

parochial, and narrow interests and look beyond the horizon. The unipolar world cannot last forever. It seems that Asia is going to become a tremendously significant economic and commercial place in the next century. Turkey is an important gateway to Asia too. We open our door to foreign investors who want to reach the lucrative Asian markets.

Professor Samuel Huntington, in his now famous article, said that future conflicts would basically be characterized by a "Clash of Civilizations." Should this prophecy come true, it would indeed be a tragedy and a catastrophe for the entire world. It is our joint responsibility to make sure that cultures do not fight, but respect, complement, and cooperate with each other in order to create a better world. We believe and know from history that civilizations can also coexist in peace. As our great Sufi thinker Yunus Emre says, "Seventy-two different peoples together constitute a single truth. He who holds his own being to be of no account, can he distinguish between religions and sects?" In this regard, Turkey's unique historical and cultural position between different civilizations and continents is a blessing. It is also the good fortune of the world that despite the tough challenges we face, our party is determined to maintain and foster our democracy and is committed to peace and freedom. We hope that the significance of this message will not be lost on our friends in the West and that they will start paying increased attention to the very special role of our party and Turkey in general.

U.S. perspectives on Turkish energy

by Jan H. Kalicki

Mr. Kalicki, counsellor to the U.S. Department of Commerce, made the remarks excerpted here before the Annual Conference of the American Turkish Council in Washington, D.C. on Feb. 20. Subheads have been added.

One of the major themes of this year's conference is solutions for Turkey's accelerating energy requirements, due in large part to the continuing growth and modernization of Turkey. Meeting these requirements will, in turn, remove a major obstacle to even faster growth.

As you have heard from Undersecretary [of State for Economic Affairs Stuart] Eizenstat, Ambassador [to Turkey, Mark] Grossman, and others, we in the U.S. government think Turkey's development is vitally important and, indeed, in the economic and strategic interest of the United States. We view

Turkey as one of the ten "big emerging markets" and a close, longtime friend, ally, and partner in three regions—Europe, Central Asia, and the Middle East. More immediately, we are confident that American companies have much to offer and much to gain in helping meet Turkey's energy needs. We have been working on a range of initiatives especially designed to promote our bilateral cooperation in strengthening the Turkish energy sector.

Just two months ago, in December, I had the opportunity to lead a U.S. government delegation to Turkey, which visited American and Turkish energy industry executives including the heads of BOTAS [Petroleum Pipeline Corp.] and power generation and distribution companies, as well as high-level Turkish officials, including the minister of energy.

There were a number of purposes for this visit:

- To assure Turkey of strong U.S. government and company interest in helping it meet its electric power needs and in investing in the power sector, and to gather views on how to make this happen; . . .
- To reiterate strong U.S. government interest in developing multiple export routes from the Caspian; . . .
- To explore ways in which Turkey could diversify its gas supplies, both piped and liquefied natural gas (LNG).

Turkish officials expressed a strong desire to increase and diversify their gas supply. In general, they reacted favorably to many of our ideas and to proposals to work with the U.S. private sector. Our effort, along with the Department of Energy, and the hard work of Ambassador Grossman and his staff advanced the prospects for concrete solutions.

U.S. companies have a long history of working with the Turkish energy sector, including with existing power plants, and want to expand cooperation. Our firms can make major additional contributions. . . . In addition, U.S. firms are heavily engaged in oil and gas exploration, production, and transportation in and through Turkey's neighbors.

Oil and gas pipelines

Let me turn to a review of pipelines, with a look eastward to the enormous hydrocarbon resources of the Caspian basin. The U.S. strongly supports the rapid, environmentally safe production of these resources and the development of multiple export pipelines on sound commercial principles—including from Baku to Ceyhan, from the Caspian to the Mediterranean. From the standpoint of both cost and reliability, the Caspian basin, along with the Middle East, are probably the most promising new sources of supply for Turkey.

Just at the time the Central Asian and Caucasus states became independent, the late Turkish President Turgut Özal initiated a policy of close ties, including the development of energy relations. President [Suleyman] Demirel put into practice the vision of close relations with these countries, and Turkish companies are already playing a role in several major energy projects. The United States has always supported these close relationships, and we agree with Turkey,

that the development of multiple pipeline routes will enhance stability and support the independence of states in the region.

Azerbaijan has substantial gas resources, much associated with oil production already under development in the Caspian, that would be ideal for Turkey. According to preliminary estimates, Azerbaijan has potentially over a trillion cubic meters in gas reserves. . . . Industry estimates suggest that Azerbaijan could be able to produce for export up to 30-40 billion cubic meters/year. . . .

In addition to Azerbaijan, Kazakhstan will also have substantial exportable gas. Much of this would be associated gas produced with oil from Tengiz (which alone could be producing in the next decade, at full production, 15 bcm of gas a year) or the Caspian shelf, which could be transported north around the Caspian, or attached ultimately to a trans-Caspian pipeline to link up with routes from Azerbaijan.

Finally, of particular importance for the future are Turkmenistan's enormous proven gas reserves of 4.4 trillion cubic meters and possible additional resources of a like amount, some of which could be transported across the Caspian and fed into a trans-Caucasus pipeline system. While Turkmenistan now produces 30 bcm/year, new transportation outlets would permit it to increase its production at least to the 80 bcm/year level achieved in the heyday of Soviet production.

Transportation of Caspian basin gas will benefit from oil pipelines from the Caspian already agreed and being prepared for use. A "northern route" agreed between Russia and Azerbaijan would bring oil from Azerbaijan's Caspian fields to the Black Sea port of Novorossiysk. A "western route" for oil is being prepared which will transit Georgia to Supsa, also on the Black Sea. These oil routes and the existing gas pipelines along the "western route," parts of which go all the way to the Black Sea, have raised the prospect of the so-called "Georgian energy corridor" to eastern Turkey. Once export is under way, continued oil and gas development will provide substantial hydrocarbon resources that can be carried into Turkey, both for onward transit and for domestic use.

The signing, last December, of an agreement restructuring the Caspian Pipeline Consortium, a now-well-balanced, multinational public-private project to transport oil from Kazakhstan to western markets, initially via Novorossiysk, was also an important step in unlocking Caspian basin resources. Production growth would strengthen the potential of the Georgian Caspian basin resources. Production growth would strengthen the potential of the Georgian corridor or other oil pipeline routes through Turkey. Furthermore, development of the Georgian route would enhance the possibility of Russian gas coming through Georgia to eastern Turkey.

I want to mention one more potential route for the long term. If increased gas supplies can reach Israel, as well as Jordan and the Palestinian territories, from Egypt as well

as from Qatar, they could also be transported at a reasonable cost for the limited additional distance to southern Turkey. This would be a bonus for Turkish energy security, as well as the cause of peace and development in the Middle East.

In any event, liquefied natural gas is an important additional energy option for Turkey's future development. U.S. companies are world leaders in LNG projects. LNG can provide a key secondary source of supply to Turkey, with ultimate capacities of perhaps one-quarter to a third of total projected needs. Once regasification facilities are in place, there are excellent prospects for new as well as traditional sources. There are large new fields in Egypt, and an important agreement was signed at the Cairo Economic Conference last November, which would supply the currently proposed LNG projects. This could be an important supplement to expanding supplies from Algeria. . . .

In turning all this potential into reality, however, it is important to remember that the companies who will develop, transport, and market these resources, and the financial institutions that will finance both the pipelines and the field development, are the best judges of the most economic, efficient ways of doing this [emphasis added].

The issue of Iran

One option in our opinion, is *not a good one*. *The United States has deep concerns about energy and other transactions with Iran*. There are several reasons for Turkey to be concerned. One is reliability of supply. Iran's energy relations with its customers can be readily affected by Iran's agenda above and beyond commercial considerations. The prospect for international finance of such projects is limited. Of course, there are security concerns. In addition, Iran can be expected to use its revenues to continue to pursue unacceptable international behavior, including undermining the Middle East peace process, acquiring weapons of mass destruction, and supporting terrorism. A boost to Iran's income would also send the wrong message to Iran, that Turkey accepted this behavior. For these reasons, we believe Turkey should consider whether its interests are not best served by working with more reliable partners [emphasis added]. . . .

U.S. goals

Looking ahead, we plan to continue advocacy for the power and other projects proposed by U.S. companies; we hope to meet with many of you this week in private/public sector energy meetings. . . .

To conclude, the U.S. government will maintain a robust engagement with Turkey and its energy industry on oil and gas pipelines as well as other elements of the power generation chain. We believe this will pay handsomely for both sides, in increasing cooperation between U.S. and Turkish firms. . . . A close commercial energy relationship will, in turn, reinforce the longtime alliance and partnership for development and peace between our two countries.