

## From the Desk of the Editor

This issue of TPQ was largely inspired by my attendance of the Azerbaijan Diplomatic Academy's 2010 Summer School on Energy this year. In this introduction of the issue, I hope to highlight some of the interesting themes taken up by this program in Baku, and bring them into the context of recent developments in Turkey's neighborhood and Turkey's current role as an energy broker and consumer.

Contributors to this issue of TPQ cover a wide scope of issues related to the policy world of energy. Authors represent not only a diverse geography but also a variety of sectors: state and academia, civil society and business. We have also included articles on topics which are on the "periphery" of energy, such as economy, democracy and foreign policy in our region, because of the intertwined nature of these spheres.

Energy security has been high on political agendas around the world since the rise of industrial society. Winston Churchill, at the eve of World War I said: "Safety and certainty in oil lie in variety and variety alone." Energy security today roughly refers to the favorable combination of affordability, reliability, and environmental sustainability of energy sources. This requires diversification on many fronts.

Increasingly, in the past decade, Turkey has found itself in the middle of international debates about energy security. In his article, the Minister of Energy and Natural Resources of Turkey, Taner Yıldız, lays out the vision that drives Turkey's energy policies, and outlines the steps taken towards promoting partnership among a wide range of actors in the neighborhood. He underlines that Turkey is indispensable in addressing key global energy problems.

There are, on the other hand, also skeptics. Some argue that Turkey's "new" foreign and energy policies might undermine Europe's long term energy security and lead to missed opportunities in the consolidation of the sovereignty of states in the Caucasus and Central Asia. There are also those who question whether the long term interests of the Turkish society are served by some of the agreements the Turkish government has made with Russia. While explaining the logic of Turkey's energy strategy, Mert Bilgin also points to possible risks in his article in this issue.

The ongoing shift in global power balances is widely quoted as one of the underlying reasons for Turkey's new policies. Western energy companies have been losing ground to national oil companies in recent years. The transfer of wealth to producer countries and the subsequent increase of sovereign wealth funds allows these countries to also wield more power in the global financial markets. With

most Western economies steel reeling from recent economic crises, the shift of relative economic prowess around the world is more pronounced.

While new models of state capitalism –such as Russia and China– are on the rise, a political will deficit regarding projects with long term strategic implications has been the case in the West. In his article Mamuka Tsereteli expresses skepticism about the realization of the Nabucco pipeline in the near future. Given the long term infrastructure needed for gas transportation and given Turkey’s pivotal geographical position with respect to consumers and suppliers, the Turkish position has arguably tipped the scales of future power balances.

While Turkey is seen by some of its counterparts to be playing hardball with its newly discovered trump cards, others see it to be “gullible” in propogating win-win solutions where parties clearly have mutually exclusive interests. Domestic debate in the meantime has centered around which business circles benefit from rapid growth in energy investments. As Turkey grows into its new role, it can be expected to further iron out inconsistencies, adress the many questions that have arisen in the years of flux, and rejuvenate confidence in its reliability across the board.

While conflicts of interests are still a reality, energy competition indeed exists within a realm of interdependence. Chinese state-controlled oil companies, for example, contribute to the global energy supply market by investing in fields in unstable, politically “challenging” countries which Western international oil companies have trouble functioning in. China then often relies on the U.S. control of seas to deliver these resources to end users.

Interdependence is perhaps most evident with regard to the environment, which, more than ever, is a factor within energy security calculations. Recently, the disastrous oil spill in the Gulf of Mexico has reminded us of the importance of collaboration between the government, energy industry, and scientific community. In addition, protecting critical energy infrastructure from physical or cyber attacks figures high on the agenda of international organizations such as the OSCE and NATO. With the development of more and more trans-European infrastructure this is an issue taken up in the scope of EU institutions as well. Change in environmental measures is in some cases being driven more from the bottom up, as outlined in the contribution of William Arnold.

One of the most criticized aspects of the May 2010 agreement between Russia and Turkey on the establishment of a nuclear power plant has been that this decision of important environmental and strategic significance was not debated in the policy community openly. The decision about this plant, which will be based in Turkey and “owned” by Russia, was approved by the Turkish parliament in July

2010, also after scant parliamentary discussion. While some of our authors question this decision by pointing to the fact that even countries that have the capability to produce electricity from nuclear energy are choosing not to invest in this area anymore, others argue that Turkey is, if anything, late in developing this capability. We also include an analysis of the nuclear power debate in Germany, hoping it offers food for thought to relevant Turkish NGOs.

While every nation in the world is clearly a stakeholder in environmental concerns, good governance and democracy in energy producing countries is also increasingly recognized as an issue of global relevance. The fact that a majority of proven oil and gas reserves are located in countries classified as fragile or somewhat fragile effects the energy security of consumers around the world. The contribution of the President of the Parliamentary Assembly of the Council of Europe, Mevlüt Çavuşoğlu, to this issue of TPQ offers much relevant food for thought about how good governance can be fostered in Turkey's (and Europe's) neighborhood.

The term "resource curse" has been sounded since 1990 and conveys the phenomenon that possession of energy supplies does not correlate positively with GDP growth rates. One argument as to why the resource curse occurs is that having the resource reduces the incentive for manufacturing. When groups in a society are getting rich overnight, it reduces the incentive for others to set up small enterprises that foster individualism, egalitarianism, a strong middle class, and other such traits that fuel both the demand for accountability – and the incentive for this demand to be met by power-contenders.

Because a resource-rich state does not need the tax of its citizens, power holders also do not have an incentive to set up effective institutions that serve the citizens, guaranteeing property rights, good service, or accountability. Those in decision-making posts control the process of revenue distribution and will choose less oversight over more. The political temptation to deliver "favors" with excess funds pouring in can best be curbed by strong institutions.

The Dutch disease –a subcomponent of the resource curse– refers to macroeconomic instability because of reliance on exports, excessive government spending, hikes in prices of real estate and services, and local currency appreciation. Inevitable global price volatility means that this type of excessive spending is not sustainable. Ultimately, the strongest determinant of strong economic development appears to be high-quality institutions which can also regulate spending and reduce reliance on informal networks.

This issue of TPQ marks the start of our collaboration with DEIK and we are delighted to include the perspective of Rifat Hisarcıkıoğlu, Chairman of DEIK and

of TOBB (Union of Chambers and Commodity Exchanges of Turkey) about the private sector dimension of Turkey's energy policies in this issue. We believe this partnership will enable us to include more viewpoints from the business world and will increase our journal's visibility. On the visibility front, we continue to greatly value our partnership with *Hürriyet Daily News*.

This issue of TPQ has benefited from the support of the Black Sea Trust Fund of the German Marshall Fund, with which TPQ organized a roundtable in June 2010 on Turkey's role in the pipeline politics of the region. Moderated by *Hürriyet Daily News* Managing Editor Barçın Yinanç and featuring Necdet Pamir and Vladimir Socor as speakers, this roundtable event took a critical look at Turkey's declared ambition of becoming an "energy hub". Detailed notes of this discussion are available on [www.turkishpolicy.com](http://www.turkishpolicy.com).

You will find that our restructured website offers readers the opportunity to continue a lively electronic debate on issues TPQ covers by posting comments and opinions. We urge you all to visit the website and participate. Please feel free to direct your inquiries, as well as your thoughts and comments on our new web site to [info@turkishpolicy.com](mailto:info@turkishpolicy.com). We will be looking forward to hear your feedback.

Alongside an overhaul of its cyberspace, TPQ also has new office space. We are delighted and grateful to be located in Kadir Has University as of August 2010, and look forward to exploring the potential of intellectual synergy ahead of us.

I would like to take this opportunity to underline the very important contribution of the European Stability Initiative (ESI) to the content development of Turkish Policy Quarterly since 2004. One reason TPQ has been heavily geared towards the Caucasus region in the past few years is my exposure through ESI to this region. With the support of the Think Tank Fund of the Open Society Institute, ESI has enabled me to travel extensively in the region, and thus to become acquainted with different facets and actors of political change in this region. This experience has inevitably found reflection in the development of TPQ's content.

We would like to thank Akbank for sponsoring this issue of TPQ. The support of Yapı Kredi Bank, Finansbank, BP Turkey, Garanti Bank, and HSBC are also appreciated.

Diba Nigar Göksel