the strategic importance of the Caspian region is the issue of security.<sup>289</sup> From the security viewpoint, the factors that determine the condition of the Caspian region are the nuclear factor, the war and conflicts in the region, democracy and political stability problems. The nuclear factor has three roots. First, the region is one of the zones of location of the nuclear weapons possessed by USSR. The fact that the former USSR republics led by Kazakhstan, gave up the legacy of the Soviet nuclear weapons was considered one of the most important security problems and it was among the preconditions of recognition of the international system of the new independent states.<sup>290</sup> In this framework, it was accepted as per the Lisbon protocol signed on May 23, 1992, that the Russian Federation was the only successor of USSR from the viewpoint of USSR's nuclear weapon and it was decided that the other former Soviet Republics should give up the legacy of nuclear weapon and comply with international obligations in this respect.<sup>291</sup>

Second, the Caspian region is located in the surrounding of Russia, China, India and Pakistan which possess nuclear weapons. In addition, due to the military existence in Afghanistan of USA, England and France that possess nuclear weapons, it should be noted that they are in fact the neighbours to the Caspian

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<sup>289</sup>See Robert C. McMulli, "Caspian Sea Regional Security in the 21st Century", <http://www.dtic.mil/cgi-bin/GetTRDoc?AD=ADA414169>, (17.06.2012); Gennady Chufrin, *The Security of the Caspian Sea Region*, Oxford University Press, USA 2002, pp.257

<sup>290</sup> Nazim Cafersoy, *Elçibey Dönemi Azərbaycan Dış Politikasi (Haziran 1993-Haziran 1993): Bir Bağımsızlık Mücadelesinin Diplomatik Öyküsü*, Ankara, ASAM, 2001, pp.133-134.

<sup>291</sup> Lissabon protokolunun tam metni için bakınız: Т.А. Шаклеина (составитель), *Внешняя политика и безопасность современной России (1991–2002)*, Том первый, Москва, 2002, pp.153-155.

region as well. Furthermore, the nuclear program pursued by Iran, the important actor of the Caspian region and the tension caused thereby, clearly show the extent of the importance of nuclear factor. Third, the Metsamor Atomic Power Station, Armenia can be stated. Notwithstanding that the life cycle of this APS expired, the fact that it still continues operating constitutes serious risks from the viewpoint of security of the region.<sup>292</sup>

The third important factor specifying the position of the Caspian region from the viewpoint of security is the wars and ethnical conflicts both in the region and in the geography adjacent to the region.<sup>293</sup> That is, there are wars in Iraq and Afghanistan, and the Russian – Chechen war, and active terrorist activities in Pakistan and Turkey that are adjacent to the Caspian region. In addition, the scenario of war of USA and Israel against Iran because of the nuclear program has also strengthened and maintained its actuality. What is more, the ethnical conflicts in the Caspian region are one of the main factors strengthening the security factor in the region. That is to say, there are the problems of Southern Ossetia and Abkhazia and Azerbaijan – Armenia conflict in the Caspian region. The fact that the Southern Ossetia issue caused Russia – Georgia war in August 2008, is an evident example for how these ethnical conflicts that are considered frozen, are turned into a war.<sup>294</sup>

Azerbaijan – Armenia conflict which is another issue in the region, causes serious anxieties in respect of security of the Caspian region with a sensitive regime of ceasefire. The fact that the long – lasting peace discussions are

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<sup>292</sup> See Hatem Cabbarlı, "Bağımsızlık Sonrası Ermenistan'ın Enerji Politikası", Avrasya Dosyası, Volume 9, Number 1, Spring 2003, pp. 236-258. Sinan Ogan, "Sınırımızdaki Çernobil: Metsamor Nükleer Santrali", <http://www.turksam.org/metsamor/a1027.html>; (19.06.2012)

<sup>293</sup> Bu barədə baxınız: Gennady Chufrin, The Security of the Caspian Sea Region, Oxford University Press, USA 2002, pp..257-321.

<sup>294</sup> Filon Morar , "The Myth of Frozen Conflicts", [http://www.marshallcenter.org/mcpublicweb/MCDocs/files/College/F\\_Publications/perConcordium/perConcordiamV1N2English.pdf](http://www.marshallcenter.org/mcpublicweb/MCDocs/files/College/F_Publications/perConcordium/perConcordiamV1N2English.pdf) (01.06.2012) , pp.10-17. Peter Rutland, "Frozen Conflicts, Frozen Analysis", [http://prutland.web.wesleyan.edu/Documents/Frozen\\_conflicts.pdf](http://prutland.web.wesleyan.edu/Documents/Frozen_conflicts.pdf) ; S. Neil MacFarlane, "Frozen Conflicts in the Former Soviet Union –The Case of Georgia/South Ossetia", <http://www.core-hamburg.de/documents/yearbook/english/08/MacFarlane-en.pdf>; Jim Nicol, "Russia-Georgia Conflict in August 2008: Context and Implications", March 3, 2009, <http://www.fas.org/sgp/crs/row/RL34618.pdf> (02.06.2012)

unsuccessful and that Armenia continues its provocations failing to give up its aggressive position, and that Azerbaijan does not rule out the military way of settlement in parallel to its growing capabilities, permanently maintains the probability of a new war alive in the region. In addition, the potential Javahetiya problem of Georgia, the danger for the ethnic disorder in Afghanistan to expand to the Middle East, the occurrence of internal political problems in Kyrgyzstan sometimes as Kyrgyz – Uzbek conflict, and the tensions that sometimes become actual between Kazakhstan and Uzbekistan, Kyrgyzstan and Uzbekistan may be considered examples to the sensitivity in the region.

The fourth important factor that specifies the situation of the Caspian region from security viewpoint is the problems of political stability and economic welfare in the countries of the region. Affected by the lack of experience in the field of independent national state structure through authoritarian Soviet legacy, the intense fight for power in the countries of the region further strengthens the political, economical and social problems in these countries. At the same time, this situation, dealing with the conduct of necessary reforms in the countries of the Caspian region, provides bases for crisis of political power and revolutionary power changes. The power changes due to revolutionary political processes in Georgia and Kyrgyzstan are important examples. On the other hand, poor operation or failure of operation, of transparent, fair and democratic election mechanisms strengthens the political protest views in the countries of Caspian region, and makes the political stability sensitive. The fact that the political power lags behind in the democratic political system structure, even the initiatives to eliminate the waves of protest through authoritarian methods make radical the opposing political forces, and especially strengthen the radical opposing line using the religious rhetoric in the Middle Asia.

From geopolitical and geoeconomic viewpoint, the Caspian region has crucial importance in the international relations system. This importance shows itself primarily in three directions. First, the Caspian region has the status of a remarkable important market, due to international actors led by the West as a

geography where nearly 240 million people live.<sup>295</sup> Second, the Caspian region is a transit region of strategic importance between both Western and Eastern markets and Northern and Southern markets. Furthermore, the present process for reviving the historic Silk Way as the railway and pipelines may be considered an example at present. Third, the energy issue is another factor that specifies geopolitical position of the Caspian region and that has become the most important and popular component of the strategic importance of this geography even after 1991.

In fact, the information related to the existence of hydrocarbon resources in the Caspian region is not a new one. The initial historic information about the oil resources in the Caspian sea dates back to Alexander the Great's period. That is, the scripts belonging to that period state that Alexander the Great, illuminated the tent set while conducting a war against Iran in 331 B.C., by means of the oil burning in the clay container brought by the residents living on the coast of the Caspian sea.<sup>296</sup> It is known that the first wells related to the Caspian oil were drilled in Absheron still in the 16<sup>th</sup> century, and that industrial oil extraction process has started since 19<sup>th</sup> century, in the period of Russian Tsardom. During the Soviet period, the process of production of oil and gas both reached new scales and great activities onshore and offshore were carried out in the direction of discovery and extraction of hydrocarbon resources in the countries of the Caspian region such as Kazakhstan, Turkmenistan, Russia and Uzbekistan.

After the collapse of USSR in 1991, either global, or regional and internal factors intensified the interests in the energy resources of the Caspian region and the competition and cooperation processes that cover each other became a reality. This is due to several factors in this situation around the energy sources of the Caspian region. First, during the post- 1991 period, the strategic importance of energy in the international system strengthened in every strong manner. This increased the importance attached by the global and regional actors to energy factors in their foreign policy and in this framework and they strengthened their international interests in the Caspian region. Second, the countries of the region,

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<sup>295</sup> Shamsdoulatabadi, "A Theoretical Analysis Of The Caspian Region", p.80.

<sup>296</sup> [http://www.azerbaijan.az/portal/WorldCommunity/CaspianStatus/caspianStatus\\_01\\_a.html](http://www.azerbaijan.az/portal/WorldCommunity/CaspianStatus/caspianStatus_01_a.html)

especially, Azerbaijan, Kazakhstan and Turkmenistan considered that their issue of transporting their energy resources to foreign markets was of strategic importance for the political and economic fundamentals of their own independence. In this framework, the energy sources of the mentioned countries were one of the most important components of the foreign policy they pursued. Third, the largeness of the hydrocarbon resources possessed, also strengthened the strategic importance of the Caspian region and caused both the countries beyond the region and countries of the region itself to attach special importance to this factor. That is to say, in the 1990s, the Caspian region was characterized as the region of new Near East.<sup>297</sup> In this respect, though there were different figures about the energy sources of the Caspian region, the common point of this information is that the region possesses hydrocarbon resources in very large quantities.

In general, there are different figures about the quantity of energy resources of the region. According to a source, nowadays, the oil resources in the Caspian sea reach 200 billion barrels.<sup>298</sup> A report disseminated in 2006 states that the oil resources of the Caspian region was 184 billion barrels, and its natural gas resources were about 8,5 cubic metres (30 trillion tcf).<sup>299</sup> According to another estimate, there is about 17 – 33 billion barrels of proven oil resources and 6,5 trillion cubic metres gas in the Caspian region.<sup>300</sup> Finally, according to a statistics given recently, the proven oil resources in the region constitute 17 – 44 billion barrels.<sup>301</sup> According to the 2012 report of BP, which is considered one of the important sources in energy field, the total of oil resources proven in the Caspian

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<sup>297</sup> Morten Anker, Pavel K. Baev, Bjorn Brunstad, Indra Overland, Stina Torjesen, *The Caspian Sea Region Towards 2025: Caspia Inc., National Giants Or Trade or Transit?*, Eburon Uitgeverij B.V., 2010, p.16.

<sup>298</sup> “Xəzər Dənizi”, [http://www.ardda.gov.az/content/xezer\\_denizi.html](http://www.ardda.gov.az/content/xezer_denizi.html)

<sup>299</sup> Energy Information Administration. *Caspian Sea Region: Survey of Key Oil and Gas Statistics and Forecasts*, June 2006. s.

<sup>300</sup> Maureen S. Crandall, “Realism on Caspian Energy: Over-Hyped and Under-Risked”, *International Association For Energy Economics Newsletter*, Second Quarter 2005, p.5.

<sup>301</sup> Morten Anker və digərləri, *The Caspian Sea Region Towards 2025: Caspia Inc., National Giants Or Trade or Transit?*. p. 26.



region constitutes 38,2 billion barrels, and the total of gas resources – 29,1 billion cubic metres.<sup>302</sup> Another report related to 2012, states that there are 75 billion barrels of oil and 6,9 trillion cubic metres of natural gas in the Caspian region.<sup>303</sup>

These data show that the specific weight of the Caspian region among the total oil resources of the world varies between 4 – 15 percent, and the natural gas resources between 4 – 14 percent.<sup>304</sup> The primary leading position in the issue of oil resources of the Caspian region belongs to Kazakhstan (30 billion barrels) and Azerbaijan (7 billion barrels), and natural gas resources – to Turkmenistan (24,1 trillion cubic metres).<sup>305</sup> It should be noted that these estimates do not include the oil and gas resources of Russia and Iran belonging to the Caspian region.

Another factor specifying the geopolitics of the region is the issue of legal status of the Caspian region. The St. Petersburg Agreement signed between Russia and Sefevids in 1723 may be considered the first regulation related to the issue of status of the Caspian sea which is one of the geographies the powers in the region competed for historically. This agreement is the first sign showing that the power balance in the Caspian Sea changed in favour of Russia.<sup>306</sup> The Agreements of Gulustan dated 1813 (article 5) and Turkmanchay dated 1828 (article 8) signed between Russia and Gajar state in determination of the status of the Caspian sea have important places. While both agreements, allowed Russian and Iranian trading ships to sail in the Caspian Sea, it only entitled Russia to maintain marine here.<sup>307</sup> Another important agreement in respect of the legal status of the Caspian Sea was between USSR and Iran in 1921. The Agreement, superseding all the previous agreements, entitled both countries to freely sail in

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<sup>302</sup> BP Statistical Review of World Energy, June 2012, p.6 and p.20.

<sup>303</sup> <http://www.globaldata.com/PressReleaseDetails.aspx?PRID=125&Type=Industry&Title=Oil+%26+Gas> (01.05.2012)

<sup>304</sup> Bernard A. Gelb, Caspian Oil and Gas: Production and Prospects, CRS Report for Congress, 2006, <http://fpc.state.gov/documents/organization/74906.pdf>, (17.06.2012) p.2-3.

<sup>305</sup> BP Statistical Review of World Energy, June 2012, p.6 and p.20.

<sup>306</sup> Mamedov, “International-Legal Status of the Caspian Sea in Its Historical Development”, p. 113-114.

<sup>307</sup> <http://www.mainboard24.com/azerbaycan-tarixi-ve-cografiyasi/335389-turkmencay-muqavilesi.html> (02.05.2012)

the Caspian Sea.<sup>308</sup> The Agreement signed between the two countries in 1940, entitled the parties to make fishing within 10 – mile territory.<sup>309</sup> Following the Agreement, 86 % of the sea belonged to USSR, and 14% to Iran.<sup>310</sup> In 1970, USSR divided its part into national sectors among Russia, Azerbaijan, Kazakhstan and Turkmenistan for the purpose of ensuring its oil consumption. According to this division, Azerbaijan accounted for about 70 thousand sq.m. of the Caspian sea, Turkmenistan for - 80 thousand sq.m., Russia – for 60 thousand sq.m. and Kazakhstan for - 105 thousand sq.m., and 55 thousand sq.m. were left to Iran.<sup>311</sup> After the collapse of the USSR, the legal status of the Caspian Sea became an issue again. The discussion made by the 5 countries bordering to the Caspian sea, about “Sea – lake” and “General use – special use”, has not yielded a joint result yet.<sup>312</sup> The Bilateral agreement entered into by Russia with Kazakhstan in 1998, and with Azerbaijan in 2002, show that these three countries agreed upon division of the bottom of the Caspian sea into national sectors and joint use of its surface (condominium). While Iran proposed a changing attitude based on the principles of general joint use of the sea, Turkmenistan frequently changed its approach for the balance in the region.

## **5.2. The Realist Theory and the Caspian Region**

The view of the Caspian region by realism which attaches special importance to the terms such as competition, security, national power, and national interests shows itself in several directions. First, realism considers the international system to be a chaotic system of international relations with conflict

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<sup>308</sup> Yolbars A. Kepbanov, “The New Legal Status Of The Caspian Sea Is The Basis Of Regional Cooperation And Stability”, *Perceptions Journal of International Affairs*, December 1997-February 1998 Volume II - Number 4, <http://sam.gov.tr/wp-content/uploads/2012/01/YOLBARS-A.-KEPBANOV.pdf> (17.06.2012)

<sup>309</sup> Mamedov, “International-Legal Status of the Caspian Sea in Its Historical Development”, p.124-125.

<sup>310</sup> Araz Aslanlı və İlham Hasanov, *Haydar Aliyev Dönemi Azərbaycan Dış Politikası*, Ankara, Platin, 205, p. 121.

<sup>311</sup> [http://www.azerbaijan.az/\\_WorldCommunity/\\_CaspianStatus/caspianStatus\\_02\\_a.html](http://www.azerbaijan.az/_WorldCommunity/_CaspianStatus/caspianStatus_02_a.html) (17.06.2012)

<sup>312</sup> Xəzərə sahili olan ölkələrin statusa dair tezləri üçün baxınız: Araz Aslanlı və İlham Hasanov, *Haydar Aliyev Dönemi Azərbaycan Dış Politikası*, Ankara, Platin, 205, pp.119-140;

and disorder in this direction. Within this framework, the Caspian region may be considered a proper example that proves this thesis of the realist approach in international relations system since there are a number of conflicts and disorders.

Second, the realist theory evaluates the international relations as an area of fight for the superiority of material opportunities. In line with this, the energy factor is considered to be of strategic importance especially from the viewpoint of the power concept of realism and notion of material power within this framework. In addition, the Caspian region also is in the centre of attention of the realism as one of the most important centres of this fight for predominance from the point of view of energy resources it possesses. In addition, a market potential with a population of 240 million gives another impulse for intensification of this competition.

Third, realism assesses the international relations system as a structure in which the countries are parties to the conflict and competition as the main actors. The fact that competition basically comprises the processes in the Caspian region and that the actors of this competition are the countries of the international relations system with various weights, draws attention. Within this framework, the countries actively taking part in the competition and fighting process in the region include USA, Russia, China, EU, Turkey, Iran, Azerbaijan, Armenia and Georgia. Additionally, just at this moment, the realism theses related to competition and the leading role played by the countries may be considered an intensifying example.

Fourth, another point to which realism attaches importance is the factor of geopolitics. According to the geopolitical approach that constitutes one of the important branches of realism, the Caspian region is of special strategic importance because of the international fight for power. This approach states that the collapse of USSR created a power gap in the mainland of Eurasia and that this geography again turned into the main centre of global competition.<sup>313</sup> Moreover,

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<sup>313</sup> See Vladimer Papava, "Eurasia Versus Central Caucaso-Asia:On The Geopolitics of Central Caucaso – Asia", Cicero Foundation Great Debate Paper No. 09/8 , December 2009, [http://www.cicerofoundation.org/lectures/Vladimer\\_Papava\\_On\\_the\\_Geopolitics\\_of\\_Central\\_Caucaso\\_Asia.pdf](http://www.cicerofoundation.org/lectures/Vladimer_Papava_On_the_Geopolitics_of_Central_Caucaso_Asia.pdf) (18.06.2012) ; "The Heartland Theory and the Present-Day Geopolitical Structure of Central Eurasia", <http://www.silkroadstudies.org/new/docs/publications/1006Rethinking-4.pdf> (23.06.2012); Nathan L. Burns, An Uncertain Place In Uncertain Times: The South Caucasus,

the Caspian region started performing the function of strategic nature region due to the rich energy sources of this region and significant transition point.

Realists state that the international competition and fight for the Caspian region is not a new thing and within this framework they remind the process called Great Game in the region especially in late 19<sup>th</sup> century referring to the history.<sup>314</sup> It should be noted that the process that passed under the name of Great Game to the political history and international relations literature means the severe fight happening between Russia and Great Britain Empires in the Middle Asia that is considered one of the most important parts of the Caspian region.

The expansion of Russia towards East in the 19<sup>th</sup> century caused strict anxieties for the security of India, a colony to which Great Britain attached strategic importance and this caused Russian – English competition that continued for about one century (1813-1907) in the region.<sup>315</sup> The process started from the Gulustan Agreement between Russia and Gajar Iran and the competition that grew to a level of military conflict between the two empires ended in Pamir Agreement that was signed in 1895 between the parties and that specified the borders of the region with Afghanistan<sup>316</sup> and in Russian – English Agreement signed in 1907 in Saint Petersburg.<sup>317</sup> This fight was called the Great Game first by the English intelligence officer Arthur Conolly (1807–1842) and it gained popularity with the English writer Rudyard Kipling’s (1865–1936) work *Who* dated 1901 dedicated to Russian – English competition in Middle Asia.<sup>318</sup>

After the end of the Cold War and the collapse of the USSR, the power gap and competition process in the Caspian region started to be characterized as

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University of Central Florida, 2007,  
[http://etd.fcla.edu/CF/CFE0002750/Burns\\_Nathan\\_L\\_200908\\_MA.pdf](http://etd.fcla.edu/CF/CFE0002750/Burns_Nathan_L_200908_MA.pdf) (25.06.2012)

<sup>314</sup> Shamsdoulatabadi, “A Theoretical Analysis of the Caspian Region”, p.66.

<sup>315</sup> See Gerald Morgan, *Anglo-Russian Rivalry in Central Asia:1810-1895*, London, Frank Cass, 1981.

<sup>316</sup> Morgan, *Anglo-Russian Rivalry in Central Asia: 1810-1895*, p. 217.

<sup>317</sup> Wendy Palace, “The Kozlov Expedition of 1907-1910 and The Problem of Kokonor “, *Asian Affairs*, Fevral 2001, Volume 32, Number 1, p. 20.

<sup>318</sup> Peter Hopkirk. *The Great Game: On Secret Service in High Asia*, Oxford: Oxford University Press, 1990, p.1.

“the New Great Game”.<sup>319</sup> However, the New Great Game was distinguished from the previous one due to some of its particularities. First, Russia and Great Britain was rather in the fight of political and military influence in the historic Great Game. Nonetheless, there were the efforts to have economic influence in the region especially to control the energy sources in the centre of the fight in the New Great Game.

Second, the historic Great Game intended to have predominance in India as a special target in the competition for Middle Asia, and in Asia as a general target. However, the New Great Game does not confine the region only to Middle Asia, and considers the region as the Caspian region containing the Southern Caucasus as well, and within this framework it assesses the results of the competition in the region as a decisive process from viewpoint of both Eurasia global policies.

Third, the New Great Game may deal with more players but not two players as opposed to the previous one. Though the actors such as companies, non – governmental organizations also participated in this process to a certain extent among the players, we may note that the main actors were the countries.

The realist approach emphasizes that security is one of the main fields of competition in the new great game in the Caspian region.<sup>320</sup> One of the parties of this competition is the Collective Security Treaty Organization (CSTO) led by Russia and Shanghai Cooperation Organization which is a result of Russia – China cooperation, and the other party is GUAM and the expansion of NATO towards East which is supported by USA and generally, by the West. The Agreement for Collective Security which basically comprises the Agreement for Organization of Collective Security was signed by the former Soviet Republics Armenia, Russia, Kazakhstan, Kyrgyzstan and Tajikistan in Tashkent in May 15,

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<sup>319</sup> See Matthew Edwards, “The New Great Game and The New Great Gamers: Disciples of Kipling and Mackinder”, *Central Asian Survey*, Volume 22, Number 1, March 2003, pp. 83-103; Mohammed E. Ahrari, *The New Great Game in Muslim Central Asia*, University Press of the Pacific, 2002; Lutz Kleveman, *The New Great Game: Blood and Oil in Central Asia*, Grove Press, 2004; Rein Mullerson, *Central Asia: A Chessboard and Player in the New Great Game*, Columbia University Press, 2007.

<sup>320</sup> Shamsdoulatabadi, “A Theoretical Analysis Of The Caspian Region”, p.76.

1992.<sup>321</sup> Georgia signed this Agreement on September 9, Azerbaijan in September 24, and Belarus in December 31, 1993. The Agreement which enables forming a new military – political block in the former CIS zone, became effective on April 20, 1994. Azerbaijan, Georgia and Uzbekistan refused on April 2, 1999 to sign the Agreement that was valid for 5 years. On May 14, 2002, it became the Collective Security Treaty Organization pursuant to the decision of member states. On August 14, 2006, re-membership of Uzbekistan to this organization increased the number of members in this military – political alliance to 7. However, Uzbekistan sent a document to CSTO on June 20, 2012, in respect of its dismembering from this Organization.<sup>322</sup> According to the Agreement and Charter of the Organization that became effective on September 18, 2003, the members propose to make mutual military assistance and to conduct powerful cooperation in various issues of security led by international terrorism. Within this framework, the members to the Organization decided to set up a collective urgent intervention force on February 4, 2009.

Shanghai Cooperation Organization that exists in the region is an organization having important claims from the viewpoint of not only the Caspian region, but also Eurasia in general, and even global security interests.<sup>323</sup> The foundation of the organization is laid by Shanghai Five created by China, Russia, Kazakhstan, Kyrgyzstan and Tajikistan which came together in Shanghai city, China in 1996. On June 15, 2001, the organization gained the present name with the membership of Uzbekistan. The organization proposes powerful security cooperation in various directions, including frontier security, drug smuggling and Islamic radicalism among the member states. For instance, the members of Shanghai Cooperation Organization disseminated a declaration showing their anxiety due to the American military existence in middle Asia in July, 2005. In general, from the viewpoint of its territory, Shanghai Cooperation Organization

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<sup>321</sup> See <http://www.dkb.gov.ru/a/c.htm> (25.06.2012)

<sup>322</sup>“Özbəkistan KTMT-də üzvlüyünü dayandırdı”, <http://www.azerbaijan-news.az/index.php?mod=3&id=12351> (30.06.2012).

<sup>323</sup> See <http://www.sectsco.org/RU/index.asp> (25.06.2012)

possesses 3/5 of Eurasian geography with 30 million 189 thousand km<sup>2</sup>, and ¼ of the world's population with its 1/5 billion population.

The cooperation between China and Russia, which have the nuclear weapon and permanent membership in UN Security Council, have remarkable military, economic and energy power. One should bear in mind that among the countries wishing to be members to the UN are India, Iran, Pakistan, Afghanistan, Mongolia and Sri-Lanka, which are in the status of observer at present. It is noted that in case these countries are also accepted as members, then Shanghai Cooperation Organization will become an organization accounting for 1/3 of the world's geography and the half of its population.<sup>324</sup> It is not ruled out that this organization, which is sometimes characterized as “NATO of the East” is aimed at balancing the US weight in the region and will become an organization having more global claims and applying it in practice in the long run.

Another regional security organization in the region is GUAM.<sup>325</sup> GUAM started functioning as the Union of Azerbaijan, Georgia, Moldova and Ukraine by the signing of a Joint Communiqué by the presidents of these countries in Strasburg on October 10, 1997. The presidents emphasized, in the Communiqué, the importance of development of quadripartite cooperation for the purpose of strengthening stability and security in Europe based on the principles of sovereignty, territorial integrity, immunity of the borders, democracy, and superiority of law and observance of human rights. In 1999 – 2005, Uzbekistan also was a member to the organization. At present, Latvia and Turkey participate in the organization with the status of observer. It may be noted that this organization is aimed at preventing the claims of hegemony of Russia especially in the field of security in the post-USSR area, and that it tries to perform a function of balancing the Collective Security Treaty Organisation within this framework, though not directly.

Another direction of competition in the Caspian region is constituted by NATO and especially its process of expansion towards East. The North Atlantic

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<sup>324</sup> Shamsdoulatabadi, “A Theoretical Analysis Of The Caspian Region”, p.77.

<sup>325</sup> See <http://guam-organization.org/> (25.06.2012)

Treaty Organization (NATO) which was set up on April 4, 1949, performed as the military power of the West, a function of balance against Warsaw Treaty Organization which was the military alliance of Eastern Block during the Cold War.<sup>326</sup> After the Cold War, NATO which was in search of a new mission, gained the line of changing into a global scale security organization, the centre of which was the West and it started accepting new members and new partnerships in this direction. In general, the countries of the Caspian region started participating, though not directly, in this process called expansion of NATO towards East.

Within this framework, the program of Partnership for Peace (PfP) was of special importance, which started functioning as of 1994 and the countries of the Caspian region started joining. Within this framework, Georgia first of all the countries of the Caspian region, joined the program of PfP in March, 1994. In May 1994, which forms the second wave, Azerbaijan, Kazakhstan and Turkmenistan started cooperation with NATO within the framework of this program. Kyrgyzstan joined in June 1994, Uzbekistan in July, 1994, and Armenia in October of the same year. Finally, Tajikistan joined this program in February 2002. Since the mid 2000s, some of the countries of the Caspian region have started participating in the program of Individual Partnership which is considered a process of much higher level cooperation with NATO. Within this framework, Georgia joined NATO's program of Individual Partnership in October, 2004, Azerbaijan – in May, 2005, Armenia - in December, 2005, and Kazakhstan – in December, 2006. The effort of Georgia out of these countries, to be a member to NATO, has been delayed by the Organization as per the decision passed in Bucharest Summit in April, 2008, taking into account Russia's response, and the refusals of the countries such as Germany and France.

### **5.3. The Liberalist Theory and the Caspian Region**

The view of the Caspian region by the liberalist theory shows itself in several directions, that attaches special importance to cooperation and integration in global system, and that assess as the necessary conditions the development and

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<sup>326</sup> See <http://www.nato.int/cps/en/natolive/index.htm> (25.06.2012)



strengthening of international organizations and rules of law to secure this, and the creation of transparency in the international relations.

First, according to the liberal concept, the primary place among the goals of the states should be occupied by the issues of economic motives such as economic development, provision of welfare, price stability and settlement of unemployment problems instead of factors such power and security.<sup>327</sup> According to this approach, the main importance of the Caspian region from the viewpoint of global system is in the economic potential it possesses and the economic relations ensuring the cooperation of the countries of the region with one another.

Second, the interests of economic motives of the countries are directing them to mutual cooperation and strengthening of international institutes. Within this framework, the countries of the Caspian region first of all are interdependent on one another in respect of the transportation of their economic values into world markets.<sup>328</sup> The fact that the countries of the region have no access to the open seas and oceans clearly shows this necessity of interdependence. This interdependence shows itself especially from the viewpoint of energy transportation and goods and human transportation. TRASECA project and the energy pipelines that exist in the region or for construction are also examples for this.

Third, the cooperation of the countries of the Caspian region with international organizations and their efforts to strengthen their integration to the global system within this framework, are among the points considered important by the liberalist approach. The accession of the countries of the region to UN, OSCE, International Monetary Fund, World Bank and similar international organizations and the fact that they develop relation therewith, may also be assessed within this framework.

Fourth, the accession of the countries of the Caspian region to the organizations of regional integration and cooperation itself has a nature of strengthening the theses of the liberalist approach. Within this framework, the

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<sup>327</sup> Shamsdoulatabadi, "A Theoretical Analysis Of The Caspian Region", p.86.

<sup>328</sup> Shamsdoulatabadi, "A Theoretical Analysis of the Caspian Region", p.86.

international organizations of regional nature which are of importance to the countries of the Caspian region may be the Commonwealth of Independent States (CIS), Eurasian Economic Community (EurAsEC), the Union of Middle Asia and the Organization for Economic Cooperation and Organization of Islamic Conference.

Out of these organizations, the Commonwealth of Independent States is one of the regional international organizations in which the countries of the Caspian region are most widely represented.<sup>329</sup> The organization was established in post-Soviet geography on December 8, 1991 by Russia, Ukraine and Belarus. On December 21, 1991 the remaining members of the former USSR – Azerbaijan, Armenia, Kazakhstan, Kirgizstan, Moldova, Tajikistan, Turkmenistan, Uzbekistan agreed upon joining the CIS together with Russia, Ukraine and Belarus. In 1993, Georgia which was a member to the organization, dismembered officially from 2009. and Turkmenistan has been functioning as observer in CIS since 2005. The goal of the CIS is to secure cooperation and integration in various fields including economic, political and cultural fields among the member states. During the past 20 years, there were various cooperation and integration mechanisms in this field. This organization tries to make important steps though slowly, in the directions of its goals, especially due to Russia's efforts. Within this framework, the members of the organization Russia, Ukraine, Belarus, Armenia, Kazakhstan, Kirgizstan, Moldova and Tajikistan signed an agreement to create a free trade zone within the CIS on October 18, 2011.

Eurasian Economic Union is another important organization in the process of integration of the countries of the Caspian region in the Post-Soviet area.<sup>330</sup> This organization which includes Kazakhstan, Kyrgyzstan and Tajikistan from the countries of the Caspian region in addition to Russia and Belarus, and in which Armenia is an observer, proposes cooperation and integration in the economic and humanitarian fields including creation of customs union and joint trade zone among the members. The Members countries to Eurasian Economic Union which

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<sup>329</sup> See <http://www.e-cis.info/> (18.06.2012)

<sup>330</sup> See <http://www.evrazes.com/> (18.06.2012)

was established on October 10, 2000 – Russia, Belarus and Kazakhstan have already started applying the customs union since July 1, 2011<sup>331</sup> and Kyrgyzstan declared that it also joined this process on October 19, 2011.<sup>332</sup> In accordance with the goal of this organization, Russia, Belarus and Kazakhstan declaring that they entered a joint economic zone since January 1, 2012, started applying the principles of free access of goods, services, investments and people in a manner similar to the European Union.<sup>333</sup> Out of the countries of the Caspian region Armenia and Kyrgyzstan have also stated that they wish to join this process.<sup>334</sup>

One of the organizations in the region is the Union of Middle Asia to which Kazakhstan, Kirgizstan, Uzbekistan, Turkmenistan and Tajikistan are members and which proposes cooperation and integration similar to the European Union.<sup>335</sup> This Union was established on April 26, 2007 as proposed by the President of Kazakhstan Nursultan Nazarbayev. Within this framework an International Supreme Council was created between the Presidents of Kazakhstan and Kirgizstan. In addition, a permanent friendship agreement was signed among Kazakhstan, Kyrgyzstan and Uzbekistan.

Organization for Economic Development is one of the organizations of international cooperation with the widest composition in the Caspian region.<sup>336</sup> Originated from cooperation among Turkey, Iran and Pakistan started in 1964, it was officially set up in 1985. At present, this structure includes Azerbaijan,

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<sup>331</sup> “С сегодняшнего дня снимается таможенный контроль внутри Таможенного союза России, Белоруссии и Казахстана”, <http://www.itar-tass.com/c13/177231.html> (18.06.2012)

<sup>332</sup> “Страны ЕврАзЭС приняли решение о присоединении Киргизии к ТС” , <http://ria.ru/economy/20111019/464331663.html> (18.06.2012)

<sup>333</sup> “О вступлении в силу соглашений по созданию Единого экономического пространства”, [http://www.economy.gov.ru/minec/activity/sections/formuep/doc20111230\\_011](http://www.economy.gov.ru/minec/activity/sections/formuep/doc20111230_011) (18.06.2012)

<sup>334</sup> “Киргизия надеется вступить в Таможенный союз и присоединиться к ЕЭП”, <http://ria.ru/economy/20101228/314418772.html> (18.06.2012) вэ “Армения рассмотрит вопрос о вступлении в ЕЭП после вступления России, Белоруссии и Украины в ВТО”, <http://ria.ru/economy/20031007/445164.html> (18.06.2012)

<sup>335</sup> Meri Bekeshova, “Central Asia: A Kyrgyz-Kazakh Step Towards Regional Union”, <http://www.ipsnews.net/2007/05/central-asia-a-kyrgyz-kazakh-step-towards-regional-union/> (18.06.2012)

<sup>336</sup> See <http://www.ecosecretariat.org/> (18.06.2012)

Kazakhstan, Kirgizstan, Uzbekistan, Turkmenistan, Tajikistan and Afghanistan in addition to the three constituent members. It is observed that the organization fails to sufficiently use its opportunities, which proposes the strengthening of economic cooperation, historical and cultural relations among the members.

Yet another organization that serves the strengthening of cooperation in the region is the Conference of Islamic Cooperation.<sup>337</sup> The organization which is considered an organization with the widest composition following UN in the world aims at strengthening cooperation and solidarity in the Islamic world. The organization that has 57 members from four continents in the World was established in Rabat, the capital of Morocco. Countries such as Iran, Turkey, Afghanistan, and Pakistan are members to this organization in addition to Azerbaijan, Kazakhstan, Kirgizstan, Uzbekistan, Turkmenistan, and Tajikistan from the countries of the Caspian region. In addition, Russian Federation is an observer in the Organization.

In addition to these organizations, the Summits of Countries of the Caspian Region are one of the initiatives promoting cooperation and integration which is considered important by the liberal theory. These summit conferences that have been held for 3 times since 2002 (2002, 2007 and 2010) in presence of the heads of state of Azerbaijan, Kazakhstan, Iran, Turkmenistan and Russia which have borders with the Caspian sea, are aimed at strengthening the cooperation in the economic field, of the regional countries, including the disputed legal status of the Caspian Sea.<sup>338</sup> Lastly, the initiatives such as the Caucasus House, the Caucasian Stability Pact that were actual in early 2000s, may be the efforts aimed at ensuring cooperation in a part of the Caspian region.

#### **5.4. The Caspian Region and Russia**

Russia leads the most important actors of the Caspian region. Traditionally, for Russia, which has been pursuing a wide colonialism policy in the recent 5 centuries, this region was one of the main target regions to which it

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<sup>337</sup> See <http://www.oic-oci.org/home.asp> (18.06.2012)

<sup>338</sup> “Xəzər sammitində birgə bəyanat və saziş imzalanıb”, <http://azeri.irim.ir/xeberler/azerbaycan/item/144143-x%C9%99z%C9%99r-sammitind%C9%99-birg%C9%99-b%C9%99yanat-v%C9%99-sazis-imzalan%C4%B1b> (18.06.2012)

attached importance. Historically, Russia considered its policy related to the region that is characterized as the Caspian region at present, as the regions of Middle Asia and Caucasus, and determined its political course within this framework as well.

The root of Russia's spreading to Middle Asian Geography is a process that dates back to mid 16<sup>th</sup> century.<sup>339</sup> The advancement of Russians who were released from Mongolian – Tatar hegemony in 1480, in the direction of Asia yielded results first in 1552, the Russians invaded Kazan, and seized Astarخان in 1556.<sup>340</sup> Russia which opened the doors of Asia with these invasions, advanced deeply to Siberia in the 17<sup>th</sup> century.

Russia's efforts to invade Middle Asia started mainly in early 18<sup>th</sup> century during the reign of Peter the Great (1689-1721). During his rule, the primary target of Russia's policy towards Middle Asia was to provide a canal by means of the Caspian Sea Amudarya River.<sup>341</sup> In order to realize this goal, Peter the Great tried to be close to Khiva and Bukhara khanates in Middle Asia. Russia's effort in direction of the invasion of Middle Asia continued throughout the 19<sup>th</sup> century, and in particular, there were important achievements as of the second half of 19<sup>th</sup> century. That is, Russian troops invaded khanates of Kokand, Bukhara, Khiva and Turkmen between 1865 and 1885.<sup>342</sup>

After invasion, Russian Kingdom had governed the region as Tashkent centralized province by 1917. After the failure of the Kingdom, though there were various efforts for political independence in the region, the region was annexed to USSR in 1922 as Turkistan Autonomous Soviet Socialist Republic. As a result of administrative changes made in the region from 1924 to late 1930s, Kazakhstan,

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<sup>339</sup> Mehmet Saray, "The Russian Conquest of Central Asia", *Central Asian Survey*, Volume 1, Number 2/3 November 1982, p.1.

<sup>340</sup> Saray, "The Russian Conquest of Central Asia" p. 1

<sup>341</sup> Viktor Dubovitskiy, "Usmotreniya Korpusnix Komandirov. (İli o Motivah i Harektire Pricoedineniya Sredniy Azii k Rossii)", [www.ca-c.org/datarus/dubovicki](http://www.ca-c.org/datarus/dubovicki) (25.06.2012)

<sup>342</sup> Mehmet Saray, *Afganistan ve Türkler*, İstanbul, Kitabevi, 1997, p. 91.

Uzbekistan, Kirgizstan, Turkmenistan and Tajikistan became allied Soviet republics.<sup>343</sup>

The first direction of Russia's policy for the region was the Caucasian region. The factors of gaining Access to the seas and protecting the members of the Orthodox Church played a special role in Russia's historic policy in Caucasus. Within this framework, Caucasus was of special importance as an important geography for Russia in its way of access to the Caspian Sea, Bosphorus and Dardanelles Straits, and even to Persian Gulf in wide sense. It is possible to assess the efforts to support Georgian factor and to set up a Christian Armenian state as the use of factor of protecting the members of the Orthodox Church in Russia's expansion policy.

Russia's interests in Caucasus that were formed within the framework of these targets, started from building military points by advancing towards Terek River after its invasion of Kazan and Astarkhan khanates in the 16<sup>th</sup> century. Within the framework of Peter the Great's initiatives to strengthen in Caucasus and gain access to the Caspian Sea, Prut visit was rendered unsuccessful by Ottomans in 1711. Despite this occurrence, the first step in the process change of the region into a part of Russia was made with the intervention to Chechnya by the Russian army as ordered by Peter the Great in 1722.

Peter the Great's efforts to seize Caucasus resulted in the seizure of regions such as Darband, Baku, Salyan, and Lankaran by Russia as per Agreements of Petersburg dated 1723 and Istanbul 1724.<sup>344</sup> Georgiyevski Treaty, Agreements of Gulustan dated 1813, Turkmanchay dated 1828 signed with Iran, of Edirne dated 1829 signed with Ottomans can be considered as the important stages in Russia's invasion of Caucasus. Until 1917, there were efforts for federative and independent state structures between the periods of 1917 – 1920 in the region left under the rule of Russian Kingdom. However, the Bolshevik Russia invaded this region again after 1920, and the region was annexed to USSR as Transcaucasia Soviet Federative Socialist Republic in 1922. In 1937, this

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<sup>343</sup>John Andersen, *The International Politics of Central Asia*, Manchester, Manchester University Press, 1997, p.27.

<sup>344</sup>Ziya Bünyadov v.d., *Azərbaycan Tarixi*, Bakı, Azərbaycan Dövlət Nəşriyyatı, 1994, p. 505.

federative structure was annexed to Soviet Union as three separate allied republics as Azerbaijan, Armenia and Georgia.

After the collapse of the USSR, the Caspian region was also in the centre of attention of its successor Russian Federation.<sup>345</sup> Russian Federation's view of the region may be assessed as its integral part of its CIS policy. From the viewpoint of Russian foreign policy, the CIS geography has special importance from several viewpoints. First, the CIS geography was considered as an integral part of the country during both the Russian Kingdom and the USSR, from the viewpoint of traditional Russian national security concept. The fact that this geography was characterized as near abroad in which Russia had special interests and in the foreign policy doctrine of official Moscow in 1993 also shows the importance of this concept from the viewpoint of Russian Federation.<sup>346</sup> It is also noteworthy that the fact that the CIS geography was at the top of the priority subject has been the unchanged approach of Russian foreign policy in the recent 20 years. Within this framework, Moscow, while establishing a multilateral cooperation models as in the sample of CIS and Eurasia Economic Union with the Caspian states on one hand, it tries to strengthen the bilateral relations with the countries of the region on the other hand.

Another important factor in Russia's policy for the Caspian region is the ethnical issue.<sup>347</sup> Russia's ethnical policy in the region has two directions. First, it is strengthened in the region availing itself of the ethnical conflicts in the region. Within this framework, the ethnical conflicts in Caucasus are of great importance in the regional policy of Caucasus. Especially the problems of Southern Ossetia and Abkhazia and Azerbaijan – Armenia conflict create opportunities and threats

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<sup>345</sup> Syed Adnan Ali Shah , “Geopolitics of the Caspian Sea Region: A Russian Perspective”, [http://www.issi.org.pk/old-site/ss\\_Detail.php?dataId=192](http://www.issi.org.pk/old-site/ss_Detail.php?dataId=192) (26.06.2012) və Vitaly Naumkin, “Russia's National Security Interests in the Caspian Region”, <http://books.sipri.org/files/books/SIPRI01Chufrin/SIPRI01Chufrin06.pdf>, (26.06.2012), pp.119-135.

<sup>346</sup> 1993 tarixli Rusiya xarici siyasət konsepsiyasının tam mətni için baxın: “Принципы внешней политики Российской Федерации”, Т.А. Шаклеина (составител), Внешняя политика и безопасность современной России (1991–2002), Том 4, Москва, 2002, pp. 19–50.

<sup>347</sup> Tatiana Shackleina, “Russian Policy Toward Military Conflicts in the Former Soviet Union”, Bruce Parott (edt.), State Building and Military Power in Russia and the New States of Eurasia, New York, M. E. Sharpe, 1995, p. 89.

in respect of Russia. The outburst of these conflicts is mainly a result of Soviet ethnical policy and one of the typical samples of the biased approach of Moscow. Using these conflicts strengthens its influence over the countries of the region. Russia, maintaining its decisive foreign actor role in the origination, continuation and settlement of these conflicts, strengthens its positions in the region.

In line with this, the Karabakh factor resulted in Russia's control over Armenia from political, economic and military viewpoints. Still, the Karabakh factor is considered to be one of the most important reasons why Azerbaijan attaches special importance to Russia in the balance of the region as well. In addition, the Russian – Georgian war in August 2008, may be considered one of the most obvious examples for the strengthening of Russia in the region availing itself of the problems of Southern Ossetia and Abkhazia. On the other hand, it is remarkable that Moscow makes efforts to use the factor of Javahetiya Armenians in Georgia and Lezghin and Talish factor in Azerbaijan. However, the fact that Russia's ethnical separatism tendencies led by Chechnya in Northern Caucasus are powerful and that Russia itself, in general, has a multi-ethnic structure makes actual the risks caused by ethnical conflicts for Moscow.

The second direction of ethnical factor of the policy of Russia in the Caspian region is formed by Russian – Slavic minority and Russian language in the countries of the region. There were Russian – Slavic people with their number reaching 25 million in the new republics beyond Russia after the collapse of the USSR.<sup>348</sup> More than half of these people settled in the countries of the Caspian region and during the past 20 years, though there was a serious decline in this number due to migration to Russia, there lived approximately more than 8 million Russians in total in the region with most of them living in the countries of Middle Asia.<sup>349</sup> Russian foreign policy attaches special importance to this factor in paying special attention to Russians in these countries, in its relations with the concerned countries in direction of protection of their interests. Within this framework, the

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<sup>348</sup> Nazim Jafarov, *Rusya Ulusal Güvenlik Anlayışının Dönüşümü (1991-2006)*, Ankara, 2007, nəşr edilməmiş doktorluq dissertasiyası, p.73.

<sup>349</sup> See В Помощь Российскому соотечественнику за рубежом: Справочное Издание, <http://www.mid.ru/bdomp/nsdgpch.nsf/aa259d77f08b8f4543256da40037b908/ff0b06a742a63c5ac32572f9004a2a15> (19.06.2012)



protection of influence and development of Russian language constitute one of the most important components parts of Russia's foreign policy in the region.<sup>350</sup>

One of the most important points in Russia's policy for the region is establishing military bases in the countries of the Caspian region.<sup>351</sup> After the collapse of the USSR, the Soviet legacy in the countries of the region, was among the most important targets of Russia in order to ensure that the military bases exist. Russia has a military airfield in Erevan and 102 military base in Gumru, Armenia from the countries of the region. Russia has Gabala Radiolocation Base in Azerbaijan. Though Georgia was able, after 1999, to succeed in the withdrawal of 4 Russian military bases that have existed since 1991 (Vaziani, Quadutu, Ahalkelki and Batum). After the war on August, 2008, Moscow established two bases again in Southern Ossetia and Abkhazia. Russia has leased for a long term, the Dnepr radiolocation system near the Balkhash Lake, the testing ground in Sari Shagan, and the Baykonur cosmodrome. Russia, which has Kant military base and testing port in Issik Kul Lake in Kirgizstan, uses 3 military bases and the military airfield in Tajikistan, Dushanbe, Qurqhonteppe and Kulab, and space station named Okna near Nurak, and Karshi-Khanabad military airfield in Uzbekistan.

In order to continue its influence in the region, Russia tries to sign long – term agreements with each of these countries. Already, within this framework, there are agreements that ensure the Russian military existence in Southern Ossetia and Abkhazia until 2045 in addition to Armenia and Kazakhstan, and there are continuing the talks with Azerbaijan about the extension of lease period of Gabala base. In addition, the Russian Marine whose major bases are Astrakhan and Makhachkala ports, is considered one of the important military facilitates of Moscow as well.<sup>352</sup>

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<sup>350</sup> Bu barədə ətraflı bir təhlil üçün baxınız: Sinan Ogan, “Dış Politika Aracı Olarak Rusça: Türk Cumhuriyetleri Örneği” <http://turksam.org/tr/yazdir804.html> (19.06.2012)

<sup>351</sup> Margarete Klein, "Russia's military capabilities", 12.10.2009. [http://www.swp-berlin.org/fileadmin/contents/products/research\\_papers/2009\\_RP12\\_kle\\_ks.pdf](http://www.swp-berlin.org/fileadmin/contents/products/research_papers/2009_RP12_kle_ks.pdf), 17.07.2012) p.20; Максим Михайлов, “Последние гарнизоны империи”, <http://grani.ru/War/m.96882.html>, (17.06.2012); “Все Российские базы”, Коммерсантъ Власть, №19 (723), 21.05.2007, <http://www.kommersant.ru/doc/766827> (17.06.2012)

<sup>352</sup> “Каспийская флотилия”, <http://flot.com/nowadays/structure/caspian/> (25.06.2012)

Another important point of Russia's policy for the Caspian region was the efforts made by various foreign countries, including USA, EU, Turkey, Iran, China and similar countries to fill in the power gap occurred in the region after the collapse of the USSR. The interests of these countries in the Caspian region considered a historical sphere of influence by Russia made Moscow especially worried. The fact that these interests showed themselves in the manner of sharing the energy sources of the Caspian region and to ensure its access to international markets without Russia's control, caused energy sources to be the main subject of the competition between Moscow and these foreign countries.

It can also be said that in addition to strategic importance of energy in Moscow's foreign policy and its target to be an energy superpower and its possession of large energy sources, the fight for energy in the Caspian region, is of special importance.<sup>353</sup> Furthermore, the main targets of Russia's fight for energy in the Caspian region were Azerbaijan, Kazakhstan and Turkmenistan. Although Russia mainly opposes, it could not prevent operation of Azerbaijan's energy sources by the Western companies and its access to international markets through Baku – Tbilisi – Ceyhan oil pipeline and Baku – Tbilisi – Erzurum gas pipelines which are considered alternative routes to Russia. Russia, which obtains certain shares from Azerbaijan's oil fields, including Karabakh and which satisfies itself with the transportation of a portion of Azerbaijani oil through Baku – Novorossiysk pipeline, is continuing its claims to get a significant share of Shahdaniz gas. As compared to Azerbaijan, Russia still continues its influence on Kazakhstan, Turkmenistan and Uzbekistan energy sources as per the long term distribution and transportation agreements signed with these countries. Accession to Baku – Ceyhan of Kazakhstan out of these countries, and its wish to participate in NABUCCO project together with Turkmenistan or the energy cooperation process with China serve for the goals of balancing Russia's influence in the region.

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<sup>353</sup> See Fiona Hill, *Energy Empire: Oil, Gas and Russia's Revival*, The Foreign Policy Centre, London, September 2004, <http://fpc.org.uk/fsblob/307.pdf> ; Peter Rutland, "Russia as an Energy Superpower", *New Political Economy*, Vol. 13, No. 2, June 2008, <http://prutland.web.wesleyan.edu/Documents/Energy%20superpower.pdf> (17.06.2012)

One of the important points of Russia's political course towards the Caspian region is Afghanistan which is a neighbour to the region. The fact that Afghanistan gained special importance in Russia's regional policy has 3 periods: the Great Game, Soviet intervention into Afghanistan and the period after September 11, 2001. Afghanistan's place in the historic Great Game with England, as an important strategic region in the policy of Russian Kingdom towards Middle Asia in the 19<sup>th</sup> century was mentioned earlier. During USSR, the region of Middle Asia was of strategic importance from the viewpoint of gaining access to Indian Ocean over Afghanistan (and Pakistan). Especially, between 1979 – 1988, USSR's invasion of Afghanistan may also be assessed as development of Russian Kingdom's historic strategy for access to warm seas into access to warm oceans, in addition to setting up a regime with communist ideology in this country.<sup>354</sup>

After September 11, USA's military intervention into Afghanistan made new conditions actual in the region with respect to Russia. USA's invasion of Afghanistan for fighting against Al-Qaida and Taliban and its relations developed within the framework of deployment of military base and transit passage with the countries of the Caspian region in this process are not wished by Russia. However, USA's decided position and Russia's relations established with the official Washington in the strategic plan encouraged Russia to accept this process tactically. Yet, especially in the recent years, it is observed that Russia has started applying a four- direction Afghanistan policy continuing in parallel to weaken the political and military positions of USA obtained in Middle Asia previously. Within this framework, first, Russia is strengthening its political and military cooperation with USA. Second, double relations with Afghanistan and Pakistan

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<sup>354</sup>Michael Jasinski, "Russian Policy Toward Afghanistan", September 15, 2001, <http://cns.miis.edu/archive/wtc01/rusafg.htm> (25.06.2012); "Russia's Policy Will Determine The Path to Peace in Afghanistan", [http://www.larouchepub.com/eiw/public/2009/2009\\_1-9/2009\\_1-9/2009-8/pdf/43-49\\_3608.pdf](http://www.larouchepub.com/eiw/public/2009/2009_1-9/2009_1-9/2009-8/pdf/43-49_3608.pdf) (25.06.2012); Dmitri Trenin and Alexei Malashenko, "Afghanistan: A View From Moscow", Washington, Carnegie Endowment for International Peace. 2010, ss.13-29; Monika Pawar, "Russia's Afghan Strategy: What are its Interests?", 8 December 2011, <http://www.ipcs.org/article/afghanistan/russias-afghan-strategy-what-are-its-interests-3534.html> (17.06.2012)

are being developed. Third, there are strengthening efforts in directions of active part in Afghanistan process of Shanghai Cooperation Organization.

As the fourth important direction, especially the countries in Middle Asia are under pressure and encouraged to give up the military cooperation with USA. The encouragement and pressures made to Kyrgyzstan to close the US military base Manas and the role played by Russia in the process of President Bakiyev's overthrow from power is a sufficiently important example for the regional policy of Moscow.

### **5.5. The Caspian Region and USA**

After the collapse of USSR, one of the most important actors in the Caspian region was USA. In fact, the historic interest of USA in this region started from the collapse of the Russian Kingdom.<sup>355</sup> However, interests of the US government in the region in 1917 – 1920, were mainly confined with the region of Caucasus. The then-US President Wilson's famous 14 points declaration dated January 8, 1918 related to the principles on which the global system would be based, and especially, the item of this document related to the right to define its destiny created the favourable international political – legal area for recognition as the independent countries of Azerbaijan, Georgia and Armenia newly established in the region. However, either the Soviet Russia's invasion of the Caspian region between 1920 – 1924, or and the end of term of office of Wilson in 1921, who defended that US should be more actively participating in the global policy, caused the loss of actuality of the newly started interests of Washington in the region.<sup>356</sup>

Before and during the World War II, the Caspian region was not especially focused on by the circle of interest of Washington as the condition in the international relations system required the USA to establish close relations with the USSR. However, during this Cold War, while the Caspian region was characterized by USA as a region of danger as a suitable exit point as expansion of USSR towards the South on one hand, and because of religious and ethnical

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<sup>355</sup>See Nəşib Nəşibli, *Azərbaycan Demokratik Respublikasının Xarici Siyasəti*, Bakı, Qanun, 2011, pp.233-235.

<sup>356</sup> See Musa Qasımov, *Xarici Dövlətlər və Azərbaycan*, Bakı, Qanun, 1998, pp.53-68.

difference it had on the other hand it was considered one of the internal weak points capable of ensuring the Soviet Union.

After the end of the Cold War and collapse of USSR, the Caspian region which appeared as a geopolitical geography in addition to US searches of mission in the global system, gained strategic importance for Washington. In addition, the important factors in the policy for the Caspian region of USA which has been making the efforts of establishing a single- pole structure within the framework of a course varying between “hegemonic state” and “leader country” in the global system since 1991, may include Russia, energy, ethnical conflicts, democracy and human rights, Afghanistan, Iran and China.

The factor of Russia in US foreign policy for the Caspian region has been of special importance for Washington during the recent 20 years.<sup>357</sup> “Russia First” principle guided the political course in the early years of US which considered the region a component of Post-Soviet geography as basis. Washington, taking into account Moscow’s capabilities in the global policy and the importance attached to it in respect of US interests, and preferring Russia out of Post-Soviet zone, formed its relations under the shade of this factor, with Post-Soviet zone, and the countries of the Caspian region. The fact that the region was not sufficiently recognized by USA had its special influence in it in addition to the Atlantic specialists defending the strategic cooperation with the West which was predominating in the Russian foreign policy in the early years.

In the early years, the collapse of the romantic atmosphere in Western – Russian relations and Russia’s doctrine of near abroad declaring its imperial interests in Post-Soviet zone and the Caspian region as of 1993 increased US interests in the countries of the region.<sup>358</sup> The fact that Russia considered the Caspian region as one of the strategic regions of sphere of influence and the active role played by Moscow in the loss of power by the opposing President of Georgia

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<sup>357</sup> See U.S.-Russian Relations: Implications For The Caspian Region, Report from the October 2000, June 2001, <http://belfercenter.ksg.harvard.edu/files/october2000conferencereport.pdf> ; R. Craig Nation, RUSSIA, THE UNITED STATES, AND THE CAUCASUS, February 2007, <http://www.strategicstudiesinstitute.army.mil/pdf/files/pub764.pdf> (22.06.2012)

<sup>358</sup> Amy Jaffe, “US policy towards the Caspian region: can the wish- list be realized?”, [http://www-local.bakerinstitute.org/programs/energy-forum/publications/docs/Jaffe\\_CaspianWishList.pdf](http://www-local.bakerinstitute.org/programs/energy-forum/publications/docs/Jaffe_CaspianWishList.pdf) (22.06.2012)

Zviad Qamsahurdiya and President of Azerbaijan Abulfaz Elchibay are an undesirable point for USA.

The efforts to maintain in the sphere of influence in the Republics of Middle Asia in the Eastern coasts of the Caspian Sea, through various forms of pressure, also cause anxieties in USA. In this respect, USA has attached special importance to the protection of independence of these countries since mid 1990s and to increase Russian pressures in this region. Washington's insisting position to move the Russian military bases from Georgia, the creation of the organization GUAM that opposes the Russian pressure in the region. The support provided to its continuation of activities, its bilateral relations with these countries, and relations established within the framework of organizations such as UN and OSCE, the cooperation developed between NATO and these organizations are several examples in order to decrease the Russian pressure.

The rich energy sources of the Caspian region constitute another important point of US policy for the region.<sup>359</sup> Dependence mainly on Near East, of which USA is the largest energy consumer and exporter of the world and which has continually increasing needs in this field, may be considered as one of the most important reasons why Washington increased its interests in the Caspian region. In general, US energy policy in the Caspian region has two important targets.

First, US tries to take an active and even leading part in the distribution of the energy sources of the region. In this respect, though American AMOCO Company took the first step prior to the collapse of USSR in relation to the US interests in energy sources of the region through Baku visit of the company's representatives, the main achievements in this issue were made after 1991. The fact that American Chevron Company took a leading role in the operation of Kazakhstan's Tengiz oil fields in 1993 which have large oil resources, and the Contract of the Century stipulating the distribution of a portion of oil with

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<sup>359</sup> Peter Rutland, "US Energy Policy and The Former Soviet Union: Parallel Tracks", <http://prutland.web.wesleyan.edu/Documents/US%20energy%20policy%20towards%20Russia.pdf> (22.06.2012) "U.S.-Caspian Energy Policy: Promoting Sovereignty And Prosperity", <http://clinton5.nara.gov/WH/EOP/NSC/html/nsc-14.html> (25.06.2012); U.S. "Caspian Pipeline Policy: Substance or Spin?", 24 August 2000, <http://csis.org/files/media/isis/pubs/ceu000824.pdf> (25.06.2012) ; "Caspian Oil and Energy Security", [http://www.rand.org/content/dam/rand/pubs/monograph\\_reports/MR1074/mr1074.chap6.pdf](http://www.rand.org/content/dam/rand/pubs/monograph_reports/MR1074/mr1074.chap6.pdf) (22.06.2012)

Azerbaijan in 1994 are considered to be the most important events of the process. Despite the serious opposition of Russia and Iran, these two events confirmed that USA played one of the leading roles in energy competition in the Caspian region that is assessed as the new Great Game and allowed it to take an active part in the distribution of large number of oil and gas resources or relatively small- scale as opposed to these agreements in the region. While such a role of USA proved to be more remarkable especially in the energy issues of Azerbaijan and Kazakhstan, it is observed that the factor of Russia weighs much in the energy sources of Turkmenistan and Uzbekistan.

Since the main subject of the competition related to energy sources in the region in 1990s, this factor is especially remarkable in the energy policy of USA for the region. The distribution of the gas resources became the centre of the fight in the region in 2000s. The centre of the fight here is Turkmenistan which is in one of the leading positions according to gas reserves proven by Shahdaniz gas fields of Azerbaijan and the main competitors of USA in this fight are Russia throughout the region and China in respect of Middle Asia.

The second direction of US energy policy in the Caspian region is to ensure the safe transportation of the region's energy sources to international markets. For USA, this safe transportation has two important principles. First, the process of transportation of the Caspian energy resources should be carried out in a manner that will break Russia's traditional monopoly in the region and through alternative routes to this country. Second, the transportation route should not pass through countries considered to be enemy, competitor or dangerous for the West. The second principle rules out the Iranian, Chinese or Afghan routes in transportation of the Caspian energy sources. The support provided by USA to Baku – Tbilisi – Ceyhan oil pipeline, its satisfaction from Baku – Tbilisi – Erzurum gas pipeline or its efforts related to construction of NABUCCO gas pipeline are assessed in this respect. Such principles of USA's energy policy in the region provides important basis in regard to strategic, economic protection of the countries of the Caspian region at the same time.

Another direction of US policy in the Caspian region is the ethnical conflicts. The ethnical conflicts occurring in Caucasian region located to the west

of the Caspian Sea are assessed by USA as a factor that strengthens Russia's and Iran's influence in the region, and that harms the security and cooperation in the region. USA, which supports Georgia in the ethnical conflicts in this country, fails to show a univocal attitude in the Karabakh problem influenced by powerful Armenian Diaspora. In this respect, USA, that declares that it supports the territorial integrity of Azerbaijan on one hand, and that shows a protective attitude towards the aggressive Armenia on the other hand. Washington still remains as the only country preventing the official aid to Azerbaijan as per the Amendment No.907 and officially assisting to the Separatist structure in Karabakh. Despite the fact that its supports Georgia and is one of the co-chairs of OSCE Minsk Group, Washington fails to succeed in the settlement of ethnical conflicts in the region. The fact that USA, which rules out the use of military force by the countries of the region in the settlement of the ethnic problems in the region, did not provide the necessary assistance to Georgia during and after the 5 – day war in 2008, may considered one the important failures of Washington in its policy for the region.

Principles such as democracy, human rights and market economy have been one of the most important points of US policy for the Caspian region since 1991.<sup>360</sup> That is, US Secretary of State James Baker declared, on December 12, 1991, in one of his statement in Princeton University, that the two out of three points to be attached importance by official Washington in relation to the former republic of USSR would be helping these countries transition to political pluralism and market economy. On December 25, 1991, the President George Bush, making an explanation once more, stated that he recognized all the former Soviet Republics, and that he would establish diplomatic relations only with 5 of them. While Kazakhstan, Kyrgyzstan and Armenia out of the countries of the Caspian region, were included in the countries with which diplomatic relations would be established, there was stated that relations may be established with the remaining countries in case comply with the principles of security and democracy.

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<sup>360</sup> SSRİ-nin dağılması sonrası ABŞ hakimiyyətinin bölgə siyasətinə dair geniş bir təhlil üçün baxınız: Nazim Cafersoy, Elçibey Dönemi Azərbaycan Dış Politikasi(Haziran 1993-Haziran 1993): Bir Bağımsızlık Mücadelesiinin Diplomatik Öyküsü, Ankara, ASAM, 2001, pp.134-138.



The letter by the President Bush to the countries, with which no diplomatic relations would be established, included the democratic political reforms, human rights and rights of ethnic minorities and principles of transition to market economy among the 5 major conditions existing in Baker's report. The sensitivity of USA in the issue of democracy and market economy was not only confined to the White House. The Freedom Support Act adopted by US Congress itself proposed material assistance in amount of 460 million dollars to support democracy and transition to market economy of the post-Soviet Republics. Simply, Azerbaijan was deprived of this support as per the amendment No.907 by the reason of Azerbaijan's embargo on Armenia and use of force.<sup>361</sup>

Though this sensitivity of the US government in the policy for the region was brought into background to a certain extent after September 11, 2001, it has continued maintaining its importance in the recent 20 years in general. USA attached special importance to democratic, fair and transparent elections, free and independent media, human rights protection in its relations with the countries of the region. USA's explanation and attitude in this respect created serious anxieties among the governments of these countries. The fact that the attitude of Washington became actual on the background of the "Velvety Revolutions" that caused power changes in the countries of the region such as Georgia and Kyrgyzstan in early 2000s and claimed to be supported by USA caused crisis in the double relations and directed the governments in the region to have closer relations with Russia. The most obvious example for this may be the crisis occurred in US – Uzbekistan relations and the strengthening by this country of its relations with Russia, due to America's criticizing attitude towards the President Islam Karimov after Fergana events in 2005.<sup>362</sup>

Another point of USA's policy for the region is the Afghanistan issue. After the terrorist acts occurred on September 11, 2001, for USA, which intervened in Afghanistan to destroy the terrorist organization Al - Qaida and its

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<sup>361</sup> Elman Nəsirov, *Azərbaycan – ABŞ münasibətləri (1991-1997)*, Bakı Qanun, p.23.

<sup>362</sup> Ariel Cohen, "Energy Security in the Caspian Basin", Gal Luft və Anne Korin (eds.), *Energy Security Challenges for the 21st Century*, Santa Barbara, CA: Praeger Security International, 2009, p.118.

supporter Taliban regime, the Caspian region in the neighbourhood of this country started to be of strategic importance. USA strengthened the strategic, political and military cooperation with the countries of the Caspian region for the war in Afghanistan. The countries of the region have turned into transit airfields and an area of deployment of military bases for the military forces dispatched by USA to Afghanistan. In this respect, Azerbaijan and Georgia have become transit countries for USA and they dispatched troops to the international coalition led by US fighting in Afghanistan.

Additionally, the countries of Middle East, did not only perform transit function, at the same time they allowed deploying military air bases of either Kyrgyzstan (Manas) or Uzbekistan (Garshi – Khanabad) or USA.<sup>363</sup> Within the framework of this policy developed in respect of the fight against global terrorism, the application of Amendment no.907 against Azerbaijan is temporarily suspended by the US president each year and US political, military and economic assistance is provided to the countries of the region in general.

The Caspian region is of great importance for USA from the viewpoint of Iranian factor as well. The fact that Washington attaches importance to the Caspian region has several reasons in respect of its relations with Iran with which it has very tense relations because of totalitarian nature of political regime, its assistance to terrorism and nuclear program.

The first reason is that being a neighbour from geographical viewpoint is very important in respect of efficiency of international embargo applied by USA to Iran. This importance shows itself in respect of the compliance of the two region's countries with the Iranian embargo decisions and the transit function for the third countries.

The fact that the Caspian region is situated between Iran and the countries such as Russia, Pakistan, China or Northern Korea that likely support, directly, or indirectly, Tehran's nuclear program may be considered the second important reason in respect of USA. The third one is the fact that countries such as Azerbaijan and Turkmenistan in the region have sameness with a significant part of Iran's

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<sup>363</sup> Lionel Beehner, "U.S. Military Bases in Central Asia", 26 June 2005, <http://www.cfr.org/kyrgyzstan/asia-us-military-bases-central-asia/p8440> (03.06.2012)

population from ethnical and sect viewpoints. Finally, the fact that the region was included in the sphere of influence of Iran from historical viewpoint may be considered one of the points taken into account by USA. At the same time, USA, which strengthens its relations with the countries of the region in this respect, is worried about the developing relations of especially Armenia and Georgia and about the efforts of Turkmenistan to transport its gas to international markets through Iran.

Moreover, one of the points taken into account by USA in its Caspian policy, is China, which gradually enters the competition in the international system. The fact that China has become active especially in Middle Asia and its growing role in the energy game in the region make USA worry. China's relations developed with the countries of the region and its growing interests in the region in various formats including through Shanghai Cooperation Agreement, are a sign that such worry by USA is not groundless.

#### **5.6. The Caspian Region and Other Foreign Countries**

In addition to Russia which is a historic great power in the Caspian region and USA which is the most powerful actor of the contemporary international system, the other important players may include Iran, Turkey, European Union, China and India.

Iran, which historically was influential in the region and which made tense fight for the region with Russians and Ottomans, showed special interests in the Caspian region after 1991.<sup>364</sup> Iran's foreign policy in the region has two major areas. The first of them is the Caucasian geography. The new geopolitical situation in the Caucasus occurred as a result of separation of USSR, made the opportunities and threats for Iran a reality. That is, the separation of USSR

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<sup>364</sup> Brenda Shaffer, "Iran's Role in the South Caucasus and Caspian Region: Diverging Views of the U.S. and Europe", <http://belfercenter.ksg.harvard.edu/files/shaffer.pdf> (09.06.2012), Mehrdad M. Mohsenin, "The Evolving Security Role of Iran in the Caspian region", <http://books.sipri.org/files/books/SIPRI01Chufirin/SIPRI01Chufirin09.pdf>; Svante E. Cornell, "Iran And The Caspian Region: The Domestic and International Context Of Iranian Policy", Caspian Brief NO. 15 , May 2001, <http://www.scribd.com/doc/63887052/Iran-and-the-Caspian-Region-The-Domestic-and-International-Context-of-Iranian-Policy> (25.06.2012); Shahriar Hendi, "Iran's Foreign Policy&Energy Transitopportunities in The Caspian Region", [http://www.iies.org/old\\_site/english/training-conf/conference/conf98-paper/pdf/hendi.pdf](http://www.iies.org/old_site/english/training-conf/conference/conf98-paper/pdf/hendi.pdf) (09.06.2012).

eliminated the direct borders with Russia which it had considered the most important threat in the recent three centuries, and in return there were small countries in the region such as Azerbaijan, Armenia and Georgia.

Iran assessed this situation as an opportunity that made actual again its historic claims towards Caucasus. On the other hand, the new geopolitical situation in the Caucasus created two important threats such as the separation of ethnic nature arising out of issue of Southern Azerbaijan and the fall of the region under the Western sphere of influence.

Iran, while trying to eliminate the issue of Southern Azerbaijan by weakening Azerbaijan with its strategic relations established with Armenia on one hand, it has applied the course of foreign policy aimed at keeping Azerbaijan under influence on the other hand. Tehran started applying severe methods to keep the Turkish people in Iran under pressure. Iran also tries to restrict the threat of Western influence through the cooperation established with Russia.

The second direction of Iran's policy for the Caspian region is the relations with new countries created in the region as a result of collapse of USSR such as Kazakhstan, Uzbekistan, Turkmenistan, Kyrgyzstan and Tajikistan. While the issues such as energy and the legal status of the Caspian Sea have a special place in Iran's policy aimed at those countries, in relations with its neighbours in the Caspian Sea – Kazakhstan and Turkmenistan and the cultural factor has a significant place in Tajikistan. However, Iran is unable to show sufficient activeness in the region because of political roles of the global actors such as Russia, USA and China in Middle Asia.

Another important regional actor of the Caspian region is Turkey. Ankara which started searches of mission in the region after 1991, has historic, cultural and ethnical closeness with the countries of the region.<sup>365</sup> The fact that

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<sup>365</sup> See Ali Karaosmanoglu, "Turkey's objectives in the Caspian region", Gennady Chufrin, *The Security of the Caspian Sea Region*, Oxford University Press, USA 2002, <http://books.sipri.org/files/books/SIPRI01Chufrin/SIPRI01Chufrin08.pdf> (25.06.2012) , pp.151-165; Nathan L. Burns, "Turkey, the Caspian Region, & the Clash of Civilizations", [https://urj.ucf.edu/docs/URJmanuscript\\_Burns\\_080509.pdf](https://urj.ucf.edu/docs/URJmanuscript_Burns_080509.pdf) (25.06.2012); Ian Bremmer *The US, Turkey, and the Future of the Caspian*, [http://belfercenter.ksg.harvard.edu/publication/2267/us\\_turkey\\_and\\_the\\_future\\_of\\_the\\_caspian.html](http://belfercenter.ksg.harvard.edu/publication/2267/us_turkey_and_the_future_of_the_caspian.html) (25.06.2012); Şebnem Udum, "The Politics of Caspian Region Energy Resources: A Challenge

Azerbaijan, Kazakhstan, Turkmenistan and Kyrgyzstan out of the new states, bear the same ethnical identity with Turkey and the fact that this geography is considered native land by Turkey have created significant opportunities for Ankara. In the early years following 1991, the claim of Turkish world from Adriatic to China Sea was influential in Turkey's policy for the region and Ankara claimed to be a model for the countries of the region.

However, though Turkey which was also supported by the West as an alternative corresponding to Russia and Iran made excessive promises to these countries, it could be able to realize only a portion thereof. The Great Studies Project started in 1992 and proposed bringing a total of 10 thousand students from the Turkish Republic of the region, and the training of servicemen for the armies of these countries were among the promises realized. However, the factors such as the fact that the countries of the region were not sufficiently recognized, the risks to be created by the acceptance as a model of the democratic political regime in Turkey for the government of these countries comprised of the former communist nomenclature. The overthrow of Azerbaijan's president Elchibay who defended the strategic alliance with Turkey, Russia's strengthening pressures and the wish not to compete severely with Moscow restricted Ankara's opportunities in its policy for the region.<sup>366</sup>

Ankara while establishing close relations with Georgia in the Caspian region, fails to establish normal relations with Armenia owing to its aggressive policy in Karabakh in addition to its territorial and genocide claims. The fact that Azerbaijan is brought into foreground as an important factor in Ankara's policy for the region is remarkable. The gradually strengthening cooperation in strategic, economic and military fields between the two countries may be evidence, therefore.

One of the most important components of Turkey's policy for the region is the factor of energy. Turkey which set a goal to be a strategic bridge between the

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For Turkish Foreign Policy", <http://sam.gov.tr/wp-content/uploads/2012/02/SebnemUdum.pdf> (25.06.2012);

<sup>366</sup> Mustafa Aydın, *New Geopolitics of Central Asia and the Caucasus: Causes of Instability and Predicament*, [http://khas.academia.edu/MAydin/Books/732717/New\\_Geopolitics\\_of\\_Central\\_Asia\\_and\\_the\\_Caucasus\\_Causes\\_of\\_Instability\\_and\\_Predicament](http://khas.academia.edu/MAydin/Books/732717/New_Geopolitics_of_Central_Asia_and_the_Caucasus_Causes_of_Instability_and_Predicament) (03.06.2012).

energy sources of the Caspian region and the Western markets made great achievements in this field due to the commissioning of Baku – Tbilisi – Ceyhan oil pipeline and Baku – Tbilisi – Erzurum gas pipelines. In addition, the implementation of the projects such as NABUCCO and TANAP which propose the transportation of energy sources of the region will be processes that bring Turkey one more step closer to its target of being a strategic bridge and that increase the influence of Ankara in the Caspian region.

Another active actor of the processes in the Caspian region may be considered the European Union (EU). It is observed that the economic factor, especially the energy weights much in the EU's view of the region. The Caspian region is considered one of the important alternative sources for the EU which is dependent on Near East from energy viewpoint. Still, the Caspian region is of great importance for the Union as a corridor that connects Europe to Asian markets. Organization for Security and Cooperation in Europe is of great importance as a security organization in EU's policy related to the Caspian region. Furthermore, TRASECA<sup>367</sup> that joins Europe and the Caspian region and INOGATE program<sup>368</sup> that proposes strengthening of the cooperation between Europe and the countries of the Caspian region are also financially supported. In addition, EU signs participation and cooperation agreements that contain democratic principles, economic reforms and human rights, with the states including the countries of the Caspian region.<sup>369</sup> Furthermore, the Union cooperates with Azerbaijan, Georgia and Armenia out of the countries of the region, within the framework of Eastern Partnership program.<sup>370</sup>

The People's Republic of China which gradually becomes one of the most important global actors of the international system is one of the countries interested in the Caspian region. Several directions can be observed in the

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<sup>367</sup> See <http://www.traceca-org.org/en/home/> (25.06.2012)

<sup>368</sup> See [http://www.inogate.org/index.php?option=com\\_content&view=article&id=46&Itemid=72&lang=en](http://www.inogate.org/index.php?option=com_content&view=article&id=46&Itemid=72&lang=en) (25.06.2012)

<sup>369</sup> Shamsdoulatabadi, "A Theoretical Analysis of The Caspian Region", p.70.

<sup>370</sup> See [http://eeas.europa.eu/eastern/index\\_en.htm](http://eeas.europa.eu/eastern/index_en.htm) (25.06.2012)

interests of China in the region, which much more influences the Eastern coast of the Caspian Sea.<sup>371</sup> First, China tries to decrease its energy dependence exported by getting a share from distribution of energy sources of the region and its transportation. In this respect, Beijing tries to implement projects that ensure the transportation of energy sources of Kazakhstan, Uzbekistan and Turkmenistan into China. Second, China which is considered the factory of the world either sees the Caspian region as a suitable market or assesses the region as an exit corridor to the European market. Third, the fact that the Caspian region has joint ethnical and religious values with Uygur Autonomous Republic of China is considered another important point in respect of Beijing.

Beijing while regulating the relations with the Caspian region pays special attention to this factor and tries to insure itself against ethnical separatism and religious radicalism. Fourth, the region is considered as an area of expansion for China's population and investment. The importance attached by the international system to China's bilateral relations with the countries of the Caspian region and to Shanghai Cooperation organization is a sign that it will become the most important player of the region in the year to come.

The Caspian region catches the attention of India, another important player of the international system.<sup>372</sup> There are several reasons for the interests of India in the region. First, official Beijing is worried about the fact that the radical religious movements in the Caspian region, especially in Middle Asia's geography intensify the similar activities in Jamu and Kashmir regions, India.<sup>373</sup> In this respect, India is an observer at Shanghai Cooperation Organization and

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<sup>371</sup> Shamsdoulatabadi, "A Theoretical Analysis of the Caspian Region", s.74. Susan Fay Kelly vø Sigve Reiertsen Leland "Oil Actually: Chinese and U.S. Energy Security Policies in the Caspian Region", January 2007, <http://munin.uit.no/bitstream/handle/10037/993/thesis.pdf?sequence=1> (25.06.2012); "Chinese energy policy towards the Caspian region", [http://www.ecraal.org/fichiers/Chinese\\_energy\\_policy\\_towards\\_the\\_Caspian\\_region\\_16\\_May\\_2011\\_1306403138.pdf](http://www.ecraal.org/fichiers/Chinese_energy_policy_towards_the_Caspian_region_16_May_2011_1306403138.pdf) (25.06.2012); Jose Macedo, "What is Driving the US, Russia and China in Central Asia's New-Great Game?", [www.dundee.ac.uk/cepmlp/.../files.php?](http://www.dundee.ac.uk/cepmlp/.../files.php?) (24.06.2012)

<sup>372</sup> Elaheh Koolae and Masoud Imani-Kalesar, "India's Energy Security Strategy Towards the Caspian Sea Region", *China and Eurasia Forum Quarterly*, Volume 8, No. 1, 2010, pp. 83 – 94

<sup>373</sup> Mina Singh Roy, "Indian Interest in Central Asia", *Strategic Analysis*, No 12. March 2001, p.54.

signs agreement for the fight against terrorism with some of the countries of the Caspian region.

Second, India is interested in the region in order to balance Pakistan.<sup>374</sup> Third, India tries to decrease its energy dependence on Western Asia and to diversify its export by getting a share from distribution of energy sources of the Caspian region. The interests of India in Turkmen and Kazakh gas are actual in this respect. Finally, India assesses the Caspian region as a market for its products and investment.

In general, the Caspian region continues to be in the center of attention of global actors such as USA, Russia, China and EU, and regional actors such as Turkey, Iran and India. The global and regional processes show that the importance of this region will continue strengthening in international relations in the years to come and this may be considered a sign that the competition related to the region will be much more intensified.

### **5.7. Azerbaijan and its Energy Contracts with International Actors**

Since Azerbaijan gained its independency in 1991, Azerbaijan's energy sources have been the focus of attention of different global and regional actors in the general context. The production of Azerbaijan's energy sources and its access to the foreign markets shall be possible with signed international energy contracts.

The first and most important one of the contracts that Azerbaijan signed with foreign companies is the treaty<sup>375</sup> named Contract of the Century signed on September 20, 1994. This is the first contract that considers the joint exploitation of Azerbaijani oil with Western and Turkish companies after gaining its independency. 13 most famous (Amoco, BP, McDermott, UNcal, SOCAR, Lukoil, Statoil, Exxon, Türkiye Petrolleri, Pennzoil, Itochu, Ramco, Delta) oil companies of 8 countries (Azerbaijan, USA, Great Britain, Russia, Turkey, Norway, Japan and Saudi Arabia) in the world participated in the signing of

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<sup>374</sup> Amina Afzal, "India's Growing Influence in Central Asia: Implications for Pakistan, Strategic Studies, No 3, Autumn 2004, p. 134.

<sup>375</sup> For detailed information about the Contract of the Century look at: "General historical reference about the Contract of the Century (Baku, September 20, 1994), <http://library.aliyev-heritage.org/az/917277.html>, <http://www.president.az/azerbaijan/contract/>, <http://library.aliyev-heritage.org/az/917277.html> and <http://new.socar.az/socar/az/company/production-sharing-agreements-offshore/absheron>



Contract of the Century. With this contract signed in Baku, oil and gas production in Azeri, Chirag and Gunashli fields in the Azerbaijani parts of Caspian Sea has been agreed. The Contract came into force on December 12, 1994. The first oil reserves to be extracted were calculated as 511 million tons, and then these reserves increased up to 730 million tons as for results of appraisal wells. Related to these, capital costs required for fields development have been adopted in the amount of 11,5 billion USD; from total net income Azerbaijan owns 80%, investors own 20%. The shares of the companies in this Contract were divided as follows for the end of 2011:<sup>376</sup>

Company	Country	Share (%)
BP Exploration (Caspian Sea) Limited	Great Britain	35,7828
Azerbaijan (ASC) Limited	Azerbaijan	11,6461
Chevron Texaco	USA	11,2729
Inpex Southwest Caspian Sea, Ltd	Japan	10,9644
Statoil Absheron A.S.	Norway	8,5633
Exxon Azerbaijan Limited - Exxon Mobil	USA	8,0006
Turkish Petroleum Corporation	Turkey	6,75
ITOCHU Oil Exploration (Azerbaijan) Limited	Japan	4,2986
Amerada Hess	USA	2,7213

For the implementation of the Contract, Azerbaijan International Operating Company (AIOC) was established in 1995, where shareholders participate.

This consortium extracted its first oil from Chirag field in November, 1997. AIOC started to export Azerbaijani oil through Novorossiysk Terminal of Russia on March 24, 1998, Supsa Terminal of Georgia on April 8, 1999 and Baku-Tbilisi-Ceyhan pipeline on May 25, 2005.

The second international contract after the Contract of the Century, was signed on November 10, 1995. According to preliminary calculations, 120 million tons of oil and 50 billion m<sup>3</sup> of natural gas reserves were estimated to be

<sup>376</sup><http://new.socar.az/socar/az/activities/production/azeri-chirag-deep-water-gunashli>

in the field, but as there was defined insufficient oil reserves, that is 30 million tons of oil, the contract was terminated on January 21, 1999.<sup>377</sup> The shares of the companies were divided in the contract, providing joint development of "Karabakh" field, as follows:<sup>378</sup>

Company	Country	Share (%)
LUKAGIP	Italy-Russia Partnership	50
PENNZOIL	USA	30
SOCAR	Azerbaijan	7,5
LUKOIL	Russia	7,5
AGIP	Italy	5

Another contract is about the development of Shah Deniz field. First of all, Shah Deniz is one of the largest gas fields of the Caspian Sea, as well as the world for the current research works. The second, one of the most important features of the contract is the absence of USA and Iran's getting shares. The field is located in 70 kilometers southeast from Baku and in the shelf of the Caspian Sea where the water depth changes between 50-500 m. There are main oil and gas reserves in the field which was discovered for the first time in 1954.<sup>379</sup> According to the contract signed on July 04, 1996 in Baku and came into force on October 17, 1996 for the exploitation of Shah Deniz field, the shares of the companies were divided as follows:<sup>380</sup>

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<sup>377</sup> Eminov, Geography: Physical and Economic Geography of Azerbaijan p.92.

<sup>378</sup> Eminov, Geography: Physical and Economic Geography of Azerbaijan p.92.

<sup>379</sup> Eminov, Geography: Physical and Economic Geography of Azerbaijan p.92.

<sup>380</sup> Look for detailed information about Shah Deniz field:  
<http://www.bp.com/sectiongenericarticle.do?categoryId=9006917&contentId=7014321>

Company	Country	Share (%)
BP	Great Britain	25,5
Statoil	Norway	25,5
Total	France	10
LukAgip	Russian/Italy	10
NICO	Iran	10
SOCAR	Azerbaijan	10
TPAO	Turkey	9

Many gas reserves were discovered in this field in July, 1999 as a result of the conducted research works. This field is one of the largest gas-condensate fields in the world with its gas reserves of 1 trillion cubic meters. Reserves in this field are supposed to be increased 2 times as a result of making new investment and research works. Shah Deniz field is operated by BP on behalf of its partners in Production Sharing Agreement (PSA) on Shah Deniz field. According to the contract, the consortium will make investment in the amount of 22 billions USD during 35 years. The gas production was started from 2006 with the contract.

Shah Deniz field is expected to be exploited in two phases. During the first phase, it is planned to produce 8.6 billion m<sup>3</sup> of natural gas per year in 2011, and this level is expected to continue until 2020.<sup>381</sup> Approximately  $\frac{3}{4}$  (three fourths) of this gas (6.6 billion m<sup>3</sup>) will be sold to Turkey. The exploitation of the second phase of Shah Deniz field is considered to be started in 2016. It is supposed to extract annually 16 billion m<sup>3</sup> natural gas from the field during 2019-2020. The proposals with regard to the transportation of Shah Deniz gas from Caspian Sea to Europe are estimated by Shah Deniz consortium now. In this process, bids were adopted by NABUCCO, Trans Adriatic Pipeline and IGI Poseidon until October 1, 2011. In addition, the Shah Deniz project team also regionally estimates the fourth potential export version that could transport gas to the markets in Southeast Europe through existing or future interconnector (connection) infrastructure system.

Another contract between Azerbaijan and for foreign energy companies is the agreement about exploitation of Dan Ulduzu and Ashraflı fields signed on

<sup>381</sup> <http://www.bp.com/sectiongenericarticle.do?categoryId=9006917&contentId=7014321>

December 14, 1996. As sufficient oil reserves were not found, this agreement was terminated afterwards and the shares of the companies were divided as follows:<sup>382</sup>

Company	Country	Share (%)
AMACO	USA	30
Unicol	USA	25,5
SOCAR	Azerbaijan	20
ITOCHU	Japan	20
Delta	Saudi Arabia	4,5

Another agreement is about exploitation of Lankaran-Deniz and Talysh-Deniz oil fields and was signed on January 13, 1997 in Paris<sup>383</sup>. The shares of the companies in the contract were divided as follows:

Company	Country	Share (%)
Elf Aquitaine	France	40
SOCAR	Azerbaijan	25
Total	France	10
Deminenks	Germany	10
NICO	Iran	10
AGIP	Italy	5

In the same year two agreements were signed with Russian companies on July 4 in Moscow<sup>384</sup>. According to the first agreement, a contract was signed for exploitation of Kapaz field with Lukoil and Rosneft. However, as the same field is controversial with Turkmenistan, there are some problems in its development.

<sup>382</sup>Speech of Heydar Aliyev, the President of Azerbaijan Republic in the ceremony where an agreement was signed about joint development of "Dan ulduzu" and "Ashrafli" structures-December 14, 1996  
<http://www.mie.gov.az/cgi-bin/min/main.cgi?id=677>

<sup>383</sup> "Statement of Heydar Aliyev, the President of Azerbaijan Republic, in the ceremony of signing an agreement about joint development of "Lankaran-Daniz" and "Talysh-Daniz" fields in the Azerbaijani sector of the Caspian Sea - Paris, January 13, 1997", <http://www.mie.gov.az/cgi-bin/min/main.cgi?id=678>

<sup>384</sup>"Speech of Heydar Aliyev, the President of Azerbaijan Republic, during the meeting of the Presidents of Russia and Azerbaijan- Moscow, Kremlin, July 3, 1997", <http://www.mie.gov.az/cgi-bin/min/main.cgi?id=680>

Yet, the second contract was signed with Lukoil Company for exploitation of Yalama or D-222 oil fields.

At present, activities with regard to exploitation of oil and gas in 6 main fields in the Azerbaijani sector of Caspian Sea are to be continued.<sup>385</sup> Information was given in detail above about the exploitation of deep-water parts of Azeri, Chirag and Gunashli fields, and Shah Deniz field. Out of these two fields, the exploitation of Absheron gas field is also continued in the sea. Although the first agreement about the field discovered by Azerbaijani geologists in 1960s was signed in 1997, the activities conducted then were ineffective and the contract was terminated in 2005.<sup>386</sup> On the other hand, a new contract was signed about this field on February 27, 2009. The shares of the companies in the agreement were divided as follows:<sup>387</sup>

Company	Country	Share (%)
SOCAR	Azerbaijan	40
Total	France	40
GDF Suez S.A.	France	20

According to the surveys 2012, it is stated that non-associated gas reserves together with condensates are 150-300 billion cubic meters in Balakhani and Fasila Formations in the northern part of Absheron field as a result of research.<sup>388</sup>

The agreement on the exploitation of the field that includes Araz, Alov and Sharg perspective structures was signed on June, 1998. The volume of the necessary capitals to start to the production process of 200 million tons of oil

<sup>385</sup> Official internet page of SOCAR <http://new.socar.az/socar/az/company/production-sharing-agreements-offshore/shafag-asiman>

<sup>386</sup> Ilham Aliyev gave a statement to the press with regard to discovery of a new large gas field in "Absheron" bloc on September 09, 2011, <http://president.az/articles/3058>

<sup>387</sup> <http://new.socar.az/socar/az/company/production-sharing-agreements-offshore/absheron>

<sup>388</sup> Big gas reserves in the "Absheron" field were certified, July 02, 2012 <http://www.gun.az/economy/43130>

reserves forecast in these fields is in the amount of 4 billion USD.<sup>389</sup> The shares of the companies in the agreement were divided as follows:<sup>390</sup>

Company	Country	Share (%)
ENCANA	Canada	40
SOCAR	Azerbaijan	15
BP Exploration	Great Britain	15
Turkish Petroleum Overseas Company	Turkey	15
Statoil Azerbaijan Alov A.S.	Norway	10
Exxon		5

However, the issue about the exploitation of this field has been resulted in Iran's strict protest. Thus Geopysic-3 and Alif Hajiyev ships conducting research activities in Araz-Alov-Sharg structure with the order of BP were exposed to the attack by military ships of Iran and were obliged to leave the area on July 23, 2001. Baku issued an objection note to Iran with regard to the attack of military ships of Iran to Azerbaijani ships, conducting research in the Caspian Sea, on July 24. The event gave rise to a sharp resonance in Iran-Azerbaijan relations. In this context, Turkish military planes conducted flights in Baku to support Azerbaijan. The tension in Azerbaijan-Iran relations with regard to this field lasted some months and was cancelled after the visit of the President Heydar Aliyev to Iran in 2002. At the same time, Azerbaijan adjourned research activities in Araz-Alov-Sharg structure until the controversies about the status of the Caspian Sea and sea border problem with Iran were solved.

The agreement on the exploitation of Bahar and Gum Deniz fields was signed on December 22, 2009.<sup>391</sup> The contract is designed for 25 years and may be extended for five years more. The initial capital is estimated in the amount of 1 billion dollars for the beginning. All of the capital will be charged by Bahar Energy Limited Company. The volume of residual gas reserves in the agreement

<sup>389</sup> "Azerbaijan -BP relations", <http://library.aliyev-heritage.org/az/3185561.html>

<sup>390</sup> <http://new.socar.az/socar/az/company/production-sharing-agreements-offshore/araz-alov-sharg>

<sup>391</sup> "Bahar Energy LTD" will drill 58 wells in the "Bahar- Gum-deniz" bloc till 2016, <http://gun.az/economy/8805.print>

bloc is 25 billion cubic meters. The shares of the companies in the agreement were divided as follows:<sup>392</sup>

Company	Country	Share (%)
Bahar Energy Limited	Azerbaijan	80
SOCAR	Azerbaijan	20

The Production Sharing Agreement about joint geological research and development of another field in the Caspian Sea, Shafag-Asiman perspective structure, was signed in October, 2010 in Baku city.<sup>393</sup> The term of the Production Sharing Agreement is 30 years. The shares of the companies in the Agreement were divided as follows:<sup>394</sup>

Company	Country	Share (%)
Azerbaijan (ASC) Limited-SOCAR	Azerbaijan	50
BP Exploration (Caspian Sea) Limited-BP	Great Britain	50

The final number of main oil and gas fields of Azerbaijan, exploited on land is 11 as for the end of 2011.<sup>395</sup> The parties present in the Agreement about the exploitation of 3 blocs of South-West Gobustan signed on June 2, 1998, are mentioned below.<sup>396</sup>

Company	Country	Share (%)
Common Wells	Great Britain	40
Union Texas	USA	40
SOCAR	Azerbaijan	20

<sup>392</sup> <http://new.socar.az/socar/az/company/production-sharing-agreements-offshore/azeri-chirag-deep-water-gunashli>

<sup>393</sup> <http://www.anl.az/down/meqale/xalqqazeti/2011/may/174385.htm>

<sup>394</sup> <http://new.socar.az/socar/az/company/production-sharing-agreements-offshore/shafag-asiman>

<sup>395</sup> Look for the detailed information about these fields:  
<http://new.socar.az/socar/az/company/production-sharing-agreements-onshore/balakhany-and-other-fields>

<sup>396</sup> <http://new.socar.az/socar/az/company/production-sharing-agreements-onshore/balakhany-and-other-fields>

The agreement on the exploitation, development, and production sharing for three blocs that include Shikhzegirli, Sheytanud, Burgud, Donguzlug, Nardaran, Ilkhichi, West Gadjiveli, Sundi, East Gadjiveli, Turagay, Kenizdag, West Duvanny, Duvanny, Solakhay, and Dashgil Fields of South-West Gobustan was signed on June 2, 1998 and ratified by the Parliament of the Republic of Azerbaijan in November 1998.<sup>397</sup> The agreement was signed for a term of 25 years. The shares of the companies in the agreement about the exploitation of Kursangi-Garabaghli field were divided as follows:<sup>398</sup>

<b>Company</b>	<b>Country</b>	<b>Share (%)</b>
SOCAR	Azerbaijan	50
CNODC	China	25
Fortunate	Great Britain	25

The agreement on the exploitation of the bloc that includes Padar oil field was signed between SOCAR and Moncrief Oil of USA in Washington in May, 1999.<sup>399</sup> Parties present in the agreement at the moment are mentioned below:<sup>400</sup>

<b>Company</b>	<b>Country</b>	<b>Share (%)</b>
Global Energy	Great Britain	80
SOCAR	Azerbaijan	20

The agreement on the rehabilitation, research, development and production sharing of the bloc that includes Mishovdagh and Kalamaddin oil fields was signed

<sup>397</sup> <http://new.socar.az/socar/az/activities/production/three-blocks-of-south-west-gobustan>

<sup>398</sup> <http://new.socar.az/socar/az/company/production-sharing-agreements-onshore/balakhany-and-other-fields>

<sup>399</sup> <http://interfax.az/view/533067/az>

<sup>400</sup> <http://new.socar.az/socar/az/company/production-sharing-agreements-onshore/balakhany-and-other-fields>



on September 12,2000.<sup>401</sup> The shares of the companies in the Agreement were divided as follows on September 12, 2000:<sup>402</sup>

<b>Company</b>	<b>Country</b>	<b>Share (%)</b>
Global Energy	Great Britain	85
SOCAR	Azerbaijan	15

The agreement on the rehabilitation, research, development and production sharing of the bloc that includes Pirsaat oil field and the parts joined to it in Azerbaijan Republic was signed on June 4, 2003.<sup>403</sup> Parties present in the Agreement about exploitation of the bloc which includes Pirsaat oil field are mentioned below:<sup>404</sup>

<b>Company</b>	<b>Country</b>	<b>Share (%)</b>
Petro- Hong Kong Limited	Hong Kong	50
Middle East	-	30
SOCAR	Azerbaijan	25

The agreement on the rehabilitation, development and production sharing of a bloc that includes Binagadi, Girmaki, Chakhnaglar, Sulutepe, Masazir, Phatmai, Shabandagh, and Sianshor fields was signed on September 29, 2004. The shares of the parties present in the exploitation of this bloc were divided as follows:<sup>405</sup>:

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<sup>401</sup> <http://new.socar.az/socar/az/activities/production/mishovdagh-kelameddin>

<sup>402</sup> <http://new.socar.az/socar/az/company/production-sharing-agreements-onshore/balakhany-and-other-fields>

<sup>403</sup> <http://new.socar.az/socar/az/activities/production/pirsahhat>

<sup>404</sup> <http://new.socar.az/socar/az/company/production-sharing-agreements-onshore/balakhany-and-other-fields>

<sup>405</sup> <http://new.socar.az/socar/az/company/production-sharing-agreements-onshore/balakhany-and-other-fields>

Company	Country	Share (%)
AZEN	Azerbaijan	75
SOCAR	Azerbaijan	25

The Agreement on the exploitation of the bloc where includes Surakhani oil field was signed on August 15, 2005.<sup>406</sup> The shares of the companies in the Agreement were divided as follows:<sup>407</sup>

Company	Country	Share (%)
Rafi Oil	UAE	75
SOCAR	Azerbaijan	25

The agreement on the rehabilitation, development and production sharing of the bloc that includes Zig and Hovsan oil fields in Azerbaijan Republic was signed between SOCAR and Russneft Absheron Investments Limited and Joint Oil Company of SOCAR on November 03, 2006.<sup>408</sup> The shares of the companies in the Agreement were divided as follows:<sup>409</sup>

Company	Country	Share (%)
"Russneft Absheron Investments"	Russia	75
SOCAR	Azerbaijan	25

The Agreement on the bloc that includes Kurovdagh oil field was signed on February 03, 2009. The shares of the companies in the agreement that came into force on October 5, 2009 were divided as follows:<sup>410</sup>

Company	Country	Share (%)
Global Energy Azerbaijan	Great Britain	80

<sup>406</sup> <http://az.trend.az/news/politics/810346.html>

<sup>407</sup> <http://new.socar.az/socar/az/company/production-sharing-agreements-onshore/balakhany-and-other-fields>

<sup>408</sup> <http://new.socar.az/socar/az/activities/production/zigh-hovsan>

<sup>409</sup> <http://new.socar.az/socar/az/company/production-sharing-agreements-onshore/balakhany-and-other-fields>

<sup>410</sup> "Şhirvan Operating Company Ltd – closed project", [http://www.nhmt-az.org/ts\\_general/az/melumat/m-116.htm?mod=print\\_document&lang=azl](http://www.nhmt-az.org/ts_general/az/melumat/m-116.htm?mod=print_document&lang=azl)

SOCAR	Azerbaijan	20
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Also the agreement on the bloc which includes Neftchala, Khilli, Durovdagh-Babazanan oil fields and South West branch of Mughan Monoclonal was signed on February 03, 2009.<sup>411</sup> The shares of the companies in the Agreement were divided as follows:<sup>412</sup>

Company	Country	Share (%)
Neftchala Investments LTD	Great Britain	80
SOCAR	Azerbaijan	20

Finally, the agreement on the bloc that includes Balakhani-Sabunchu-Ramana and Kurdakhani oil fields was signed on June 03, 2010.<sup>413</sup> According to the agreement, development and production period of the bloc of mentioned oil fields have been defined as 25 years. After the termination of such period, the development and production period may be extended more 5 years (in case that SOCAR approves). The shares of the companies in the agreement were divided as follows:<sup>414</sup>

Company	Country	Share (%)
UGE Lanser PTI. LTD	Germany	75
SOCAR	Azerbaijan	25

<sup>411</sup> <http://azadmekan.org/az/30/newsCat/1/newsID/476>

<sup>412</sup> <http://new.socar.az/socar/az/company/production-sharing-agreements-onshore/balakhany-and-other-fields>

<sup>413</sup>“A new international oil contract was signed in Azerbaijan”, <http://www.milli.az/news/economy/13073.html>

<sup>414</sup> <http://new.socar.az/socar/az/company/production-sharing-agreements-onshore/balakhany-and-other-fields>

## CHAPTER 6

### BAKU-TBLISI-CEYHAN MAIN PROJECT

The delivery of energy products to the international market was another matter of interest to Azerbaijan - a matter at least as important as the production of energy products. Though being seemingly simple for some observers, this problem indeed was rather complicated and multi-dimensional one. The method of the transportation of energy products (whether by railway or pipeline), countries of destination (almost all of neighboring countries were among possible candidates), the exact route of transportation within these countries (i.e. problems with Georgia in this regard), who would perform the transportation (whether countries or companies; if a consortium will be formed for this purpose, then what companies would enter into this consortium) and many other concerns were of great importance. There were other circumstances of which the public got more informed and which became more discussed as the particulars got more accurate with the course of time: where and under what conditions funds would be raised for the execution of the transportation project, what would be the legal base for it and etc.

Most of these concerns were discussed when the various alternatives were just ideas, while the others – during the construction of the pipeline; moreover, there are matters, which serve as a ground for ongoing discussions in spite of 6 years from the date of the opening of the pipeline.

In this chapter, the developments in the field of transportation of Azerbaijan petroleum to international markets are considered together with their abovementioned aspects and their historical stages.

#### **6.1. The Energy Situation after the Fall of USSR**

The Southern Caucasian countries and the countries of Caspian Sea region entered global competition upon the end of cold war and with the fall of Soviet Union (USSR). In this context, it can be said that the Caspian Sea region passed

through three important stages: firstly, the collapse of USSR; secondly, September 11 events; and thirdly, the war between Russia and Georgia in August 2008. All three stages were of great importance both in respect of the region's destiny and its energy resources.

At the first stage, upon the fall of USSR, the former Soviet geography in general and the Caspian Sea region in particular (i.e. South Caucasus) became a new field for the struggle of superpowers. This struggle encompassed the energy resources and energy product transportation pipelines, together with a wide range of many fields. At this stage, it has even been observed that some initiatives of foreign origin were almost completely coinciding with the interests of some former Soviet Union republics.

At the second stage beginning with September 11, the predominant military conduct of USA and its increasing activeness in the region were reflected also on energy-related fields. In fact, the first practical steps for the implementation of Baku – Tbilisi – Ceyhan (BTC) pipeline project were taken during this stage.

After the events of the August of 2008, it could be said that Russia has taken a step forward in the direction of bringing back its former influence over the region and the impact of this on the energy sector was obvious. The damage inflicted on BTC pipeline and on its image as a safe mean of petroleum transportation in general as well as the natural gas agreements concluded between Azerbaijan and Russia in the following period may be referred to the abovementioned impact.

Without any doubt, the theme of the production of energy products in the Caspian Sea region and the delivery of this production to international markets was one of the most discussed themes of world's energy agenda during the recent period of nearly 20 years.

The collapse of USSR has turned the redistribution of energy resources of former Soviet republics to the question of present interest. If the increasingly important role of energy in the 21<sup>st</sup> century is taken into account, it becomes obvious that parties, which have sufficient power and means to control important petroleum deposits, would gain an offering to become global power. Without any

doubt, the energy resources of the Caspian Sea region constitute the biggest slice of world energy resources. However, its importance may also be explained by the fact that it is a relatively new area for “big energy games” and offers a new, serious alternative for consumers.

Although one of the important questions raised out in connection with the Caspian Sea region is the production of energy products, there is another matter at least as important as this question – the transportation of these products to international markets. The pipelines existing in the region at that period were constructed during Soviet times and were mostly situated in the territory of Russian Federation. This pipeline system was not for the delivery of products to new export centers of today, but was designed mainly for domestic market and with an eye toward communist East Europe. With the new era, the development and implementation of new pipeline strategies in accordance with new requirements become a necessity.

## **6.2. The Initial Pipelines Projects of Post-Soviet Azerbaijan**

Azerbaijan’s own petroleum resources and production as well as the resources of Caspian Sea region in general and the petroleum and natural gas production of the region’s countries are very important in the context of the construction of new pipelines connecting the region with international markets. Therefore, it would be helpful to analyze briefly the resources and production capacity of Azerbaijan. During the petroleum and natural gas exploration activities, conducted from 1991 up to today, different numbers concerning the oil and natural gas deposits contained in the Azerbaijani sector of Caspian Sea were announced. For example, at the very beginning of Azerbaijan’s independency period, it was declared that it has approximately 4 billion tons of petroleum and 1.1 trillion m<sup>3</sup> of natural gas reserve.<sup>415</sup> Later, differing reports concerning Azerbaijan’s petroleum reserves were made. For example, the then President of Azerbaijan Mr. Haydar Aliyev announced in his speech, made on February 27, 2003 in an international conference held in Washington, that there are 4 billion tons of petroleum and 5 trillion m<sup>3</sup> of natural gas within the Azerbaijani sector of

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<sup>415</sup> TİKA Bülteni, March 1992, p. 5-6.

Caspian Sea. The President of SOCAR Rovnag Abdullayev announced on March 2, 2011 that Azerbaijan has proven a reserve of 2 billion tons of petroleum and 2.2 trillion m<sup>3</sup> of natural gas.<sup>416</sup> In the same speech Rovnag Abdullayev stated that Azerbaijan produced 51 million tons of petroleum and 27 billion m<sup>3</sup> of natural gas in 2010.

The discovery of a new natural gas deposit in the Shah Deniz platform in 1999, which may be considered as a record in the Caspian Sea scale, played an important role in this achievement. According to some sources, the natural gas reserve of deposits, included within the Shah Deniz project, may even reach 1 trillion m<sup>3</sup>.<sup>417</sup> Parallel to the positive results obtained from Shah Deniz activities, the discovery of other new natural gas deposits made Azerbaijan not only able to meet domestic needs, but also made it one of the most important natural gas exporters of world. The successful completion of exploration activities in Shah Deniz 2, following Shah Deniz 1 together with the discovery of Umit at first and the discovery of Absheron deposits are considered as very significant results.<sup>418</sup> As a matter of fact, in numerous meetings between the authorized representatives of many foreign countries and international organizations (including European Community) and Azerbaijan's President Ilham Aliyev as well as many other state persons of Azerbaijan, these discoveries were characterized as a very important development in the context of the transformation of Azerbaijan into a powerful natural gas country.<sup>419</sup>

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<sup>416</sup>“Azərbaycanın neft ehtiyatları 2 milyard ton təşkil edir - ARDNŞ prezidenti”, <http://az.trend.az/capital/energy/1838895.html> , 2 March 2011 (09.11.2011),

<sup>417</sup> Osman Nuri Aras, *Azərbaycan'ın Hazar Ekonomisi ve Strateji*, İstanbul, DER Yayınevi, September 2001, p. 41.

<sup>418</sup>“Azerbaijan: Umid gas reserves 2nd only to Shah Deniz”, <http://uk.reuters.com/article/2010/11/24/azerbaijan-gas-idUKLDE6AN1JJ20101124> , (09.11.2011); “Azerbaijan: Total makes a major gas discovery in the Caspian Sea”, <http://www.total.com/en/about-total/news/news-940500.html&idActu=2636>, September 9, 2011, (09.11.2011); “Azerbaycan'a doğalgaz dopingi”, <http://www.sabah.com.tr/Ekonomi/2011/09/10/azerbaycana-dogalgaz-dopingi> (09.11.2011)

<sup>419</sup>“Abşeron doğalgazı Azərbaycan'ın enerji potensialını daha da artırdı”, <http://www.1news.com.tr/azerbaycan/ekonomi/20110910121526606.html> , (17.11.2011); “ABD: Yeni doğalgaz yatağının bulunması, Azerbaycan'ın yüksek potansiyelinin daha bir kanıtı”, <http://www.1news.com.tr/azerbaycan/siyaset/20110912104613673.html> , (17.11.2011).

The theme of construction of petroleum pipelines to reach international markets had very serious foundations as in regard to strictly economic needs and requirements of energy production potential of Azerbaijan, as in the agreement concluded on September 20, 1994, it was foreseen to reach, until 2010, the capacity of production of 60 – 70 million tons of petroleum in a year. According to estimations, made at that time, 10 million tons of this volume would be utilized in domestic market. Thus, during the periods, when the production would be at the foreseen higher levels, the volume of petroleum for export would reach 50 – 60 million tons in a year. If the numbers are added, concerning the increasing production of petroleum in Kazakhstan and Turkmenistan, or even the overall increase of natural gas production every year (caused mainly by Turkmenistan), the construction of new energy lines was turning into a matter of strategic importance.

As it is expressed above, the current level of production is a bit below than expected. However, even such level of production, taking into account the expectations of that period, was a good source of motivation for the construction of this new and important pipeline. Besides, the volume of currently transported petroleum appears as being at a level, sufficient in the context of the pipeline's profitability.

Likewise, the problem of transportation of petroleum and natural gas from the Caspian Sea region to international markets is not a problem exclusively related to that time, as today the discussions over the possibility of a serious petroleum shortage, which seems horrible to many countries in the light of the concerns about the security of energy supply of Europe, caused by the dependence on Russian natural gas and by the increasingly embittered relations with Iran, are still going on. The routes or means for delivering produced petroleum and natural gas to world markets have from the beginning been a theme for discussion together with the theme of sharing the production. The fact that choosing the routes and the operation of pipelines is a political rather than an economic theme makes the solution of these problems more difficult. Azerbaijan and other related parties (countries, international organizations and companies) were facing the challenge of overcoming these difficulties.



During these days, when the Azerbaijani petroleum was just becoming a theme of the world agenda, there were some hard discussions over the fate of existing Baku – Novorossisk line as well as over the question whether there will be decisions on new lines or not and if yes, then what would be possible routes. There were officially discussed five projects for the transportation of Azerbaijani petroleum with different destination points:<sup>420</sup>

- 1) Northern Route Export Pipeline: Baku – Novorossisk
- 2) Western Route Export Pipeline: Baku – Supsa
- 3) Southern route pipeline: Baku – Iran
- 4) Eastern route pipeline: through Afghanistan and Pakistan
- 5) South-west route pipeline: Baku – Ceyhan

In addition to abovementioned and among many other alternatives, including those, which were offering to transport Azerbaijani and even Kazakhstan and Turkmenistan petroleum through Azerbaijan, one offer deserves closer attention: the transportation of petroleum by existing railways through Georgia to its Black Sea ports (Batumi) and from there, transportation to international markets through various routes over Black Sea.<sup>421</sup> Although this route is currently being used (i.e. today, the USA ExxonMobil company is using this route for the transportation of petroleum. ExxonMobil did not enter into the BTC consortium and prefers this railway transportation because it considers the transportation prices offered by the consortium as high ones), it is obvious that it is not sufficient for the delivery of Azerbaijani and in general, the Caspian Sea region's petroleum to international markets.

Baku – Iran and Baku – Pakistan routes did not obtain much concurrence from the day when they were offered. Of course, it would be possible to deliver Azerbaijani petroleum to Persian Gulf via Baku – Iran pipeline route and from there, to world markets in tankers. At that time, Iran claimed that it would be possible to deliver the Azerbaijani petroleum to a Caspian Sea port called Neka

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<sup>420</sup> Araz Aslanlı, İlham Hasanov, Haydar Aliyev Dönemi Azerbaycan Dış Politikası, Ankara, Platin Yayınları, 2005, s. 99.

<sup>421</sup> Atakan Gül, After Yazgan Gül, Avrasya Boru Hatları ve Türkiye, Bağlam Yayınevi, İstanbul 1995, s. 18.

firstly and then through a pipeline, which would be constructed in the province of Rey, it would be transported to city of Rey and from there, to Persian Gulf via the existing infrastructure (in fact, this theme was once again discussed in August, 2008 – when in the opinion of both Azerbaijan and Iran, there were formed suitable conditions for this alternative).<sup>422</sup> It was foreseen that the cost of the formation of this export route would be not much, as existing Iranian infrastructure would be used and the daily carrying capacity of the route was estimated as 0.25 million barrels.<sup>423</sup> The strained relations between Western countries, especially between USA, Great Britain and Iran together with the economic and trade embargoes applied by these to Iran were prejudicing the chances of success of this route. Being guided by its strained relations with Iran and considering the export of Azerbaijani petroleum through Persian Gulf as not much desirable one (because of the increasing tension in the region, USA found it more secure to export the petroleum to western countries through various points), USA became opposed to Baku – Iran export route.<sup>424</sup>

As it became clear during following stages, this offer was opposed by many important players of world politics. Turkey also did not feel much warmth. On the other hand, it was USA which was most anxious about the fact that such a trump card would be obtained by Iran.<sup>425</sup>

From the date of getting its independence up to today, Pakistan has been one of the most important allies of Azerbaijan (Azerbaijan attaches much importance to political, military and moral support in particular, expressed by the decision to avow Hojali Massacre, given by Pakistan) and this closeness was

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<sup>422</sup>“Azerbaijan begins oil exports via Iran”, August 25, 2008, <http://edition.presstv.ir/detail/67534.html> , (09.11.2011); “İran Bakı-Tiflis-Ceyhan neft kəmərinə rəqib ola biləcək kəmər çəkməyə hazırlaşır”, <http://az.apa.az/news.php?id=129897>, 13 Ağustos 2008, (09.11.2011)

<sup>423</sup> Friedemann Muller, “Türkiye’nin Bakü-Ceyhan yanışı”, Zaman , 15 December 1998 , <http://arsiv.zaman.com.tr/1998/12/15/yazarlar/6.html>

<sup>424</sup> Svante E. Cornell, Mamuka Tsereteli and Vladimir Socor, “The Baku-Tbilisi-Ceyhan Pipeline: Oil Window to the West”, The Baku-Tbilisi-Ceyhan Pipeline: Oil Window to the West, Edited by S. Frederick Starr & Svante E. Cornell, Uppsala, Central Asia-Caucasus Institute and Silk Road Studies Program, 2005, p. 18.

<sup>425</sup> Finansal Forum, 29 Ocak 1998`dan aktaran Araz Aslanlı, İlham Aliyev, Haydar Aliyev Dönemi Azərbaycan Dış Politikası, Ankara, Platin Yayınları, 2005, p. 100.

greatly increasing the chances that this pipeline, connecting these two countries, would indeed turn into reality. Yet, the major obstacle, hindering the realization of Baku – Pakistan route pipeline, was constituted by security problems in its Afghanistan part. The anxiety of Western companies, caused by these problems, was the factor inflicting the most negative influence on this alternative. As a result, the Baku – Persian Gulf and Baku – Pakistan pipeline routes did not have chances of realization.

There were long lasting negotiations, more intensive between AIOC and Azerbaijani government on one hand and between Azerbaijani government and authorized representatives of Turkey, USA and various European countries on the other hand. As a result of these negotiations, the number of alternative destination points for the entry of Azerbaijani petroleum into world markets was reduced to three – Novorossiysk, Supsa and Ceyhan.<sup>426</sup>

### **6.3. Pipeline Diplomacy in Azerbaijan**

As a matter of fact, from the very first days of its independence, Azerbaijan has set the transportation of its petroleum to Ceyhan as the main goal. When Ebulfez Elchibey became the president of Azerbaijan, it was clearly expressed that Azerbaijan is going to assign an important place to TPAO (Turkish Petroleum Corporation) in the consortium for the production of Azerbaijani petroleum and has the purpose to transport the produced petroleum through Baku – Ceyhan pipeline. With such statements Azerbaijan intended to develop relations with Turkey and to eliminate the dependence on pipelines, passing through Russia as well as to obtain the possibility to sell its petroleum at rather low prices in international markets (where it was indeed able to sell at very low prices) without relying on the monopoly of Russian Federation. For this reason, negotiations were held between Elchibey and Suleyman Demirel (the Prime Minister of Turkey at that time) and some related preliminary documents were signed.<sup>427</sup> It was decided that the route of pipeline passes through Turkey and work was going on the determination of its exact route of its parts passing through Turkey and other

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<sup>426</sup> Aras, p. 88.

<sup>427</sup> Necdet Pamir, “BAKÜ-TİFLİS-CEYHAN BORUHATTI’NDA SON DURUM”, Panorama (e-journal), April 2004, Number 3, <http://www.emreozgur.com/petrol.pdf>, p. 1, (10.11.2011).

countries. When the project was at the stage of its ratification by Milli Mejlis (parliament) of Azerbaijan, the process was terminated by a coup d'etat, performed with the support of Russia and which resulted in the removal of Elchibey from the power.

Haydar Aliyev, who came to power afterwards, understood very well that petroleum plays an important role in political and economic reality of Azerbaijan and it is necessary to take into account this factor in international relations of the country. As it is known, during the first days of his rule Haydar Aliyev looked like a sympathizer of Russia, which gave rise to serious concerns of Turkey and West. According to the opinions of some observers, the main reasons behind such behaviors of Haydar Aliyev, approved by Moscow, were to pursue a balanced policy and not to get Russia as a rival while trying to ensure and establish a sound foundation for his future political activities.<sup>428</sup>

In those days, when Elchibey was claiming that he still was the president, whereas Haydar Aliyev was taking the real power, cancelling the project for the construction of petroleum pipeline for the transportation of Azerbaijani petroleum to Mediterranean Sea through Turkey was ordered.

At this stage the more important matter for Haydar Aliyev was to ensure domestic stability and to strengthen its position. However, an important agreement was concluded later, on September 20, 1994, concerning the petroleum production and called as the Contract of the Century. With this Production Sharing Agreement, an international consortium was formed with the purpose of the development of three major Azeri, Chirag and Guneshli deepwater oil fields - Azerbaijan International Operating Company (AIOC) and upon the entry of the agreement into the force, AIOC was given the task to complete the construction of the Main Export Pipeline.<sup>429</sup> The Contract of the Century introduced also a new term – early oil. This term implies the selection of a route other than the Main Export Pipeline for the export of the petroleum, which would be obtained by

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<sup>428</sup> Michael Crossant, “Transkafkasya’da petrol ve Rus Emperyalizmi”, *Avrasya Etütleri*, Volume 3, Number1, İlkbahar 1996, p. 16-18.

<sup>429</sup> İlham Eliyev ve Azerbaycan Neft Diplomatiyası, Bakü, 2005, Azerbaycan Cumhuriyeti Devlet Başkanlığı İşler İdaresi Kütüphanesi, p. 16.

increasing the production of already operated wells, which are considered in the contract.<sup>430</sup> Although having a smaller carrying capacity did not seem as important, it was obvious that it was indeed important in the context of its potential to have influence on the fate of the Main Export Pipeline. Exactly for this reason, it was not so easy to make decisions and agreements on the routes for the transportation of early oil.

#### **6.4. Pipelines for the Export of Azerbaijan Oil**

Upon the multi-party struggle between USA, Turkey, Russia, consortium companies and Azerbaijan, it was decided on October 9, 1995 in Baku that Baku – Novorossiysk and Baku – Tbilisi – Supsa routes would be chosen for the export of early oil. Firstly, an agreement was concluded in Moscow, on January 18, 1996, concerning northern export pipeline. This agreement was signed by the President of the Republic of Azerbaijan on January 29, 1996.<sup>431</sup>

On March 7, 1996 the President of Azerbaijan Haydar Aliyev signed the Decree № 288 on the ratification of Western Route Export Pipeline project<sup>432</sup> and the next day Azerbaijan and Georgia signed in Tbilisi a treaty in connection with western line (Baku – Tbilisi – Supsa).<sup>433</sup> Actually, one pipeline would be enough for the transportation of early petroleum, as the total volume of the early petroleum for the transportation was foreseen as 5 million tons in a year. However, taking as a premise its strategic goals, Azerbaijan decided to operate two pipelines (north and west routes) simultaneously. This decision may be explained on one side by the intention of Azerbaijan as to not being dependent only one pipeline for the export, while on the other part it was a drive to follow balanced policy before Russia and agreed to both north and west lines, the latter of which was expected to have positive impact on BTC line.

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<sup>430</sup> Necdet Pamir, “BAKÜ-TİFLİS-CEYHAN BORUHATTI’NDA SON DURUM”, Panorama (e-journal), April 2004, Number 3, <http://www.emreozgur.com/petrol.pdf>, p. 2, (10.11.2011)

<sup>431</sup> Azərbaycan neftinin dünya bazarlarına nəqli, Azərbaycan Cumhuriyeti Devlet Başkanlığı İşler İdaresi Kütüphanesi, <http://files.preslib.az/site/10il/gl3.pdf>, p. 4, (07.01.2012)

<sup>432</sup> İbid, p. 11, (07.01.2012)

<sup>433</sup> Cengiz Çandar, “Enerji ve Dış Politika”, Sabah, 3 March 1998.

### **Baku – Novorossiysk Pipeline**

The Baku – Novorossiysk pipeline - the first pipeline approved and signed for the transportation of early petroleum – was a pipeline constructed in the Soviet times and would be by a little maintenance, brought to a state, adequate for abovementioned purposes. This pipeline has total length of 1347 km, 231 km of which runs from the Sangachal terminal near Baku to the borderline between Azerbaijan, while the other part with the length of 1116 km goes from the border to the sea port of Novorossiysk. It had the yearly carrying capacity of nearly 6 million tons (115 thousands barrels or 15 750 tons daily).<sup>434</sup> At that time, it was stated that after some extra adaptation activities, this capacity would be increased up to 17 million tons.

The diameter of pipes is 720 mm and the pipeline has 12 pump stations throughout its length. Nearly 70 millions US dollars was spent for the related works on the pipeline within Azerbaijan. Meantime, the construction of the Sangachal terminal - an important starting point for the transportation of petroleum from Baku to international markets. Its construction began in 1996 and ended in the middle of 1997, costing 70 million US dollars. The petroleum, produced offshore in Caspian Sea is being conveyed to this terminal by subwater pipelines. The crude oil, collected in the terminal, is being sent to international markets by pipelines. Its capacity is planned to increase up to 40 million tons and transform the terminal to a centre for collecting all petroleum produced in Caspian Sea.<sup>435</sup>

The operator of the Azerbaijani part of Baku – Novorossiysk pipeline is AIOC, while its Russian part is operated by Russian Transneft Company. The parties have undertaken the maintenance and the construction of new modules (if necessary) of their parts of the pipeline. The freight rates for the pipeline are fixed

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<sup>434</sup> “Kuzey Hattı (Bakü-Groznı-Novorossiysk)”, Azərbaycan neftinin dünya bazarlarına nəqli, Azərbaycan Cumhuriyeti Devlet Başkanlığı İşler İdaresi Kütüphanesi, <http://files.preslib.az/site/10il/gl3.pdf>, p. 5, (07.01.2012)

<sup>435</sup>“Sangaçal Terminali”, <http://www.bp.com/sectiongenericarticle.do?categoryId=9006924&contentId=7014631> (07.01.2012)

as follows: 1,013 US dollar for 1 ton within Azerbaijan, 15,67 US dollars for 1 ton within Russia.<sup>436</sup>

The legal framework of the route is determined by the following agreements in addition to abovementioned agreement between the governments of Azerbaijan and Russia:

- the agreement between Azerbaijan International Operating Company (AIOC) and Russian “Transneft” company for the carriage of Azerbaijani petroleum through Russia,

- the agreement between SOCAR, AIOC and foreign companies being parties to the Contract of the Century in connection with the export of produced petroleum by Northern export pipeline,

- the agreement between the Government of Azerbaijan and AIOC for the facilitation of the petroleum transportation.

The first tender of Azerbaijani petroleum was filled into the Baku – Novorossiysk pipeline on October 25, 1997 and the first tender of the early petroleum, sent from Baku, reached the port of Novorossiysk in December 1997. From the port, petroleum was carried in tankers to world markets, passing through Turkish straits.

The fact that the Baku – Novorossiysk pipeline passes the capital city of Chechnya – Grozny - was considered as a problematic. Nevertheless, a trilateral agreement between Azerbaijan, Russia and Chechnya (at that time, Chechnya was able to sign agreements even with Russia as an independent subject of international law) was concluded which encompassed the security, maintenance, freight rates and other matters, related to the pipeline.<sup>437</sup>

The Russian government attached strategic significance to this pipeline and even exerted every effort – as it was observed at the later stage – for turning the Baku – Novorossiysk early petroleum export pipeline to Main Export Pipeline route of Azerbaijani petroleum. Russia constructed a by-pass of this pipeline for

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<sup>436</sup> Kuzey Hattı (Bakü-Grozni-Novorossiysk)”, Azərbaycan neftinin dünya bazarlarına nəqli, Azərbaycan Cumhuriyyəti Devlet Başkanlığı İşler İdaresi Kütüphanesi, <http://files.preslib.az/site/10il/gl3.pdf>, p. 5., (07.01.2012)

<sup>437</sup> Haydar Aliyev, Dünya Siyasetinde Azərbaycan Petrolü, Sabah Kitapları, İstanbul, 1998, pp. 140-141.

overcoming security concerns rising in connection with Chechnya war and the length of the line consequently reached 1400 km.

In 1997, a total of 120 thousand tons of Azerbaijani petroleum was transported by the Baku – Novorossiysk pipeline. The pipeline firstly was used only for the transportation of the early petroleum and later it was used as an additional route to BTC line, together with Baku – Supsa line. Nevertheless, the tension between Russia and Azerbaijan, on the one hand, (concerning natural gas prices and other matters) and putting into service Baku – Ceyhan export pipeline, on the other hand, caused the decrease in the volume of the petroleum, transported by this pipeline. For example, in 2006 a total of 4.5 million tons (2.9 millions of it belonging to AIOC, while 1.2 million – to SOCAR) of petroleum was transported by this line, while in 2007 – it was just 2.2 million tons.<sup>438</sup> Beginning from the April of 2007, AIOC stopped the transportation of its petroleum by this pipeline. It was pointed out that this decision of Azerbaijan was mainly caused by large volumes of weapons and military equipments, gratuitously transferred by Russia to Armenia.

When Baku – Ceyhan pipeline for a while became unserviceable because of an explosion in its Turkey part on the August of 2008, Azerbaijan had to focus on Baku – Novorossiysk pipeline. Immediately following that, the authorized representatives of the Russian government announced maintenance would be carried out on the North Caucasian part of the pipeline and the pipeline was shut down.<sup>439</sup> In that period, the volume of the annual transportation in Baku – Novorossiysk pipeline reached nearly 1 million tons.<sup>440</sup>

From the beginning of 2009, AIOC management decided to stop transporting their petroleum by Baku – Novorossiysk pipeline. Since then, the

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<sup>438</sup> “SOCAR “Transneft”ə oktyabrda neftin Bakı-Novorossiysk üzrə nəqlinin artırılması xahişi ilə müraciət etməyib”, [http://www.interfax.az/az/index.php?option=com\\_content&task=view&id=25950&Itemid=37](http://www.interfax.az/az/index.php?option=com_content&task=view&id=25950&Itemid=37), 26 September 2008, 08.11.2011)

<sup>439</sup>“Bakı-Novorossiysk boru kimeri ile neftin ixracı dayandırılıb”, <http://ria.az/iqtisadiyyat/2901.html> 11 August 2008, (11.11.2011).

<sup>440</sup> “Bakı-Novorossiysk de dayandı”, <http://www.azadliq.org/content/article/1190192.html>, 11 August 2008 (11.11.2011)



pipeline Baku – Novorossiysk pipeline is being used by SOCAR.<sup>441</sup> Although it was announced that negotiations started between Russian and Azerbaijani representatives concerning the increase of the volume of petroleum transported by the pipeline, no development was observed in this direction.<sup>442</sup> In 2011, a total of 1 million and 996 thousand tons of petroleum were transported by Baku – Novorossiysk pipeline.<sup>443</sup>

### **Baku – Supsa Pipeline**

As it was stated above, on March 8, 1996, Azerbaijan and Georgia signed an agreement in Tbilisi concerning the transportation of so called early petroleum. The length of Baku – Tbilisi – Supsa pipeline, which was considered to be constructed according to the agreement, was specified as 917 km. The Azerbaijan part of the pipeline (i.e. from Sangachal to Georgia border) was foreseen as 492 km, while the Georgia part was expected to have a length of 425 km. The abovementioned agreement made between Georgia International Petroleum Company (GIOC) and AIOC, would be in force for 30 years. According to the agreement, after the end of this period, all facilities and installations would be handed over to Georgia government.

A considerable portion of the part of the pipeline, falling within Georgia, is formed of a previous pipeline, constructed in 1975 and used up to 1991 for the transportation of petroleum, produced in Georgia, to the refinery in Batumi. The work for the renovation and construction of additional parts to already existing 397 km long portion of Baku – Tbilisi – Supsa pipeline began in 1997 and ended in 1999. Within the framework of the project, a new terminal in Supsa was constructed. The terminal has the storage capacity of 400 000 tons (1 138 000 barrels). The technical characteristics of the line are as follows: the pipe diameter-

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<sup>441</sup> İlham Şaban, “Əsrin müqaviləsi: 200 milyon ton neft bazara çıxarıldı”, <http://www.azadliq.org/content/article/2169599.html>, 27 September 2010, (13.11.2011).

<sup>442</sup> “Bakı-Novorossiysk kəməri ilə neql olunan neftin həcminin artırılmasına dair danışıqlar gedir”, <http://www.az.apa.az/news.php?id=155721>, 29 May 2009, (13.11.2011)

<sup>443</sup> “2012-ci ildə Azərbaycan 37,45 mln ton neft və 2 mln ton neft məhsulları ixrac edib”, <http://www.contact.az/docs/2012/Economics&Finance/02141710az.htm>, 14 February 2012, (15.02.2012)

530 mm, the number of pump stations – 6, the annual carrying capacity of the line – 5.1 million tons (100 thousands barrels daily).

The cost of the pipeline was approved as 315 million US dollars. Later, AIOC announced the increase in the cost up to 580 million US dollars and demanded that the difference would be paid by SOCAR. However, Azerbaijan did not accept such an offer and claimed that the party responsible for this difference was AIOC.

It was planned that Baku – Supsa pipeline would be used for the transportation of petroleum, extracted from Chirag petroleum deposit. The first oil was tendered to Baku – Supsa pipeline in December of 1998 and the amount of petroleum tendered to the pipeline until January of 1999 on the test mode reached 1.8 million tons (13 million barrels). On April 17, 1999, an official opening ceremony of Baku – Supsa Early Petroleum Pipeline and Supsa Export Terminal was held and the presidents of Azerbaijan, Georgia and Ukraine attended it.

The first petroleum pumped into Baku – Supsa reached Supsa in the first half of 2000. The arrival of the first party of the early production petroleum in Supsa economically and politically distanced Azerbaijan and Georgia away from Russia for one more step. From the economic point of view, Baku – Supsa pipeline was more advantageous than Baku – Novorossiysk pipeline. While the cost of transporting 1 ton of petroleum by Baku – Novorossiysk pipeline was 17 US dollars, it cost just 3.14 US dollars to transport the same by Baku – Supsa pipeline.

In 2006, conducting repairs on Baku – Supsa pipeline became a necessity. For this reason, the works in Chirag deposit were temporarily suspended and for the period from October 2006 to February 2008, repair and maintenance were carried out on the pipeline (i.e. drilling at approximately 200 points and necessary repair). From May 2008 tendering the petroleum to the pipeline restarted. The last repair work, conducted in the Supsa portion of the line, was finished on August 1, 2008 and beginning from the next day, the pipeline became fully serviceable.<sup>444</sup> On the other hand, the war between Russia and Georgia over South Ossetia

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<sup>444</sup> Flora Sadıqlı, “Bakü-Supsa kemberi ahengdar işleyir”, Azerbaijan State Gazette, 17 April 2011, Issue 81.

immediately afterwards and the occupation of Georgia by Russia had extremely negative impacts on the activities. However, beginning from November of 2008, the pipeline again became fully serviceable. In 2010, the total volume of petroleum transported by the Baku – Supsa pipeline reached 3 million 318 thousand tons.<sup>445</sup>

### **Main Export Pipeline**

The construction of northern and western early petroleum export pipelines did not make the construction of the Main Export Pipeline less actual. Especially, Azerbaijan, Georgia and Turkey exerted every effort in connection with the realization of the pipeline. Thus, there were long lasting, tough and hard disputes between AIOC and SOCAR in this regard. In these disputes, AIOC continually claimed that the transportation by this pipeline would be very expensive, while SOCAR was defending his opinion, that the problem should be considered not only in economic, but in political and strategic context too.

## **6.5. BTC**

### **The history and Legal Framework**

As it was stated above, because of expected large production volumes, Azerbaijan from the very beginning of its independence, exerted every effort for the actualization of its intention to construct a Main Export Pipeline directed to west in order to use for the export of its petroleum and natural gas to international markets such routes, which would by-pass Russia.

Before the conclusion of the Contract of the Century, on March 9, 1993, SOCAR and TPAO concluded an agreement for the transportation of Azerbaijani Petroleum by Baku – Ceyhan pipeline. However, as it became clear at later stages, it was not that easy to determine this line as the Main Export Pipeline. In fact, while the export of the early production petroleum was realized by western and northern pipelines, the construction of the Main Export Pipeline was for a considerably long time the main underlying motive for a hard political struggle for the formation of spheres of influence. Countries having their own interests in the

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<sup>445</sup> “2012-ci ildə Azərbaycan 37,45 mln ton neft və 2 mln ton neft məhsulları ixrac edib”, <http://www.contact.az/docs/2012/Economics&Finance/02141710az.htm>, 14 February 2012, (15.02.2012)

region were supporting pipeline routes which would serve best for their benefits. Nevertheless, Baku – Ceyhan pipeline always had more chances of actualization. Both Ebulfesz Elchibey and Haydar Aliyev have expressly announced for many times their intention to introduce Azerbaijani petroleum to world markets through Turkey long before the conclusion of agreements in connection with Baku – Ceyhan (BTC).

At that time the Baku – Ceyhan route was of great importance to Azerbaijan both economically and politically. Firstly, Azerbaijan and other Turkic countries would greatly reduce their dependence on Russia in connection with petroleum and natural gas. Secondly, in case of transportation of Kazakhstan and Turkmenistan oil by the pipeline, Azerbaijan would earn extra income by rendering transporting and pumping services.

The total annual carrying capacity of Novorossiysk and Supsa pipelines, formed for the export of early production petroleum, was 11–12 (with the increased capacity – 15 -18) million tons. Therefore, it would not be conceivable to use these lines as Main Export Pipelines and their capacity could not meet the requirements of both Azerbaijan and petroleum companies. The total capacity of these two pipelines, even after heavy investments, would reach only 30 million tons.

In this context, the project design activities conducted in Turkey were based on the idea of the transportation of total 45 million tons of crude oil (20 million tons from Kazakhstan, 25 million tons from Azerbaijan) to Ceyhan terminal. On the other hand, it was foreseen that Azerbaijan by itself would reach by 2010 the annual capacity of the production equal to 50 million tons.

The existence of a terminal in Ceyhan was introduced as another advantage of the project. The Ceyhan crude oil export terminal has annual capacity of 120 million tons and if the Iraq – Turkey crude oil pipeline with the annual capacity of 71 million tons is taken into account, the remaining capacity of 49 million tons would be used for the petroleum, transported by the Baku – Ceyhan pipeline.

The other important point related to the Baku – Ceyhan project was the absence of land borders between two countries. As it is known, the Nakhichevan

region, where the land border line between Azerbaijan and Turkey lies, has not any direct land connection with other parts of Azerbaijan. For this reason, the possible routes of the pipeline and where it would pass through were themes for long discussions. In this regard, three variations were proposed: Azerbaijan – Iran – Turkey, Azerbaijan – Armenia – Turkey and Azerbaijan – Georgia – Turkey. The details for the Azerbaijan – Iran – Turkey route were: the pipeline begins from Baku, continues unless reaches Tabriz, from where passes to Turkey and reaches Ceyhan. The length of the Baku – Tabriz part of the pipeline would be 287 km, while total length would reach 1300 km. The cost of construction of the Baku – Tabriz part would count for 500 million US dollars.<sup>446</sup>

Yet, the bad relations between USA and Iran and problems experienced from time to time with Turkey and Azerbaijan were serious disadvantages for the proponents of this project. Due to the increasingly tense relations between Western countries and Iran, this project did not attract much attention. However, at later stages, both when the BTC line was still on the design stage and when problems were experienced in price negotiations with Georgia and also upon some problems, emerged after the beginning of the operation of BTC, the proponents of the Iran alternative tried several times to attract the attention of parties.<sup>447</sup> However, none of abovementioned possibilities were able to change the fate of the route through Iran.

As Azerbaijan laid the condition of the withdrawal of Armenian occupation army from the occupied territories of Azerbaijan and due to the fact that Armenia did not undertake such a liability, the Azerbaijan – Armenia – Turkey route was out of consideration. For example, the present President of Azerbaijan İlham Aliyev, when he was holding the office of the First Vice - President of Socar, in his speech delivered in November 1997 in USA, declared that a petroleum pipeline, carrying the Azerbaijani petroleum and passing through Armenia would not be a matter for consideration since Armenia has occupied a

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<sup>446</sup> Necdet Pamir, Bakü-Ceyhan Boru Hattı: Orta Asya Ve Kafkasya'da Bitmeyen Oyun, Ankara, ASAM Yayınları, 1999.

<sup>447</sup> “İlham Aliyev: Biz İran variantını heç vaxt diqqetden kenarda qoymamışıq”, Azadlıq, 23 March 2000.

part of the territory of Azerbaijan.<sup>448</sup> The like opinions were stated in other meetings, held on November 17, 1998 in USA.<sup>449</sup>

In fact, the delay of the decision on Baku – Ceyhan pipeline was considered as a chance for the solution of the Nagorno-Karabakh problem. There was a possibility that Baku – Ceyhan pipeline would pass through Armenia if Armenia obeys 4 related UN resolutions (Resolution № 822, 853, 874 and 884) and leaves the occupied territories. Consequently, this would result in a shorter route as well as in the solution of the Nagorno-Karabakh problem. Besides, Armenia would get the possibility to participate in the regional projects and to end its regional isolation.

According to USA, such a solution would cause a long lasting peace in the region. However, as Azerbaijan clearly stated that it would not allow Armenia to take part in the project due the occupation of its territories and due to the fact that Armenia did not undertake such a liability, the project became just a dream. Ironically, the Armenian terrorist organization “Asala” announced that it would do anything to hinder the actualization of such a project and bomb its Armenia part hindering the transport petroleum to Turkey.<sup>450</sup>

Within the context of all abovementioned conditions, it was decided to realize Baku – Ceyhan route as Baku – Tbilisi – Ceyhan pipeline route.

Baku – Tbilisi – Ceyhan pipeline is longer compared with other alternatives and various numbers were stated concerning its length both during project design and implementation stages. For example, at first it was mentioned that its length will be 1730 km, of which 468 km in Azerbaijan, 225 km in Georgia and 1037 km in Turkey. Afterwards, it was stated that the Azerbaijani part of the pipeline will be of 470 km length, while Georgian part – 230 km and Turkey part – 1074 km with the total length of the pipeline equal to 1774 km. At

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<sup>448</sup> “No Pipeline for Armenia”, Azerbaijan International, (5.4) Winter 1997, [http://azer.com/aiweb/categories/topics/Quotes/quote\\_aliyev.ilham.html](http://azer.com/aiweb/categories/topics/Quotes/quote_aliyev.ilham.html) (21.02.2012)

<sup>449</sup> “Azerbaycan Respublikasının Dövlət Şirkətinin birinci vitse-prezidenti, millet vekili İlham Eliyev 1998-ci ilin noyabrında ABŞ-da rəsmi səfərdə olmuşdur”, [www.ilham-aliyev.com](http://www.ilham-aliyev.com) ,

<sup>450</sup> Michael L. Wyzan, “Oil and Gas no Panacea for Caspian Countries”, Economic Woes. In: RFE/RL Research Service, vol. 3, No. 1, part I (4January 1999) , <http://www.rferl.org/content/article/1141813.html> (22.02.2012)

the stage of implementation, the unforeseen technical, ecological, social and other problems also changed the numbers representing its length. According to the current data, placed on the BP's official internet site, the total length of the pipeline equals to 1768 km, 443 km of which lies in Azerbaijan, 249 km in Georgia and 1076 km in Turkey.<sup>451</sup>

The first estimation of the cost of this pipeline was 2.95 billion US dollars.<sup>452</sup> On the other hand, because of the fact that the line was being constructed in accordance with very severe international standards, its cost increased. According to the announcement, made by BTC Co. in May, 2006, the cost of the construction increased by 30% and became nearly 4 billion US dollars, 1.4 billions of which were spent for the construction of Turkey part, 800 millions – for its part in Azerbaijan and 500 millions for the part passing through Georgia.<sup>453</sup>

The rate for the transport of one barrel of petroleum by Baku – Tbilisi – Ceyhan Main Export Pipeline was estimated as 2.58 US dollars. As the transit charge, Georgia was planned to be paid during the first stage (for the first 5 years) 0.12 US dollars for one barrel, during next 11 years – 0.14 US dollars and during the third stage (next 24 years) 0.17 US dollars (this rate may be changed by bilateral agreements). As to Turkey, Turkey was planned to be paid during the first stage 0.20 US dollars, during the second stage – 0.30 US dollars and during the third stage – 0.37 US dollars.<sup>454</sup> It also was stated that the earnings from rendered transportation services, but not from transit payments, would be spent for the reimbursement of transportation expenses, maintenance and other expenses.

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<sup>451</sup> “Baku-Tbilisi-Ceyhan Pipeline”, <http://www.bp.com/sectiongenericarticle.do?categoryId=9006669&contentId=7015093>, (22.02.2012)

<sup>452</sup> Aliyev, Dünya Siyasetinde..., p. 116.

<sup>453</sup> “Heydər Əliyev adına Bakı-Tbilisi-Ceyhan marşrutu”, Azərbaycan neftinin dünya bazarlarına nəqli, Azərbaycan Cumhuriyeti Devlet Başkanlığı İşler İdaresi Kütüphanesi, <http://files.preslib.az/site/10il/gl3.pdf>, p. 11.

<sup>454</sup> “Heydər Əliyev adına Bakı-Tbilisi-Ceyhan marşrutu”, Azərbaycan neftinin dünya bazarlarına nəqli, Azərbaycan Cumhuriyeti Devlet Başkanlığı İşler İdaresi Kütüphanesi, <http://files.preslib.az/site/10il/gl3.pdf>, p. 11.

The main political struggle over the route of the Main Export Pipeline was carried out between Turkey and Russia. Russia insisted that this will be Baku – Novorossiysk pipeline, while Turkey claimed that the capacity of the Baku – Novorossiysk pipeline would not be enough for the transportation of Caspian petroleum and from the long-term point of view, Baku – Tbilisi – Ceyhan route would be the best alternative. Meanwhile, European Community countries preferred Baku – Supsa pipeline. One of the reasons behind such a late decision over choosing between one of the three offered alternatives was the truth that all of them were associated with certain problems.

In October, 1995, when the Baku – Novorossiysk pipeline was chosen as the route for the export of petroleum of early production, Russia extended efforts to transform this route to the Main Export Pipeline. Russia asserted that there already is a pipeline between Baku and Novorossiysk and, thus, forming here an export pipeline would be quick and cheap.

Russia became more insisting in March 1996, when it announced that it would lay a pipeline from the Thengiz area of Kazakhstan to Novorossiysk.<sup>455</sup> After the construction of this pipeline Russia began to apply more intensive pressure on the government of Azerbaijan and members of the international consortium for pushing them into an agreement on the export of Azerbaijani petroleum via Baku – Novorossiysk pipeline. However, headed by the government of Azerbaijan, USA, European Community countries, Turkey and Georgia resisted fiercely this intention of Russia. 4 reasons may be offered for such resistance<sup>456</sup>:

- the cost of reconstructing this pipeline to reaching its maximum capacity, which is 15 million tons per annum, would be higher than the cost of construction of Baku – Ceyhan pipeline.

- the Baku – Novorossiysk pipeline passes through autonomous Muslim republics of Russia, i.e. Dagestan, Chechnya, Ingushetia, South Ossetia and

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<sup>455</sup> Zeynep Göğüş, “Ceyhan’ın Rakibi Novorossiysk”, Sabah, 29 September 1997.

<sup>456</sup> Araz Aslanlı, İlham Hesenov, pp. 106-107.



Kabardino Balkariya.<sup>457</sup> Just for this reason, the pipeline was closed three times during the first month, following the beginning of its operation in October 1995. Another factor, negatively influencing this pipeline, was the escalation of fights over Chechnya in 1999. Although Russia succeeded in taking these problems under control after the rise of Putin to power, fights were going on in various points of North Caucasus at that time and the region did not still achieve stability even at the present day.

- even if all Caspian Sea petroleum were brought to the Black Sea, there were many upsetting questions about the transport of so much petroleum through Turkish straits if someone insists on the transportation of petroleum by such a way.<sup>458</sup> There were fresh memories of several tanker disasters happened in straits and resulted almost nearly in ecological catastrophes. Turkey stated that existing tanker traffic through straits is intensive and risky enough anyway and made serious warnings on the plans of carrying Azerbaijan and Kazakhstan petroleum to the Black Sea. Being not satisfied with these statements and warnings, Turkey adopted new regulations on the straits and put these into force in 1994.<sup>459</sup> Russia opposed these regulations on the basis of Montreaux Agreement, concluded in 1936. Turkey argued this by stating that that agreement was concluded 62 years ago, while in these years the tanker traffic passing through straits become rather dense and, therefore, it was necessary to control traffic in the straits.

Russia, which was insisting on turning Baku – Novorossiysk pipeline into the Main Export Pipeline, proposed a new route bypassing the straits and even made some certain efforts in this direction.<sup>460</sup> Nonetheless, these developments did not have much effect on the decision on BTC line.

- Azerbaijan, as a country, which had just gained its political independency, strived to get completely independent – both politically and economically – from Russia and to get away from its sphere of influence as far as

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<sup>457</sup> Hasan Cemal, “Erken Petrol Boru Hattı”, Sabah, 3 September 1997.

<sup>458</sup> Aras, p. 95.

<sup>459</sup> “Türk Boğazları”, <http://www.mfa.gov.tr/turk-bogazlari.tr.mfa> , (23.02.2012)

<sup>460</sup> A. Necdet Pamir, Bakü-Ceyhan Boru hattı: Ortaasya ve Kafkasya’da Bitmeyen Oyun, Avrasya Stratejik Araştırmalar Merkezi (ASAM) Yayınları, Ankara 1999, p. 73.

possible.<sup>461</sup> In this context, it is natural that Azerbaijan did not have any desire to put the fate of its energy resources in the hands of Russia - a country with which it just struggled back for its independence and which did not leave much good impression because of its role in the Nagorno – Karabakh conflict.

Although it would be not completely true to say that European Community countries were demonstrating absolute solidarity of attitudes, their general inclination was towards Baku – Supsa line. There were some political reasons for this. Because if Baku – Tbilisi – Ceyhan pipeline got completely realized, Turkey would obtain a very strong position in the region, while if Baku – Novorossiysk line will be preferred, the monopoly over the export of energy products would belong to Russia.

Nevertheless, there were also problems related to making Baku – Supsa line the Main Export Pipeline. First of all, carrying petroleum to Black Sea by this pipeline would make the concerns about the tanker traffic in the Turkish straits and the carrying capacity a reality. On the other hand, this pipeline, even by increasing its capacity to maximum, would carry no more than 15 million tons in a year, while the necessary reconstruction for such a capacity development would be very expensive and nearly comparable to the cost of constructing Baku – Tbilisi – Ceyhan pipeline. All these concerns turned the Baku – Supsa line to a less advantageous one.

In the light of abovementioned, the Baku – Tbilisi – Ceyhan pipeline appeared more advantageous. The factors having negative effect on BTC, like the possible military operations within the framework of Nagorno – Karabakh conflict and PKK (Kurdistan Workers' Party) terrorist attacks were eliminated with the course of time. The Ceasefire Agreement between Azerbaijan and Armenia and the considerable elimination of the activities of PKK in Turkey reduced security concerns.

The problem of higher costs alleged by the petroleum companies entering into AIOC and future suppliers of the petroleum was also eliminated with the course of time. As it later became clear that the proposed numbers were overstated

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<sup>461</sup> Natig Aliyev, “Bakı-Ceyhan Tezliklə Reallaşacaq”, Zaman (Azerbaijan), 16-17 May 2000.

and after some important the decisions adopted by Turkey in this regard, the allegation of these companies that BTC will cost much more than other two pipelines became invalid. In fact, most cost-related concerns were about the Turkey part of the pipeline. The financial problems, emerged in relation to the Georgia part of the pipeline, were eliminated only after Azerbaijan's entry into serious obligations in this regard.

The Turkish authorized representatives, on the other hand, in the negotiations, conducted and agreements made before the OSCE 1999 Summit in Istanbul provided a guarantee that Turkey would undertake financial obligations concerning any differences between the supposed and real costs of the construction of the part of the pipeline falling within Turkey. The Councilor of the Ministry of Energy and Natural Resources – Yurdakul Yigitguden emphasized that Turkey has provided the necessary guarantees to the parties by concluding related agreements.<sup>462</sup>

Meanwhile, the President of the Republic of Azerbaijan Haydar Aliyev signed a directive, concerning the formation of a special Working Group for the determination of the Main Export Pipeline.<sup>463</sup> According to the directive, the Working Group, headed by the Deputy Prime Minister of Azerbaijan Abid Sharifov, consisted of the top management of SOCAR and AIOC.

The feasibility report, financed by the World Bank and prepared by the German consulting company PLE, concerning the Baku – Tbilisi – Ceyhan Main Export Pipeline project was completed to the end of 1997 and approved by the World Bank in August 1998. The mentioned feasibility report studied the technical and economic feasibility of the project and offered various models

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<sup>462</sup> “Bakü-Ceyhan projesi teknik detaylara kaldı”, *Hürriyet*, 6 November 1999.

<sup>463</sup> “Əsas ixrac neft kəməri marşrutunun seçilməsi ilə əlaqədar işçi qrupunun yaradılması haqqında Azərbaycan Respublikası Prezidentinin Sərəncamı”, Azərbaycan neftinin dünya bazarlarına nəqli, Azərbaycan Cumhuriyeti Devlet Başkanlığı İşler İdaresi Kütüphanesi, <http://files.preslib.az/site/10il/gl3.pdf>, p. 17.

concerning the organization of financial and legal matters. In addition, a detailed Ecological Impact Evaluation Study Report also was prepared.<sup>464</sup>

The discussion over the determination of the route of the Main Export Pipeline went on for a long time. The important developments related to the question took place in the second half of 1999. As an important development occurred before that date, one may show the Ankara Declaration, signed on October 29, 1998. The declaration, signed by the President of Azerbaijan Haydar Aliyev, Turkish President Suleyman Demirel and Prime Minister Mesut Yilmaz, the President of Georgia Edward Schewarnadze, the President of Kazakhstan Nursultan Nazarbayev, the President of Uzbekiston Islam Kerimov and USA Minister of Energy Bill Richardson (as a witness), touched upon numerous important matters<sup>465</sup>. The first matter having importance in the light of this study was the agreement on the transportation of Caspian Sea region petroleum and natural gas by several pipelines. Another important matter was the stress made on the fact that the production and export of energy products to international markets would directly contribute to the independence and security of producing countries. The parties for the first time, with the help of this declaration, emphasized the importance of Trans – Caucasian and Trans – Caspian pipelines and stated that they reached a conclusive decision on Caspian Sea – Mediterranean Sea / Baku – Tbilisi – Ceyhan pipeline. The parties also demonstrated solidarity in their attitude towards the limitation of East – West energy corridor and tanker transportation through Turkish straits. All these were opinions, which would not be welcomed by Russia, but this was the first time when so many former Soviet Union countries were jointly signing a text.

The decisive behavior of the President of Azerbaijan Haydar Aliyev and the emergence of Turkey as an important consumer, especially consumer for the natural gas discovered in Shah Deniz, led to the elimination of concerns of BP Amoco Partnership and soon after, the negotiations in regard to the Baku - Tbilisi

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<sup>464</sup> Cenk Pala, “Doğu-Batı Enerji Koridoru’nun İlk Basamağı Gerçekleşiyor: Bakü-Tiflis-Ceyhan Ham Petrol Boru Hattı Projesi”, İ.Ü. İktisat Fakültesi Mezunları Cemiyeti (İFMC), İktisat Dergisi, “Savaşın Gölgesinde Orta Doğu”, Number: 433-434, January-February 2003, pp. 85-93.

<sup>465</sup> “Kronoloji”, <http://www.btc.com.tr/proje.html> (11.01.2012)

– Ceyhan Pipeline Project were started between the representatives of related countries and companies. Upon hard bargains, made between September 27 – October 13 1999, after negotiations over every clause, three agreements were drawn up and on October 19, 1999 – in the OSCE summit, witnessed by the President of USA Bill Clinton, there came out a decision to sign these agreements.<sup>466</sup>

After the OSCE summit, held on October 19, 1999 in Istanbul, the process of the realization of the Baku - Tbilisi – Ceyhan Pipeline Project gained momentum. Other various agreements were signed by Turkey, Azerbaijan, Georgia, Kazakhstan and Turkmenistan with the USA President as a witness (the President of USA Bill Clinton being personally present).

Firstly, the leaders of Azerbaijan, Turkey and Georgia signed the agreement on the transport of crude oil through Azerbaijan, Georgia and Turkey by the Baku - Tbilisi – Ceyhan Pipeline.<sup>467</sup> Next, for the purpose of supporting BTC and to enable the transportation of the Kazakhstan petroleum through the pipeline, Turkey, Azerbaijan, Georgia and Kazakhstan signed the Istanbul Declaration. In addition to the leaders of the four countries, this declaration was also signed by the President of USA as a witness. Later, Turkey, Azerbaijan, Georgia and Turkmenistan signed the Intergovernmental Declaration concerning the construction of Trans – Caspian pipeline. Finally, Turkey, Azerbaijan and Georgia signed the Memorandum of Understanding concerning the transportation of Azerbaijani natural gas to Turkey and international markets. In their speeches, delivered after signing ceremonies, the leaders emphasized the importance of the support of USA for the realization of these projects.

The agreement on BTC was ratified by Turkey on June 22, 2000 and by the Law № 4585 and based on the Resolution № 2000/1127 of the Cabinet of

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<sup>466</sup> Deniz Zeyrek, “Ankara’da Bayram Havası”, Radikal, 21 October 1999.

<sup>467</sup> Kamer Kasım, “Asrın Projesi Türkiye’nin Başarısı”, <http://www.usakgundem.com/haber/205/asrin-projesi-t%C3%BCrkiye%E2%80%99nin-basarisi.html> (23.02.2012) ; “Kronoloji”, <http://www.btc.com.tr/proje.html> (11.01.2012)

Ministers, dated August 3, 2000 and made public on the № 24166 issue of the Official Gazette dated June 10, 2000.<sup>468</sup>

On December 29, 1999, the President of Azerbaijan Haydar Aliyev signed a special directive concerning the formation of a commission for the coordination of activities for the construction of and putting into operation the BTC.<sup>469</sup> As the previous one, The First Deputy Minister Abid Sharifov was appointed as the head of this commission. The commission included some high level representatives from the presidential establishment and SOCAR.

In April 2000, negotiations were conducted between the representatives of Azerbaijan, Turkey, Georgia, USA and BP – AMOCO. Upon these negotiations, a joint document was signed by the three countries concerning the commencement of the construction of the Baku – Tbilisi – Ceyhan Pipeline.<sup>470</sup> This document was ratified by the parliaments of Azerbaijan and Georgia in May 2000.

Numerous agreements were signed between companies, between companies and governments and between governments themselves, while each government has adopted many decisions for the implementation of the project. One of the first important steps taken in this direction was the formation of a Sponsoring Group on October 3, 2000 in Azerbaijan for supporting the BTC Project. The members of the group, consisting of 8 AIOC member companies (SOCAR, BP, UNocal, Statoil, TPAO, Itochu, Ramco and Delta – Hess) signing on October 17, 2000 a Sponsoring Group Financing and Cooperation Agreement”, took the name Main Export Pipeline (MEP) Participants. MEP Participants signed on 17 – 18 October, 2000 the so called Host Country Agreements with Azerbaijan and Georgia successively.<sup>471</sup> Finally, the Final Agreement, concerning the Baku – Tbilisi – Ceyhan Pipeline for the transportation of the main production petroleum

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<sup>468</sup> Sedat Çal, “Bakü-Tiflis-Ceyhan Boru Hattı Projesi Kapsamındaki Anlaşmaların Hukuki Yönden Değerlendirilmesi”, Ankara Üniversitesi SBF Dergisi, 2008, Number 63, p. 94

<sup>469</sup>“Bakı-Tbilisi-Ceyhan Əsas İxrac Boru Kəmərinin tikilməsi və istismara verilməsi tədbirləri haqqında Azərbaycan Respublikası Prezidentinin Sərəncamı”, Azərbaycan neftinin dünya bazarlarına nəqli, Azərbaycan Cumhuriyeti Devlet Başkanlığı İşlər İdaresi Kütüphanesi, pp. 25-26.

<sup>470</sup> Nijat Yusufov, “Ceyhan Plan Moves Step Up”, Baku Sun Newspaper, V.3,5 May 2000, p. 1-2.

<sup>471</sup> “Kronoloji”, <http://www.btc.com.tr/proje.html> (11.01.2012)

of Azerbaijan to world markets, was concluded on October 19, 2000 in Turkey.<sup>472</sup> The “Host Country” and “Turnkey Construction”, together with the “Governmental Guarantee” document were signed in the ceremony, held in Ankara. The members of the sponsor group, the President of SOCAR Natic Aliyev, the head of BP Azerbaijan Group and the Sponsor Group Rolf Magne Larken, Itochu President Massau Yamazaki, the UNcal Vice – President Andrew Fawthop and Ramco Vice – President Michael Galkin and Delta – Hess Vice – President Richard Mew, signed the agreements.

On July 30, 2000 the President of the Republic of Azerbaijan Haydar Aliyev signed the directive, regulating the participation in the future BTC Co. Company and provision of financial resources to ensure the share of the members in the company.<sup>473</sup> Not like the previous directives, in this one Azerbaijan was granted a 25% share in the company. The President of Azerbaijan İlham Aliyev clearly stated, when he was holding the office of the First Vice – President of SOCAR, in his interview given to Murat Yetkin from NTV Channel that Azerbaijan certainly will hold at least 51% share in the consortium.<sup>474</sup> At later periods, Azerbaijan stated that it may hold less than 51% share in the consortium and in fact, the goal of 51% share was set to obtain maneuver possibilities when necessary.<sup>475</sup> It was reported that toward the end of 2000 in media that Azerbaijan was going to sell the 20% of his 50% share to foreign companies.<sup>476</sup> The purpose of obtaining finances for ensuring his share was shown as a reason for such a decision. On March 21, it was announced that Azerbaijan was going to sell the 20% of his 50% share to Chevron.<sup>477</sup> However, it was clearly stated that in any case Azerbaijan would have the greatest share in the consortium.

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<sup>472</sup> Aras, p. 114.

<sup>473</sup> “Bakı-Tbilisi-Ceyhan Əsas İxrac Boru Kəməri”, [http://www.oilfund.az/az\\_AZ/layiheler/baki-tbilisi-ceyhan-esas-ixrac-boru-kemeri.asp](http://www.oilfund.az/az_AZ/layiheler/baki-tbilisi-ceyhan-esas-ixrac-boru-kemeri.asp) (24.02.2012)

<sup>474</sup> Azerbaijancan (Official Gazette), 1 June 1999.

<sup>475</sup> “İlham Eliyev: Azərbaycan Bakı-Ceyhana pul tapacaq”, Üç nöqtə, 11 June 2000.

<sup>476</sup> “Azərbaycan Bakı-Ceyhandakı payından el çəkir”, 525-ci qəzet, 5 December 2000.

<sup>477</sup> “Azərbaycan qazını Türkiyə’ye satacağına ümid edir”, Yeni Azərbaycan, 7 March 2001.

Upon long lasting preparatory works, for undertaking the construction and operation of the pipeline, the BTC Co Company was established on August 1, 2002 in London.<sup>478</sup> The co-founders of BTC Co. and their shares in capital were as follows: BP (% 30,1); AzBTC (% 25); Chevron (% 8,90); Statoil (% 8,71); TPAO (% 6,53) ; ENI (% 5); Total (% 5), İtochu (% 3,40); INPEKS (% 2,50, ConocoPhillips (% 2,50) and Amerada Hess (% 2,36).

On September 18, 2000, the groundbreaking ceremony of the Baku – Tbilisi – Ceyhan Main Export Pipeline was held in Baku. The groundbreaking ceremony was attended by the Presidents of Azerbaijan Haydar Aliyev, President of Turkey Necdet Sezer, President of Georgia Edward Schewardnadze, USA Energy Secretary Spenser Abraham and the representatives of other countries.<sup>479</sup> Haydar Aliyev, in his long speech delivered during the ceremony, evaluated the realization of the Baku – Tbilisi – Ceyhan pipeline as a result of the strategy of Azerbaijan, followed for recent 10 years. He mentioned that this project, which would be impossible to realize without the moral support of USA, would bring stability and security to South Caucasus and connect Azerbaijan, Georgia and Turkey to each other with stronger ties.<sup>480</sup>

During the days immediately afterwards, there were separately started and quickly advanced works in Azerbaijan, Georgia and Turkey, concerning the construction of the pipeline. In September 2002, tender procedures, concerning the construction of the part of the line falling within Turkey, were completed and it was announced that the cost for the construction of this part of the pipeline would be 1.3 billions US dollars and it was also stated that if the actual cost exceeds the abovementioned, the additional cost would be undertaken by

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<sup>478</sup>“Baku - Tbilisi - Ceyhan Pipeline Company Formed”, <http://www.bp.com/genericarticle.do?categoryId=2012968&contentId=2006862>, 01 August 2002, (23.02.2012) ; “Ayın Tarihi 1947 - : 2002 Ağustos”, <http://www.byeqm.gov.tr/ayin-tarihi2-detay.aspx?y=2002&a=8> , (24.02.2012) ; THE CONTRACT OF THE CENTURY- 10 YEARS, SOCAR, Baku – 2004, p.7

<sup>479</sup>“Bakü-Tiflis-Ceyhan boru hattının temeli atıldı”, [http://www.radikal.com.tr/veriler/2002/09/18/haber\\_50437.php](http://www.radikal.com.tr/veriler/2002/09/18/haber_50437.php) (13.12.2011)

<sup>480</sup> “Xeyal Gerçek Oldu”, Bizim Esr, 19 September 2002.



Turkey.<sup>481</sup> Firstly, on September 20 2000, the ceremony of signing of the agreements concerning the Turkey's part of the pipeline was held in Ankara and afterwards, the ceremony of groundbreaking of Ceyhan terminal was held in Adana on September 26, 2000.<sup>482</sup>

On February 3, 2004, in the Gulustan palace of Baku, the ceremony was held for final signing of the documents, necessary for financing the construction of the Baku – Tbilisi – Ceyhan Main Export Pipeline. These documents were signed under the supervision of the President of Azerbaijan Ilham Aliyev by the authorized representatives of Azerbaijan and Turkey and the representatives of companies included with the creditor group of BTC Co.<sup>483</sup>

On October 16, 2004, on the border between Azerbaijan and Georgia, the ceremony of connecting Azerbaijan and Georgia parts of the pipeline was held. This ceremony, called symbolically as Gold Connection, was attended by the Presidents of Azerbaijan and Georgia - Ilham Aliyev and Mihail Saakaşvili.

On May 25, 2005 in Baku, a ceremony was held concerning the beginning of pumping the petroleum, extracted from the Merkezi Azeri (Central Azeri) oil deposit into the BTC. The ceremony was attended by the Presidents of Azerbaijan, Turkey, Georgia, Kazakhstan and USA Energy Secretary, the president of BP, the Energy Commissioner of European Commission and top level authorized representatives of Great Britain, Norway, Italy, Japan, France, Ukraine. Upon the delivery of speeches, the official opening of the Azerbaijan part of the Baku – Tbilisi – Ceyhan Pipeline took place. Four keys were turned successively and the petroleum began to flow into the pipeline. The first key was turned by the BP President Sir John Browne, the second – by the President of the Republic of Azerbaijan Ilham Aliyev, the third - by the President of the Republic of Georgia Mihail Saakaşvili and USA Energy Secretary Samuel Bodman, and finally, the

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<sup>481</sup> “Bakü-Ceyhan'ın ihalelerini Tepe, Alarko ve Limak aldı”, *Dünya*, 24 June 2002.

<sup>482</sup> “Kronoloji”, <http://www.btc.com.tr/proje.html> (11.01.2012)

<sup>483</sup> “Bakı-Tbilisi-Ceyhan (BTC) ixrac boru kəməri: Xronika (sentyabr 1994 – iyul 2006)”, *Respublika*, 13 July 2006.

fourth key was turned by the President of the Republic of Turkey Necdet Sezer. Thus, the tender of petroleum to the pipeline began officially.<sup>484</sup>

In his speech, delivered during the ceremony, the President of Azerbaijan Ilham Aliyev especially emphasized the role of neighboring and friendly countries in the realization of the project and vain efforts of opposing countries and the support of USA and he also expressed his acknowledgements to BP. He also stated that BTC would contribute to the solution of ethnic conflicts and elimination of separatism. There were reasons for his gratitude toward USA: USA has approached this project both for economic and strategic purposes. According to USA specialists, Washington was assessing the construction of the pipeline mainly within the framework of its struggle against Russia in Caucasus and assigned the economic aspect a complementary, secondary place.<sup>485</sup> As a result, as the authorized representatives of Azerbaijan emphasized, the serious support lent by USA played very important role in the realization of the project.

The Turkish President Ahmet Necdet Sezer paid attention to the fact that in 2030 the level of energy consumption would increase by 60% in comparison with today's level and BTC would play an important role in this context, while reducing the tanker traffic passing through Turkish straits would contribute to the development of the cooperation in Caucasus and transformation of Ceyhan to an important energy center of world.

The President of Georgia Mihail Saakaşvili and the President of Kazakhstan Nursultan Nazarbayev told about the future contribution of the pipeline to the global energy security and in particular, to the economies of their countries.

Prince Andrew, a member of Royal Family, representing Great Britain, emphasized that BTC would reduce the traffic through the straits and that his country always will lend its support to Azerbaijan and contribute to the process of democratization in Azerbaijan. The Energy Commissioner of the European Commission Andris Pieļbags stated that BTC would reduce the traffic through the

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<sup>484</sup> "Baku-Tbilisi-Ceyhan main export oil pipeline is opened now", <http://www.today.az/news/politics/19441.html>, 26 May 2005, (19.01.2012)

<sup>485</sup> A. Necdet Pamir, "Bakü-Ceyhan: Bitmeyən Sənfoni" *Stratejik Analiz*, Volume 1, Number 11, March 2001, p. 67.

straits and contribute to the development of relations between Europe and Turkey and Caucasus.

The President of BP Sir John Browne drew attention to the fact that Azerbaijan was the first country where there was produced petroleum for commercial purposes and he appraised the project as the first large-scale project of 21<sup>st</sup> century. The President of the State Oil Corporation of the Azerbaijan Republic Natic Aliyev announced that the construction of pipeline for the transportation of Shah Deniz natural gas to Turkey would be completed to the August 2006 and beginning from September of 2006, the Azerbaijani natural gas also would flow to world markets. Natic Aliyev stated that works on the Trans Caspian Project were completed as well and were presented for the approval to Presidents of Azerbaijan and Kazakhstan. The President of BP – Azerbaijan Company David Woodward said that close to 2008, the daily production in Azeri – Chirag – Guneshli deposits, developed within the framework of the Contract of the Century, would reach 1 million barrels and that this volume corresponded to 25% of world's additional petroleum requirement. David Woodward also emphasized that BTC would reduce the traffic through the straits.<sup>486</sup>

The congratulatory message, sent by the Japanese Prime Minister Junichiro Koizumi, drew attention to the investments made by his country in the energy sector of Azerbaijan and the support given to the democratization of Azerbaijan. The most interesting messages were those contained in the congratulatory letter sent by the English Prime Minister Tony Blair. Beginning with candid expressions, he dedicated the last part of its letter completely to his expectations about free elections and democracy.<sup>487</sup>

The document for the construction of Ahalhalaki – Tbilisi – Baku railway was signed by the Presidents of Turkey, Georgia and Azerbaijan and another important document concerning the widening of East - West Energy Corridor was

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<sup>486</sup> Vüqar Orxan, “Üç Denizin Efsanesi Gerçekleşir”, 525-ci qezet, 26 May 2005.

<sup>487</sup> “Bakı-Tbilisi-Ceyhan neft kəmərinin Azərbaycan hissəsinin açılışı oldu”, <http://www.voanews.com/azerbaijani/news/a-56-a-2005-05-25-1-1-88594737.html>, 25 May 2005 (08.01.2012)

signed by the authorized representatives of Kazakhstan, Azerbaijan, Georgia, Turkey and USA.

On October 25, 2005, the ceremony held in the village of Gardabani in connection with the arrival of the petroleum in Georgia by the BTC line was attended by the President of Turkey Necdet Sezer, by the President of Georgia Mihail Saakashvili, President of Azerbaijan İlham Aliyev and Turkish Minister of Energy and Natural Resources Hilmi Guler. The President Ahmet Necdet Sezer, in his speech delivered in the ceremony stated that the BTC line, which he called as a golden line, has a strategic value in the context of the direct reach of Western markets to the Caspian Sea petroleum and that the problem of energy security is a global problem, requiring the solution, which may be obtained only with the help of the cooperation between all countries. Saakashvili pointed out that Georgia needed strong neighbors and said that “Turkey is not only a powerful country, but it is a partner of ours”.<sup>488</sup>

On May 28, 2006, the petroleum tendered to the pipeline reached the Ceyhan port of Turkey. The coincidence of the date of such a historical event with the independence day of Azerbaijan was widely revoiced in Azerbaijan and Turkey and announced by all state and private TV channels. On June 23, 2006, the official opening ceremony of the pipeline was held at its last point – in Ceyhan. Thus, one of the most important lines of the East - West energy corridor became realized (n.b.10 million barrels of petroleum were required for filling the pipeline completely.)<sup>489</sup>

At the first period of its operation, the BTC pipeline did not reach its full capacity. In 2006, 8 million tons of petroleum was transported, while in 2007 this number became nearly 30 million tons.<sup>490</sup> The most of the transported petroleum was purchased by Italy, USA, France, Great Britain and Israel. In 2008, it was

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<sup>488</sup> “Ayın Tarihi 1947–Ekim 2005”, <http://www.byegm.gov.tr/ayin-tarihi2-detay.aspx?y=2005&a=10> (04.12.2011)

<sup>489</sup>“Bakı-Tbilisi-Ceyhan boru kəməri”, <http://www.bp.com/sectiongenericarticle.do?categoryId=9006919&contentId=7014341> (03.12.2011)

<sup>490</sup> “HEYDƏR ƏLİYEV ADINA BAKI-TBİLİSİ-CEYHAN NEFT BÖRÜ KƏMƏRİ”, [http://www.azerbaijan.az/Economy/OilStrategy/oilStrategy\\_06\\_a.html](http://www.azerbaijan.az/Economy/OilStrategy/oilStrategy_06_a.html) (04.12.2011)

exported via BTC 33 million tons of petroleum, 285 000 of which tons were from Kazakhstan. In 2008, Azerbaijan, utilizing all export routes (including railway transportation), exported a total of 44 million tons of petroleum.<sup>491</sup>

In the press conference organized on June 13, 2009 in the headquarter of Yeni Azerbaijan (New Azerbaijan) Party, the Minister of Energy and Industry of Azerbaijan Natic Aliyev said that up to that day 80 million tons of petroleum by the BTC line was exported. He also said that the capacity of the pipeline was considered to increase up to 1.6 million barrels / day.<sup>492</sup>

Until the end of 2011, the total amount of petroleum transported by the BTC line reached 185 million tons. Although the daily carrying capacity of the line is 1.2 million barrels, the highest carrying rate officially announced was 1.044 million barrels / day.<sup>493</sup>

The chronology of the implementation of the Baku – Tbilisi – Ceyhan Project is illustrated below:<sup>494</sup>

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<sup>491</sup> “2008-ci ilin yekunları üzrə Azərbaycan iqtisadiyyatının inkişafı: əsas meyillər və xüsusiyyətlər”, [http://www.atib.az/Domains/atib/assets/file/default/Iqtisadi\\_hesabat\\_-\\_2008.pdf](http://www.atib.az/Domains/atib/assets/file/default/Iqtisadi_hesabat_-_2008.pdf) (20.09.2011)

<sup>492</sup> “Bakı-Tbilisi-Ceyhan neft borusunun buraxılış gücü artırılacaq - Azərbaycanın sənaye və energetika naziri”, <http://avciya.az/index/economics/4758-bak305-tbilisi-ceyhan-neft-borusunun.html>, 16 Haziran 2009, (21.09.2011).

<sup>493</sup> “Baku-Tbilisi-Ceyhan (BTC)”, <http://www.bp.com/genericarticle.do?categoryId=9029616&contentId=7072306> (21.09.2012)

<sup>494</sup> Cenk Pala, “Orta Asya-Türkiye ve Balkanlar: Avrupa Yeni Boru Hattı Güzergahını Seçiyor”, Gamze Kona (der.), Uluslararası Çatışma Alanları ve Türkiye'nin Güvenliği, İstanbul, IQ Yayıncılık, 2005, pp. 473-537.

Various negotiations	1992 – 1997
The Istanbul Memorandum of Understanding (Azerbaijan, Georgia and Turkey)	May, 1998
Ankara Declaration (Azerbaijan, Georgia, Turkey, Uzbekiston and Kazakhstan leaders and USA Energy Secretary as a witness)	October, 1998
Istanbul Protocol (Azerbaijan, Georgia, Turkey and USA representative as a witness)	April, 1999
Intergovernmental agreement (Azerbaijan, Georgia, Turkey leaders and the President of USA as a witness)	November, 1999
Istanbul Declaration (Presidents of Azerbaijan, Georgia, Turkey, Kazakhstan and the President of USA as a witness)	October, 2000
Signing the “Turnkey operation” contractor agreement (between MEP participants and BOTAS)	October, 2000
Government guarantee	October, 2000
Foundation engineering	November 15 – May 2001
Detail engineering	June 19ç 2001 – June 18, 2002
Detail engineering - notification of completion	August 28, 2002
Land assignment and construction - Certificate of commencing the works	August 29, 2002
Land assignment and construction – the date of official beginning	September 10, 2002
BTC Groundbreaking ceremony – Baku	September 18, 2002
The Ceremony of Signing Agreements Concerning the Turkey part of BTC	September 20, 2002
The Ceremony of groundbreaking of BTC Ceyhan Terminal	September 26, 2002
The ceremony of the first pumping of petroleum into BTC	May 25, 2005
The official opening ceremony of BTC Ceyhan Terminal	July 13, 2006

### **Kazakhstan and Turkmenistan Joining the BTC**

Immediately after gaining its independence, in connection with the production of natural resources and their delivery to international markets, Kazakhstan had followed a strategy, more or less resembling the strategy of Azerbaijan and tried to eliminate the dependence on Russia, while following the strategy of exporting the petroleum via as many as possible routes. Thus, within the framework of agreements concluded with Azerbaijan in the middle of 1990s, the petroleum extracted in the Thengiz deposit was being transported to Azerbaijan and from there – to Georgia. For example, the Vice - President of

SOCAR at that time – İlham Aliyev stated in his announcement in USA on February 18, 1997, that during the same year the total volume of transported petroleum was planned to increase up to 1.5 million tons.<sup>495</sup> In his meetings with USA representatives, held in USA on November 19, 1998, İlham Aliyev spoke about the Trans Caspian pipeline and stated that an agreement was concluded for the construction of Trans Caspian Pipeline, after the overall volume of Kazakhstan’s petroleum and petroleum products transported through Azerbaijan reached 10 million tons.<sup>496</sup>

One of the matters of public interest both during the construction of BTC and at later stages, was the participation of Kazakhstan and Turkmenistan in BTC. From the day, when the Baku – Ceyhan line was offered as an alternative up to today, it was always a matter of interest if Kazakhstan would also give petroleum to BTC. When, during the OSCE Summit in Istanbul, the leaders of Azerbaijan, Turkey and Georgia were signing the agreement concerning the construction of BTC, the President of Kazakhstan Nursultan Nazarbayev also was present in that ceremony. On the other hand, the controversial statements of Kazakhstan representatives in this regard and its preference of Thengiz – Novorossiysk pipeline, the discussions over Kazakhstan – Turkmenistan Iran and Kazakhstan – China routes for a while were acting as factors eliminating the possibility of Kazakhstan’s participation in BTC.

On December 6, 2002, a multilateral meeting was held in the Embassy of USA in Great Britain concerning the participation of Kazakhstan in BTC. This meeting chaired by the Representative of USA President for the Caspian region energy matters Steven Mann was also attended by the President of SOCAR Natiq Aliyev and First Vice – President of SOCAR İlham Aliyev, the KazMunahGaz

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<sup>495</sup> “Press Conference with İlham Aliyev and Terry Adams”, Azerbaijan International, 5.1, Spring 1997.

<sup>496</sup> “Azərbaycan Respublikasının Dövlət Şirkətinin birinci vitse-prezidenti, millət vəkili İlham Əliyev 1998-ci ilin noyabrında ABŞ-da rəsmi səfərdə olmuşdur”, <http://files.preslib.az/site/oil/g11.pdf>, s. 10. (16.02.2012)

CEO Kairgeldi Kabildin, BTC Co. CEO Michael Tauzend and representatives of other companies.<sup>497</sup>

Beginning from 2005, Kazakhstan took more specific and exact steps in the direction of joining BTC. At the beginning of January of 2005, the representatives of ChevronTexaco, which played an important role in the production and transportation of Kazakhstan petroleum, announced their intention to transport their produced petroleum via BTC. A like statement was made by the representatives of Total, Eni, Inpex and ConocoPhillips companies, producing petroleum in the tremendous Kasagan field belonging to Kazakhstan. On March 31, 2005, the Prime Minister of Kazakhstan Danyal Ahmetov emphasized that Kazakshstan would join BTC by constructing a pipeline and said that BTC would be called as Aktau – Baku – Tbilisi – Ceyhan pipeline in the years to come.

On April 18 – 19, 2005, meetings were held between Azerbaijan and Kazakhstan representatives concerning the transportation of the Aktau – Baku pipeline, which would provide for the transportation of the petroleum of Kazakhstan via BTC and according to official information, consensus was reached on many matters, including tariffs. According to the information given by the President of the State Oil Corporation of Azerbaijan Republic (SOCAR) Natic Aliyev, in fact, the related negotiations have been continuing since the December of 2002 up to today at various levels. During these negotiations, even some technical and engineering details were discussed and the total cost of the pipeline project was estimated as 3 billion US dollars. A sequence of agreements started together with signing an agreement between governments somewhere in the middle of 2005 to enable the start the transportation of the Kazakhstan petroleum via BTC to 2010.

The ceremony held in Sangachal on May 25, 2005 revealed many important developments in this field. Although there were some expectations that an agreement on joining of Kazakhstan to BTC would be signed during the visit of Nursultan Nazarbayev to Baku, this did not happen. However, some tips related to the matter, became clear. The statements of Nursultan Nazarbayev in the press

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<sup>497</sup> “London Görüşü Şerq-Qerb enerji dehlizinin yaradılması prosesini ireliledir”, AzerTAc, 7 Aralık 2002'den aktaran <http://files.preslib.az/site/oil/g11.pdf>, s. 42, (16.02.2012)



conference held after his meeting with Ilham Aliyev on May 24, 2005 and after the ceremony, the statements of Turkish, Azeri and Kazakh representatives during the ceremony deepened the impression that Kazakhstan would certainly join BTC. The following course of events confirmed such expectations.

With the decision of the President of Azerbaijan Ilham Aliyev dated September 14, 2005, a special commission was formed for the realization of the project of transporting Kazakhstan's petroleum via Baku – Tbilisi – Ceyhan Main Export Pipeline. The text of the decision stated that negotiations between Turkey, Azerbaijan, Georgia and Kazakhstan as well as documents signed by these countries led to the formation of East – West Energy Corridor and realization of BTC and therefore, for ensuring the effective participation of Kazakhstan in BTC, a commission comprised of top level statespersons was decided to be formed.

This theme and some technical details were once again discussed and evaluated in the meeting of Azerbaijan – Kazakhstan Mixed Intergovernmental Commission, held to the end of April of 2006.<sup>498</sup> After the long sequence of negotiations, meetings and technical agreements, on June 16, 2012 the Presidents of Azerbaijan and Kazakhstan signed an official agreement on the connection of Kazakhstan to BTC.

Some practical steps were taken afterwards and Kazakhstan became officially joined to BTC. The agreement in this regard was concluded between KazMunayGaz and SOCAR in Astana.<sup>499</sup> The lower house of the parliament of Kazakhstan (Mejlis) ratified this agreement on March 26, 2008 and the upper house of parliament (Senato) ratified the agreement on April 24, 2008.<sup>500</sup>

Although the Aktau – Baku pipeline (Trans Caspian) has not been constructed up to now due to the opposing attitude of Russia, the theme is always in the agenda of the region. Besides, the petroleum of Kazakhstan is being

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<sup>498</sup> “Danial Axmetov: Yaxın vaxtlarda Qazaxıstan BTC-yə qoşula bilər”, <http://az.trend.az/capital/energy/823525.html>, 6 May 2006, (09.11.2011)

<sup>499</sup> “Orta Asya Petrolü Türkiyə'ye Akıyor”, <http://www.haberler.com/orta-asya-petrolu-turkiye-ye-akiyor-haberi/> 24 April 2008, (17.12.2011)

<sup>500</sup> “Orta Asya Petrolü Türkiyə'ye Akıyor”, <http://www.haberler.com/orta-asya-petrolu-turkiye-ye-akiyor-haberi/> 24 April 2008, (17.12.2011)

conveyed to Azerbaijan by tankers and from there transported to international markets by BTC.

Although not that much as Kazakhstan's, Turkmenistan is also transporting a considerable part of its petroleum through BTC. The natural gas rich man of Central Asia – Turkmenistan has, according to some calculations, a petroleum reserve of 20.8 billion tons. Turkmenistan is increasing its petroleum production every year and in the course of recent two years has bought 3 ships with total cargo capacity of 7 thousand tons. The agreement on the transportation of Turkmen petroleum by BTC was signed in July 2010. Only in 2010, 1.27 million tons of Turkmen petroleum was transported by BTC. According to the information on May 1, 2011, a total of 2 million 680 thousand tons of Turkmen oil was transported by BTC up to that date.<sup>501</sup>

Generally speaking, the Baku – Tbilisi – Ceyhan Main Export Pipeline – appearing once upon a time as a dream to many - was turned into reality by hard working professionals, politicians and technical personnel, who were aware of its strategic importance. Azerbaijan, Georgia and Turkey - the countries where the pipeline starts, continues and ends – gained serious economic benefits, and most importantly, political prestige. However, at the same time, maybe the most important truth is that the strategic position of these countries got stronger by their cooperation. With Kazakhstan and Turkmenistan joining the project, all these countries increased their income and they contributed to their real independence seriously (especially, former Soviet Republics like Kazakhstan, Azerbaijan and Georgia).

As a result, the problems, hindering the delivery of the Caspian Sea natural resources to international markets, are being eliminated due to such a pioneer project. BTC is taking its place in history as a symbol of the cooperation at the regional level.

The final chapter of the thesis will elaborate on the Southern Corridor and its importance for the European Union and Azerbaijan's role in European Union's energy security.

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<sup>501</sup> “BTC ile 2, 6 Milyon Ton Türkmen Petrolü Taşındı”, <http://www.sondakika.com/haber-btc-ile-2-6-milyon-ton-turkmen-petrolu-tasindi-2705683/>, 6 May 2011, (12.11.2011)

## CHAPTER 7

### THE EUROPEAN SOUTHERN CORRIDOR AND THE EXPORT OF AZERBAIJAN'S NATURAL GAS

One of the most important topics from the standpoint of energy sector of Azerbaijan is energy security of Europe and the potential role of Azerbaijan within this framework. Actually this topic, i.e. potential role of Azerbaijan in energy security of Europe, is a vitally important issue for both parties. This can be easily observed in strategic documents, recent statements of the officials, in steps taken etc. of both Azerbaijan and the European Union.

#### 7.1. Nature of European Energy Security

In general, energy and energy security are considered to be elements laying in the basis of all the issues and the power leading all the process. To be more accurate, energy has been the reason for all wars and struggle. At the same time, the destiny of wars and struggles is predicted by the energy factor. In this context, Winston Churchill's statement "A drop of oil is more valuable than a drop of blood" can be considered as a statement that put imprinting on political literature. This was one of the most important aspects laying in the basis of the First and Second World Wars, both started in Europe. It is not accidently that right after the Second World War, agreements on energy issues of Western Europe states were considered as the main factors of the new invented formula to prevent Europe from new wars and communism threat. It can be easily mentioned that the Treaty of Paris of 1951, establishing the European Coal and Steel Community and The Treaty of Rome of 1957, establishing the European Economic Community, being a result of special efforts of French Robert Schuman and Jean Monnet, contribute to the same goals.<sup>502</sup> Thus, the process leading to the establishment of

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<sup>502</sup> Günther OETTINGER, EU Commissioner for Energy Security of Supply, [http://ec.europa.eu/commission\\_2010-2014/oettinger/headlines/speeches/2010/11/doc/20101109.pdf](http://ec.europa.eu/commission_2010-2014/oettinger/headlines/speeches/2010/11/doc/20101109.pdf); Sophie MERITET, "French energy policy within the European Union framework: From black sheep to model",

the European Union started from energy safety. Cooperation on coal as the main source of energy of the period and nuclear energy being qualified as potentially new energy source took the heart of these relations.

Significant global process in connection with the energy took place during the Cold War. On one hand, the share of oil in the total share of energy production increased. On the other hand, the price of oil increased after several crises and the states dependant on energy (the most part of which are European states) started to look for new ways to enhance energy safety. The valuable step on this way is establishment of the International Energy Agency by oil dependant states in response to the establishment of OPEC by oil exporter states. It is important to mention that the International Energy Agency was established in 1974 in Paris after the famous oil crisis in 1973. Currently the aim of this organization, including 28 members is to improve international cooperation in the area of services.<sup>503</sup>

The Cold War, even after its end, had been still keeping its actuality and it is important to emphasize that on this stage the Western states tried to decide the division of Europe in parallel with new opportunities for energy safety enhancement, on the other hand.<sup>504</sup> There were available mutual interests in the front plan even in this process. On the one hand, the European states were trying to provide their energy security and thought that energy resources of the former Soviet Republics may play especially important role in this way. On the other hand, the former Soviet Republics, rich with energy resources, were trying to obtain access to new markets in order to improve their economic and political independence. Along with this, these countries, including Russia, needed both financial sources and technology to increase production of oil and natural gas and transit their energy sources to international markets.

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<http://meritet.net/uploaded/1319294073.pdf>; Prof. Dr. Wulfdiether Zippel, "Enerji Kaynaklarını Çeşitlendirme Yaklaşımları Altında AB'nin Enerji Politikası", <http://www.konrad.org.tr/Enerji/06ZIPPEL.pdf> (06.07.2012)

<sup>503</sup> See <http://www.iea.org/index.asp>

<sup>504</sup> Esra DEMİR, "Enerji Şartı Anlaşması", <http://www.mfa.gov.tr/enerji-sarti-anlasmasi.tr.mfa>

For these reasons, the Prime Minister of the Netherlands Ruud Lubbers emphasized the importance of the adoption of the charter to resolve the energy security issues in June of 1991. Within this framework, the European Union signed the Energy Charter at Hague conference on December 17, 1991. The main purpose of the Charter was to improve international cooperation in the area of energy and to connect mutual effective activity in strengthening reliable energy provision. The charter determined the total implementation of the rules of free market economy in the energy area and established the formation of transparent and market free for competition as the main purpose.

The discussions over the execution of the Energy Charter Treaty<sup>505</sup> have started since 1992. As a result of these discussions, the Final Act and the Protocol on Energy Efficiency and Related Environmental Aspects was proposed and adopted on the joint conference of the Energy Charter, together with the Protocol on the Energy Charter adopted in Lisbon on December 1, 1994, and about 30 states responded to this initiative, which were the first members of the Energy Charter. Nowadays, there are 51 members to the Energy Charter Protocol, effective since April 16, 1998 and it was revised in 2004. The Energy Charter Protocol is aimed to support reforms in accordance with market economy and the energy policy of the Energy Charter Protocol in the energy sector, improvement and strengthening of the legislation in this area (especially Eastern Europe and former USSR republics) and its activity is limited with the energy sector (electric energy, oil, gas, oil products, coal and other types of fuel). Moreover, this instrument was also the first official treaty to bring the Organisation for Economic Co-operation and Development countries together with the Eastern Europe countries.

Azerbaijan signed the energy Charter on December 17, 1994 and ratified it in parliament on December 2, 1997. The resolution was effective from April 16, 1998.<sup>506</sup> Azerbaijan also joined to the Protocol on Energy Efficiency and Related

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<sup>505</sup> See <http://www.encharter.org/>

<sup>506</sup> “Azerbaijan”, <http://www.encharter.org/index.php?id=290>

Environmental Aspects on December 23, 1997 and Amendments Related to Market Issues of the Energy Charter on April 24, 1998.<sup>507</sup>

According to the statements, the Energy Charter has not reached its goals yet. Thus, some states, which signed this instrument, have not completely approved such instruments due to their internal procedures.<sup>508</sup> Russia has the most ambiguous position in this way. In general, Russian Federation, and in special cases Gasprom Company, deems that article 7 of the Energy Charter Protocol is very risky in connection with transit in relation to its own interests. Hence, they are anxious about possibilities for another states and companies to use the currently available pipelines in accordance with this article. However, in general, as the first document signed by the European Charter Protocol within the framework of energy safety of Europe, it is very significant.

The next important step on this way may be *White Book*. In *White Book* of the European Commission on Energy Policy for the European Union, which was promoted in December of 1995, the most important place took long-term goals of the energy policy of the European Union.<sup>509</sup> It was mentioned in *White Book* that the energy policy of the European Union was the obligatory provision under the economic policy of the union and, further, energy policy would contribute to specific goals. Among these, provision of security of energy resources, competition power and environmental protection were also included in.

Further, the energy policy showed its importance in respect of the targets defined in the Amsterdam Agreement in 1997. Energy policy has been one of significant supporting elements in continuous growth approach contributing to the purposes of development in economic, social and cultural fields and the purposes

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<sup>507</sup> [http://mfa.gov.az/index.php?option=com\\_content&task=view&id=201&Itemid=1](http://mfa.gov.az/index.php?option=com_content&task=view&id=201&Itemid=1)

<sup>508</sup> Esra DEMİR, “Enerji Şartı Anlaşması”, <http://www.mfa.gov.tr/enerji-sarti-anlasmasi.tr.mfa>

<sup>509</sup> Avrupa Komisiyasının 1995-cı il tarixli 68 sayılı yekun qərarı, [http://europa.eu/documentation/official-docs/white-papers/pdf/energy\\_white\\_paper\\_com\\_95\\_682.pdf](http://europa.eu/documentation/official-docs/white-papers/pdf/energy_white_paper_com_95_682.pdf)

of welfare. Within this framework, the European Union determined the three main policies for achievement in growth, as specified below<sup>510</sup>:

- Security of energy provision
- Competitive energy system
- Environmental protection

Within the framework of abovementioned purposes, the European Union Comission implemented the Shared Analysis Project after 1998. The subtitles of the Project emphasizes particularly the future worldwide energy demands, liberalization of power and natural gas markets, adjustment of the newly adopted standards in the field of environmental protection to the Kyoto Protocol, as well as the improvement of effectivity in energy production and consumption.

The *Green Book* titled as *European Policy on Energy Provision Security* presented by European Commission in 2000 is one of the significant instruments defining the longterm strategy of the EU in respect of the target of expansion.<sup>511</sup> This document stated that 15 member states of the EU were dependent on import in 2000 and that only 50% energy was produced by such countries. This document also predicted that if effective preventive measures were not taken, this indication could have reached up to 70% in 2030. This Green Book defined the necessary systematic measures and the means to be used in order to prevent the predicted such growth. There were the two main approaches in the foundations of such measures and means<sup>512</sup>:

- 1) provision of diversity based on type of energy consumed;
- 2) provision of diversity based on the country where the consumed energy is coming from.

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<sup>510</sup> “AB’nin Enerji Politikası ve Bu Politikanın Gelişimi”, [http://www.enerji2023.org/index.php?option=com\\_content&view=article&id=185:abnn-enerji-politkasi-ve-bu-poltkanin-gelm&catid=7:goerueler&Itemid=167](http://www.enerji2023.org/index.php?option=com_content&view=article&id=185:abnn-enerji-politkasi-ve-bu-poltkanin-gelm&catid=7:goerueler&Itemid=167) (06.07.2012)

<sup>511</sup> Avrupa Komisiyasının 769 sayılı yekun qərarı, [http://ec.europa.eu/energy/green-paper-energy-supply/doc/green\\_paper\\_energy\\_supply\\_en.pdf](http://ec.europa.eu/energy/green-paper-energy-supply/doc/green_paper_energy_supply_en.pdf) (06.07.2012)

<sup>512</sup> Prof. Dr. Wulfdiether Zippel, “Enerji Kaynaklarını Çeşitlendirme Yaklaşımları Altında AB’nin Enerji Politikası”, <http://www.konrad.org.tr/Enerji/06ZIPPEL.pdf> (06.07.2012)

The energy policy determined by the European Union within the abovementioned principles is also supported by various programs, such as Smart Energy for Europe (2003-2006)<sup>513</sup> and Smart Energy for Europe (2007-2013)<sup>514</sup> programs commenced implementing within the targets defined in the Green Book published on November of 2000. These programs defined the targets, including strengthening the energy security, combating against climate changes and improving the competitiveness of European industry. Further, there are also other programs, such as ALTENET II, SAVE, COOPENER, STEER, SYNERGY, CARNOT and SURE.<sup>515</sup>

As mentioned above, energy security is not only one of the global important subjects in general, but also is one of the special strategic subjects for Europe. It is based on the following factors:

- Enhancement of both the place of energy security within the general security<sup>516</sup> and importance of energy security for Europe;
- Enhancement of the share of natural gas in the energy needs which is related to both that natural gas has become the most minimum harmful among other energy forms in connection with the global heating and that the resolutions on nuclear energy, which has special share in meeting the energy needs in Europe, have started to be adopted in Europe. This is because, in actual, the nuclear energy had played a role in filling the emptiness until the earthquake and the tsunami (Fukushima disaster) in Japan. However, after this disaster, the number of disputes in connection with the nuclear increased.

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<sup>513</sup> "Intelligent Energy for Europe" programme (2003-2006), [http://europa.eu/legislation\\_summaries/energy/energy\\_efficiency/l27046\\_en.htm](http://europa.eu/legislation_summaries/energy/energy_efficiency/l27046_en.htm) (07.07.2012)

<sup>514</sup> "Intelligent Energy – Europe: for a sustainable future", [http://ec.europa.eu/energy/intelligent/index\\_en.htm](http://ec.europa.eu/energy/intelligent/index_en.htm) (07.07.2012)

<sup>515</sup> Betül Deveci, "Dosya: Dogal Gaz Krizi ve AB'nin Enerji Politikası", <http://www.ataum.ankara.edu.tr/ebulten/subat.pdf>

<sup>516</sup> See Carlos Pascual, "The Geopolitics of Energy: From Security to Survival", [http://www.brookings.edu/~media/Files/rc/papers/2008/01\\_energy\\_pascual/01\\_energy\\_pascual.pdf](http://www.brookings.edu/~media/Files/rc/papers/2008/01_energy_pascual/01_energy_pascual.pdf) (31.05.2011), Michael T. Klare, "Energy Security", Paul D. Williams, Security Studies: An Introduction, London and New York, Routledge, 2008, ss.483-496; Andrei V. Belyi, "Energy security in International Relations (IR) Theories", [www.hse.ru/data/339/636/.../ReaderforLecturesOnEnergySecurity.doc](http://www.hse.ru/data/339/636/.../ReaderforLecturesOnEnergySecurity.doc), (31.05.2011)



Certainly, strict research and studies have already been performed on alternative energy for long-term in Europe. However, the share of alternative energy has not yet reached strict level in general energy consumption and it is not also expected to reach to such level in sooner.<sup>517</sup> The share of natural gas seems to have been continuously extended and going to be extended in future.

- On the other hand, the European Union is expanding. Along with the expansion, the necessity in natural gas is also increasing. Yet, at the same time, the new members of the European Union are in more need of natural gas and because of this, total need percentage can increase against natural gas.<sup>518</sup> Also, there is a serious difference-between 15 members joined to the European Union before 2004 and those who joined afterwards because the current need in energy reserves and more rapid development of new members presupposes increase common need in energy.

The European Union determined 3 significant goals for itself in connection with energy. These are the following:

- a) Establishment of united and integrated energy market,
- b) Provision of energy security;
- c) Provision of environment security.

Two main directions are especially important for the European Union for the provision of direct energy security. One of them is diversity of the sources and another one is provision of itinerary diversity.<sup>519</sup>As it was specified in the fifth chapter, currently half of the energy consumed by the European Union is imported. The energy for the European Union by the end of 2011 was imported as per the following distribution: 33,5% from Russia, 15.8% from Norway, 9.4% from Libya, 9% from Saudi Arabia, 6,4% from Iran. The content of this

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<sup>517</sup> “Renewable energy accounted for 12.4% of European energy consumption”, 09 January 2012, <http://www.renewableenergyfocus.com/view/23052/renewable-energy-accounted-for-12-4-of-european-energy-consumption/>

<sup>518</sup> Murat Ercan, “AVRUPA BİRLİĞİ’NİN ENERJİ POLİTİKASINDA TÜRKİYE’NİN ÖNEMİ”, AKADEMİK BAKIŞ DERGİSİ, Number: 25 July – August 2011, Uluslararası Hakemli Sosyal Bilimler E-Dergisi, p. 5

<sup>519</sup> “ENERGY POLICY: GENERAL PRINCIPLES”, [http://www.europarl.europa.eu/ftu/pdf/en/FTU\\_4.13.1.pdf](http://www.europarl.europa.eu/ftu/pdf/en/FTU_4.13.1.pdf)

distribution was gradually changed because of the sanctions implemented by the USA to the import from Iran. Currently (i.e. since July 1, 2012) the European Union countries have completely stopped importing oil from Iran.<sup>520</sup>

The situation in the provision of natural gas is similar. The European Union imports natural gas as per following distribution: 42% from Russia, 24,2% from Norway, 18,2% from Algeria and 4,8% from Nigeria.<sup>521</sup> It is predicted that in 2030 94% of oil and 84% of natural gas will be imported to the European Union. This means serious dependence of the European Union on energy. As it was already mentioned the European Union tries to resolve this problem and reduce this dependence by decreasing dependence from foreign energy in general and the provision of diversity of resource itineracy at the same time.

The European Commission constantly conducts calculations in order to provide projections on energy need, import and other criteria for 2030. The first report was released in 2003.<sup>522</sup> The report was revised, renewed and republished in 2007 and 2009.<sup>523</sup>

## **7.2. Nature of Azerbaijan's Energy Security**

This topic will not be elaborately focused on here as it was explicitly considered in previous chapters, so only the most important aspects of this topic will be pointed out. After obtaining independence, Azerbaijan tried to preserve it

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<sup>520</sup> JERRY A. DICOLO, "EU Embargo on Iran Oil Takes Effect", July 1, 2012 <http://online.wsj.com/article/SB10001424052702303649504577496463851879258.html> ; "U.S. praises EU embargo of Iranian oil, presses Tehran", Jul 1, 2012, <http://www.reuters.com/article/2012/07/01/us-iran-sanctions-usa-idUSBRE8600CX20120701>

<sup>521</sup> Avropa Birliyinin enerji ehtiyacları üzrə statistik məlumatlar üçün baxın: [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-EN-10-001/EN/KS-EN-10-001-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-EN-10-001/EN/KS-EN-10-001-EN.PDF); Avropa Birliyinin enerji ehtiyacları və enerji siyasəti üçün baxınız: Ayhan, Veysel, "Avrupa'nın Enerji Arz Güvenliğinde Türkiye: Petrol, Doğal Gaz ve Entegrasyon", Uluslararası İlişkiler, Cild 5, Sayı 20, Qış, 2009, ss. 155-178; Gelengül Koçaslan, "Avrupa Birliği'nin Doğalgaz Politikası Ve Bu Eksende Türkiye'nin Önemi", İstanbul Üniversitesi İktisat Fakültesi Mecmuası, Cild 61, Sayı 2, 2011, ss.235-255.

<sup>522</sup> "EU ENERGY TRENDS TO 2030", [http://www.energy.eu/publications/Energy-trends\\_to\\_2030.php](http://www.energy.eu/publications/Energy-trends_to_2030.php) ;

<sup>523</sup> "EUROPEAN ENERGY AND TRANSPORT: TRENDS TO 2030 — UPDATE 2007", [http://ec.europa.eu/dgs/energy\\_transport/figures/trends\\_2030\\_update\\_2007/energy\\_transport\\_trends\\_2030\\_update\\_2007\\_en.pdf](http://ec.europa.eu/dgs/energy_transport/figures/trends_2030_update_2007/energy_transport_trends_2030_update_2007_en.pdf) ; [http://ec.europa.eu/clima/policies/package/docs/trends\\_to\\_2030\\_update\\_2009\\_en.pdf](http://ec.europa.eu/clima/policies/package/docs/trends_to_2030_update_2009_en.pdf)

from one side and to prevent danger directed against territorial integrity from the other side. The problem of energy security of Azerbaijan has close interrelation with both issues. According to some ideas, the energy reserves of Azerbaijan can create danger and threat for the independence and territorial integrity of Azerbaijan, while according to others it can be considered as the main instrument to prevent both threats.

Azerbaijan built its energy security in accordance with general foreign policy conception within balanced foreign policy framework, and the principle coming forth within this framework is the cooperation principle. The position of Azerbaijan can be determined and observed in conceptual documents, as well as in its daily policy. The National Security Conception and Azerbaijan War Coctrine are of the most significance among the conceptual documents.

In the introduction to the National Security Conception of the Republic of Azerbaijan, dated May 23, 2007 it is emphasized that Azerbaijan plays a significant role in regional cooperation in Khazar-Caucasus region, and in many cases is determinant state and is irreplaceable in the issues related to the implementation of transportation projects.<sup>524</sup> It underlines that the main purpose of this strategy is flourishing, constant development of Azerbaijan and provision of welfare for people, as well as support security and stability in the whole region. As it can be seen, Azerbaijan sets forth regional security and stability along with determination of its own interests.

In the Article 1 of the document named security environment, the region where Azerbaijan is situated is described as unstable, but having a great potential to improve friendship and cooperation on the regional and international level. It is emphasized here that Azerbaijan plays a significant role in flourishing of this country and provision of national welfare, as well as being an important part of international energy provision network. Azerbaijan stepped forward with its participation in the development of transportation and communication passages,

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<sup>524</sup> “Azərbaycan Respublikasının Milli Təhlükəsizlik Konsepsiyası”, <http://mfa.gov.az/images/stories/downloads/NSC.pdf>,

oil and gas pipelines' construction process and cooperation with regional countries.

One of the most important parts of Article 4 in connection with the main directions of the National Security Policy of the Republic of Azerbaijan is Europe and integration to Atlantic structure (i.e. Article 4.1.2. Europe and Integration to Atlantic structure).<sup>525</sup> This article emphasizes the provision of multiply energy sources and transportation passages of the members of Memorandum of Understanding on Strategic Cooperation in the Field of Energy signed between Azerbaijan and the European Union in 2006 and the members of the European Union, also modernization and development of energy structure in the Republic of Azerbaijan, effective use of energy sources and benefit from inexhaustible energy sources.

In the Article with the heading cooperation with regional countries, it is emphasized that there is a stability factor in trilateral strategic cooperation in the region between Georgia and Turkey. At the same time Baku-Supsa, Baku-Tbilisi-Ceyhan oil export pipelines and Baku-Tbilisi-Erzurum (a.k.a. Southern Caucasus) gas pipeline emerging as a result of this cooperation created new life for Europe and basis for safe energy source.<sup>526</sup>

Similar statements can also be noticed in the chapter Cooperation with Non-Regional Countries (Article 4.1.5.2.). It is mentioned in this chapter that the Republic of Azerbaijan is interested in cooperation with regional countries, as well as with other countries in many directions, especially in the area of energy security. At the same time it is also emphasized that, Azerbaijan, which establishes cooperation with European countries on bilateral and multilateral basis, has made a number of significant steps in the direction of provision of energy security policy. Lastly, this document also provides the relevant security risks of energy sources in Azerbaijan and their transit to international markets.

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<sup>525</sup> “Azərbaycan Respublikasının Milli Təhlükəsizlik Konsepsiyası”, <http://mfa.gov.az/images/stories/downloads/NSC.pdf>,

<sup>526</sup> “Azərbaycan Respublikasının Milli Təhlükəsizlik Konsepsiyası”, <http://mfa.gov.az/images/stories/downloads/NSC.pdf>,

In the document named War Doctrine of the Republic of Azerbaijan, dated June 8, 2010, many important aspects of energy security were considered.<sup>527</sup> In this document, the exploitation and transit of energy of the Caspian Sea in part of Azerbaijan to international markets, at the same time the active participation of Azerbaijan in international energy projects on the development of East-West and North-South transport itineraries were qualified as serious factors which affect its security and seriously increases the possibility to turn into the target of terrorist organizations.

From the standpoint of Azerbaijan, one of the most significant international treaties on Strategic Cooperation and Mutual Support of the Republic Azerbaijan and the Republic of Turkey considers issues interesting at the same level for the energy security of both Europe and Azerbaijan. Article 12 of this treaty, which was signed on August 16, 2010, includes the provision that the parties shall improve cooperation and carry on all necessary events for the constant activity of significant global energy projects, going through their territories for the purpose strengthening of economy and provision of regional energy security in the area of energy.<sup>528</sup>

As it can be observed, in the doctrinal documents of Azerbaijan, despite considering potential risks of transition of energy sources to international markets (for the most part it is supposed to be Western markets), for the most part it sets forth cooperation and mutual support. This is just the same way as with the issues related to European energy security, including the Southern Passage. Similar positions can be noticed in the statements of the Azerbaijani officials. The

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<sup>527</sup>“Azərbaycan Respublikasının Hərbi doktrinası”, <http://www.mediaforum.az/az/2010/06/04/AZ%C6%8FRBAYCAN-RESPUBL%C4%B0KASININ-H%C6%8FRB%C4%B0-DOKTR%C4%B0NASI-051003255c05.html> (02.05.2012)

<sup>528</sup> “Türkiye Cumhuriyeti ile Azərbaycan Cumhuriyeti Arasında Stratejik Ortaklık ve Karşılıklı Yardım Anlaşmasının Onaylanmasının Uygun Bulduğuna Dair Kanun Tasarısı ile Dışişleri Komisyonu Raporu (1/979)”, <http://www.tbmm.gov.tr/sirasayi/donem23/yil01/ss645.pdf> (28.05.2012); “AZƏRBAYCANLA TÜRKİYƏ ARASINDA STRATEJİ TƏRƏFDAŞLIQ və QARŞILIQLI YARDIM HAQQINDA MÜQAVİLƏNİN MƏTNİ”, <http://www.mediaforum.az/az/2010/12/15/AZ%C6%8FRBAYCANLA-T%C3%9CRK%C4%B0Y%C6%8F-ARASINDA-STRATEJ%C4%B0-T%C6%8FR%C6%8FFDA%C5%9ELIQ-054430699c02.html> (28.05.2012).

President of the Republic of Azerbaijan Ilham Aliyev in the most part of his statements qualifies the energy reserves of Azerbaijan, including natural gas, as a factor which can support global energy security especially the energy security of the European Union. This was separately discussed at the meetings of Azerbaijani officials with the officials of the European Union. Nonetheless, additionally to this the question of significance of internal economic situation or annual reports on state level events shall be put exactly in this way. For example, Ilham Aliyev, in his meeting with the public representatives of Balaken regions on July 8, 2012<sup>529</sup> and public representatives of Qazakh region on February 9, 2011<sup>530</sup>, made such statements in his speeches devoted to the summaries of the Cabinet of Ministers on social and economic development for the period of the first quarter of 2012 and further tasks<sup>531</sup> and responsibilities in this way.

It is noteworthy that this topic was raised several times in meetings conducted in various regions of Azerbaijan by the President of the Republic of Azerbaijan Ilham Aliyev, who generally discloses his ideas in connection with social and economic issues on internal level. This can be qualified as a sign given by Azerbaijani officials of special significance to foreign policy in general as well as specifically to energy policy within cooperation with the European Union.

At the same time, the President of the Republic of Azerbaijan Ilham Aliyev several times mentioned that, should the interests of the great powers in global game contradict, Azerbaijan is not the venue for contradictions, but the venue for unification of such.

Some exceptions to this, however, apply from the standpoint of Azerbaijan. Azerbaijan can qualify energy factor in a framework outside of the cooperation spirit despite being very sensitive with the issue of Nagorno-Kharabakh problem and all other related to this issues. Various patterns of this

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<sup>529</sup> İlham Əliyev Balakən rayon ictimaiyyətinin nümayəndələri ilə görüşmüşdür, 08 June 2010, <http://www.president.az/articles/384>

<sup>530</sup> “İlham Əliyev Qazax rayonu ictimaiyyətinin nümayəndələri ilə görüşmüşdür, 09 February 2011”, <http://president.az/articles/1542>

<sup>531</sup> “Closing speech by Ilham Aliyev at the meeting of the Cabinet of Ministers of the Republic of Azerbaijan dedicated to the results of the socioeconomic development in the first quarter of 2012 and future goals”, 16 April 2012, <http://en.president.az/articles/4740>

were observed. Among them the most significant and attractive are the steps made because weapons given to Armenia and process on the borders of Turkey and Armenia. In the third Chapter it is mentioned that, Azerbaijan reacted very strict to information spread in 2007, in accordance with which Russia provided Armenia with weapons, even it limited the amount of oil exported via Baku-Novorosiysk pipeline.

As a sign of objection to improvement of relations between Turkey and Armenia, Azerbaijan made strict steps both in relations to Turkey and to the Western countries. It is widely explained in the third chapter that, Azerbaijan reminded Turkey their responsibilities in connection with energy in bilateral and multilateral meetings between Azerbaijan, Turkey and Armenia and protocols signed between them. Also, it additionally slightly changed its previous position towards NABUCCO project. Thus, the more willing the NABUCCO appears to be associated with the signing of the NABUCCO natural gas is less expensive and sold him for a while before the problems experienced by the partial sale of natural gas from Russia and signed a contract, then with the leaders of Turkey and NABUCCO's official signing ceremony was attended by a mere ministerial level.<sup>532</sup>

At the next level, Azerbaijan expressed its position in connection with important energy projects of the European Union (of the West in general, actually starting with USA) as NABUCCO and Transcaspian. Every time Azerbaijani officials are addressed on these issues in response to questions regarding the special interests of the officials that these projects, if the parties agree, and the necessary financial resources to implement these projects separated as a mediator in the process can be simply stated.

On the other hand, a significant improvement in the later stages of relations between Azerbaijan and Turkey on cooperation in the field of energy led

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<sup>532</sup> “Rusiya ilə Azərbaycan təbii qaz sazişi imzaladı”, 29 June 2009, <http://www.voanews.com/azerbaijani/archive/2009-06/2009-06-29-voa10.cfm?CFID=277391265&CFTOKEN=49534810&jsessionid=883061616a37618f2a10425d1d26762b5c6b>, (24.03.2012) ; Vladimir Socor, “Azerbaijan-Russia Gas Agreement: Implications for NABUCCO Project”, October 15, 2009, [http://www.jamestown.org/programs/edm/single/?tx\\_ttnews%5Btt\\_news%5D=35615&tx\\_ttnews%5BbackPid%5D=485&no\\_cache=1](http://www.jamestown.org/programs/edm/single/?tx_ttnews%5Btt_news%5D=35615&tx_ttnews%5BbackPid%5D=485&no_cache=1), (24.03.2012).

to the emergence of patterns and these patterns had significant results in terms of energy security of Europe. Before considering this, it is necessary to remember the past with regard to energy cooperation between Azerbaijan and the EU.

### **7.3. Importance of Azerbaijan for EU's Energy Security**

The UN directed to new regions rich in natural gas to provide the diversification of sources and routes in terms of energy security. The Caspian region and Azerbaijan became especially important in this regard.

In general, the root of the matter of energy cooperation between Azerbaijan and the European Union is based on two important points: Energy security of Europe and energy independence of Azerbaijan (from another point of view: economic and political independence of Azerbaijan). The European Union and the USA, paying attention to energy security of the European Union at least like the European Union itself, made efforts to build relationships with the Caspian region regularly. Various ideas and projects were developed within approximately 20 years after the collapse of the USSR. Some of them were implemented, some are to be realized and others remained just ideas. This process will be analyzed by giving examples of positions of different interested parties on pipelines and projects connecting the Caspian region to the European Union, as well as the efforts made in this direction (held meetings, issued statements, signed documents etc.) and specific topics.

From the regional point of view, pipelines from the Caspian basin to the West can be qualified as the first steps taken in this direction. Baku-Tbilisi-Ceyhan main export oil pipeline and Baku-Tbilisi-Erzurum export natural gas pipeline (South Caucasus Pipeline) which was already realized is of great importance.

Baku-Tbilisi-Erzurum gas pipeline has been constructed for transportation of gas extracted from "Shah Deniz" field in the Azerbaijan sector of the Caspian Sea, to Georgia and Turkey. Its length is 980 kilometers, with a diameter of 42 inches. The pipeline has a capacity of 20 billion cubic meters a year. The pipeline has four gas delivery stations: one in Azerbaijan and three in Georgia.<sup>533</sup>

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<sup>533</sup>“Baku-Tbilisi-Erzurum Gas Pipeline”,  
<http://new.socar.az/socar/en/activities/transportation/baku-tbilisi-erzurum-gas-pipeline>



"Shah Deniz" field was found in 1999 as a result of wide capital investment in the oil industry and the application of modern techniques and technology in oil operations. On 17 August 1999, the President of Azerbaijan Heydar Aliyev made a decision about the establishment of an employment group for the organization of export of natural gas from the Shah Deniz field to the world markets, taking into account the discovery of large gas condensate reserves in such field of the Azerbaijani sector of the Caspian Sea.<sup>534</sup>

The shareholders of "Shah Deniz" field and Baku-Tbilisi-Erzurum gas pipeline are SOCAR (10%), Statoil (25.5%), BP (25.5%), TotalFinaElf (10%), LukAgip (10%), OLIK (10 %), TPAO (9%) companies.

As a result of negotiations between Azerbaijan and Turkey starting from October 2000, natural gas sale and purchase agreement between Azerbaijan and Turkey for Azerbaijan's natural gas supply to Turkey was signed on March 12, 2001 during the official visit of the President of Azerbaijan Heydar Aliyev to Turkey. The Agreements were signed in the form of Intergovernmental Agreement about the transportation of Azerbaijani natural oil to Turkey between the Energy and Natural Resources Minister of Turkey and Deputy Prime Minister of Azerbaijan, and on the basis of this agreement, Gas Purchase and Sale Agreement between BOTAS and Azerbaijan SOCAR company.<sup>535</sup>

Agreement on the transit, transportation and sale of natural gas through the territory of the Republic of Georgia between Azerbaijan Republic and Republic of Georgia was signed on September 29, 2001, during the visit of President of Georgia Eduard Shevardnadze to Baku.<sup>536</sup>

Baku-Tbilisi-Erzurum gas pipeline first exported gas on March, 2007. Natural gas produced from Shah Deniz gas-condensate field was included in the

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<sup>534</sup> "Transportation of Azerbaijan oil to world markets", <http://files.preslib.az/site/10il/gl3.pdf>, p. 41

<sup>535</sup> Zafer ATEŞ , "Doğu-Batı Enerji Koridoru: 2 Tamam 1 Eksik", [http://www.mfa.gov.tr/dogu-bati-enerji-koridoru\\_-2-tamam-1-eksik.tr.mfa](http://www.mfa.gov.tr/dogu-bati-enerji-koridoru_-2-tamam-1-eksik.tr.mfa)

<sup>536</sup> "Bakü -Tiflis-Erzurum Doğalgaz Hattı", <http://library.aliyev-heritage.org/tk/6223906.html>

system of pipelines of Turkey via Baku-Tbilisi-Erzurum gas pipeline on July 3, 2007.<sup>537</sup>

Taking into consideration that Turkey purchases the natural gas of Azerbaijan and sells some part of it to its neighbour Greece, it is possible to note Azerbaijan's participation in the process of energy security of the European Union. Moreover, the provision of such access made possible for Azerbaijan to sign bilateral and trilateral agreements on natural gas with some European countries for the next years.

Even sometimes it was put forward that these agreements were very ambitious in comparison with the volume of natural gas resources of Azerbaijan. Moreover, it was also claimed that Azerbaijan would not be able to deliver the promised natural gas to its customers. Nonetheless, in any case, a number of European countries signed this kind of energy agreements with Azerbaijan.

The reasons include limited access of Turkmenistan, having more natural gas resources in comparison with Azerbaijan, to Europe, as well as the difficulty of the global situation of Iran and Azerbaijan's being regarded as a reliable partner and opening a way for it by its courageous actions in relation to BTC and BTE. Hence, BTE natural gas pipeline may be considered as the first step of natural gas transportation from the Caspian region to European markets. As of today, it is estimated the agreement on TANAP and decisions about main pipeline of the Southern Corridor will serve as the last steps with regard to the subject.

In general, although various pipeline options emerged at different times, a way so-called the Southern Corridor emerged as an initiative of the consolidation of various efforts to ensure energy security in the European Union. The Southern Corridor as a technical term in this sense was first used in 2008. The expression of the Southern Corridor was used in the European Commission document dated November 13, 2008 (i.e. Second Strategic Energy Review) and it considered the ways to transport natural gas from the Caspian region and the Middle East to

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<sup>537</sup> "Şahdeniz hattından gaz akışı başladı", <http://www.radikal.com.tr/haber.php?haberno=225812>

Europe.<sup>538</sup> The document mentions especially Azerbaijan, Turkmenistan and Iraq as origin countries, as well as Iran and Uzbekistan which are also named among the possible suppliers. The document also stressed to hold a larger meeting in relation to the Southern Corridor and get the first agreements in the middle of 2009. In fact, such ideas were also indicated in the previous reports of the AAB officials.<sup>539</sup>

EU leaders confirmed the plan for allocation of 3.75 billion Euros for energy projects with the purpose to strengthen the energy security of Europe in March, 2009.<sup>540</sup> Then, the preparation began for the Southern Corridor Conference to be held in Prague on May 8, under the leadership of the Czech Republic, the acting Chairman of the European Union. Indeed, the conference was considered to be held as a summit which would bring together heads of states and governments of EU. However, it was decided to be an event where the Czech Republic (the Chairman of the EU), the European Commission and the General Secretariat of the Council of Europe would attend. It was agreed that Azerbaijan, Turkey, Georgia, Turkmenistan and Kazakhstan would be invited as special countries to the event.<sup>541</sup>

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<sup>538</sup> “Second Strategic Energy Review: AN EU ENERGY SECURITY AND SOLIDARITY ACTION PLAN”, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0781:FIN:EN:PDF> ;

<sup>539</sup> Council of the European Union, Report on the Implementation of the European Security Strategy - Providing Security in a Changing World, Brussels, 11 December 2008, [http://www.consilium.europa.eu/ueDocs/cms\\_Data/docs/pressdata/EN/reports/104630.pdf](http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressdata/EN/reports/104630.pdf) ; Javier Solana, Address at the EU Energy Conference Towards an EU External Policy, Brussels, 20 November 2006, [http://www.consilium.europa.eu/ueDocs/cms\\_Data/docs/pressdata/EN/discours/91788.pdf](http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressdata/EN/discours/91788.pdf) ; Nicolò Sartori, “The European Commission’s Policy, Towards the Southern Gas Corridor: Between National Interests and Economic Fundamentals”, IAI WORKING PAPERS 12 | 01 – January 2012, <http://www.iai.it/pdf/DocIAI/iaiwpl201.pdf>

<sup>540</sup> “The European Council agreed on the financial arrangements for the €5 billion for the European economic recovery plan”, [http://www.europeanfoundation.org/my\\_weblog/2009/03/the-european-council-agreed-on-the-financial-arrangements-for-the-5-billion-for-the-european-economic-recovery-plan.html](http://www.europeanfoundation.org/my_weblog/2009/03/the-european-council-agreed-on-the-financial-arrangements-for-the-5-billion-for-the-european-economic-recovery-plan.html)

<sup>541</sup> “AB, ‘Güney Gaz Koridoru’ bilmecesini çözmeye kararlı”, 05.05.2009, <http://www.euractiv.com.tr/4/article/ab-guney-gaz-koridoru-bilmecesini-cozmeye-kararli-005631> ,

Thus, Baku Initiative was put forward<sup>542</sup> on November 13, 2004 and the Memorandum of Understanding on Strategic Partnership between the European Union and the Republic of Azerbaijan in the Energy Field"<sup>543</sup> was signed between the President of Azerbaijan Republic Ilham Aliyev, the President of the European Commission Jose Manuel Durao Barroso and the Chairman of the European Council Matti Vanhanen on November 7, 2006 in Brussels and Baku Declaration<sup>544</sup> was signed in November, 2008.

The summit of the Southern Corridor was held in Prague on May 8, 2009. The summit was held a day after the European Union's Eastern Partnership summit. The European Union's energy security aspects were emphasized<sup>545</sup> in the final declaration of the Eastern Partnership Summit held on May 7. Besides the leaders of 27 countries that are members of the European Union, EU Council President Mirek Topolanek, EU Commission Chairman Jose Manuel Barroso, Secretary General, High Representative for the Common Foreign and Security Policy of the Council of Ministers of the European Union Javier Solana, Commissioner of the European Commission for Energy Andris Piebalgs participated on behalf of EU in the Summit.<sup>546</sup> The President of Azerbaijan Ilham Aliyev, Turkish President Abdullah Gul and the President of Georgia Mikheil Saakashvili, who are the leaders of interested states that are not the members of EU, also attended the summit. Egypt was represented by its oil minister Sameh Fahmy at the summit. Kazakhstan, Turkmenistan and Uzbekistan were

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<sup>542</sup> "BAKU INITIATIVE", [http://ec.europa.eu/dgs/energy\\_transport/international/regional/caspian/energy\\_en.htm](http://ec.europa.eu/dgs/energy_transport/international/regional/caspian/energy_en.htm)

<sup>543</sup> See "Memorandum Of Understanding On A Strategic Partnership Between The European Union And The Republic Of Azerbaijan In The Field Of Energy", [http://ec.europa.eu/dgs/energy\\_transport/international/regional/caucasus\\_central\\_asia/memorandum/doc/mou\\_azerbaijan\\_en.pdf](http://ec.europa.eu/dgs/energy_transport/international/regional/caucasus_central_asia/memorandum/doc/mou_azerbaijan_en.pdf)

<sup>544</sup> "The Fourth Energy Summit and Baku Declaration", <http://www.turkishweekly.net/news/61353/the-forth-energy-summit-and-baku-declaration.html>

<sup>545</sup> "Joint Declaration of the Prague Eastern Partnership Summit Prague, 7 May 2009", [http://ec.europa.eu/europeaid/where/neighbourhood/eastern\\_partnership/documents/prague\\_summit\\_declaration\\_en.pdf](http://ec.europa.eu/europeaid/where/neighbourhood/eastern_partnership/documents/prague_summit_declaration_en.pdf)

<sup>546</sup> "Praqada "Cənub dəhlizi - Yeni İpək yolu" sammiti keçirilib", 09 May 2009, <http://www.yeniazerbaycan.com/news/8934.html>

represented at the lower level. Also, the representatives of international economic and financial institutions of the USA, Ukraine and other countries took part in the event. Iraqi President Jalal Talabani wrote a letter to Jose Manuel Barroso and expressed its support to the Southern Corridor.<sup>547</sup>

The Czech Prime Minister Mirek Topolanek who presided the European Union at that time, emphasized energy issues as one of the most actual problems. The Prime Minister of the Czech Republic underlined the importance of the Southern Corridor - New Silk Road Summit in this respect and expressed hope that the conclusions of the event would be efficient. Jose Manuel Barroso discussed the issues related to ensuring European energy security. Azerbaijani President Ilham Aliyev and other leaders also spoke at the summit.

At the end of the summit, the European Union and the four countries (Azerbaijan, Georgia, Turkey and Egypt) signed an agreement in order to speed up the construction of the NABUCCO pipeline. The participants emphasized that they had agreed upon the following points in a joint declaration signed by them.<sup>548</sup> According to the document, the parties:

- stated that they would support the strengthening of prosperity, stability and security common for all relevant countries and provide political support, technical and financial assistance, which was necessary for realization of Southern Corridor project which was an initiative for ensuring of mutual benefit
- considered the Southern Corridor as the mutual earnings area creating opportunities for cooperation between different people participating in the public and private sector and believed that the project (which would strengthen the relations between the Southern Corridor countries, especially the relations of mutual energy cooperation, according to them) would serve as a factor that would ensure cooperation between the states parties to this project also in other fields.
- promised that they would contribute to the implementation of concrete energy and transport projects, that include also Trans-Caspian project in the

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<sup>547</sup> “Prague Summit, Southern Corridor, 8th May 2009”,  
[http://eeas.europa.eu/energy/s\\_corridor/index\\_en.htm](http://eeas.europa.eu/energy/s_corridor/index_en.htm)

<sup>548</sup> “The DECLARATION - Prague Summit Southern Corridor May 8, 2009”,  
[http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/misc/107598.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/misc/107598.pdf) s. 1

Southern Corridor, trying to cope with the commercial and non-commercial barriers and acting on a common progress strategy that was interesting for individual obligations of all energy producer, transit and consumer countries.

The idea of the Southern Corridor, which is the complementary nature of other energy and transport cooperations and EU projects, is open to the participation and contribution of the third countries, in case it is accepted between all countries parties to it. One of the pre-conditions for Southern Corridor development is the provision of cooperation for establishment of direct energy and transport relations between proper countries.

The participants undertook not only to increase energy security of the participating countries, but also to provide all support necessary for the construction of the Southern Corridor that included Trans-Caspian energy transportation project directed to the assortment of energy resources, energy markets and energy pipelines that would assist the establishment of fair and profitable energy opportunities for all energy producer, consumer and transit countries.

The parties also stressed that they were committed to the following documents. The Southern Corridor project is being developed on the basis of all of these documents<sup>549</sup>:

- Partnership and Cooperation Agreements signed between the EU – Azerbaijan, the EU-Georgia, the EU-Kazakhstan and the EU-Uzbekistan,
- Partnership agreements signed between the EU - Turkey and the EU – Egypt,
- European Neighboring Countries Policy that includes Action Plans, Eastern Partnership, EU-Central Asian Strategy and EU-Black Sea Synergy,
- Strategic energy enterprises between the EU - Egypt, the EU-Kazakhstan, the EU-Turkmenistan and the EU-Azerbaijan,
- Materials of NABUCCO Summit held on January 27, 2009 in Budapest and Sofia Energy Summit held on April 24-25, 2009,

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<sup>549</sup> “The DECLARATION - Prague Summit Southern Corridor May 8, 2009”, [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/misc/107598.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/misc/107598.pdf) p. 2

- Baku Initiative and the Energy Road Map adopted in Astana Ministerial Conference held on November 30, 2006,
- Baku Energy Summit Document dated on November 14, 2008,
- Ministerial Declaration on NABUCCO Natural Gas Pipeline dated on June 26, 2006,
- Agreements for the transportation of oil and gas through Baku-Tbilisi-Ceyhan and Baku-Tbilisi-Erzurum pipelines,
- Agreement on Turkey, Greece and Italy Transport Corridor signed between the Republic of Turkey, Greece and Italy on July 26, 2007 in Rome,
- EU Council decisions dated on March 8-9, 2007, October 17, 2008 and March 20, 2009,
- European Commission Document of the Second Strategic Energy Review dated on November 13, 2008,
- European Parliament and EU Council decision No. 1364/2006 / EC about Trans-European Energy networks,
- The decision of the Commission providing financial assistance in the field of Trans-European energy networks, dated on December 2, 2008,
- INOGATE technical feasibility studies on the Trans-Caspian-Black Sea Gas Corridor resourced from EU and feasibility studies conducted on the Caspian Development Corporation (Caspian Development Corporation CDC),
- The Commission Paper of January 31, 2007 about expansion of the main Trans-European networks to neighboring countries;
- Transport cooperation and initiatives which include EU and Southern Corridor countries,
- Relevant international agreements resourcing from the Energy Charter Treaty and Energy Community Treaty and other bilateral and a number of agreements supporting the development of Southern Corridor projects.

Thus a very serious step was started with this agreement for the realization of the Southern Corridor. The next major step was taken in January, 2011 during the visit of EU Commission President Jose Manuel Barroso to Baku. A Joint

Declaration on the Southern Gas Corridor was signed between Azerbaijani President Ilham Aliyev and Jose Manuel Barroso on January 13, 2011 in Baku.<sup>550</sup> The parties acknowledged the diversification of gas supply routes from the Caspian region to Europe as one of the factors causing energy security.<sup>551</sup> At the same time the declaration mentioned the special importance of Baku-Tbilisi-Ceyhan oil pipeline and Baku-Tbilisi-Erzurum gas pipeline in the transportation of energy resources of Azerbaijan and other countries of the Caspian region and notes the necessity of energy relations between Azerbaijan and the European Union defined in the "Memorandum of Understanding on strategic partnership between the European Union and the Republic of Azerbaijan in the energy field" signed between the President of Azerbaijan Republic Ilham Aliyev and the President of the European Commission Jose Manuel Durao Barroso in November, 2006 in Brussels, in the relevant provisions of the Baku Declaration signed in November, 2008 and in the proper Energy Declaration of the Prague Summit held in May, 2009.

The Parties especially emphasized that besides other points they would also attempt for the development of the Southern Corridor as soon as possible, speed up the process of distribution of available natural gas resources in a strategic important Shah Deniz 2 project and other wells in Azerbaijan and also mentioned the compliance of the establishment of the route from the Caspian region to the European market with the joint strategic purpose of Azerbaijan Republic and European Union for the diversification of gas transportation routes and creation of direct energy and transport links.

The document was approved by Milli Mejlis of the Republic of Azerbaijan and came into force after signing by Ilham Aliyev, the President of the Republic

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<sup>550</sup> "Commission and Azerbaijan sign strategic gas deal", <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/30&format=HTML&aged=0&language=EN&guiLanguage=en>

<sup>551</sup> "Joint Declaration on the Southern Gas Corridor", [http://ec.europa.eu/energy/infrastructure/strategy/doc/2011\\_01\\_13\\_joint\\_declaration\\_southern\\_corridor.pdf](http://ec.europa.eu/energy/infrastructure/strategy/doc/2011_01_13_joint_declaration_southern_corridor.pdf)



of Azerbaijan on March 4, 2011<sup>552</sup>. A day later, a Protocol of Intent about creation of the Working Group for the Southern Corridor was signed between Azerbaijan and European Union in Baku. The document was signed in the meeting held at the Ministry of Industry and Energy of Azerbaijan by the Minister Natig Aliyev and the EU Energy Commissioner Gunther Oettinger.<sup>553</sup>

Natig Aliyev stated that the document was signed in accordance with the instructions of the President Ilham Aliyev and the European Commission President Jose Manuel Barroso and was the next step in the direction to resolve the next issues:

Both presidents gave us joint instructions yesterday. Thus, both Gunther Oettinger and I were instructed that the issues and measures arising from the Joint Declaration should be implemented as soon as possible. Today we have signed the Protocol of Intent and agreed upon the implementation of the Joint Declaration. This is our road map. It was decided to create a joint working group and to ensure the participation of all the specialists and experts from both the Commissariat of the European Union and Azerbaijan sides.<sup>554</sup>

Finally, in the last stage of this process, an agreement on Trans-Anatolian project was signed between Azerbaijan and Turkey. The first information about this was spread in the media in late 2011. Among the documents signed after the meeting of Azerbaijan-Turkey High-Level Strategic Cooperation Council held in Izmir in October, 2011, the agreement signed between Azerbaijan and Turkey to build a joint natural gas pipeline drew special attention.

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<sup>552</sup> “Cənub Qaz Dəhlizi haqqında Birgə Bəyannamənin təsdiq edilməsi barədə AZƏRBAYCAN RESPUBLİKASININ QANUNU”, [http://e-qanun.az/files/framework/data/21/f\\_21582.htm](http://e-qanun.az/files/framework/data/21/f_21582.htm)

<sup>553</sup> “Azərbaycan və Avropa İttifaqı Cənub Dəhlizi layihəsi üzrə işçi qrupu yaradır”, <http://www.amerikaninsesi.org/content/azrbaycan-v-avropa-ttifaq-cnub-dhlizi-layihsi-uzr-ici-grupu-yaradr--113875969/720334.html>

<sup>554</sup> “Cənub dəhlizi` ilə bağlı İşçi Qrupu yaradılır”, <http://www.ekspress.az/2011/01/15/get=30577>

On October 27, 2011, Rovnaq Abdullayev, the President of SOCAR, stated in his interview to ANS television that Azerbaijan was going to build a new gas pipeline in the territory of Baku and Ankara, Turkey to export a large part of 50 billion cubic meters of gas that Azerbaijan intends to produce till 2025: "Azerbaijan and Turkey agreed on the investigation of the project of construction of this gas pipeline".<sup>555</sup> He added that Azerbaijan and Turkey were planning to resolve all issues on the pipeline project during 2012, and wanted to start construction work immediately, that the pipeline to be ready at the end of 2017 - when the operations on the 2nd stage of the "Shah Deniz" project start. According to the president of SOCAR, 15 documents on gas export, including intergovernmental agreements and an agreement on the sale of gas, to be produced on the "Shah Deniz-2" project, to Turkey since 2017 and an agreement on the transportation of gas to be produced on the "Shah Deniz-2" project, through Turkey by using of the transport network of BOTAS in 2017-2042, were signed on October 25 in Izmir.

The name of the pipeline was announced by the President of SOCAR Rovnaq Abdullayev in Istanbul in November 2011. Rovnaq Abdullayev spoke in the Black Sea Energy and Economic Forum, held by the Atlantic Council each year, on November 17 in Izmir and he stated that the new transit gas pipeline, for the purpose of transportation of gas to be produced from various fields of Azerbaijan through the territory of Turkey, was to be prolonged and named as Trans-Anatolian Gas Pipeline, speaking about gas agreements signed with the participation of state leaders of Azerbaijan and Turkey in Izmir.<sup>556</sup>

As the next step Minister of Industry and Energy of Azerbaijan Natig Aliyev and Minister of Energy and Natural Resources of Turkey Taner Yildiz signed an agreement on the consortium of Trans-Anatolian pipeline (in short TANAP) which would transport natural gas of Azerbaijan to Turkey and Europe

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<sup>555</sup> "Azərbaycan və Türkiyə qaz ixracı üçün yeni boru kəməri tikəcəklər", 27 October 2011, <http://az.trend.az/capital/energy/1950570.html>

<sup>556</sup> "ARDNŞ prezidenti Rövnaq Abdullayev Türkiyədə Qara dəniz İqtisadiyyat və Enerji Forumunda çıxış etmişdir", <http://new.socar.az/socar/az/news-and-media/news-archives/news-archives/2011/11/17>

on December 24, 2011.<sup>557</sup> After the signing ceremony, Natig Aliyev told the reporters that the annual capacity of Trans-Anatolian pipeline with total value of EUR 7 billion will have 16 billion cubic meters. However, the annual capacity of pipeline could be 24 billion cubic meters in the near future. Taner Yildiz said that SOCAR would own 80 percent, Turkey Petrols Shareholder Company (TPAO) and BOTAS will own 20 percent share in Trans-Anadolu consortium.<sup>558</sup> The consortium established between the companies of Turkey and Azerbaijan will be open to other companies in the future.

It was noted in the energy section of the report which was sent by the European Union Commission to member countries in February, 2012 that European Countries needed a new pipeline that would transport Azerbaijani natural gas through the territory of Turkey. The report noted that, in this respect, Trans-Anatolian gas pipeline that would carry out the transportation of 16 billion cubic meters of natural gas from Turkey to Azerbaijan would solve all the problems and substitute the NABUCCO project. The report also noted that the transportation of Azerbaijani natural gas to Europe via independent pipeline can put an end to interruptions in supply of fuel during winter season each year.<sup>559</sup>

There was a signing ceremony of the documents on TANAP in Istanbul in the presence of Ilham Aliyev and Turkish Prime Minister Recep Tayyip Erdogan on June 26, 2012, during the visit of the President of Azerbaijan Republic Ilham Aliyev to Turkey for 20-year anniversary summit of the Black Sea Economic Cooperation (BSEC). The Intergovernmental Agreement between the Republic of Turkey and the Republic of Azerbaijan on Trans-Anatolian Gas Pipeline was signed by the President of Azerbaijan Ilham Aliyev and the Turkish Prime Minister Recep Tayyip Erdogan. The Agreement was also signed by the

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<sup>557</sup> “Türkiyə ilə Azərbaycan arasında Transanadolu boru xətti konsorsiumu üzrə saziş imzalanmışdır”, <http://azertag.com/node/899468>

<sup>558</sup> “What TANAP”, <http://www.tanap.com/en/what-tanap>; “Azərbaycan'la tarihi anlaşma”, <http://www.sabah.com.tr/Ekonomi/2011/12/26/azeri-gazina-tarihi-imza>

<sup>559</sup> “We Need A Natural Gas Pipeline To Pass Via Turkey, Says EU”, 14 February 2012, <http://www.turkishny.com/english-news/5-english-news/80489-we-need-a-natural-gas-pipeline-to-pass-via-turkey-says-eu>

Azerbaijani Industry and Energy Minister Natig Aliyev and the Turkish Energy and Natural Resources Minister Taner Yildiz.<sup>560</sup> The initial agreement between BOTAS and SOCAR on organizational issues in TANAP Project Company was signed by the Azerbaijani Industry and Energy Minister Natig Aliyev and the Turkish Energy and Natural Resources Minister Taner Yildiz and the President of SOCAR Rovnag Abdullayev and the Deputy General Director of BOTAS Mehmet Konuk.

At the press conference held after the signing ceremony the President Ilham Aliyev emphasized the mutual relationship between the realization of the Southern Gas Corridor and the safe transportation of energy resources of Azerbaijan to Europe. Ilham Aliyev evaluated TANAP as a very important and historically significant project that would enable the transit transportation of Azerbaijani gas to Europe via Turkey.<sup>561</sup> Moreover, the Prime Minister of Turkey Erdogan stated that Turkey actively supported the Southern Gas Corridor projects which considered the transportation of the Caspian Basin and Central Asian natural gas to Europe via Turkey by means of alternative routes, to ensure its energy security, as well as to contribute to Europe's energy security and in this sense he evaluated TANAP as a very important and historically significant project that would enable the transit transportation of Azerbaijani gas to Europe via Turkey.<sup>562</sup>

After the documents signing ceremony, the President of SOCAR Rovnag Abdullayev stated that the Shah-Deniz consortium would determine the pipeline which would transport Azerbaijani gas to Europe, in the near future. Rovnag Abdullayev said that the Shah Deniz consortium would make a choice between the pipelines (between NABUCCO West and South East European Pipeline projects) that would transport natural gas volumes to be produced from the field,

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<sup>560</sup> “Azərbaycan ilə Türkiyə arasında TANAP sazişi imzalanıb”, 26.06.2012, <http://modern.az/articles/25774/1/>

<sup>561</sup> İlham Əliyev və Baş nazir Rəcəb Tayyib Ərdoğan mətbuata birgə bəyanatlarla çıxış etmişlər , 26 iyun 2012, <http://az.president.az/articles/5270>

<sup>562</sup> “Enerji'nin İpekyolu Trans Anadolu Doğal Gaz Boru Hattı Projesi (TANAP) için imzalar atıldı”, <http://www.tanap.com/2012/06>

to the Central Europe. The selected variant and the Trans Adriatic Pipeline (TAP) project would be reviewed with the equal right in the final decision making process.<sup>563</sup>

The consortium already determined the pipeline that would transport the gas produced within the second phase of operation of Shah Deniz field in the Azerbaijani sector of the Caspian Sea, on June 27. According to Bloomberg, the Neftekompass newspaper reported about it citing a source of oil and gas circles in the Caucasus.<sup>564</sup> According to the report, the selection of BP and its partners was not the South-Eastern Europe (SEEP) gas pipeline project, but the NABUCCO West project for the transportation of natural gas from Azerbaijan to Europe. In the next stage, NABUCCO West pipeline would have to compete with the Trans-Adriatic (TAP) pipeline project for the right to export the Shah Deniz gas. Moreover, the final selection with regard to it would be in the middle of 2013. Then, SOCAR President Rovnag Abdullayev gave an official statement about it and confirmed the information on July 4, at the time of his visit to Sumgait.<sup>565</sup>

The very most realistic results are these achieved from the point of transportation of natural gas resources in the Caspian region to Europe, up to this phase. However, several ideas have been put forward and different projects have been brought up since the first day when the issue came up until to date. Among these, the Turkey-Greece-Italy<sup>566</sup>, TAP (Trans Adriatic Pipeline)<sup>567</sup>, White Stream<sup>568</sup> (the project which provides the construction of the pipeline to Romania

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<sup>563</sup> “Shah Deniz selects second export route option to Europe”, <http://new.socar.az/socar/az/news-and-media/news-archives/news-archives/id/4742>

<sup>564</sup> “NABUCCO Outbids SEEP for Shah Deniz Gas, Nefte Compass Reports”, <http://www.bloomberg.com/news/2012-06-27/NABUCCO-outbids-seep-for-shah-deniz-gas-nefte-compass-reports.html>

<sup>565</sup> “BP-Led Shah Deniz Group to Buy ‘Large Stake’ in EU Gas Pipe”, <http://www.bloomberg.com/news/2012-07-04/shah-deniz-partners-to-buy-large-stake-in-pipeline-to-europe.html>

<sup>566</sup> “ITGI: Turkey - Greece - Italy Gas Pipeline”, <http://www.edison.it/en/company/gas-infrastructures/itgi.shtml>

<sup>567</sup> “Concept”, <http://www.trans-adriatic-pipeline.com/tap-project/concept/>

<sup>568</sup> “Project Development”, <http://www.white-stream.com/#!/clients/c1a4e>

or according to other variant, to the Ukraine from Georgia through the Black Sea), South-Eastern Europe Pipeline (SEEP<sup>569</sup>), AGRI (the Azerbaijan-Georgia-Romania Interconnector)<sup>570</sup>, Transcaspian (transportation of Kazakhstan<sup>571</sup> and Turkmenistan<sup>572</sup> natural resources to the Western markets, by means of the Caspian Sea and Azerbaijan) and NABUCCO<sup>573</sup> projects are possible to be mentioned.<sup>574</sup>

NABUCCO was undoubtedly the most discussed and it caught particular attention among all these projects. The project started with the discussions between Austrian company OMV Gas and Power GmbH and Turkish company BOTAS in February, 2002. Also, the meetings were held with other companies. The feasibility study was started in connection with the construction of a new gas pipeline between BOTAS, BULGARGAZ, MOL Plc, TRANSGAZ and OMV Gas & Power GmbH companies in October, 2002.

NABUCCO project was implemented by NABUCCO Gas Pipeline International GmbH Company. NABUCCO consortium includes the following companies: Turkey's BOTAS, Germany's RWE AG, Austria's OMV Gas & Power GmbH, Hungary's MOL Plc, Romania's TRANSGAZ and Bulgaria's Bulgargaz companies.<sup>575</sup> The company was established June 24, 2004, by the companies implementing the project. As to the shares of the company, the shareholders owned the equal parts (16, 67%). The total investment value of the

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<sup>569</sup> "The South East Europe Pipeline: Greater Benefit for a Greater Number of Actors" , <http://www.isn.ethz.ch/isn/Digital-Library/Publications/Detail/?ots591=0c54e3b3-1e9c-be1e-2c24-a6a8c7060233&lng=en&id=136979>

<sup>570</sup> "AGRI: THE FIRST LNG PROJECT TO BE DEVELOPED IN THE BLACK SEA", <http://www.agrilng.com/>

<sup>571</sup> "HAZAR GEÇİŞLİ TÜRKMENİSTAN - TÜRKİYE - AVRUPA DGBH PROJESİ", <http://www.botas.gov.tr/icerik/tur/projeler/yurtdisi.asp>

<sup>572</sup> "Trans-Caspian Project", <http://www.transcaspianproject.com/>

<sup>573</sup> "NABUCCO", <http://www.NABUCCO-pipeline.com/portal/page/portal/en>

<sup>574</sup> See Stefan Meister, Marcel Viător, "The Southern Gas Corridor and the South Caucasus", 01/11/2011, <https://dgap.org/en/think-tank/publications/further-publications/southern-gas-corridor-and-south-caucasus>

<sup>575</sup> "NABUCCO'nun Kısa Geçmişi", <http://www.NABUCCO-pipeline.com/portal/page/portal/tr/Company/About%20us>

project was 7.9 billion Euros (12.3 billion U.S. dollars). 1/3 of the project cost would be financed by the shareholders and the rest part by financial and credit institutions.<sup>576</sup>

The Budapest summit received political support from member states of EU and NABUCCO on December 29, 2009. An Agreement was signed between Austria and Hungary and Romania and Bulgaria and Turkey that are transit countries in NABUCCO project, on July 13, 2009 in Ankara.<sup>577</sup> Austrian OMV Company, the initiator of the project, stated that NABUCCO was considered to be filled with the gas of Azerbaijan and Iraq in the first stage in order to be profitable. Thus, at least 8 billion cubic meters of gas was expected to be transported in the first stage from the "Shah Deniz" field by the pipeline. In total 17 billion cubic meters of gas was planned to be transported to Europe in the first stage when NABUCCO started.<sup>578</sup>

The disputes went for a long time about the extent of reality of NABUCCO.<sup>579</sup> Due to continuing problems with regard to the value increase of the project and natural gas to be supplied, it was claimed not to be implemented. The Agreement between Azerbaijan and Turkey on TANAP was differently evaluated from the point of view of NABUCCO. The positive and negative effects of TANAP to NABUCCO, in the wider context to the Southern Corridor and in general to the European Union energy security were arisen.<sup>580</sup> More negative opinions became available with regard to NABUCCO on the classic sense, but in general more positive opinions became available with regard to the European

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<sup>576</sup> "Azərbaycan prezidenti: NABUCCO" layihəsi ilə bağlı xeyli sual hələ də cavabsız qalır", <http://az.apa.az/news.php?id=176017>

<sup>577</sup> "Türkiye'nin Enerji Stratejisi", [http://www.mfa.gov.tr/turkiye\\_nin-enerji-stratejisi.tr.mfa](http://www.mfa.gov.tr/turkiye_nin-enerji-stratejisi.tr.mfa)

<sup>578</sup> «NABUCCO» ilkin mərhələdə Azərbaycan və İraq qazı ilə doldurulacaq, 01 February 2010, <http://www.milli.az/news/economy/1434.html>

<sup>579</sup> "Europe's gas pipelines: The abominable gas man", The Economist, Oct 14th 2010, <http://www.economist.com/node/17260657>

<sup>580</sup> Söhbət Məmmədov, "Баку похоронил NABUCCO" (Bakı NABUCCO-nu dəfn etdi), [http://www.ng.ru/cis/2012-06-26/6\\_NABUCCO.html](http://www.ng.ru/cis/2012-06-26/6_NABUCCO.html)

Union's energy security. Then the views were sounded on creation of the realization chance by TANAP's and NABUCCO's smalling.<sup>581</sup>

NABUCCO West approach, providing the transportation of natural gas delivered to the western border of Turkey as a result of activities carried out in this direction by NABUCCO International Company (NIC), from Bulgaria via NABUCCO Natural Gas Pipeline, was put forward. NIC, issued its proposal about tariffs for transportation via NABUCCO Project Western Branch to Shah Deniz Consortium on behalf of the partners in the NABUCCO project, on May 16, 2012.<sup>582</sup>

#### **7.4. International Politics of European Southern Energy Corridor**

##### **The USA**

The USA set clearly out its position giving special importance to the matter of European energy security in all stages. This position has been reflected in the relations between the USA and Azerbaijan. It is possible to observe this in BTC and BTE projects, as well as in the initiatives in recent years. For example, the former USA Ambassador to Azerbaijan Matthew Bryza claimed in his interview, after a short period he arrived in Baku (on February 25, 2011), to Radio Liberty that 2011 would be an important year from the point of the delivery of gas resources in the Caspian region to Europe via the Southern Corridor.<sup>583</sup> Bryza emphasized in the same interview that the main direction of energy policy of the USA with regard to the region was diversification of natural gas supply of the European partners of the USA and by this ensuring of their political and economic interests.

Richard Morningstar, the Special Envoy of the Ministry of Foreign Affairs of the USA (State Department) for Eurasian Energy (Ambassador of the USA to

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<sup>581</sup>“NABUCCO'dan yeşil ışık!”, 22 March 2012, <http://ekonomi.haberturk.com/makro-ekonomi/haber/727019-NABUCCOdan-yesil-isik>

<sup>582</sup> “NABUCCO DGBH PROJESİ”, <http://www.botas.gov.tr/icerik/tur/projeler/yurtdisi.asp>

<sup>583</sup> “Səfir Metyu Brayzanın Azadlıq Radiosuna verdiyi müsahibə 25 fevral, 2011-ci il”, [http://photos.state.gov/libraries/azerbaijan/366196/Press%20Transcripts/AMB%20RL%20int%2002%2025%202011\\_AZE.pdf](http://photos.state.gov/libraries/azerbaijan/366196/Press%20Transcripts/AMB%20RL%20int%2002%2025%202011_AZE.pdf)



Azerbaijan at present), stated that the USA fully supported the Southern Corridor consisting of one or several strategically important pipeline projects to transport Azerbaijani natural gas to Europe on November 15, 2011.<sup>584</sup> A few days later, Richard Morningstar stated in the Black Sea Energy and Economic Forum organized by the Atlantic Council that the uncertainty lasting for many years in the NABUCCO project that aimed to reduce the dependence of Europe from Russia from the point of natural gas supply bored also the USA.<sup>585</sup> Morningstar mentioned that the use of a smaller pipeline than NABUCCO for transportation of Caspian gas to Europe could be more appropriate from the point of feasibility.

The USA officials have repeatedly supported the Trans-Caspian project having the strategic importance from the point of transportation of energy resources in the Caspian basin to Europe in their disclosures. Daniel Stein, the Senior Advisor of the Special Envoy of the Ministry of Foreign Affairs of the USA, stated in his speech in the 19 th International Caspian Oil and Gas, Refining and Petrochemistry (Caspian Oil and Gas) exhibition and conference held in Baku on June 5-8, 2012, that in case of agreements between Azerbaijan and Turkmenistan on the Trans-Caspian natural gas pipeline, other countries could not prevent it. Stein repeated in his speech the support of the USA to the Southern Corridor and stated that Turkmenistan's natural gas could be transported by the Trans-Caspian pipeline through Azerbaijan. This disclosure of the USA official would be much more considered as a message to Russia and Iran: "If Azerbaijan and Turkmenistan come to an agreement about construction of Trans-Caspian gas pipeline, no country can veto this decision."<sup>586</sup>

## **Russia**

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<sup>584</sup> “Morningstar Bakü'de ABD'nin Güney Koridoru projesine desteğini vurguladı”, <http://1news.com.tr/azerbaycan/siyaset/20111117095210729.html>

<sup>585</sup> “NABUCCO Projesi'nde yıllardır süren belirsizlik ABD'yi de usandırdı”, <http://enerjiensitüsü.com/2011/11/19/NABUCCO-projesinde-yillardir-suren-belirsizlik-abdyi-de-usandirdi/>

<sup>586</sup> “Transanadolu qaz kəməri layihəsinə (TANAP) iyulda start verilə bilər”, [http://www.bbc.co.uk/azeri/azerbaijan/2012/06/120606\\_trans\\_anatolian\\_expert.shtml](http://www.bbc.co.uk/azeri/azerbaijan/2012/06/120606_trans_anatolian_expert.shtml) ; “ABD'den Trans Hazar'a Tam Destek”, <http://www.1news.com.tr/azerbaycan/ekonomi/20120606012346173.html>

Russia always strongly opposed the Southern Corridor and the projects rose in this context. Also, it is known this policy of Russia is based on its natural interests, sometimes this state tried to image that as if the subject was of not interest him, and from the other point a number of disclosures were regularly issued in the opposite direction. The campaign was conducted in this direction by both official and unofficial channels. For example, the style of Alexey Miller's, the chairman of Gazprom, response to a question about NABUCCO perfectly reflected this approach. Miller, in his statement to German Spiegel magazine used the following expressions: "We are not against NABUCCO. The Europeans can build NABUCCO if they intent. We are not interested in it, it is their internal problem".<sup>587</sup> It is interesting NABUCCO to be approached not as a project, but as a problem here.

At the same time, the density of the materials (some of them was also placed in the Turkish site of the radio) published on the website of the Russian state radio in November, 2011 is also important from the point of understanding of the approach in this direction. Approximately 10 small and large-scale materials trying to prove that the Southern Corridor to be lack of perspective were published during a month. Some of the materials criticized the USA, some Turkey, some Azerbaijan and Turkmenistan. For example, the article dated on November 1, 2011, with the heading of "The main problems of the Southern Gas Corridor development: Why can't the NABUCCO project start?" justifies below why NABUCCO cannot start.<sup>588</sup>

- The natural gas source is inadequate.
- Europe's gas requirement is uncertain.
- Turkey's approach is not standard.
- NABUCCO's costs are uncertain and expensive.
- The approach of the EU Commission and individual countries is uncertain.

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<sup>587</sup>"Gazprom: 'NABUCCO'ya karşı değiliz", 12.01.2011, <http://www.euractiv.com.tr/enerji/article/gazprom-NABUCCOya-karsi-degiliz-014810>

<sup>588</sup> "Güney Gaz Koridoru'nun ana gelişim sorunları: Neden NABUCCO projesi bir türlü başlamadı", <http://turkish.ru/2011/11/01/59710921.html>

A similar approach can also be found in the article dated on November 10, with the heading of "Turkmenistan Gas: Why can't Europe purchase?"<sup>589</sup> It also indicated a large number of people who wanted to buy Turkmen gas and incoherence of Turkmenistan resources with it and the failure of Turkmenistan to draw the lines unlike Russia and Turkmenistan's intent to sell its gas in its border, as reasons.

"South Stream versus NABUCCO: Why will NABUCCO lose"<sup>590</sup> and "The last case in the South Stream"<sup>591</sup> articles not only deal with the natural problems, but also, for example, explain the reason of Russia's prevention Trans-Caspian pipeline and consider Russia's use from gas as a means of political pressure as paranoia.

### **Final Review**

In general, Azerbaijan has brought to the fore the cooperation spirit in the energy policy and signed agreements with different states to its west, east, north and south. Azerbaijani officials regularly stated that they are ready to cooperate with different states in various fields, including the energy sector, except Armenia that occupied its territories. It was also noted that Armenia may also take part in this kind of cooperation even if the Azerbaijani lands are liberated. Examples of this approach are given in different parts of the study.

The other factor that stimulates energy cooperation between Azerbaijan and the European Union include the positions of the USA and Turkey. The full support by these two countries, one being the global power, the other being the strategic partner of Azerbaijan and mentioned as one nation, two states with Azerbaijan, to the energy partnership between Azerbaijan and the European Union and even being a part of this process stipulate this process undoubtedly.

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<sup>589</sup>“TÜRKMENİSTAN GAZI: AVRUPA NEDEN ALAMAZ?”, <http://turkish.ruvr.ru/2011/11/10/60152790.html>

<sup>590</sup>“Güney Akım NABUCCO'ya karşı: Neden NABUCCO kaybedecek”, <http://turkish.ruvr.ru/2011/11/16/60497197.html>

<sup>591</sup> “Güney Akım'da son durum”, <http://turkish.ruvr.ru/2011/11/17/60562335.html>

## CHAPTER 8

### CONCLUSION

This thesis tries to clarify the analysis of actually enough and important at the same time topics – the natural resources of Azerbaijan (especially oil and natural gas) and this is not accidental because the natural resources factor is one of the most crucial factors of modern international relations. The topic has been disclosed both from theoretical and practical points of international relations. Firstly, the attitude of international relations theories towards the energy factor was considered.

As it was specified in the thesis, oil and gas, after being used for economic purposes, became to be considered not only as the energy source but as components, by many means economic important and by the time, characterized with more of political and strategic nature. The consequences of the wars, determining the fortune of the World were determined by oil. Nowadays, oil and fairly gas are characterized as first class products to meet the needs of humanity.

At the end of 20th century the economic, political and strategic significance of oil aggravated the conflicts between the power centers for oil resources from one side, while on the other side it became a reason for emerging of huge economic strategies. 20th century was also qualified by many scientists as oil century, at the same time the increasing significance of natural gas among 21st century's strategic articles has been especially emphasized.

The traditional place of the energy in international relations system and its increasing significance enables the energy factor to be one of huge topics of international relations. This is not surprising, provided that the energy factor in international relations emerged and developed its strategic importance in the 20th century. The scientific approach of international relations to the energy factor, frequently referred to in order to explain the global policy and interstate relations, can be qualified within the context.

In general, it needs to be mentioned that the approach of international relations theories toward this issue in diverse levels. However, only liberalism (idealism) and realism theories are significant among these theories. From these theories, liberalism is important for being the first theory of international relations and transition of its conception to the leading criteria of modern international relations system. Another theory of international relations realism is important for being the most popular and affected theory, which explicitly secures its functionality in modern interstate relations.

As to views of idealism (liberalism) and realism to energy factor, it is important to underline the dramatic difference between these two approaches. Yet, both of the theories accept the significance of the energy factor. On the way of understanding of the significance of the energy factor by both theories the oil crises of 1970s played its special role. Both theories accept the energy to be one of the enormous means of competition in international system. The principal difference is while liberalism approach tries to remove this competition and its negative consequences, the realist theory emphasizes the natural character of such competition and struggle for power.

In general liberalism pays attention to the risks, which can be created by the energy from the standpoint of internal policy, economy and international relations and at the same time to cooperation opportunities. Liberalists refer to these problems as “resource curse<sup>592</sup>”, “Rentier State<sup>593</sup>” and “Resource Wars<sup>594</sup>”. Liberal theory makes a number of suggestions in connection with the reduction of problematic role of the energy, which can be the ones to enable the transparency and cooperation in energy sector and regional institutions. From the standpoint of international relations among them cooperation in international energy sector is more important. According to liberals, the main principles suggested to remove non-liberal practice in international energy sector can be grouped under 6

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<sup>592</sup> Jeffrey D. Sachs, Andrew M. Warner, Natural resource abundance and economic growth. //NBER Working Paper 5398, 1995.

<sup>593</sup> Douglas A. Yates, The Rentier State in Africa: Oil Rent Dependency and Neocolonialism in The Republic of Gabon, Africa World Press, Trenton, NJ, 1996. p.11.

<sup>594</sup> Susanne Peters, “Coercive Western Energy Security Strategies: Resource Wars as a New Threat to Global Security”

headings. The first one is the transparency and strengthening of transparency measures against secret transactions. The second one is to limit and remove illegal trade and practice, which lead to conflicts, by means of international regulations. The conception of the third suggestion “Corporate Social Responsibility” (CSR) is to be implemented in energy sector<sup>595</sup>. According to the fourth one, the liberal theory presupposes the implementation of good governance in the mechanism of Rantier State and energy revenue management. Fifth, according to liberal theory, the encouragement of international and regional energy regimes and institutions, which are based on liberal values, have special value. According to the liberal theory, within this framework the International Energy Agency plays significant role in the provision of international cooperation<sup>596</sup>. The sixth is the importance of economic liberalization of international and internal energy markets.

It needs to be underlined that a very important role in the development of ideas of liberalists on the significance of international institutions is by the American scientist Robert O. Keohane. The history of the scientific research, which creates the basis for qualification of the liberal theory of Keohane as Harvard school leader goes to 1960. The American scientist in his doctorate paper researched by UN in 1965, analyzed on whether power or institutions are influential factor in determining states’ acts. The thoughts of Keohane in connection with realism and liberal theory towards international relations were published in book *Transnational Relations and World Politics* in 1972 in co-authorship with Joseph Nye. The book emphasizes that international policy can not be explained only by interstate relations, the strengthening of international pluralism along with states, from the standpoint of non-official actors, emerging of dependence and interdependence in relations, and special importance of international organizations and international institutions in this process.

Keohane especially underlines the role of international organizations in international relations, the progressive strengthening of this role, bearing the

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<sup>595</sup> Jon Birger Skjærseth, Kristian Tangen, Philip Swanson, Atle Christer Christiansen, Arild Moe, Leiv Lunde, Limits to Corporate Social Responsibility: A comparative study of four major oil companies, <http://www.fni.no/doc&pdf/FNI-R0704.pdf>

<sup>596</sup> See <http://www.iea.org/index.asp>

function of gathering state officials together and acting like prospective cooperation flatness. Keohane in his book *After Hegemony: Cooperation and Discord in the World Political Economy* while discussing international cooperation and regimes, gives special place to oil regime between 1974-1981 years and the activity of International Energy Agency<sup>597</sup>.

On the other hand, the realist theory accepts the importance of energy strategy from the standpoint of power concept and values the energy within national power. Realism, which accepts the random character of the international system and the fact that the main actors are states, for the most part, sets forth safety and competition factors and of course, its attitude towards the energy factor is predicted by this prism.

It is important to emphasize that, prior to discussing the issues of the energy policy of Azerbaijan in diverse directions and transit of natural resources of Azerbaijan to international market, in order to achieve better understanding of the topic, the thesis has provided detailed analysis of the energy sector of Azerbaijan. It has clearly shown that information the on availability of oil in Azerbaijan comes from the ancient times. Land of Fire term, which is one of the explanations of the name Azerbaijan, nowadays used to characterize the country in modern times is closely interrelated with the availability of oil in Azerbaijan. The English traveler and writer Charles Marvin specifies the 2500 years history of the oil on Absheron peninsula in his work *The Region of Eternal Fire*, written in 1877. Travelers and writers like Pontlu Prisk (5<sup>th</sup> century), Abu-Istakhri (8<sup>th</sup> century), Ahmad Balazuri (9<sup>th</sup> century), Masudi (10<sup>th</sup> century), Marko Polo (13<sup>th</sup> and 14<sup>th</sup> centuries), Evliya Chelebi and O'Leari (17<sup>th</sup> century) in their works have written about availability of oil in Azerbaijan. In some sources, it is specified that the oil production in Azerbaijan was started in 7<sup>th</sup> and 6<sup>th</sup> centuries B.C. The 60th metres deep oil well which was drilled by an Azerbaijani master from Balakhani Allahyar Nuhuokhlu in 1854 is considered an evidence of oil production in the

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<sup>597</sup> See Robert O. Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy*, Princeton University Press, 2005, pp.217-242.

Middle Ages<sup>598</sup>. Additionally, a map of oil wells in Absheron Peninsula was created in 1724. In 1803, Baku citizen Qasimbey Mansurbeyov built two oil wells near Bibiheybat, 18 meters and 30 meters distant from the beach.

The history of the development of the oil industry of Azerbaijan can be divided into five stages. The first stage covers period of 1847-1920 years. This period started by strategic important oil producing from Bibiheybat for the first time and further from Balakhani, the oil wells drilled by mechanical means, in 1847-1848 years. The second grand period of the Azerbaijan oil industry covers the period between 1920-1949 years. This period started with the control of oil industry in Azerbaijan and was famous for discovery of Neft Dashlri deposit. The third period of the history of Azerbaijan oil industry covers the period between 1950 and 1969. In this period, for the first time in the world practice sea mine on pier posts in open sea was built. The fourth period of the history of Azerbaijani oil industry covers period from 1970 and lasts until the gaining of independence in 1991. Thus, Kazardanineft Production Association was created and the Ministry of Oil Industry of the USSR conferring the practice of work in sea of Azerbaijani oilmen in Khazar and they were assigned to conduct geological exploration, drilling, operating, use and other works in all the sectors of Khazar. The fifth and the last period in Azerbaijan oil industry is characterized by the new investments and the transit of oil to foreign markets in the period after gaining independence. The most outstanding characteristics of this period are the increasing number of capital investments to oil and gas sector by the large number of mostly Western foreign companies and provision of transit of these energy sources by new means to new markets.

In new period, Azerbaijan faced problems in the production of its natural resources and transit to international markets. Many people thought that the main reasons of the threats to the independence of Azerbaijan and its territorial integrity were its oil and natural gas and that it wanted to conduct independent policy towards there resources. Especially, the positions of Russia and Iran towards this

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<sup>598</sup> E.M.Hacızadə, AZƏRBAYCANIN QURUDA NEFTQAZÇIXARMA KOMPLEKSİNDƏ İQTİSADI İSLAHATLAR VƏ SƏMƏRƏLİLİK PROBLEMLƏRİ, 1998, p. 9



issue led to the occupation of Azerbaijan territories and internal instability of Azerbaijan, as military takeover and takeover initiatives.

Even though Azerbaijan several times encountered serious problems and sometimes delayed its acts, Azerbaijan strengthened its position firstly by signing the Contract of the Century in September, 1994<sup>599</sup> and further by determining the pipelines by which Azerbaijan will transit the oil to international markets. In this way, at an early stage, Baku-Supsa and Baku-Novorossiysk pipelines and later, with several difficulties, Baku-Tbilisi-Ceyhan pipeline were determined for these purposes<sup>600</sup>. It is important to mention that USA's decisive support and the selflessness of Turkey, by its own will in relevant moments, played a special role in all the process.

Currently, even though problems like the competition in the region (including competition for energy resources) and status of Khazar are remaining, further in addition to the first steps the building of Baku-Tbilisi-Erzurum gas pipeline, as well as the execution of the agreement in connection with TransAnadolu pipeline and discussions on TransKhazar pipeline are serious results in the way of cooperation. At the same time, it is important to emphasize that it is already several years that Kazakhstan and Turkmenistan oil is being transported to international markets by various channels through Azerbaijan, including BTC and as, Toğrul İsmayil points out, this changes the energy map of Europe.<sup>601</sup>

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<sup>599</sup> "AGREEMENT ON THE JOINT DEVELOPMENT AND PRODUCTION SHARING FOR THE AZERI AND CHIRAG FIELDS AND THE DEEP WATER PORTION OF THE GUNASHLI FIELD IN THE AZERBAIJAN SECTOR OF THE CASPIAN SEA" [http://www.bp.com/liveassets/bp\\_internet/bp\\_caspian/bp\\_caspian\\_en/STAGING/local\\_assets/downloads\\_pdfs/pq/ACG\\_PSA.pdf](http://www.bp.com/liveassets/bp_internet/bp_caspian/bp_caspian_en/STAGING/local_assets/downloads_pdfs/pq/ACG_PSA.pdf), (27.04.2012) ; Elman Nasirov, "THE CONTRACT OF THE CENTURY", <http://www.visions.az/oil.206/> (27.04.2012); Nasser Sagheb and Masoud Javadi, "Azerbaijan's `Contract of the Century`", Azerbaijan International, (2.4) Winter 1994, [http://www.azer.com/aiweb/categories/magazine/24\\_folder/24\\_articles/24\\_aioc.html](http://www.azer.com/aiweb/categories/magazine/24_folder/24_articles/24_aioc.html), (27.04.2012).

<sup>600</sup> Deniz Zeyrek, "Ankara'da Bayram Havası", Radikal, 21 Ekim 1999; Nijat Yusufov, "Ceyhan Plan Moves Step Up", Baku Sun Newspaper, V.3,5 May 2000, p. 1-2.; <http://www.btc.com.tr/proje.html>

<sup>601</sup> İsmayil, Toğrul. Avrupa'nın Enerji Haritası Değişiyor. 17.12.2013, [http://enerjigunlugu.net/avrupanin-enerji-haritasi-degisiyor\\_6155.html#.VIHaznbhDIU](http://enerjigunlugu.net/avrupanin-enerji-haritasi-degisiyor_6155.html#.VIHaznbhDIU)

In general during the process described above Azerbaijan was in the middle of competition and cooperation. However, except the presidential period of Ilham Aliyev, Azerbaijan had always chosen cooperation with other parties instead of conflicts. In other words, for Azerbaijan the energy policy has always been a win-win one instead of a zero-sum game. That is, none of the parties to the energy issues have been excluded and cooperation has been given utmost importance. At the period of Ilham Aliyev power it was also preferred to cooperate with other parties (especially with Turkey and the West). This policy of Azerbaijan influenced well the relations of Azerbaijan with the European Union, and both parties identified special course in connection with cooperation to strengthen their energy safety, as well as signed joint documents. Nowadays Azerbaijan continues the internal and international policy of cooperation in connection with energy factor.

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## **APPENDIX A**

### **CURRICILUM VITAE**

KAMRAN ABBASOV

E-mail: [kamran.abbasov@gmail.com](mailto:kamran.abbasov@gmail.com)

Telephone: 0 532 774 6804

Date of birth: August 13, 1982

Place of birth: Azerbaijan

Nationality: Azerbaijani

Marital status: Married

Citizenship: Azerbaijan

#### **EXPERIENCE**

November 2004 – May 2006

Administrative Coordinator in the East West Helicopter Services Ltd

October 2006 – August 2007

Research Assistant at Department of Middle East Studies

June 12 – 23, 2006

Training courses of parliamentary procedures and practices at the Grand National Assembly of Turkey

October 30 – November 3, 2006 attended training courses on Knowledge and Practise sharing program among the Azerbaijan and Turkish Parliaments

July 2-15, 2007

Training courses at the Ministry of Youth and Sporton Young Leaders Training Program

30 May – 30 June 2008

Internship at the National Security Strategies Research Center

07 November 2010

Candidate to the Parliament of Azerbaijan Republic during the elections of 2010

## **EDUCATION**

1999 – 2003

Baku State University, Baku Azerbaijan

Faculty: Social scientific and Psychology

Department: Philosophy

Degree: BS

2003 – 2005

Baku State University, Baku Azerbaijan

Faculty: Social scientific and Psychology

Department: Social Philosophy

Degree: MS

2007 – till present time

Middle East Technical University, Ankara Turkey

Faculty: Economic and Administrative Sciences

Department: International Relations

Degree: Ph.D

## **LANGUAGES**

Azerbaijani: Native

English: Fluent

Russian: Fluent

Turkish: Fluent

## **COMPUTER SKILLS**

MS Office

## **HONORS AND AWARDS**

Graduated from Baku State University with Honor in 2005

## **PUBLICATIONS**

December 12. 2007-

The article “Haydar Aliyev and Azerbaijan statism” won the 1st place in the competition which was organized by Embassy of the Azerbaijan Republic in the Turkey.

## B

### TURKISH SUMMARY

Bu doktora tezi İlham Aliyev'in iktidara geldiği 2003'den bu güne Azerbaycan'ın enerji sektörünün politik ve ekonomik yapısını ve bu yapının dış politikaya etkisini incelemeyi amaçlamaktadır. Tez, Sovyetler dönemi sonrası Azerbaycan'ın enerji politikalarının oluşumu ve gelişimine yoğunlaşmaktadır.

Tez, Azerbaycan'ın enerji politikasının ülke içi ve etrafındaki güç politikalarının yansımaları olduğunu iddia eden politik realistlerin iddialarının aksine, liberal yaklaşımın bu politikaları anlamakta daha işlevsel olduğunu iddia etmektedir. Söz konusu liberal yaklaşıma göre, Azerbaycan, enerji politikasını ilgili aktörlerle çatışarak değil bölgesel ve uluslararası aktörlerle ortaklıklar kurarak oluşturmuştur. Azerbaycan, Avrupa enerji güvenliği içindeki potansiyel rolünü bölgesel ve Avrupalı firmalar ile ortak yatırımlar yaparak ve Rusya dahil hiçbir komşusunu karşısına almadan oluşturmayı becermiştir.

Bu tez, giriş ve sonuç ve altı ana bölümden oluşmaktadır. Girişten sonra birinci bölüm genel teorik çerçeveyi incelemektedir. İkinci bölüm Soğuk Savaş sonrası Azerbaycan'ın enerji sektörünün geçirdiği tarihsel süreçleri ele almaktadır. Üçüncü bölüm 2003-2013 yıllarında İlham Aliyev yönetimindeki enerji stratejisinin iç ve dış boyutları incelenmiştir. Dördüncü bölüm Azerbaycan'ın Hazar bölgesindeki enerji kaynaklarının paylaşımındaki iş birliği ve rekabet tartışılmaktadır. Beşinci bölümde Azerbaycan'daki petrol ve doğal gaz üretimi bağlamında imzalanan ana kontratlar incelenmektedir. Altıncı bölümde Azerbaycan'ın Bakü Tiflis Ceyhan boru hattının yapımı ve işletimindeki iş birliğini ele almaktadır. Yedinci bölümde Azerbaycan'ın ve Avrupa Birliği ile enerji alanındaki iş birliğinin gelişimi incelenecektir. Sonuç bölümü ise tezin ana bulgularını tartışmaktadır.

Soğuk Savaş'ın sona ermesi ve Sovyetler Birliği'nin (SSCB) dağılması ile eski SSCB coğrafyasında yeni boşluklar ortaya çıktı. Bu boşluklardan biri de

enerji alanlarındaki idi. Özellikle Hazar havzasında bulunan, bazıları SSCB döneminde kullanılmaya başlanmış, bazıları ise hiç dokunulmamış enerji alanları ile ilgili iddialar ortaya çıktı. Bu enerji rezervlerinin hacmi ile ilgili bazen gerçeklerden hayli uzak ve çok abartılı, ama bazen gerçekçi fikirler kulanıldı. Tüm durumlarda ise bölgedeki enerji kaynaklarının dünya enerji piyasaları açısından ciddi sonuçlar yaratabileceği düşünülüyordu. Aynı zamanda o da biliniyordu ki, enerji kaynaklarının üretimi ve uluslararası pazarlara nakli ile ilgili prosesler sadece ekonomik sonuçlar yaratmayacaktır, bölgedeki siyasi gelişmelere de yakından etkileyecektir.

Bu çerçevede en çok ilgi çeken noktalardan birisi de enerjinin bölgede işbirliği yoksa rekabet unsuru olarak daha çok dikkat çekeceği meselesi idi. Çünkü kendini bölgenin sahibi olarak gören Rusya ile birlikte İran da Batı şirketlerinin bölgeye gelmesinde ilginç değildi. Diğer yandan Hazar havzası ülkelerinin ve Batı devlet ve şirketlerin de kendi çıkarları vardı. Enerji kaynaklarına sahip ülkelerin, ilginç komşuların ve yabancı şirket ve devletlerin maraqlarınının esasen çarpması bekleniyordu.

Bu kapsamda rekabet ve işbirliğinin ortasında kalan ülkelerden biri de Azerbaycan oldu. Petrolün sanayi yöntemi ile ilk üretildiği ülke olan Azerbaycan 1918 yılında Çarlık Rusiyasından kurtularak bağımsız bir devlet olarak uluslararası siyaset sahnesine çıksa da (28 Mayıs 1918'de Azerbaycan Halk Cumhuriyeti kurulmuştu), uluslararası ortam ve güç dengesinin aleyhine olması onun bağımsızlığının sona ermesi ile (27 Nisan 1920 tarihinde 11. Kızıl Ordu Azerbaycan'ı işgal etti) sonuçlandı. SSCB döneminde Azerbaycan'ın enerji kaynakları bu dev imparatorluğun kontrolünde ve rekabetten uzak kalmıştı. SSCB'nin dağılmasıyla birlikte ise Azerbaycan'ın petrolü ve doğalgazı hem ülke içinde siyasi ve ekonomik bağımsızlığı güçlendirmenin temel araçlarından biri olarak, hem de Batıda Hazar havzası enerji kaynaklarına erişim yolu olarak değerlendirildi.

Yeri gelmişken genellikle enerjinin dış politikadaki (uluslararası ilişkilerdeki) rolüne görünümü farklıdır. Temel uluslararası ilişkiler teorilerinden realizmin ve idealizmin (liberalizmin) bu Med bakışları daha da önem taşıyor.

Öyle ki, uluslararası ilişkilerde işbirliğine özel önem veren, bunun temini için uluslararası kuruluşların ve uluslararası hukuk normlarının gelişmesi ve güçlenmesini ve uluslararası ilişkilerde şeffaflığı önemli şartlar olarak değerlendiren liberal teorinin enerji emiliminin yaklaşımı kendisini iki temel yönde göstermektedir.

Evvvela, liberalizm için ortaya çıkan ilk sorun "enerji faktörü onun teorik perspektifi açısından nasıl bir faktör olduğu" konusunu aydınlatmaktır. Bu açıdan liberal teoriye göre enerji ve onun yarattığı uluslararası enerji sektöründe ciddi sorunlar yaratan alandır.

Uluslararası ilişkiler açısından enerji, liberal teori için esas olarak iki açıdan yanıklığı faktör olarak karakterize edilebilir. Öncelikle, enerji liberalist nazarîyânin özel önem verdiği işbirliği konseptine en önemli tehlikelerden birinin söz konusu. Öyle ki, uluslararası sistemde rekabetin temel nedenlerinden biri de doğal resurlar üzerinde kontrolünün sağlanmasıdır. "Kaynak Savaşları" olarak da karakterize edilen bu süreçte enerji ve gelirleri üzerinde rekabet ve çatışmalar esas konu olarak kalmaktadır. İkincisi, enerji unsuru liberalizmin uluslararası ilişkilerde ciddi şekilde karşı çıktığı "gizli ve kirli ilişkiler" in temel konularından biri olmakta, bu çerçevede şeffaf ve evrensel demokratik standartların teminine engel olucu nitelik taşımaktadır. Böylece, enerji unsuru demokratik karakteri ile öne çıkan devletlerin veya olmayan devlet aktörlerinin bu resursun zengin olduğu ülkelerin otoriter rejimleri ile özel yakın ilişkiler kurmasına ve bu rejimlerin desteklenmesine neden olmaktadır. İslam devriminden önce ABD ve Büyük Britanya'nın İran'la ilişkileri, Hugo Çavezdan önce Venezuela-ABD, Nijeriya-Büyük Britanya, Burma-Fransa, ve şu anda Suudi Arabistan-ABD ilişkileri enerji faktörünün neden olduğu özel ilişkilerin sadece bazı örnekler. Yine BP, Exxon-Mobil, TOPLAM benzeri Batılı enerji şirketlerinin Ortadoğu ve Afrika başta olmak üzere dünyadaki çeşitli avrotitar rejimlere verdiği desteğin arkasında enerji amilin esas yeri tuttuğu iyi bilinmektedir.

İkincisi, liberalist teori sorunlu alan olarak nitelendirdiği uluslararası enerji sektöründe uluslararası düzeyde daha şeffaf ve işbirliğine hizmet edici funskiya taşınması için hangi adımları atılması konusuna özel önem vermektedir. Buradaki ilginin esas meşedi uluslararası enerji sektöründe liberal olmayan uygulamaların



olumsuz sonuçların ortadan kaldırılması ve şeffaf inistitutların kurulmasıdır. Bu yönde teklifler esasen neoklassik iqdısadçılar, aktivist bilim adamları, uluslararası finans kuruluşları, 'Global Witness' 'Revenue Watch' and 'Publish what you Pay' gibi sivil lerden gelmektedir. Diğer yandan liberal teori uluslararası ve iç enerji piyasasının ekonomik liberalleşmesine özel önem vermektedir. Bununla enerji sektöründe ekonomik verimliliğin artacağı, geosoyasi rekabet, çatışma ve savaşların azalacağı ileri sürülmektedir.

Enerjinin uluslararası ilişkilerde işbirliği yönünü öne çıkaranlar arasında konuyu "karşılıklı bağımlılık" teorisi çerçevesinde anlatan Robert Keohane daha çok dikkat çekmiştir. Öyle ki, Keohane, "After Hegemony: Cooperation and Discord in the World Political Economy" adlı kitabında uluslararası işbirliği ve rejimlerden BESH ederken 1974-1981 yılları arasında uluslararası petrol rejimine ve Uluslararası Enerji Ajansı'nın faaliyetine de özel yer vermektedir. Bu dönemde petrol alanındaki durumu liberal perpektivden analiz Keohane 1973-74 ve 1979-80 yılları arasındaki iki petrol krizinde rekabetin önemini vurgulamak ediyor. Amerikalı akademisyenin fikirlerinde ilgi çektiği noktalardan biri de ilk kriz sonrasında Uluslararası Enerji Ajansı'nın uluslararası petrol sektöründe 1978 yılına kadar ciddi şekilde feallaşması ve bu dönemde ülkeler arası işbirliği imkanlarının yeniden gündeme gelmesinden bahsediyor etmesidir. O, 1979-1980 yılındaki petrol krizi ile bu sürecin yeniden bozulduğu kaydeder. Keohane 2011 yılında iki başka müellifle birlikte yazdığı ve uluslararası enerji rejimlerini tahlil ettiği bir makalesinde güçlenen qloballaşma ve karşılıklı asılılıq koşullarında Uluslararası Enerji Ajansı'nın oynayabileceği role değiniyor.

Realizm'e gelince "rekabet", "güvenlik", "milli güç" ve "ulusal ilgi" gibi terimlere özel önem veren realist teori güç konsepti bakımından enerjinin stratejik önemini kabul etmektedir. Bu teori devletleri ekonomik açıdan rasyonel aktörler olduğunu ve enerjinin dış politikada etkisini güçlendirme araçlarından biri olduğunu vurgulamaktadır. Realist teori enerji sektöründe de devletin temel aktör olduğunu ve dünya petrol rezervlerinin yüzde 85 ile, gaz rezervlerinin yaklaşık 70-80 faizini devletlerin sahip olduğu enerji şirketlerinin kontrolünde olduğu vurgulayarak ortaya qoymaquadadır. Teori küresel enerji sisteminde 3 tür; yani üretici, taşıyıcı ve tüketici ülkelerin varlığını kaydederek enerji üreticisi ve

tranzitoru olmanın hem ekonomik gelir, hem de stratejik güç açısından devletin uluslararası münasibetlerindeki etkisini artırdığını vurguluyor.

Realist teori doğal kaynakları ulusal gücün ve ulusal ilginin esas kompanetlerinden düşünün. Bu çerçevede enerji kaynaklarının daha fazla rekabet alanı olmasına dikkat çekiyor. Özellikle soğuk savaş sonrası kapitalizm ve sosyalizm arasında ideolojik çatışmanın sona ermesi ve yeni ekonomik güçlerin yükselmesi doğal kaynakları sektörüne giriş ve kontrol etmek meselesini güç mücadelesinin esas konusuna dönüştürmüştür. Bu güç mücadelesinde askeri gücün kullanımı ise giderek yaygın kullanılan faktör olarak önem kazanmaktadır. Bu mücadele sürecinde ABD, Çin, Rusya, AB, Japonya, Hindistan ve benzeri ülkeler bu karşıdurmanın esas aktörler.

Özellikle Orta Asya ve Afrika gibi yeni sayılabilecek bilcek enerji bölgelerinde uluslararası sistemin aktörleri arasında rekabet gittikçe güçlenmektedir. Bu bölgelerde zayıf ve kırılabilir devletlerin varlığı, devletler ve etnikler arasında artan gerginlik, siyasi ve dini radikalizmin güçlenmesi hem bölgesel, hem de uluslararası sistem açısından yeni güvenlik riskleri yaratmaktadır.

Realizm'e göre diğer taraftan yukarıda belirtilen konuların mantıksal sonucu olarak bu kaynaklar uğruna çatışma ve savaşlar gittikçe artmaktadır. Başta petrol olmak üzere enerji kaynakları uğruna mücadeleyi uluslararası siyasetin temel ve gittikçe artan konusuna çevirip. Bu çerçevede enerji geosiyaseti ve enerji güvenliği gibi konseptlerin uluslararası ilişkilerde önem kazanması ilgi çekiyor.

Bu tez (bilimsel çalışma) Giriş, 7 bölüm ve Sonuç bölümlerinden oluşmaktadır. "Liberalist ve Realist Teorileri: Enerji Amulı" başlıklı ilk bölümde çeşitli uluslararası ilişkiler teorilerinin, özellikle de liberalizmin ve realizmin öncelikle genel mahiyeti, daha sonra ise enerji emiliminin bakışı incelenmiştir. Bu çerçevede teorilerin enerjinin uluslararası ilişkilerdeki rolüne yaklaşımları karşılaştırmalı olarak analiz edildi.

Azerbaycan enerji sektörü adlı ikinci bölümde genel olarak enerji sektörünün mahiyeti açıklanmış, daha sonra Azerbaycan enerji (petrol, doğal gaz ve elektroenergetika sektörlerinin) tarihi, bağımsızlık döneminde Azerbaycan'ın petrol-gaz sektörünün geçtiği yol, şu anda enerji sektörünün yapısı ve önemli kurumları hakkında bilgi verilmiştir.

İlham Aliyev iktidarı döneminde Azerbaycan'ın enerji politikaları başlıklı üçüncü bölümde öncelikle Azerbaycan için genellikle enerjinin önemi ve İlham Aliyev'e kadarki aşamada Azerbaycan'ın enerji politikasının xırdalıqları izah edilmeye çalışılmıştır. Daha sonra ise mevcut Başkan İlham Aliyev'in enerji politikaları analiz edildi. Bu çerçevede İlham Aliyev'in enerji politikası onun SOCAR (SOCAR) Başkan Yardımcısı, Başbakan ve Azerbaycan Cumhurbaşkanı olduğu dönemlerde ayrı ayrı incelenmiştir.

Yabancı devletler ve Azerbaycan enerjisi adlı dördüncü bölümde öncelikle Azerbaycan enerji kaynakları hakkında geniş bilgi verilmiş, aynı zamanda Hazar havzası enerji kaynaklarının beynexalq pazarlara nakli açısından Azerbaycan'ın önemine de değinilmiştir. Daha sonra ise Azerbaycan'daki enerji mücadelesinde küresel aktörler gibi Rusya ve ABD'nin, bölgesel akyorlar gibi ise Türkiye ve İran'ın siyasi kursları geniş analiz edildi. Ayrıca Azerbaycan enerjisi mücadelesinde nispeten küçük, ancak önemli aktörler olarak Gürcistan ve İsrail'in, onlarla birlikte global sistemin yükselen güçleri AB, Çin, Japonya ve Hindistan'ın da mövqeyləri ise kısaca değerlendirilmiştir. Dördüncü bölümde Azerbaycan'ın şimdye kadar imzaladığı enerji anlaşmaları hakkında bilgi de verilmiştir.

Hazar bölgesinde uluslararası işbirliği ve rekabet adlı beşinci bölümde önce Soğuk Savaş'ın bitmesi ve SSCB'nin dağılması uluslararası ilişkiler sisteminde ortaya çıkan keyfiyətə yeni durum açıklanmış, daha sonra Hazar bölgesinin geopolitikası analiz edildi. Bu bölümde Hazar Denizi'nin hukuki statüsü çözümlenmiş, Hazar devletler arasındaki işbirliği örnekleri ve problemler açıklanmış, ayrıca liberalist ve Realist teorilerin Hazar bölgesine bakışları da kutlanmıştır. Daha sonra ise Hazar bölgesi ABD ve Rusya başta olmak üzere büyük devletlerin Hazar bölgesine dair stratejileri ayrı ayrı uzah edilmiş ve bunlardan başka "Hazar bölgesi ve diğer yabancı devletler" bağılığı altında aynı zamanda İran, Türkiye, Avrupa Birliği, Çin ve Hindistan'ın bölgeyle ilgili politikalarına da değinilmiştir.

Tezin altıncı ve yedinci bölümleri ise Azerbaycan'ın (aynı zamanda Hazar'ın diğer tarafındaki yeni bağımsız devletlerin) enerji kaynaklarını uluslararası pazarlara nakleden projelere değinilmiştir. Öncelikle Bakü-Tiflis-Ceyhan Ana İhraç Boru Hattı adlı altıncı bölümde Hazar havzasından Batı

pazarlarına doğru enerji nakli için ilk teşebbüslere, ortaya atılan düşünceleri, dönemin zorluklarına değinilmiştir. Erken petrolün daşanması için kullanılan Bakü-Novorossiysk ve Bakü-Supsa projeleri anlatılmış ve son olarak Bakü-Tiflis-Ceyhan hattı Tarihi isiqamətləri ve teknik imkanları açısından anlatılmıştır.

"Güney Koridoru ve Azerbaycan'ın doğalgaz rezervleri" adlı son bölümde ise Avrupa'nın ve Azerbaycan enerji güvenliđi her iki tarafın resmi belgeleri ve izledikleri politikadan örnekler verilerek açıklanmış, bunlar arasındaki karşılıklı ilişki ortaya konmuştur. Daha sonra Azerbaycan ve Hazar havzası doğal gazını elde etmek için Avrupa Birliđi tarafından ortaya atılan teşebbüsler, geniş anlamda Güney Koridoru ve somut olarak projeler anlatılmış. Avrupa Birliđi ve Azerbaycan'dan ek paydaşlar gibi ABD ve Rusya Federasyonu'nun da mövqeylerine değinilmiştir.

Yedinci bölümde Avrupa'nın enerji güvenliđi açısından özel önem taşıyan Bakü-Tiflis-Erzurum, Nabucco ve nihayet TANAP projeleri ile ilgili son gelişmeler de anlatılmıştır.

Azerbaycan açısından en az enerji kaynaklarının üretimi kadar önem taşıyan diđer bir konu da enerji kaynaklarının uluslar arası piyasalara ulaştırılması konusuydu. Bazılarına göre çok basit görünse de konu yeteri kadar karmaşık ve çokboyutluydu. Enerji kaynaklarının taşınma biçimi (demiryoluyla mı, boru hattıyla mı), taşınacağı ülkeler (hemen hemen tüm komşu ülkeler adaylar arasında yer almaktaydı), o ülkelerdeki kesin güzergahlar (ileriki kısımlarda görüleceđi üzere Gürcistan`da bu konuda sıkıntılar yaşanmıştır), taşıma işini kimin ya da kimlerin (devletler mi, şirketler mi; konsorsiyum olacaksa hangi şirketlerden oluşacak) yapacağı hususları önem taşımaktaydı. Ayrıntılar netleştikçe daha çok konuşulan ve kamuoyunun da daha çok bilgi sahibi olduđu diđer hususlar da vardı: taşıma projesinin finansal kaynađı nereden ve hangi koşullarda sağlanacağı, projenin hukuksal dayanaklarının neler olacağı ve s.

Bu konuların büyük çoğunluđu çeşitli seçenekler daha düşünce aşamasındayken, bazıları güzergah kararlaştırıldıktan sonra, bazıları boru hattının yapımı süresince tartışıldı; boru hattının açılmasının üzerinden 6 yıla yakın süre geçmesine rağmen halen tartışılan hususlar da mevcuttur.

Bu bölümde Azerbaycan petrollerinin uluslar arası piyasalara nakline ilişkin gelişmeler hem yukarıda da ifade edilen çeşitli boyutları, hem de tarihsel aşamalarıyla birlikte ele anlatılacaktır.

Güney Kafkasya ve Hazar bölgesi günümüzdeki anlamıyla küresel mücadelede Soğuk Savaş'ın sona ermesi ve Sovyet Sosyalist Cumhuriyetleri Birliği'nin (SSCB) dağılmasıyla yer almaya başlamıştır. Bu anlamda yakın tarihte Hazar bölgesi için üç önemli aşamadan bahsedilebilir. Bunlardan ilki SSCB'nin dağılması, ikincisi 11 Eylül 2001 olayları, üçüncüsü ise Ağustos 2008'de yaşanan Rusya-Gürcistan savaşıydı. Her üç aşama ister genel olarak bölgenin kaderi, isterse de direkt olarak bölgenin enerji kaynakları açısından ciddi önem taşımıştır.

İlk aşamaya bakacak olursak SSCB'nin dağılmasının ardından genel olarak eski Sovyet coğrafyası, özelde ise Hazar bölgesi (ve daha da özelde Güney Kafkasya) büyük güçlerin yeni mücadele alanını teşkil etmiştir. Mücadele birçok alanı kapsamakla beraber enerji kaynaklarını ve boru hatları konusunu da merkezine almıştır. Bu dönemde hatta bazı dış kaynaklı girişimlerin birtakım konularda bazı eski Sovyet cumhuriyetlerinin çıkarları ile de birebir örtüştüğü gözlenmiştir.

11 Eylül sonrası dönemde ABD'nin baskın askeri tavrı ve bölge üzerinde artan etkinliğinin enerji konusunda da yansıdığı söylenebilir. Nitekim Bakü-Tiflis-Ceyhan boru hattı projesinin gerçekleşmesi yönünde pratik adımlar da bu dönemde atılmıştır.

2008 Ağustos olaylarından sonra ise Rusya'nın bölgede etkinliğini geri kazanma yolunda bir aşama atladığından bahsedilebilir ve bunun enerji sektörüne yansımaları da görülmüştür. Buraya savaş sırasında BTC'nin gördüğü zarar da, genel olarak BTC'nin güvenli bir hat olması konusuna zarar verilmesi de, Azerbaycan'ın sonraki süreçte Rusya ile imzaladığı doğalgaz anlaşmaları da dahil edilebilir.

Kuşkusuz, geride bıraktığımız yaklaşık 20 yılda Hazar'daki zengin enerji kaynaklarının üretimi ve uluslararası piyasalara ulaştırılması konusu dünya enerji gündeminde en çok tartışılan konulardan birisini teşkil etmiştir.

SSCB'nin dağılması eski Sovyet coğrafyasındaki enerji kaynaklarının yeniden paylaşımı sorununu da gündeme getirmiştir. 21. yüzyılda küresel oyunda

enerjinin giderek artan rolü de dikkate alındığında bu paylaşımın, önemli petrol kaynaklarını denetlemek imkanına sahip olan taraflara büyük küresel güç olma imkanını da sağlayacağı açıktı. Kuşkusuz ki, Hazar bölgesindeki enerji kaynakları dünya enerji kaynaklarının en büyük dilimini oluşturmamaktadır. Fakat büyük enerji oyununda yeni bir alan ve tüketiciler için ciddi bir alternatif oluşturması bakımından Hazar bölgesi ciddi öneme sahiptir.

Hazar Bölgesi'ne ilişkin gündeme gelen konulardan birisi doğal kaynakların üretimi olmuşsa da, en az onun kadar önemli bir diğer konu da üretilecek doğal kaynakların uluslararası piyasalara ulaştırılması olmuştur. Bölgenin o sıralardaki boru hattı sistemi Sovyetler Birliği zamanında inşa edilmiş olup, çoğunlukla Rusya Federasyonu odaklıydı. Bu sistem günümüzdeki petrol kaynaklarını günümüz yeni ihracat merkezlerine taşıyacak şekilde tasarlanmamış, temelde iç piyasa ve komünist Doğu Avrupa'nın beslenmesi hedeflenmişti. Yeni dönemle birlikte yeni ihtiyaçlara uygun boru hatları stratejilerinin geliştirilmesi ve uygulanması şart olmuştur.

İster Azerbaycan'ın kendi kaynakları ve üretimi, isterse de genel olarak Hazar bölgesinin kaynakları ve bölge devletlerinin petrol ve doğalgaz üretimi bölgeden uluslar arası piyasalara boru hatlarının inşası açısından büyük önem taşımaktaydı. Bu nedenle de çok kısaca kaynaklar ve üretim kapasitesi konusu üzerinde durmakta yarar vardır. 1991'den başlayarak günümüze kadar Hazar'ın Azerbaycan sektöründeki devam eden araştırmalar boyunca sürekli olarak farklı rakamlardan bahsedilmiştir. Örneğin, daha bağımsızlığın hemen başlarında Azerbaycan'ın tahmini 4 milyar tonun üzerinde petrol ve 1.1 trilyon m<sup>3</sup>'e yakın doğalgaz rezervine sahip olduğu ifade edilmekteydi. Daha sonraki dönemlerde Azerbaycan'ın petrol rezervlerine ilişkin farklı açıklamalar da yapıldı. Örneğin, dönemin Azerbaycan Devlet Başkanı Haydar Aliyev 27 Şubat 2003 tarihinde Washington'da gerçekleştirilen uluslar arası konferansta yaptığı konuşmada Hazar'ın Azerbaycan sektöründeki petrol rezervlerinin 4 milyar ton, doğalgazın ise 5 trilyon m<sup>3</sup> olduğunu ifade etmiştir. 2 Mart 2011'de SOCAR Başkanı Rövneg Abdulayev ise Azerbaycan'ın ispatlanmış 2 milyar tonun üzerinde petrole ve 2.2 trilyon m<sup>3</sup> doğalgaza sahip olduğunu açıklamıştır. Rövneg Abdulayev aynı

konuşmasında Azerbaycan`ın 2010 yılında 51 milyon ton petrol, 27 milyar m<sup>3</sup> ise doğalgaz ürettiğini de açıklamıştı.

Bunda, Azerbaycan`ın 1999 yazında Şah Deniz`de Hazar açısından rekor sayılabilecek olan doğal gaz rezervi keşfetmiş olmasının önemli payı vardı. Hatta bazı kaynaklarda Şah Deniz projesi kapsamındaki yataklarda yaklaşık 1 trilyon m<sup>3</sup> doğal gaz rezervinin varlığından söz edilmekteydi. Şah Deniz`deki faaliyetlerin olumlu sonuçlanması sürecine paralel olarak Azerbaycan`da diğer doğalgaz kaynaklarının da keşfi Azerbaycan`ın sadece kendi doğal gaz ihtiyaçlarını gidermekle kalmayarak, dünyanın en önemli doğal gaz ihracatçılarından birisi konumuna gelmesine de katkı yapmıştır. Şahdeniz 1`den sonra Şahdeniz 2`ye ilişkin çalışmaların başarıyla sonuçlanması, bunlara ilaveten Azerbaycan`da önce Ümit, daha sonraysa Abşeron yatağının keşfi önemli sonuçlar olarak değerlendirilmiştir. Nitekim bu keşif Azerbaycan Devlet Başkanı İlham Aliyev dahil çok sayıda yetkilinin ister yabancı ülkelerin ve AB dahil uluslar arası yapılanmaların yetkilileriyle yaptıkları görüşmelerde, isterse de çeşitli vesilelerle Azerbaycan içerisinde yaptıkları konuşmalarda Azerbaycan`ın güçlü bir doğalgaz ülkesine dönüşmesi açısından önemli bir gelişme olarak nitelendirilmiştir.

Azerbaycan`dan uluslar arası piyasalara petrol boru hatlarının inşası konusu sırf ekonomik ve enerji üretim potansiyeli gerekçeleri bakımından ciddi dayanaklara sahipti. Çünkü 20 Eylül 1994`te imzalanan anlaşmada Azerbaycan`ın 2010 yılına kadar 60-70 milyon ton arasında petrol üretme kapasitesine ulaşması öngörülmekteydi. O sıralarda yapılan tahminlere göre bunun 10 milyon ton ülke içinde tüketilecekti. Böylece ihraç edilecek petrolün miktarının yüksek üretim rakamlarına ulaşıldığı dönemlerde yaklaşık 50-60 milyon ton olacağı ifade edilmekteydi. Buna bir de Kazakistan ve Türkmenistan petrolüne, hatta Türkmenistan ağırlıklı olmak kaydıyla her üç ilkenin doğalgazına ilişkin her yıl daha da artan üretim rakamları eklendiğinde yeni enerji hatlarının oluşturulması stratejik bir hedefe dönüşmekteydi.

Yukarıda da ifade edildiği üzere mevcut üretim rakamları beklenenin biraz altındadır. Fakat, yine de dönemin beklentisi göz önünde bulundurulduğunda bu yeni ve önemli bir hattın yapımı açısından önemli bir motivasyon kaynağıydı.

Ayrıca günümüzde BTC ile nakledilen petrolün hacmi de hattın verimliliği açısından yeterli görülecek düzeydedir.

Ayrıca Hazar havzasından uluslar arası piyasalara petrol ve doğalgaz nakli konusu sadece o dönemle sınırlı kalmayıp günümüzde de Rusya'ya doğalgaz bağımlılığı bağlamında Avrupa'nın enerji güvenliği ve İran çevresinde gelişen gerginlik nedeniyle çok sayıda devletin yaşayabileceği ciddi petrol sıkıntısı vesilesiyle tartışılmaya devam edilmektedir. Tartışmalar ister başlangıçta isterse de günümüzde petrol ve doğalgazın üretiminin paylaşılması ile beraber hem de üretilen petrolün ve doğalgazın hangi yolla ya da yollarla dünya pazarlarına ulaştırılacağı konusundadır. Boru hatlarının güzergahı ve işletimi konularının ekonomik olmaktan daha çok politik bir konu olması, bu tür sorunların çözümünü daha da güçleştirmektedir. Azerbaycan ve ilgili güçler (devletler, uluslar arası kuruluşlar ve şirketler) bu güçlüğün üstesinden gelme zorunluluğu ile de karşı karşıya kalmışlardır.

Kazakistan bağımsızlığına kavuşur kavuşmaz doğal kaynaklarının üretimi ve uluslar arası piyasalara ulaştırılması konusunda yaklaşık olarak Azerbaycan'ın benimsediğine benzer taktik benimsemiş ve bir yandan Rusya'ya bağımlılıktan kurtulmak, diğer yandan mümkün kadar farklı güzergahlar üzerinden petrol ihraç etme olanağına sahip olma stratejisini uygulamaya çalışmıştır. Bu doğrultuda daha 1990'ların ortalarından itibaren Azerbaycan ile Kazakistan arasında imzalanmış anlaşmalar çerçevesinde Tengiz yatağında üretilen petrol tankerlerle Azerbaycan'a buradan ise Gürcistan'a taşınmaya başlamıştı. Örneğin dönemin SOCAR Başkan Yardımcısı İlham Aliyev 18 Şubat 1997'de ABD'de yaptığı açıklamada içinde buldukları yıl içerisinde toplam taşıma hacminin 1.5 milyon tona ulaşacağını ifade etmiştir. İlham Aliyev 19 Kasım 1998'de ABD'de gerçekleştirdiği görüşmelerde Trans Hazar boru hattına da değinmiş ve Kazakistan ile Azerbaycan arasında Azerbaycan üzerinden taşınan petrol ve petrol mamullerinin hacmi 10milyon tona ulaştığı zaman Trans Hazar boru hattının inşasına ilişkin anlaşma imzalandığını da açıklamıştır.

BTC'nin yapımı sürecinde olduğu kadar sonraki dönemde de kamuoyunun da yakından takip ettiği bir konu da Kazakistan'ın ve Türkmenistan'ın BTC'ye katılımına ilişkin gelişmeler olmuştur.



Hatırlanacağı üzere, Bakü-Ceyhan hattı gündeme geldiğinden günümüze kadar Kazakistan'ın da bu hatta petrol vermesi tartışılmış, AGİT İstanbul Zirvesi sırasında Türkiye, Gürcistan ve Azerbaycan devlet başkanları arasında BTC'ye ilişkin anlaşma imzalanırken, Kazakistan Devlet Başkanı Nursultan Nazarbayev de törende hazır bulunmuştu. Fakat, Kazakistan yetkililerinin sürekli olarak konuya ilişkin farklı açıklamalar yapması, Kazakistan'ın Tengiz-Novorossisk hattına yönelmesi, Kazakistan-Türkmenistan-İran ve Kazakistan-Çin hatlarının gündeme getirilmesi, bir ara Kazakistan'ın BTC'ye katılması ihtimalini giderek azaltan etkenler olarak karşımıza çıkmıştır.

6 Aralık 2002'de ABD'nin Londra Büyükelçiliği'nde Kazakistan'ın BTC'ye katılmasına ilişkin çoktarafli görüşme gerçekleştirilmiştir. ABD Başkanının Hazar Havzası Enerji konularındaki temsilcisi Stiven Mann'ın başkanlık ettiği görüşmeye SOCAR Başkanı Natik Aliyev ve SOCAR Birinci Başkan Yardımcısı İlham Aliyev, KazMunahGaz CEO'su Kairgeldi Kabildin, BTC Co. CEO'su Michael Tauzend ve diğer şirketlerin yetkilileri katılmıştır.

2005 yılı itibariyle Kazakistan'ın BTC'ye katılmasına ilişkin daha somut adımlar atılmaya başlanmıştır. Ocak 2005 başlarında Kazakistan petrollerinin üretimi ve taşınması sürecindeki en önemli şirketlerden olan ChevronTexaco şirketinin yetkilileri ürettikleri petrolü uluslararası piyasalara BTC ile taşımak istediklerini açıklamıştır. Benzeri bir açıklama Kazakistan'a ait dev Kaşagan sahasında petrol üreten Total, Eni, Inpex ve ConocoPhillips şirketleri yetkilileri tarafından da yapılmıştır. 31 Mart 2005'te Kazakistan Başbakanı Danyal Ahmetov, Kazakistan'ın BTC'ye boru hattıyla katılacağını da vurgulamak üzere BTC'nin gelecekte Aktau-Bakü-Tiflis-Ceyhan olarak isimlendirilmesi gerektiğini açıklamıştır.

18-19 Nisan 2005 tarihlerinde ise Bakü'de Azerbaycan ve Kazakistan yetkilileri arasında, Kazakistan petrollerinin BTC ile taşınmasını sağlayacak Aktau-Bakü hattına ilişkin görüşmeler yapılmış ve resmi açıklamalara göre tarifeler dahil pek çok önemli konuda uzlaşmaya varılmıştır. Azerbaycan Devlet Petrol Şirketi (SOCAR) Başkanı Natig Aliyev'in açıklamasına göre, konuya ilişkin görüşmeler aslında Aralık 2002'den itibaren başlamış ve günümüze kadar çeşitli düzeylerde sürdürülmüştür. Görüşmelerde hatta teknik ayrıntılara inilmiş

ve boru hattı projesinin toplam maliyeti yaklaşık 3 milyar ABD doları olarak belirlenmiştir. Görüşmelerde, 2005 yılı ortalarında hükümetlerarası protokolün imzalanmasıyla birlikte anlaşmalar serisinin başlatılması ve 2010 yılı itibariyle Kazak petrollerinin BTC ile taşınmasına başlanması konusunda da uzlaşmaya varılmıştır.

25 Mayıs 2005'te Sangaçal'da yapılan tören konu açısından önemli gelişmelere sahne olmuştur. Tören öncesinde Nursultan Nazarbayev'in Bakü ziyareti sırasında Kazakistan'ın BTC'ye katılmasını öngören bir anlaşmanın imzalanacağına ilişkin beklentiler mevcut olsa da bu tam gerçekleşmemiş, fakat konuya ilişkin ipuçları ortaya çıkmıştır. Nursultan Nazarbayev'in 24 Mayıs 2005'te İlham Aliyev ile görüşme sonrasında gerçekleştirilen basın toplantısındaki ve tören sırasındaki açıklamaları, Türkiye, Azerbaycan ve Kazakistan yetkililerinin tören sırasında yaptığı açıklamalar, Kazakistan BTC'ye mutlaka katılacağı izlenimini güçlendirmiştir. Zaten, sonraki gelişmeler de bunu teyit etmiştir.

Azerbaycan Devlet Başkanı İlham Aliyev'in 14 Eylül 2005 tarihli kararıyla Kazakistan petrolünün Bakü-Tiflis-Ceyhan Ana İhraç Boru Hattı (BTC) ile taşınmasının gerçekleştirilmesi konusunda özel komisyon kurulmuştur. Kararda Türkiye, Azerbaycan, Gürcistan ve Kazakistan arasında yapılan görüşmelerin ve imzalanan belgelerin, Doğu-Batı Enerji Koridoru'nun oluşturulmasına ve BTC'nin gerçekleştirilmesine yol açtığı ifade edilerek, Kazakistan'ın BTC'ye etkin biçimde katılımının sağlanması için üst düzey Azerbaycan bürokratlarından kurulu özel bir komisyon oluşturulması kararlaştırılmıştır.

Nisan 2006 sonlarında Bakü'de gerçekleştirilen Azerbaycan-Kazakistan Hükümetlerarası Karma Komisyonu' toplantısında konu tekrar değerlendirilmiş, teknik ayrıntılar hakkında görüşme yapılmıştır.

Uzun görüşmeler ve teknik anlaşmalar zincirinin ardından 16 Haziran 2006'da Azerbaycan ve Kazakistan devlet başkanları arasında Kazakistan'ın BTC'ye resmen bağlanmasına ilişkin anlaşma imzalanmıştır.

Daha sonraki süreçte pratik adımlar atılmış, Kazakistan BTC'ye resmen katılmıştır. Bu doğrultudaki anlaşma Astana'da KazMunayGaz ile SOCAR

arasında imzalanmıştır. Kazakistan Parlamentosu'nun alt kanadı Meclis ülke petrolünün Bakü-Tiflis-Ceyhan (BTC) petrol boru hattı ile taşınmasını öngören anlaşmayı 26 Mart 2008'de, Kazakistan Parlamentosu'nun üst kanadı Senato ise 24 Nisan 2008'de onaylamıştır.

Rusya'nın tutumu nedeniyle Aktau-Bakü petrol boru hattı (Trans Hazar) henüz yapılamasa da, konu sürekli gündemdedir. Ayrıca Kazakistan petrolü tankerlerle Azerbaycan'a ve Azerbaycan üzerinden BTC ile uluslar arası piyasalara taşınmaya devam ediyor.

Türkmenistan da Kazakistan kadar olmasa da ürettiği petrolün önemli bir kısmını BTC ile nakletmektedir. Orta Asya'nın doğal gaz zengini Türkmenistan'ın 20,8 milyar ton petrol rezervi olduğu tahmin ediliyor. Her yıl petrol üretimini arttıran Türkmenistan, petrol ürünlerini taşımak amacıyla son iki yıl içerisinde 7 bin ton yük taşıma kapasitesine sahip 3 gemi satın aldı. Türkmen petrolünün BTC ile taşınmasını öngören anlaşma Temmuz 2010 yılında imzalanmıştır. Sadece 2010 yılında BTC hattıyla 1. 27 milyon ton Türkmen petrol taşınmıştır. 1 Mayıs 2011 itibariyle toplam 2 milyon 680 bin ton Türkmen petrolü BTC üzerinden Ceyhan limanına ulaşmıştır.

Genel olarak ifade edecek olursak bir zamanlar hayal olarak görülen Bakü-Tiflis-Ceyhan Ana İhraç Petrol Boru Hattı Projesi, projenin stratejik öneminin farkında olan, üst düzeyde çaba sarfeden uzmanların, politikacıların ve teknik personelin katkılarıyla artık bir gerçeğe dönüşmüştür. Boru hattının başladığı, geçtiği ve bittiği ülke olan Azerbaycan, Gürcistan ve Türkiye, projenin gerçekleşmesini takip eden dönemde ciddi ekonomik kazançlar ve her şeyden önemlisi siyasi prestij elde etmişlerdir. Ama bunun yanında, belki de bundan da önemlisi, bu ülkelerin stratejik önemlerinin kendi aralarındaki işbirliği ile daha da artmış olmasıdır.

Kazakistan'ın ve Türkmenistan'ın da projeye katılmasıyla hem bu ülkelerin ekonomik kazançlarının artması hem de (özellikle, eski SSCB ülkeleri olan Kazakistan, Azerbaycan ve Gürcistan'ın) bağımsızlıklarının güçlenmesi adına olumlu sonuçlar doğurmuştur.

Sonuç olarak, Hazar Bölgesi'ndeki doğal kaynakların uluslararası piyasalara ulaştırılması konusundaki sorunlar, BTC gibi bir "öncü" proje

sayesinde sırasıyla ortadan kalkmaktadır. BTC, bölgesel işbirliğinin sembolü olarak da tarihe geçmektedir.

Bu bilimsel çalışmada (tezde) yeterince güncel ve iyi zamanda önemli bir konuya - Azerbaycan'ın doğal kaynaklar (özellikle petrol ve doğal gaz ile) bağlı politikalarının analizi açıklık getirmeye çalışılmıştır. Bu da tesadüf değildir. Çünkü doğal kaynaklar amili modern uluslararası ilişkilerin en önemli etmenlerinden biridir. Konu hem uluslararası ilişkiler teorileri çerçevesinde, hem de pratik olarak incelenmiştir. Öncelikle uluslararası ilişkiler teorilerinin enerji emiliminin bakışı ortaya konmuştur.

Tezde de belirtildiği gibi petrol ve daha sonra doğalgaz ekonomik amaçlar için kullanılmaya başladıktan sonra sadece enerji kaynağı olarak değil, bir çok anlamda ekonomik önemi olan ve gittikçe daha çok siyasi ve stratejik bir karaktere sahip olan maddeler olarak kabul edilmiştir. Dünyanın kaderini belirleyen savaşların sonucunun nasıl olacağına yani "petrol karar vermiştir". Şu anda ise petrol ve bir dereceye kadar doğal gaz insanlığın çeşitli ihtiyaçlarını karşılamak açısından "1 numaralı" ürün olmak özelliğini sürdürüyor.

Yirminci yüzyılın sonunda petrolün sahip olduğu ekonomik, siyasi ve stratejik önem bir yandan petrol rezervleri uğruna güç merkezlerinin mücadelesini daha da kuvvetlendirmiş, diğer yandan ise ülkelerin petrol üzerinde siyasi ve ekonomik nitelikli büyük stratejiler formalaştırmasına neden olmuştur. XX yüzyıl bir çok araştırmacı tarafından hem de "petrol yüzyılı" olarak değerlendirilmiş, aynı zamanda XXI yüzyılın stratejik maddeleri arasında doğal gazın artan önemi özel vurgulanmıştır.

Enerjinin uluslararası ilişkilerdeki sisteminde geleneksel yeri ve gittikçe artan önemi enerji faktörü uluslararası ilişkiler biliminin önemli konularından biri olmasını oluşturmuştur. Uluslararası ilişkiler biliminin enerji faktörü beynelxal politikada stratejik öneme sahip olduğu yirminci yüzyılda kurulduğu ve şekillendiği göz önüne alındığında bu sürpriz sayılmamalıdır. Global politikası ve devletler arası münasibeti anlatmak için sık sık başvurulan enerji emiliminin uluslararası ilişkiler biliminin teorik yaklaşımı bu konteksde değerlendirilebilir.

Genel olarak uluslararası ilişkiler teorilerinin çeşitli derecelerde bu meseleye toxunduqlarını belirtmeliyiz. Ancak bu teoriler içerisinde liberalizm (idealizm) ve gerçekçilik teorilerini vurgulamak önemlidir. Bu teorilerden libearlizm hem uluslararası ilişkilerin ilk teorisi olması, hem de konseptinin hazırda uluslararası ilişkiler sisteminin önde gelen meyillərindən birine dönüştürülmesi nedeniyle önem daşımaqdadır. Uluslararası ilişkilerin bir diğər teorisi gerçekçilik ise, bu bilimin tarihi boyunca en popüler ve iddialı teorisi gibi, hem de çağdaş uluslararası ilişkilerde kendi fonksiyonallığını kesin şekilde koruyan teori gibi öneme sahiptir.

İdealizmin (liberalizmin) ve realizmin enerji emiliminin görüşlere gelince bu iki yaklaşım arasında keskin bir fark olduğunu belirtmek gerekir. Ama her iki teori enerji faktörünün önemini kabul ediyor. Her iki teori açısından enerji faktörü önemin anlaşılmasında 1970'li yıllardaki petrol krizlerinin büyük rolü olmuştur. Her iki teori enerjinin uluslararası sistemde önemli rekabet araçlarından biri olduğunu kabul etmektedir. İlkesel fark şudur, liberal yaklaşım bu rekabeti ve onun olumsuz sonuçlarını gidermede çalışırken, realist teori bu rekabetin doğal karakterini ve güç elde etme mücadelesini vurgulamaktadır.

Ümumlkdə götürdükdə Liberalizm enerjinin iç siyaset, ekonomi ve uluslararası ilişkiler açısından yaratabileceği risklere, aynı zamanda işbirliği imkanlarına dikkat çekmektedir. Liberalistlər bu sorunları "kaynak laneti," rantiyer devlet "ve" kaynak savaşları "şeklinde sıralıyor. Liberal teori enerjinin sorunlu rolünün azaltılmasıyla ilgili olarak belirli teklifler de ileri sürüyor ki, bunlar enerji sektöründeki global ve bölgesel inistutlarla, sektörde şeffaflık ve işbirliğini sağlayıcı tekliflerdir. Uluslararası ilişkiler açısından bunlar arasında uluslararası enerji sektöründe işbirliği daha önemlidir. Liberallere göre uluslararası enerji sektöründe liberal olmayan uygulamaların ortadan kaldırılması için öne sürülen temel ilkelerini ise 6 başlık altına toplayabilir. Bunlardan birincisi, şeffaflık ve gizli sövdeleşmelere karşı şeffaflık tedbirlerinin güçlendirilmesidir. İkincisi, kavga sebebi olan yasadışı ticareti ve praktikayı uluslararası düzenleme ile kısıtlamak ve ortadan kaldırmaktır. Üçüncü öneri "Kurumsal Sosyal Sorumluluğu" (Corporate Social Responsibility-CSR)

konseptinin enerji sektörüne uygulanan edilməsidir. Dördüncüsü, liberal teori etkili yönetim (good governance) kavramının "rantiyer devlet" mexanzimasına ve enerji gelirlerinin idaresine uygulamasını öngörüyor. Beşincisi, liberal teori göre, liberal değerlere dayanan uluslararası ve bölgesel enerji rejim ve inistitutlarının teşvik edilmesi özel önem taşımaktadır. Liberal teoriye göre, bu çerçevede Uluslararası Enerji Ajansı uluslararası işbirliğinin temininde önemli öneme sahiptir. Altıncısı ise uluslararası ve iç enerji piyasasının ekonomik liberalleşmesine özel önem vermektedir.

Belirtelim ki, liberallerin uluslararası inisititutlara önem vermesine dair tezlerinin oluşmasında Amerikalı akademisyen Robert O. Keohanenin önemli rolü olmuştur. Keohane liberal uluslararası teorinin "Harvard ekolünün lideri" olarak değerlendirilmesine yol açan bu araştırma tarihi ise 1960 yılının ortalarına kadar uzanıyor. Amerikalı bilim adamı 1965 yılında BM'yi tetkik yaptığı doktora çalışmasında devletlerin davranışlarının belirlenmesinde gücün yoksa kurumların esas etken faktör olup olmadığını araştırmış. Keohanenin realizm'e dair eleştirileri ve uluslararası ilişkilere dair liberal teoriyi güçlendiren fikirleri 1972 yılında Joseph Nye ile birlikte yayınladığı "Transnational Relations and World Politics" adlı kitapta yer almıştır. Kitap, uluslararası politikanın sadece devletler arası ilişkilerle izah etmenin mümkün olmadığını, bu ilişkilerde devletle birlikte, gayri resmi aktörler açısından uluslararası çoğulculuğun güçlendiğini, ilişkilerde bağımlılık ve karşı asılılık oluştuğunu, bu süreçte uluslararası şirketlerin ve beynelxah inistitutların rolüne özel dikkat edilmesini gerektirmiştir vurqulayrdı. Keohane uluslararası ilişkilerde uluslararası kuruluşların önemini vurgulamak etmekte, bu rolün gittikçe güçlenerek gündem belirlemeye başladığını, dövlörtlörün yetkililerinin bir araya getiren özellik taşıdığını ve potansiyel işbirliği düzlemine dönüştüğünü vurgulamaktadır. Keohane, "After Hegemony: Cooperation and Discord in the World Political Economy" kitabında uluslararası işbirliği ve rejimlerden BESH ederken 1974-1981 yılları arasında uluslararası petrol rejimine ve Uluslararası Enerji Ajansı'nın faaliyetine de özel yer vermektedir.

Realist teori ise güç konsepti açısından enerjinin stratejik önemini kabul ediyor, enerjini milli güç çerçevesinde değerlendirir. Uluslararası sistemin kaotik olduğunu ve esas aktörlerin devletler olduğunu kabul eden gerçekçilik otomatik olarak daha fazla güvenlik ve rekabet kriterlerini ön plana çıkarır ve tabii ki, enerji emiliminin de bu açıdan yaklaşır.

Belirtelim ki, Azerbaycan'ın enerji politikalarının çeşitli yönlerine ve Azerbaycan'ın doğal kaynaklarının uluslararası pazarlara taşınmasına ilişkin konulara geçilmədən önce konunun daha iyi anlaşılması için bilimsel çalışmada Azerbaycan'ın enerji sektörünün detaylı analizine yer verilmiştir. Burada açıkça görülüyor ki, Petrol Azerbaycan'da var olduğuna dair bilgiler eski dönemlere kadar uzanır. "Azerbaycan" adının yorumlarından biri olan ve günümüzde ülkeyi anlatmak için kullanılan "Odlar Yurdu" termi de Azerbaycan'da petrolün varlığı ile yakından ilişkilidir. İngiliz gezgin ve yazar Charles Marvin henüz 1877 yılında yazdığı "The Region of the Eternal Fire" adlı eserinde Abşeron yarmadasında nefin 2500 yıllık tarihinin olduğunu söylüyordu. Azerbaycan'da petrolün olduğuna Pontlu Prisk (V yüzyıl), Ebu-İstaxri (VIII yy), Ahmet Balazuri (IX yüzyıl), Mesudi (X yüzyıl), Marko Polo (XIII-XIV yüzyıllar), Evliya Çelebi ve O'Leary (XVII yy) gibi gezgin ve tarihçilerin yazılarında rastlandı. Bazı kaynaklarda Azerbaycan'da petrolün henüz milattan önce VII-VI yüzyıllarda çıkarıldığı kaydedildi. Balaxanlı usta Allahyar Nuhuoğlunun 1594 yılında inşa ettiği 60 metrelik petrol kuyusu Azerbaycan'da orta yüzyıllarda petrolün çıkarılmasının kanıtı olarak kabul edilir. Ayrıca henüz 1724 yılında Abşeronda petrol kuyularının haritası tertip edilmiştir. 1803 (1798) yılında Bakı sakini Qasımbəy Mənsurbəyov Bibiheybet yakınlarında, denizde, kıyıda 18 m ve 30 m uzaklıkta iki petrol kuyusu kazdırmıştır.

Azerbaycan petrol endüstrisinin gelişim tarihini beş temel aşamaya ayrılabilir. İlk aşama 1847-1920 yılları arasındaki Dövu kapsamaktadır. Bu dönem 1847-1848 yıllarında ilk kez Bibiheybet ve sonra Balaxanı yataklarında mekanik yöntemle kazılan kuyulardan sanayi önemli petrol alınması ile başlamaktadır. Azerbaycan petrol endüstrisinin ikinci önemli aşaması 1920-1949 yılları arasındaki dönemi kapsamaktadır. Azerbaycan'da petrol endüstrisinin

devletleştirilmesi ile başlayan bu aşama Hazar denizinde "Neft Taşları" yatağının keşfi ile tamamlanmıştır. Azerbaycan petrol endüstrisi tarxinin üçüncü aşaması 1950-1969 yılları arasını kapsamaktadır. Bu aşamada dünya deneyiminde ilk kez açık denizde estakada direkleri üzerinde deniz kültürel inşa edilmiştir. Azerbaycan petrol endüstrisi tarxinin dördüncü aşaması 1970 yılından bağımsızlığının elde edildiği 1991 yılına kadarki yılları kapsar. Öyle ki, 1970 yılında "Xəzərdənizneft" Üretim Birliđi (İB) oluşturulmuş ve SSCB Petrol Sanayi Bakanlığı Hazar'da Azerbaycan neftçilerinin deniz ortamında iş yapmak tecrübesini göz önünde Hazar'ın tüm sektörlerinde jeolojik-istihbarat, sondaj, işlenme, istismar ve diđer işlerin yapılmasını Azerbaycan neftçilerine tahsis etmiştir. Azerbaycan petrol sektöründe beşinci ve son aşama ülkenin bağımsızlığını elde etmesinden sonra kendi petrol kaynaklarını yeni investitiyalarla hasıl ederek dış pazarlara çıkartması ile karakterizedir. Bu aşamanın en önemli karakteristik xüsusyeyti başta önde gelen Batılı şirketleri olmak üzere çok sayıda yabancı enerji şirketinin Azerbaycan petrol ve gaz sektörüne büyük miqdardlarda sermaye koyması ve elde edilen bu enerji kaynaklarının yeni yollalarla yeni pazarlara naklinin sağlanması olmuştur.

Yeni aşamada Azerbaycan kendi doğal kaynaklarının üretimi ve uluslararası piyasalara naklini gerçekleştirirken sorunlarla karşılaşmıştır. Bazılarına göre Azerbaycan'ın bağımsızlığına ve toprak bütünlüğüne yönelik tehditlerin başlıca nedenleri arasında işte onun petrol ve doğal gaz olmak üzere doğal kaynakları ve bu kaynaklar bağımsız siyaset yapmak istemesi yer almıştır. Özellikle Rusya ve İran'ın bu konudaki tutumu Azerbaycan topraklarının işgal edilmesiyle ve Azerbaycan'da iç olmayan sabitliklerle dahil askeri çevrilişlerle ve darbe teşebbüsleri ile sonuçlanmıştır.

Azerbaycan birkaç kez ciddi problemlerle karşılaşır ve bazen atacağı adımları askıya salsada öncelikle 1994 yılının Eylül Yüzyılın Antlaşması'nın imzalanmasıyla, daha sonra ise Azerbaycan petrolünü uluslararası pazarlara taşıyacak boru hatlarının müəyyənleşdirilmesiyle konumunu güçlendirebilir bilmiştir. Bu doğrultuda öncelikle erken petrolün nakli için Bakü-Supsa ve Bakü-Novorossiysk boru hatları belirlenmiş, daha sonra çok zorlukla da olsa esas ihraç boru hattı gibi, Bakü-Tiflis-Ceyhan kararlaştırılmıştır. Belirtelim ki, tüm bu



süreçlerde Azerbaycanın özel isteği ve gerekli anlarda Türkiye'nin fedakarlığı ile birlikte ABD'nin kararlı desteği önemli rol oynamıştır.

Şu anda regonda (aynı zamanda enerji kaynakları uğrunda) rekabet, Hazar'ın statüsü gibi sorunlar olmaya devam etse de, daha sonra ilk adımlara ek olarak Bakü-Tiflis-Erzurum doğalgaz boru hattının inşa edilmesi, ayrıca TransAnadolu hattına ilişkin anlaşmanın imzalanması ve Transxezer-e dair görüşmelerin gitmesi işbirliği açısından elde edilen ciddi sonuçlardır. Aynı zamanda şunu da dikkate almak gerekir ki, artık kaç yıldır, Kazakistan ve Türkmenistan petrolü BTC de dahil olmak üzere çeşitli yollarla Azerbaycan üzerinden uluslararası pazarlara taşınır.

Bir bütün olarak yukarıda belirtilen süreçler boyunca Azerbaycan rekabet ve işbirliği yönlerinin ortasında kalmıştır. Ama sadece Ebülfez Elçibey'in başkanlık dönemindeki keskin anti-Rusya ve anti-İran hattı hariç diğer tüm dönemlerde Azerbaycan daha çok mümkün oldukça çok tarafla işbirliği seçmiştir. Elçibey döneminde ise Rusya ve İran hariç diğer taraflarla (özellikle Türkiye ve Batı ile) işbirliğine ağırlık verilmiş. Azerbaycan'ın bu kursu Azerbaycan ile Avrupa Birliği arasında ilişkilere de olumlu etkilemiş, her iki taraf kendi enerji güvenliğini güçlendirmek için karşılıklı işbirliğiyle ilgili hem özel kurs belli etmiş, hem de ortak belgeler imzalamıştır. Bugün de Azerbaycan enerji amilinden iç ve dış politikada daha fazla işbirliği yönünü ön plana çıkararak kullanmaya çalışır.

## TEZ FOTOKOPI İZİN FORMU

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Deniz Bilimleri Enstitüsü	<input type="checkbox"/>

### YAZARIN

Soyadı : .....  
Adı : .....  
Bölümü : .....

TEZİN ADI (İngilizce) : .....  
.....  
.....  
.....

TEZİN TÜRÜ : Yüksek Lisans  Doktora

1. Tezimin tamamı dünya çapında erişime açılsın ve kaynak gösterilmek şartıyla tezimin bir kısmı veya tamamının fotokopisi alınsın.
2. Tezimin tamamı yalnızca Orta Doğu Teknik Üniversitesi kullanıcılarının erişimine açılsın. (Bu seçenekle tezinizin fotokopisi ya da elektronik kopyası Kütüphane aracılığı ile ODTÜ dışına dağıtılmayacaktır.)
3. Tezim bir (1) yıl süreyle erişime kapalı olsun. (Bu seçenekle tezinizin fotokopisi ya da elektronik kopyası Kütüphane aracılığı ile ODTÜ dışına dağıtılmayacaktır.)

Yazarın imzası .....

Tarih .....