

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.

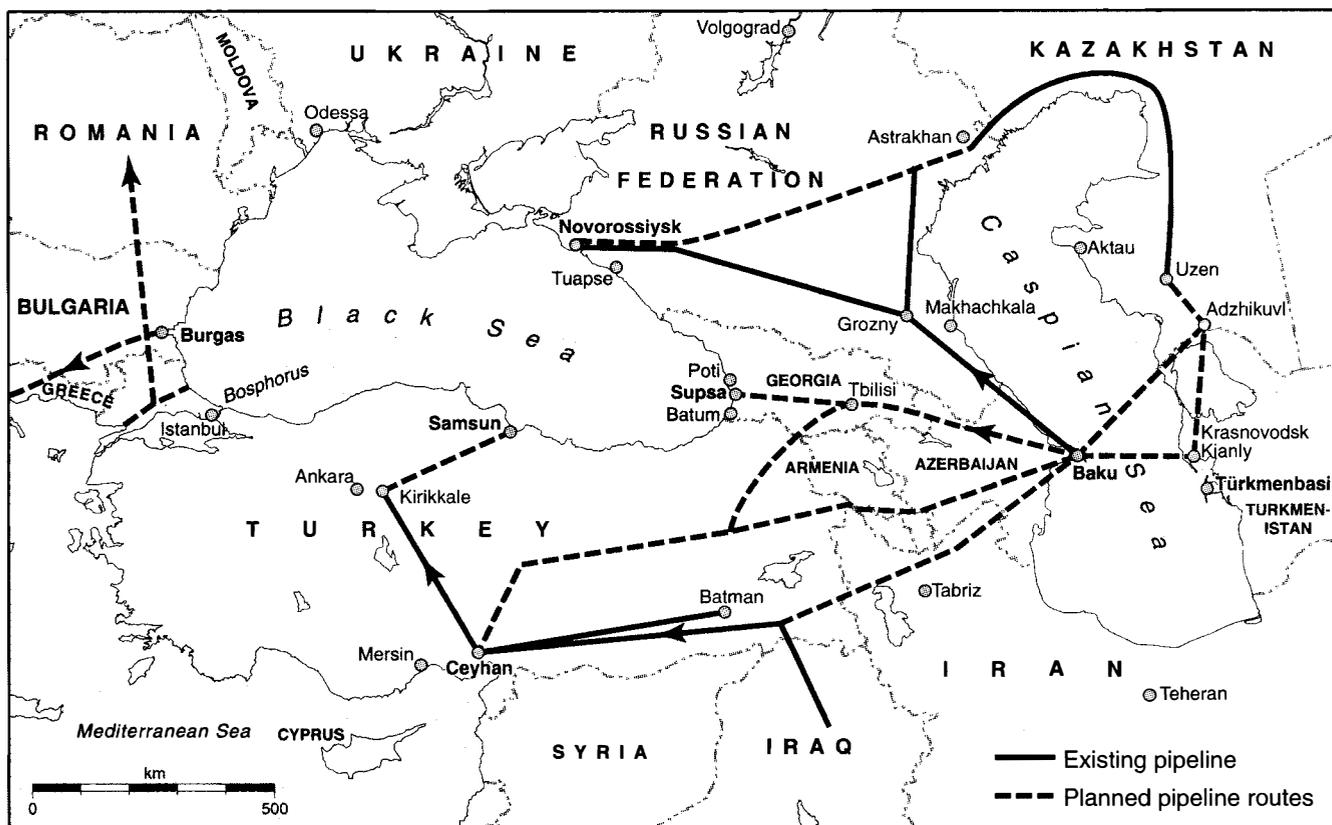
A large volume of oil reserves has been discovered at the Caspian Sea Basin. The Soviet oil industry did not have to be involved extensively in this deepwater, offshore oil, as they had more easily developed oil elsewhere. Caspian Sea oil will be a third new source of oil, besides that of Russia and 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

FIGURE 2

Caspian Sea oil pipeline routes



very difficult periods of transformation, the most efficient and effective tool for supporting them would be building direct pipelines to carry their wealth of oil and gas to marketable places, and relieving them of the limitations set by others.

The shortest and most effective way for them to earn hard currency for their desperately needed essential goods, investments, stability, and prosperity is a *direct outlet* of their oil and gas to the world markets.

The Bosphorus will be congested by traffic in less than 10 years, not only by the increase of volume of oil, but also by the much-expected expansion of the economic activities of the Black Sea zone of more than 300 million people. Environmental and security dangers imposed on the 12 million people living along the narrow Bosphorus straits, cannot be underestimated and therefore this narrow seaway strait cannot be used as a pipeline.

The transportation cost from a Black Sea port to the oil market in Rotterdam is almost twice the cost from the Turkish port of Ceyhan to Rotterdam. This economic advantage cannot be offset by the Gulf terminals, because Mediterranean delivery to the Iranian Gulf is always preferable for Europe,

as going around South Africa or through Suez is also much more costly.

A Bosphorus bypassing route for Caspian oil to be shipped from a Russian seaport is proposed through Bulgaria and Greece to the Aegean Sea. This alternative with three terminals, two of them at the stormy Black Sea and the third one at the Aegean Sea, cannot replace the Turkish project, which would use only the one terminal of Ceyhan on the Mediterranean coast.

The Turkish project means pumping oil directly from the storage facilities around the Caspian Sea to the already built Ceyhan terminal, with minimum handling. It should be noted that Ceyhan has already some 50 million tons/year extra capacity over the 70 million tons to be pumped from Iraq—if the sanctions are lifted one day.

As is well known by oil developers, the oil production of the Caspian region is expected to reach about 100 to 120 million tons/year before the year 2010. Almost half of this production will have to be exported by a new outlet, as the aging Russian network and terminals cannot easily handle such a volume, no matter how much they are improved. A pipeline of about 1,600 kilometers from Baku to Ceyhan,

through Georgia or Armenia, will require an investment of about \$2.3 billion.

The extension of this route to the Kazakh oil fields of Tengiz may cost an additional \$600 million. The Armenian route cannot be introduced before creative steps are taken toward solving the disputes of the area. The world financing sources are following this project with much interest, as its feasibility will not be much of a problem and, in fact, last week an engineering contract that is being funded by the World Bank was awarded to the German company PLE, to carry out the preliminary engineering and feasibility of the proposed pipeline between the Caspian Sea and Ceyhan. . . .

For early Azeri oil, an agreement on two routes has already been reached, and tenders have been issued:

- Northern line—Baku to the Russian Black Sea port of Novorossiysk.
- Western Line—Baku to the Georgian Black Sea coast at Supsa.

The Azerbaijan International Oil Consortium (AIOC) will need multiple outlets, even for early oil, to minimize the political risk of the region.

The Baku-Tbilisi section of the Western line for early oil can serve as the first part or to create an alternative route to that of a possible connection through Armenia for the long-term project of a direct route to the Mediterranean terminal of Ceyhan.

Besides the AIOC export pipelines for offshore Caspian oil, the other major oil export pipeline system in the region is the CPC pipeline. This \$2 billion project will ensure that the Tengiz oil field under development by Chevron and Mobil will have an export route, even if only to Novorossiysk.

The disintegration of the Soviet Union transformed this oil-rich area into the territory of three new, sovereign countries: Azerbaijan, Kazakhstan, and Turkmenistan, in addition to Russia and Iran. While efforts are being exercised for a stable consensus among the five Caspian states, oil development plans and investments are being carried out. Certainly such projects of the Caspian region should be realized in cooperation with Russia. . . .

Let me tell you of one example of how a close cooperation worked out between Turkey and Russia. Up to 10 years ago, before mutual trust and friendship started to grow, our total trade with the Soviet Union was at a steady level of \$450 million per year. In 10 years' time, this reached more than \$6 billion with the Commonwealth of Independent States, a big part of it with Russia. This figure does not include the unregistered "baggage trade"; that is, goods bought in Turkey and flown back to Russia as accompanied luggage, estimated to be of an equal magnitude. Business created by tourism and construction services are also not included in the above figure either. Revenues of the ongoing construction contracts are around \$7 billion and steadily growing.

Russia and Turkey cannot afford to neglect flourishing trade relations with each other. . . .

Turkey has a unique role between cultures

by Abdullah Gul

The following is excerpted from the address of H.E. Abdullah Gul, minister of state of the Republic of Turkey, to the Carnegie Endowment for International Peace, in Washington, D.C., on Feb. 19. Subheads have been added.

. . . First of all, it is clear that the Welfare Party, or Refah as we call it, has given a new impetus to Turkish democracy. Yes, we have a democracy and shall remain so, but ours is not yet at a desired level. The problems in our political system may be attributed to the lack of popular confidence and support for the top-to-bottom government mentality. People cannot be fully represented in a system that is closed, isolated from decision-making, and further inhibited from reflecting its values and demands. This is the real root of the systemic failure that is manifested so long in the political struggle and inability to overcome the political crisis with the existing mentality. Refah professes moral values, the values that actually continuously nourish and sustain Turkish democracy, but it also attempts to revitalize and reform the existing political system with the objective of complete democratization. Always bear this in mind: Turkey and Turkish society do not resemble, and should not be compared with, other societies in the region. This may be the reason why many of our friends abroad could not locate us comfortably in the political spectrum.

In this light, Refah is a party that strongly favors popular participation, utilizing the state tradition in Turkey and opening up new political and economic space in society. . . .

. . . Our party and agenda are not imported from abroad. We are not a reaction against the political process in Turkey. On the contrary, we carry on the genesis of popular modernization, a project under way since Ottoman times, and we proudly attest to the historical and cultural synthesis of our great fathers; we are not bothered by the Western elements in our government, culture, and life. What we stress, though, is that government should not exclude people's moral values, just the opposite: They should be used as catalyst for a healthy and complete democracy. One thing to bear in mind is that the social realities of Turkey would bring another political group with the same agenda into existence even if there were no Refah Party. Therefore, we expect our friends to understand well our reason for existence. . . .