

# Occasional Allies, Enduring Rivals: Turkey's Relations with Iran

Gareth H. Jenkins

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*Central Asia- Caucasus Institute  
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## Executive Summary

In early 2010, Turkey's vigorous attempts to forestall additional international sanctions against Iran over its nuclear program led to speculation in the Western media of an "axis shift" in Ankara's foreign policy. There were claims that the ruling Justice and Development Party (AKP), which has its roots in Turkey's Islamist movement, was turning its back on the country's traditional Western allies in favor of a strategic alliance with one of the West's most obdurate adversaries. The concerns intensified when, after its efforts to broker a deal between Teheran and the international community ended in failure, Turkey sought to block additional sanctions against Iran at the UN Security Council. Although this attempt was also unsuccessful, the fact that it was made at all – and in open defiance of repeated requests from the U.S. – was immediately cited as further proof of a shift in Turkey's strategic orientation; a confirmation that a once pro-Western Muslim country had become an anti-Western one.

In reality, the motivation behind Turkey's willingness to confront its Western allies over Iran's nuclear program was never as simple as a desire to exchange membership of one alliance with membership of another. It was rather the product of a number of different factors, the most important of which was the desire to establish Turkey as the preeminent arbiter of power in its region: not a country which attached itself to others but a center to which others would gravitate.

Consequently, the collapse in October 2009 of a complex swap deal – in which the international community would attempt to ensure that Teheran did not enrich uranium to weapons grade by exchanging nuclear fuel for uranium enriched to a low level inside Iran – was regarded in Ankara as an opportunity. The AKP genuinely resented what it regarded as the West's hypocrisy towards Iran over its nuclear program, particularly its eagerness to impose sanctions on suspicion that Teheran was secretly planning to develop nuclear weapons while declining even to criticize the one country in the

Middle East which was known to have already developed a stockpile of nuclear warheads, namely Israel. But the AKP's primary motivation was self-aggrandizement, a desire to demonstrate not only that it could succeed in brokering an agreement where others had failed but that, when it came to the Middle East, it was Turkey, not the West, that possessed the necessary contacts, expertise and credibility to secure results. What eventually became a defense of Iran's policies and motives against a doubting West undoubtedly strengthened Teheran, which was quick to seize the opportunity to try to exploit the division between Turkey and its fellow members of NATO. Yet the AKP's overriding goal was not to benefit Iran but to boost Turkey's own claims to regional preeminence.

But it would be a mistake to regard Turkey's relationship with Iran under the AKP as purely opportunistic or one dimensional. On the contrary, rather than marking a fundamental shift in relations, the coming to power of the AKP appears merely to have further complicated an already complex and multilayered relationship; adding or amending some elements, while leaving others essentially unchanged. Nor did all of the different elements in the relationship necessarily move together in the same direction. Indeed, one of the most striking characteristics of relations between Turkey and Iran since November 2002 has been the contrast between the enthusiasm of the repeated public declarations of friendship and commitments to future cooperation and the paucity of attempts to translate rhetoric into action.

This disparity has been particularly noticeable in economic relations. The increase in trade with Iran under the AKP is often cited to support claims of a strategic relationship. It is true that, since the AKP first came to power, bilateral trade between Turkey and Iran has grown more than tenfold from \$1.25 billion in 2002 to \$16.05 billion in 2011. Yet the balance of trade has been heavily in Iran's favor. In 2011 the margin was nearly four to one. The main reason has been Turkish imports of Iranian hydrocarbons; particularly natural gas from the Tabriz-Erzurum pipeline – which came on stream in 2001, the year before the AKP came to power<sup>1</sup> – and, particularly in 2011,

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<sup>1</sup> The natural gas agreement was signed in 1997 when the Turkish government was led by the Islamist Welfare Party (RP), one of the AKP's predecessors. But the

Turkish purchases of Iranian oil. Yet the reasons are practical not ideological: an attractive price for the oil and the scarcity of alternatives for the natural gas. Indeed, when hydrocarbons are excluded, the rate of increase in Turkish trade with Iran under the AKP lags far behind the pace of growth of Ankara's economic ties with other countries in the region, particularly Iraq.

Significantly, the driving force behind the increase in economic ties between Turkey and Iran under the AKP – including the rise in Turkish purchases of Iranian oil – has been the private sectors in the two countries, not the governments. Indeed, it could even be argued economic ties have increased despite – not because of – the respective political authorities. The Iranian government has shown no interest in ameliorating the steep Customs duties on Turkish goods entering the country, the huge fuel levies imposed on transportation by Turkish trucks or the opaque and frequently xenophobic bureaucratic and legal environment which faces any Turkish company which tries to do business in Iran. For its part, the Turkish government has made little attempt either to lobby Teheran to improve the operating environment for Turkish companies in Iran or to upgrade the poor transportation infrastructure in eastern Anatolia, which remains a major obstacle not only to bilateral trade but also to the use of Turkey as a conduit for Iranian exports to Europe. Nor has the AKP introduced any specific incentives to encourage Turkish companies to do business with Iran or to make it easier for Iranian firms to operate in Turkey. Perhaps most revealing has been the fate of the grandiose economic projects that have been announced at regular intervals by Iranian and Turkish officials over the last ten years. These range from a shared free trade industrial zone on their common border to joint banks, power stations and even an airline. None has been started, much less completed.

A similar pattern can be seen in political relations. In spite of an increase in bilateral visits under the AKP and repeated expressions of amity and solidarity, Turkey's support for Iran over its nuclear program was one of the very few occasions when the two countries actively cooperated; and here the AKP appears to have been motivated by a combination of resentment at the

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negotiations were initiated in the early 1990s by governments composed of secular parties.

West and its ambitions to establish its credentials as a major international player in its own right, rather than by a commitment to a partnership with Teheran. While Turkey's reluctance to join the U.S. and the EU in applying more wide-ranging sanctions in addition to those mandated by the UN appears to be more the product of antagonism towards those applying them than sympathy to those to whom they are being applied; and pique at what is perceived as an attempt by powers from outside the region to dictate policies in what many in the AKP believe is Turkey's natural sphere of influence.

Nor, even on issues on which its position was identical to that of the AKP, has Iran shown any desire to cooperate and act together with Turkey in the international arena.<sup>2</sup> There have been no joint policy initiatives, even in areas where the two countries have similar policies. Indeed, the issues on which they appear to be most in harmony tend to drive them apart, not together. For example, at the same time as the AKP was vigorously defending Teheran against the West over its nuclear program, the two were competing over the plight of the Palestinians; each trying to use their condemnations of Israeli policies as leverage with the Muslim populations of the Middle East in order to enhance their claims to regional preeminence.

Nor has there been any cooperation on the NGO level, such as in the provision of humanitarian aid. In recent years, the Turkish state and Turkish NGOs have become increasingly active in the provision of humanitarian aid to other Muslim countries and communities. Yet, even in places where Iran has also been involved in the distribution of aid, the two countries' efforts have run in parallel. There has been no cooperation. Iran itself has remained as closed to NGOs from Turkey as it has to NGOs from other countries. Since the AKP came to power there has been no discernible increase in Iranian cultural or political activities inside Turkey or in Iranian funding for Turkish NGOs. If anything, Iran appears to play even less of a role in NGO activity in Turkey than it did in the 1990s when the country was ruled by an aggressively secular regime.

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<sup>2</sup> The one area where there has been substantive cooperation is in internal security by sharing intelligence -- and occasionally coordinating military operations -- against Kurdish insurgents.

Indeed, far from providing the foundations for increased cooperation on the grounds of shared religiosity, the coming to power of the rigorously Sunni AKP appears merely to have created another arena for competition. Under the previous regime, the suspicion with which the secular Turkish establishment – particularly the once influential Turkish military – regarded the Islamic republic in Iran served as an obstacle to sustained bilateral cooperation between the two countries. Yet the election of the AKP has replaced a secular/Islamist divide with a sectarian Sunni/Shia one. This is particularly noticeable in the two countries' policies in the Middle East, where any sense of Muslim solidarity is invariably overshadowed by a centuries-old competition for influence.

As a result, the tensions in the ties between Turkey and Iran through 2011 and into 2012 – initially over the uprisings in Bahrain and Syria and subsequently the deployment of a NATO early warning radar in eastern Anatolia – represent not a change in the fundamental nature of the relationship but a resurfacing of one of its underlying, primal elements. This is not to suggest that future ties between Turkey and Iran will be solely determined by competition. Each is aware that, whatever happens, they will continue to be neighbors. Both are mindful of the benefits of economic ties; even if, to date, these benefits have been largely in Iran's favor. They also share a resentment of attempts by the West to intervene in the Middle East, which both regard as being a Muslim sphere of influence. Nevertheless, even if such similarities in attitudes can occasionally create the appearance of an alliance, the primary determinatives of relations between Turkey and Iran are – and are likely to remain – sectarian enmity and a deep-rooted political rivalry.

## The Historical Context: Turkish-Iranian Relations To

2002

Historically, relations between Turkey and Iran have been characterized by brief intervals of rapprochement interspersed among considerably longer periods of rivalry and resentment.

During the early 16th century, the expansionist ambitions of the newly-established Safavid dynasty in Persia coincided with the Ottoman state's efforts to assert its previously largely nominal suzerainty over the nomads of eastern Anatolia. Many of the nomads were what are known in Turkish as *kızılbaş*, or "redhead"<sup>3</sup>, and followed a heterodox form of Muslim belief which shared many of the elements of the Shia Islam then espoused by the Safavids.<sup>4</sup> The Persian Shahs actively encouraged the *kızılbaş* to rise up in revolt. In 1514, they clashed directly with the Ottomans at the Battle of Chaldiran in eastern Anatolia, where Sultan Selim I routed a Persian army led by Shah Ismail.

The defeat deterred the Safavids from supporting any of the subsequent *kızılbaş* rebellions; all of which were ruthlessly crushed by the Ottoman state. But it did not resolve tensions between the two states. Over the next 125 years, Persia and the Ottoman Empire fought another five wars, mostly over territory. Eventually, in 1639, Sultan Murad IV and Shah Safi signed what became known as the Treaty of Zuhab, which delineated the border between the two states. Nevertheless, the boundary remained an issue of almost constant dispute for the next 300 years; and the fact that it remained largely unchanged was more the result of neither side being able to amend it than satisfaction with the status quo.

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<sup>3</sup> The name is derived from the nomads' custom of wearing tall red bonnets with 12 folds to indicate their devotion to the 12 imams of Shia Islam.

<sup>4</sup> The evolution of Shia doctrine has meant that the Islam practiced in modern Iran bears little resemblance to the traditions and beliefs of the descendants of the *kızılbaş*, who are now usually referred to as Alevis.

However, by the 19<sup>th</sup> century, Persia and the Ottoman Empire had begun to regard each other as less of a threat than predatory European powers such as Russia and Britain, which were both expanding their influence in the region. The Persian government watched with interest as members of the Ottoman elite tried to arrest the empire's decline by flirting with Western-inspired reforms. Persian bureaucrats even visited the Ottoman capital to observe the reforms at firsthand, although conservative resistance prevented them from implementing similar changes when they returned home.

But the rivalry never completely disappeared and both states remained alert to opportunities to exploit the other's weaknesses to their own advantage. During the mid-19<sup>th</sup> century, Istanbul became a center for Persian dissidents, refugees and opposition groups; and remained so even after the Ottoman reform movement was suppressed by the autocratic Sultan Abdülhamit II (reigned 1876-1909).

The Ottoman reformists had tended to treat Islam as if it was politically inert. In contrast, Abdülhamit aggressively instrumentalized religion in an attempt to create a political powerbase, using his spiritual authority as caliph to claim authority over all the world's Muslims. Abdülhamit had become alarmed by the possible expansion of Persian influence into the Ottoman provinces of Baghdad and Basra in modern Iraq, where large-scale conversions meant that Shia Muslims now outnumbered the Sunnis. In 1894, Abdülhamit used the Istanbul-based Persian dissident Jamal-ad-Din al-Afghani to send hundreds of letters to Shia clergy in Persia, urging them to recognize him as the spiritual head of the Islamic world. The Persian Shah Nasser al-Din responded by allowing militant Armenian nationalist groups to use Persia as a platform for raids into Ottoman territory. Bilateral relations deteriorated still further in 1896 when Nasser al-Din was assassinated by one of al-Afghani's followers.

Bilateral relations improved briefly under Nasser al-Din's son, Shah Mozaffar ad-Din, who paid an official visit to Istanbul in fall 1900. However, tensions returned in the early 1900s. In September 1905, with Mozaffar ad-Din increasingly distracted by domestic pressure to introduce a constitution, Abdülhamit dispatched troops to occupy some disputed territories on the border. After Abdülhamit was himself forced to abdicate in 1908 by the

coalition of Ottoman constitutionalists popularly known in English as the “Young Turks”, the new government in Istanbul supported the reformists in Persia, even sending militiamen to assist them in their struggle against the Shah.<sup>5</sup> It was not until 1913 that, under pressure from Britain and Russia, they withdrew Ottoman troops from the disputed border region.

The internal turmoil in Persia enabled Britain and Russia to turn the country into a *de facto* protectorate, even drawing up a treaty dividing it into spheres of influence. As a result, although it was nominally neutral, Persia nevertheless became drawn into World War One after the Ottoman Empire declared war on Britain, Russia and France. Some members of the Ottoman government, particularly War Minister Enver Pasha, regarded the conflict as an opportunity to expand Ottoman influence eastwards through the Caucasus and into Central Asia. Russia’s withdrawal from the war after the Bolshevik Revolution of October 1917 gave Enver Pasha his chance. He ordered Ottoman troops to advance into Persia and the Caucasus. In June 1918, Ottoman troops occupied the Persian city of Tabriz. In early October 1918, Enver Pasha even ordered them to march on Teheran. But, with the Ottoman Empire on the verge of defeat, the order was rescinded before it could be carried out. All Ottoman troops were withdrawn from Persian territory when the empire surrendered to the Allies on October 30, 1918. The Ottoman defeat in World War One briefly swung the balance of power back in Persia’s favor. At the Paris peace conference in 1919-1920, Persia took the opportunity to seek territorial concessions from the defeated Ottomans, although its demands were rejected by the Allies.

### **Reform and Rapprochement**

In February 1921, Reza Khan seized power in a coup and, in December 1925, had himself crowned shah. Reza Khan’s ascent to power coincided with the rise of Mustafa Kemal, later to be known as Atatürk, who in October 1923 formed the modern Turkish Republic from the Anatolian rump of the Ottoman Empire. Both men were former members of the military who combined authoritarian instincts with a modernizing agenda. They also had

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<sup>5</sup> In the period 1906-1915, there were three unsuccessful attempts to establish a functioning parliament, or *majles*. None lasted more than more two years.

an ambivalent attitude towards the West, in which hostility and suspicion were mixed with admiration and a desire to emulate. Each launched a domestic reform program, which included measures to reduce the influence of religion in public life, curb the power of the clergy, introduce new legal codes similar to those in Europe and even make citizens look like Europeans through the imposition of Western modes of dress.

The shared emphasis on Western-style modernization rather than religion, removed – at the state level at least – much of the friction stemming from Sunni-Shia rivalry. But bilateral ties nevertheless remained vulnerable to tensions, particularly when, starting in 1925, the new Turkish Republic was shaken by a series of uprisings in the predominantly Kurdish east of the country. The revolts combined elements of Sunni religious conservatism, nascent Kurdish nationalism, tribalism, and a reaction of the political periphery against a newly assertive central government. The border between Turkey and Persia ran through mountainous terrain and was neither clearly marked nor effectively policed. The Kurdish rebels in Turkey frequently received assistance from Kurds in Persia. During the third Ağrı Revolt of 1930, the Turkish press even accused the government in Tehran of providing the Kurdish rebels with moral and material support.

All of the Kurdish revolts were eventually suppressed by the Turkish government. But the tensions that they generated between Ankara and Tehran led to calls for a more precise delineation of their shared border. In January 1932, the two countries signed a detailed border agreement, which closely followed the frontier established by the Treaty of Zuhab, with a few adjustments in Turkey's favor. In response to criticism for giving away Persian land, Reza Khan argued that minor territorial concessions were a small price to pay for a strong, long-term relationship with Turkey. In 1934, the growing rapprochement peaked when Reza Khan paid an official visit to Ankara, after which he toured several regions of Turkey to witness at first hand the impact of Atatürk's reform program.

In July 1937, Turkey, Iraq, Afghanistan and what was now Iran<sup>6</sup> signed what became known as the Treaty of Saadabad, under which they pledged to respect each other's frontiers, not to interfere in each other's internal affairs

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<sup>6</sup> The country's name was officially changed to Iran in March 1935.

and to consult on issues of shared interest. The pact was signed shortly after Italy had occupied and annexed Ethiopia and appears to have been an attempt to prevent the signatories from meeting a similar fate at the hands of one of the European powers by creating the impression of a united front. But the treaty contained no provisions for mutual assistance against external aggression. Its ineffectiveness as a deterrent was starkly demonstrated after the outbreak of World War Two, when Iran's refusal to reduce its economic ties with Germany led to an invasion by British and Soviet forces. Reza Khan was forced to abdicate and replaced by his 21 year-old son Mohammad Reza Shah Pahlavi.

The outbreak of the Cold War prompted discussions of a new regional alliance; this time in response to the specter of Soviet expansionism. Turkey joined NATO in February 1952. It had initially been wary of also formally allying itself with Tehran, concerned that Iran's political instability and military weakness would make it a liability rather than an asset; particularly during the turbulence that followed the appointment of the nationalist Mohammad Mosaddegh as prime minister in April 1951. By early 1953, Mosaddegh appeared likely to depose the shah and Turkey feared that the domestic turmoil in Iran could even lead to a communist takeover. As a result, the Turkish government openly endorsed the coup orchestrated by the U.S. and the U.K. in August 1953 which forced Mosaddegh from office and led to the restoration of the Shah's autocratic rule.

In 1955, Turkey, Iran, Iraq, Pakistan, and the U.K. formed the Middle East Treaty Organization (METO), which was originally headquartered in Baghdad and commonly known as the Baghdad Pact. Although the U.S. never became a member, METO was strongly supported by Washington, which regarded it as a bulwark against the growth of Soviet influence in the Middle East. However, in July 1958, a revolution toppled the pro-Western Hashemite monarchy in Baghdad and replaced it with a government more sympathetic to Moscow. Iraq formally withdrew from METO in March 1959. Five months later, the alliance – which was now headquartered in Ankara – was restructured and renamed the Central Treaty Organization (CENTO).

Unlike NATO, CENTO had no centralized military command and served primarily as a demonstration of solidarity and intent in the event of a Soviet

attack on one of its members. The alliance made little contribution to the strengthening of bilateral ties between Turkey and Iran, which were soon strained by the Turkish military coup of May 1960. Adnan Menderes, who had served as prime minister since May 1950, was arrested, tried and executed. In an echo of Turkey's reaction to the overthrow of Mosaddegh, Mohammad Reza welcomed the coup. He had been alarmed by Menderes's plans to visit Moscow in July 1960, which he feared might be an indicator of a softening in Turkey's hostility towards the Soviet Union. Civilian rule was restored in Turkey in October 1962.

In July 1964, Turkey, Iran and Pakistan established the Regional Cooperation for Development (RCD) to provide an institutional framework for economic, cultural and technical cooperation. Yet practical factors, such as geography and the paucity of opportunities for economic synergy, meant that the RCD resulted in no discernible deepening of ties between its members. Indeed, through the late 1960s and early 1970s, Turkish-Iranian relations deteriorated amid mutual allegations of support for each other's dissidents. When Turkey's Kurds and Alevis once again attempted to assert their own identities, Ankara accused the Shah of seeking to establish his patronage over them and claimed that he had sent emissaries to meet with community leaders in Kurdish and Alevi areas in Anatolia. The Turkish government was also worried by the Shah's support for the Kurds of northern Iraq, warning that it could inspire secessionist movements among the Kurds of both Turkey and Iran. In turn, the Tehran complained about the large number of Iranian dissidents who had taken refuge in Turkey, where they received considerable support from the Turkish Left, which had become increasingly critical of the Shah's dictatorial regime.

Tensions were exacerbated by a shift in the relative strengths of the two countries. Throughout most of the 20<sup>th</sup> century, Iran had been the weaker of the two. But the steep increase in the price of oil following the crises of 1973 resulted in a rapid rise in Iran's export earnings; which enabled the Shah to transform Iran armed forces into one of the strongest and best equipped in the region. Moreover, Turkey became internationally isolated as a result of its 1974 invasion and occupation of northern Cyprus, which left it facing severe financial difficulties and a U.S. arms embargo. Although the Shah

publicly expressed his support for Turkey, and criticized the arms embargo, he refused to provide any practical assistance and rejected a request by Ankara for cheap oil to try to revive its ailing economy. By the time the Shah was overthrown in the Islamic Revolution of 1978-1979, in a reversal of the situation a generation earlier, it was now Iran which had become the more powerful, both economically and militarily.

### **Revolution and War**

At first sight, the emergence of a virulently anti-Western, anti-secular regime on Turkey's eastern border should have been cause for concern in Ankara. In fact, initially at least, the Islamic Revolution turned out to be more of an opportunity for Turkey than a threat.

With Iran internationally isolated and weakened by internal turmoil, the balance of power between the two countries swung in favor of Turkey. The revolution also dramatically increased Turkey's importance to the West as a perceived bulwark against not just communism but also radical Islam. Turkey was quick to realize that it stood to gain more by maintaining good relations with both Iran and the West, rather than supporting one against the other.

On February 14, 1979, just three days after the Islamic leader Ayatollah Ruhollah Khomeini had formally proclaimed victory, Turkey officially recognized the new regime and warned the U.S. and the USSR against interfering in Iran's internal affairs. Initially, Turkey was worried that Iran's Kurds, who had supported the uprising against the Shah, would establish a distinct political entity in the northwest of the country. But Khomeini issued a call to jihad against his government's opponents and the nascent Kurdish nationalist movement was crushed at the cost of thousands of lives.

Turkey condemned the storming by Khomeini's supporters of the U.S. embassy in Tehran on November 4, 1979, during which they took 52 U.S. citizens hostage. But it rejected a U.S. request to use the airbase at Incirlik in southeast Turkey in the event of military action to try to rescue the hostages. Ankara also refused to follow the U.S. in imposing sanctions on Iran when it refused to release the embassy hostages; not least because it saw Iran's

international isolation as an opportunity to boost Turkey's almost bankrupt economy.

Turkey's economic importance to Iran increased still further following the outbreak of the Iran-Iraq War on September 22, 1980, when it became both a vital source of non-military imports and a conduit for Iranian trade with the rest of the world. In April 1981 and again in March 1982, Ankara and Teheran signed barter agreements under which Iran traded oil to Turkey in return for manufactured products and foodstuffs such as wheat and barley. By 1983, Turkey had become Iran's largest trading partner.

The new Islamic government in Tehran had withdrawn Iran from both CENTO and the RCD as soon as it came to power. CENTO was never revived. However, on January 28, 1985, the RCD was resurrected as the Economic Cooperation Organization (ECO), based in Teheran and comprising Iran, Turkey and Pakistan. In theory, the ECO was designed to promote economic, technical and cultural cooperation between its members; although, as with the RCD, it failed to produce a significant strengthening in ties.

Turkey also took the opportunity of the Iran-Iraq war to boost its economic ties with Baghdad. By the mid-1980s, Iran and Iraq together accounted for around 25 percent of Turkey's total foreign trade. However, the volume began to decline from 1986 onwards as the financial burden of the war depleted the belligerents' resources. In July 1988, Iran and Iraq finally accepted a UN-brokered ceasefire.

### **Regional Rivalry**

For a brief time in the early 1990s, Turkey and Iran appeared set to become rivals in Central Asia as both sought to extend their influence into what they assumed would be a vacuum left by the collapse of the Soviet Union. Neo-Turanists in Turkey based their dreams on perceived linguistic and cultural similarities with the Turkic peoples in the region.<sup>7</sup> While Iranians looked to religious solidarity and a revival of the historical region known as Greater

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<sup>7</sup> In fact, even though they share common roots, with the exception of Turkmen, modern Turkish and the Turkic languages of Central Asia are now mutually unintelligible.

Khorasan, which had once stretched north and east of modern Iran to include parts of what today are Afghanistan, Turkmenistan, Uzbekistan and Tajikistan.

In the event, both Turkey and Iran fell far short of achieving their grandiose dreams and perceptions of rivalry strained their bilateral relations. For example, in the absence of any rail links, Turkey's unrealistically ambitious plans for a boom in exports to Central Asia were largely dependent on road routes through Iran; with the result that Turkish trucks trying to transit the country faced interminable delays and increased costs as a result of Iranian Customs procedures and special levies on fuel.

But there were concerns in Iran that, in the Caucasus, the collapse of the Soviet Union was more of a threat than an opportunity; particularly when Abulfaz Elchibey became president of Azerbaijan in June 1992. Elchibey was pro-Western, anti-Russian and enjoyed very close links with the Turkish ultranationalist movement. Teheran feared that Elchibey's often aggressive neo-Turanist rhetoric might foment unrest amongst Iran's own Azeri minority, who account for around a quarter of the country's total population. Iran responded by trying to establish a more amicable relationship with Moscow, which it had bitterly opposed during the Soviet era. More remarkably, even though Shia Muslims make up an estimated 85 percent of the population of Azerbaijan, Teheran sided with Christian Armenia when skirmishing between the two former Soviet republics over the disputed enclave of Nagorno-Karabakh escalated into full-scale war in late 1992.

In June 1993, amid rising internal unrest, Elchibey fled Baku. He was replaced by Heydar Aliyev, who was formally appointed president in September 1993. Notably cooler than his predecessor to notions of a shared Turkic identity, Aliyev sought to distance Azerbaijan from too close an identification with Turkey as he tried to balance Azerbaijan's growing ties with the West with a working relationship with Moscow and a reduction in tensions with Iran. Nevertheless, even today, Iran's ties with Armenia remain closer than its relations with any other former Soviet republic.

Despite their rivalry in Central Asia and the Caucasus, Turkey and Iran continued to explore ways of strengthening economic ties and increasing bilateral trade. In March 1990, Turkish Prime Minister Yıldırım Akbulut led

a delegation of 40 officials and 62 businessmen to Teheran to discuss possible Turkish involvement in the rebuilding program after the war against Iraq. During the visit, Akbulut promised Iran \$300 million in trade credits and another \$400 million to support Turkish contractors who won contracts under Iran's reconstruction program. The proposed loans remained largely unused. However, in February 1991, Turkey and Iran did sign a memorandum of understanding which called for feasibility studies on the possibility of building a pipeline across Anatolia to carry exports of Iranian natural gas to Europe. The same agreement also called for a passenger rail link between the two countries and the drafting of treaties to encourage mutual investment and avoid double taxation. In November 1992, the ECO was expanded from three to ten members through the addition of Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

### **Stirring the Pot?**

Through the late 1980s and early 1990s, the mainstream Turkish media – which was at the time still dominated by secularist Turkish nationalists – frequently accused Iran of trying to weaken Turkey by inciting Islamist and Kurdish militants to acts of violence in the country. In fact, there is considerable evidence of Iranian involvement with both Islamist and Kurdish militant groups; even if the manner and degree of Iranian involvement differed from its portrayal in the Turkish press.

Although they identified more closely with radical Sunni Islamists – such as Sayyid Qutb and the Egyptian Muslim Brotherhood – some Turkish Islamist militants were undoubtedly inspired by the Shia revolution in Iran in 1979. During the 1980s, several even travelled to Iran to receive ideological and military training from elements in Iranian intelligence.<sup>8</sup> However, Teheran appears to have been more interested in using Turkish radicals against

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<sup>8</sup> They included Hüseyin Velioğlu, the founder of the Turkish Hizbullah (which is unrelated to the Lebanese organization of the same name), although there is no evidence of active Iranian involvement in the group's operations. For more information on Hizbullah and other violent Islamist groups in Turkey, see Gareth Jenkins, *Political Islam In Turkey: Running West, Heading East?*, New York: Palgrave Macmillan, 2008, pp. 183-211.

dissident Iranians or citizens of countries perceived as being hostile to Iran rather than in an attempt to undermine Turkey's secularist regime.

An estimated 600,000-800,000 Iranians are believed to have fled to Turkey after the Islamic Revolution. Only a handful were politically active. Nevertheless, the exile community was the main target for Iranian intelligence operatives in Turkey through the late 1980s and early 1990s. Small groups of Turkish Islamists were armed and used to gather intelligence on Iranian dissidents and sometimes to stage operations against them; such as kidnapping members of the Iranian exile community and handing them over to their handlers in Iranian intelligence for interrogation, torture and execution.

Iranian intelligence also used Turkish Islamists to target foreign diplomats based in Ankara. On October 25, 1988, Iranian intelligence used a cell of Turkish Islamists to assassinate Abdul Ghani Bedawi, the second secretary at the Saudi Arabian embassy, in revenge for the killing by the Saudi security forces of more than 400 pilgrims during anti-US protests in Mecca on July 31, 1987. In a similar attack on October 16, 1989, Abdurrahman Shrewi, the Saudi military attaché in Ankara, was seriously injured by a car bomb. On October 28, 1991 the same cell assassinated Victor Marwick, a military employee of the U.S. logistics base in Ankara. On March 7, 1992, they killed Ehud Sadan, a Mossad intelligence officer working out of the Israeli embassy in Ankara.

On several occasions, the cells of Turkish Islamists used the weapons and explosives given to them by Iranian intelligence to assassinate prominent Turkish secularists, including the journalists Çetin Emeç and Uğur Mumcu and the academics Muammer Aksoy and Bahriye Uçok. But the initiative for the killings of the Turkish secularists appears to have come from the individual members of the cells, not their handlers. However, the Iranians seem to have approved an attack on Yuda Yürüm, the leader of the Turkish Jewish community in Ankara. on June 7, 1995. Although badly injured by a bomb placed under his car, Yürüm survived.

Iranian involvement in the insurgency launched by the Kurdistan Workers' Party (PKK) in 1984 was more complex. Originally, the PKK was mainly based in Syria and the Syrian-controlled Bekaa Valley in Lebanon. When the two main Iraqi Kurdish factions – the Kurdish Democratic Party (KDP) and

the Patriotic Union of Kurdistan (PUK) – rebelled against the Baghdad government during the latter stages of the Iran-Iraq War, the PKK took advantage of the resultant power vacuum to establish forward bases in northern Iraq.

On November 28, 1984, Ankara and Teheran had signed an agreement undertaking to prohibit any activity within their borders which was detrimental to the security of the other. But, by the late 1980s, some PKK units had begun to operate in the mountains along the still porous Turkish-Iranian border. In November 1993 and again in June 1994, Iran publicly pledged to suppress all PKK activity on its territory. In practice, little changed. Although Teheran never provided the PKK with the level of the support it received from Damascus, PKK units continued to use Iran as a platform from which to strike at targets inside Turkey until the late 1990s.

Turkey and Iran also became drawn into the rivalry between the KDP and PUK in the *de facto* autonomous Kurdish region that was created by the U.S.-led allies in northern Iraq following the 1991 Gulf War. When fighting broke out between the two factions in May 1994, Turkey and Iran became involved in what was almost a proxy war: with Ankara providing support – including arms – to the KDP, while Teheran backed the PUK, which had in turn aligned itself with the PKK. The factional fighting was not formally ended until September 17, 1998, when the KDP and the PUK signed a U.S.-brokered peace deal.

### **Economic Reliance, Political Estrangement**

Although anti-Iranian sentiment was highest amongst secular Turkish nationalists, most mainstream members of Turkey's Sunni Islamist movement were also disdainful of the Shia regime in Teheran, privately characterizing them as untrustworthy heretics.<sup>9</sup> In a newspaper interview in 1997, the Islamist preacher Fethullah Gülen, whose followers were later to develop the most influential non-state network in Turkey, dismissively commented:

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<sup>9</sup> Author interviews with leading members of the Islamist Welfare Party (RP), Istanbul, November 1995.

“The Iranian Shia are a reactive community. For that reason, it is impossible to expect them to think correctly, make balanced decisions or act according to prevailing global circumstances. But, in terms of interstate relations, they are our neighbors and whatever relationship is established should be established according to this.”<sup>10</sup>

Yet Teheran’s fierce defiance of the West – and its relentless criticism of Israel – had an appeal of its own to Turkish Islamists. There was also an awareness that, if the Islamists came to power in Ankara, a public display of solidarity with Iran would send an unequivocal message both to the West and to the Muslim world about where they believed Turkey’s true place should be.

In the Turkish general election of December 24, 1995, the Islamist Welfare Party (RP) won the largest share of the popular vote at 21.4 percent, giving it 158 seats in the country’s unicameral 550-seat parliament. After months of unsuccessful negotiations between secularist parties, the RP finally came to power on June 28, 1996 at the head of a coalition with the center-right True Path Party (DYP). The leader of the RP, Necmettin Erbakan, became modern Turkey’s first avowedly Islamist prime minister.

On August 10, 1996, Erbakan made his first trip abroad since becoming prime minister when he flew to Teheran for an official three day visit. Although it was widely portrayed by hardline secularists – many of whom erroneously believed that Teheran had been bankrolling the RP – as an expression of gratitude to Iran for its support, the trip was primarily designed to send a message to the West. While in Tehran, Erbakan signed a 22-year, \$23 billion agreement to import natural gas from Iran,<sup>11</sup> effectively building on the memorandum of understanding drawn up in February 1991.

As Erbakan was well aware, the gas agreement was in clear defiance of the Iran-Libya Sanctions Act (ILSA), which had been signed into force by U.S. President Bill Clinton on August 5, 1996, and which imposed sanctions on

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<sup>10</sup> Author’s translation. “Nevval Sevindi ile New York Sohbeti”, *Yeni Yüzyıl*, 20 July 1997. The full interview is available (in Turkish) at <http://tr.fgulen.com/content/view/229/141/>

<sup>11</sup> In 2000, the agreement was extended to 25 years.

any foreign company which made an “investment” of more than \$20 million in one year in Iran’s energy sector.<sup>12</sup>

On October 22, 1996, Erbakan announced plans to form a Muslim alternative to what was then the Group of Seven (G-7) of leading industrialized nations.<sup>13</sup> What became known as the Developing Eight (D-8) comprised Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan and Turkey. Erbakan appears to have hoped that the D-8 would establish a common market and eventually rival the EU. The organization was official inaugurated at a summit of heads of state in Istanbul on June 15, 1997. But, although it has continued to hold regular meeting, its members’ disparate geographical, political and economic interests meant that the D-8 has failed either to realize Erbakan’s ambitions for it or to make a significant contribution to closer ties between Ankara and Teheran.

Nevertheless, Erbakan had made his intentions clear; and both encouraged Teheran and alarmed the secular establishment in Turkey, led by the country’s military. Emboldened by the presence in office of an explicitly anti-Western, pro-Islamist Turkish prime minister, Iranian diplomats became more outspoken in their criticism of Turkey’s secular regime. On January 31, 1997, the RP mayor of the Ankara suburb of Sincan hosted an evening of anti-Israeli speeches, poetry readings and theatrical performances. It was attended by Muhammed Riza Bagheri, the Iranian ambassador to Ankara, who delivered a speech lambasting Turkey’s secular legal system and calling for its replacement with Islamic Shari’a law. The appearance of reports of Bagheri’s speech in the Turkish press triggered a series of anti-Iran public demonstrations. On February 3, 1997, the secularist-dominated Turkish Ministry for Foreign Affairs (MFA) delivered a formal protest to Iran. On February 4, 1997, the Turkish military diverted a column of tanks through Sincan as a warning to the Erbakan-led government. On February 5, 1997, Muhammad Riza Rashid, the Iranian Consul General in Istanbul, publicly warned that anyone who tried to prevent the introduction of the

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<sup>12</sup> In July 1997, the US State Department ruled that the August 1996 agreement did not breach the ILSA because Turkey had promised that the pipeline would be used to transport Turkmen, rather than Iranian, natural gas. But the US made no attempt to impose sanctions when Iranian gas began to be pumped through the pipeline in 2001.

<sup>13</sup> The G-7 became the G-8 in 1997 with the inclusion of Russia.

Shari'a would face dire consequences, triggering another protest from the Turkish MFA. On February 20, 1997, under pressure from Turkey, Bagheri and Rashid were both recalled to Teheran.

Tensions rose still further on February 21, 1997, when Turkish Deputy Chief of Staff General Çevik Bir publicly referred to Iran as a "terrorist state". Said Zare, the Iranian Consul General in the eastern Anatolian city of Erzurum, condemned Bir's remarks as "irresponsible". The Turkish authorities declared him *persona non grata* and expelled him from Turkey. On March 1, 1997, Iran retaliated by expelling Osman Korutürk, the Turkish ambassador in Teheran, and Ufuk Özsancağ, the Turkish Consul General in the Iranian city of Urmia.

By the time the diplomats arrived back in Ankara, the Turkish establishment had already stepped up the pressure on the Erbakan-led government. At a meeting of the National Security Council on February 28, 1997, the military presented Erbakan with a list of 18 measures they expected him to take to preserve the principle of secularism that was enshrined in the Turkish constitution. Most of the measures were related to domestic reforms but they also included "the preparation and implementation of measures against Iran to prevent its destructive and damaging activities without disrupting economic or neighborly relations."

Over the months that followed, an intense lobbying campaign orchestrated by the military chipped away at the coalition's parliamentary majority by persuading members of the DYP to leave the government. Eventually, on June 18, 1997, Erbakan submitted his resignation. He was replaced as a prime minister by Mesut Yılmaz at the head of the tripartite, pro-secular coalition.

Relations between Turkey and Iran remained strained through the rest of 1997. On December 12, 1997, Turkish president Süleyman Demirel stormed out of a summit meeting of the Organization of the Islamic Conference (OIC)<sup>14</sup> in Teheran after Iran harshly criticized Turkey's close ties with Israel and its policies towards its Kurdish minority.

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<sup>14</sup> The OIC changed its name to the Organization of Islamic Cooperation on June 28, 2011.

Yet, despite the mutual expulsions in 1997, diplomatic ties had never been severed and the relationship gradually began to improve again; particularly from 1998 onwards as Turkish Foreign Minister Ismail Cem began to prioritize improving relations with the country's neighbors. The rapprochement was aided by the 1999 capture, trial and imprisonment in Turkey of PKK leader Abdullah Öcalan, which put an end to the organization's first insurgency and thus removed a long-running source of friction between Ankara and Teheran.

But, by the beginning of the new millennium, the focus of Turkish-Iranian relations was on strengthening economic rather than political ties. The natural gas pipeline, running to Tabriz to Ankara had originally been scheduled for completion in 1999. After delays on both sides of the border, deliveries started in December 2001. When Demirel's successor as president, Ahmet Necdet Sezer, paid an official visit to Teheran in June 2002, he was accompanied by a delegation of 120 Turkish businesspeople; and it was economics, rather than politics, which continued to be the main driving force of bilateral relations after the AKP came to power in Turkey in November 2002.

## Turkish-Iranian Political Relations Under The AKP

Necmettin Erbakan's decision to choose Teheran for his first official foreign visit after becoming prime minister in 1996 was a calculated gesture of defiance both to Turkey's then still powerful secular establishment and to the country's Western allies. In contrast, after it first came to power in the general election of November 3, 2003, the AKP was careful to proceed very cautiously; trying to avoid controversy while focusing on the economy. It was aware that a strong economic performance was its best chance of broadening its electoral support, consolidating its grip on power and being returned for a second term when the next election fell due in 2007.

The leaders of the AKP were all former members of Erbakan's RP. Ever since its foundation in August 2001, the AKP had sought to distance itself from the RP's Islamist ambitions. AKP officials repeatedly refuted suggestions that the party had an Islamist agenda or that it would eventually seek to reorient Turkey away from its traditional Western alignment towards a closer identification with the rest of the Muslim world.

During its first term, many in the AKP genuinely believed that the party risked meeting a similar fate to the RP. Some even speculated that, if roused, the TGS might seize power in a full-blooded military coup. Their fears were sincere, if largely unfounded. By the time the AKP came to power, the military's political influence was already little more than bluff and bluster. Although the TGS still attempted to ensure that policies remained within what it regarded as acceptable parameters, there was a general awareness in the high command that there would be little that the military could do if the government ever defied its admonitions; particularly after Turkey became an official candidate for EU membership in December 1999, a move which at the time had the overwhelming support of the Turkish public.<sup>15</sup> Nevertheless, it

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<sup>15</sup> "We want to be listened to, not to rule the country. Even if we wanted to, how could we stage a coup? The EU would suspend our candidacy and the Turkish people would

was not until 2007, when it successfully defied an attempt by the TGS to intimidate it into abandoning its plans to appoint Foreign Minister Abdullah Gül to the presidency, that the AKP finally realized that it no longer had any reason to fear a military intervention.

Yet, when it first came to power, the benefits to the AKP of maintaining – and even strengthening – relations with the EU and the West went far beyond refuting Turkish secularists' fears that it would sever the country's traditional close ties with the West. In February 2001, a run on the Turkish Lira had triggered the worst economic recession in the country for half a century. At the time, Turkey was ruled by a fractious and deeply unpopular tripartite coalition government. In May 2001, it had agreed an Economic Stabilization Program with the IMF, which was largely supported by IMF funding. By early 2002, the Turkey owed the IMF over \$31 billion.<sup>16</sup> In summer 2002, the coalition had collapsed amid disagreements over the pace at which Turkey should introduce the reforms required by its EU candidacy and an early election had been called for November 2002.

Under Erbakan, the RP had been viscerally anti-Western and vehemently opposed to EU membership. When the AKP came to power, it not only continued but accelerated the EU reform process in the hope of securing a date for the opening of official accession negotiations. The AKP's opponents accused it of insincerity, claiming that it was trying to instrumentalize the membership process – particularly EU strictures on civilian control of the military – to weaken its domestic opponents. There is an element of truth in the accusations, in as much as that the AKP certainly regarded the EU accession process as offering a measure of protection against military meddling in politics.<sup>17</sup> However, it is also doubtful whether the AKP initially understood the full ramifications of EU accession; and its enthusiasm for membership waned dramatically from 2005 onwards as it began to realize

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never forgive us. How long could we govern the country with the population against us?" Author interview with leading member of the military, Istanbul, May 2003.

<sup>16</sup> Although this figure has been dwarfed by more recent bailout packages, at the time Turkey had the dubious distinction of being the largest borrower in IMF history.

<sup>17</sup> Author interviews with leading members of the AKP, Istanbul and Ankara 2001-2005.

what it would actually entail.<sup>18</sup> Nevertheless, in 2003-2004, when the overwhelming majority of the Turkish population still supported EU membership, the AKP's acceleration of the accession process had clear electoral advantages. It also bolstered the AKP's attempts to nurture the economic recovery from the devastating recession of 2001. The perception that Turkey was moving closer to EU membership reassured the international financial community, and played a major role both in lowering the cost of Turkey's foreign borrowing and in a massive increase in the inflow of much-needed foreign direct investment.

Under such circumstances, even if it had possessed the desire to do so, the AKP would have had much to lose and comparatively little to gain – whether politically or economically – from forging closer ties with Iran, which would have been interpreted both domestically and internationally as turning away from the EU. Any attempt by the AKP to move closer to Iran would also have antagonized the U.S. Yet, during its first years in power, the AKP was aware that it needed to maintain a close relationship with the U.S., particularly given Washington's influence in international bodies such as the IMF and the World Bank.

In addition, the November 2002 general election came at a time when the international pressure on Iraqi President Saddam Hussein had generated such momentum that Turkish officials regarded a U.S.-led invasion of Iraq at some point in early 2003 as all but inevitable. There was widespread concern in Turkey that the anticipated overthrow of Saddam Hussein could result in the breakup of Iraq and the formation of a breakaway independent Kurdish state in the north of the country; something which Ankara feared could inspire its own restive Kurdish minority, including persuading the PKK to abandon the suspension of its violent insurgency announced in 1999. There was a general consensus amongst both the civilian and the military authorities in Turkey that the most effective way to prevent the Iraqi Kurds from declaring independence was to provide active support for any U.S. military action against Iraq, including supplying troops for the invasion

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<sup>18</sup> In common with many other Turks, members of the AKP frequently appear to have believed that what they regarded as Turkey's extenuating circumstances would allow them effectively to choose which parts of the *acquis communautaire* they would implement.

force. The calculation was that this would not only give Turkey a physical presence on the ground in Iraq – preferably in or close to the predominantly Kurdish areas in the north – but would also make it very difficult for the U.S., which was likely to be the ultimate arbiter of political power in the country after Saddam had been ousted, to ignore Turkish calls to preserve Iraq's territorial integrity.

Even though it had already decided to participate in the U.S.-led military campaign to overthrow Saddam, the AKP delayed making an explicit commitment in the hope of extracting a multi-billion dollar aid package from Washington in return for its support; including the disbursement of grants and low-cost loans to bolster its efforts to revitalize the Turkish economy.<sup>19</sup> But, on March 1, 2003 – in the first, and to date only, mass rebellion by AKP parliamentarians against party chair Tayyip Erdoğan – around 100 members of the government voted against a bill which would have allowed U.S. troops to transit Turkey and open a second front in northern Iraq.<sup>20</sup> The result was a sharp downturn in U.S.-Turkish relations, which reached a nadir on July 3, 2003, when U.S. troops detained 11 members of a unit of the Turkish Special Forces in northern Iraq on suspicion of plotting the assassination of a local Kurdish official. Yet, if anything, the deterioration in ties – particularly the loss of leverage as a result of the debacle of March 1, 2003 – made the AKP even more determined not to do anything to antagonize Washington unnecessarily. Through late 2003, the two countries gradually began to try to rebuild relations.

In Teheran, the reaction to the AKP's election victory was more ambivalent than many of the party's detractors assumed. Despite the public enthusiasm expressed by Iranian officials for Turkey's Islamist movement, privately attitudes continued to be primarily shaped by a centuries-old combination of political rivalry and sectarian antipathy rather than a sense of ideological affinity. In addition, the regime's ostensibly purely religious ideology had

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<sup>19</sup> “The figures were astronomical. In one of the meetings I attended, Economy Minister Ali Babacan demanded \$90 billion in return for Turkey's support.” Author interview with U.S. government official, Washington, June 2003.

<sup>20</sup> The bill was actually passed by 264 votes to 250 with 19 abstentions, leaving the AKP three short of the constitutional requirement of a majority of those who participated in the vote.

always contained a strong element of Iranian nationalism. In Turkey's case, this frequently included a haughty disdain for what was regarded as the country's cultural underdevelopment and rancor at its perceived submissiveness to the West. Internationally, the regime's Islamic rhetoric, references to religious solidarity and the championing of Islamic causes were often instrumentalized in the service of Teheran's aspirations to the status of a regional political power. Many in the AKP harbored similar ambitions, albeit infused with Ottoman rather than Persian nostalgia and with a Sunni rather than a Shia sectarian hue.<sup>21</sup> As a result, a self-confident Islamist regime in Ankara would ultimately be not a partner for Iran but a rival.

Although the later apparent political rapprochement – particularly over Iran's nuclear ambitions<sup>22</sup> – led to speculation in the West about a strategic partnership between Ankara and Teheran, the main priority of Iranian policy towards its neighbor appears to have been not to form a new bilateral alliance but to detach Turkey from its longstanding alignment with the West; not least to reduce Iran's international isolation and potentially weaken the effectiveness of any new sanctions. During the AKP's first years in power, its vigorous cultivation of ties with the EU and the U.S. did little to convince Iran that it was any different to its predecessors. Teheran was particularly irked by Turkey's continued close relationship with Israel. Although members of the AKP occasionally criticized Israel's policies towards the Palestinians, the party initially made no attempt to reduce either flourishing trade ties or the close cooperation between the Israeli and Turkish militaries. Indeed, Jewish organizations in the U.S. lobbied vigorously on the AKP's behalf with the government in Washington, while Turkey continued to award lucrative defense contracts to Israeli companies. The relationship even survived Turkish public fury at Israel during its 2006 military incursion into Lebanon.

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<sup>21</sup> This nostalgia, and a concomitant hostility to the West, can be clearly seen in the writings of Ahmet Davutoğlu, the architect of the AKP's foreign policy, particularly *Civilizational Transformation and the Muslim World*, Kuala Lumpur: Mahir Publications, 1994, and, less explicitly, *Stratejik Derinlik: Türkiye'nin Uluslararası Konumu*, Istanbul: Küre Yayınları, 2001.

<sup>22</sup> This issue is discussed in greater detail later in this section.

Following the overthrow of Saddam Hussein, Turkey and Iran also found themselves competing for influence in Iraq. In addition to continuing to lobby Washington – which was now the *de facto* ruler of Iraq – to preserve the country's territorial integrity, Ankara also sought to thwart the Iraqi Kurds' aspirations of independence by mobilizing the Turkish-speaking Turkmen minority. The Turkmen had traditionally been concentrated in northern Iraq<sup>23</sup> and had no desire to live in a Kurdish-dominated independent state. Starting in 2003, Turkey tried to use the Iraqi Turkmen Front (ITC) to unite the Turkmen in a single bloc and maximize their ability to prevent the Kurds from declaring independence. Until the 1990s, Turkey had largely ignored the situation of the Turkmen of Iraq. The ITC had been established in 1995 and was still based in Ankara. But, until 2003, it remained largely moribund and lacked traction on the ground in Iraq, where Turkmen loyalties remained divided between disparate groups, organizations, clans and religious networks. Most critically, a substantial proportion of the Iraqi Turkmen were Shia. Unlike Turkey, Iran had a long history of attempting to increase its influence in Iraq, primarily through establishing close links with elements in the Shia population. Turkey's attempts to establish the ITC as a political force in Iraq – particularly in the north of the country – brought it into direct competition with Iran, which was simultaneously trying to persuade Shia Turkmen to focus on sectarian rather than linguistic identity. It argued that they stood to benefit more from aligning themselves with Shia groups, which were likely to play a decisive role in determining the future of the country, rather than the ITC, which they maintained would always be at best a marginal player in Iraqi politics. It was a competition which Iran won. In the Iraqi legislative election of December 2005, the ITC won only 0.7 percent of the nationwide vote.

Despite the rivalry in Iraq and Iranian disquiet at the AKP's pragmatic focus on strengthening ties with the West, the new government in Ankara nevertheless included Iran in its policy of increased engagement with Turkey's Muslim neighbors. The AKP argued – with justification – that the reluctance of previous administrations to engage more closely with the

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<sup>23</sup> In practice, migration and Saddam's relocation policies meant that many now lived in urban centers such as Baghdad.

Middle East had produced an imbalance in the country's foreign policy. During 2003 alone, there were four high-level visits from Turkey to Iran, including two by Turkish Foreign Minister Abdullah Gül, and six from Iran to Turkey. On each occasion, the AKP reassured Turkey's Western allies that it had taken the opportunity to encourage Teheran to engage in a dialogue and try to address growing international concerns about its nuclear program; while officials from both the AKP and the – at the time, still influential – Turkish military repeatedly insisted that they had no intention of forming a close political relationship with Iran. However, the two countries did begin to cooperate from 2004 onwards in response to the renewal of the PKK's insurgency, which this time included an upsurge of violence in the Kurdish areas of northwest Iran.

### **From Confrontation to Convergence: Cooperation Against the PKK and PJAK**

In May 2004, a group of Iranian Kurds affiliated with the PKK formed the Party for a Free Life in Kurdistan (PJAK), which is committed to the use of violence to secure greater rights for Iran's Kurdish minority. Although the two are organizationally distinct, in practice PJAK is virtually an offshoot of the PKK. The main PJAK camps are in the Qandil mountains of northern Iraq, adjacent to those of the PKK. The two cooperate in terms of logistics, training and occasionally even the transfer of personnel. They also share an allegiance to the ideas and person of PKK founder Abdullah Öcalan. In addition, PJAK is a member of the Union of Communities in Kurdistan (KCK). In theory, the KCK consists of pyramidal structure of representative assemblies incorporating all the Kurds of the Middle East. In practice, it is dominated and controlled by the PKK.

The launch of the PJAK insurgency in Iran coincided with the PKK's announcement that it was abandoning its five year-old ceasefire and restarting its own violent campaign in Turkey from June 1, 2004. During the 1990s, amid Turkish complaints that Iran was failing to crack down on the activities of PKK militants on its territory, Kurdish nationalist violence had been an obstacle to closer bilateral ties. Now it brought the two countries together. It was also one of the very few areas where the Turkish military was prepared to put aside its antagonism to the Iranian regime if it could see

tangible benefits in return. On July 24, 2004, during Erdoğan's first official visit to Teheran, Turkey and Iran signed a Memorandum of Understanding (MOU) on security cooperation, with the PKK/PJAK as the target.

Unlike the numerous declarations of intent that were signed in other fields – such as the economy<sup>24</sup> – the MOU on security led to concrete action. The TGS declined invitations to travel to Teheran to hold high-level meetings with the Iranian high command to discuss cooperation against the PKK/PJAK. But there were lower level meetings between the two countries' militaries; particularly on the ground in the area close to the intersection of Turkey's borders with Iraq and Iran, where Turkish and Iranian local commanders started holding meetings to deconflict their activities and try to avoid accidental clashes between their units. Later, the two sides began to share intelligence on the movements of PKK/PJAK militants. There were also instances where local commanders coordinated their offensive activities, launching simultaneous attacks in mountainous areas close to their shared border to prevent Kurdish militants in one country from fleeing to the other. In addition, Iran started extraditing alleged PKK militants to Turkey. Many were at most PKK sympathizers rather than active members and had not been involved in any violent activity; with the result that a large proportion were subsequently released by the Turkish authorities without charge.

Nevertheless, from a Turkish perspective, Iran's willingness to extradite Kurdish militants was in marked contrast to the attitude of European countries. Turkish officials repeatedly complained that their ostensible allies in the EU were not only refusing to extradite PKK members to Turkey but were failing to clamp down on its fund-raising and propaganda activities in Europe, particularly in countries with a large Kurdish community. There was even more anger against the U.S. Ankara frequently protested to Washington that it was not only failing to take military action against PKK camps in the mountains of northern Iraq but that militants and supplies were moving with impunity through the lowlands, including through areas where there were U.S. troops; while the U.S. repeatedly refused to allow Turkey to launch either cross-border ground attacks or air strikes against PKK assets

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<sup>24</sup> These are discussed in greater detail in the section on bilateral economic relations under the AKP.

inside Iraq. Frustration at Washington's failure to move against the PKK exacerbated already strong anti-U.S. sentiments in Turkey resulting from the invasion and occupation of Iraq. A survey by the U.S.-based Pew Research Center suggested that by April 2006 just 12 percent of Turks had a favorable view of the U.S., compared with 53 percent who had a favorable view of Iran.<sup>25</sup>

At an official level at least, Turkey's frustration with the U.S. was eased by the November 5, 2007 decision by President George W. Bush both to lift Washington's previous refusal to allow Turkish warplanes to strike at PKK assets in northern Iraq and to provide Ankara with intelligence on the organization's movements; mostly imaging from U.S. satellites and unmanned aerial vehicles (UAVs). But U.S. assistance supplemented, rather than replaced, Turkish cooperation with Iran against the PKK/PJAK. The two countries continued to share intelligence on militants' movements and to coordinate offensives and artillery bombardments, although there were no joint military operations. However, there were occasions when Turkey used imaging provided by the U.S. to hit PJAK targets. For example, on May 1, 2008, six people were killed when Turkish warplanes used imaging provided by the U.S. to bomb one of PJAK's camps in the Qandil mountains of northern Iraq.

However, by 2009, the cooperation between Turkey and Iran had begun to move beyond combating their respective Kurdish insurgencies and to extend into the international sphere as the AKP sought to broker a deal to ease Teheran's growing isolation over its nuclear program. Yet, although it was sometimes portrayed as a nascent strategic alliance, the AKP's apparent championing of Teheran in defiance of the West was more about seeking to assert Turkey as a regional power than it was about appeasing Iran.

### **Bilateral Engagement, Regional Ambitions**

In April 2007, Chief of Staff General Yaşar Büyükanıt had implicitly threatened to stage a coup if the AKP persisted with its plans to appoint Foreign Minister Abdullah Gül, the second most influential member of the party, to the presidency; something which the TGS claimed would give the

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<sup>25</sup> The full report can be accessed at <http://www.pewglobal.org/files/pdf/252.pdf>

AKP a stranglehold over the apparatus of state. The AKP had responded by calling an early general election. Büyükanıt had expected his threat to produce a decline in the AKP's vote. Instead, it was an electoral gift. The AKP was able to portray itself as a force for democracy and the TGS as attempting to suppress the freely expressed will of the people. When the election was held on July 22, 2007, the AKP was returned to power with 46.6 percent of the popular vote, up from 34.3 percent in 2002.<sup>26</sup> Faced with such a public rebuff, the TSG could only watch as Gül was duly appointed president on August 30, 2007.

The debacle of Büyükanıt's clumsy attempt to block Gül's ascent to the presidency was not only a humiliation for the TGS, it also demonstrated to the AKP what many in the high command had long known; namely that the era of military tutelage was over and that, if the civilian government decided to call its bluff, there was very little that the TGS could do. The result was a massive boost to the AKP's confidence. After the July 2007 election, for the first time since November 2002, it began to feel that it was not only in office but in power. The AKP received a brief setback in March 2008 when hardliners in the higher echelons of the judicial system – which together with the military and the presidency had previously been the three bastions of Turkey's secular establishment – applied to the Constitutional Court for the party to be closed down on the grounds that it was seeking to erode the principle of secularism enshrined in the Turkish constitution. As with Büyükanıt's threat a year earlier, the case ultimately benefited the AKP by enabling it to present itself to both domestic and international public opinion as the victim of an undemocratic intervention in the political process. On July 30, 2008, the Constitutional Court found the AKP guilty as charged, but declined to close down the party, opting instead to strip it of some of its state funding.

Gradually at first, but more rapidly through late 2008 and early 2009, the AKP's confidence first returned to and then began to surpass the levels of late 2007. Firm in its belief that it was now immune to challenges to its grip on domestic power from inside or outside the political system, and boosted

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<sup>26</sup> The AKP's reelection campaign received a further boost from what even its opponents privately admitted was its successful handling of the economy.

by a booming economy, the AKP became increasingly authoritarian at home and ever more ambitious abroad; particularly after Ahmet Davutoğlu, who had previously served as Erdoğan's foreign policy advisor, was formally appointed foreign minister on May 1, 2009.

An outspoken Ottoman nostalgist, Davutoğlu energetically sought to establish Turkey as a regional power, intensifying the AKP's existing policy of increased engagement with the country's Muslim neighbors while enlarging its diplomatic footprint by opening a string of new embassies, particularly in Africa. Davutoğlu's appointment came at a time when Iran was beginning to come under growing pressure from the international community over its nuclear program.

During the party's first term in power, most AKP officials had publicly called for the impasse to be resolved through dialogue while privately assuring Turkey's Western allies that they remained resolutely opposed to Teheran developing nuclear weapons. In contrast, Erdoğan appeared sincerely convinced that Iran was solely interested in acquiring nuclear energy and had no weapons ambitions. He repeatedly accused the West of hypocrisy, arguing that it should devote its energies to disarming the one country in the region which was known to possess nuclear weapons – namely Jewish Israel – rather than leveling what he regarded as unfounded accusations against Muslim Iran. Nevertheless, Turkey had complied with the growing number of UN sanctions on Teheran, including occasionally forcing Iranian planes transiting Turkish airspace to land on suspicion that they were breaching the arms embargo on Iran.

The combination of AKP's confidence, its growing regional ambitions and resentment at the West led to Turkey becoming actively involved in trying to defuse the tensions resulting from Iran's lack of transparency over its uranium enrichment program and its reluctance to fully cooperate with the International Atomic Energy Agency (IAEA). Initially, Turkey's involvement consisted mainly of publicly defending Iran's right to a nuclear energy program and calling on the international community to continue

negotiations with Teheran rather than push for additional UN sanctions.<sup>27</sup> However, particularly from late 2009 onwards, Turkey increasingly aligned itself with Iran against the West.

This shift coincided with – and helped fuel – an unprecedented period of public warmth in Turkish-Iranian relations. The rapprochement had been strengthened by the deterioration in Turkey's relations with Israel. With the AKP's increased confidence came a greater willingness by party officials to finally give voice to long-held anti-Israeli sentiments. The breaking point in the relationship came in December 2008 when Israel launched a ruthless military assault on Gaza, codenamed Operation Cast Lead, just days after reassuring Erdoğan that no military operations were imminent. The sense of betrayal at Israel's disingenuousness was exacerbated by deep-rooted prejudices which now came to the surface in a stream of furious denouncements of Israel by AKP officials. On January 29, 2009, Erdoğan famously stormed out of a meeting of the World Economic Forum in Davos after publicly accusing Israeli President Shimon Peres of “knowing very well how to kill”.<sup>28</sup> The outburst was warmly applauded in Tehran, with Iranian President Mahmoud Ahmedinejad publicly expressing his gratitude to Erdoğan.<sup>29</sup>

Over the months that followed, as Turkey's relations with Israel continued to cool, Erdoğan sought to establish himself as the international champion of Palestinian rights and bitterly criticized the West for its failure to act more decisively against Israel. For the regime in Teheran, the AKP's outspokenness was an indication that – even if the two countries were ultimately rivals inside the Middle East – they were united in their antagonism not only towards Israel but also to the Western powers outside the region. The sense of common cause was reinforced by Erdoğan immediately congratulating Iranian President Mahmoud Ahmedinejad on his reelection in June 2009, while most of Turkey's erstwhile Western allies

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<sup>27</sup> Turkey, of course, also has its own nuclear energy ambitions. Work on its first nuclear power plant in Akkuyu, on the country's Mediterranean coast, is currently due to start in 2013.

<sup>28</sup> <http://video.cnnturk.com/2009/haber/1/30/davosta-kriz-erdogan-perese-cok-sert-cikti>

<sup>29</sup> “Iran hails Turkish PM for Gaza walkout,” Agence France-Presse, 31 January 2009.

were still questioning the legitimacy of the result amid widespread allegations of electoral fraud.

On October 27, 2009, during a visit to Teheran, Erdoğan described Iran's uranium enrichment program as "an exercise in nuclear energy, an exercise with peaceful and humanitarian goals."<sup>30</sup> On his return to Turkey, Erdoğan attacked the calls, led by the U.S., for the UN to impose further sanctions on Iran unless it became more open about its uranium enrichment program. "I think that those who take this stance, who want these arrogant sanctions, need to first give these [weapons] up," declared Erdoğan in a televised address to the Turkish people. "We shared this opinion with our Iranian friends, our brothers."<sup>31</sup>

Through late 2009 and into 2010, the AKP actively sought to avert additional UN sanctions against Iran by trying to mediate an agreement after the breakdown of negotiations between Teheran and the so called "P5 plus 1", the five permanent members of the UN Security Council<sup>32</sup> plus Germany. Iran initially rejected a proposed swap of its low-enriched uranium for fuel rods, which included a proposal by the IAEA that Turkey could serve as an intermediate repository for the exchange. Exasperated by what it regarded as Teheran's delaying tactics until it had produced weapons grade uranium, the U.S. began to push for additional UN sanctions. In early 2010, as the U.S. pressure began to gain momentum, Turkey and Brazil vigorously encouraged Iran to sign up to a swap deal in order to avoid further sanctions. On May 17, 2010, Turkey and Brazil managed to persuade Teheran to sign up to a deal involving the exchange of 1,200 kilos of Iranian low-enriched uranium, which would be temporarily stored in Turkey, for 120 kilos of nuclear fuel. For the AKP, the agreement represented a triumph for Turkish diplomacy, proof that it could deliver where other countries had failed. But the deal was rejected by U.S. and its allies, who argued that it would have left enough low-enriched uranium in Iran's hands for the production of a nuclear device.<sup>33</sup> For the

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<sup>30</sup> "Iran's nuke program for humanitarian ends, Erdoğan says", *Today's Zaman*, 28 October 2009.

<sup>31</sup> Anatolian News Agency, 31 October 31 2009.

<sup>32</sup> Namely China, France, the Russian Federation, the U.S. and the U.K.

<sup>33</sup> When the swap deal was first mooted in 2009, Iran was believed to possess around 1,500 kilos of low-enriched uranium, meaning that it would have been left with

AKP, the rebuff was regarded as proof of what it had long suspected; namely that the West's offers of deals were disingenuous and that it was just looking for a pretext to punish Iran.

With the AKP still smarting from the rejection of the deal it had brokered with Iran, its relations with the West were further damaged by the Israeli raid on a Turkish aid flotilla which was trying to break the Israeli blockade on Gaza. Although the attempt had been led by Turkish Islamist NGOs rather than the Turkish state, the AKP had effectively lent its support to the flotilla by rejecting Israeli demands that it should be prevented from leaving port in Turkey. The AKP had also overridden protests from the Turkish port authorities, who had complained that the flotilla's flagship, the *Mavi Marmara*, was not seaworthy. In the early hours of May 31, 2010, Israeli commandos had stormed the flotilla while it was still in international waters, killing nine ethnic Turks on the *Mavi Marmara*, and triggering a storm of outrage across the Muslim world. Although the incident was widely condemned by the international community, many in the AKP held the U.S. ultimately responsible, privately arguing that Washington's unstinting support for Israel provided it with the freedom to conduct acts that would be deemed unacceptable if perpetrated by any other state. On June 9, 2010, when a package of additional sanctions against Iran came before the 15-member UN Security Council, Turkey, as a non-permanent member, joined with Brazil in voting against the measures. But the AKP's gesture of defiance failed to prevent the new sanctions package being passed by twelve votes to two with Lebanon, another non-permanent member of the Security Council, abstaining.<sup>34</sup>

Despite its opposition, Turkey nevertheless abided by the new sanctions once they had been passed. For example, on March 15, 2011, and again on March 19, 2011, Turkey warplanes forced Iranian cargo planes transiting Turkish

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approximately 300 kilos. By the time, it agreed to the exchange in May 2010, it was estimated to have 2,300 kilos of low-enriched uranium. This would have meant that, even if it shipped 1,200 kilos out of the country, it would still retain around 1,100 kilos, which would have been more than enough to produce a nuclear weapon.

<sup>34</sup> The new sanctions package, passed as UN Security Council Resolution 1929, included a tightening of the arms embargo, restrictions on individuals and financial institutions suspected of involvement in Iran's procurement program and a recommendation to search Iranian cargos.

airspace to land, following intelligence reports that they were carrying materials that breached the terms of the UN sanctions regime. The first interception revealed nothing suspicious. The second found arms and ammunition, described in the cargo manifest as “auto parts”, bound for Syria. However, the AKP consistently rejected U.S. requests to take any measures against Iran that were not included in the UN sanctions – such as clamping down on the activities of the Iran-owned but Istanbul-based Bank Mellat.<sup>35</sup>

### **A Reemerging Rivalry: Turkey, Iran and the “Arab Spring”**

Iranian leaders were quick to issue public condemnations of the Israeli raid on the Mavi Marmara. But privately most were disturbed by the impact it would have on Turkey’s image in the Muslim world. They feared that it would reinforce the AKP’s claim to be the primary international champion of Palestinian rights, a role which Iran had long sought for itself. Iranian media commentators ruefully noted that, despite all of Iran’s anti-Israeli and pro-Palestinian rhetoric, it had been Turks – not Iranians – who had lost their lives trying to break the embargo on Gaza. Publicly, Iran continued to laud the Mavi Marmara flotilla, even inviting its organizers to Teheran in February 2011 in an attempt to insert itself into the narrative.<sup>36</sup>

Iranian hopes that it had succeeded in detaching Turkey from what Teheran regarded as its traditional subservience to Western interests received a blow in late 2010, when Turkey dropped its objections to the deployment of NATO’s missile shield. Although it was rarely explicitly expressed, no one had any doubt that one of the shield’s primary objectives was to counter Iran’s growing ballistic missile capabilities. Through October and early November 2010, AKP officials had insisted that Turkey would veto the deployment of any elements of the NATO missile shield on Turkish soil. However, at the NATO summit in Lisbon on November 19-20, 2010, Turkey joined other alliance members in approving the missile shield in return for the exclusion of any explicit reference to Iran as a threat; although privately NATO officials made little attempt to hide that this was precisely how Iran was perceived.

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<sup>35</sup> This is dealt with in greater detail in the section on Turkish-Iranian economic ties under the AKP.

<sup>36</sup> “Mavi Marmara Iran’da Törenlerle Karşılandı”, February 9, 2011. [www.velfrecre.com](http://www.velfrecre.com)

A further turning point in Turkish-Iranian relations came when, starting in Tunisia in December 2010, the Middle East was swept by the series of popular uprisings that became known as the “Arab Spring”. After expending so much time and effort on cultivating closer ties with the authoritarian regimes in the region, the AKP initially hesitated to support the mass demonstrations calling for their overthrow.<sup>37</sup> In some countries – particularly Libya – the AKP was also wary of jeopardizing lucrative contracts that its personal relationships with members of the ruling elites had secured for Turkish businesses. Indeed, on March 1, 2011, Erdoğan had threatened to veto any NATO intervention in Libya.<sup>38</sup> However, as the unrest began to gather momentum, the AKP joined with other members of the international community in supporting the uprisings.

The one exception was Bahrain. When members of Bahrain’s Shia majority took to the streets to protest against the repressive policies of the ruling Sunni elite, Turkey was resolute in its support for the government. Privately, AKP officials accused Iran of fomenting the unrest in order to try to expand its influence in the Persian Gulf. The allegations probably contained an element of truth. Nevertheless, for Teheran, the contrast with the AKP’s support for uprisings by Sunni majority populations elsewhere in the Arab world was regarded as proof not only of its hypocrisy but also of its enduring sectarianism.

Bilateral relations deteriorated still further when, after initially supporting the attempts by Syrian President Bashar al-Assad to suppress the mass public protests against his regime, the AKP gradually became one of al-Assad’s most outspoken critics. Although the increasing brutality of the Syrian security forces played a significant role, one of the main reasons for the transformation in attitudes was pique at al-Assad’s refusal to heed the AKP’s advice. Since it first came to power, the AKP had played a critical role in

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<sup>37</sup> One exception was Egypt where the AKP had long sympathized with the opposition Muslim Brotherhood rather than the regime of President Hosni Mubarak. On February 2, 2011, Erdoğan became the first world leader to explicitly call on Mubarak to step down.

<sup>38</sup> “Journalists are asking me: Should NATO intervene in Libya? Could there be anything so stupid? What business does NATO have in Libya?” Author’s translation of speech by Tayyip Erdoğan. “NATO’nun Libya’da ne işi var?” [What’s NATO’s business in Libya?], 1 March 2011, <http://www.hurriyet.com.tr/gundem/17150261.asp>

reducing Syria's international isolation; abolishing visa requirements between the two countries and even holding joint Cabinet meetings. Its policy of increased engagement had run parallel to Iranian policy towards Syria, which had long been Teheran's closest ally in the region. The AKP had expected its cultivation of Syria to translate into influence within the country, as part of the larger process of establishing Turkey as the preeminent power in the region. As the popular protests began to escalate, AKP officials began to privately urge al-Assad to defuse them by implementing reforms. They were confident that he would allow himself to be guided by what they regarded as the stronger power in the unequal relationship between the two countries. Not only did al-Assad ignore Turkey's advice but he started to marginalize those members of his inner circle with whom Turkey had the closest relationships. At the same time, al-Assad began to consult more closely with Teheran, which continued to encourage him to suppress the protests. Rebuffed, the AKP became increasingly outspoken in its condemnation of al-Assad and its support for Syrian dissidents, who were allowed to organize freely inside Turkey. For Iran, anger at what it regarded as Turkey's betrayal of al-Assad was compounded by the fact that the AKP appeared once again to have aligned itself with the West, which had long been hostile towards the Syrian regime and which Teheran believed was now actively scheming to try to overthrow it.

It was in this context that, on September 2, 2011, Turkey announced that it had agreed to deploy an early warning radar on its territory as part of NATO's missile shield. The Turkish Ministry for Foreign Affairs subsequently announced that the radar would be located at Kürecik in eastern Anatolia, about 435 miles (700 kilometers) west of the Iranian border. Although Turkish officials were careful to avoid admitting that it was primarily targeted at Iran, Teheran was under no illusions. Over the months that followed, Iranian officials issued a string of furious denunciations of the Turkish decision, accusing the AKP of meekly serving Western interests by participating in a direct threat to Iran's security that, they predicted, would also be used by Israel if it decided to launch an attack on Iran. On

October 5, 2011, Ahmedinejad bitterly condemned the deployment, declaring: "This missile shield is designed to protect the Zionist regime."<sup>39</sup>

The AKP also came under attack from opposition parties inside Turkey, who echoed Iranian accusations that the radar at Kürecik would be used to enable Israel to attack Iran without fear of a retaliatory missile strike. AKP officials responded that the radar was purely defensive and would only be used to protect the populations of NATO countries. They insisted that no data would be shared with non-NATO members, least of all with Israel. But the denials failed to convince either the AKP's domestic opponents or the regime in Teheran. On November 26, 2011, Islamic Revolutionary Guards Corps Aerospace Force Commander Amir Ali Hajizadeh bluntly warned that Kürecik would be a priority target if Iran felt in danger of an attack. "If we are threatened, initially we are prepared to target the NATO missile shield in Turkey and then we shall target other places," the semi-official Mehr News Agency quoted him as saying.<sup>40</sup>

On January 16, 2012, Turkey announced that the radar at Kürecik had become operational and was being jointly staffed by U.S. and Turkish personnel. But the speculation continued. In February 2012, the AKP was forced to issue a statement denying media reports that the U.S. and Israel had used data from the radar for an anti-missile exercise.

### **The Deepening Sectarian Divide: New Tensions in Iraq**

The tensions over the NATO missile shield came at a time of another escalation in long-simmering rivalries between the two countries in Iraq. Although both were opposed to the breakup of Iraq, Turkey and Iran had always disagreed about who they wanted to govern the unitary state, and had consistently supported different political groupings in the elections; with Turkey anxious to ensure that Sunni political parties were strongly represented in the resultant government, while Iran favored the

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<sup>39</sup> "President criticizes plans to deploy missile shield in Turkey," Islamic Republic News Agency, October 5, 2011.

<sup>40</sup> "Iran Will Counter 'Threat with Threat': IRGC Aerospace Force Chief", Mehr News, 26 November 2011, <http://www.mehrnews.com/en/newsdetail.aspx?NewsID=1470172>

concentration of power in parties representing the Shia majority of the population.

From Turkey's perspective, more important than any sectarian sympathies was the conviction that a strong Sunni presence in the central government in Baghdad would curb Teheran's political influence in the country and prevent Iraq becoming strategically aligned with or – even worse – subservient to Iran. Even during the apparent rapprochement between Ankara and Tehran in 2009-2010, Turkey had been trying to position itself against the possible increase of Iranian influence in Iraq; seeking to build relationships with both Sunni and moderate Shia Iraqi political leaders and to strengthen its diplomatic and economic presence on the ground. For example, in March 2009, Turkey opened a consulate in the predominantly Shia city of Basra.<sup>41</sup> Turkey has few obvious political or economic interests in the area. Nor does Basra have a substantial Turkmen population. The main reason for the opening of the consulate appears to have been to establish a platform for Turkish trade and investment in the hope of creating a bulwark against the further consolidation of already considerable Iranian influence in the region.

The rivalry became more public through late 2011 and early 2012 as Nouri al-Maliki, the Shia prime minister of Iraq, began to pursue increasingly sectarian policies. Even though he was not as subservient to Teheran's wishes as some of his domestic opponents maintained, Al-Maliki had long enjoyed strong ties with Iran; while his relations with the AKP had always been strained. They came close to breaking point following the issuing of an arrest warrant on December 19, 2011, for Tariq al-Hashimi, the Sunni vice president of Iraq, on charges of allegedly orchestrating terrorist attacks against Shia targets in Iraq. As al-Hashimi fled to the semi-autonomous Kurdish – and Sunni-dominated – north of Iraq, Ankara condemned what it regarded as al-Maliki's sectarian-motivated policies. Turkish officials were even privately quoted as predicting that Ankara would be prepared to offer al-Hashimi asylum if he ever decided to leave Iraq. Al-Maliki responded by vigorously condemning what he described as Ankara's attempts to interfere in internal Iraqi affairs. Al-Maliki continued to receive strong support from

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<sup>41</sup> The Turkish Consulate in Basra began operations on March 18, 2009. The official opening was on October 30, 2009.

Iran. As a result, the very public standoff not only strained Turkey's relations with the central government in Baghdad but further distanced the AKP from Iran.

On February 5, 2012, the tensions culminated in the most outspoken attack on Iran by a member of Turkish government since the AKP first came to power in November 2002. Speaking at a meeting of the Women's Branch of the AKP in the western Anatolian city of Bursa, Deputy Prime Minister Bülent Arınç delivered a coruscating attack on the failure of Shia politicians in Iraq and Lebanon to condemn the growing civilian death toll in Syria. He was particularly scathing about the Shia regime in Teheran. "I am addressing you, the Islamic Republic of Iran," declared Arınç. "You bear the word Islamic, but I don't know how deserving you are of it. Over the last two days have you uttered one sentence about what is happening in Syria?"<sup>42</sup>

### **Competition and Conflict by Proxy: Central Asia and the Caucasus**

By the time that the AKP came to power in November 2002, both Turkey and Iran had already long since reined in their competing ambitions for influence in Central Asia. Nor did the AKP attempt to revive the dreams of a decade earlier. Although many in the AKP were enthusiastic Turkish nationalists, their nationalism tended to be neo-Ottoman rather than neo-Turanist, with a focus on the former Ottoman territories in the Middle East, the Balkans and North Africa rather than Central Asia and the Caucasus.

Nevertheless, the AKP continued to fund the activities of the Turkish Cooperation and Development Agency (TIKA), which had been established in January 1992 in an attempt to create a soft power platform for the expansion of Turkish influence in the newly independent states of Central Asia. Although TIKA later began to diversify its activities to include the Balkans and the Middle East, by early 2012 more than half of the grants and loans disbursed by TIKA still went to Central Asia. In June 2010, Turkey assumed the chair of the Conference on Interaction and Confidence Building Measures in Asia (CICA), the first time that any other country had become chair of the organization since it was founded in 1999 by Kazak President

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<sup>42</sup> Author's translation. "Arınç İran, Irak, Lübnan'a seslendi", [Arınç speaks to Iran, Iraq, Lebanon] *Anadolu Ajansı*, 5 February 2012.

Nursultan Nazarbayev. By early 2012, CICA had 24 members. But in practice it remained largely ineffective. Even so, as chair of the organization, Turkey was able to try to raise its profile in Central Asia by hosting a number of CICA meetings. In addition, both the Turkish state and Turkish NGOs – particularly those affiliated with the Fethullah Gülen movement<sup>43</sup> – continued to support educational activities in Central Asia, including opening schools and universities and offering scholarships for students from Central Asian countries to study in Turkey.

Turkish efforts were focused primarily on Turkmenistan, Kyrgyzstan and Kazakhstan, while linguistic similarities meant that Iran sought primarily to build a stronger political relationship with Tajikistan. Neither country had any significant influence in Uzbekistan. Indeed, overall the political relations of the Central Asian countries with both Turkey and Iran remained relatively weak, thus reducing the scope for competition between Ankara and Teheran. Yet neither had the two countries made any attempt to cooperate or launch any joint policy initiatives in Central Asia.

On the contrary, Turkey and Iran have adopted opposing positions over plans to lay a natural gas pipeline across the Caspian Sea, initially to transport natural gas from Turkmenistan to Azerbaijan, from where it would be pumped to Europe. The proposed Trans-Caspian Pipeline has the strong backing of the EU, which is anxious to secure access to Central Asian natural gas through a pipeline which bypasses Russia and Iran. The project is also strongly supported by Turkey, which is aware that its ambitions of becoming an energy hub are dependent on pipelines across Turkey carrying Central Asian as well as Azeri natural gas. But the Trans-Caspian Pipeline has been vehemently opposed by both Russia and Iran, which insists that the project would cause irreparable environmental damage to the Caspian.

The contrast in alignments has been even starker in the Caucasus, where Turkey and Iran have not only pursued different policies but effectively sided with opposing blocs. In a demonstration of the triumph of *realpolitik*

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<sup>43</sup> In recent years, schools and businesses affiliated with the Gülen Movement have come under pressure in several of the former members of the Soviet Union, particularly Uzbekistan, where members of the movement have been expelled from the country and accused of fomenting pro-Islamist and anti-government unrest.

over religious solidarity, Iran has formed a close political and economic relationship with Christian Armenia, including building a pipeline to supply it with natural gas in return for electricity and serving as a conduit for landlocked Armenia's trade with the rest of the world.<sup>44</sup> Yet Iran appears motivated less by affection for Armenia than hostility towards its bitter foe, Azerbaijan. The main reasons appear to be competition over natural resources in the Caspian Sea, fears of Azerbaijani irredentism – given that there are an estimated two to three times as many ethnic Azerbaijanis in Iran as there are in Azerbaijan itself – and disquiet at Baku's traditionally pro-Western foreign policy; an antipathy which Iran shares with Russia, which is Armenia's closest ally.

In contrast, Turkey has aligned itself with Georgia and Azerbaijan, which – although in recent years Baku has pursued a more nuanced policy – have generally tended to be more pro-Western and anti-Russian. Although political ties have sometimes been strained, the AKP has cultivated stronger economic ties with Georgia, to the point where Turkey is now its leading trading partner. For Azerbaijan, a sense of ethnic solidarity has been underpinned by the knowledge that good relations with Baku are critical both to Turkey securing its own needs for natural gas and to its long-term ambition of becoming a hub for the supply of energy to Europe. This alignment with the more pro-Western states in the Caucasus has been unaffected by the AKP's attempts to distance itself from some of its Western allies and establish Turkey as a regional power in its own right. However, bilateral relations between Ankara and Baku have frequently been more strained than under the AKP's predecessors; although this has been the result of the AKP's own ambitions and policies rather than Turkey's ostensibly warmer relationship with Iran.

Privately, Azerbaijani President Ilham Aliyev, whose regime remains very secular, has made no secret of his disdain for the AKP's Islamist sympathies and neo-Ottoman ambitions. The tensions peaked on October 10, 2009 when, after a year of discreet negotiations, the foreign ministers of Turkey and Armenia met in Geneva, Switzerland, and signed an accord. The agreement

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<sup>44</sup> The natural gas pipeline started operations in December 2006. Armenia's border with Turkey has been closed since the 1993 as a result of the Nagorno-Karabakh War.

foresaw the opening of their common land border and the restoration of full diplomatic relations, which Turkey had suspended in a gesture of support for Azerbaijan during the Nagorno-Karabakh War. Extraordinarily, the AKP failed either to consult with Azerbaijan before signing the accord or to foresee how it would react. When Azerbaijan responded with a furious condemnation of the agreement, Turkish Foreign Minister Ahmet Davutoğlu hurried to Baku. The AKP later issued a statement promising that Turkey would only implement the accord with Armenia after the resolution of the Nagorno-Karabakh dispute. Neither the Turkish nor the Armenian parliament subsequently ratified the agreement and it is now effectively moribund. Nevertheless, the AKP's hasty addition of a settlement in Nagorno-Karabakh as a precondition for the implementation of the accord succeeded only in limiting, rather than rectifying, the damage to Turkey's relations with Azerbaijan. On October 25, 2011, Turkey and Azerbaijan signed a new agreement foreseeing the transportation of natural gas from the Caspian Sea across Anatolia to Europe.<sup>45</sup> However, despite such commitments to economic cooperation, even if the anger in Baku is no longer as intense, the legacy of distrust created by the AKP's Geneva accord with Armenia still persists. Significantly, however, despite its good relationship with Yerevan, Teheran played no role in the tentative negotiations between Turkey and Armenia in the run-up to the signing of the Geneva accord.

In August 2008, in the immediate aftermath of the Russo-Georgian War over South Ossetia, the AKP attempted to prevent any future conflicts through the formation of what it termed the Caucasus Stability and Cooperation Platform (CSCP), which would bring together Armenia, Azerbaijan, Georgia, Russia and Turkey in a regional bloc. The plan was poorly thought out and failed to take sufficient account of the realities on the ground;<sup>46</sup> not least Russia's continuing hegemonic ambitions and the acute dissatisfaction of Georgia and Azerbaijan with the status quo, which they regarded as the occupation by foreign forces of large tracts of their sovereign territory. The

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<sup>45</sup> The agreement does not specify which of the proposed pipeline projects will be used to transport the gas.

<sup>46</sup> Davutoğlu later admitted that the plan was drafted by a Turkish delegation as they were flying to Moscow to present it to the Russians. Address by Davutoğlu at St. Anthony's College, Oxford, U.K., 2 May 2010.

CSCP failed to secure any traction and was subsequently quietly shelved without any serious attempt to implement it.

Strikingly, even though the AKP enjoyed relatively cordial relations with Teheran at the time and proposed the inclusion of two non-Caucasus states – Russia and Turkey – in the CSCP, it deliberately excluded Iran.

Although the rivalry between the AKP and Tehran in Central Asia and the Caucasus has remained mostly low-key, in early 2012, there were concerns that rising tensions between Iran and Azerbaijan could lead to a direct confrontation. Although most of the population of Azerbaijan are Shia, levels of religious observance are low compared with Iran – with the result that, much to Baku's fury, Iranian officials have frequently accused the Azerbaijani regime of being irreligious. Azerbaijani officials have in turn accused Iran of supporting radical Islamist groups in the country and attempting to foment Islamist opposition to the government in Baku.

On March 14, 2012, bilateral tensions rose steeply after the Azeri security forces arrested 22 Azerbaijani citizens who they claimed had been hired by Iran to carry out attacks on the U.S. and Israeli embassies and some Western companies and organizations in Azerbaijan.

On July 2001, after a naval confrontation between Azerbaijan and Iran over drilling rights in the Caspian, Turkey dispatched ten F-16 fighter bombers to fly over Baku in a demonstration to Teheran of its readiness to provide the Azeri government with military support. At the time, Turkey's policy towards the Caucasus was largely formulated by the then still powerful Turkish military. The AKP's record since it came to power suggests that, in the event of a serious escalation in tensions between Baku and Tehran, it would be more likely to try to resolve the issue through diplomatic engagement rather than a display of military muscle. Nonetheless, in early 2012, the Caucasus appeared set to remain an arena for competition between Turkey and Iran rather than cooperation.

## Turkish-Iranian Economic Relations Under The AKP

Economic relations between Turkey and Iran have developed rapidly over the last ten years. The two countries have signed numerous agreements and memoranda of understanding committing themselves to a closer economic relationship and bilateral trade has grown more than ten-fold. However, the main element underpinning the boom – the pipeline carrying Iranian natural gas to Turkey – dates to well before the AKP first came to power in November 2002; and the expansion in trade with Iran has taken place within the context of an attempt by the AKP to increase Turkey's economic ties with all of its Muslim neighbors.

Indeed, one of the most striking features of the economic relationship between Turkey and Iran is that the gap between rhetoric and reality appears considerably greater than in Turkey's economic relations with any other country. There is no questioning the appetite of Turkish and Iranian private companies for closer ties, particularly in the provinces on either side of their shared border. But, in practice, the two governments have displayed considerably more fervor for political posturing than for implementing the policies needed to strengthen economic cooperation. In speeches and public statements, in an indirect reference to Islam, politicians from both countries have repeatedly cited their "shared values" as forming the foundation for closer economic ties; often with the implication that religion makes Turkey and Iran natural partners for each other in a way that non-Muslim countries could never be. Over the last ten years, Turkish and Iranian officials have enthusiastically announced plans for a string of grandiose joint projects. None has been realized.

There is no doubt that Iran has benefited much more than Turkey from the growth in economic ties. Iranian sales of hydrocarbons have ensured that the balance of trade is heavily in Tehran's favor. By 2011, Iran had become Turkey's largest supplier of crude oil and its second largest supplier of

natural gas. Yet, in early 2012, Turkish companies exporting to Iran continued to be faced with steep Customs duties, a huge fuel levy on transportation by Turkish trucks and an opaque and frequently xenophobic bureaucracy and legal system. While Iranians who have established companies in Turkey enjoy considerably more rights and a much more stable operating environment than their Turkish counterparts who have done likewise in Iran.

### **Bilateral And Multilateral Agreements And Mechanisms**

A bilateral agreement on the Encouragement and Protection of Mutual Investments was signed between Turkey and Iran on December 21, 1996, while the RP-DYP coalition was in power in Ankara. But it did not formally come into effect until February 25, 2005, a little over two years into the AKP's first term. Similarly, a bilateral agreement on the Prevention of Double Taxation was first signed on June 17, 2002, while Turkey was governed by a fractious tripartite coalition of secularist parties. But it was not formally implemented until March 7, 2005. However, the AKP did take the lead in trying to boost cross-border trade between 13 provinces in eastern Anatolia and Turkey's neighbors. On March 25, 2003, the government issued a decree which provided for reductions in Customs duties of 40 percent on agricultural products and 100 percent on industrial products imported from Iran, Iraq and Syria. The decree came into effect on April 10, 2003.

In addition, Turkey and Iran have signed numerous memoranda of understanding and declarations of joint intent, committing themselves to closer economic cooperation in fields ranging from energy to transportation. In practice, none has had a significant impact on their economic ties.

On July 17, 2003, the members of the ECO signed the Economic Cooperation Organization Trade Agreement (ECOTA), under which they pledged to reduce Customs tariffs and seek to minimize all other obstacles to trade between ECO states. But there has been considerable resistance inside Iran to opening up the country to more imports, even from other Muslim states. In common with several other ECO members, Iran has yet to ratify ECOTA, despite repeated calls by Ankara for it to do so. On September 16, 2010, Erdoğan even declared that he saw no reason why Turkey and Iran should

not eventually establish a Customs Union similar to the one that was formed with the EU at the beginning of 1996.<sup>47</sup>

Traditionally, most of the trade between Turkey and Iran has been denominated in U.S. dollars or Euros. Starting in 2008, the two countries began to make preparations to allow Turkish and Iranian companies to trade in their national currencies. On March 10, 2009, the AKP passed a decree lifting the last restrictions on the use of the Iranian Rial by Turkish banks. On April 28, 2009, Iranian officials declared that Iranian financial institutions were now permitted to handle transactions in Turkish Lira. However, the use of national currencies for foreign trade has remained very low. In early 2012, industry sources reported that nearly all foreign trade transactions between Turkey and Iran were still being denominated in U.S. dollars or Euros.

Turkey and Iran have also established a number of bilateral mechanisms. The most active is the Turkey-Iran Joint Economic Commission, which regularly brings together Turkish and Iranian state officials to discuss means of improving economic relations. However, in practice the commission tends to produce more expressions of mutual friendship and declarations of intent than concrete measures to strengthen economic ties.

More effective have been private sector mechanisms, which have focused on increasing trade by facilitating contacts between companies. The most influential is the Turkish-Iranian Business Council (TIBC), which was established on November 6, 2001 by the Turkish Foreign Economic Relations Board (DEIK), which brings together the leading business associations in Turkey and the Iranian Chamber of Trade, Industry and Mining. The TIBC holds regular meetings in Turkey and Iran and organizes reciprocal visits by delegations of businesspeople.

There are several other smaller business organizations on both sides of the border which organize meetings and visits between companies. They include the Turkey-based Association for the Development of Trade with Iran and the Middle East (IOTGD) and the Iran-based Iran-Turkey Strategic Trade

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<sup>47</sup> In fact, the terms of Turkey's Customs Union with the EU oblige Ankara to apply the same Customs tariffs as the EU to imports from third countries.

Association (ITSTA). In 2000, Iranian-owned businesses incorporated in Turkey established the Iranian Industrialists' and Businesspersons' Association (ISID) to encourage a closer bilateral relationship and lobby for the resolution of problems faced by its members.

In addition, Turkish business organizations, such as the conservative Independent Industrialists' and Businesspersons' Association (MÜSIAD), host meetings and organize visits to Iran; as do local chambers of commerce and industry in border areas in both countries.

A significant proportion of private sector contacts are between Turkish companies and businesses owned by members of Iran's Turkish-speaking Azeri minority. Significantly, in early 2012, the Iranian co-chair of the TIBC was Rahim Sadıgıyan, who was also head of the Chamber of Commerce and Industry in Tabriz, the capital of the Iranian province of East Azerbaijan. Both MÜSIAD and the Turkish Young Businesspersons' Association (TÜGIAD) have opened branch offices in Tabriz. There have also been instances of provincial chambers of commerce and industry in Turkey and Iran signing reciprocal agreements to open a representative office in the other's headquarters. In each case, the Iranian party to the agreement has come from a predominantly Azeri region.

### **Energy and Bilateral Trade**

The total volume of annual trade between Turkey and Iran grew from U.S.\$1.05 billion in 2000 to U.S.\$10.69 billion in 2010 and \$16.05 billion in 2011, when it accounted for 4.27 percent of Turkey's total foreign trade. However, the balance of trade is weighted in Iran's favor by a margin of almost four to one. During 2011, Iran was Turkey's tenth largest export market at \$3.59 billion. This was equivalent to 2.66 percent of Turkey's total exports of \$134.95 billion and less than half the \$8.32 billion it exported to Iraq.<sup>48</sup> In contrast, Turkish imports from Iran in 2011 stood at \$12.46 billion, making it Turkey's sixth largest source of imports (5.17 percent of the total of \$240.83 billion), mainly as a result of purchases of hydrocarbons.

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<sup>48</sup> In terms of Turkey's exports, Iran ranked behind Germany, Iraq, the U.K., Italy, France, Russia, the U.S., Spain and the United Arab Emirates respectively. In imports Iran ranked behind Russia, Germany, China, the U.S., and Italy respectively.

### Turkey's Foreign Trade With Iran 2000-2011 (\$Million)

Year	Exports	Imports	Total Volume	Balance	Exports/Imports (%)
2000	235.78	815.73	1,051.52	-579.95	28.90
2001	360.54	839.80	1,200.34	-479.26	42.93
2002	333.96	920.97	1,254.93	-587.01	36.26
2003	533.79	1,860.68	2,394.47	-1,326.90	28.69
2004	813.03	1,962.06	2,775.09	-1,149.03	41.44
2005	912.94	3,469.71	4,382.65	-2,556.77	26.31
2006	1,006.90	5,626.61	6,693.51	-4,559.71	17.90
2007	1,441.19	6,615.39	8,056.58	-5,174.20	21.79
2008	2,028.97	8,199.68	10,229.45	-6,170.71	24.74
2009	2,024.55	3,405.99	5,430.53	-1,381.44	59.44
2010	3,043.41	7,644.78	10,688.20	-4,601.40	39.81
2011	3,590.41	12,461.36	16,051.77	-8,870.95	28.81

Source: Turkish Statistical Institute

The original agreement signed by Necmettin Erbakan provided for Iran to supply Turkey with 10 billion cubic meters (bcm) per year. In his haste to push through a deal, Erbakan agreed to pay a high price for the gas and to a “take-or-pay” provision which committed Turkey to paying for a minimum of 87 percent of the annual contracted volume regardless of how much it actually consumed. Construction delays on both sides of the border meant that the 2,577 kilometer (1,601 mile) pipeline from Tabriz to Erzurum did not finally come on stream until 2001. In 2002, Turkey temporarily halted gas imports from Iran on the grounds of poor quality. A more likely explanation appears to have been low demand and a desire to pressure Iran into lowering the price. Later in 2002, the Turkish government announced that it had negotiated a price reduction of 9-12 percent – with the rate varying according to how much gas was consumed – and persuaded the Iranians to lower the “take-or-pay” provision from 87 percent to 70 percent.

Despite the 2002 agreement, the pipeline has been plagued by disputes and accusations of bad faith by both sides. Turkey has continued to push for further reductions in the price.<sup>49</sup> In 2006, 2007 and 2008, Tehran temporarily suspended deliveries during the middle of winter citing what it described as technical problems; which Turkish officials described as pretexts to try to disguise the diversion of gas to meet a shortfall on the Iranian market. In return, Iran has accused Turkey of inventing spurious excuses to avoid fulfilling its obligations under the “take-or-pay” provision. In addition, starting in 2006, the Kurdistan Workers’ Party (PKK) has regularly sabotaged the pipeline, sometimes forcing pumping to be suspended for over ten days – although most such attacks have occurred in summer when natural gas demand is at its lowest.

Initially, the deliveries along the Tabriz-Erzurum pipeline had been scheduled to rise from 4 bcm in 2002 to its full capacity of 10 bcm by 2007. In fact, only 6.05 bcm<sup>50</sup> was pumped along the pipeline in 2007. In 2008 and 2009, total deliveries stood at 4.11 bcm and 5.24 bcm respectively, as a result of a combination of a slowdown in economic activity in Turkey and an oversupply of natural gas from other countries. The volume increased to 7.77 bcm in 2010, making Iran Turkey’s second largest supplier of natural gas at 20.04 percent of the total of 38.04 bcm. Russia ranked first with 17.53 bcm (46.08 percent).

The increase in deliveries of Iranian gas in 2010 reflects a shift in Turkey’s energy dependency. In 2007, Russia had supplied 63.51 percent of Turkey’s natural gas, falling to 62.01 percent in 2008 and 54.31 percent in 2009. Russia’s share is likely to decline still further in the years ahead. In recent years, Turkey has imported Russian gas through two pipelines: what is known as the Western Pipeline, which runs through Bulgaria; and the Blue Stream Pipeline, which runs under the Black Sea. On October 1, 2011, Turkey announced that it would not renew the Western Pipeline contract when it

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<sup>49</sup> Most recently in January 2012, when Turkish Energy Minister Taner Yıldız announced that Turkey would take Iran to arbitration over the price it pays for gas imports.

<sup>50</sup> All of the data for energy imports in this section are taken from the reports of the Turkish Energy Markets’ Regulatory Board (EPDK). In February 2012, the natural gas figures for 2011 had yet to be published.

expired in 2012. The decision made financial sense as Turkey is contracted to buy more gas than it needs until at least 2016-2017. However, it has also increased the relative importance of deliveries of Iranian natural gas.

In 2010, Iran became Turkey's largest single source of oil, providing 43.13 percent of the country's total imports, up from 22.75 percent in 2009. In contrast, the share of Russia, which had previously been Turkey's largest supplier of oil, fell from 40.60 percent in 2009 to 19.72 percent in 2010. Although its overall share declined, Iran remained Turkey's largest supplier in 2011, accounting for 33.56 percent of total oil imports. But a greater diversification in suppliers meant that this was still nearly three times as much as Iraq, which ranked second with 11.28 percent. Russia was third with 8.45 percent. However, there is no oil pipeline between Iran and Turkey. Over 85 percent of Turkey's total oil imports are transported by tanker; giving it greater flexibility in terms of suppliers than is the case with gas, approximately 80 percent of which is delivered by pipeline.

Hydrocarbons account for around 90 percent of Iranian exports to Turkey. Iran also exports a small quantity of other goods to Turkey, primarily copper and copper products, plastics, iron and steel and organic chemical products. In public speeches, Iranian officials have frequently referred to Turkey as a transit route for trade with Europe. In practice, the poor transportation infrastructure in eastern Turkey remains a major constraint.

On August 14, 2009, a regular freight train service was launched from Islamabad to Istanbul via Tehran. The project was initiated by the ECO. But, like most of the ECO's projects, it generated more publicity than practical benefits. The train has a limited capacity and takes around 13 days to complete its 6,500 kilometer (4,060 mile) journey to Istanbul, after which freight currently has to be loaded onto a ship before it can reach Europe.<sup>51</sup> It is usually quicker and cheaper to load the goods onto a ship well before they reach the Turkish-Iranian border. The section of the railroad running through Turkey is particularly problematic. There is no railroad around Lake Van in eastern Anatolia. Wagons have to be loaded onto two specially

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<sup>51</sup> In theory, this will change when the rail tunnel under the Bosphorus becomes operational, probably in 2015. In practice, it will almost certainly still be cheaper to send goods by sea.

designed but small and dilapidated ferryboats, at least one of which is usually out of service undergoing repairs. Delays are routine and can be lengthy. New ferryboats, which are able to carry five times the number of wagons as the existing ones, are currently being built and are expected to enter into operation in 2012. Yet, even if the new vessels prove more reliable, the rest of Turkey's rail infrastructure is so underdeveloped that there currently appears little prospect of freight trains across Anatolia becoming an attractive option for Iranian exporters.

In recent years, Turkish and Iranian officials have enthusiastically discussed developing the Turkish eastern Black Sea port of Trabzon into a transit hub for Iranian trade with Europe; particularly for exporters in the country's northern-western provinces. Iranian businesses in such cities as Tabriz currently export most of their goods from the southern Iranian port of Bandar Abbas, which is 1,540 kilometers (960 miles) from Tabriz as against the 650 kilometers (405 miles) between Tabriz and Trabzon. However, there is no rail link between Iran and Trabzon and the road is poor. Moreover, considerable investment would be required to upgrade the port facilities in Trabzon to enable it to handle the increase in volume. For the foreseeable future, it is likely to remain cheaper and quicker for businesses in Tabriz to send their goods to Bandar Abbas.<sup>52</sup>

Turkey's main exports to Iran include industrial machinery and spare parts, iron and steel, automotives and spare parts, electrical equipment, plastics, furniture and timber products, and synthetic yarn. In addition to the constraints imposed by the underdeveloped transport infrastructure in eastern Anatolia, Turkish exporters also face a number of obstacles when their goods reach the border. Three Customs Posts are currently in operation and there are plans to open at least one more in 2012. However, Customs duties on goods entering Iran are very high and Turkish exporters complain that procedures are often tortuously lengthy. Moreover, Iran imposes stiff fuel taxes on foreign-owned trucks entering the country, which are levied at

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<sup>52</sup> Privately, Turkish officials are skeptical of Tehran's public enthusiasm for Trabzon. They suspect that the Iranian regime is trying to tout Trabzon as a viable alternative in order to apply pressure to the authorities in Dubai, which is currently Iran's main maritime gateway to the rest of the world and where – as a result of pressure from the U.S. – Iranians are now subjected to increased security measures.

the border and are calculated on the minimum amount of fuel the truck is likely to use; with the result that transportation by a foreign-owned truck can be prohibitively expensive. In early 2012, Turkish exporters reported that the cumulative effect of high Customs duties, excessive bureaucratic procedures and the fuel levy meant that they had to sell goods to Iran at up to three times the price that they sold the same goods for in Turkey.

The high cost of transporting goods across Iran has also prevented it from becoming a major conduit for Turkish trade with the countries of Central Asia. Even for businesses located in eastern Anatolia, it is often cheaper to send goods by sea from Turkey than by land across Iran.

Even before the imposition in 2010 of additional UN and U.S. sanctions against Iran over its nuclear program, Turkish firms looking to trade with Iran already faced considerable difficulties in terms of securing bank guarantees. Iran has traditionally imposed severe restrictions on the operations of foreign banks inside the country and Turkish banks have been reluctant to provide guarantees against exports to Iran: not least because the bureaucracy and legal system in Iran were regarded as opaque and ill-disposed towards foreign creditors. Although two Turkish state-owned banks have representative offices in Teheran, no Turkish bank has a branch in the country and the Iranian domestic financial sector remains underdeveloped. The only Iranian-owned financial institution in Turkey is Bank Mellat.<sup>53</sup> The problems have intensified since 2010. By early 2012, increased U.S. pressure meant that almost all Turkish banks were refusing to provide financing services for trade with Iran or to handle any transactions involving Iranian financial institutions; with the result that many Turkish exporters were having to resort to payments in cash.

Until the 1990s, the legal trade between the two countries was supplemented by smuggling through the mountains. However, increased security – including the laying of minefields – on the Turkish side of the border in order to block infiltration routes used by the PKK has now significantly reduced the volume of goods smuggled.

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<sup>53</sup> Bank Mellat and the impact of U.S. and international sanctions are discussed in greater detail later in this section.

In recent years, the only field in which closer ties have brought Turkey more economic benefits than Iran is tourism. Neither Turkey nor Iran imposes visa requirements on the other's citizens. The number of Iranian tourists visiting Turkey has risen almost six-fold over the last decade, particularly since Turkey launched a major tourism marketing campaign in Iran in 2004. According to the Turkish Statistical Institute a total of 327,067 Iranians visited Turkey in 2001, rising to 957,245 in 2005 and 1,885,097 in 2010. No reliable figures are available for the number of Turkish tourists visiting Iran although in early 2012 Turkish tourism agencies estimated that it was less than 20,000 per year.

Turkish officials and business organizations regularly raise the problems faced by Turkish exporters at meetings with their Iranian counterparts. They are invariably assured that the matter is being investigated and will be resolved; although no substantive action has yet been taken.<sup>54</sup>

In contrast, Iranian officials have had no hesitation in joining with their Turkish counterparts in announcing plans for grandiose joint schemes; none of which has been yet been started, much less completed. For example, ever since the mid-2000s, Iranian and Turkish officials have been discussing the creation of a joint industrial free zone which would be built close to their shared border. In theory, the zone would enable businesses to combine access to Turkish technology and expertise with cheap Iranian energy and labor. But the two countries have yet to agree on a potential site for the zone or to begin drafting the necessary legislation to enable it to function effectively. Other publicly announced projects which have never been realized include: the founding of a joint investment bank, a joint airline, and the building of joint power plants on the Turkish-Iranian border, using wind, water and natural gas.

On July 14, 2007, Turkey and Iran signed a memorandum of understanding foreseeing the construction of new pipelines to transport an annual volume of up to 40 bcm of Iranian and Turkmen natural gas to Turkey. The two governments originally planned that much of the gas could then be fed into

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<sup>54</sup> The one exception came after the fuel levy was hiked by an additional 34 percent in July 2008. Following protests by Turkish businesses, the levy was reduced by 20 percent in early 2009, which still left it 14 percent higher than before July 2008.

the projected Nabucco pipeline to Europe. Another memorandum of understanding signed on July 14, 2007 provided for the Turkish state-owned Turkish Petroleum Corporation (TPAO) to develop Phases 22, 23, and 24 of Iran's South Pars natural gas field. These agreements were updated and expanded on November 18, 2008. The projected annual capacity of the pipeline which would carry gas to Europe was increased to 50 bcm. TPAO was to extract 46 bcm of gas from South Pars, half of which would be exported to Turkey, with the remainder being supplied to the Iranian domestic market. On October 27, 2009, Ibrahim Radafzoun, the Iranian Deputy Oil Minister, announced that Turkey had agreed to invest \$3.5-4 billion in developing Phases 6 and 7 of the South Pars field. On July 24, 2010, Iranian Oil Minister Masoud Mirkazemi announced that the National Iranian Gas Company (NIGC) and the private-owned Som Petrol of Turkey had signed an agreement to build a pipeline to transport Iranian natural gas to Europe. Mirkazemi predicted that the pipeline would be completed within three years.<sup>55</sup>

However, a combination of a paucity of potential financing, fading hopes for the realization of the Nabucco project and concerns about possible repercussions – particularly given Washington's opposition to any foreign investment in the Iranian energy sector – meant that none of the planned projects even reached the detailed planning stage. Although Turkish officials publicly repeated their willingness to increase energy cooperation with Iran, they made no attempt to commit Turkey either to building a new pipeline or to becoming involved in the development of the South Pars field. TPAO did not try to sign a final agreement with the Iranian authorities to develop Phases 22, 23, and 24 of the South Pars field and in May 2010 they were allocated to a consortium of local companies. Although the Turkish authorities issued Som Petrol with a license to build a pipeline for Iranian gas on December 1, 2010, the Turkish government was careful to distance itself from the project. By early 2012, there appeared little prospect of Som Petrol being able to raise the required \$1.3 billion in financing to fund the pipeline, much less to secure buyers for the gas itself.

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<sup>55</sup> "Iran, Turkey Sign Gas Pipeline Deal", Fars News Agency, 24 July 2010.

Indeed, as with the other grandiose projects announced by the two countries, the public announcements of cooperation in energy appear to have been more about political posturing than economic intent: the AKP seeking to legitimize its claim to regional power status by demonstrating its ability to act independently of the U.S. and the EU; while Iran tried to frustrate Western attempts to isolate it by securing promises of cooperation from a country which the West had long regarded as one of its closest allies in the region.

### **Turkish Investment In Iran**

No reliable figures are available for the volume of Turkish private sector investment in Iran although Turkish business associations estimate that around 200 Turkish companies have investments in the country. All but one – the purchase of a chemical fertilizer factory by Gübretaş (see below) – are relatively small and mainly concentrated in white goods, household textiles, packaging, furniture and the automotive supply industry. A large proportion of the investments are in regions predominantly inhabited by Iran's Azeri minority,<sup>56</sup> although there are also some Turkish investments in other areas, such as Teheran, Esfahan and Mashhad. Many of the smaller investments comprise the opening of offices to support sales and marketing activities rather than manufacturing or the provision of services. Nevertheless, in recent years, Turkish contractors have been awarded a number of tenders for housing projects, particularly in Teheran. No precise figures are available, although in early 2012 the annual value of projects undertaken by Turkish contractors was estimated to be around \$1 billion.

Turkish business people active in Iran report that, despite the potential of the market and the official public declarations of friendship towards Turkey, in practice Turkish firms find operating in Iran as difficult as it is for companies from other countries. Many have been further deterred by the fate of two large-scale investments in 2003 and 2004 respectively.

In May 2003, the majority Turkish-owned Tepe-Akfen-Vie (TAV) consortium was awarded an eleven-year contract to operate Terminal One of

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<sup>56</sup> For example, over 50 Turkish companies are believed to have invested in Tabriz. Author interview with officials from Turkish business associations active in Iran, July-August 2011.

Tehran's new Imam Khomeini International Airport and to build a second terminal there for approximately \$193 million. However, opposition to foreigners operating what was intended to become Iran's leading airport led to a smear campaign against TAV, including allegations that it was somehow connected to Israel. Terminal One had originally been scheduled to open on May 9, 2004. On May 7, 2004, the Iranian authorities ordered TAV to withdraw all of its personnel from the airport. On May 8, 2004, the airport was taken over by Iran's hard-line Revolutionary Guards. The contract with TAV, which claimed to have already spent \$15 million on the project, was cancelled and the airport eventually opened under Iranian ownership.

In February 2004, Turkcell, the largest GSM operator in Turkey, won a tender to take a 51 percent share in a newly created national mobile telephone licensee called Irancell. But there was considerable opposition to foreign ownership of an Iranian telecommunications network. Turkcell's acquisition of Irancell coincided with a power struggle between reformist President Mohammed Khatami and hard-line conservatives. In April 2005, conservatives in the Iranian parliament exploited the resistance to foreign ownership of Irancell to embarrass Khatami by passing a law which limited Turkcell's share in the consortium to 49 percent. Turkcell, which had already started preparatory expenditure, refused to accept the reduced share or to pay the \$370 million licence fee for the network. In October 2005, a 49 percent share in Irancell was sold to MTN of South Africa, leaving Turkcell with significant losses.

In early 2012, the only sizeable Turkish investment in the Iran was owned by Gbretaş, Turkey's second largest producer of chemical fertilizers. In February 2008, Gbretaş paid \$656 million for a 96 percent stake in the state-owned Razi petrochemicals plant in the free trade zone in Mashar in southern Iran. The plant was sold as part of Iran's privatization program. Gbretaş was the sole bidder and received considerable political support from the Turkish authorities.<sup>57</sup> In early 2012, the Razi plant remained the largest foreign industrial investment ever undertaken by a Turkish company in any

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<sup>57</sup> Company officials were later quoted as claiming that Prime Minister Tayyip Erdođan and President Abdullah Gul had intervened with the Iranian authorities on their behalf. *Zaman*, 18 March 2008.

country. It had an annual production of around 4 million tons of fertilizer, of which approximately 25 percent was being exported, mainly to China and India.

However, Gübretaş is an exception. Most Turkish companies continue to find Iran a very difficult country in which to operate. They describe it as being characterized by an underdeveloped banking system, a dearth of reliable information and an unpredictable – sometimes seemingly capricious – regulatory environment. Foreign investors are subjected to high taxes and have problems securing residence permits for their foreign personnel. In addition, Turkish companies complain that the bureaucracy is sluggish, opaque and often xenophobic; and that, in the case of a dispute with an Iranian partner, the judicial system invariably finds against them and they have no recourse to independent arbitration. Turkish businesses also frequently find themselves inadvertently mired in internal power struggles and local rivalries.<sup>58</sup> Although many Turkish companies conduct feasibility studies, announce their intention to invest in Iran and even sign preliminary agreements, only a small proportion attempt to put their plans into practice.

### **Iranian Investment In Turkey**

Under the foreign investment regime in place in Turkey before June 2003, anyone who invested a minimum of \$50,000 in the country was automatically granted a residence permit. During the 1980s and 1990s, a large proportion of the companies which were listed by the Turkish authorities as being “Iranian-owned” were established by Iranian exiles who had fled to Turkey following the 1979 Islamic Revolution and were looking for a way to legitimize their continued residence in the country.

The automatic right to a residence permit was removed with the promulgation of a new foreign investment law on June 5th, 2003. Over the years that followed, the number of Iranian-owned companies being established in Turkey remained low at around 100 per annum; almost all of

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<sup>58</sup> “There are two navies, two armies and two air forces in Iran. Some companies and local authorities are linked to one lot, and some to the other. If you form a partnership with a company close to one in a city where the local authority is close to the other, you end up with all kinds of problems.” Author interview with Turkish businessman active in Iran. Istanbul, July 2011.

which were very small in size. However, the numbers began to climb from late 2009 onwards as Iranian companies established in other countries – particularly in Europe – began to come under increased scrutiny amid concerns about their possible involvement in Teheran’s nuclear procurement program. The AKP’s opposition to additional international sanctions – and Erdoğan’s repeated insistence that Teheran was not seeking nuclear weapons – persuaded many Iranian businesses to relocate from Europe to Turkey, where they believed that they would be able to operate more freely. At year-end 2011, the number of Iran-owned businesses established in Turkey stood at 2,140, more than double the 964 at year-end 2008. A more detailed breakdown of the number of Iranian-owned companies established each year is given below.

#### Number Of Iranian-Owned Companies Established In Turkey By Year

Year	Total number of foreign-owned companies established	Number of Iranian-owned companies established	Percentage of total
1954-2003	6,274	416	6.6
2004	1,652	113	6.8
2005	2,204	109	4.9
2006	2,855	98	3.4
2007	3,235	95	2.9
2008	3,070	131	4.3
2009	2,850	170	6.0
2010	3,309	418	12.6
2011	3,834	590	15.4
Total	29,283	2,140	7.3

Source: Turkish Statistical Institute

However, despite the rapid rise in their numbers, virtually all of the Iranian-owned companies in Turkey remain very small. In 2010, total foreign direct investment (FDI) from Iran totaled only \$42 million,<sup>59</sup> compared with \$4.72 billion from EU countries, which accounted for 75.1 percent of Turkey's total FDI for the year of \$6.29 billion. Of the 590 Iranian-owned companies that were founded in 2011, 181 (30.7 percent) had capital of less than \$50,000 and another 343 (58.1 percent) capital of \$50,000-\$200,000. Only 19 (3.2 percent) had capital of over \$500,000.

Approximately three quarters of Iranian-owned companies in Turkey are based in Istanbul, with the remainder mostly in Ankara and Izmir. Around half are engaged in wholesale or retail trade, with the remainder in services or small-scale manufacturing. Although some have Turkish partners, the majority are wholly Iranian-owned. Since the AKP first came to power in 2002, there have frequently been media reports of impending large-scale Iranian investments in Turkey. But, as with reports of impending Turkish investments in Iran, reality has lagged far behind the rhetoric. For example, in April 2008, the Iran Khodro Company (IKCO) automaker, which is largely state-owned, announced that it would create over 1,000 jobs by opening a car plant in the Marmara region of northwest Anatolia. In September 2010, officials from IKCO were quoted as saying that they would build the factory in the planned joint free trade zone on the Turkish-Iranian border. In February 2011, IKCO signed a memorandum of understanding with its Turkish distributor Hema Endustri which officials described as laying the ground for the construction of a €200 million plant which would produce passenger cars and light commercial vehicles for sale both to the Turkish domestic market and the other members of D8. But, by early 2012, there was still no indication as to whether the factory would ever be built.

By early 2012, the only large-scale Iranian investment in Turkey remained Bank Mellat, which first began operating in April 1982 as a wholly-owned subsidiary of Bank Mellat of Iran. After initially being solely based in Istanbul, it also opened branches in Ankara in 1985 and in Izmir in 1992. According to the Turkish Banks' Association, at end-September 2011, Bank

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<sup>59</sup> In February 2012, no precise figures were available for total Iranian investment in Turkey in 2011.

Mellat had total assets of \$2.11 billion, ranking it 21<sup>st</sup> of the 44 banks active in Turkey. This represents an increase of 77.3 percent on its total assets of \$1.19 billion at end-2010. During the same nine month period, Bank Mellat received a huge influx of funds, which took its total deposits from \$300.93 million at year-end 2010 to \$1.87 billion at end-September 2011.<sup>60</sup>

Traditionally, Bank Mellat has concentrated on the provision of trade financing and services such as letters of credit, particularly for bilateral trade between Iran and Turkey. Following the decision by the two countries' governments to facilitate trade in their own currencies, on June 13, 2009, Bank Mellat announced that it had become the first financial institution to offer transactions in both Rials and Turkish Lira.

Ironically, the bank initially benefited from mounting U.S. pressure on the activities of Iranian financial institutions suspected of involvement in Teheran's nuclear and missile programs. Most Turkish commercial banks have assets abroad and source a significant proportion of their funding from international syndicated loans and securitizations. Through 2010, they started shunning foreign trade transactions involving Iran for fear that they could lose access to funding from institutions based in the U.S. or that any assets they held in the country could become subject to U.S. sanctions. Bank Mellat was able to pick up the business that Turkish banks were afraid to handle.

However, the bank itself began to come under pressure after the UN Security Council passed Resolution 1929 on June 9, 2010, which accused Bank Mellat's Malaysian subsidiary, First East Export Bank, of involvement in Teheran's procurement program and stated that over the previous seven years Bank Mellat had itself "facilitated hundreds of millions of dollars in transactions for Iranian nuclear, missile and defense entities."<sup>61</sup>

First East Export Bank was the only subsidiary of Bank Mellat explicitly blacklisted by Resolution 1929. It did not require the Turkish authorities to take any measures against Bank Mellat in Turkey. Nevertheless, through late

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<sup>60</sup> In February 2012, the origin of these funds, and whether they were the result of transfers by Iranians living in other countries, was not clear from the publicly available data. All figures are taken from the balance sheets published by the Turkish Banks' Association. [http://www.tbb.org.tr/eng/Banka\\_ve\\_Sektor\\_Bilgileri/bbts.aspx](http://www.tbb.org.tr/eng/Banka_ve_Sektor_Bilgileri/bbts.aspx)

<sup>61</sup> Annex I, UN Security Council Resolution 1929 (2010), <http://www.unhcr.org/refworld/docid/4c1f2eb32.html>. Accessed December 2011.

2010 and early 2011, U.S. officials repeatedly pressed the AKP to suspend the bank's operating license, arguing that its headquarters in Istanbul were being used as a conduit for illicit procurement activities. Although the AKP refused to accede to Washington's demands, the Turkish financial sector was less willing to risk Washington's wrath. In an interview with Reuters news agency on May 18, 2011, Younes Hormozi, the head of Bank Mellat's operations in Turkey, reported that the Turkish financial sector had severed all links with the bank, leaving it "unable to operate" in the country.<sup>62</sup> Nevertheless, by early 2012, the Turkish authorities had still made no attempt to suspend its license and Bank Mellat remained officially open for business.

### **The Impact of Economic Sanctions against Iran**

When Turkish private sector banks started to shun any transactions involving Iran in summer 2010, they were harshly criticized by members of the AKP government. Industry Minister Zafer Çağlayan publicly accused them of supinely bowing to U.S. pressure and putting their own profits before the economic development of Turkey, for which Iran represented a potentially lucrative export market. He argued, accurately, that Security Council Resolution 1929 did not require Turkish businesses to shun legitimate trade with Iran and that they were not subject to the additional sanctions imposed by the U.S. and the EU. Although they were reluctant to confront Çağlayan publicly, privately private sector bankers ruefully observed that they stood to lose considerably more than the government if their foreign assets were seized or their access to foreign funding disappeared.

By early 2011, the Turkish media reported that only two Turkish banks were still offering financing services for trade with Iran: the state-owned Halkbank and the privately-owned Aktifbank, which is owned by a close associate of Prime Minister Tayyip Erdoğan. Indeed, through late 2010, Halkbank's representative office in Teheran cleared several payments for European banks, which were reluctant to handle them directly for fear of infringing tighter EU restrictions on financial dealings with Iran. Similarly, after the authorities in India responded to pressure from Washington by abolishing the clearing house system used to pay for imports of Iranian oil, in

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<sup>62</sup> "Turkish banks cut links with Iranian lender," Reuters, 18 May 2011.

mid-2011 several Indian oil refiners used Halkbank as a conduit to pay the estimated \$6 billion they owed to Iran.

However, by late 2011, political relations between Turkey and Iran had deteriorated – not least as a result of tensions over Syria and Iraq – and there were signs that the AKP was becoming less willing to antagonize the U.S. by helping Teheran circumvent Washington’s attempts to isolate it. In December 2011, Halkbank refused a request from another Indian oil refiner, the Bharat Petroleum Corporation Limited (BPCL), to open an account that could be used to pay for imports of Iranian oil.

In early 2012, there were also concerns in Ankara about the possible impact of the new U.S. sanctions against Iran which were signed into law by President Barack Obama on December 31, 2011, and which excluded from the U.S. financial system any foreign company that did business with Iran’s Central Bank; a move which could have repercussions for Turkey’s own refiners.<sup>63</sup>

However, a large proportion of Turkey’s non-hydrocarbon trade with Iran is conducted by relatively small companies, which lack the international exposure of the country’s banks and are thus less likely to be deterred by threats of U.S. sanctions. Nevertheless, the continuing failure to address longstanding issues – such as the fuel levies and problematic legislative and bureaucratic environment in Iran and the underdeveloped transportation infrastructure in Turkey – appear likely to remain major constraints on the development of bilateral trade, regardless of any changes in the current political situation.

Yet neither would it be easy for Turkey to reduce its purchases of Iranian hydrocarbons. In theory, Turkey could meet all of its oil needs from other suppliers, although Turkish refiners complain that the relatively attractive payment terms currently offered by Iran would mean that doing so would result in an increase in costs. But, when it comes to natural gas, finding alternative suppliers for the gas currently being imported into Turkey through the Tabriz-Erzurum pipeline is not a viable option. For the foreseeable future at least, Turkey’s need for natural gas will alone ensure

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<sup>63</sup> The new sanctions package signed by Obama includes provisions for a grace period and possible exemptions, although in early 2012 it was still unclear how the new package would be implemented.

that it remains at least partly dependent on Iran for energy; and this, in turn, will also limit its room for maneuver if it comes under international pressure to adopt a more confrontational stance towards Teheran.

## Conclusion: Implications and Prospects

Since the AKP came to power in 2002, Turkey's relations with Iran have always been multilayered and the most visible element – particularly when viewed from a distance – has not always been the most important or the primary determinative of the relationship's future course. The increase in tensions between Turkey and Iran through 2011 and early 2012 represented not a change in the fundamental nature of the relationship but a resurfacing of one of its constant, underlying elements; namely sectarian enmity and a longstanding political rivalry.

Following the AKP's election victory, secular critics predicted that the party's strong sense of Islamic identity would result in it relinquishing Turkey's traditional alliance with the West in favor of an alignment with Iran. In fact, although a sense of religious solidarity informs the resentment of many in the AKP at what are regarded as attempts by non-Muslim powers from outside the region to impose their will on a fellow Muslim country, it rapidly disappears when it comes to bilateral relations within the region – where the AKP has always seen Iran as a rival rather than a partner, not only in terms of political influence but also ideologically.<sup>64</sup> Indeed, the Sunni-Shia divide is as much of an obstacle to sustained close cooperation between the AKP and Iran as was the fierce secularism of the previous regime in Ankara.

In addition, the AKP's ultimate goal has always been to establish Turkey as an independent power with its own sphere of influence, a hegemonic center of power in its own right, not one whose power is derived from merely being a member of a multi-nation bloc or alliance. For the AKP, membership of an international body is regarded primarily not as an opportunity for partnership and cooperation but as a platform for the exercise of Turkish

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<sup>64</sup> Such attitudes can also be seen in bilateral ties in the 19<sup>th</sup> and early 20<sup>th</sup> centuries, when a willingness to cooperate against the encroachments of outside powers disappeared whenever one country saw an opportunity to exploit a perceived weakness in the other and secure a political advantage or seize territory.

influence and as a means of asserting its claim to regional preeminence.<sup>65</sup> In fall 2010, the AKP initially threatened to veto the deployment of NATO's missile shield on the grounds that it would be targeted against Iran. However, once it realized that it risked being alienated within the alliance – and thus potentially losing any influence – the AKP put its perception of its own interests before any sense of Muslim solidarity with Iran. The threat of a veto was dropped and a face-saving formula was created to try to camouflage the climb-down.

Turkey's decision to deploy the NATO early warning radar in eastern Anatolia provides a clearer indication of the AKP's underlying attitudes towards Iran than its lobbying on Tehran's behalf over its nuclear program – where the two countries' pursuits of their own interests were overlaid by veneer of apparent cooperation. Perhaps more revealing than anything that has occurred in Turkish-Iranian relations since the AKP came to power is what has not happened. There has been a marked increase in bilateral contacts and visits<sup>66</sup> and, at least until recently, an unprecedented public effusion of mutual goodwill. But, apart from the nuclear issue, the only other area in which Turkey and Iran have actively cooperated has been against the PKK/PJAK; a process which has produced tangible security benefits for each. On other political issues – even those on which the two have an almost identical position – there has been no attempt to cooperate or launch any joint initiatives. If anything, the issues on which they agree have also tended to be those on which they most compete – such as in their respective attempts to assert themselves as the region's leading critic of Israel and its policies towards the Palestinians.

It is not only at the state level. There has been no substantive cooperation between NGOs from the two countries. In recent years, Turkish state bodies and NGOs have become increasingly active in the provision of humanitarian

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<sup>65</sup> For example, in early 2009 Erdoğan unsuccessfully sought to block the appointment of Anders Fogh Rasmussen as NATO Secretary General, asserting Turkey's right to speak on behalf of the Muslim world, which was opposed to Rasmussen's candidacy on the grounds that he had failed to ban the publication of derogatory cartoons about the Prophet Muhammad during his term as Danish Prime Minister.

<sup>66</sup> The importance of the number of visits should not be overestimated. In 2003-2011, Erdoğan paid three visits to Tehran, four to Pakistan, nine each to Azerbaijan and Syria, eleven to Germany and thirteen to Brussels.

aid to other Muslim countries and communities. Yet, even in areas where Iran has also been involved in the distribution of aid, the efforts of the two countries have run in parallel – often apparently competing with each other. Iran itself has remained as closed to NGOs from Turkey as it has to NGOs from other countries. Nor has there been a discernible rise in Iranian cultural, religious or political activity inside Turkey. If anything, Iran appears to play even less of a role in NGO activity in Turkey – such as providing financial or logistical support – than it did in the 1990s; when, compared with today, the relative paucity of religious NGO activity made Iran’s still minor involvement more visible.

Neither has Iran made any attempt to support Turkey in the international arena. For example, despite decades of lobbying by Ankara, the Turkish Republic of Northern Cyprus (TRNC) has still only been recognized by Turkey.<sup>67</sup> On July 29, 2004, during a meeting in Teheran, Iranian Foreign Minister Kamal Kharrazi promised Erdoğan that he would visit the TRNC – and thus grant it a measure of *de facto* recognition.<sup>68</sup> By February 2012, the visit had still not taken place. Nor had Iran taken any measures to help Turkey ease the TRNC’s international isolation.

Indeed, since the AKP came to power, it is difficult to find any significant changes in Turkish and Iranian policies towards third countries. Turkey’s willingness to confront the West over Iran’s nuclear program in 2009-2010 was more the product of the AKP’s own increased confidence and a desire to prove itself as an international force in its own right than any sense of empathy for Iran. Similarly, in the years preceding the “Arab Spring”, the AKP’s vigorous cultivation of Bashar al-Assad, Teheran’s closest ally in the Middle East, was purely in pursuit of its own interests; particularly the hope that Syria could be included in the sphere of Turkish influence it dreamed of creating in the region. Ultimately, in Syria – as in the rest of the Middle East – the AKP regarded Iran as a rival not a partner. Far from ameliorating the AKP’s frustration with al-Assad over his failure to implement reforms, Iran’s

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<sup>67</sup> The TRNC issued its unilateral declaration of independence on November 15, 1983.

<sup>68</sup> “Iran söz verdi: KKTC’ye destek olacağız”, [Iran promised to support to TRNC] NTV, 29 July 2004.

continued support for the Syrian regime merely exacerbated it. Significantly, when Turkey's efforts to persuade al-Assad to introduce reforms failed, the AKP made no attempt to press Iran to use its own good relations to encourage him to do so; presumably not least because such an initiative would have provided further proof that Ankara had lost out to Teheran in the struggle for influence in Damascus.

Over the last ten years, Turkish and Iranian positions have also remained essentially unchanged in the Caucasus. Iran played no role in the short-lived – and ultimately unsuccessful – attempt at a rapprochement between Turkey and Armenia in 2009 -2010. Nor has there been any discernible shift in Iran's relationship with Armenia, which has remained Teheran's closest ally in the Caucasus and with which Turkey still has no diplomatic relations. Similarly, tensions have remained high between Iran and Azerbaijan, which in turn has remained Turkey's closest ally in the Caucasus.<sup>69</sup> Not only does Azerbaijan remain in a suspended state of war with Armenia over the disputed enclave of Nagorno Karabakh but it has also repeatedly accused Teheran of attempting to foment the overthrow of the secular regime of Azeri President Ilham Aliyev.

Nor does the recent public rift between Turkey and Iran over Bahrain and Iraq reflect a change in either's policy. It is rather that their long-held positions and attitudes have been made more visible by domestic turmoil in the countries concerned. In early 2012, the full repercussions of the "Arab Spring" still remained unclear. It was also difficult to predict with any certainty the nature and policies of the future governments either of countries in which the previous authoritarian regimes had been overthrown or – as in Syria – where they still retained power. However, there appeared little reason to doubt that Turkey and Iran would remain rivals rather than partners in the Middle East, their policies still determined by a combination of sectarianism, self-interest and competing dreams of regional hegemony.

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<sup>69</sup> Although there have been tensions between Turkey and Azerbaijan during this period these have mainly stemmed from the AKP's own policies, most notably its failure to make the resolution of the Nagorno-Karabakh dispute a precondition for the normalization of its ties with Armenia before launching its attempted rapprochement in 2009.

Despite the rivalry, in early 2012, each country nevertheless had an interest in preserving some form of relationship at other levels; not least because there was a shared awareness that, whatever else might happen, they were going to remain neighbors. Both privately and publicly, AKP officials insisted that they had no desire to have a nuclear-armed Iran on their border. But they nevertheless remained steadfastly opposed to any form of military action if Iran failed to bow to growing international pressure over its uranium enrichment program. In the event of an attack – such as an air strike against targets inside Iran – the AKP seemed certain to deny any request for the use of either its airspace or its bases;<sup>70</sup> a stance on which it had the backing of the overwhelming majority of the Turkish population.

Nor did the AKP appear likely to willingly accede if it came under increased pressure from the West to apply further sanctions against Iran, such as by implementing sanctions imposed by the EU and the U.S. in addition to those contained in UN Security Council Resolution 1929. Calls by U.S. officials in 2010 and 2011 for a clampdown on financial dealings with Iran had already caused considerable resentment in Ankara, where they were widely perceived as an outside power trying to dictate to Turkey how it interacted with one of its neighbors. Many in the AKP regarded with skepticism any suggestion that Iran was trying to develop nuclear weapons, noting that the U.S. had justified its 2003 invasion and occupation of Iraq by claiming that Saddam Hussein had stockpiles of weapons of mass destruction; assertions that later turned out to be false. Even those who had suspicions about the ultimate goal of Iran's nuclear program were reluctant to assist the U.S. in preventing Iran from acquiring nuclear weapons when it ignored Israel's nuclear stockpile – which many in the AKP sincerely believed was a much greater threat to peace and stability in the region than anything Teheran might develop.

The AKP could also argue that, proportionally, it had much more to lose by applying the sanctions drafted by the EU and the U.S. than the countries which had formulated them. Although it only accounted for a relatively small share of total Turkish exports, trade with Iran nevertheless played a considerably more important role in the local economy in areas close to the

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<sup>70</sup> This includes the airbase at Incirlik in southern Turkey which, though used by the U.S. Air Force, remains a Turkish base under Turkish command.

border. Even more critical was Turkey's reliance on energy imports from Iran, which in 2011 supplied around one third of its oil and an estimated one fifth of its natural gas. Although it would be theoretically possible to find alternative suppliers for the oil currently supplied by Iran, the result would almost certainly be a substantial increase in Turkey's oil bill. Consequently, there has been considerable resistance in Ankara to following the U.S. and the EU in imposing an embargo on oil imports from Iran.<sup>71</sup>

On February 24, 2012, when asked whether Turkey would honor the EU embargo, Turkish Energy Minister Taner Yıldız testily replied: "Since Turkey is not an EU member, the EU's decisions are not legally binding for us. Turkey can say the same about the decisions of the U.S."<sup>72</sup>

Even more problematic is natural gas. It is not possible for the AKP to find alternative suppliers for the gas currently being pumped through the Tabriz-Erzurum pipeline, which literally binds Turkey to Iran in a way that simply does not apply to the U.S. or the EU. The Tabriz-Erzurum pipeline will alone ensure that Turkey remains at least partly dependent on Iran for energy. It already serves as a constraint on the AKP's ability to risk antagonizing the government in Teheran. It also severely limits Turkey's room for maneuver – regardless of how much pressure it may come under from the West – in terms of adopting a more confrontational stance towards Iran over its nuclear program.

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<sup>71</sup> The EU decision to suspend oil imports from Iran was taken on January 23, 2012, and is due to come into force by July 1, 2012.

<sup>72</sup> "Iran Sanctions Not Binding For Turkey", PressTV, 24 February 2012.  
<http://presstv.com/detail/228416.html>

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