



Turkish business leader Nihat Gokyigit.

our benefit. But, when the sanctions [are imposed], we suffer. I tried to explain in my speech: We do not choose our neighbors. You don't choose your father or uncle, they are there. Can you change it? Yes, but how? Like with Iraq, you go there, you try to change it, and then you have all the troubles you can have in the world.

And when sanctions are applied, you have to consider how much my allies will suffer, and how to find some way to support them. This was my point. This is connected to the question of crude oil supplies. Concerning the crude oil, we are very happy to see that the U.S. is now supporting openly the Baku-Teheran direct line. That is very important. Important, because they found a third new source, beside the ones in Russia and the Gulf, that has to be directly connected with the world markets.

If you don't want a conflict of interest, the pipeline must go through an oil-consumer, not an oil-producer country. Turkey is an oil consumer.

The most efficient tool to help these new republics around the Caspian Sea, is to have a means to transport their oil and gas directly, not with limitations. It is the only way for them to earn foreign exchange to build up their industrial base and prosperity. This would be beneficial to the U.S., and to the world, of course. And this will bring stability. This direct pipeline is very important, and we are happy that the U.S. is behind this line.

Now, on the gas. Of course, there are other considerations, because there are several sources . . . like the Russian side goes through the Black Sea . . . or Iran, a possibility that—we are, of course, trying to see what our allies can do about it before we go ahead with it. But they are next door!

Of course, Iraq is also very important, a big source of gas reserves, oil reserves, are already connected. . . .

To sum up, Turkey is a very important partner, it shouldn't be neglected, shouldn't be underestimated, and the Western world should—because we have turned our face to the West, we are a secularist democratic nation in that part of the world. The only country; and the world should support this country, not only for peace, but also for the big volume of trade that will be emerging from there.

EIR: Minister Abdullah Gul was saying that Turkey could be a bridge to Asian countries. Sometimes, the relationship between economics and politics is viewed upside-down, in the sense that a country is supposed first to be perfect, and then can be allowed to have business relations. But, in most cases, it is through economic development that countries develop social stability, and become real democracies. In particular, the new alliance, the D-8, promoted by Turkey, could push many countries onto the road of development.

Gokyigit: Economic interdependence among neighbors will help peace, because if you are tied up with your economic interest, you cannot very easily initiate hostilities. That's also how we feel about Russia.

Gas developments at the Turkish crossroads

by A. Nihat Gokyigit

These are excerpts, edited by EIR, from the remarks of Mr. Gokyigit, presented in Washington, D.C., on Feb. 20.

Diversified gas pipelines feeding Turkey and the neighboring countries will be crossing one of the zones of the world with the highest potential of gas consumption. There are several reasons for this:

- Turkey and practically all of the surrounding countries are heading for power shortages, which require gas for fast, feasible, and environmentally friendly solutions.
- The huge Southeast Anatolian Project (SAP) of Turkey is creating a new Mesopotamia. This extraordinary development of agriculture and agroindustry in the zone will keep on increasing the demand for gas. Investments in ammonia plants for fertilizers are already encouraged.
- Turkish industry is changing to natural gas to meet its

energy requirements.

- The use of natural gas to solve air pollution problems of big cities in Turkey, proved to be the most efficient solution. (More than 1 million people are migrating every year to the big cities from rural areas.)

- Turkey has an explosive market, with an annual economic growth averaging over 6%, and it has a young, 65 million population (approximately half of the population is under 20).

- The U.S. Department of Commerce certainly had some sound reasons in identifying Turkey as one of the 10 big emerging markets of the world.

- Turkey is on a possible transit route for a diversified source of gas for Europe.

In light of these factors, planners agree on the growth of the Turkish natural gas demands as follows:

Year	Consumption (billion m ³)
1995	6.7 Actual
1996	9.2 Actual
2000	27.0 Projection
2001	34.0 Projection
2010	60.0 Projection

You can be sure that these figures, which were not anticipated five years ago, will be revised upwards, as Turkey is not a paradise for planners.

Presently, Turkey is tied only to one source for the supply of dry natural gas; this is the Russian network through Ukraine, Romania, and Bulgaria, which has a capacity of 6 billion m³/year, with a possible extension to 14 billion m³/year.

As for liquefied natural gas (LNG), there is presently only one long-term supplier, namely, Algeria. Algerian gas, as well as [that from] occasional other suppliers, is shipped through one terminal at Eregli on the coast of the Marmara Sea. (The present capacity of the terminal is 2 billion m³/year which will be increased to 4 billion in the very near future.)

Turkey certainly has to diversify the sources of such an important fuel, which is very vital for its rapidly growing economy.

Excluding Turkey's requirements, Europe is projected to need at least 100 billion m³ additional yearly supply of gas by the year 2010. This shortage could be met either from the Middle East or Central Asia, with Turkey acting as the energy bridge for a diversified new source for Europe.

There are several possible new sources of natural gas for Turkey:

- Increasing the capacity of the existing facility of Russian western supply (dry gas);

- A second eastern connection to the Russian network, either through the Caucasus or by crossing the Black Sea (dry gas);

- Increasing the supply from Algeria (LNG);
- A supply from Turkmenistan through Russia or Iran (dry gas);

- A supply from Egypt (dry gas or LNG);

- A supply from Qatar (dry gas or LNG);

- A supply from Iraq (dry gas);

- A supply from Iran (dry gas).

One other important development is a study to connect Russian natural gas to Israel through Georgia and Turkey.

Russian gas

Under the 10-year-old agreement for gas supply of 8 billion m³/year from Russia to Turkey, 6 billion had to be delivered from the west and 2 billion from the east, namely, from the Caucasus. The Russians were never able to deliver the latter, because of the physical condition of the network.

Now, it is planned to increase the western supply to 14 billion m³/year. New lines and compressor stations have been built and the present system has to be rehabilitated. This investment was encouraged, as the demands of Romania and Bulgaria, through which the pipeline passes, have been increasing as well. Greece also needs more gas.

The immediate additional needs of Botas (the Turkish state pipeline company) is at least 4 billion m³/year from Russia, starting at the end of this year.

The emerging policy of the Russian Gazprom is to participate in the distribution and industrial utilization of its gas by neighboring countries and thus have more added value. Turkey is one of the ideal locations for such Russian activities.

Gazprom has recently formed a new company with Ukr-gas of Ukraine, named Gastransit, to construct and operate new lines in Ukraine. A pipeline that is about 500 km long, with two new compressor stations must be built; existing stations must be renovated.

Four Turkish companies, Tefken, Enke, Entes, and Gama, agreed to form a company, named Transbalkan and become a partner of Gastransit. Transbalkan will provide the financing and do the construction. The Turkish state pipeline company (Botas) is also joining Gastransit with an 18% share.

For the Russian gas delivery from the northeast of Turkey, there are two schemes:

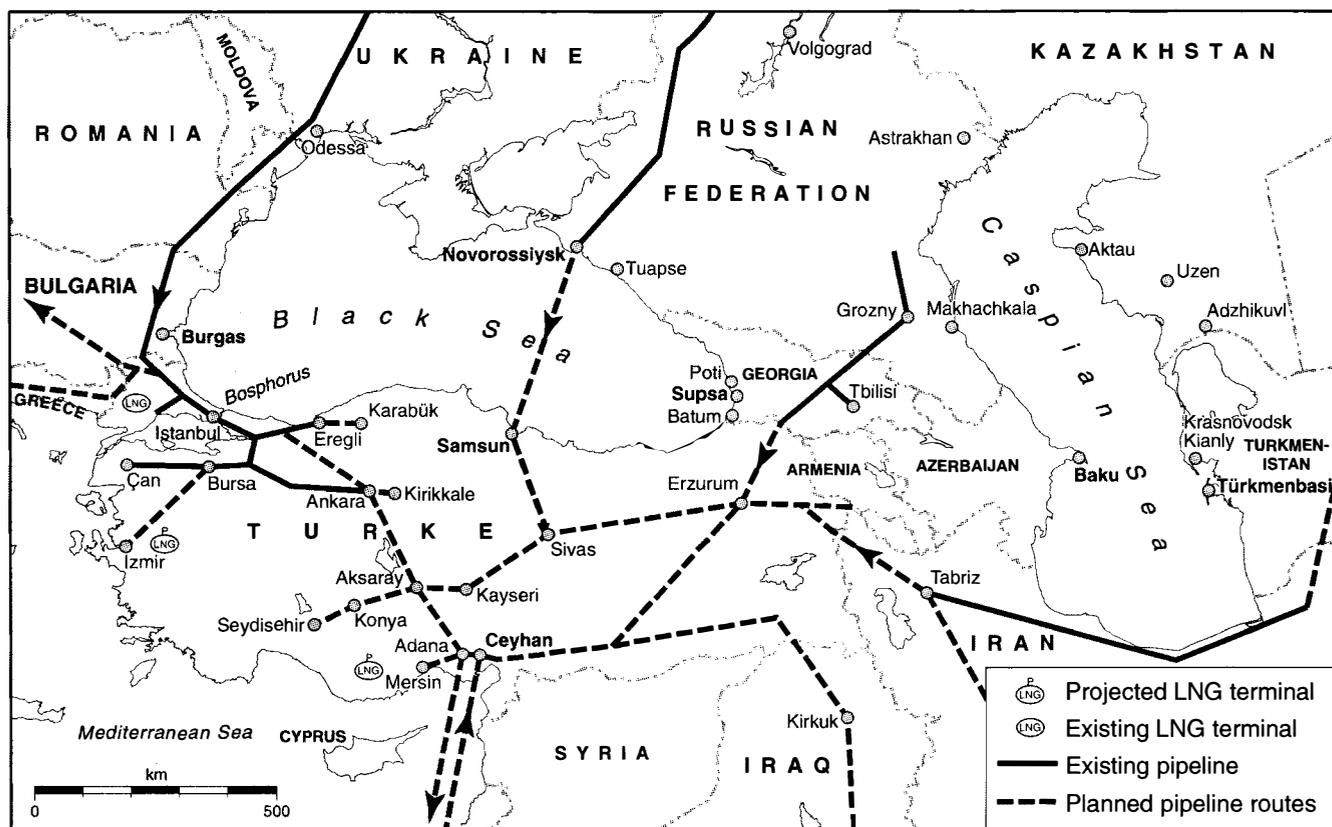
1. Gas through the Caucasus using the existing network.

2. Building a new pipeline under the Black Sea from Novorossiysk to Sumsun.

The first option requires revamping the networks of the Caucasus and Russia. As far as the second option of crossing the Black Sea is concerned, the technical difficulties seem to be significant. The depth of the Black Sea is 2,100 meters. At such a depth, no line has ever been constructed. Also, the pressure of the gas in the line (250 to 300 bars) will require special types of compressors and quality pipe.

Lately, Petergas, a partnership between Gazprom and the Dutch concern Heerama, have been studying the technical feasibility of this project.

FIGURE 1
Gas pipeline routes through Turkey



Turkmen gas

The prospect of importing Turkmen gas to Turkey, and eventually to Europe, is not a short-term possibility, as the development of reserves and their conveyance to world markets will require substantial investments. There is one project now under study for transmitting Turkmen gas east through China to the shores of the Sea of Japan. Another project is being considered to supply Turkmen gas to Pakistan and India.

To export Turkmen gas to Turkey through Iran or the Caucasus, and eventually to Europe, may justify big investments. Swapping Turkmen gas with Iran for small quantities can be a short-term possibility.

If political problems are solved by talking Russia into being a party to the project, and by a change of U.S. policy toward the region, the supply of Turkmen gas can be the most radical long-term project.

Egyptian gas

Agip and Amoco very recently proposed to Turkish authorities the construction of a pipeline under the Mediterranean, which will transmit dry gas from Egypt. . . .

After Turkey signed a gas purchase agreement with Iran, such proposals have started coming. The technical problems to construct this line under the sea are not as great as in the Black Sea option. Nevertheless, the amount to be transmitted must certainly justify the investment. In this respect, supplying gas to Israel at the same time may help the feasibility of the project.

Qatar gas

The possibility of importing dry gas from Qatar was discussed between Botas and Qatar during 1984 and 1988.

The project was later revised to LNG export facilities, for exporting LNG mainly to Japan. But now according to the changed political situation in the Middle East and restricted markets for LNG, dry gas has been put back on the agenda. Turkey has signed a preliminary commercial agreement with Qatar to buy LNG. . . .

Iraqi gas

To get dry gas from Iraq is a very practical option to meet the needs of Turkey, provided the sanctions imposed by the UN are either relaxed or lifted. The feasibility study has been

prepared jointly by the Oil Ministry of Iraq and Tefken. The results of this study have been accepted as being realistic and very economical.

On Dec. 24, 1996, the two governments signed an agreement for supply of gas for 23 years. The determination of the financial and administrative schemes, and the updating of the feasibility study, will be finished in June 1997. Transcanada, some American firms, France Gas, and British Gas seem to be interested to take part in this project.

The advantage of Iraqi gas is that the length of pipeline is shorter compared with the others, and the route will pass right through the rapidly industrializing zone of Turkey and the Southeastern Anatolia Project (SAP). Turkey always stood with its allies through the end of the Gulf crisis and closed the oil pipeline from Iraq right away. However, after Iraq, the country that suffered the most because of the sanctions, is Turkey, which never deserved such damages. Turkey has lost revenues from its pipeline, ports, transportation and construction services, border trade, and registered trade volume, of which it was second only to Germany.

Turkey should not be hit once more with sanctions on gas supplies.

Iranian gas

Since 1983, Turkey has been negotiating with Iran for the purchase of gas, Iran being one of the top five countries with the largest gas reserves.

For several reasons—one being the long-lasting turmoil in the region—this was delayed until 1995, when Botas signed a preliminary agreement for the purchase of gas, which was followed by a final one in 1996, starting at the end of 1998 with 2 billion m³/year and increasing to 10 billion m³ by the year 2010.

Iran is trying to extend its already built network of gas pipelines, but even with the existing system, it was able to supply 2 billion m³ of gas to the Russian Caucasus network last year, and it can swap gas with Turkmenistan. The Iranian gas has already been connected to Tabriz, only 200 km from the Turkish border. From there to the Turkish town of Erzurum, it is only 300 km.

Botas has already issued tender documents for the Turkish portion of the project. Bids will be turned in by March 17, 1997. . . . I am sure that for most of you, it is disturbing to hear that your staunch ally may get connected to Iran for gas supplies, although no investment will be made by Turkey in Iran, as each side will make its own investments in its respective country. I will ask you, then, two questions:

1. If your country desperately needed gas, and if all other alternative sources took a longer time and were much more costly, how much would you hesitate to take this gas from your neighbor—even if you do not consider that it will diversify your sources and help develop your trade with your neighbor?

2. When all countries, large and small, allies or not, pur-

chase oil from Iran, although they can easily purchase it at the same price elsewhere, why does that not disturb U.S. policy? Is it because of the difference of the two strategic items (oil and gas), or is it a double standard?

Conclusion

Turkey, being at the crossroads of such important projects, is trying to speed up its homework on legal, financial, and administrative measures toward establishing a more liberalized atmosphere for energy projects. Fortunately, there is no longer any substantial public or political resistance to such reforms.

Having already been a victim of a power shortage, the Turkish government recently has accelerated its energy-related projects with various types of schemes.

The already-established connection of Turkey with Russian and Iraq crude oil, will soon become an important junction for pipeline links, because of the above projects and water transportation to the thirsty Middle East.

We should not underestimate the contribution of such pipeline links to peace and stability, especially in the turbulent regions of our world, because to create such interdependence will encourage the harmonic coexistence of neighbors.

Caspian oil through Turkey

by A. Nihat Gokyigit

These are excerpts, edited by EIR, from the remarks of Mr. Gokyigit, in Washington, D.C., Feb. 20.

A large volume of oil reserves has been discovered at the Caspian Sea Basin. The Soviet oil industry did not have to be involved extensively in this deepwater, offshore oil, as they had more easily developed oil elsewhere. Caspian Sea oil will be a third new source of oil, besides that of Russia and the [Persian] Gulf *only* in the case it is also *independently* connected to the world markets; that is, to a Mediterranean port of Turkey. Caspian oil will not be considered a diversified, new source if it is only connected to the Black Sea through the Russian network, or connected to the Gulf through Iran.

Furthermore, transporting oil through Turkey will not create any conflict of interest as Turkey is neither an exporter of oil, nor a member of OPEC [the Organization of Petroleum Exporting Countries], but is a big consumer of oil (25 million tons/year with an approximately 3% yearly increase).

One other important factor concerns the future of the Caspian Sea states. As these countries are going through