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TURKEY AND THE EUROPEAN UNION – A NEW PHASE OF RELATIONS

ABSTRACT

Turkey can join the EU once it has fulfilled the conditions and thus complies with European principles and laws. According to Turkish authorities, Ankara is ready and can adopt the full *acquis communautaire* by 2014. The aim of the article is to argue that seen in this light, the Nabucco pipeline project which is expected to bring Caspian gas to Bulgaria, Romania, Hungary and Austria via Turkey is of essential importance. By building this pipeline Turkey might become the fourth energy supply route for natural gas to Western Europe. Moreover, Turkey's accession to the Energy Community Treaty as an equal partner with full rights would be an extremely important opportunity for Ankara to strengthen its position and commitment on its way to the membership in the EU.

Keywords: Turkey, EU, enlargement, energy security, Nabucco

Turkey can join the EU once it has fulfilled the conditions and thus complies with European principles and laws. According to Turkish authorities, Ankara is ready and can adopt the full *acquis communautaire* by 2014. The aim of the article is to argue that seen in this light, the Nabucco pipeline project which is expected to bring Caspian gas to Bulgaria, Romania, Hungary and Austria via Turkey is of essential importance. By building this pipeline Turkey might become the fourth energy supply route for natural gas to Western Europe. That means that there is a mutual dependence in energy policies which might help to create a favourable conditions for mutual relations and eventual membership of Turkey into the EU.

This idea is in line with the statement of European Commission President Jose Manuel Barroso who in January 2009 pointed it out that energy security "is one of the cases where we can show to the European Union public opinion how important Turkey is for the EU."[1]

EUROPE AND TURKEY AFTER 2005

After *annus horribilis* in 2005 the chances of Turkey's accession to the EU seem to be rather slim. The anti-Turkish mood is rooted in a broader crisis in Europe, which results from three factors. Firstly, according to Giuliano Amato, the former Italian prime minister and vice chairman of Europe's constitutional convention, the EU is lacking political leadership. The president of the European Commission Jose Manuel Barroso supports further enlargement, but he cannot steer the EU without strong support from Berlin and Paris. Here, the current national leaders leave Europe listless and without direction.[2] Secondly, the present malaise in the EU results from a slow economic growth in the core eurozone countries like Germany, Italy and France. Amato suggest that if the French referendum in May 2005 had taken place while the economy was growing at 2,5 percent, the EU constitution would have passed. It failed because a society facing economic insecurity is not able to support any change. And thirdly, political leaders in France and Germany are afraid that the 2004 and 2007 enlargements weakened the EU's institutional solidarity. They do not want „widening" without further „deepening". The Constitutional Treaty seemed to be a remedy for that, but was rejected in the referenda in France and the Netherlands. Its revised version, the Treaty of Lisbon has not change the situation.

At the end of 2007 Turkey managed to open in the accession negotiations with EU two further chapters referring to trans-European networks (TEN) and consumer and health protection. At the same time eight out of 35 chapters have been on hold since 2006 due to Turkey's refusal to open its ports and airports to ships and planes from Cyprus.[3] According to the Eurobaremeter, Turkish support for EU membership is continuously declining. As a reaction to the numerous setbacks

[1] E. Vucheva, *Turkey May Rethink Nabucco If EU Talks Stall*, " EU Observer" 19.01.2011, http://euobserver.com/15/27431, accessed 15.02.2011.

[2] Ch. Grant, *The real crisis for Europe*, „Newsweek" 10.10.2005.

[3] www.euractiv.com/en/, accessed 20.12.2007.

in negotiations with the EU, only 53 percent of Turks believe the country would benefit from joining the bloc, compared to 62 percent in recent years. Negotiations were even more difficult under the Turkey-sceptic French presidency in the second term of 2008.

On the other hand, there have been some important developments in Turkey in recent years. According to the former Turkish foreign minister and chief negotiator Ali Babacan, 2008 was to be the „year of the EU in Turkey".[4] It seems to be a response to the growing criticism over the interruptions to the country's progress on its way to the EU membership. Having in mind the negative impact of the 2007 elections on EU directed reforms, the minister declared that Turkey is to set out clear objectives for its EU accession strategy. The elections were a test passed by Turkey during which the country acquired a new president, parliament and government, i.e. a whole infrastructure which is ready to continue reforms. Turkey is ready to open a further eight chapters „once the Cyprus issue is no longer on the table".[5]

The Turkey's objectives in this sense are in line with the decision, adopted by Council of European Union on February 2008, revising the principles, priorities and conditions in the Accession Partnership with Turkey.[6] The document is to serve as a foundation for political reforms and a yardstick of future progress. It also identifies short-term priorities, which are to be complete within one to two years, and medium-term priorities, which are to be realised within three to four years. These priorities for Turkey are linked to its capacity to meet the political criteria envisaged for EU accession by the European Council at Copenhagen in 1993 and to the conditions of the negotiating framework adopted by the Council on 3 October 2005. The short-term priorities refer to the issues of: democracy and the rule of law; human rights, civil and political rights, economic and social rights, minority rights, cultural rights and protection of minorities; regional issues and international obligations. Whereas the medium-term priorities relate to economic criteria and the ability to assume the obligations of membership.

It should be emphasised that the short-term priorities first of all relate to democracy, rule of law and rights. We argue that from this point of view we should observe the present developments in Turkey, which shed the light on what is going on in this country.

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[4] www.euractiv.com/en/, accessed 6.02.2008.

[5] Ibidem.

[6] Council Decision 5815/08.

RECENT POLITICAL DEVELOPMENTS IN TURKEY

Minority rights and freedom of expression

In February 2008 Turkey's parliament adopted a law returning property confiscated by the state to Christian and Jewish minority foundations. Enlargement Commissioner Olli Rehn accepted the decision and stressed that „it was important to ensure fundamental rights and freedoms for all Turkish citizens."[7] He also added that implementation of this law would be the test of Turkey's progress in ensuring rights and freedoms. In turn, Prime Minister Recep Tayip Erdogan pointed out that the new foundation law shows determination of Turkey „on the road to the EU full membership and his country expects to gain versatile benefits", especially as the EU for a long time has been pressing Turkey to introduce the actions allowing the foundations to reclaim assets overtaken by the state more than 30 years ago, including churches, orphanages, school buildings. The law would also allow Muslim foundations to obtain financial aid from foreign countries.

In April 2008, few day before Jose Manuel Barroso's visit to Ankara, the Turkish government introduced a bill which softens an controversial article 301[8] in the Turkish penal code outlawing criticism of Turkish identity. According to Turkish media, commenting on the so-called „Turkishness" article, the new bill assumes that the permission of the President would be necessary to launch prosecutions concerning cases where Turkish identity or the country's institutions have been insulted. The amendment would also decrease the maximum punishment from three to two years and replace the expression „denigrating Turkish identity" with „denigrating the Turkish nation". The existing Article 301 was a basis of a number of cases against authors and journalists in recent years, including the Nobel Price Winner Orhan Pamuk and the Turkish-Armenian journalist Hrant Dink, who was murdered last year because his convictions. European officials repeatedly highlighted freedom of expression as „the first and foremost priority" for Turkey on its path to reform. They called on the Turkish government to amend or abolish the article if the country wants to prove it is serious to join the EU. Although the ruling Justice and Development Party (AKP) has promised to reform Article 301 several times in recent years, it has so far never taken any substantial action.

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[7] www.euractiv.com/en, 22.02.2008.

[8] *Turkey moves on freedom of speech*, www.euractiv.com/en, 8.04.2008.

That is why the present step might be seen as a part of a broader government policy to reaffirm its EU obligations, including a strategy to tackle corruption and harmonise regulations on unions and strikes. However, according to an official from the Turkish Secretariat General for EU affairs Article 301 is not the only one in the Turkish penal code which restrict the freedom of speech. It means that other changes in the country's law should be realised as soon as possible, although the opposition far-right Nationalist Party (MHP) declared that it would oppose any changes concerning the provisions of Article 301.

Judiciary coup d'etat

The recent developments has put Turkey into a political turmoil. In March 2008, the chief prosecutor Abdurrahman Yalcinkaya launched a case with the constitutional court that could end with an exclusion of the AKP and 71 of its top members, including Prime Minister Recep Tayyip Erdogan, from politics. The party was accused of undermining Turkey's principle of secularism, especially by ending the ban on women wearing headscarves in universities.[9] There are some Turks who defend the prosecutor's indictment reminding that Turkey has also closed down several pro-Kurdish parties. Actually, it was a completely different case as those parties had clear links with the outlawed Kurdistan Workers Party (PKK), which is treated in Turkey, The European Union and the United States as a terrorist organisation. As for the AKP, there is nothing to do with terrorism, violence and even a hate speech.[10]

As Mustafa Akyol declares, the AKP is under threat because of its political views and the state establishment holds different views and wants to eliminate those who disagree. The chief prosecutor as a basis of his action has collected quotes from AKP leaders, especially Tayyip Erdogan, as a proof of their guilt. Prime Minister declared that „a democratic country should grant religious freedom, which includes the right of the citizens to express their beliefs, but of course with respect to the laws. The headscarf ban is not liberal". Moreover, according to him „banning the headscarf is a method practised by the French. We Turks rather appreciate the Anglo-Saxon interpretation of secularism and think it is ridiculous to have such

[9] S. Cagaptay, *Ankara's Quiet Revolution*, "Newseek" 14.04.2008.
[10] M. Akyol, *The 'crimes' of Tayyip Erdogan*, "Turkish Daily News" 22.03.2008.

bans in the 21st century."[11] He also mentioned an example of his daughter who was not accepted by Bogazici University because she was a graduate of the imam-hatip (religious) high school. The AKP leader desires his country is a place in which veiled and unveiled girls are allowed to university. He states that „99 percent of Turkey is Muslim. Thus this is a Muslim country… But being an Islamic country is different from being an Islamic state."[12]

It seems that the key issue here is a nature of Turkish secularism. In the opinion of the Turkish establishment, secularism involves that citizens may practice religion only in their private lives. As a result, any social movement inspired by religion, or any religious symbol in public, is considered to be a violation. This, according to M. Akyol, requires the suppression of religion by authoritarian policy. Such a secularism has no parallels in the free world. Prime Minister Erdogan wants to liberalize this illiberal system. One of his predecessors Adnan Menderes paid the price by being executed by the military in 1961. One might have an impression that these times, the chief prosecutor wants to eliminate Prime Minister and his party only politically.

People in Turkey were not happy about Western comments concerning the recent developments in the country. They argue that interpretations in Europe underestimate the real threat of creeping Islamisation. However, the indictment is based rather on past statements of the AKP's politicians, not on their actions. It should be stressed that AKP realised many reforms within the process of modernisation of the country during its seven years in office. According to Katinka Barysch of Centre for European Reform in London, it is popular enough to rule without a coalition partner, which does not happen very often in the Turkish politics. If it was closed down, it would reappear in a different guise and probably win another election. So far, the government is thinking about introducing an amendment into the constitution that would make it harder to ban political parties. Also AKP politicians refer to the Council of Europe which clearly states that only parties that support violence might be outlawed.

Also, the party may adopt other strategies which would prevent a „judicial coup" against the government. However, such steps would not diminish the concerns of those who suspect that the AKP is using democracy as an instrument of pursuing the hidden agenda of islamisation.[13] There is an opinion that the government

[11] Ibidem.
[12] Ibidem.
[13] M. Rubin, *Turkey's Turning Point*, "National Review Online" 14.04.2008.

should adopt rather a new constitution, which is more modern. The current one was written by the military in 1982 after the last coup. In 2007 AKP asked the legal experts to prepare a new draft constitution that strengthens individual rights and the role of the parliament. However, the draft has disappeared and the party's promises for a nationwide constitutional debate have remained unfulfilled. Instead, they started doing constitutional *à la càrte* – notably by ending the headscarf ban.[14]

The whole story indicates a deep and widening chasm in Turkish society. Sustained efforts by Turks – of all stripe and their friends abroad are needed to help prevent Turkey from tearing itself apart. That would be bad for everybody and especially for the chances of Turkey to join the EU. Moreover, these developments put at risk Turkey's compliance with the Copenhagen criteria which demand from a European Union candidate to achieve stability of institutions guaranteeing democracy and the rule of law. Also, the debates in 2008 triggered some doubts whether Turkey has achieved a minimally stable modus vivendi among different lifestyles.

A legal battle dominated the most of 2008, with the negative impact on the business of government and Turkey's accession talks with the European Union. It added a huge element of uncertainty to the outlook for Turkey. The economy was slowing down and the country became vulnerable to the impact of the global credit squeeze because of its need for foreign capital to finance its account deficit. According to Guven Sak, who heads the Tepav think-tank in Ankara, the juxtaposition of these "three crises" has made this a difficult moment for Turkey.

Vincent Boland and John Thornill argue that while the nation has changed – through migration, industrialisation, the spread of education, democracy and globalisation – the state has remained essentially the same: authoritarian, hostile to plurality and devoted to Atatürk's secular vision for the revolutionary republic he founded. The clash between the AKP and the secularists embodies this tension[15]. Osman Ulagay, the author of a new book on the clash between secularism and conservatism in Turkey, says the party represents something new and unexpected. He argues that "the AKP is more socially conservative and traditional and closer to religious values [than other political parties]."[16] But it is also more open to

[14] K. Barysch, *Turkey*…

[15] V. Boland, J. Thornhill, *Secular strains: Turkish political Islam comes under new fire*, "Financial Times" 22.04.2008.

[16] Quoted after V. Boland, J. Thornhill, ibidem.

democratic values, to the market economy, to the EU. Secularism in Turkey – o rather the French concept of laïcité – is a ground not just for the separation of state and religion but also the strict control of religious activities by the state. According to Ural Akbulut, without this control, the alternative to Turkey's modern secular democracy would be "a radical Islamic dictatorship". This explains "why secularists are so afraid even of mild Islam". Yet, secularism has come to be seen by many people in the emerging cities of central Anatolia – Kayseri, Konya, Gaziantep, and others in the AKP's heartland – solely as discrimination against women who wear the headscarf. These women are prevented from attending state universities, becoming civil servants or teaching if they insist on wearing the scarf. This restriction has become the most contested issue between the AKP and the secularists when the party won re-election.[17]

Also, there is a growing sense that Turkey's economic boom is over. Standard & Poor's, the credit rating agency, reduced its outlook for the country to negative "owing to the increasingly fraught political and global environment that the country faces in the near term". The decision came as a shock to a government that had thought a rating upgrade was in prospect after a five-year reform record that had seen the economy expand at 7 per cent a year. The slowing economy has highlighted the need for further and deeper structural reforms.

Reaction of the EU

This recent developments caused the natural reaction of the EU. In March 2008 Olli Rehn, the EU's enlargement commissioner said that the action of court was unjustified and such issues like performance of the ruling party should be discussed in parliament. He and Javier Solana, the chief of the EU's foreign policy declared that the accession negotiations would be affected if the Turkish constitutional court banned the AKP.[18] According to EU Enlargement Commissioner, Turkey is passing through a more critical phase than at any time since the beginning of its accession negotiations.[19] He predicted Turkey could emerge with its democratic institutions strengthened, provided that all sides showed willingness to compromise and the necessary reforms were pushed through. He added that the EU should stand by its

[17] Ibidem.
[18] K. Barysch, *Turkey: the constitutional frontline*, "OpenDemocracy" 14.04.2008.
[19] *EU must stand by Turkey in critical phase*, "World Bulletin" 21.04.2008.

commitments on Turkish accession, while Turkey had to play its part by sticking to its reform course. Asked about the consequences of action by Turkey's attorney general to have the ruling AKP banned on constitutional grounds, Rehn said this would harm the reform process.[20] Regarding slow progress on the accession process, which began in 2005, six of 35 chapters in the process had been opened.

Meanwhile, the Slovenian Presidency called off an accession conference with Ankara over the country's failure to meet initial benchmarks in one of two chapters, which were expected to be opened during the meeting. According to a Turkish diplomat, the country received backing for fulfilling the conditions in the area of company law but failed to do so in the field of intellectual property law. Turkey hoped to open two new chapters during the French Presidency, namely the free movement of capital, education and culture.

In April 2008, the European Parliament's Foreign Affairs Committee approved a progress report on Turkey which welcomed the country's recent legislative efforts, in particular referring to the amendment of Article 301 of the Penal Code sent by the government to the Parliament. The report, drawn up by Dutch MEP Ria Oomen-Ruijten, urged the government of Prime Minister Erdogan and the Parliament to carry out this reform "without delay" and made clear that further and faster efforts are needed. The MEPs also expressed their concern about the implications of the AK Party closure case, calling upon the Turkish Constitutional Court to "respect principles of the rule of law, European standards and the Venice Commission guidelines on the prohibition of political parties."[21]

Now there is a vital role for the European Union, which needs to strengthen its efforts to state unequivocally that Turkey, if it completes its reforms, will be accepted into the union. The credible prospects of EU membership is the best way to achieve a democratic and reformed Turkey which is in European interest.[22] On the other hand, there is also a big role for Turkey to find an issue or agenda which is to be of vital interest for Europe. It seemed that question of energy might be such an issue. It was especially important as further chapters, including energy, were supposed to be opened under the French EU presidency.

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[20] Ibidem.

[21] *EU plays 'good cop, bad cop' with Turkey*, www.euractiv.com/en, accessed 22.04.2008.

[22] *Turkey's risk, Europe's role*, "OpenDemocracy" 2.04.2008.

ROLE OF TURKEY IN EUROPEAN ENERGY SECURITY

Energy issue in the EU

The problem of "having energy carrier pipelines independent of Russia" is one of the fundamental questions of Europe's energy policy.[23] The European Union is in need to find new suppliers and routes of oil and gas. The EU's gas demand is forecast to rise by a quarter by 2050, and what is more, the share of gas imported from outside the Union is expected to rise from around half today to as much as 80 percent by 2030.[24] Now, a quarter of the EU's gas comes from Russia. Until January 2006, when Gazprom temporarily cut off supplies going through Ukraine, the EU never worried about its dependence on Russian gas. When the pressure dropped in gas pipelines in Hungary, Austria and other states, the EU started to think how to secure its future energy security. The EU is becoming of more aware that it has low chances of obtaining energy self-sufficiency.[25]

However, there is a problem with the Russian supplies of gas to Europe. Firstly, there is a concern about persistent underinvestment within Russia. Any growth in Russia's gas output is swallowed by a fast-growing domestic market. Moreover, Russia has ambitious plans to sell more energy to China, Japan and the USA. In the nearest future Russia is to remain the EU"s single biggest gas supplier. So far, Europe has only been able to import gas from Central Asia and the Caspian through Russian territory. Secondly, the Russian state-controlled Gazprom has monopoly over all gas pipelines, which turns gas imports from other countries into Russian gas at the border. This structure provides the Kremlin with political power and Gazprom with tremendous profits. Additionally, for Russia the transport monopoly will become even more important when its own gas production falls short of domestic and European demand. It could the use Turkmen and other Central Asian gas to make up for shortfalls, but not if these states have alternative outlets.

Thirdly, according to Ewa Paszyc Gazprom accelerated its expansion onto the European gas market in 2006 and this policy is aimed "on the one hand at strength-

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[23] E. Dilbazi, *Energy Security and Alternative Sources in the Caspian Sea Region*, "International Issues & Slovak Foreign Policy Affairs" 2010, no. 1, p. 92, www.ceeol.com.

[24] *European energy and transport. Trends to 2030–2050*, European Commission, May 2006.

[25] A. Tekin, P.A. Williams, *Europe's External Energy Policy and Turkey's Accession Process*, "Center for European Studies Working Paper Series" 2009, no. 170, p. 3.

ening its market position in those states that traditionally buy Russian gas and on the other at gaining access to new markets in Western Europe, in particular the gas-producing countries and states where Gazprom has not been a major supplier so far."[26]

In its traditional markets, Gazprom took steps to extend already-existing gas deals, offering guarantees of long-term supplies for "the right to directly sell gas in some of these markets, and to distribute and trade gas in most of them". According to the author, in the new markets, Gazprom has established itself as a direct or indirect gas supplier, and an owner of companies authorised to operate on European markets or a shareholder of intermediary companies. The Gazprom's activities are clearly aimed at bringing about its domination of the European market, a tactic interpreted by some as an attempt to acquire a 'controlling market share' before another phase of market liberalisation is complete. Paszyc argues that the monopoly's expansion into the European gas sector, including transport, distribution and trade, has consequences however for the EU, as it makes it increasingly difficult for the European Commission to enforce the EU laws on this market.[27]

The European Union has received another warning of Russia's efforts to strengthen its monopoly on the continent's gas supplies. It happened during President Vladimir Putin's visit to Libya.[28] On this occasion Gazprom agreed to a wide-ranging joint venture with Libya's national oil and gas company. Gazprom also revealed it was talking to Italy's Eni about investing in a new Libya-Italy undersea pipeline and to Nigeria about a trans-Sahara route. The discussions follow talks with Algeria and Qatar and a determined drive to reinforce Russia's grip on central Asian gas exports. Gazprom has so far proved better at announcing than building new pipelines. The controversial Northstream (Baltic Sea) and Southstream (Balkan) routes to the EU have yet to be constructed. Gazprom's ambitions make sense even at a purely commercial level. With some 25 per cent of EU gas going through its pipes, it will naturally strive to boost market share, with or without partners. For the west, the Kremlin connection adds a disturbing political dimension – Gazprom is the embodiment of Mr Putin's aim to make Russia an energy superpower. The EU recognises the danger, but is not able to present a united front to Russia. It is undermined by the repeated willingness of leading

[26] E. Paszyc, *Gazprom in Europe: Faster expansion in 2006*, Centre for Eastern Studies, Warsaw, February 2007.

[27] Ibidem.

[28] *Breaking the grip of Gazprom*, "Financial Times" 21.04.2008.

states, including Germany, France and Italy, to strike bilateral deals. It is a testimony that Gazprom divides and rules.

In this situation the EU must encourage Gazprom and other Russian gas companies to invest more in new production. The more gas Russia has coming out of the ground, the better for consumers. Next, Brussels must accelerate internal energy market liberalisation so all states benefit from a common energy pool. As well as legal reforms, this needs investment in gas and electricity infrastructure.

However, the most important challenge for the future of European energy policy is diversification of sources of supply. It was the main theme of the European Commission energy package presented at the beginning of 2007.[29] That is why the Caspian and Central Asian area is central to the Commision's plans, especially as it contains 4–5 per cent of global oil and gas reserves.

Turkey and the European energy policy

One of the priorities of the Turkey's foreign policy is to become a major Eurasian energy hub. Good links with supplier countries and energy consumers would not only increase the country's international position, but they would also bring business in the form of transit fees, new refineries and trading facilities. Turkey would benefit from that very much also in the form of diversification of its own energy supplies and possibility to re-export a surplus. Geographical localisation of Turkey makes it ideally to be an energy hub, and its recent policies have been directed at realization of that goal. Even before the collapse of the Soviet Union Turkey's control of the Bosporus made it crucial to Soviet-Russian oil exports from the region of the Black Sea. In the post-Soviet period Turkey has emerged as an energy bridge between the Caspian and Europe and between the Middle East and Europe.[30]

It should be noticed that Turkey already plays the role of an energy hub through the Bosphorus strait and several pipelines linking it to Russia and the Caspian region.[31] Each year ten thousand tankers pass through the Bosphorus strait connecting the Black Sea with the Mediterranean and a tanker manoeuvres in this busy area becomes very difficult. Despite the fact that Turkey spent billions on

[29] www.ec.europa.eu/energy/energy_policy/documents_en.htm, accessed 20.01.2007.

[30] C. Seivetz, *Tangled Pipelines: Turkey's Role in Energy Export Plans*, "Turkish Studies" 2009, vol. 10, no. 1, p. 95.

[31] K. Barysch, *Turkey's Role in European Energy Security*, CER, December 2007.

high-tech navigation system and other safety measures, it is only question of time before one of them spills its toxic cargo into the water. This of course must bring a disaster for 13 million residents of Istanbul.[32]

The project that might have a great importance for the European energy needs and to Turkey's role as an energy hub is Nabucco.[33] This pipeline is to run from eastern Turkey through Bulgaria, Romania and Hungary into Austria. After reaching its full capacity, it will be able to transport 31 billion cubic meters of gas to Europe each year. Of course, a new pipeline will not fulfil all European demand for gas, but according to experts its mere existence as an alternative supply route would strengthen the EU's position in negotiations with Russia. In this way the EU might force Gazprom to sell gas on a more competitive basis. John Roberts, an energy expert, argues that "if Nabucco prompted Russia to drop its process by only €1 per thousand cubic metres, then it would provide a good return on its €5 billion investment."[34]

Nabucco would be not only good for European consumers, but also as a test for the European energy policy focused on diversification of sources. On the other hand it would be a crucial factor for Turkey's role as a Eurasian energy hub. And last but not least, it would be a big opportunity for Europe and Turkey of their co-operation and further integration. It should be noticed however, that the planned pipeline suffers from many problems and delays. The start of construction has been postponed until 2015.

According to Katinka Barysch, there is another important dilemma regarding the fact that building international pipelines is expensive. They usually involve a long-term agreement between the gas supplier and the consumer, to make sure that enough gas flows through the pipeline to pay off the initial investment. In a case of Nabucco there is uncertainty especially on the side of supply. Nabucco's gas would come from Azerbaijan, and possibly Turkmenistan and from Iran and Iraq in the future. In a face of such uncertainty, the body planning the pipeline comes from the transit countries rather than from the suppliers and buyers. An international consortium of companies would only invest the money for the construction of pipeline if they can be sure about supply. But here there are some doubts about future supplies of gas.

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[32] J. Daly, *EU missing opportunity to use Turkey as reliable energy corridor*, "Eurasia Daily Monitor," Jamestown Foundation, 26.03.2007.

[33] K. Barysch, op.cit., p.4

[34] Quoted after K. Barysch, op.cit.

The main obstacle to realise the plan concerning Nabucco comes from Russia. Moscow has done everything to prevent Nabucco from being built. Three years ago, it seemed that Russia was successful in a series of steps taken in order to eliminate the Nabucco investors out of the game [35]. Recently Gazprom has launched a policy in order to weaken the position of the EU – Nabucco gas pipeline consortium. It is trying to enlist one of its members, German utility RWE, for the alternative South Stream pipeline. The Nabucco consortium includes the main European energy companies: OMV of Austria, MOL of Hungary, RWE of Germany, Bulgargaz of Bulgaria, Transgaz of Romania and Botas of Turkey. It should be mentioned that three consortium members – OMV, MOL and Bulgargaz have already signed up to Gazprom's South Stream pipeline. It raises a natural question concerning potential conflicts of interest and their commitment to Nabucco. Gazprom's vice-president Alexander Medvedev proposed that German energy utility RWE (Rheinisch-Westfälisches Elektrizitätswerk AG) should become part of South Stream. In this way Gazprom tries to get access to the final user in Germany. If Gazprom and RWE find common ground and impulse for cooperation, the German company would join South Stream.

According to German press if Gazprom is successful in ousting RWE from the Nabucco consortium, the Nabucco project will become dead. However, some experts argue that it will not be easy for Gazprom to convince RWE and to provide it with a proper financial compensation. Others emphasize that the political consequences of such a move would be disastrous and cannot be neglected. Yet, as Viktor Markov, from Zurich Capital Management, claims many companies are longing to join South Stream, because the project looks viable. In his opinion, Nabucco is not a rival to South Stream, as it is deprived of sufficient gas supplies. After the publication in "Handelsblatt" Gas Pipeline International GmbH has released the statement saying "the Nabucco project is currently the only ground breaking economic initiative for the greater diversity of gas sources and transportation routes and enhanced competition in Europe. No other project in the Southern Corridor can claim to compete on this basis nor is as advanced and well positioned as Nabucco."[36] Moreover, with an intergovernmental agreement Nabucco is the only project that has firm legal basis and has already started the ESIA[37] process. All national companies belonging to Nabucco are now operational.

[35] Ibidem. s. 5.

[36] cited after www.euractiv.com/en , accessed 12.07.2010.

[37] ESIA – Environmental and Social Impact Assessment guidelines, 2010.

According to the statement, Nabucco is currently in a phase of negotiations with major banks such as EIB, EBRD and IFC and all its six shareholders are determined to complete and promote the project.

The pipeline will have to source the 30 billion cubic meters of gas mainly from three gas suppliers including Azerbaijan, Turkmenistan and Northern Iraq. However, the situation of these partners casts some doubts concerning a smooth delivery of gas from these sources. However, due to its political tensions Iraq does not seem to be a reliable partner any time soon.

Azerbaijan as a potential source of gas is slow in its development and is involved in a struggle with Gazprom over the price of Russian gas deliveries. As a result, it would need more of its gas for domestic consumption. It also plans to co-operate with Georgia, which after a similar problem with Gazprom, would need more non-Russian gas. Recently, Azerbaijan has managed to diversify its exports and to expand beyond Turkey and Georgia to Russia and Iran. According to BP statistical data from 2005,[38] the natural gas reserves in Azerbaijan are estimated at approximately 280 years worth of reserves, however after the discovery of the new Shah Deniz deposit this number could increase 5 to 10 times as much. Cooperation with Russia do not require any additional financial resources for infrastructure, which is very profitable for Baku, especially in the situation when a commercial contract does not set any upwards cap on exports. Furthermore, there is a hope because the prospects received a big boost in Spring when Azerbaijan and Turkey finally reached an agreement. In principle, it includes transit fees and gas prices, opening in this way the door to the negotiations for the sale of gas from the second stage of Azerbaijan's Shah Deniz II field[39]. Within the framework of the agreement signed in June 2010, Turkey will import more gas from Shah Deniz, up to 11 billion cubic meters annually. The document also provides the terms for the transit of Azerbaijani gas to European countries and addressed price adjustments for the gas for Turkey.[40] Some amount of the gas will be consumed in Turkey. The shipments would start by 2017. It should be mentioned that Turkey currently receives some 6 billion cubic meters of gas from Azerbaijan and pumps some of that amount to Greece.[41]

[38] *BP Statistical Review of World Energy* (2005).

[39] A. Paul, *Turkmenistan and the Nabucco 'virtual' pipeline*, "Today's Zaman" 8.07.2010.

[40] *Turkey, Azerbaijan pen three strategic deals on Caspian gas*, "Today's Zaman" 8.06.2010.

[41] *Azerbaijan to ship more gas to Europe via Turkey*, "Today's Zaman" 7.06.2010.

An important step for future functioning of Nabucco pipeline was made in January 2011 when the President of the European Commission José Manuel Barroso and the President of Azerbaijan Ilham Aliyev signed a Joint Declaration on gas delivery for Europe. Azerbaijan has committed to supply a large volumes of gas[42] over the long term to the European Union, while Europe provides access to its market for them. This document is an important development in the realization of the Southern Gas Corridor and the diversification of Europe's energy supplies.[43]

As far as Turkmenistan is concerned, it should be mentioned that this country will not be able to contribute much to Nabucco. The production slump in 2009 made Ashgabat to suspend over hundred and fifty production sites, which cannot be undone very soon. According to certain predictions, it will take until 2013 before the country can reach the production levels of 2008 again. Moreover, due to its recent inauguration of the gas export to China, Turkmenistan will be deeply engaged in cooperation with its new partner, especially as it has to provide of 30 billion cubic metres of gas annually over a time span of 30 years. Additionally, a close cooperation with China will be based on substantial credit lines, because Beijing offered loans worth four billion US dollars for the development of the South Yolantan gas infrastructure.[44]

There is also another obstacle towards the Turkmen export capacities, which results from the energy agreement with Russia. Recently both countries have revised the contract for the Turkmen supply of gas to Russia, which practically excludes additional exports to Nabucco. According to this document Turkmenistan must export of 80 to 90 billion cubic meters and must cater for domestic demand of an additional 20 billion cubic meters per year, which makes that the annual production hast to reach the level around 100 billion cubic meters. It should be added that over the past few years Turkmenistan did not manage to restore its production levels of 1991 (76 billion cubic metres), not to mention to exceed these quantity. In other words, Turkmenistan does not possess any additional capacity for new buyers.[45]

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[42] Azerbaijan is expected to bring ten billion cubic meters of gas each year to Europe. The Nabucco consortium is one of the bidders, alongside other projects such as ITGI and TAP, see: *Barroso tops Azeri gas deal with visa facilitation*, Euractiv, 14 January, 2011.

[43] *Commission and Azerbaijan sign strategic gas deal*, European Commission, Brussels 13 January 2011, www.europa.eu

[44] www.euractiv.com/en, accessed 5.02.2010.

[45] Ibidem.

According to the experts gathered during the Nabucco conference in Georgia in January 2010, the project rests on a feet of clay. There are vital and unsettled questions regarding funding of the pipe-line and legal status of the Caspian Sea. However, the will to reduce dependence on Russia gas-supply seems to take priority over business realities. Another problem with a successful realisation of the project results from the fact that the exclusion of Russia from the Southern Corridor initiative will massively increase the risks attached to the project. The Turkey's Prime minister is very aware of this fact tby saying that "the Caucasus Cooperation Pact is important. The United States is our ally. But Russia is our strategic neighbor. We buy two-thirds of the energy we need from Russia. That country is Turkey's number one partner in trade … No one must expect us to ignore all that. Our allies must adopt an understanding approach."[46]

However, the European Union allies from the big members states are not so enthusiastic about the project.[47] The German chancellor Angela Merkel was not very supportive of Nabucco and initially vetoed the EU's €200 million grant to the pipeline. Later on, in 2010 she has become more positive about Nabucco, but only after the EU confirmed its support for the German-Russian pipe Nord Stream, which for a long time has been opposed by Poland and other new member-states. Similarly Nicolas Sarkozy has not been an advocate of the southern corridor. The Turks – humiliated by a French parliamentary resolution about the Armenian 'genocide' and French open opposition to the Turkish EU accession – had rejected Gaz de France's offer to join the Nabucco consortium. Furthermore, at present Sarkozy seems to be engaged in launching cooperation of France's big energy companies with Gazprom. Already, Gaz de France has joined the Nord Stream project in March 2010 and Electricité de France is negotiating its participation in South Stream pipeline. In turn, the Italian president Silvio Berlusconi, who personally admires Vladimir Putin, prefers bilateral relations with Russia. The main partner in Gazprom's South Stream pipeline is Italy's ENI company. Among the big member-states only the UK remains as the strongest supporter of Nabucco, because it knows that presumably it will need more pipeline gas in the future and it must care about the geopolitical benefits of a southern corridor.

Even the EU as a whole is not so determined about the prospects of Nabucco. In March 2010 the European Union Energy Commissioner Guenther Oettinger

[46] Interview with Erdogan, *Hürriyet*, 6.11.2008, accessed at ISI Emerging Markets Database.

[47] K. Barysch, *Should the Nabucco pipelineproject be shelved*?, "Centre for European Reform Policy Brief" May 2010, p. 3.

said that the completion of the Nabucco gas pipeline may be delayed by four years to 2018.[48] Futhermore, he said that another project Russia's South Stream also should be built. South Stream, which is to go across the bed of the Black Sea to bypass Ukraine is complementing a third and most advanced project, the subsea Baltic Sea gas pipeline whose construction has started in April 2010.

Despite all these problems Nabucco is a priority for the EU and extremely important for improving Europe's security of supply. It has the potential to open up the new gas supplies in the Caspian Sea region and in the Middle East. It's sponsors should take Final Investment Decision and its construction should start by the end of 2011. At present the sponsors are very actively working with the gas producers in the Caspian and Middle East regions to ensure that there will be enough gas to underpin the investment. Moreover, it must be emphasized that the gas is there and selling it to Europe is of strategic importance to Azerbaijan, Turkmenistan and Turkey. Europe in turn is highly interested in buying that gas and further diversifying its gas supply sources. Nabucco provides the solution needed by Europe, Turkey and the regions rich in gas.

It also should be stressed that stronger European Union – Turkey energy relations can improve the atmosphere between Ankara and Brussels. In this context, a visible progress on Nabucco is of vital importance. Its success may provide the ground for further co-operation in areas, such as foreign and security policy. In turn, it would be a powerful signal to those who have become skeptical about the prospect of Turkish accession to the EU.

One thing must be also taken into account, that treating Turkey's capacity to serve as a transit country for gas within existing frameworks of cooperation may not be enough to enhance European energy security. The proposed energy networks like the Turkey-Greece-Italy Interconnector or the Nabucco Pipeline, which have been prioritized by the Commission, necessitate the higher standardization and integration of regulatory measures typical for political union. Thus, "more serious efforts by the EU on supplier diversification and the securing of those supplies may require less ambivalence on Turkey's accession."[49]

[48] *Oettinger says Nabucco may be delayed*, www.euractiv.com/en, accessed 29.03.2010.
[49] A. Tekin, P.A. Williams, *Europe's External Energy Policy…*, p. 16.

CONCLUSION

The EU and Turkey have a common interests involving security, economy and political dialogue. It is one of the reasons why the EU decided to open accession negotiations with Turkey. According to Olli Rehn, especially in the area of energy strategy the both sides can gain from the deeper cooperation.[50] Turkey can help the EU to secure its energy supply, and on the other hand integration into the EU's internal energy market will enable Turkey to build the domestic energy market and infrastructure necessary for rapid economic growth.

At present, reliable energy supplies are a key issue for Europe. That is why Turkey has an essential role to play in the process of diversification of energy supply to Europe. During accession negotiations Turkey showed its readiness to align its energy market with regulations of the EU's internal market. The full liberalisation of rapidly growing market will create a strong domestic market in Turkey and will bring further investment opportunities for business. As a result, the growing Turkish economy can be a motor for a regional economic growth and development of energy sector.

In this context it is important for Turkey to join the European Energy Community. Although, formally this is a process that has nothing to do with the EU accession and the one does not prejudge the other, these two developments have a common ground. Namely, they share the understanding that further cooperation is needed between the EU and Turkey in many areas.[51] In the field of energy policy a cooperation should include several elements. Firstly, cooperation on the common geo-strategic challenges present in a shared neighbourhood of the Black Sea, the Caspian Central Asia, the Mediterranean and the Middle East. Secondly, a wide agreement to exchange best practice in energy market reform and regulation. Turkey's accession to the Energy Community Treaty as an equal partner with full rights would be an extremely important opportunity for Ankara to strengthen its position and commitment on its way to the membership in the EU.

Energy is a field where early success is possible. The developing nature of the EU's energy policy provides Turkey with an opportunity to make sure that its energy policy is in line with Europe's energy security.

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[50] O. Rehn, *Turkey and the EU: Together for a European Energy Policy*, speech given during the Conference in Istanbul on 5 th June 2007.

[51] A. Piebalgs, *EU and Turkey: Together for a European Energy Policy*, Istanbul 5 June 2007.