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## Turkish-Iranian Relations: A Wider Perspective

Serdar Poyraz



## ABSTRACT

Turkey might play a role in reintegrating the Iranian state into the international system. Turkey's initiatives may have a moderating influence on the Iranian state and would, in any case, be a better policy route to choose rather than a direct confrontation. It is a good sign for Iran and Turkey that the volume of trade between the two countries increased from \$1.3 billion in 2002 to \$10 billion in 2008. Iran is also seen as a natural gateway by the Turkish state in order to reach into the markets of Central Asia and Pakistan. These kinds of Turkish political and economic initiatives will not only serve the interests of the Turkish and Iranian states but also have the potential to replace the aggressive military rhetoric of Western countries in dealing with Iran if the ultimate aim is to re-include Iran into the world economy and moderate its behavior. In addition, a more peaceful future for Iraq depends on reintegrating Iran with the rest of the world. Hence, the wiser course of action for western countries is to follow the Turkish example of engagement with Iran using diplomacy rather than issuing military and economic threats.



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# TURKISH-IRANIAN RELATIONS: A WIDER PERSPECTIVE

Serdar Poyraz\*

The nature of Turkish-Iranian relations today, and the future characteristics these relations might take, can only be understood within the broader context of Middle Eastern Politics. The region's politics and Turkey's role in it have become increasingly dynamic and complex since the end of the Cold War.

As Bülent Aras and Hakan Fidan argue, the current Turkish government has adopted a decidedly more active foreign policy than previous Turkish governments.<sup>1</sup> However, the current Turkish government's policies towards Iran reflect significant continuity with the policies of the Turkish governments throughout the 1980s and 1990s. As Daphne McCurdy observes, "Turkey has always viewed Iran, unlike other Middle Eastern countries, as a large and important nation state that *must be managed rather than confronted*."<sup>2</sup> Turkish willingness to "manage" rather than "confront" Iran, as a policy, goes back to Ottoman times, and today, continues to be a *sine qua non* for Turkey's foreign policy vision. However, this general Turkish tendency and preference for diplomacy and management when it comes to Iranian affairs is not enough to help us understand the profound changes that are also taking place in Turkey's foreign policy with regard to the Middle East in general and Iran in particular.

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1. For a good explanation of the general contours of the current broader Turkish geo-political imagination in Eurasia, see Bülent Aras and Hakan Fidan, "Turkey and Eurasia: Frontiers of a New Geographic Imagination," *New Perspectives on Turkey*, No.40, The Special Issue on Turkish Foreign Policy (2009): 195-217.

2. Daphne McCurdy, "Turkish-Iranian Relations: When Opposites Attract," *Turkish Policy Quarterly*, Vol. 7, No. 2 (2008): 88. Italics mine.

Turkey was one of the first governments to recognize the new Islamic government in Tehran, and refused to impose sanctions on Iran in the wake of the Iranian hostage crisis of 1980.

## Change of Strategies in the Middle East: Turkey, Iran and Israel

Talking about Turkish foreign policy in the Middle East between the 1950s and the early 1990s is a bit like talking about the plot of a pretentious art movie: Nothing happened really. Turkey as an integral part of the NATO and the Western alliance was defending the southern flank of the NATO against the threat of Communism projected from the Soviet Union.

The political game at the time was the “peripheral policy” of Israel devised by David Ben-Gurion.<sup>3</sup> According to this peripheral policy, Israel, the main ally of the U.S. in the region, devised alliances with the states that were in the periphery of the Middle East, such as Iran, Turkey, and Ethiopia, against the neighboring Arab states such as Egypt, Syria and Iraq, which were directly or indirectly supported by the Soviet Union. The general contours of the peripheral strategy of Israel remained the same up until early 1990s.

Although the Islamic Revolution in Iran in 1979, in its early overzealous phase, posed an ideological challenge to Turkey as well as to the Arab states in the region and even created a real global impact as a result of the second oil shock, its subsequent effect to the basic nature of the Middle Eastern Politics and Turkish-Iranian relations need not be exaggerated. Turkey was one of the first governments to recognize the new Islamic government in Tehran, and refused to impose sanctions on Iran in the wake of the Iranian hostage crisis of 1980. Also, during the Iran-Iraq war of 1980-1988, Turkey effectively acted as a neutral state and worked with both of these countries by becoming their trade route to the outer world.

This general strategic picture in the Middle East significantly changed as a result of the end of the Cold War and the invasion of Iraq by the US-led coalition forces in 1991 (Operation Desert Storm), following Saddam Hussein’s incursion into Kuwait. In 1995 and 1996, as part of the “dual containment” strategy against Iraq and Iran, the Clinton Administration and the US Congress significantly enlarged the scope of U.S. economic sanctions against Iran.<sup>4</sup> The main target of these sanctions was Iran’s vital energy sector. The negative effects of the U.S. sanctions on Iranian industry, in general, and oil and gas industry and refineries in particular, are especially important for the future course of Turkish-Iranian relations.

3. For the details of the “peripheral policy” of Israel and its repercussions in the Cold War era, see Trita Parsi, *Treach-erous Alliance: The Secret Dealings of Israel, Iran, and the U.S.* (New Haven: Yale University Press, 2007).

4. See, Kenneth Katzman, “Iran: U.S. Concerns and Policy Responses,” *Congressional Research Service*, 7-5700 RL 32048 (CRS Report for Congress Prepared for Members and Committees of Congress), (September 4, 2009): 38.

The deeper strategic changes in Middle Eastern Politics today are reflected by the recent deterioration of the Turkish-Israeli relations and the discussions about the Iranian nuclear program. These are connected to Israel's increasing difficulties in presenting itself as a real strategic asset to the U.S. in the wake of the American invasion of Iraq in 2003. So, it is not surprising that in a recent interview to the *Daily Beast* on September 18, 2009, the former National Security Advisor Zbigniew Brzezinski went so far as to suggest that if the Israeli Jets would fly over American airspace in Iraq to bomb Iranian nuclear facilities without American approval, the Americans should militarily stop them.<sup>5</sup> Although Brzezinski did not speak in the name of the American government, such a suggestion would have been impossible during the Cold-War era.

An overt American or Israeli military action against Iran's nuclear program does not seem likely in the current environment. However, the recent suicide bombings against the commanders of the Iranian Revolutionary Guards Corps (*Sepah-e Pasdaran-e Enqelab-e Eslami*) in the region of Sistan-Baluchistan near the Pakistani border demonstrates that Iran might be vulnerable to asymmetric warfare and ethnic conflict because of its ethnically diverse population.<sup>6</sup> The Fars News Agency, which is controlled by the Revolutionary Guards in Iran, responded to the bombings by eulogizing the martyrdom of Commander Nour Ali Shushtari in its Farsi website.<sup>7</sup> They also published a declaration by the Commander of the Revolutionary Guards Corp Ground Force, Brigadier General Mohammad Pakpour, that the Revolutionary Guards are ready to attack terrorist bases in Pakistan in its English website.<sup>8</sup>

Any Iranian military involvement with the internal affairs of Pakistan would have disastrous implications for the region, triggering possible Sunni-Shi'ite conflicts. In that regard, the Turkish Prime Minister's recent visit to Pakistan and his attempts to create reconciliation between Iran and Pakistan should be seen as constructive diplomatic efforts, which underline the extent of the soft-power of the Turkish state in the region.<sup>9</sup>

5. Interview with Brzezinski by Gerald Posner, "How Obama flubbed his Missile Message," *Daily Beast*, September 18, 2009: "Well, we have to be serious about denying them that right. That means a denial where you aren't just saying it. If they fly over, you go up and confront them. They have the choice of turning back or not. No one wishes for this but it could be a Liberty in reverse. [Israeli jet fighters and torpedo boats attacked the USS Liberty in international waters, off the Sinai Peninsula, during the Six-Day War in 1967. Israel later claimed the ship was the object of friendly fire.]"

6. It is important to note that only a half of the seventy million Iranians are ethnically Persian and speak Farsi as their first language. In regions like Sistan-Baluchistan, the issue is further complicated because Baluchis in addition to being ethnically different than the Persians are also Sunni.

7. "Doa-ye Nour Ali Chahal-o Hasht Saat-e Ejabat shod: ...Sardar-e Shushteri... az Khoda talab-e shahadat karda bud va chahal-o hasht saat-e mandeh...an che ke az khoda mikhast gereft" ("Nour Ali's prayer is accepted in 48 hours," *Fars News Agency*, 21 October 2009, "The Commander Shushteri... requested Martyrdom from God and in 48 hours he received what wanted from God"). Translation from Persian is mine.

8. "Commander: IRGC Waiting for Orders to Attack Terrorist Base In Pakistan," *Fars News Agency*, 20 October, 2009.

9. "Erdoğan, Pakistan-İran Gerilimini Bitirmek İçin Devrede," *Zaman*, October 27, 2009.

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Finally, the American invasion of Iraq paradoxically strengthened the influence of Iran in the Middle East by eliminating a regional rival of Iran. It opened a new theater of influence for Iran in southern Iraq because of the existence of a significant number of Shiite Muslims in the region. However, picturing Iran as a power-hungry, aggressive and destabilizing force in the region, bent on using nuclear weapons, is clearly an inaccurate representation of reality as the following discussion will attempt to demonstrate.

## Iran's Nuclear Program

Although the Iranian Nuclear Program, which was originally created with American aid during the Shah's regime, ceased for a few years after the Islamic Revolution. In 1982, Iran clandestinely reinstated it, according to a CIA report<sup>10</sup> and further developed the program in the 1980s with the help of the Chinese government.<sup>11</sup> In 1995, the Russians became the main partners of Iran's nuclear program when they agreed to complete the nuclear reactor in Bushehr, which had begun to be constructed by a subsidiary of the German firm Siemens in the 1970s. The Bushehr light-water nuclear reactor will be finished in a matter of months. Iran also has begun the design work on its first indigenously produced light-water reactor, which will be built in Darkhovin.<sup>12</sup> In addition, Iran is constructing a heavy-water reactor in Arak (the spent-fuel of heavy-water reactors contain Plutonium which may be used in Nuclear weapons) and has uranium processing facilities in Natanz.

The recent controversy over the Iranian Nuclear Program began in 2002, when an exiled Iranian group related to the *Mujahadeen-e Khalq* organization (a leftist organization against the Iranian regime) named National Council of Resistance of Iran (NCRI) revealed information about the facilities at Natanz and Arak in a press conference.<sup>13</sup> Iran had failed to reveal such information to the IAEA (International Atomic Energy Agency). Prior to NCIR's revelations, IAEA had expressed concern that Iran had been concealing information about its nuclear program, but never found Iran in violation of the safeguards agreement. In response, Iran accepted the existence of these facilities and allowed the IAEA to inspect the sites. In 2004, Iran accepted to suspend enrichment related activities but then resumed the uranium conversion in August 2005 under the directions of President Mahmoud Ahmadinejad. In response to this, IAEA decided to refer the matter to the UN Security Council in February 2006. In June 2006, P5+1 (Five

10. *Middle East-South Asia: Nuclear Handbook*, Central Intelligence Agency, May 1988.

11. On this issue, see John W. Garver, *China and Iran: Ancient Partners in a Post-Imperial World* (Seattle: University of Washington Press, 2006) 139-166.

12. *Mehr News Agency*, October 19, 2008.

13. Paul Kerr, "Iran's Nuclear Program: Status," *Congressional Research Service*, 7-5700 RL 34544 (CRS Report for Congress Prepared for Members and Committees of Congress), (September 18, 2009): 4.

Permanent Members of the U.N. Security Council and Germany) made a proposal to Tehran and urged the Iranians to suspend all enrichment-related and reprocessing activities and sign an additional protocol with the IAEA. However, Iran declared that its nuclear activities are peaceful and maintained that it would not suspend uranium-enrichment activities, which continues to be the Iranian position up to this day.

In 2007, the CIA, published a National Intelligence Estimate on Iran's nuclear capabilities and intentions. The report argued that they "judge with high confidence that in the fall of 2003, Tehran halted its nuclear weapons program... [They] also assess with moderate to high confidence that Tehran at a minimum is keeping open the option to develop nuclear weapons.... [They] continue to assess with moderate to high confidence that Iran does not currently have a nuclear weapon."<sup>14</sup> Moreover they also argued that their *"assessment that Iran halted the program in 2003 primarily in response to international pressure indicates Tehran's decisions are guided by a cost-benefit approach rather than a rush to a weapon irrespective of the political, economic and military costs."*<sup>15</sup>

In light of this National Intelligence Estimate, which has not been changed or revised significantly since 2007, it seems that the best strategy towards Iran and its nuclear program should resemble the Turkish way of "management" rather than the American way of direct "confrontation." It is difficult to understand why such a public outcry was triggered over the new Iranian nuclear site in Qum (which is a uranium enrichment site much smaller than the facility in Natanz) especially because this discovery did not dramatically change the situation with regard to the Iranian nuclear program. Iran is a signatory state to the Nuclear Non-Proliferation Treaty. As a signatory to this treaty, it has legitimate rights to the development of peaceful nuclear energy programs. In early October 2009, after talks in Geneva with the P5+1 countries Iran agreed to open its newly revealed uranium enrichment facility in Qum to international inspections as well as to send its openly declared enriched uranium to Russia to be turned into fuel.<sup>16</sup>

The Turkish position regarding the Iranian nuclear program is that peaceful work on nuclear energy research, which is the right of every state that is a signatory to the Nuclear Non-Proliferation Treaty, should be allowed to progress. Moreover, further economic sanctions against Iran will not serve any purpose other than punishing the ordinary people of Iran and will most probably have close to zero effect on the nuclear program itself.

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14. National Intelligence Estimate, "Iran: Nuclear Intentions and Capabilities," *National Intelligence Council*, (November, 2007): 6.

15. *Ibid.* 7. Italics are mine.

16. Steven Erlanger and Mark Landler, "Iran Agrees to Send Enriched Uranium to Russia," *New York Times*, October 2, 2009.

The current Obama administration in the U.S. differs somewhat in its approach to the Iranian nuclear program from the former Bush administration.

However, at the same time, the existing Iranian sites, or any other new site, should be declared immediately and monitored strictly under the auspices of the IAEA to make sure that the peaceful work on nuclear energy is not diverted to a weapons' program. It is argued that research on nuclear energy has a "Janus-faced" nature (meaning that there is no way of distinguishing between the technology required to produce peaceful nuclear energy from the technology required for nuclear weapons). Hence, even Iran's work on peaceful nuclear energy presents a danger of proliferation. But the same objection can be made towards any state that has the nuclear energy capability today, such as Japan and Sweden, not to mention the non-signatory states to NPT such as India, Pakistan and Israel, which already have nuclear weapons. Depicting Iran, which did not engage in an "aggressive" war for the last two centuries, as an irrational, bloodthirsty state hell-bent on destroying the Middle East with its nuclear weapons is a great distortion of reality.

The current Obama administration in the U.S. differs somewhat in its approach to the Iranian nuclear program from the former Bush administration in that it emphasizes the diplomatic process more and uses the threat of further economic sanctions rather than the military option as a "stick" against Iran. However, I believe that even this approach is less effective than Turkey's emphasis on "strong diplomacy," IAEA inspections and, most importantly, the reintegration of Iran to the world economy as a means of dealing with the Iranian nuclear issue.

As noted above, the American invasion of Iraq in 2003 paradoxically strengthened the strategic position of Iran in the region and significantly increased Iran's ability to engage in asymmetric warfare against the U.S (basically adding southern Iraq to Iran's sphere of influence, which already included southern Lebanon because of Iranian links to Hezbollah). Now, Iran also has the strategic option of creating chaos in Iraq in the case of a probable military aggression against Iran by the U.S or Israel. In these circumstances, reintroducing Iran back into the international system is even more critical because not doing so will most probably result in additional problems in Iraq. A more peaceful future for Iraq depends on reintegrating Iran with the rest of the world. Hence, the wiser course of action for western countries is to follow the Turkish example of engagement with Iran using diplomacy rather than issuing military and economic threats.

Regarding the ultimate aim of the Iranian nuclear program, one may only speculate. Juan Cole recently argued that the Iranian government wants to acquire "nuclear latency," or the technological ability to produce a nuclear weapon without actually producing a



weapon.<sup>17</sup> In the context of regional balance of power, Iran with “nuclear latency” will not be very different from an Iran with nuclear weapons. Such an outcome will certainly increase Iran’s power of deterrence. However, since Iran regularly faces military threats from both the U.S. and Israel and is warned regularly that all the options against Iran are on the table when it comes to its nuclear program, Iran’s decision to work toward nuclear latency does not seem unreasonable from an Iranian perspective.

In addition, there is no obvious difference in thinking about the nuclear program of Iran between the current Iranian government and the Iranian opposition led by Mir Hussein Mousavi.<sup>18</sup> In an interview, Mousavi gave to *Time Magazine*, he said that there were two issues: the peaceful nuclear use, which was Iran’s right under the Nuclear Non-Proliferation Treaty, and possible weaponization. “Personally I view this second part, which is technical and political, as negotiable” and added “[But] we will not accept our country being deprived of the right to [peaceful] nuclear energy.”<sup>19</sup> Moreover, Mousavi forcefully came out against new sanctions against Iran, saying he worried that “deprived people” would pay the highest price: “Sanctions would not affect the government but would impose many hardships upon the people, who suffer enough as a result of the calamity of their rulers.”<sup>20</sup> It would be a false expectation that there would be an internal support coming from the opposition in Iran for any further sanctions imposed on Iran or that there might be a significant difference of opinion between the opposition and the government about Iran’s right to develop peaceful nuclear energy.

Iran has consistently argued that it wants to acquire nuclear energy not for military purposes but solely for peaceful civilian purposes. Iran’s official position on this issue is that it needs nuclear energy to produce electricity for its domestic consumption and to deal with its domestic energy problem. By producing electricity from nuclear reactors, Iranians argue that they hope to preserve their oil for exports instead of using it in electricity generation. Although it may at first sound unlikely that an oil-rich country such as Iran might have an energy problem, as I will demonstrate below, Iran faces serious problems in its energy sector.

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17. Juan Cole, “Does Iran Really Want the Bomb?” *Salon*, October 7, 2009. This is sometimes called the Japanese option, because although the Japanese government does not have any nuclear weapons, it is widely accepted that Japan has the technological ability to produce a weapon in a very short amount of time if it wants one.

18. As a matter of fact, Iran restarted its nuclear program back in the 1980s during the tenure of Mir Hussein Mousavi.

19. Joe Klein and Nahid Siamdoust, “The Man who could beat Ahmedinejad,” *Time*, June 12, 2009.

20. Thomas Erdbrink, “Iranian Opposition Warns Against Stricter Sanctions,” *The Washington Post*, October 1, 2009.

Iran provides nearly one third of Turkey's natural gas, making this country Turkey's second largest supplier of gas after the Russian Federation.

## Turkish-Iranian Relations: Opportunities and Prospects

In an important study published in the *Proceedings of National Academy of Sciences*, Roger Stern convincingly argues that the Iranian petroleum exports will decline effectively to zero by sometime between 2013 and 2017 unless some drastic measures are taken.<sup>21</sup> Since 1980, argues Stern, energy demand growth in Iran exceeded its supply growth, leading to stagnant exports since a 1996 peak. Moreover, the Iranian oil industry (especially the refineries) is in desperate need of foreign investment. Since investment is hard to come by as a result of the continuing U.S. sanctions against Iran, Iranian wells and refineries consistently have higher depletion and leakage rates than the world averages. The problems in the energy sector of Iran are magnified even more by excessive government subsidies, bureaucracy and incompetence. Having noted these deeply rooted problems, Stern writes, "the oil export we project implies that Iran's claim to need nuclear power to preserve exports is genuine. U.S. insistence that Iran's nuclear technology program has no economic purpose has obscured the regime's petroleum crisis, of which the nuclear power need is one symptom."<sup>22</sup>

I argue that the current problems in the Iranian energy sector as well as the problems in Iranian economy at large may be thought of as economic opportunities for Turkey. Since Turkey imports around 90 percent of its energy and the Turkish demand for energy continues to increase, energy-rich Iran, despite its internal problems, is a crucial economic partner for Turkey. As Ahmet Davutoğlu recently argued, "as a growing economy and surrounded by energy resources, Turkey needs Iranian energy as a natural extension of its national interests. Therefore, Turkey's energy agreements with Iran cannot be dependent upon its relationships with other countries."<sup>23</sup>

Today, Iran provides nearly one third of Turkey's natural gas, making this country Turkey's second largest supplier of gas after the Russian Federation. In fact, recognizing the Iranian potential in natural gas, the Turkish government actively tried to include Iran in one of its most important energy schemes, namely the Nabucco project. In 2007, Turkey and Iran signed a Memorandum of Understanding for the construction of a new pipeline between Iran and Turkey as part of the Nabucco scheme. This Memorandum also gave responsibility to Turkish State Petroleum Corporation (TPAO) to develop Iran's South Pars gas field in the Persian Gulf. Although this pipeline project did not find international financing, TPAO announced in October 2007 that it would fund the

21. Roger Stern, "Iranian Petroleum Crisis and United States National Security," *PNAS*, Vol. 104, No.1 (2007): 377-382.

22. *Ibid.* 381.

23. Ahmet Davutoğlu, "Turkey's Foreign Policy Vision: An Assessment of 2007," *Insight Turkey*, Vol. 10, No.1 (2008): p.91.

project itself.<sup>24</sup> The biggest political obstacle to the development of such cooperative projects between Turkey and Iran seems to be the current U.S. economic embargo against Iran.

Connecting Iranian gas to the Nabucco scheme is crucial for Turkey's interests in the region and for the realization of Turkey's aim to be an energy hub in the region. As the recently signed agreement between the Turkish and Swiss governments about the future transportation of Iranian natural gas to Switzerland via Turkey demonstrates, good Turkish-Iranian relations will have an obvious positive effect on the energy security of Europe as well.<sup>25</sup> Although the current U.S embargo against Iran prohibits any investment in the Iranian energy sector worth more than \$20 million, it is also in the best interest of Turkey to directly invest in the Iranian energy sector within Iran. By investing in Iran and transferring technical expertise to Iran, Turkey might play a role in reintegrating the Iranian state into the world economy. This could possibly have a moderating influence on the Iranian state and would, in any case, be a better policy route to choose rather than a direct confrontation.

The Turkish state could profitably invest in the Iranian refineries, which, largely because of the U.S. embargo, are in need of technological update. Furthermore, other states, such as China, have already shown interest in investing in Iranian energy. According to the Fars News Agency, Iranian First Vice-President Mohammad-Reza Rahimi said on October 22 that Iranian and Chinese officials have reached on a number of agreements on Beijing's investments in Iran's energy sector: "The first vice-president said Iran welcomed China's involvement in its development projects as Tehran is a major supplier of Beijing's fuel and energy demands. Rahimi was also quoted by the Islamic republic news agency as saying that during their latest meeting in China, Iranian and Chinese officials reached some agreements on China's investments in Iran's oil and energy sectors up to 20 billion dollars."<sup>26</sup> The Turkish state has the technological know-how and ability to profitably invest in Iran's energy sector and should not miss such opportunities.

The possibilities for Turkish-Iranian economic cooperation are not limited to the energy sector. In a recent meeting with the Turkish Minister for Trade and Industry, Zafer Çağlayan, Iranian Ambassador, Bahman Hosseinpour, said that Iran offers to expand transportation cooperation and establish joint industrial townships on the border between the two countries.<sup>27</sup> Iran and Turkey plan to double the annual trade

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24. William Hale, "Turkey, Iran, and the U.S.," paper for *Control Risks* (2007): 4-5, quoted in McCurdy, 90.

25. "Türkiye İsviçre arasında Doğal Gaz Geçiş Anlaşması İmzalandı," *Milliyet*, November 5, 2009.

26. "Iranian 1st VP: China to Invest in Iran's Energy Sector," *Fars News Agency*, October 22, 2009.

27. *Ettelaat*, October 19, 2009.

Although the recent nuclear negotiations took place in Geneva, and not in Turkey, Turkey's positive role in the process leading to talks in Geneva should be mentioned here.

volume between the two countries from \$10 billion in 2008 over a five-year period. The two sides plan to sign a free-trade agreement, create a joint economic zone, and upgrade the Lake Van Northern Passage Project to an electrified railway in a bid to boost business transactions. Tehran and Ankara also aim to remove all limits and fees for overland transportation.

In fact, investing in sectors other than oil and energy may be doubly important from the Turkish point of view because currently there is a major trade imbalance between the two countries with most of the \$10 billion trade between the two countries consisting of Turkish energy imports from Iran. This issue of trade imbalance needs to be addressed and the amount of Turkish industrial exports to Iran should be increased by bilateral agreements. Unfortunately, most of the problems in this area stem from Iran's closed economy and high-tariffs on consumers' goods as well as prolonged delays at customs gates. When a large Iranian group, consisting of more than 200 businessmen and bureaucrats, visited Turkey in October 2009, the chairman of the Turkish-Iranian Business Council, Ali Osman Ulusoy, specifically mentioned the problems the Turkish businessmen face in Iranian customs as the most important reason for why the amount of business and trade between Iran and Turkey does not increase fast enough.<sup>28</sup> These problems concerning customs regulations need to be addressed. The other major obstacle to the increase of trade between Iran and Turkey is the abysmal condition of Iranian railways. The railways should be updated and modernized in order to provide the necessary infrastructure for trade.

Most of these issues and possible areas of cooperation between Turkey and Iran were mentioned during Turkey's Foreign Minister Ahmed Davutoğlu's recent visit to Iran on September 12-13, 2009. Following his meeting with Iranian Foreign Minister Manoucher Mottaki, Davutoğlu noted that the two countries shared deep-rooted historical ties and "outlined many areas where they explored boosting bilateral relations, ranging from economic cooperation to security. Referring to this multi-dimensional partnership, Mottaki described Turkish-Iranian relations as "strategic."<sup>29</sup> During this visit, Davutoğlu also reiterated Turkey's position that the resolution of the nuclear problem should be based on mutual respect. He also conveyed to the Secretary of Iran's Supreme National Security Council and Iran's chief nuclear negotiator, Saeed Jalili, that Turkey is ready to host negotiations between Iran and Western countries. Although the recent nuclear negotiations took place in Geneva, and not in Turkey, Turkey's positive role in the process leading to talks in Geneva should be mentioned here.

28. "İran köprüyü kurdu TL'yle ticareti seçti," *Yeni Şafak*, October 6, 2009.

29. "Davutoglu's Recent Visit to Iran Highlights Ankara's Regional Diplomacy," *Eurasia Daily Monitor*, Volume 6, Issue 167, September 14 2009.

It is a good sign for Iran and Turkey that the volume of trade between the two countries increased from \$1.3 billion in 2002 to \$10 billion in 2008. Unfortunately, most of this increase comes from rising Iranian gas sales to Turkey. For healthier economic relations between the two countries to be established, trade should be diversified and increased in volume.

Strengthening the Turkish-Iranian relations in all areas was the main agenda of the Turkish Prime Minister Recep Tayyip Erdoğan's recent visit to Iran, which created a window of opportunity for both countries to further develop the areas of cooperation. "The two countries are seriously determined to expand their bilateral relations in all fields," Iran's first vice president, Mohammad Reza Rahimi, told a joint news conference with visiting Turkish Prime Minister Tayyip Erdogan.<sup>30</sup> Rahimi added that the two sides reached a series of agreements, including building two power plants, setting up a free industrial zone on both sides of the border, and opening branches of Iranian and Turkish banks in both countries. Although Rahimi did not get into further details, he mentioned that there were also agreements covering Iranian gas exports to Europe via Turkey and on Turkish investments in Iran's South Pars gas field and in the Caspian Sea.

Iran, with its internal market of nearly seventy million people, presents lucrative opportunities for the Turkish state and entrepreneurs inside Iran. Iran may also be seen as a natural stepping-stone by the Turkish state in order to reach into the markets of Central Asia and Pakistan. These kinds of Turkish economic initiatives will not only serve the interests of the Turkish and Iranian states but also have the potential to replace the aggressive military rhetoric of Western countries in dealing with Iran if the ultimate aim is to re-include Iran into the world economy and moderate its behavior.

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## Policy Recommendations

1. The Turkish approach of diplomatic engagement and free trade with Iran should be promoted instead of the American way of tough talk and military threats, which have not produced any tangible results since 1979.
2. Accordingly, all custom restrictions between Turkey and Iran should gradually be lifted, creating a customs union between the two countries. Turkey's interests lie in peace and stability in the region, which would enormously benefit the advanced industrial sector in Turkey.

30. "Iran and Turkey aim for \$20 billion trade by 2011," *Reuters*, October 28, 2009.

3. The Iranian government should be encouraged to take concrete steps to reduce the delays and other problems before trade between the two countries. Problems ranging from delays in customs, the shortcomings of the railway infrastructure, the bureaucratic procedures causing Turkish investment in Iran burdensome should be addressed.
4. Turkey should oppose, in all diplomatic settings, the adoption of any military solution to the Iranian nuclear program. This program should be controlled and monitored, not militarily attacked. Turkey, as the rising industrial and merchant powerhouse in the region would be adversely effected by the disruption of peace and prosperity in the region. Turkish interests lie in a peaceful and prospering Middle East, not in a politically charged environment ready to burst into military conflicts.
5. In the short run, the Obama administration's emphasis on diplomacy on the Iranian nuclear issue should be fully supported. In the medium run, strategies should be devised to convince the U.S. government to reintegrate Iran into the world economy. The emphasis during this process should be on *economic liberalization* and openness, rather than an immediate regime change in Iran.
6. Iran should ultimately be connected to the Nabucco project. This will not only secure enough gas for the planned pipeline and guarantee the role of the Turkish state as the "energy hub" of the region, but also have a moderating effect on the harsh political rhetoric of the Iranian state by reconnecting it to the world economy. Isolating the Iranian state did not solve the Iranian problem for the West; its integration into the world economy might solve this problem.
7. Turkey should find ways of investing in the ailing petroleum refineries of Iran and should convince the Iranian state to ease its overly bureaucratic structure and help Turkish investors in Iran. The trade imbalance between the two countries should be addressed and the Iranian state should ease its restrictions on exports and customs procedures.



Turkey might play a role in reintegrating the Iranian state into the international system. Turkey's initiatives may have a moderating influence on the Iranian state and would, in any case, be a better policy route to choose rather than a direct confrontation. It is a good sign for Iran and Turkey that the volume of trade between the two countries increased from \$1.3 billion in 2002 to \$10 billion in 2008. Iran is also seen as a natural gateway by the Turkish state in order to reach into the markets of Central Asia and Pakistan. These kinds of Turkish political and economic initiatives will not only serve the interests of the Turkish and Iranian states but also have the potential to replace the aggressive military rhetoric of Western countries in dealing with Iran if the ultimate aim is to re-include Iran into the world economy and moderate its behavior. In addition, a more peaceful future for Iraq depends on reintegrating Iran with the rest of the world. Hence, the wiser course of action for western countries is to follow the Turkish example of engagement with Iran using diplomacy rather than issuing military and economic threats.

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