

Turkey-Azerbaijan Energy Relations: A Political and Economic Analysis

Cagla Gul YESEVI

Faculty of Economics and Administrative Sciences,
Istanbul Kültür University, Istanbul, Turkey.
Email: c.yesevi@iku.edu.tr

Burcu Yavuz TIFTIKCIGIL

Faculty of Economics, Administrative and Social Sciences,
Gedik University, Istanbul, Turkey.
Email: burcu.tiftikcigil@gedik.edu.tr

ABSTRACT: It is now widely recognized that Turkey-Azerbaijan relations have always been strong and described with the phrase "one nation with two states". This paper is concerned with economic and political nature of Turkey-Azerbaijan relations. Initially, the evolution of Turkish- Azerbaijani relations after the independence of Azerbaijan has been examined. This paper gives an overview of the impacts of Nagorno-Karabagh issue and efforts to normalize the relations between Turkey and Armenia on relations between Turkey and Azerbaijan. Energy has a special place in the relationship between the two countries. Azerbaijan's economy, energy sectors of Azerbaijan and Turkey has been assessed. Moreover, this paper gives a comparative analysis on economic relationship between Turkey and Azerbaijan. This study finally discusses the main trends and contributions of energy projects on Turkey-Azerbaijan relations.

Keywords: Turkey; Azerbaijan; Politics; Economy; Energy

JEL Classifications: O57; Q41; Q43; Q48

1. Introduction

Turkey has distanced itself from the Turkic people of Soviet Union, with whom it has ethnic and language affiliations, since its establishment. The primary aim was determined as the prevention of the spread of communism within the country and Turanist movements were not supported. After the dissolution of the Soviet Union, the relations were started to develop with the countries moving towards liberal market economies. Turkey was presented as a model, even a leader for the countries in the region with its liberal economic order and secular and democratic republican regime. The discourse of 'Turkish World from Adriatic to Chinese Wall' caused the birth of great expectations for Turkish cooperation based on common ethnicity and common language. However, the lack of financial resources and credit opportunities of Turkey for being the leader in the region limited its foreign policy targets. Azerbaijan obtained a special place for Turkey among the newly independent countries. Ethnic and linguistic ties led the development of relations with the discourse of friendship and kinship.

Political and economic dimensions of Azerbaijan-Turkey relations have been analyzed in this article. First of all, the development of political relations between Turkey and Azerbaijan after the independence of Azerbaijan is discussed. The influences of the conflict of Nagorno-Karabakh and normalization process of Turkey's relations with Armenia on the Turkey-Azerbaijan relations are examined. Within the context of the article, the economies and energy sectors of Turkey and Azerbaijan are investigated. Economic relations between Turkey and Azerbaijan have comparatively analyzed. The contribution of the common energy projects and energy agreements to the relations between two countries are discussed.

2. Turkey-Azerbaijan Relations after the Independence of Azerbaijan

Azerbaijan declared its independence on 30 August 1991. Azerbaijani Assembly approved this decision on 18 October 1991. Turkey became the first country recognizing its independence. Turkey was represented as a model for newly independent Caucasian and Central Asian Republics.

At the First Turkish-Speaking Head of States Summit in Ankara on the dates of 30-31 October 1992, President Turgut Özal emphasized that the 21. Century would be the age of Turks. President Turgut Özal suggested the establishment of Turkish Common Market and Turkish Development and Investment Bank during the summit. These suggestions were only welcomed by the Azerbaijani Head of State Abulfeyz Elchibey (Oran, 2002).

During the Khojaly Massacre of February 1992, President Turgut Özal, many political parties and Turkish people put pressure for an intervention to Armenia. However, Prime Minister Süleyman Demirel did not comply with them although stating military intervention was not ruled out. He tried to solve the problem within the involvement of the UN, the OSCE and the NATO. Süleyman Demirel rejected to provide helicopters that Azerbaijan demanded to evacuate civilians from the region, in order not to confront with Russia. Russia supported Suren Hüseynov and this situation caused the collapse of Abulfeyz Elchibey government on 4 June 1993 (Oran, 2002).

Second Turkish-Speaking States Head of States Summit was gathered in Istanbul on 18-19 October 1994. The conclusions of this summit were confirming the necessity to comply with the decisions taken by the UN Security Council on Nagorno-Karabakh conflict between Armenia and Azerbaijan (Oran, 2002).

When Haydar Aliyev acquired the power, political decision-makers in Turkey gave pro-Elchibey speeches for a while. However, after a while, they declared that Haydar Aliyev came with the democratic elections. In September 1993, Haydar Aliyev suspended the agreements signed during Elchibey period. He ended the duties of Turkish military experts working in Azerbaijan; he started visa regulations for Turkish citizens. The relations were improved later; Haydar Aliyev declared that the Azeri oil would be transported through Turkey and Turkish military soldiers would continue to train Azeri officers. Aliyev's visit to Ankara in January 1994 was historical in the sense that the relations between two countries were defined as "one nation, two countries" by Haydar Aliyev. One year later after this speech, a coup attempt against Aliyev with the involvement of Turkish citizens was prevented by Süleyman Demirel (Oran, 2002).

Ilham Aliyev became the Azerbaijan President by replacing his father in October 2003. Despite the good relations with Turkey, he did not recognize Turkish Republic of Northern Cyprus (TRNC). In July 2005, flights between Azerbaijan and TRNC were started but passages with TRNC passports could not be realized despite given promises. These flights were then abolished by stating the lack of demand (Oran, 2013). Ilham Aliyev applied the policy of balance in its relations with regional states. Moreover, he aimed to establish better relations with Azerbaijan's neighbors. He has initiated economic and political relations with Asian countries. He gave importance to international organizations such as the Council of Europe. The most important aim of Aliyev has been to improve Azerbaijan's oil and natural gas projects and pipeline politics. Azerbaijan wants to become significant actor in regional energy politics. Ensuring energy security in the East-West corridor has been other goal of Azerbaijan's energy strategy (Aras, 2014:2)

3. Collapse of the Discursive Unity: Nagorno-Karabakh Conflict and the Influence of Normalization with Armenia on the Relations between Two Countries

After the First World War, Georgia, Armenia and Azerbaijan declared their independence. During this period, Nagorno-Karabakh was under the control of Azerbaijan. Georgia, Armenia and Azerbaijan entered under the Soviet rule in 1920. In 1923, Nagorno-Karabakh Autonomous Region was established and it was left to Azerbaijani authority. Nagorno-Karabakh Autonomous Region was structured as independent in domestic affairs particularly for the issues related with culture and education, and dependent to Azerbaijan in other issues (Başer, 2008). In this period, 70% of the population Nagorno-Karabakh was Armenian. On 20 February 1988, Nagorno-Karabakh Autonomous Region demanded secession from Azerbaijan and its annexation to Armenia. Military conflict started with Azerbaijan and Armenia. This decision was rejected by Azerbaijan Soviet and USSR Supreme Soviet. USSR Supreme Soviet took over the control of Nagorno-Karabakh in January 1989. After the independence, Azerbaijan abolished the autonomous status of Nagorno-Karabakh and annexed it to

Azerbaijan. Armenians declared independence after plebiscite. They applied to be the member of the Commonwealth of Independent States (CIS). Russian troops left Karabakh in 1992; Karabakh was cleansed from non-Armenian population. Armenians took control of the Lachin corridor between 1993 and 1994 and provided direct link to Armenia. After the massacre in Khojaly and the invasion of Susha and Lachin, Armenians obtained superior position in the conflict. 20% of the Azerbaijani land was invaded and 1 million Azeri became refugees (Aydın, 2002). Turkey declared to President Muttalibov during his visit to Ankara on 24 January 1992 that it could act as a mediator in the Azeri-Armenian conflict with the approval of both sides (Şiriyev, 2011).

Nagorno-Karabakh conflict started before the collapse of the Soviet Union. Bishkek Ceasefire Protocol that was signed in May 1994 achieved the freezing of conflict. The Minsk Group formed within OSCE; it was aimed to solve disagreements between two countries. However, the Minsk Group could not succeed to provide the signature of a peace agreement that could provide consensus between two countries. After the Russian-Georgian War of 2008, Russia started to play more active role in the negotiations for the solution of this conflict. In this period, Moscow Protocol was signed between the parties (Şiriyev, 2011).

Azerbaijan devoted 2.5% of its GDP to defense expenditure in 2012, defense budget of Azerbaijan was 1.7 billion dollars. Armenia devoted 3.73% of its GDP to defense expenditure; the defense budget was 349 million dollars in 2012. Azerbaijan has 67 thousands active soldiers and 300 thousand reserved soldiers; Armenia has 49 thousand active soldiers and 210 thousand reserved soldiers (The Military Balance, 2013).

In 2010, Azerbaijan declared military doctrine and declared its official war discourse. In the Azerbaijan military doctrine, it was declared that solving international conflicts with the means other than international law was not supported however; military force would be employed within the context of the rights recognized by international law. Accordingly, Azerbaijan approved the use of military force in order to save Nagorno-Karabakh and 7 regions from occupation (Şiriyev, 2011). National Security Concept of Azerbaijan was published on 23 May 2007; its Military Doctrine was published on 8 June 2010. One of the major threats according to National Security Concept had been determined as the actions against the energy infrastructure of Azerbaijan (Şiriyev, 2010). In the Azerbaijan Military Doctrine, it was stated that foreign military bases and armed troops could be deployed in the country soils if the security conditions changed. In addition to this, in the doctrine, it was emphasized that the military intervention could be realized, if the intervention became inevitable for the solution of Nagorno-Karabakh conflict under the geopolitical circumstances. Azerbaijan states that it has had mutual interest relationship with NATO (Şiriyev, 2010).

Azerbaijan has had some basic principles that do not change during different governments. These basic principles are the protection of the independence and unity of the country, solution of the Karabakh conflict, becoming member of international organizations and finalizing regulations for the market economy. Karabakh issue became the main agenda of all governments. While during Muttalibov period, Russia was considered as a close ally; during Elchibey government close relations were established with Turkey. Haydar Aliyev gave importance to balance politics (Yılmaz, 2010). Turkey has been pursuing similar position with Azerbaijan in its most sensitive issue, Karabakh. Turkey officially has been in favor of solving the issue within the limits of international law. In this context, it follows the works of Minsk Group that was formed within the OSCE. The most sensitive issue between two countries is related with the Turkish-Armenian border. Turkey has closed the Armenian border since 1993 because of Armenian invasion of Azerbaijani lands (TR Ministry of Foreign Affairs, 2014a). Khojaly massacre increased the sensitivity of Turkey about Nagorno-Karabakh conflict. Khojaly city of Karabakh was invaded by Armenians with the help of the 366. Troop of Russian army on 26 February 1992. Turkey supported the peace-making process under the OSCE. However, none of the sides accepted this suggestion.

Nakhichevan is an autonomous republic annexed to Azerbaijan. There are two international agreements related with Nakhichevan. According to the Friendship Agreement signed on 16 March 1921 in Moscow, Turkey has the protectorate power over Nakhichevan which forces Turkey to never leave Nakhichevan to third countries. Under this agreement, it was stated that Nakhichevan would be an autonomous land under the protection of Azerbaijan. It was also confirmed that Nakhichevan would be an autonomous land under the protection of Azerbaijan with the signature of Kars Agreement on 13 October 1921. Moscow Agreement indicates Turkey has the protectorate right in the

case of the annexation of Nakhichevan to Armenia (Aydın, 2002). The armed conflict spread to Nakhichevan on May 1992. This situation strained the relations between Turkey and Russia since Russia had close alliance with Armenia. Although Turkey declared it would intervene if Armenia would not leave Nakhichevan, Prime Minister Demirel stated they would not send troops to Nakhichevan during his trip to Russia. This situation is the indicator that discourses and realities did not correspond (İyikan, 2011). It became apparent that emotional kinship ties were irrelevant in implication and the power of Turkey was limited.

It is worth noting that Turkey considered the Caucasus region having enormous energy resources and being in strategic location has been important for regional influence and opportunities in 2000s. The Turkish International Cooperation and Development (TIKA) has been playing significant role in improving economic and political ties with Caucasian Republics (Aras, 2014:3).

When İlham Aliyev realized the West was not providing the necessary support for the solution of Karabakh conflict, he established closer relations with Russia especially after the Georgian intervention of August 2008. In the mid-2009, efforts were made to normalize relations between Turkey and Armenia. Russia supported this process. The military cooperation between Russia and Armenia intensified, and Armenia extended the period of the use of Gumru base by Russia until 2044 (Şiriyev, 2011). In this period, the insecurity of Azerbaijan had doubled. The friend and kin countries discourse had left its place to emotional and political crashes. While the relations of Azerbaijan with Turkey cooled down, its relations with Russia, China, Japan, South Korea and Israel had developed (Yılmaz, 2010).

During the normalization process between Turkey and Armenia, disadvantageous regulation was made against Turkey in the natural gas price that Turkey had been purchasing from Azerbaijan. Until the normalization of relations, Azerbaijan was selling a thousand cubic meters of natural gas for 120 dollars to Turkey. President İlham Aliyev emphasized that the natural gas price that Turkey had been purchasing from Şahdeniz project had to be adjusted in accordance with the market conditions and agreement obligations. As a result, parties agreed that Turkey had to pay 300 dollars for the natural gas it had been purchasing from Azerbaijan (Asker, 2010). Currently, 335 dollars are being paid for Azerbaijani natural gas (Yeniçağ, 2014). During the same period, pressures against Turkish companies in Azerbaijan and boycott against Turkish goods were seen. The most important and unforgettable incident during that period was the taking down of the Turkish flags in the Turkish martyrdoms (Yılmaz, 2010). This emotional, political, economic reactions and punishments demonstrate that the trust relations can deteriorate. The rapprochement of Turkey to Armenia proved Turkey and Azerbaijan can turn into enemies from friends and allies. Turkey had been thought to be careful about the sensitivities of Azerbaijan in order to continue the friendship. What was understood at the end of this process was that the relations did not reach to the level of strategic partnership from the level of one nation discourse. It is a necessity to strengthen friendship and kinship with economic interests and elevate them to the strategic level. Emotional discourses bring affection, friendship and rapprochement between people, however the opposite situations lead the deterioration of relations economically and politically and cause enmity among people. It would be appropriate to clear relations from the emotionality of “one nation, two countries” approach (SETA, 2009).

Defining the relations between Turkey and Azerbaijan as strategic partnership would elevate the relations a few levels. In this context, agreements were signed between Azerbaijan and Turkey in 2010 in order to confirm the positive course of relations. During President Abdullah Gül’s visit to Azerbaijan on 16-17 August 2010, “Strategic Partnership and Mutual Aid Agreement” signed between two countries. During the 10th Turkish Speaking Countries Head of States Summit in Istanbul on 15-16 September 2010, “Joint Declaration for Establishing High Level Strategic Cooperation Council” was signed between two countries. It is necessary to take and implement strategic decisions in the context of these agreements.

4. The Economy of Azerbaijan

The economic period since the independence of Azerbaijan to the present day is divided into two: The first period between 1991 and 1995 can be described as “economic chaos”. In this period, Azerbaijan experienced several political, military and economic problems. The second period with a macroeconomic stability and dynamic economic growth has been continuing since 1996 (Azerbaijan Energy Charter Secretariat, 2013).

The large and unexplored oil and natural gas reserves that the country has, makes it attractive for the investors from Europe and the US. Western countries make energy investments to Azerbaijan for decreasing their dependency to Middle Eastern oil and Russian transport networks. BTC (Baku-Tiflis-Ceyhan Oil Pipeline) that was established in 2006 and 11 billion dollar's worth Nabucco Project are supported by Western countries (DEİK, 2012).

There is a serious prominence of the state in the Azerbaijan economy that the necessary settlements have been rapidly continuing for transition to the free market economy. Oil-natural gas sector plays an important role in the economy of Azerbaijan. Other than natural resources, agriculturally fertile lands of Azerbaijan and large industry complexes remained from USSR period lead its economy. After the dissolution of the USSR, the economy of Azerbaijan experienced a large recession. The war with Armenia is significant in this recession. This recession was around 60% between 1991 and 1995 during the declaration of independence. Since the second half of the 1990s, Azerbaijani economy has been growing because of the oil and natural gas sectors. Azerbaijan economy performed 21% growth between 2005 and 2009. However, as a result of the negative influence of global crisis to stock markets, oil and natural gas prices decreased in recent years. This situation diminished the GDP growth speed of Azerbaijan (DEİK, 2012: 12-13). In 2013, GDP increased 5.8% as 57.7 billion manat in Azerbaijan. The sectorial distribution of GNP in 2013 was 5.3% agriculture, 46.30% industry, and 48.4% service sector. Outside of the oil sector GNP increase was 10%, in oil sector it was 1% (Table 1) (The State Statistical Committee of the Republic of Azerbaijan, 2013).

The energy sector has the greatest share in the foreign trade of Azerbaijan. In the export of Azerbaijan, oil and oil products, in the import machinery and equipment needed for oil industry are major items (Somuncuoğlu, 2012).

According to data of Azerbaijan State Statistics Committee, Azerbaijan conducted foreign trade activities with 155 countries in 2012. Azerbaijan realized a total of 33.560.842.370 US dollars foreign trade volume including 9.652 870.180 US dollars import and 23. 907. 972.190 US dollars export (Table 1) (Azerbaijan State Statistics Committee, 2012 and TR Ministry of Economics, 2014).

Table 1. Basic Economic Indicators of Azerbaijan

	2006	2007	2008	2009	2010	2011	2012	2013
GNP (Billion \$)	20,982	33,049	48,851	43,019	51,797	63,782	66, 605	73,560
Growth (%)	34,5	25,0	10,8	9,3	5,0	11,9	5,0	6,0
Inflation (annual average, %)	8,3	16,7	20,8	1,5	5,7	5,6	4,8	2,4
Unemployment (%)	1,0	0,9	0,9	1,0	1,0	1,0	2,0	4,97
Gross Public Debt (% of GDP)	10,24	8,60	7,79	12,14	11,40	10,23	11,24	10,82
Export (Billion \$)	13,015	21,269	30,586	21,097	26,476	33,8	23.908	23.975,4
Import (Billion \$)	5,269	6,045	7,575	6,514	6,746	12,4	9.653	10.712,5
GDP Per Capita (\$)	2473	3851	3575	4950	5843	7190	7394	7812

Source: DEİK (2012), The State Statistical Committee of the Republic Azerbaijan, (2013)., IMF, World Economic Outlook Data, (10.10.2014)., World Bank Statistics, (10.10.2014).

In 2012, 84.63% of the Azerbaijani exports consisted of crude oil, 5.53% oil products, 2.71% natural gas, 0.10% electricity energy, and the rest were chemical industry products, steel and iron products, aluminum and its products, cotton, fruits and vegetables, vegetable and animal oil, alcoholic and non-alcoholic drinks (Azerbaijan State Statistics Committee). Its import consisted of 27.24% machines, mechanical devices, electrical devices and their components; 14.65 % transport vehicles and spare parts, 13.58% steel and iron products; 11.02% food products; 2.84% wood and wood products; 2.5% pharmacy products; 1.04% furniture and components; and 27.13% other (Azerbaijan State Statistics Committee and TR Ministry of Economics, 2013).

The economic policy of Azerbaijan is the development of non-oil sectors and increasing the share of the non-oil sectors in GNP in the future since the vulnerability of energy sector to the global crisis is high (DEİK, 2012 and TR Ministry of Economics, 2013).

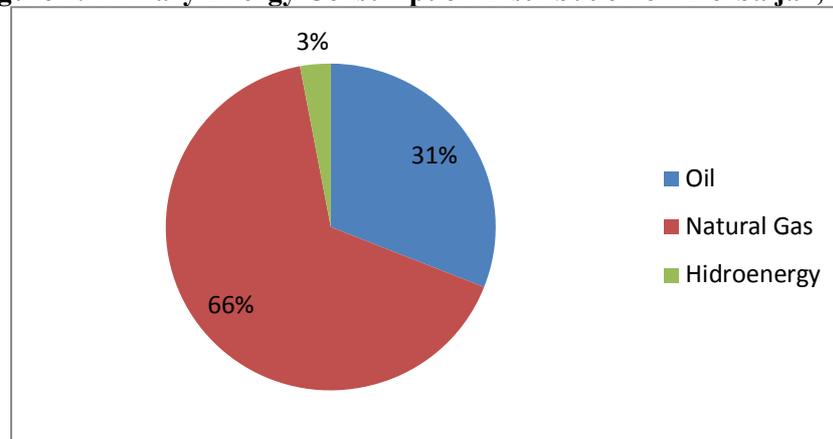
5. Energy Sector in Azerbaijan

Azerbaijan is one of the oldest oil producers of the world. The natural gas and oil export of Azerbaijan is the most important factor in its economic growth. According to IMF data, the share of the oil and natural gas in total export is larger than 90%. Azerbaijan also constitutes the most important export gate of the Caspian Base opening to the West. The share of the natural gas in primary energy consumption of Azerbaijan is 66%, oil is 31%, and hydro-energy is 3%. The high dependency of economic growth to the energy makes Azerbaijani economy vulnerable to the unexpected circumstances. Unexpected influences that occurred in energy sector during 2011 caused the decrease of total production until mid-2013. According to Oil and Gas Journal, proved crude oil reserve of Azerbaijan was expected to be 7 billion barrels in January 2013. In 2012, Azerbaijan made 930.000 barrels (bbl/d) oil production per day, and consumed 85,000 barrels of this production (Figure 1-2) (U.S. EIA, 2013a).

Azerbaijan State Oil Company (SOCAR) is responsible from oil and natural gas production in Azerbaijan, management of country's refineries, establishment of natural pipeline system, management of oil and natural gas energy export and import. In Azerbaijan, Ministry of Industry and Energy is responsible from the agreements that would be made with foreign countries about transport and production of energy. SOCAR also joins to international consortiums for the development of oil and natural gas projects. The share of SOCAR is around 20% in the total oil production of Azerbaijan. 80% of the total production is made by Azerbaijan International Operating Company (AIOC) managed by BP (IEA, 2012).

AIOC is a consortium by 10 oil companies. BP has the major shareholder in this consortium. Other companies are Chevron (USA), SOCAR (Azerbaijan), Inpex (Japan), Statoil (Norway), Exxon Mobil (USA), TPAO (Turkey), ITOCHU (Japan), Devon Energy (USA) and Amerada Hess (USA). AIOC made significant contribution to the construction of South Caucasia Pipeline and Baku-Tiflis-Ceyhan Pipeline. AIOC currently makes plans for the construction of Trans-Caspian Oil Pipeline between Kazakhstan and Azerbaijan. Oil drill from Azeri-Chirag-Guneshli field and natural gas drill from Shah Deniz could be possible by the direct investments of this consortium (BP, 2014b and IEA, 2012).

Figure 1. Primary Energy Consumption Distribution of Azerbaijan, 2011



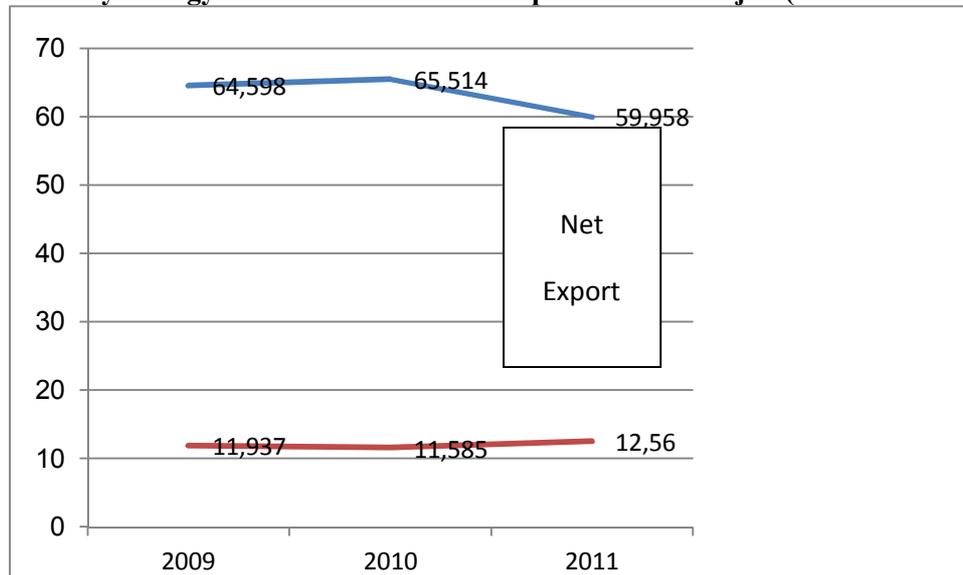
Source: EIA, *Country Analysis Briefs: Azerbaijan*, 2012.

5.1. Azerbaijan's Oil Pipelines

- **Baku-Tiflis-Ceyhan Crude Oil Pipeline:** The length of BTC Crude Oil Pipeline, which presents the Caspian Oil to the world market safely without increasing the current tanker traffic of Istanbul and Çanakkale straits, is 1768 km while 443 of it in Azerbaijan, 249 km is in Georgia, and 1076 km is in Turkey. BTC Crude Oil Pipeline starts from Sangachal Terminal close to city of Baku in Azerbaijan, transits from Georgia and ends in Ceyhan Terminal at the Mediterranean Coast of Turkey. 80% of the oil export of Azerbaijan is being held through BTC (EIA, 2013b and BP, 2014a).
- **Baku-Novorossiysk Oil Pipeline:** Baku–Novorossiysk Pipeline is a 1330 km long line between Baku-Sangachal Terminal and Russia-Novorossiysk Terminal. The part in Azerbaijan is directed by SOCAR and the part in Russia is directed by Transneft (SOCAR, 2014a).

- **Baku-Supsa Oil Pipeline:** Western Export Line of Baku-Supsa Line that has been active since 1998 is a 520 miles long pipeline between Baku and Supsa-Georgia. The oil is drilled from Caspian Sea and transported to Supsa Port through line, loaded to tankers in Supsa and exported to Europe through Istanbul strait (SOCAR, 2014b).

Figure 2. Primary Energy Production and Consumption of Azerbaijan (2009-2011- kt oil worth)



Source: World Bank Energy Statistics, <http://data.worldbank.org/country/azerbaijan>.

5.2. Azerbaijan's Natural Gas Pipelines

- **Baku-Tiflis-Erzurum Natural Gas Pipeline (South Caucasus Pipeline):** BTE natural gas pipeline that has been active since 2007 and 980 km long provides the transition of Azerbaijan natural gas produced in Shah Deniz to Georgia and Turkey. BTE has four distribution stations including one in Azerbaijan and three in Georgia (SOCAR, 2014c).
- **Gazi-Magomed-Mozdok Natural Gas Pipeline:** Gazi-Magomed-Mozdok Natural Gas Pipeline, which is 150 miles long, transports Azerbaijan natural gas to Russia. SOCAR and Gazprom made an agreement for the relevant pipeline in 2009.
- **Baku-Astara Natural Gas Pipeline:** Due to the problems with Armenia, Azerbaijan signed an exchange agreement with Iran for natural export. Accordingly, Iran has been transporting Azeri natural gas to Nakhchivan since the end of 2006. In order to realize this action, Azerbaijan sends gas to Iran through Baku-Astara Line. Iran transports this gas to Nakhchivan through Salmas- Nakhchivan Line. Iran receives 15% commission from transit income (EIA, 2013b).

After the discovery of Shah Deniz field, a few new pipeline projects came up. Among them, Nabucco Project was supported by many countries but could not be realized. There are three new projects that Shah Deniz Consortium is working on: enlargement of Baku- Tiflis- Erzurum (BTE) (South Caucasasia Natural Gas Pipeline), Trans-Anatolia Pipeline (TANAP) and Trans Adriatic Pipeline (TAP). In the scope of the enlargement of BTE, it is planned to build a new pipeline parallel to the existing pipeline between Azerbaijan-Georgia and to merge this pipeline with TANAP and TAP. The transition of natural gas in Shah Deniz to Europe through Turkey is planned with TANAP Project. TAP Project will connect TANAP to Italy through Greece and Albania (IEA, 2013b).

6. The Economy of Turkey

The Republic of Turkey was established in 1923. Turkey applied an import-substitute economic program before 1980. At the beginning of 1980's, Turkey undertook a program of economic liberalization that aimed at integrating the Turkish economy into the world market economy to promote export-led growth.

Turkey has undergone a profound economic transformation since 2001. It has recorded remarkable GDP (gross domestic product) growth rate of almost % 6 in average during the period of 2002-

2011. It should be noted that Turkey ranks as the 17th largest economy in the World and 6th in Europe. Turkey's GDP per capita has tripled; it was 3,492 USD in 2002 and 10,782 USD in 2013. According to Purchasing Power Parity (PPP), GNI (gross national income) per capita reached 19 thousand USD in 2013. Turkish population is 76.9 million in 2014. GDP growth rate projections are 4% for 2014, 5 % for 2015 and 2016 (Republic of Turkey Ministry of Foreign Affairs, 2014).

Turkish Exports Strategy for 2023 (Table 2) (2023 is the centenary anniversary of the Turkish Republic) aims to reach 500 billion dollars of exports volume in 2023 with an average of 12% increase in exports annually. The main aims of Turkey have been becoming one of the world's 10 largest economies in 2023 and taking 1,5% share from the world's trade. The other aim of this strategy has been reaching 80% exports/imports ratio in 2023. (Republic of Turkey Ministry of Economy, 2014). Turkey's economy is increasingly driven by its industry and service sectors. The automotive, construction, and electronics industries are becoming the most important sectors within Turkey's export. Turkey, as a fast growing economy, will require more access to fossil fuel resources to meet its increasing demand for energy. The limits of Turkey's domestic energy sources in light of its growing energy demand have resulted in dependency on energy imports, primarily on oil and gas. Around 26 % of the total energy demand is being met by domestic resources. In that sense, the rest has been met by imports. Turkey has intended to become an energy corridor and energy hub between the resources in the East and markets in the West. The EU has been supporting Southern Gas Corridor project which will transport hydrocarbons especially natural gas from Middle East and Eurasia to Europe via Turkey.

Table 2. Basic Economic Indicators of Turkey

	2006	2007	2008	2009	2010	2011	2012	2013
GDP in current prices (in billion U.S. dollars)	529.19	649.13	730.32	614.42	731.29	774.34	783.06	838.97
Growth (%)	6.89	4.67	0.66	-4.83	9.16	8.5	2.97	3.53
Inflation (annual average, %)	9,6	8,76	10,44	6,25	8,57	6,47	8,72	6,54
Unemployment (%)	9	9,2	10	13,1	11,1	9,1	8,4	9,0
General Government Gross Debt Stock (% of GNP)	46.5	39.9	40.0	46.0	42.3	39.1	36.2	36.2
Export (Billion \$)	85.5	107.3	132.0	102.1	113.9	134.9	152.5	151.8
Import (Billion \$)	139.6	170.1	202.0	140.9	185.5	240.8	236.5	251.7
GDP Per Capita (\$)	7597	9247	10444	8561	10003	10428	10459	10782

Source: Republic of Turkey Ministry Undersecretariat of Treasury, "Turkish Economy", October 2014.

7. Energy Outlook of Turkey

Energy is one of the most important factors of economic growth and development. The energy factor, which has a strategic importance, affects the positions, policies, and practices of states in international political economy. The wealthiest oil and natural gas reserves of the world are located in Russia, Central Asia, and Middle East. The energy policy of Turkey has a dual importance since its economic growth above the world average and its geographical proximity to these oil and natural gas rich regions.

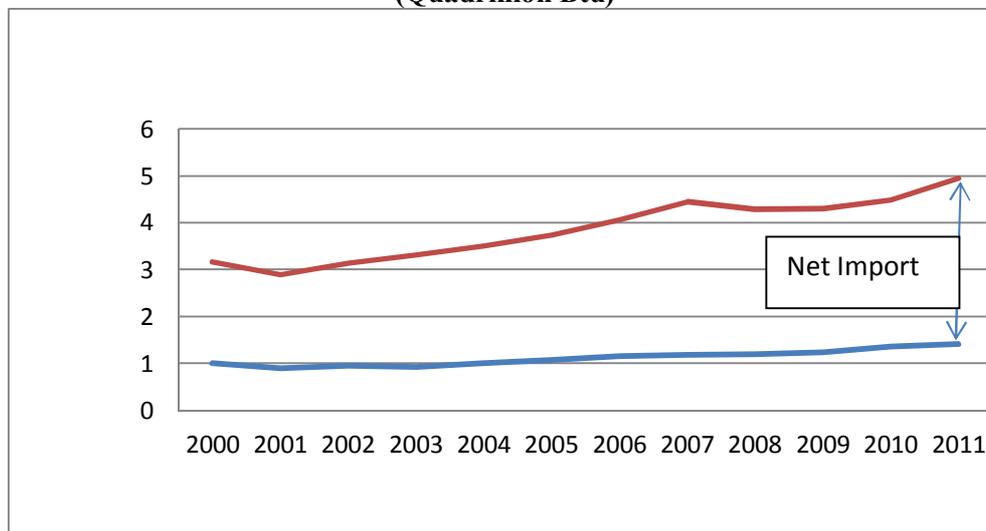
As a developing country, Turkey is expected to be one of the biggest ten economies of the world in 2023; and the goods and services exports, which is the locomotive of the Turkish economy, are targeted to be 500 billion dollars. The demands of Turkey for energy is rapidly increasing, which is one of the most important inputs since it follows a manufacturing strategy based on RD intense sectors, and the pioneer goods of their own sectors. However, the supply of energy cannot meet the demand for energy in Turkey. Turkey also targets to be a safe energy corridor between manufacturer and consumer countries in the East-West and North-South axis by using its strategically important location and to be the fourth biggest artery after Russia, Norway, and Algeria in Europe. In this context, Turkey makes agreements with several countries and develops new policy strategies to decrease the energy supply deficiency in Turkey and to eliminate the possible supply security problems.

According to "Vision 2023 Technology Foresight Project-Energy and Natural Resources Panel Report" of TUBITAK (2003), when the current economic growths and developments are analyzed, the primary energy supply of the world is expected to increase more than 40% by 2023 and 85% of this

increase has to be covered by the fossil fuel. It is predicted that the share of the Middle Eastern countries of OPEC will increase to 75% by 2023, which provides 50% of the world oil export currently (TUBITAK, 2003).

Turkish economy has experienced the growth rates of 9.2% in 2010; 8.8% in 2011 and 2.2% in 2012. The energy consumption of Turkey rapidly increases in parallel with its economic growth. The annual increase in the energy demand of Turkey is 4.6% since 1990 as the second country after China for the increase of the natural gas and electricity energy demand. The annual increase in the energy demand is around 5.5-6%. In recent years, this increase has been exceeded 8% (Figure 3) (TURKSTAT, 2013 and Yazar, 2010). The energy demand of Turkey has increased most among the OECD countries within last two years. While the energy demand demonstrates a rapid increase in parallel to economic growth of Turkey, energy consumption is relatively low. According to International Energy Agency, the energy demand of the Turkey is expected to be doubled within the next ten years. Energy Ministry also predicts that the annual energy consumption of Turkey will reach 222mteb by 2020. Current energy policies target a 3% decrease in the external dependency within the next 10 years by 2020. (U.S. Energy Information Administration - U.S. EIA, 2013; Yazar, 2010).

Figure 3. Primary Energy Production and Consumption of Turkey; 2000-2011 (Quadrillion Btu)

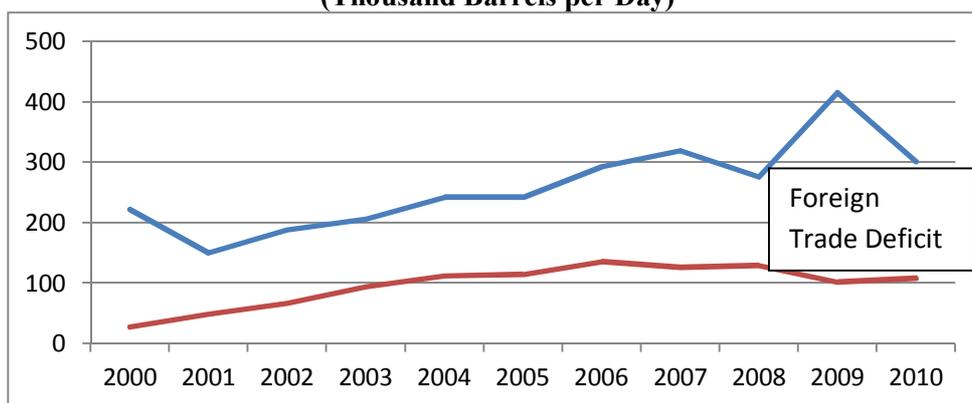


Source: World Bank Energy Statistics, <http://data.worldbank.org/country/azerbaijan> and EIA, *Country Analysis Briefs: Azerbaijan*, 2012.

The inadequacy of the local resources for the increasing demands especially for oil and natural gas cause increases in the importation. Currently, 26% of the energy demand of Turkey is provided by local resources. Turkey is dependent to external resources above the rates of 70%. Turkey is one the most oil importer 20 countries and one of the most natural gas importer 10 countries. The lack of primary energy resources except lignite and external dependency in oil and natural gas create risks for its energy security (2013 Program, 2012). In 2011, Turkey imported 90% of its liquid fuel oil consumption. According to U.S. IEA, energy import of Turkey will be doubled in 10 years (IEA, 2013c) (Figures 4 and 5).

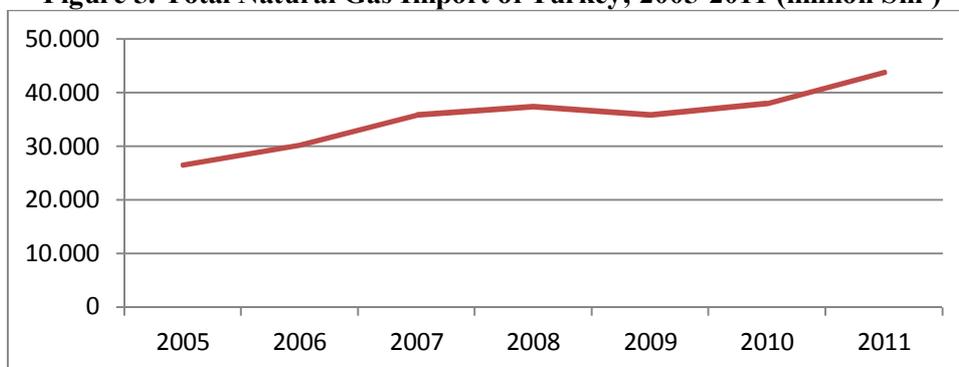
According to 2011 data, Turkey has been conducting its natural gas import 58% from Russia and 19% from Iran. Iran follows Russia with a share of 19%. According to January-September 2012 data, Turkey provides 10% of its crude oil import from Russia. The rate is 12% for 2011 (Figure 6 and Figure 7).

Figure 4. Total Import and Export of Refined Oil of Turkey; 2000-2010 (Thousand Barrels per Day)



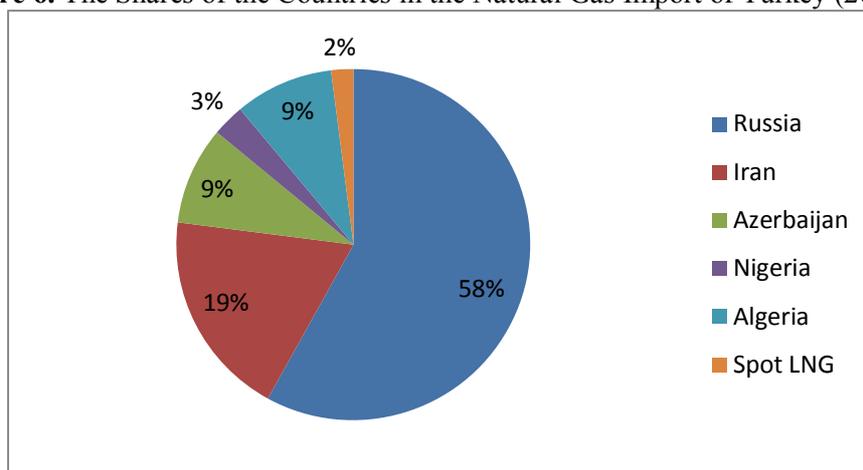
Source: World Bank Energy Statistics, <http://data.worldbank.org/country/azerbaijan> and EIA, *Country Analysis Briefs: Azerbaijan*, 2012.

Figure 5. Total Natural Gas Import of Turkey; 2005-2011 (million Sm³)



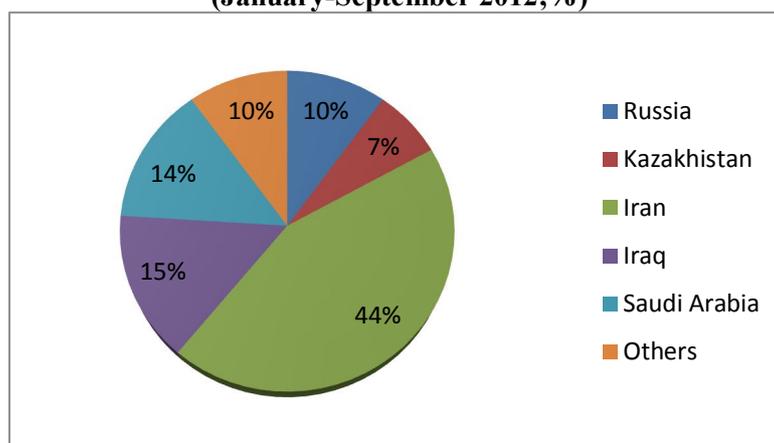
Source: Turkey Energy Market Regulatory Authority, *Doğalgaz Piyasası 2011 Yılı Sektör Raporu* 2012.

Figure 6. The Shares of the Countries in the Natural Gas Import of Turkey (2011;%)



Source: EIA, *Turkey*, 2013.

Figure 7. Share of the Countries in the Crude Oil Import of Turkey (January-September 2012;%)



Source: Eurostat Data, <http://epp.eurostat.ec.europa.eu/portal/page/portal/energy/data/database>, 2013.

8. Azerbaijan-Turkey Economic Relations

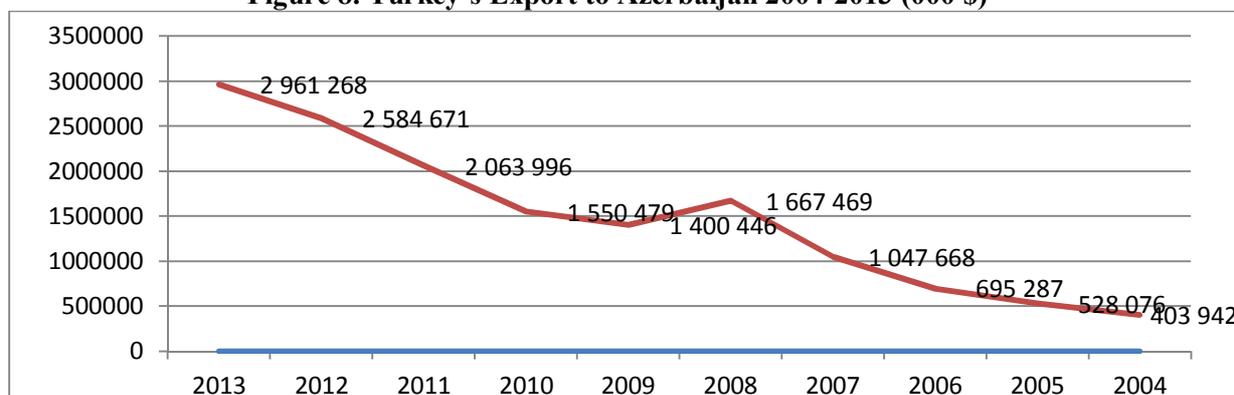
The relations between Azerbaijan and Turkey that has been conducted with the understanding of “one nation, two countries” are very strong. When GNPs are compared for 2012, Turkey rank at the 17th and Azerbaijan locates at the 68th order in the world ranking (World Bank Statistics, 2013).

Trade and economic agreements between two countries are as follows: (DEİK, 2012)

- Trade, Economic and Technical Cooperation Agreement - 1992
- Prevention of Double Taxing Agreement – 1994
- Mutual Promotion and Protection of Investments Agreement – 1995
- Intergovernmental Joint Economic Commission Meetings Protocols (KEK)
 - KEK I. Term– 1997
 - KEK II. Term – 2001
 - KEK III. Term – 2005
 - KEK IV. Term – 2006
 - KEK V. Term – 2008
 - KEK VI. Term – 2011

In the trade between Azerbaijan and Turkey, a trade surplus is relevant for Turkey. Foreign trade between two countries shows continuously increasing trend. Azerbaijan is at the 15th order among the top exporting countries of Turkey. Like it is shown in Figure 8, export of Turkey to Azerbaijan increases constantly. In 2013, Turkey made 3 billion dollars’ worth export to Azerbaijan. This value constitutes approximately 2% of the total exports of Turkey. The foreign trade volume between two countries is 3.295 million dollars. This number is 0.8% of total foreign trade volume of Turkey. Azerbaijan located at the 27th order when the foreign trade volume of Turkey is evaluated (retrieved from TURKSTAT data).

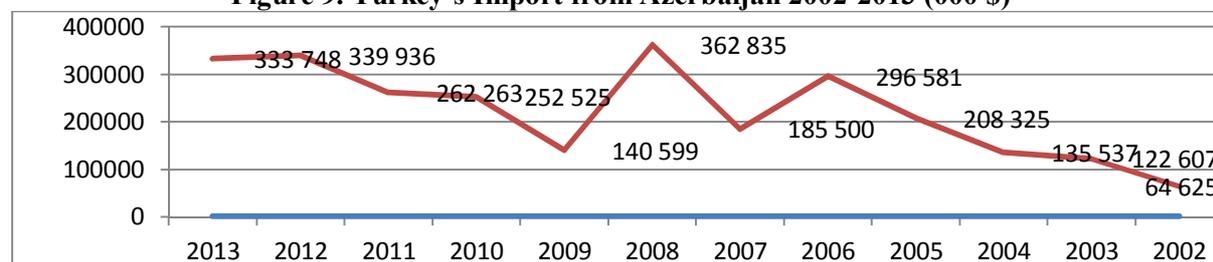
Figure 8. Turkey’s Export to Azerbaijan 2004-2013 (000 \$)



Source: TURKSTAT. Foreign Trade Statistics Database, 2013.

Import of Turkey from Azerbaijan also increases. However, Azerbaijan is not among the top 20 countries that Turkey imports most. Azerbaijan is at the 59th order among the countries that Turkey imports. In 2013, Turkey made 334 million dollars worth import from Azerbaijan. This value constitutes 0.13% of total import of Turkey (retrieved from TURKSTAT data) (Figure 9).

Figure 9. Turkey's Import from Azerbaijan 2002-2013 (000 \$)



Source: TURKSTAT. Foreign Trade Statistics Database, 2013.

In 2013, Turkey's exports to Azerbaijan worth 2.961.268 dollars. Turkey's imports to Azerbaijan worth 333.747.607 in 2013. Among the export items at the first place there are vessels, machines, mechanic devices and tools, nuclear reactors, and their components (387.240.921 dollars) in import mineral fuels, mineral oils, and products from their distillation (115.018.767 dollars) (TURKSTAT, Foreign Trade Statistics Database) (Table 3).

Table 3. First Five Items in Turkey's Export and Import to Azerbaijan in 2013

Rank	Export	USA Dollars	Import	USA Dollars
1	Vessels, machines, mechanic devices and tools, nuclear reactors, and their components	387.240.921	Mineral fuels, mineral oils, and products from their distillation bitumen materials, mineral waxes	115.018.767
2	Electrical machines and devices, voice recording-giving, television view-voice recording-giving devices, components and accessories	265.429.942	Aluminum and aluminum goods	105.675.983
3	Iron and steel goods	259.315.157	Plastics and products	52.793.886
4	Plastics and their products	258.478.732	Rude posts, leathers (except furs) and other leather products	16.384.370
5	Furniture, bedroom furniture, lightning devices, advert lightening, lightening tables etc., prefabricated buildings	221.216.056	Cotton, cotton thread and cotton goods	14.951.009

Source: TURKSTAT. Foreign Trade Statistics Database, 2013.

Turkey's share in the total foreign trade of Azerbaijan is 6.3% when the foreign trade volume is analyzed. When the export of Azerbaijan is analyzed on the country base, Italy has the greatest share with 23.21%. India follows Italy with 7.9%. The share of Turkey in the total export of Azerbaijan is 2.5%. Turkey is at the 11th order in the top exporting countries of Azerbaijan.

It is seen that Azerbaijan realizes 15.75% of its import with Turkey, when the distribution of import of Azerbaijan analyzed at the country based. Russia follows Turkey with 14.28% share. Turkey is the top import country of Azerbaijan. Azerbaijan's import from Turkey realized as 1.520.045.810 US Dollars in 2012 and demonstrated 16.69% increase as compared the same period of previous year (Azerbaijan State Statistics Committee and TR Ministry of Economics 2014).

Azerbaijan and Turkey are members of several international organizations. Among them, there are Economic Cooperation Organization (ECO), Black Sea Economic Cooperation Organization (BSEC) and Organization of the Islamic Conference (OIC). ECO was established in 1985 as the successor of Regional Cooperation for Development, which was established in 1964. The aims of the

ECO are to contribute the development of member states, removing trade barriers within the ECO region and develop the regional trade, to promote the integration ECO region to the global markets, and to strengthen the cultural and historical ties between member states. BSEC was established in 1992. The aim of the BSEC is to develop trade, economic, scientific, and technologic cooperation between member states and to bring peace, stability and welfare to the Black Sea region. OIC was established in 1969 and aims political, economic, cultural, scientific, social solidarity and cooperation among member states (TR Ministry of Foreign Affairs, 2014b, 2014c, 2014d).

In the scope of the economic and trade relations between Azerbaijan and Turkey, the investments of Turkish companies in Azerbaijan are around 3.6 billion dollars. An important part of these investments has been made by Turkish Petroleum Corporation (TPAO) (Somuncuoğlu, 2012). Problems between the two countries mainly caused by the international responsibilities of them. Since Turkey signed the Customs Union Treaty with the EU, it cannot implement an independent trade policy for the countries outside of the Union. Turkey undertakes the mutual and autonomous preferential trade regimes that the EU implements against third countries. A similar situation is also valid for Azerbaijan. Azerbaijan signed “Azar Ticared Sadişi” with Commonwealth of Independent States in 1993. Azerbaijan gave important customs exemptions to Russia, Ukraine, Georgia, Kazakhstan and Moldova with this agreement. There are also problems between two countries in customs, transportation, banking, payments and trade law. One of the most important problems between Turkey and Azerbaijan in trade is the visa implementation. These problems prevent the development of between two countries, finding solutions to trade conflicts, and cause increases in costs and diminish the competition opportunities (Tuğrul, 2012).

9. Energy Relations between Turkey and Azerbaijan

There are more than 800 Turkish companies in Azerbaijan. Total investments by these companies are over 3 billion dollars. When Turkey’s energy investments in Azerbaijan are considered, these investments exceed 6 billion dollars. Baku-Tiflis-Ceyhan (BTC) Oil Pipeline and Baku-Tiflis-Erzurum (BTE) natural gas pipeline are the functioning projects between two countries. Baku-Tiflis-Kars (BTK) railway project and Trans-Anatolia Pipeline Project (TANAP) are planned to be made between two countries (TR Ministry of Foreign Affairs, 2014a).

Azerbaijan agreed with several foreign companies about Azeri, Çirak and Güneşli fields after it declared its independence on 18 October 1991. These companies are BP, McDermott, PENZOIL, UNOCAL, RAMCO, STATOIL. TPA joined this consortium with 2.5% share (Gül, Gül, 1995). Within this period, Nagorno-Karabakh conflict worsened, after the fall of Suşa, Azerbaijan President Muttalibov was removed from the office by Azerbaijan Popular Front and Abulfeyz Elchibey took over the government (Hunter, 1994). In 1992, Popular Front provided the establishment of Azerbaijan State Oil Company. Also, the Popular Front merged Azeri, Güneşli and Çirak fields. When Russia and Iran were not included into the consortium, TPAO was given a share. The regional and international actors began to work on pipeline routes. In the memorandum signed on 9 November 1992, 3 pipeline options were considered for transporting Azeri oil. These are Baku-Novorossisk, Baku-Poti and Baku-Ceyhan. Baku-Ceyhan was accepted as the most economic, efficient and least risky one for the tanker traffic in the protocol signed on 28 February 1993. During the period of Abulfeyz Elchibey, Baku-Ceyhan Oil Pipeline Preparatory Agreement was signed on 9 March 1993 (Gül and Gül, 1995). Turkey was presented as “Energy Bridge” in the “Oil and Natural Gas Opportunities” conference of 29-30 April 1993 (İbrahimov, 2012).

Turkey-Azerbaijan relations were affected from Azerbaijan’s domestic problems and government changes in the term of Haydar Aliyev. Azeri-Armenian war over Karabakh was intensified, and a Russian supported coup occurred in Azerbaijan. Haydar Aliyev was elected as President on 3 October 1993. Haydar Aliyev declared in Economic Cooperation Organization meeting that all of the oil agreements made by Azerbaijan would be revised. This declaration determined the pipeline choice of Kazakhstan and Kazakhstan preferred the Russian route. International consortium that gathered in London prepared a report and announced that Baku-Ceyhan line is much more expensive (Gül, Gül, 1995).

The debates on the construction process of Baku-Tiflis-Ceyhan (BTC) oil pipeline was the main political and economic issue of 1990s. Turkey supported the construction process of Baku-Tiflis-Ceyhan oil pipeline; Turkey considered that this pipeline would make it easier for Turkey to reach the

raw materials in the long run and Azerbaijan would be a reliable partner for providing energy supply. In addition to this, the construction of the pipeline would provide employment opportunities. Moreover, transit fees would contribute to Turkish economy. One other reason for Turkey to support the construction of Baku-Ceyhan pipeline was the PKK terror. Turkey believed that it could obtain international support to end PKK terror with the construction of the line. Turkey was supposed to help new resources to enter the world market and become an energy hub by enabling the transportation of Azeri oil. Another agenda of Turkey was to provide the security of straits. Also, Turkey was declaring it was interested in protection of ecological balances of Black Sea, Mediterranean and Aegean Seas (Yesevi, 2013) Turkey aimed to secure new energy supplies and to become transit country to deliver energy resources from the Caspian region to Europe. Azerbaijan wanted to bypass Russia; BTC pipeline was considered as best option to decrease the dependency of Azerbaijan; the United States supported the project as one of the multiple pipeline projects which would transport Caspian energy resources to the West (Murinson, 2008).

The first oil agreement with Azerbaijan Oil Company (SOCAR) was signed on 10 September 1994. This agreement is the most important one related with the joint oil drilling from 3 Caspian Sea fields. Within this context, Azerbaijan International Oil Company (AIOC) consisted of 7 countries and 11 companies were established to manage the Azeri, Çıraq and Güneşli fields. The duration of the agreement was determined as 30 years. Total reserve of this field was determined as 540 million tones. The shares of the companies were as follows (Eurasia Files, 1997):

BP (UK): %17.12	AMOCO (USA): %17.01
LUKoil (Russia): %10	SOCAR (Azerbaijan): %10
UNOCAL (USA): %9.53	STATOIL (Norway): %8.56
TPAO (Turkey): %6.75	PENZOIL (USA): %4.81
RAMCO (USA): %2.08	DELTA (S. Arabia): %6.8.

In April 1995, the share of Turkey was increased from 5% to 6.75%. This development was a surprise for TPAO. In the same period, a coup attempt, which included Turkish officials, was failed by the warning by Süleyman Demirel to Aliyev. Early Azeri oil was transported through Baku-Novorossisk and Baku-Supsa routes. BTC oil pipeline that became active in 2006 could not be that determinant in the decision-making and taking process for the interests of Turkey in the region. This line served as a sub-transport line after the period of the dissolution of the Soviet Union (Yesevi, 2013).

The primary reason for Turkey to support the construction process of Baku-Tiflis-Ceyhan oil pipeline was this pipeline would make it easier for Turkey to reach the raw materials in the long run and it would acquire a reliable partner for providing energy supply (Yesevi, 2013). Ahmet Davutoğlu, former Minister of Foreign Affairs claims Baku-Tiflis-Erzurum natural gas pipeline is very important. Baku-Tiflis-Kars railway is even more important. Accordingly, Davutoğlu underlines Baku-Tiflis-Kars railway would turn into silk railway that connects London to China with the construction of Marmaray (Yesevi, 2012).

Energy agreements that accelerated with the signature of Baku-Tiflis-Ceyhan Oil Pipeline and Baku-Tiflis-Erzurum Natural Gas Pipeline Projects between Turkey and Azerbaijan became more comprehensive when SOCAR bought PETKİM in 2008. The memorandum of understanding of Trans-Anatolia Pipeline (TANAP), was signed on 26 December 2011 and intergovernmental agreement was on 26 June 2012. This pipeline would transport natural gas from Azerbaijan to Europe through Turkey. The starting point is Turkish border Türkgöz and exit points to Europe will be Greek and Bulgarian borders, and Turkish exit points will be Eskişehir and Thrace region. The first phase of the anticipated 8 phases of TANAP Project is planned to be realized on 2018 with the first gas transport. It is aimed to reach from annual capacity of 16 billion cubic meters in 2020 to 23 billion cubic meters in 2023, and 31 billion cubic meters in 2026. TANAP Project is very important for the energy supply security of Turkey and Europe. Project will also contribute significantly to transport Azeri natural gas to new markets (TANAP Project Official Website, 2014a).

One of the most important projects that brought acceleration to Azerbaijan-Turkey relations in energy sector is TANAP. For the consortium made for TANAP; SOCAR, BOTAS and TPAO exist as primary partners. In the scope of TANAP, while Turkey has 30% share with BOTAS and TPAO in the consortium, SOCAR has 70%. The project, which is aimed to complete the first stage in 2018, anticipates that gas will leave Azerbaijan through Georgia and arrives Turkey where it will be

transported and sold. Within the scope of project, out of 16 billion cubic meters gas, 6 billion cubic meters of the gas will be sent to Turkey; 10 billion cubic meters will be delivered to Europe at the Greek and/or Bulgarian border. For Turkey and Europe, TANAP will contribute to ensure energy supply security with reliable supply and reasonable prices (TANAP Project Official Website, 2014b).

Turkey has two aims about TANAP project; the first one is to deliver Azeri natural gas and the other one is to use it for the needs of the country. TANAP will pass through the cities of Ardahan, Kars, Erzurum, Erzincan, Bayburt, Gümüşhane, Giresun, Sivas, Yozgat, Kırşehir, Kırıkkale, Ankara, Eskişehir, Bilecik, Kütahya, Bursa, Balıkesir, Çanakkale, Tekirdağ, Edirne and Kırklareli. Taner Yıldız, Minister of Energy and National Resources claims that new employment opportunities will be realized thanks to TANAP (AA, 2014). TANAP will help Turkey's goal to diversify energy routes and suppliers (Yesevi, 2013).

10. Conclusion

The basis of Azerbaijan-Turkey relations is often described as friendship and kinship by official circles. In the first years of the independence of Azerbaijan, the relations were very positive and in the First Turkish Speaking Head of States Summit in 30-31 October 1992 in Ankara, only leader who supported President Turgut Özal's Turkish Common Market and Turkish Development and Investment Bank ideas was Abulfeyz Elchibey. Turkey supported Azerbaijan in Nagorno-Karabakh conflict however during the Khojaly Massacre despite the pressures from public, President Turgut Özal and political parties for a military intervention to Armenia; Turkey tried to solve the conflict within the UN, the OSCE and the NATO. The declaration that the transportation of oil would be realized through Turkey in the period of Haydar Aliyev strengthened the relations between two countries. It is important that Haydar Aliyev described the relations as "one nation, two countries". Since then, Aliyev's discursive unity description has been constituted the basis of the relations in the societal and political levels. However, the normalization of relations between Turkey and Armenia in 2009 caused problems in Azerbaijan-Turkey relations. In this period, price of the Azeri natural gas was increased, Turkish companies experienced reactions and flag crisis occurred. These incidents showed that the reliable relations between two countries could be disrupted. Turkey learned to consider the sensitivities of Azerbaijan in order to protecting the friendship. It is a necessity to strengthen the friendship and kinship of the discursive level with the economic benefits and raise it to the strategic level. In addition to be careful about not harming emotional relations, stronger economic relations should be developed.

In the scope of the study, when economic relations between Turkey and Azerbaijan are analyzed, it is seen that the economic relations between two countries are below the expectations. Free trade area between two countries was not established and a visa-free regime was not implemented. Analyzing the distribution of the imports of Azerbaijan, it is seen that 15.75% of the imports are realized with Turkey. Russia follows Turkey with a 14.28% share. Turkey is Azerbaijan's top importing country. In 2013, Turkey made 3 billion worth export to Azerbaijan. This value constitutes approximately 2% of the total exports of Turkey. Foreign trade volume between two countries is 3.295 million dollars. This number is 0.8% of the total foreign trade volume of Turkey. Azerbaijan ranks at 27th order when foreign trade volume of Turkey is evaluated. Turkey does not have an important share in the export of Azerbaijan. Azerbaijan's export to Turkey is 2.5% of its total export. Turkey is at the 11th order in the top exporting countries list. While the role of the energy has been often underlined in the Turkey-Azerbaijan relations, Turkey purchases only 1.5% of the oil from Azerbaijan. Energy pipelines has had more important place as a cooperation area. In this context, the process started with Baku-Tiflis-Ceyhan Oil Pipeline continues with Baku-Tiflis-Erzurum Natural Gas Pipeline and the Trans-Anatolia Pipeline (TANAP). It is important to note that pipelines are important contributors for the independence and welfare of Azerbaijan. Azerbaijan has been exporting 80% of its oil through Turkey. Trans-Anatolia Natural Gas Pipeline will be the part of Southern Gas Corridor supported by the EU. This pipeline will contribute to the route diversity of Turkey.

The amount of natural gas that will be transferred to Europe with TANAP is 10 billion cubic meters at the beginning, and it does not seem as important as South Stream, of which Russia is the major partner and will have the capacity of 63 billion cubic meters. TANAP is a project that provides momentum to Turkey-Azerbaijan relations. TANAP Project will strengthen European energy supply security. As having a major strategic importance for Azerbaijan and Turkey, for Turkey and the EU,

TANAP supports the energy supply security by recognized natural gas capacity and reasonable prices. This pipeline signifies the delivery of its natural gas resources to new markets. As technically being the second largest project, TANAP will also contribute to the economies of countries by increasing the employment opportunities and investments.

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