



T. C.

YEDİTEPE ÜNİVERSİTESİ

SOSYAL BİLİMLER ENSTİTÜSÜ

Tez konusu

THE ROLE OF ENERGY IN IRAN-TURKEY RELATIONS

İRAN-TÜRKİYE İLİŞKİLERİNDE ENERJİ RÖLÜ

Hazırlayan

Omid SHOKRI KALEHSAR

Sosyal Bilimler Enstitüsüne teslim edilmiştir

Siyaset Bilimi ve Uluslararası İlişkiler Bölümü Yüksek Lisans Tezi

İstanbul, 2013

T.C.
YEDİTEPE UNIVERSITY
INSTITUTE OF SOCIAL SCIENCES


THE ROLE OF ENERGY IN IRAN-TURKEY RELATIONS

by

Omid SHOKRI KALEHSAR

Approved by:

Assist. Prof.Dr.Emrullah Uslu
(Supervisor)



Assoc. Prof.Dr. Maya Arakon



Assist. Prof.Dr. Gizem Aliođlu akmak



Date of Approval by the Administrative Council of the Institute 23.12.2013

Content.....	Pages
LIST OF ABBRIVATIONS.....	VI
ABSTRACT.....	VII
ÖZET.....	IX
ACKNOWLEDGEMENT.....	X
1. INTRODCUTION.....	1
1.1. Thesis Statement.....	1
1.2. Research Question.....	3
1.3. Methodology.....	3
1.3.1. Sources of Data.....	4
1.3.2. Limitations and Field Challenges.....	4
1.3.3. Chapter Organization.....	5
1.4. Theoretical Framework.....	6
2. LITRATURE REVIEW AND HISTORICAL BACKGROUND.....	8
2.1. Literature Review.....	8
2.2. Historical Relations between Iran and Turkey since 1600s.....	17
2.2.1. Safavid-Ottoman Relations.....	17
2.2.2. Iran-Turkey Relations under Shah Era.....	18
2.2.3. Iran Islamic Revolutions and Bilateral Relations.....	20

2.2.4. Iran-Turkey Relations 1997-2002.....	24
3. TURKEY’S FORIENG POLICY.....	29
3.1. Turkey’s New Foreign Policy.....	29
3.1.1. Davudođlu’s Role in Turkish New Foreign Policy.....	29
3.2. Iran-Turkey Relations under AKP Administrations 2002 to the Present.....	30
3.2.1. The Arab Spring and the End of the Honeymoon Period.....	33
3.3. Economic Relations under AKP.....	35
3.3. 1.Turkey’s Economic Problems with Iran under AKP.....	37
4. TURKEY’S ENERGY POLICY.....	42
4.1. Turkey’s Energy Profile.....	42
4.2. Turkey’s Energy Strategy.....	43
4.3. The actors and reserves in Turkey.....	49
4.4. International Pipeline Projects.....	50
4.5. Main Problems in Turkey’s Energy Sector.....	55
4.5.1. Increase in dependency on Russia.....	57
4.5.2. Take or Pay Problem.....	59
4.5.3. TPAO Privatization.....	60
5. IRAN ENERGY POLICY.....	63
5.1. Iran’s Regional Policy.....	63

5.2. Iran Energy Strategy.....	65
5.3. Iran Energy Profile.....	69
5.3.1. Energy Sector in Iran Fifth Five Year Development Plan	75
5.4. Iran’s Natural Gas Plans.....	76
5.4.1. Natural Gas Sector.....	77
5.4.2. South Pars Fields.....	79
5.4.3. Actors and Resources.....	80
5.4. 4. Iran Energy Projects.....	83
5.5. Main problems in Iran Energy Policy.....	84
5.5.1. US Sanction against Iran and Turkey.....	85
5.5.2..Sanctions on Natural Gas Sector.....	86
5.6. Iran’s New Energy Policy under the Rouhani Administration.....	87
6. IRAN – TURKEY ENERGY RELATION.....	89
6.1. Iran-Turkey Energy Relations	89
6.2. Energy agreements.....	90
6.2.1. 2007 Memoriam of Understanding (MOU).....	91
6.2.1.1. US reaction to 2007 MOU.....	92
6.2.2.2. 2008 MOU.....	92
6.3. Iran’s Role in Turkey Energy Policy.....	94
6.4. Iran-Turkey Natural Gas Cooperation.....	96

7. IRAN NUCLEAR PROGRAM.....	99
7.1. Brief History of Iran Nuclear Program.....	99
7.2. Iran Nuclear Crisis.....	100
7.3. Turkey and Iran Nuclear Program	101
7.4. The Outlook for Turkey’s Mediation Role.....	101
8. CONCLUSIONS.....	107
APPENDIXES.....	114
APPENDIXES 1: Baku-Tbilisi-Ceyhan Pipeline.....	114
APPENDIXES 3: Trans Anatolia Natural Gas Pipeline (TANAP)	115
APPENDIXES 4: International Gas Pipeline Projects.....	116
APPENDIXES 5: Iran-Pakistan Gas Pipeline.....	117
BIBLIOGRAPHY.....	118

LIST OF ABBREVIATIONS

AKP =Justice and Development Party

ANAP= Motherlands Party

BOTAS= Petroleum Pipeline Corporation

BTC= Baku-Tibilisi-Ceyhan pipeline project

BTR=Baku-Tiblisi- Erzurum pipeline project

CENTO= Central Treaty Organization

CHP= Republican People’s Party

D-8= Developing Eight

MENR= Ministry of Energy and Natural Resources

ECO= Economic Cooperation Organization

EIA= U.S. Energy Information Administration

IAEA= International Atomic Energy Agency

LNG= Liquefied Natural Gas

MFA= Ministry of Foreign Affairs

MoU= Memoriam of Understanding

NPT= Non-proliferation Treaty

ORSAM= Middle East Strategic Research Organization

RP = Welfare Party

PJAK= Party for Free Life in Kurdistan

PKK= Kurdistan Workers Party

PUK=Patriotic Union of Kurdistan, led by Talabani Family

SETAV= Foundation for Political, Economic and Social Research

TANAP: Trans Anatolia Natural Gas Pipeline

TAF/TSK=Turkish Armed Forces

TAV= Tepe Akfen Construction

TNSC= Turkish National Security Council

TPAO=Turkish Petroleum Corporation

TUIK= Turkish Institute of Statistics

TUPRAS= Turkish Petroleum Refineries Corporation

TURKSAM= International Relations and Strategic Research Center

USAK= International Strategic Research Center

ABSTRACT

This study investigates the fundamental reasons for the Iranian-Turkish energy rapprochement from 1996, when the first gas agreement was signed between Iran and Turkey, until the AKP administrations, and represents an attempt to find out whether the ongoing reconciliation indicates Turkey's rearrangement rationalization in the international system. It applies a strict qualitative analysis to considering the perceptions of the decision makers throughout the intergovernmental partnership process with Iran on major energy policies: energy security, economic relations and Iran's nuclear program. It counterbalances the main arguments of foreign policy and energy analysis. The required data has been collected through a considerable elite/analyst and content analysis of the Turkish, Iranian, and international media.

The findings of this study reveal that the Iranian and Turkish governments need each other in the energy field. Iran needs Turkey to export and transit its oil and natural gas into the European market. Turkey, in turn, requires Iran to diversify its energy resources. Turkey's energy demand is increasing rapidly due to the fast onset of industrialization in some parts of Turkey, and Turkey has to supply its demands via a reliable resource. By 2007 and 2008, Iran and Turkey signed two memoranda of understanding to export Iran's gas to European market while supplying Turkey's natural gas demands, but due to technical and financial problems, especially US sanctions on Iran's energy sector, those MOUs were not realized.

The investigations indicated that bilateral economic relations under the AKP administrations rapidly increased; although hydrocarbon resources contain about 75% of bilateral relations, both countries have more potential but for several reasons cannot utilize it. Turkey is trying to change the volume of trade in its favor. But due to the economic and political situation in Iran, it has not been able to succeed. The Erdoğan administration supports Iran's nuclear program because Turkey's foreign policy makers believe that Iran is looking to use nuclear energy peacefully and for generating electricity, whilst simultaneously wishing not to see any country in the region develop nuclear weapons. There is also strong reason to believe that Turkey is eagerly surveying the international community's response vis-à-vis Iran's nuclear program due to a desire for a Turkish nuclear program in the future. In loving memory of my parents.

ÖZET

Bu çalışma, İran – Türkiye enerji işbirliği temel nedenleri ,1996 yılından AKP dönemine kadar , kapsamaktadır. İran ve Türkiye arasında ilk gaz anlaşması 1996 yılında ve Erbakan döneminde imzalanmıştır. Bu anlaşma hala devam etmektedir. AKP döneminde Türkiye yeni bir siyaset uygulayarak uluslararası sistemde daha etkin olmak istemiştir.İran – Türkiye enerji işbirliğinin önemi ve bu işbirliğinin kapsamının genişletilmesinin avantaj ve dezavantajlarına geçmeden önce, bu işbirliğinin ne zaman başladığı ve ivme kazandığını hatırlamamıza yardımcı olacak olan yakın geçmişi gözden geçirmemizde fayda vardır.

Türkiye'nin enerjiye olan ihtiyacı ve İran'ın dünyanın ikinci büyük doğalgaz rezervlerine sahip olması ister istemez bu karşılıklı işbirliği durumuna zemin hazırlamıştır. Daha ziyade doğalgaz alım ve satımı olarak tanımlayabileceğimiz bu işbirliği çerçevesinin genişletilmesi için yürütülen çalışmaların neticelendirilmesi her iki taraf için de önemli kazanımları beraberinde getirecektir. Ancak, gerek İran nükleer krizi gerekse ABD'nin İran'a yönelik tutum ve politikaları, NATO üyesi ve ABD müttefiki Türkiye'yi zaman zaman bu hususta alacağı kararlarda ikilemde veya zor durumda bırakmaktadır. İki tarafı da karşısına almak istemeyen, aynı zamanda kendi ulusal çıkarlarını korumak isteyen Türkiye'yi hassas diplomatik manevralar yapmaya yöneltmiştir.

Türkiye ve İran'ın bu alandaki işbirliği bölgesel konulardaki diğer işbirliği alanlarını da etkileyebilme potansiyeline sahiptir. Diğer taraftan Türkiye ve İran arasındaki bu etkileşim İran'daki reform sürecini de etkileyebilir ki bu da ABD'nin çıkarlarına hizmet edecek bir ihtimal gibi görünmektedir. Kısacası başarılı bir diplomasi izlenmesi halinde Türkiye ve İran'ın bu işbirliğinden elde edeceği kazanımların önemli olduğunu söylemek yanlış olmayacaktır. Hem ekonomik hem siyasi olarak kazanımlar elde edecek olan Türkiye'nin Avrupa Birliği ve bölge ülkeleri nezdindeki konumu da güçlenecektir. Öte yandan Batı ve İran arasındaki yakınlaşma çabalarında bu anlaşma kilit bir rol oynama potansiyeline sahiptir.

ACKNOWLEDGEMENTS

This thesis is not a product of the author alone. It received intellectual, moral and financial support from many people. First and foremost, my deepest appreciation goes to my thesis supervisor Assist Prof. Emrullah Uslu for his continuous support, comments and feedback within a tight schedule. I owe particular gratitude to Prof. Evan Siegel, who relentlessly dedicated his time for detailed editing of my writings. I would like to express my great appreciation to Assist Prof. Gizem Aliođlu akmak for her graciousness and intellectual guidance, not only through the thesis but also through my graduate education. Her ideas and comments have been quite instrumental in shaping my research project. I would like to thank to Prof, Mesut Hakki Cařın from whom I learned a lot during my studies. I owe special thanks to Assist Prof řakir Dinahin, for him valuable support and guidance during entire studies. I would like to thank Assoc, Prof Maya Arakon for reading and allocation her time. I would like to acknowledge the generous support by Department of Political Science and International Relations of Yeditepe University. I am grateful to Dr.Tuncay Babali Turkey ambassador in Canada, who supplied priceless words of encouragement.

I would like to express my deep appreciation to Prof. Ilyas Dođan, Dr. Barıř Dalan and Dr.Burak Dalan, whose generous scholarship allowed me to pursue graduate education in a highly respected university in Turkey. I will be truly dedicated to their services during the rest of my life. I would also like to express my gratitude to my institutional directors, who gave the permission for and support to my graduate education. I owe special thanks to Dr.Masoud Imani Kalehsar, for his comments and patience and his guidance in choosing a research topic. I wish to also express my gratitude to Assoc Prof řaban Kardař, Assoc Prof Houman Sadri, Dr.Bulent Keneř, Assist, Prof Bayram Sinkaya, Assist, Prof Deniz Tansi, Assist, Prof Mehdi Solhi Dr. Cavid Veliev, Mr. Necdet Pamir, Mr. Gareth Jenkinz, Mr. Kenan Dođan, and Mr.Arif Keskin, Mr.Dalga Khatinoglu, all helped in more ways that they can imagine.

This thesis would not have been viable without their penetrating insights and intellectual feedback on a highly sophisticated array of factors that affected energy policy making in Iran and Turkey. Lastly, I am eternally grateful to my brothers and sisters for instilling the values of intellectual pursuit and for my early training in intellectual debate. Thanks to all my friends for their understanding and support throughout.

CHAPTER I: INTRODUCTION

1.1.Thesis Statement

Iran and Turkey are neighbors with 310-miles of border. The majority of their populations belongs to two different sects of Islam, - Shiism and Sunnism -and are governed by two different principles: theocracy and secularism. Although the historical relations between Turkey and Iran, or the Ottoman Empire and Safavid Empire, were far from cosy, modern Turkey and Iran have, generally speaking since their foundation as modern states, had good relations. However, recently, during the early stages of the Iranian revolution, Iran left the the Regional Co-operation for Development (RCD), whose member states included Pakistan, Iran and Turkey. By 1985, when relations between Iran and Turkey and Iran and Pakistan were stable, all parties decided to renew the RDC agreement under the ECO organization. However, by this time, in line withIran's post-revolution foreign policy shift, the country was too concerned about Turkey's relationship with US and Israel.

During the 1980s and 1990s, some important developments occurred in the Middle East which changed the political set-up of the region, such as the Iranian revolution and that country's policy of exporting revolution, the bellicose nature of the relationship between Iran and Israel, and PKK terrorist attacks in Turkey and its relations with Iran. All these events affected Iranian-Turkish relations dramatically. By the time the AKP (Justice and Development Party) came to power in Turkey, the political conditions had changed in the Middle East. The reformists in Iran came to power after September 11, 2001 (9/11) whilst the American-led occupations of Iraq and Afghanistan took place. This changed the situation towards Arab World and Iran. Arab countries begin to recognize Iran as their first enemy and tried to create a balance by improving their relations with Turkey. After the 9/11 attacks, Iran gave more importance to its relations with Turkey and tried to develop bilateral relations because it feared an American or Israeli attack.¹

Shifts in Turkey's foreign policy began in the late 1990s and, significantly in first place, by the 1998 Turkey signing of the Adana Agreement with Syria with the aim of improvement bilateral relations between those countries. Shifts in bilateral relations with Iran started with Iran's

¹ Author's interview with Arif Keskin, on May ,8 2013, Ankara, Arif Keskin is prominent expert and analyst in Iran and Middle East issues and advisor in Ankara based Center for Middle Eastern Startegic Studies (ORSAM).

revolutions and it is clear that such shifts under the AKP deepened and accelerated. Since 2002 and after the AKP came to power, Turkish foreign policy changed from security oriented to cooperative and economic relations under the simple principle of no problems with neighbors and maximizing benefits from bilateral relations.² Turkey began to develop relations with its neighbors, shifting Turkish foreign policy; a process begun before the AKP and that was completed under it. Turkey tried to improve relations with Iran and Syria. Turkey under the AKP tried to use its geopolitical position to gain more economic advantages; Turkey is eager to be at the energy crossroads between the Caspian Basin and the European market. Moreover, it intended to be the second energy terminal like Amsterdam³. Turkey's rapid increase in energy consumption and dependency on foreign resources is another reason for Turkey to stay closer to Iran and develop its relations with its neighbor, especially during the AKP administration. Turkey has many times underlined its opposition to US sanctions against Iran. Turkey's foreign policy makers believed that sanctions against Iran are not effective and both sides should try to use diplomatic channels to resolve the dispute over Iran's nuclear program.⁴

It is a fact that American sanctions against Iran's energy sector reduce Iran's oil and gas production capacity.⁵ However, Turkey is deeply dependent on foreign resources in the energy field, so much so that on 4 July 1978 Turkey signed an agreement with Iran for it to supply one million tons of oil⁶. By 2010, Iran became Turkey's largest oil supplier and in that time Turkey imported about 43.13% of its oil demands from Iran such amount was up from 22.75% in 2009.⁷ Due to such dependency, Turkey is strongly against US sanctions. It is clear that Iran plays a key

² Ahmet Davudođlu, "Turkey's Foreign Policy Vision: An Assessment of 2007", *Insight Turkey*, Vol. 10 /, No. 1, 2008, pp. 77-96, <http://arsiv.setav.org/ups/dosya/9595.pdf> (accessed on 25 June 2012)

³ Strategic Plan of Ministry of Energy and Natural Recourse of the Republic of Turkey (2010-2014), http://www.enerji.gov.tr/yayinlar_raporlar_EN/ETKB_2010_2014_Stratejik_Planı_EN.pdf, (accessed on 30, April 2013)

⁴ Behsat Ekici, "Is Turkey Realigning? Three Dimensional Investigation of Turkish-Iranian Security Rapprochement", PhD Thesis, University of Pittsburgh, 2010, p.164

⁵ Dalga Khatinoglu, "Iran's oil output, 2.7 or 4.2 mbpd?", <http://en.trend.az/regions/iran/2150126.html> (accessed on 15 May 2013)

⁶ Elliot Hentov, "Asymmetry of Interest, Turkish-Iranian Relations since 1979", Lap Lambert Academic Publishing, Germany, 2012, P.40

⁷ Gareth Jenkins, "Occasional Allies, Enduring Rivals: Turkey's Relations with Iran", *Silk Road Papers*, the Central Asia-Caucasus Institute and the Silk Road Studies Program, May 2012, <http://www.silkroadstudies.org/new/docs/silkroadpapers/1205Jenkins.pdf>, (accessed on 20 December 2012)

role in Turkey's energy diversifications. By 2012, Turkey imported about 40% of its oil and 18% of its natural gas supplies from Iran.⁸

Turkey imported oil from Russia and Iraq, but oil imports from Iraq were often hindered by terrorist attacks with oil flow being often cut off. These countries had been main energy providers to Turkey in the past. Turkey's greater dependency on Russian energy resources reached 60% in the early 2000s.⁹ Çağrı Kurşat Yuce argued that Turkish foreign policy decision makers are committed to diversifying energy resources suppliers with the aim of reduce dependency on both of these big suppliers. He also noted that the current energy reconciliation is a balancing strategy besides Russia's monopolistic control on regional pipeline networks.¹⁰ Turkey's rapprochement with Iran raised noticeable interest between the energy and foreign policy analysts in Turkey, the Middle East and US. Some studies show the historical evolutions of Turkey-Iran relations in an expressive manner but often fail to shed light on both the internal and external pressures wrought upon the policy-making process. This study aims to address this gap in the literature between examining the fundamental reasons for the architectonic shift in Turkey foreign policy, and energy cooperation with Iran. The principal importance of this study derives from its dependency on a considerable amount of field research, including elite/analyst interviews and content analysis. Semi-structured interviews with the energy and foreign policy elites and experts have been planned to explore the awareness and motivations of policy makers. The interviewees have been chosen from a wide arrangement of analysts. This research provides more in terms of our understanding of different institutional and individual attitudes on rapprochement with Iran in economy and especially in energy cooperation.

1.2. Research Question:

The core research question of this study is, "What is the role of energy in Iran-Turkey Relations?" There are number of subordinate questions:

⁸ EPDK, Republic of Turkey, Energy Market Regulatory Authority

⁹ Behzat Ekici." Is Turkey Realigning? A Three Dimensional Investigation of Turkish-Iranian Security Rapprochement". PhD Thesis. university of pittsburgh,2010, pp 8-9

¹⁰ Çağrı Kurşat Yuce," Kafkasya ve Orta Asya Enerji Kaynakları Üzerinde Mucadele ", Otuken,Istanbul, 2006,pp.52

- What is Iran's role in Turkey's energy policy?
- Why does Turkey not support US sanction against Iran?
- Why did Turkey want to play a more active role in Iran's nuclear program?
- What are the main reasons for developing bilateral relations during the AKP era?
- What is the role of energy in Turkey's foreign policy?

1.3. Methodology

This study utilizes qualitative case study and procedures tracing as the main research methods to examine for basic reasons of Iranian-Turkish economic relation in general and energy cooperation in specific from Erbakan era 1996 until the Erdoğan administrations.

1.3.1. Sources of data

All through the research procedures, I considered three major sources of data. The first source has been oral and written interviews with 10 experts/political observes. I traveled to Ankara and interviewed with some experts, including diplomats who study Turkey's energy portfolio, Middle East and Iran experts, political advisors, journalists, and energy analysts. The second sources of data were qualitative content analyses of documents in Iranian, Turkish, US think tank reports and web sites such as the Central Asia-Caucasus Institute & Silk Road Studies Program. The third sources of data are the official reports of government agencies and international energy associations such as the Ministry of Petroleum of Iran, Turkish Ministry of Energy and Natural Sources, Turkish Ministry of Foreign Affairs, the Petroleum Pipeline Corporation (BOTAS), Turkish Institute for Statics (TUIK), History of the Month (Ayın Tarihi) the U.S. Energy Information Administration, Independent Static & Analysis (EIA), the Oxford Institute of Energy Studies.

1.3.2. Limitations and field methods challenges

I encountered two major field challenges during this investigation. The first challenge came in the review of literature. In the literature review, there existed many research projects about historical relations between Iran and Turkey, ideological confrontations and bilateral economic

relations, but research related to energy relations was limited. I found less than ten articles related to Iran-Turkey energy relations, there was no book directly related to Iran and Turkey energy relations. The second challenge was statistics regarding price and conditions of selling or buying of natural gas and oil: contracts were not made public.

1.3.3. Chapter Organization

This study is comprised of eight chapters. Chapter 1 presents the broad introduction to the book. It poses the book statement, background of the problem, the research question, purpose and importance of the study, and the roadmap of the research procedure. Methodology is the second part. It shows how data was collected, coded, analyzed and interpreted. The third part is on the theoretical framework of this study. Realism and neoliberalism are used for describing the dominant theories that in Iran-Turkey relations is used. Chapter two presents a review of the literature on Iran-Turkey relations from the 16th century up until 2012. The Second part concerns the historical relations between Iran and Turkey both countries and reveals the main events which happened and affected their bilateral relations. Chapter three represents an in-depth look at Iranian-Turkish economic relations under the AKP and their problems in bilateral economic relations. Chapter four explains Turkey's energy policy in terms of factors and reserves within Turkey, their weaknesses, and the problems of Turkey's energy policy and Turkish energy projects.

Chapter five of this study lays out Iran regional policy, Iran energy strategy, main problems in Iran energy sector, US sanctions on Iran energy sector, the actors and resources in Iran energy sector, New Iran energy policy under the Rouhani Administrations, and Iran energy sector projects. Chapter six investigates Iran-Turkey cooperative efforts in the field of energy and Iran's role in Turkey's energy policy. Chapter seven investigates Iran's nuclear program, outlining a brief history of the program, Turkey's policy towards to Iran throughout the negotiations and Turkey's success in its mediation role. Chapter eight presents the conclusions of this research project. It contrasts and compares findings from the field research. It shows the final synthesis about the descriptive power of each internal and external factor dominating the Iranian-Turkish energy partnership in the compound geopolitical setting. It also provides

suggestions for additional research projects that are affected to investigate Turkey-Iran relations from an energy point of view.

1.4. Theoretical framework

According to the Realist theory, international affairs are dominated by the struggle for power by self-interested states. Realism observes the international arena as the scene of conflict and war where obtaining peace is to be looked upon with pessimism. Generally, one can say that according to the realists (especially the modern realists/neo-realists), the main unit of political analysis is the state, whose main instruments are economic and, especially, military power. Self-interested states are constantly competing for power or security. Despite Realism's great success and fame for analyzing and explaining international politics, it does not account for international change.

For the most renowned realist, Morgenthau, man's desire for power is at the core of all politics. According to him, one of the essential dimensions of the human being is man's striving for power, which in turn makes him asocial, because an individual wants everything for himself first and nothing for others. In fact, realism offers a peculiar moral and ethical dimension that seeks to instrumentalize power in order to attain morally good results. At first glance, realism seems to apply as a lens through which to view the "anarchic" Middle East structure and the increased demand for individual states to take up power politics in a competitive system.¹¹ On the other hand, according to the Liberal school of international relations, economic motivations are as significant as concerns for security. "Interdependence is conditions characterized by reciprocal effects among countries or among actors in different countries ... Complex interdependence is a situation among number of countries in which multiple channels of contact connect societies, there is no hierarchy of issues, and military force is not used by governments toward one another".¹²

¹¹ Fred Halliday, "The Middle East in International Relations: Power, Politics and Ideology", Cambridge : Cambridge University Press, 2005, p.25

¹² Robert O. Keohane, Joseph S. Nye, "Power and Interdependence", pp.247-249, Harper Collins Publishers, 2nd Editions, 1989,

As a liberal analysis of interdependence, it is emphasized that “asymmetries in military vulnerability remain important in world politics: Military power dominates economic power in the sense that economic means alone are likely to be ineffective against the serious use of military force”. There is doubt that military means will be more efficient than economic ones to obtain specific aims.¹³ Liberal theorists have emphasized the way in which hinderences to trade and trade incentives may modify a state’s behavior. The role of institutions and norms has always been an outstanding part of liberal theory. Liberals emphasize institutions, interdependence, and determined transnational contacts into a complicated, systematic analysis of process and structure in world politics.¹⁴ Turkey-Iran bilateral relations are frequently unlinked to domestic interest groups; on occasion internal politics have deflected into the bilateral relationship, e.g. in Iran 1978-1980 or Turkey in 1996-1997.¹⁵

¹³ Ibid, pp. 247-249

¹⁴ Ibid

¹⁵ Elliot Hentov ”Asymmetry of Interest, Turkish-Iranian Relations since 1979”, Lap Lambert Academic Publishing, Germany,2012,P.7

CHAPTER II: LITRATURE REVIEW AND HISTORICAL BACKGROUND

2.1. Literature Review

This discussion will include a review of the literature about economic relations between Iran and Turkey from 1600s until 1996, when the first natural gas agreement was signed between Erbakan administration and Iranian government. In order to provide a broader understanding of Iran-Turkey relations, investigation of historical relations between Iran and Turkey is required. Energy cooperation is important, and plays a leading role in Iran-Turkey economic and political relations. Some researchers have analyzed the role of energy in Iran-Turkey relations, yet many have look primarily at relations between them since the Islamic Revolution, starting in 1979, whilst others have analyzed how a particular social or political event in Iran or Turkey has affected the other country.

This review of the literature found that Turkey needs Iran to diversify its resources and that Turkey must ensure that Iran does not confront it. Iran needs Turkey to reach the European Market for exporting oil and natural gas. A large body of research has been published in academic journals and books. The literature is divided into several sub-categories: 1) Historical relations between Iran and Turkey, 2) Economic relations between them, 3) Turkey Energy Policy, 4) Iran Energy Policy. Lastly, another group of studies analyzes how the Iranian nuclear program will start to become a main concern for Turkey in the near future Literature on the economy and energy mainly focus on the economic sphere; for instance, Sedat Laçiner, stated that natural gas imports represent almost 75% of Turkey-Iran economic relations. He referred to historical relations between the two neighbors and mentioned that Iran and Turkey could never have previously cultivated close ties, especially in the Safavid – Ottoman era, and that Turkish investors have faced many problem in Iran because they were Turks, and cannot fully exploit the advantages of being Iran’s neighbors and having mutual cultural-religious similarities. He described the Turkish media programs watched by Iranians as “soft power”.¹⁶ Meliha Benli Altunışık explored how Turkish-Iranian relations have been rather complex and affected by ideological and geopolitical competition between the two countries, the balance of power was a

¹⁶ Sedat Laçiner, “Mistrust Problems in Turkey-Iran Relations ”,The Journal of Turkish Weekly, February 21,2008, <http://www.turkishweekly.net/columnist/2839/mistrust-problem-in-turkey-iran-relations.html> (accessed April 29,2013)

very important element in their relations and any attempt by one of them to shift it to its side has disturbed the other. For example, in the 2000s, two factors characterized Turkish –Iranian relations, first, the new strategic position that appeared after the 2003 Iraq War and second, the change in Turkish foreign policy toward the Middle East after the AKP came to power.¹⁷

Nader Habibi pointed out that in the 1980s, the export-oriented policy adopted by the Prime Minister Turgut Özal slowly changed Turkey from a “security state” to a “trading state”. Under such a policy, developing economic relations and investment became major objects of Turkish foreign policy and the AKP’s vision of Turkish foreign policy, focused more on developing relations with all of Turkey’s neighbors, especially in the Middle East, Habibi claimed that the AKP’s interest in closer relations with Iran was both economic and ideological. The AKP administration, far from those previous secular governments in Turkey, was not worried about developing relations with Iran due to a fear of in the expansion of radical Islam within Turkey.¹⁸

Robert Olson argues that six main issues affected Turkish-Iranian relations between 1997-2000. In that period, the Kurdish and Islamist questions were of vital significance, 1-the “tale of Two Mayors” which refers to how the cases of the mayor of Istanbul, Recep Tayyip Erdoğan, and the Mayor of Tehran, Gholamhossein Karbaschi, were covered by media 2- the Merve Kavakçı Affair 3- the July Student demonstration in Tehran, 4- the Turkish bombing raid of 17 July 1999 5- the Hizbullah affair in Turkey and 6- the arrest of the killers.¹⁹ According to Tuncay Babaali, Turkish foreign policy makers under the leadership of Ahmet Davutoğlu are driving Turkey’s new foreign policy aims of security, stability and prosperity according to four main principles;

“1) Regional security and freedom for all, which require a common understanding of what security entails.

2) Inclusive, high levels of political dialogue and negotiations through newly established strategic council meetings of cabinet ministers, and joint cabinet meetings with neighboring countries like Syria, Iraq, Russia, Greece, and possibly Azerbaijan, in the future.

¹⁷ Meliha Benli Altunışık, “Turkey's changing middle east policy”, UNISCI Discussion Papers, No.23, May 2010, pp.156.157

¹⁸ Nader Habibi, “Turkey and Iran: Growing Economic Relations Despite Western Sanctions”, Middle East Brief, Grown Center for Middle East Studies, May 2012, No62, pp.1,7

¹⁹ Robert Olson, “ Turkey-Iran relation, 1997 to 2000: the Kurdish and Islamist questions”, Third World quarterly, Vol21, No 5, p.871

3) Economic interdependence is seen as the best way to sustain peace. There are new drives for abolishing visa requirements with some Middle East and CIS countries including Russia

4) Multilateral inclusiveness which suggests that if Europe wants to remain politically relevant and culturally vibrant, and avoid a clash of civilizations, Muslim Turkey must be in the EU.”²⁰

Nihat Ali Özkan and Özgür Özdamar argued that six main factors, such as the cultural, geographical, political, ideological, and economic, have shaped the course of relations between Turkey and Iran since the sixteenth century.²¹ Daphne McCurdy, explored how the AKP’s religious capacity and attraction for the Muslim world brought Iran and Turkey closer, but it was not a mainly factor. Turkey always gives importance to Iran and unlike other Middle East countries, must be dealt with. ²²Bezen Balamir Çoşkun concluded that a new dimension of security was added by globalization and energy resources or pipeline routes became mechanisms for foreign policy, the majority of proven oil and gas reserves are located in the unstable Middle East and Persian Gulf, Central Asia and Russia. More than 70% of natural gas reserves are concentrated in Russia, Qatar and Iran. Both Iran and Russia are aware of the importance of pipeline routes and are not happy with the “impressive” US pipeline routes such as Baku-Tbilisi-Ceyhan, Baku-Tbilisi-Erzrum and Baku-Supsa. If they worked together, they would control some of major pipelines routes. Turkey’s role as an energy and pipeline route country is important not only for Turkey but for the world market.²³

Stephan J. Flanagan found that Iran and Turkey have a joint policy on the Palestinian issue, but they have different views towards the Arab spring, which Iranian officials called the Islamic Awakening, especially in the Syrian case. Turkish policy makers fear Iran’s extension of the Shia-Sunni strain in Bahrain, Iraq, and Lebanon, Syria as well as its support for radical Shia groups in Azerbaijan. Yet Turkey still hopes that by developing its economic and diplomatic relations with Iran, it can get Tehran to take more practical and less ideological attitudes that would permit a political transition in Syria, alleviate what both side have called a consolidation

²⁰ Tuncay Babali, “Regional Energy Equalities and Turkish Foreign Policy: The Middle East and the CIS”, *Insight Turkey*, Vol.12, No.3, 2010, pp.148, 149

²¹ Nihat Ali Özkan and Özgür Özdamar, “Uneasy Neighbors: Turkish-Iranian Relations since the 1979 Islamic Revolutions”, *Middle East Policy*, Vol.XVII, No.3, Fall 2010, pp.101, 115

²² Daphne McCurdy, “Turkish-Iranian Relations: When Opposites Attract”, *Turkish Policy Quarterly*, Vol.7, No.2, pp.88

²³ Bezen Balamir Çoşkun, “Energizing the Middle East: Iran, Turkey, and Persian Gulf”, *Turkish Policy Quarterly*, Vol.9, No.2, pp.76, 77

of the Sunni-Shia “Cold War” in the region, especially in Middle East, and come up with a peaceful solution for the solving Iran’s nuclear program.²⁴

According to Kadir Üstün, Turkey will be required to be careful not to show that it supports Iran in just any situation. Iran is an important political factor in the region, regardless of its grave failing and domestic political instability. Turkey has to clarify its position on the capability of Iran’s acquiring nuclear weapons. Turkey always called for a “nuclear free zone” in the Middle East. It is aware that its interests depend on maintaining peace and stability in the Middle East. Any military reaction against Iran’s nuclear facilities would increase volatility in the region. Turkish affirmation and adhesion to the diplomatic track on Iran’s nuclear program should move away from these “lose/lose” positions.²⁵ Tolga Demiryol argued that communal relations between Iran and Turkey between 2002 and 2012 have been based on an uncertain band of short-term security and economic interests rather than a strong alliance of a long-term nature, essentially rendering the Turkish –Iranian reconciliation as unstable and, eventually, unsustainable, as under the growing trade between Iran and Turkey there is a highly asymmetric division of relative gain: The import and export ratio is considerably in favor of Iran, mainly due to the prevalence of energy in those transactions. Energy is a zero-sum game and cannot supply the basis of stable and lasting cooperation between Iran and Turkey.²⁶

According to Brenda Shaffer, Iran’s energy profile is unique. Iran holds second – largest proven natural gas reserves. And at the same time is the world’s fourth-largest oil produce. But Iran has no major gas export projects. More than 40% of oil production consumed in its domestic market. In addition Iran is net importer of gasoline and also electricity. Iran spends huge part of its state budget for importing petroleum products. Oil revenues make up about 80 % of total export earnings and approximately 40 to 50 % state revenue. Iran consumes about 70 % of its natural gas productions.²⁷

²⁴ Stephan J. Flanagan, “The Turkey-Russia-Iran Nexus: Eurasian Power Dynamics”, *The Washington Quarterly*, Winter 2013, pp.171,172

²⁵ Kadir Üstün, “Turkey’s Iran Policy: Between Diplomacy and Sanctions”, *Insight Turkey*, Vol.12, No.3/2010, pp.25-26

²⁶ Tolga Demiryol, “The Limits of Cooperation between Rivals: Turkish-Iranian Relations since 2002”, *Ortadoğu Etütleri*, Vol.4, No.2, January 2013, p.113

²⁷ Brenda Shaffer, “Energy Politics”, University of Pennsylvania Press, USA, 2009, p.149

Bayram Sinkaya concluded that in 2011 some developments such as the revolt in Syria, the Turkish decision to host the NATO radar system, and the increase of terrorist activities by the PKK in the region became sources of tensions in Iran-Turkey relations. Turkey's demand for energy increased 6-8% per year since the 1990s. As Turkey has limited domestic energy resources, it has become a sole importer of energy. Turkey has to secure its gas supply, and it seeks to diversify its energy suppliers. Turkish energy imports from Iran combined more than 70% of their trade relations and it is the *backbone* of trade relations.²⁸ According to Sakhavat Rezazade, Turkey is trying to improve its position in current political and economic developments in the Middle East and play a more important role in regional crises, and Iran has its own aims – most of which are in harmony with Turkey's purposes – and the two countries could use some mutual elements such as religion, economy and security to get more gain from their cooperation. In the new world order, the development of one country without development of its neighbors is impossible. The expansion of the EU accepting new members is an example of this principle. The key in Turkish –Iranian relations is changing minds. Some experts assume that Turkey is an American and Israeli actor in the region, whilst some in Turkey are trying to present Iran as a supporter of terrorism.²⁹

Alireza Arab claimed that Turkey uses Pan Turkist ideology and expansionism and erasing Iranian influence among the Azerbaijani Turks living in Iran to influence Iran. Since the Arab Spring, Turkey has been interested in expanding its own model in the Middle East. At the same time Iran also wants to expand its own model for other countries in the region, but since Iran's model is based on Shiism, Turkey's Sunni's model will be more successful. Syria's position is so important to preserving the balance of power in the Middle East. At present we are facing two different fronts in the region, the Shia front (Iran, Iraq and Syria) and the Sunni front (Saudi Arabia, Turkey, Qatar, Libya, Jordan). If the Assad regime collapses in Syria, the new regime will be Sunni, and so Syria would duly join the Sunni front and the balance of power would be in

²⁸ Bayram Sinkaya, "Rationalization of Turkey-Iran Relations: Prospects and Limits", *Insight Turkey*, Vol.14, No.2, 2012, pp.138-141

²⁹ Sakhavat Rezazade, "Stratejye Khavarmiyani-Torkiye va Mahdudiyat va Matlubiyathaye Iran", *Nashriye Ulume Siyasi, Pazhuheshnameye Siyasate-e Kharehi, Esfand 1387*, No19, pp.120-128

favor of the Sunni front. But if the Assad regime can control the revolt and reform its political and social construction, Turkey will be faced with serious crisis.³⁰

Elliot Hentov thought that the security theory is the best for describing Turkish foreign policy in the late 1990s. In that time military view with its own security worries has formed, particularly with regard relation to Iran, dominated Turkey's decision making. In the autumn of 2010, Turkey made changes in its "Red Book" and removed Iran, Russia, Greece and Iraq from its national security threat list and was welcomed by Iranian officials. During the Karabagh conflict in 1992-1993, Turkey supported Azerbaijan. The Iranians responded to Turkish support via promotion of the creation of de facto Russia-Armenia-Iran alliance.³¹ Mohammad Hasan-khani argued that Iran-Turkey relations between 2005-2010 were "in the honeymoon era." During those years, Turkish policy makers were too popular for some reason. First, they succeeded in changing Turkey's image as a state whose policy toward Palestinian issue and anti-Israel posturing had been completely at odds with the rest of the Muslim world in the last decades. Secondly came "the Uranium Exchange Agreement-Uranium Swap" in which Turkey and Brazil played an important role. But some developments in 2011 such as the NATO anti-missile radar system's arrival on the Turkish border, and the Arab Spring's abrupt ending of "the honey moon period".³² According to Kemal Kaya, the AKP administration does not see Iranian foreign and security policies as a security threat against Turkey. After recent developments in the Middle East, especially the Syrian revolts, neither Iran nor Turkey are interested in breaking their relations. Iran needs Turkey as an "exit strategy" because Iran is under economic blockade by the US and Western countries. Turkey needs Iran for energy agreements and trade volume and transit position. The two countries try to continue fostering their relationship, although the outbreak of any war in the region may affect the relations between the two neighbors.³³

³⁰ Alierza Arab, "Rabete ba Torkiey Ghorbaniye Rabete ba Suriye Nashavad", <http://www.irdiplomacy.ir/fa/page/1900649/%D8%B1%D8%A7%D8%A8%D8%B7%D9%87+%D8%A8%D8%A7+%D8%AA%D8%B1%DA%A9%DB%8C%D9%87+%D9%82%D8%B1%D8%A8%D8%A7%D9%86%DB%8C+%D8%B1%D9%88%D8%A7%D8%A8%D8%B7+%D8%A8%D8%A7+%D8%B3%D9%88%D8%B1%DB%8C%D9%87+%D9%86%D8%B4%D9%88%D8%AF.html> (accessed on 30 April 2013)

³¹ Elliot Hentov, "Asymmetry of Interest, Turkish Iranian Relations since 1979", Lap Lambert Academic Publishing, Germany, 2012, pp261-273

³² Mohammad Hassan-Khani, "Iran and Turkey Can Adopt a Cooperative Competition", Center for Middle Eastern Strategic Studies, (ORSAM), <http://www.orsam.org.tr/en/showArticle.aspx?ID=1492>, (accessed on 30 April 2013)

³³ Kemal Kaya, Central Asia-Caucasus Institute- Johns Hopkins University, ORSAM, <http://www.orsam.org.tr/en/showArticle.aspx?ID=1603> (accessed on 12 February 2013)

Seyyed Mohammad Sadr, former Iranian vice-minister of Foreign Affairs, said that every country has its own position in foreign policy, and that the AKP, as an Islamist party and Turkey as a neighbor, has an important role in economic and international and political eras. The AKP officials have been able to solve many Turkish economic problems and expand democracy and freedoms within Turkey. At present, Sadr also stated, “we faced many problems due to US sanctions. Turkey keeps its relations with Iran and our economic relations with Turkey are so important. We are not breaking our relations with Turkey over the Syria revolt”.³⁴ Aaron Stein and Philipp C. Bleek concluded that Turkish officials came to the conclusion that trade with Iran would lead to considerable economic and political advantages for Turkey. Ankara also believed that the creation of regional trade zones would lead to more economic opportunities for the Kurdish ethnic groups who living in the Kurdish areas and also for the Turkish economy. Iran remains an important supplier of energy for Turkey. Turkey tried to convince Iran not to interfere in its internal affairs but failed. Ankara believes that like the US war against Iraq, sanctions against Iran would affect Turkey’s economic and political security negatively.³⁵

Bülenen Keneş said that Iran and Turkey have a combined population of more than 150 million and that if one does not consider the oil trade, the volume of current of economic relations is not satisfied. Turkey views Iran as an important market for its products and also tried to develop its economic relations with Iran while Iran was under international isolation and hoped to break it using its economic and political relations with Turkey. Iran needs Turkey’s pipeline to export its oil and natural gas to the European market and Turkey wants to use this pipeline to its domestic demand.³⁶

Gholam Ali Cheinizadeh and Behzad Khosh Andam claimed that after the Cold War and the collapse of the Soviet Union, Turkey feared it would lose its strategic role in the region and its Western allies, but in the mid-1990s, Turkey’s concerns disappeared and it became an important player in the Middle East. Turkey preserves NATO and US bases in its territories. Turkey’s new

³⁴ Seyyed Mohammad Sadr, “Nabayad Ravabet ba Torkiye ra Fadaye Masale Digar Kard”, <http://www.irdiplomacy.ir/fa/page/1900917/%D9%86%D8%A8%D8%A7%DB%8C%D8%AF+%D8%B1%D9%88%D8%A7%D8%A8%D8%B7+%D8%A8%D8%A7+%D8%AA%D8%B1%DA%A9%DB%8C%D9%87+%D8%B1%D8%A7+%D9%81%D8%AF%D8%A7%DB%8C+%D9%85%D8%B3%D8%A7%D8%A6%D9%84+%D8%AF%DB%8C%DA%AF%D8%B1+%DA%A9%D8%B1%D8%AF.html>, (accessed on 24 January 2013)

³⁵ Aaron Stein and Philipp C. Bleek, “Turkish-Iranian Relations : from Friends of Benefits to it’s Complicated”, *Insight Turkey*, Vol.14, No.4, 2012, pp.138-144

³⁶ Bülenen Keneş, “Iran: Tahdit mi, F’rsat mi”, *Timaş Yayınları, İstanbul 2012*, pp.221-238

roles in the region after end of Cold War are to 1- Support Kosovo and Chechnia, and participate in peacekeeping operations in the Balkans, 2-Cooperate with Georgia with the aim of reducing Russian influence, 3-Participating in the Middle East Peace Process. 4- Representing a new model of democracy for the Islamic World, 5- Creating ideological balance against Iran's ideological activities.³⁷Muharrem Ekşi, said that Turkey has obtained more than 70% of its energy needs form imports. Its energy consumption was 110 million tons in 2008 and increased by 6.8% to 171.3 million tons by 2010 and it is expected to reach 319 million tons by 2020 while it is expected that natural gas consume will reach 1400 billion m³, Turkey supply 30% of its energy demands from her own sources. Its energy needs are covered form oil (33%), natural gas (30%), coal (29%), and hydraulic energy (32%). Turkey is trying to reduce its dependence on external energy imports by diversifying sources, multiple pipelines and nuclear energy. Turkey's Energy Strategy can be characterized

-“To maintain sufficient, cheap, continues, sustainable and environment-friendly energy based on energy security

- To cover energy needs from domestic and renewable energy sources and to intensify R&D studies to this end.

-To replace natural gas power plants with nuclear power plants as a part of diversification policies.

-Liberalization of the energy sector, maximizing productively

-To secure supplies by increasing storage systems

-To increase productively and apply energy saving measure.

Targets:

- To become an energy corridor (not only between the East and West but also between the North and South)
- Utilizing the geopolitical location to become a transit country that the 4th main arterial road to integrate with the EU energy market
- To become an energy hub ad make Ceyhan a significant port just like Amsterdam in the long term. To make Ceyhan the energy distribution center of global energy markets”.

³⁷ Gholam Ali Cheinizadeh and Behzad Khosh Andam, ”Taamol va Taghabol Piraamun Gharayi va Gharb Ghrayi dar Siyasete Kharejiye Torkie”, Faslnameye Rahbord, Tehran, Summer 2010, Vol.19, No 55, p.199

There are three factors involved in the energy decision-making process: 1- governmental 2-non-governmental and 3- international bodies. On the governmental level are the Prime Minister, Ministry of Energy, the Ministry of Foreign Affairs, the Treasury, State Planning Office, the Turkish Atomic Energy Agency (TAEA), Turkish Electricity Trade and Contracting Corporation (TETAS), The Scientific and Technological Research Council of Turkey (TUBITAK), the state intelligence service (MIT), Turkish Armed Forces and National Security Council (MGK). Private corporations and NGO's are among the non-governmental bodies and Multinational Corporations are among the international bodies. .³⁸

According to Tuncay Babaali, Turkey's ambassador to Canada, Turkey's annual demand will increase by 4-5% but the increase in the EU's annual demand is 1.6%. Turkey's energy needs are estimated to increase by 4% annually until 2020 and Turkey requires more than \$100 billion to invest in energy sector in the next 15 years.³⁹Elin Kinnander conducted a study of Turkish and Iranian gas relations and found some problems.. The first natural gas agreement between Iran and Turkey was signed in the Erbakan era when he visited Tehran in 1996. It provided the delivery of natural gas for 23 years with exports of 4 Bcm (the capacity of the pipeline) and it is estimated to have been 10 Bcm in 2007. Turkey used Iranian gas for industry consumption and for residential heating in eastern Anatolia. Both sides stated their desire to increase the volume of the level mentioned in contract. Both sides were responsible for their particular parts of the pipeline. In 2002, Iran started to export natural gas to Turkey, in December 2004, natural gas flow was cut off from Iran due differences in pricing and Turkey's Energy Minister stated that they would seek international arbitration.by 2005 Turkey halted delivery from Iran. In January 2006 Iran cut off natural gas due to cold weather in northwestern Iran. Again in August 2007, gas flow was cut off. The main problem in the Iran-Turkey natural gas relationship is mutual mistrust. Mistrust is due to increasing price by Iran and cutting off the flow in winter. Iran has not been a reliable exporter and Turkey has not been a reliable importer. After cutting off gas by the Iranian side, Turkey has taken Iran to arbitration and Iran threatened Turkey.⁴⁰

³⁸ Muharrem Ekşi," The Role of Energy in Turkish Foreign Policy",The Turkish Yearbook of International Relations, Vol.41,2010, pp.61-66

³⁹ Tuncay Babali," The Role of Energy in Turkey's Relations with Russia and Iran", Center for Strategic & International Studies, CSIS, http://csis.org/files/attachments/120529_Babali_Turkey_Energy.pdf, (accessed on 12 Mart 2013)

⁴⁰ Elin Kinnander," The Turkish-Iranian Gas Relationship: Politically Successful, Commercially Problematic", Oxford Institute for Energy Studies,2010, <http://www.oxfordenergy.org/2010/01/the-turkish-iranian-gas-relationship-politically-successful-commercially-problematic/>, (accessed on 25, April 2013)

2.2. Historical Relation between Iran and Turkey since 1600s

If we look at historically relations between Turkey and Iran, under their now defunct institutional wrappings of the Ottoman Empire and Safavid Empire, respectively, then the relationship between them was never great, but interesting enough modern Turkey and modern Iran, speaking generally, irrespective of the tumult of recent decades, have had good relations.

2.2.1. Safavid-Ottoman Relations

From the middle of the 11th century, Anatolian Sufism gradually appeared and developed. After a while it became as a dominant feature of daily life amongst Turkish nomadic populations. The development of the Turkish Sufi-knightly brotherhood commands – the so-called Ghazi worries-constituted a political statement within the Islamic civilization⁴¹Between 1453 and 1526 AD, the Ottoman and the Safavid dynasties established two vital key empires spreading from the Mediterranean through the Iranian Plateau. The declaration of Twelver Shiism (founded after its namesake belief in the *Ithna'ashari*, Twelve Imams) as the state religion of Iran by Shah Ismail I (1487-1524) at the host mosque of Tabriz in 1501, and the Shaykh Safi al-Din's (d.1334)position as the spiritual head (-*pir*) of its Sufi order raised to the Safavid banner. The Safavid Qizilbash movement, through its early radical and revolutionary stage, was political in nature. On the political level, the Qizilbash followed Shia traditions in accepting the prophet's cousin and son-in-law Ali and his successors as the leaders of the Islamic community. There was a religious-political distinction between the Safavid Qizilbash worries and the Ottoman Ghazis⁴².

The economic scene of each empire in around around 1600 will now be approached. Three economic aims were shared by the Ottoman and the Safavid empires: obtaining sufficient property:

- 1) For the governing class and elites to have better life,
- 2) To support expansionist activities and,

⁴¹ Babak Rahimi, "Between Chieftaincy and Kingdom: A Comparative Study of Ottoman and Safavid Origins", PhD Thesis Eleven,2004,pp.88,89

⁴²Ibid,pp.93,94

3) To keep up with the rival empire's elaborating construction projects⁴³.

The two empires with different ideological identities (Shi'a and Sunni) after the establishment of the Safavid Empire in 1501, fought especially fiercely between the years 1514-1639, 1723-1746, 1776-1779, 1812-1823 and there were more than twenty wars between them⁴⁴. After the Amasya agreement in 1555 and the "*Qasr e Shirin*" agreement in 1636, the military fights ended. Since then, barring small changes with the agreements of both countries, the border between Turkey and Iran has remained the same. In the early 1700s, the Safavid – Ottoman peace accords launched a new concept of inter-Muslim relations in which independent states could coexist as sovereign parts of the Islamic world⁴⁵. A cultural divide between the two countries is another factor which lead to tension. During the era of the Ottoman and Safavid empires, each country was the leader of an important sect of Islam and struggled for leadership of the Islamic World. This was one of the important factors in their relations, creating a chain of diplomatic contention and military conflicts beginning in the sixteenth century⁴⁶. The Ottomans were worried about Iranian-influence on groups such as the Shi'a Alevi Qizilbash who lived in Ottoman territory. During the nineteenth century, nationalism was a serious problem between Iran and Turkey. Between the sixteen and the twentieth century, Sunni Ottoman and Shi'i Safavid and Qajars in Iran have struggled for the leadership of the Muslim world.⁴⁷

2.2.2. Iran-Turkey Relations under Shah Era

In the early twentieth century, it is not difficult to find equivalence in the national assessment of Turkey and Iran. The new state rulers of Turkey, Mustafa Kemal and his close aides, came to power after a war of independence, but Reza Shah's rise to power was completely different to his Turkish counterparts. Firstly, the state in Iran was a failure and could only be reached by powerful intermediary bodies, and the formation of the monarchy ended the procedure of the

⁴³ Marian E. Smith, "The Muslim Empires of the Ottomans. Safavid and Mughals", *Iranian Studies*, 2012, pp. 453-455

⁴⁴ Bülent Keneş, "Iran Tehdit mi Firsat mı?", *Timaş Yayınları*, İstanbul, 2012, p. 88

⁴⁵ John Calabres, "Turkey and Iran: Limits of a Stable Relationship", *British Journal of Middle Eastern Studies*, Vol. 25, No. 1, 1998, p. 76

⁴⁶ Bayram Sinkaya, *Turkey-Iran Relations in the 1990s and Role of Ideology*, *Perceptions Spring 2005*, P. 4

⁴⁷ Nihat Ali Özcan and Özgür Özadamar, "Turkish –Iranian Relations since the 1979 Islamic Revolution", *Middle East Policy*, Vol. XVII, No. 3, Fall 2010, P. 102

strengthening of the political authority of the new state rulers,⁴⁸ but in Turkey, the mass of republican constitutionalism established by Mustafa Kemal (Ataturk) differed considerably from the dictatorial monarchy established under Reza Shah⁴⁹. There was a Kurdish population making up a sizable minority in both countries, living along a closely shared border between the two countries (along with Iraq). For a long time there had been a kinship between this border people at that time, who freely crossed the border, however this soon became a security problem. Such events played an important role in Iran-Turkey relations and both countries decided to find a mutual solution for the border eruptions by Kurdish tribes. On 22 April 1926, a year after ineffective Sheikh Said uprising against the Turkish government and the unsuccessful revolt by Kurdish tribes under Ismail Simqu against Iran's central government, Turkey and Iran came together and signed a treaty of friendship and security. The two countries established a plan for economic, consular, postal, and telegraphic, customs and extraditions issues. Iran and Turkey also agreed "not to allow in their territory the formation or presence of organization or groups of persons whose objectives to disturb the peace and security of the country or to change its government, or the presence of persons or groups of persons planning to attack the other country by propaganda or by any other means"⁵⁰

After signing the treaty of friendship between Iran and Turkey, further Kurdish rebellions in eastern Turkey and using Kurdish tribes of Iranian territory against the Turkish government increased. Turkey assured Iran of the lack of obviously defined frontiers with its western neighbor. In January 1932, the two countries reached agreement on such issues in Tehran, and the treaty of arbitration, judicial settlement and conciliation was signed⁵¹. In the 1950s, the strategic and security concerns of Iran and Turkey increased again. Both countries decided to align themselves with the Western camp. At the same time, the United States and the United Kingdom sought to organize a defense alliance comparable to NATO in the Middle East.⁵² In

⁴⁸ Birol Başkan, "Republicanism vs. Monarchy: Why Did Turkey and Iran Choose Different Forms of Government in the 1920s?", Northwest University, Department of Political Science Publication, 2010, p.24

⁴⁹ John Calabres, "Turkey and Iran: Limits of a Stable Relationship", British Journal of Middle Eastern Studies, Vol.25, No.1, 1998, p.76

⁵⁰ Michael B. Bishku, "Turkey and Iran during the Cold War", Journal of Third Studies, Vol.XVI, No.1, pp.14.15

⁵¹ Ibid, p.15

⁵² Elliot Hentov, "Asymmetry of Interest, Turkish-Iranian Relations since 1979", Lap Lambert Academic Publishing, Germany, 2012, P.34

early 1955, the Baghdad Pact was signed, which later laid the basis for the Central Treaty Organization (CENTO). A few months later, the UK, Pakistan and Iran joined it⁵³.

In the absence of powerful external support, all CENTO other such organizations listed common features to the region which demanded more cooperation. Such features were: 1-usual understanding about radicalism 2-concerns over the relationship between the USSR and regional radicals 3-concerning opposition to the Arab world and 4- shared, sensibly comfortable relations with the West⁵⁴ In the 1960s, the two neighbors adapted similar foreign policies. With the development US-USSR *détente*, Turkish and Iranian policy-makers paid closer attention to regional sources of uncertainty and decided to cooperate with one another on bilateral or multilateral arrangements. They shared attempts to raise regional cooperation, especially in the economic sphere. In 1964, Turkey and Iran jointed Pakistan in creating Regional Cooperation and Development (RCD), the indication of the Economic Cooperation Organization (ECO)⁵⁵ By the mid -1970s, the mixture of the god-send oil wealth, huge arms accumulation, and the Shah's aims made Iran an undesputable regional power.⁵⁶ After the 1979 revolution, Turkish officials using its secular system as a veil, and frightened of the export of the Iranian revolution, kept its distance from Iran politically, while trying to expand its trade relations with it, particularly during the Iran-Iraq war.⁵⁷ In spite of different foreign policy and intensified mistrust, the Turkish and Iranian policy makers were firm in avoiding military conflict or a total collapse of bilateral relations. The new regime in Iran identified Turkey's value as an economic partner and mediator.⁵⁸

2.2.3. Iran's Islamic Revolutions and Bilateral Relations

In February 1979, only after two days after the collapse of the monarchy, Turkish Prime Minister Bülent Ecevit officially recognized the new revolutionary regime by sending a message to Mehdi

⁵³ Ibid

⁵⁴ Ibid,p.36

⁵⁵ John Calabres, "Turkey and Iran: Limits of a Stable Relationship", British Journal of Middle Eastern Studies, Vol.25, No.1, 1998,p.77

⁵⁶ Ibid

⁵⁷ Bülent Aras,"Turkish Foreign Policy towards Iran: Ideology and Foreign Policy in Flux", Journal of Third Worlds Studies, Vol.XVIII,No.1,2001,p.106

⁵⁸ John Calabres," Turkey and Iran: Limits of a Stable Relationship", British Journal of Middle Eastern Studies, Vol.25, No.1, 1998,p.78

Bazargan, Prime Minister of the Iranian provisional Islamic government. Ecevit in his message emphasized the importance of bilateral relations and hopes to expand them. Ecevit noted that Iran could be confident that Turkey would not interfere in Iranian affairs and asked other countries to do likewise. Turgut Tülümen, the Turkish ambassador, was the first foreign diplomat received by Ayatollah Khomeini after the revolution in the Feyziye seminary.⁵⁹ The Turkish government hoped that it could solve the problems it had had with the Shah through the new regime; the Shah's foreign policy, particularly regarding the Kurds, worried Turkey. An isolated and weak Iran was also timely for a bankrupt Turkish economy and could be a reliable economic partner to heal it.⁶⁰ Bülent Ecevit was a vicious critic of the Shah's regime and CENTO. His government had always been worried about a possible civil war in Iran which might lead the USSR to interfere and cause further Kurdish separatism on Turkey's eastern border.⁶¹

On 11 March 1979, Iran left CENTO and later the RCD. Turkey welcomed Iran's action, because economic relations with Iran were more important than military cooperation.⁶² Revolutionary disturbances in Iran accorded with a rise in political violence and a declining economy in Turkey.⁶³ Iran's attempt to influence Shi'a groups to export the Islamic Revolution in the Middle East posed the deepest crisis in its relations with other countries. One year after the revolution, the Iran-Iraq war began the war with Iraq and the US troop's presence in the Gulf led Iran to developed economic relations with Turkey. Turkish ports in Black Sea and Mediterranean were the safest places for Iran's economic needs. In the early 1980s, Turkish ports brought goods from Turkey in come back for gas and oil. Such economic relations helped Iran's bankrupt economy. The increase in economic relations between Iran and Turkey fostered liberal economic reforms in the early of 1980s by Prime Minister Turgut Özal.⁶⁴ Özal aimed to develop economic

⁵⁹ Elliot Hentov, "Asymmetry of Interest, Turkish-Iranian Relations since 1979", Lap Lambert Academic Publishing, Germany, 2012, P.43

⁶⁰ Bülent Keneş, "Iran Tehdit mi Firsat mi?", Timaş Yayınları, İstanbul, 2012, p.97

⁶¹ Nihat Ali Özcan and Özgür Özadamr, "Turkish –Iranian Relations since the 1979 Islamic Revolution", Middle East Policy, Vol.XVII, No.3, Fall 2010, pp105

⁶² Ibid, pp.99.100

⁶³ John Calabres, "Turkey and Iran: Limits of a Stable Relationship", British Journal of Middle Eastern Studies, Vol.25, No.1, 1998, p.77

⁶⁴ Nihat Ali Özcan and Özgür Özadamr, "Turkish –Iranian Relations since the 1979 Islamic Revolution", Middle East Policy, Vol.XVII, No.3, Fall 2010, pp104.106

and political relations with Iran and he visited Tehran on April 1984, January 1986 and February 1988. He had good personal relations with Iranian Prime Minister Mir Hossein Musavi.⁶⁵

During the Iran-Iraq war, Turkey chose “strict neutrality.” Turkey continued economic relations with Iran and imported many of its oil needs via Turkey from Iraq and the Arab world, while trying to preserve a balance between Iran and the Arab world, especially with Iraq.⁶⁶ On 4 November 1980, students occupied the US embassy in Tehran and took its personnel hostage. After a short time, the Bazargan government was forced to resign. Turkey’s Ambassador Tülümen tried to mediate between the Iranian radicals and American delegates. American policy makers launched harshly calls for such policies as freezing all Iranian assets in US institutions and military actions. Demirel’s sharply criticized the Iranian government’s ignoring of diplomatic customs, but on 4 December it not to allow the US to use military bases in Turkey for action against Iran.⁶⁷ During the Iran –Iraq war and in the mid-1980s, problems emerged between the two countries, over PKK terrorism and Iran’s attempt to export and expand the Islamic Revolution in the region. Turkey’s officials worried about Iran’s alliance with the Patriotic Union of Kurdistan (PUK) and the Kurdistan Democratic Party (KDP) and its support for the PKK.⁶⁸ Turkish foreign policy towards Iran was unchanged by the military coup of 1980. Turkish policy makers declared that “What is going on in Iran, is a matter of internal affairs, positive or negative, they are not of our concern”.⁶⁹ In the 1990s, two events profoundly influenced Iranian politics and foreign policy: the end of the Iran-Iraq war in July 1988 and the death of Ayatollah Khomeini on June 4, 1989. Iranian policy makers faced two difficulties after this. Displacing revolutionary politics into the politics of any “normal state”, overwhelming problems stemming from worsened domestic economic and social conditions imposed on the Iranian peoples by the Iran-Iraq war, and Iran’s international isolation.⁷⁰ The collapse of the USSR and declaration of independence of the Azerbaijan Republic were also hard for Iran’s governments to manage. Azerbaijan’s independence was of such importance because Azeri Turks constitute over a quarter

⁶⁵ Bülent Keneş, “Iran Tehdit mi Firsat mı?”, Timaş Yayınları, İstanbul, 2012, p.101

⁶⁶ Ibid p.102

⁶⁷ Elliot Hentov, “Asymmetry of Interest, Turkish-Iranian Relations since 1979”, Lap Lambert Academic Publishing, Germany, 2012, pp52,53

⁶⁸ Nihat Ali Özcan and Özgür Özadamar, “Turkish –Iranian Relations since the 1979 Islamic Revolution “, Middle East Policy, Vol.XVII, No.3, Fall 2010, pp105,106

⁶⁹ Bülent Keneş, “Iran Tehdit mi Firsat mı?”, Timaş Yayınları, İstanbul, 2012, p.99

⁷⁰ Bayram Sinkaya, “Turkey-Iran Relations in the 1990s and Role of Ideology”, Perceptions Spring 2005, p.5

of Iran's population and live in northern Iran, which the Republic of Azerbaijan calls Southern Azerbaijan.⁷¹

After the Gulf War and especially between 1992-1995, the PKK became Turkey's biggest concern. It frequently used the power vacuum created by the United State and western countries north of the thirty-sixth parallel in Iraq, managing freely and carrying out its biggest attack on Turkey. Turkish foreign policy makers tried to end Syrian and Iranian public and tacit support relatively for the PKK. In July 1996, multiple attacks by the PKK, who crossed the Iranian borders to Turkish military posts, led to extreme tension between two countries.⁷² There are various reasons for the Iranian-Turkish tension during the 1990s. The first one was an increase in operations led by radical Islamists in Turkey in this period; the second was that after the end of the Iran-Iraq war, "radicals" in the Iranian government found opportunities to expand their propaganda in Turkey.⁷³ John Calabres identified some developments in Iran-Turkey relations in the 1990s period: 1-the international environment, 2-globalization, 3-the regional environment, 4-the cause of the peace process, 5-the defeat of Iraq, and 6-the emergence of new Turkic Muslim –populated states in Central Asia.⁷⁴

On 24 December 1995, Turkey went to the polls bringing, for the first time in its history, an Islamist Party, *Refah*, to power. Refah's victory not only affected the domestic political sphere but also its relations with its neighbors.⁷⁵ Prime Minister Necmettin Erbakan, shortly after the elections wanted to establish a sustainable change in Iran-Turkey relations.⁷⁶ Iranian officials and media welcomed the Refah Party and the Iranian media reported on the creation of an Islamic

⁷¹ Nihat Ali Özcan and Özgür Özadamr, "Turkish –Iranian Relations since the 1979 Islamic Revolution", Middle East Policy, Vol.XVII, No.3, Fall 2010, p.107

⁷² Ibid, p.108

⁷³ Bayram Sinkaya, "Turkey-Iran Relations in the 1990s and Role of Ideology", Perceptions Spring 2005, p.3

⁷⁴ John Calabres, " Turkey and Iran: Limits of a Stable Relationship ", British Journal of Middle Eastern Studies, Vol.25, No.1, 1998, pp.79.80

⁷⁵ Elliot Hentov, "Asymmetry of Interest, Turkish-Iranian Relations since 1979", Lap Lambert Academic Publishing, Germany, 2012, pp162.163

⁷⁶ Nihat Ali Özcan and Özgür Özadamar, "Turkish –Iranian Relations since the 1979 Islamic Revolution ", Middle East Policy, Vol.XVII, No.3, Fall 2010, p.109

mutual front between Iran and Turkey.⁷⁷ Erbakan started negotiations with the Iranian and Syrian governments with the aim of increasing security on the Turkish border.⁷⁸

2.2.4. Iran-Turkey Relations 1997-2002

The main challenges in Iran-Turkey relations in the late 1990s and early 2000s were the Kurdish and Islamic questions. By February 1997, the Turkish Armed Forces (TAF) forced Islamist Prime Minister Erbakan to sign a National Security Council document designed to struggle against “Islamic reactionary movements” operating in Turkey. Political developments led Erbakan to resign later in June, and his party (the Welfare Party) was closed down by the courts in following year. There was a power struggle between the Islamic prime minister and the secularist military after this 28 February coup, often referred to as the post-modern coup”. Military domination over domestic and international issues continued, while the secularist Yılmaz and Ecevit administrations succeeded that of Erbakan.⁷⁹

After the 2000 parliamentary elections, President Khatami and his reformists’ party members got a majority in parliament and took control of the Foreign Relations Committee and National Security. Yet, Turkey was still not on the agenda for the reformists. Iran was looking for foreign investment and technology, but Turkey could not offer any of Iran’s investment and technology requirements. Energy was the only sector that Iran and Turkey had a joint interest in. Turkey needed Iran’s gas and Iran need Turkey for transit of its Iranian or Turkmenistani-supplied gas to European Markets.⁸⁰ It should be noted that the Khatami administration’s aim was to reduce tensions with Iran’s neighbors. Before Khatami came to power, security issues such as terrorist activities of the PKK and radical Islamist had harmed bilateral relations. Turkey followed a new regional policy under Foreign Minister Ismail Cem, to “reconcile” with Turkey’s neighbors by building on its cultural, historical, security and economics means. Turkey moved to take the

⁷⁷ Bülent Keneş, “Iran Tehdit mi Firsat mi?,” Timaş Yayınları, İstanbul, 2012,p.141.

⁷⁸ Ibid.p.149

⁷⁹ Nihat Ali Özcan and Özgür Özadamar,”Turkish –Iranian Relations since the 1979 Islamic Revolution “,Middle East Policy, Vol.XVII,No.3,Fall 2010, p.109

⁸⁰ Elliot Hentov,”Asymmetry of Interest, Turkish-Iranian Relations since 1979”, Lap Lambert Academic Publishing, Germany,2012,pp 197-98

place of a security-based approach toward its neighbors and the region with economic perspectives.⁸¹

By 1998, Iran-Turkey relations were negatively affected by joint Turkey-Israel military cooperation and mutual military exercises. Another factor which had the same effect was Turkey's military intervention in northern Iraq. Iran developed its relations with Syria and its previous enemy like Iraq. Iran also guaranteed to Russia that Syria would pay money for the weapons it purchased from Russia. By 1999 the Seventh Kurdish Congress was held in Iran and Iran give asylum to Osman Ocalan, a brother of Abdullah Ocalan, PKK' s leader⁸². In late 2000, Turkey was faced with a major financial crisis, which stemmed from a combination of excessive public borrowing and an unstable banking sector. The Turkish currency value dropped by about 50% overnight, the stock market fell 40%, inflation reached 70%, and real GDP decrease by 7.4%. The crisis also shook the political structure... Turkish decision makers asked Kemal Derviş from the World Bank, as a political newcomer, to lead economic reforms. Turkish leaders who had close ties with the West used their ties and obtained an IMF bailout package of \$12 billion in May 2001.⁸³

According to Nihat Özcan Ali and Özgür Özadamr, the period from 1997 to 2000 witnessed perhaps the most turbulent events in Iran-Turkey relations since 1979, even though systemic, regional and domestic developments in 2000-2002 led Iran to decrease tensions with Turkey. Firstly, the political disagreement between the Iranian elite in this period focused on Iran's domestic issues. Second, by 1998 Abdullah Ocalan's expulsion from Syria and his capture by Turkey in the following year provoked a series of region-wide Kurdish unrest and demonstrations. Foreign policy makers in Iran recognized the PKK's influence on the Kurdish minority in Iran. They feared a common Kurdish movement in the region and a separatist one on Iran's own soil, and so reduced its support for them.⁸⁴

⁸¹ Bayram Sinkaya. "Rationalization of Turkey-Iran Relations: Prospect and Limits", *Insight Turkey*, Vol.14, No.2, 2012, p.139

⁸² Bülent Keneş, "Iran Tehdit mi Firsat mi?", *Timaş Yayınları*, İstanbul, 2012, pp. 173-176

⁸³ Elliot Hentov, "Asymmetry of Interest, Turkish-Iranian Relations since 1979", *Lap Lambert Academic Publishing*, Germany, 2012, pp 198-99

⁸⁴ Nihat Ali Özcan and Özgür Özadamr, "Turkish-Iranian Relations since the 1979 Islamic Revolution", *Middle East Policy*, Vol.XVII, No.3, Fall 2010, p.110

By 2002, two factors were basically reshaping the framework of Turkish foreign policy. First, the US attack on Iraq raised the specter of Iraq's collapse and Kurdish irredentalism just as Turkey had considered itself to have defeated the PKK. Secondly, there was a progressively anti-Western public bitterness over the IMF-imposed austerity program and skepticism of Turkey's participation in Afghanistan.⁸⁵ The American "War on Terror" began after the 9/11. An American-led coalition invaded Afghanistan and Iraq. For a better understanding of Iran's policy toward cooperation with the international alliance, it should be noted that Iran maintained an antagonistic and suspicious relationship with the Taliban. Iran completely supported US-led attempts because:

- 1) The extraction of the Taliban and the formation of a new government meant that Iran had a friendly government on its eastern border,
- 2) Political stability in Afghanistan promoted the return of Afghan refugees from Iran,
- 3) The powerful central authority in Afghanistan would likely stop or decrease the production of opium and other unlawful drugs,
- 4) The US military campaign in Afghanistan completed the Taliban support to the Mujahidin-e-Khalq.⁸⁶

Given the fact that Turkish Iranian relations since 2002 are the main topic of this thesis, Iran Turkey relations in this period will be examined in the next chapter.

⁸⁵ Elliot Hentov, "Asymmetry of Interest, Turkish-Iranian Relations since 1979", Lap Lambert Academic Publishing, Germany, 2012, pp 201-207

⁸⁶ Ibid

High-Ranking Diplomatic Visits between Iran and Turkey since 1979⁸⁷

Date	Iranian Leader	Turkish Leader
Nov 1990		President Turgut Özal visits Iran ⁸⁸ .
May 1991	President Hashemi Rafsanjani Visits Turkey ⁸⁹	
Jul. 1994		Prime Minister Suleyman Demirel visits Iran.
Aug.1996		Prime Minister Necmettin Erbakan visits Iran and signs a \$23 billion natural gas deal.
Dec.1996	President Ali Akbar Hashemi Rafsanjani visits Turkey	
Jul.2000		President Ahmet Necdet Sezer visits Iran. He becomes the first Turkish president to visit the Azerbaijan province.
Jul.2004		Prime Minister Recep Tayyip Erdogan visits Iran.
Aug.2008	President Ahmadinejad visits Turkey	
Jan. 2009	Speaker of Parliament Ali Larijani visits Turkey and meets with President Abdullah Gul.	
Nov.2009	President Ahmadinejad visits Turkey for a one-day summit of the Organization of the Islamic Conference. He meets with Prime Minister Erdogan.	
May.2010		The presidents of Turkey and Brazil, who attended the Group 15 summit in Tehran, announce an agreement with the leaders of Iran regarding its nuclear program; it is subsequently rejected by the United States.
May.2010		Foreign Minister Ahmet Davutoğlu visits Iran.
Dec.2010	President Ahmadinejad attends the ECO summit in Turkey and meets	

⁸⁷ Nader Habibi, "Turkey and Iran: Growing Economic Relations Despite Western Sanctions", Middle East Brief, May 2012, No 62, P.3

⁸⁸ Ayn Tarihi, <http://www.byegm.gov.tr/ayin-tarihi2-detay.aspx?y=1995&a=1>

⁸⁹ İbid

	with Turkish leaders.	
Feb.2011		President Abdullah Gul visits Iran.
May.2010	President Ahmadinejad meets with President Gul in Istanbul during a UN conference on Least Developed Countries.	
Jan.2012	Speaker of Parliament Larijani visits Turkey to discuss the Syrian uprising and Iran's nuclear program.	
Jan.2012		Foreign Minister Davutoğlu visits Iran to discuss Syria and Iran's nuclear program.
July 2013	Foreign Minister Ali Akbar Salehi visits Ankara to discuss the Syria uprising and New development in Egypt ⁹⁰	
Aug 2013		Foreign Minister Davutoğlu visits Iran to attend the inauguration of new Iranian President Hassan Rohani ⁹¹

⁹⁰ Iranian, Turkish FMs discuss Egypt, Syria, <http://www.presstv.com/detail/2013/07/13/313627/iran-turkey-fms-talk-egypt-syria/> (accessed on 31 July 2013)

⁹¹ Davutoğlu hopes Rohani will change Iranian stance on Syria, <http://www.todayszaman.com/news-322843-davutoglu-hopes-rohani-will-change-iranian-stance-on-syria.html> (accessed on 11 September 2103)

CHAPTER III: TURKEY'S FOREIGN POLICY

3.1. Turkey's New Foreign Policy

For a better understanding of Turkey's foreign policy under the AKP, one must look especially toward its shift under the tutelage of the Ministry of Foreign Affairs headed by Foreign Minister Ahmet Davutoğlu. We must recognize the five principles that have been the main pillars of the new Turkey's foreign policy making process:

- 1) "If there is not a balance between security and democracy; it may not have a chance to establish an area of influence in its environs,
- 2) A Zero problem policy toward Turkey's neighbors,
- 3) "To develop relations with the neighboring regions and beyond. Turkey's regional impact extends to the Balkans, the Middle East, the Caucasus, and Central Asia,
- 4) Adherence to a multi-dimensional foreign policy. Turkey's relations with other global actors aim to be complementary, not in competition,
- 5) Rhythmic diplomacy. Turkey's serious and sustained development in the field of diplomacy becomes evident we look at international meeting and organizations it has hosted since 2003."⁹²

3.1.1. Davudoğlu's Role in Turkish New Foreign Policy

Davutoğlu's vision of Iranian-Turkish relations needs to be examined in terms of its historical relations, economic dependencies and strategic energy cooperation. Thus, here I will try to outline the main elements of the relationship between the two countries under the AKP period first, and then examine Turkey Iran economic relations, and at the third phase I will try to outline Turkey's energy policies which are the strategic reason to explain the relationship between the two. According to Bayram Sinkaya, plays key role in Turkey's new foreign policy, before he became Turkey Ministry of Foreign Policy he was senior advisor of Prime Minister Recep Tayyip Erdoğan." He posits a conservative view, and in fact, if we look at President Abdullah

⁹² Ahmet Davudoğlu, "Turkey's Foreign Policy Vision: An Assessment of 2007", Insight Turkey ,Vol. 10 /,No. 1 , 2008 ,pp. 77-96, <http://arsiv.setav.org/ups/dosya/9595.pdf> (accessed on 25 June 2012)

Gül's and Erdoğan's speeches, we can understand that they quote directly from Davudoğlu's book, (Strategic Depth), and his neo-ottoman views". The political borders remain without any changes, but in the shadow of regional political and economic cooperation, political borders do not mean anything - in other words political borders remain on papers but support maximum cultural and economic integration.⁹³ Security, stability and prosperity in the Middle East and especially with Turkey's neighbors became Turkey's new agenda in foreign policy. To achieve such aims it is required to the establishment of sub-regional institutions and cooperation-integration schemes to moderate political disputes and dissimilarities.

"The four main principles that which are driving Turkey's new foreign policy have been:

- 1) Regional security and freedom for all, which requires a common understanding of what 'security' entails.
- 2) Inclusive, high level political dialogue and negotiation through newly established strategic council meeting of cabinet ministries, and joint cabinet meetings with neighboring countries like, Syria, Iraq, Russia, Greece and possible Azerbaijan in the future.
- 3) Economic interdependence is seen as the best way to sustain peace. There are new drives for abolishing visa requirements with some Middle Eastern and CIS countries including Russia.
- 4) Multilateral inclusiveness, which suggests that if Europe wants to remain politically relevant and culturally vibrant, and avoid the clash of civilizations, Muslim Turkey must become a member."⁹⁴

3.2. Iran-Turkey Relations under AKP Administrations 2002 to the Present

After parliamentary elections on November 2002, the Justice and Development Party (Adalet ve Kalkınma Partisi) came to power. The AKP government with Islamists roots continued changing in its foreign policy and tried to apply new policies intending to solve problems with its neighbors. Between 2002- 2005, the AKP government concentrated on enhancing relations with

⁹³ Author's interview with Bayram Sinkaya, on May 8, 2013, Ankara

⁹⁴ Tuncay Babali. "Regional Energy Equations and Turkish Foreign Policy: The Middle East and the CIS", Insight Turkey, Vol 12, No,12, 2010, P.149

the European Union and the US. The AKP tried to improve its relations with the EU and the US with the aim of consolidating its position in the region and domestically. During these years, the AKP achieved control over foreign policy-making by strengthening its authority over the Ministry of Foreign Affairs, the TAF, public opinion and as well as various bureaucratic institutions.⁹⁵ According to Behzat Ekici, Turkish foreign policy experienced intense changes after the AKP victory in 2002 parliament elections. Such changes are evident especially towards Iran. Ekici pointed out that first, Tehran and Ankara developed mutual counterterrorism and regional security stances against spreading Kurdish separatism raised by the US occupation of Iraq. Second, during 2002-2009 Iran became a main trade partner of Turkey. Third, the Iranian nuclear program became a critical foreign policy issue for the AKP Administration.⁹⁶

Elliot Hentov believes that many of the principal parameters of the Iran-Turkey relationship have been transformed since the AKP came to power. First was the AKP's victory in the elections. Secondly, it slowly inspired Turkish foreign policy with a novel outlook of Turkey being a central player in its own rights, emphasizing much more regional activism and trade-driven foreign relations. Thirdly, Turkey's rejected support for the US invasion of Iraq. Forth, the Iraq war led to a new strategic environment for both Iran and Turkey. Fifth, the prompt economic boom in Turkey together with a commercial foreign policy which led to increased bilateral trade, with Turkey developing exports of manufacture goods and specialized services in return for an increasing Iranian energy supply. Sixth, EU recognition of Turkey as an official EU accession country played a remarkable role. Seventh, comes the start of the confrontation between the West and Iran over Iran's nuclear program. Turkish foreign policy makers no longer view Iran as a direct security threat, but as a regional partner⁹⁷.

In the post-2005 period, an increasing disappointment with the direction of the EU-membership negotiations led Turkey to develop its relations with Middle Eastern countries. France and Germany essentially blocked Turkey's membership process in the EU over the Cyprus issue. This led the more conservative group in the AKP administration to extend its influence in foreign

⁹⁵ Nihat Ali Özcan and Özgür Özadamr, "Turkish –Iranian Relations since the 1979 Islamic Revolution", Middle East Policy, Vol.XVII, No.3, Fall 2010, p.111

⁹⁶ Behzat Ekici. "Is Turkey Realigning? A Three Dimensional Investigation of Turkish-Iranian Security Rapprochement". PhD Thesis. university of pittsburgh, 2010, pp. 4-6

⁹⁷ Elliot Hentov, "Asymmetry of Interest, Turkish-Iranian Relations since 1979", Lap Lambert Academic Publishing, Germany, 2012, pp 208-209

policy. This process expanded further after the appointment of former chief advisor of Prime Minister Erdoğan, Ahmet Davutoğlu, as Minister of Foreign Affairs. Turkish foreign policy makers concentrated on the Muslim world, especially the Muslim nations in the Middle East. Turkey not only developed its relations with Syria and Iran in different areas, it disputed with Israel and the US on such issues as Israel's military operations in Lebanon and Gaza.⁹⁸

In addition, apparently conserving interest in the region, they have adopted identical positions in conquering the international standing of the Muslim world vis-à-vis the broader international community, especially the West. Two countries prompted the Organization of Islamic Cooperation (OIC) to be more active in managing issues in the Muslim world and they attempted to make the OIC more efficient and active in international politics. Turkish and Iranian foreign policies makers have continuously called on their Muslim counterparts to solve their own problems on their own suggestions, and have declared their unease with Western interventions into the Islamic World. Both countries have supported the enterprise of a "Dialogue among Civilizations."⁹⁹ Turkey's new foreign policy under Davutoğlu began the same time Iran was beginning to come under increasing pressure from the West over its nuclear program. The combination of the AKP's confidence, its increasing regional intentions and resentment of the West led Turkey to play a key role in trying to settle tensions resulting from Iran's lack of transparency in its nuclear program and its unwillingness to fully cooperate with the International Atomic Energy Agency (IAEA).¹⁰⁰ Iran has declared many times that its nuclear program is only for peaceful purposes and has accused the West of trying to prevent Iran from having access to scientific and technological advancement through its nuclear program. Turkey has accepted Iran's right to have a peaceful nuclear program and use nuclear energy according the NPT's articles. Turkey gave some credit to Western arguments, while asking Iran to reduce international concerns by extending its cooperation with the IAEA.¹⁰¹

⁹⁸ Nihat Ali Özcan and Özgür Özdamar, "Turkish-Iranian Relations since the 1979 Islamic Revolution", Middle East Policy, Vol.XVII, No.3, Fall 2010, p.112

⁹⁹ Bayram Sinkaya, "Rationalization of Turkey-Iran Relations: Prospects and Limits", Insight Turkey, Vol.14, No.2, 2012, pp.145-146

¹⁰⁰ Gareth Jenkins, "Occasional Allies, Enduring Rivals: Turkey's Relations with Iran", Silk Road Papers, the Central Asia-Caucasus Institute and the Silk Road Studies Program, May 2012, p 36
<http://www.silkroadstudies.org/new/docs/silkroadpapers/1205Jenkins.pdf>, (accessed on 20 December 2012)

¹⁰¹ Bayram Sinkaya, "Rationalization of Turkey-Iran Relations: Prospects and Limits", Insight Turkey, Vol.14, No.2, 2012, p 146

Bülent Keneş has noted that Turkey tried to integrate Iran's economy with the international system because it suffers from strong economic ties with other countries and it became a priority of Turkish foreign policy. Turkey looked for a condition in which Iran will cooperate in huge energy projects, relationship capacities with Turkey will be increased, tension with West will be decreased, and the Iranian government system will be closer to the Turkish system. Iran in such a condition will favor Turkey. Turkey applied a realist policy, but by 2009 Turkey was the first country that sent a message to President Ahmadinejad and congratulate him on his second presidency after his victory in election. Some reformist groups claimed that Ahmadinejad had rigged the presidential election. Turkey declared that it never interferences in other countries' domestic issues and what happened in Iran is domestic.¹⁰²

For a broader understanding of the AKP's new foreign policy it is very important to review Davutoğlu's "Strategic depth" (Stratejik Derinlik). He presents a different perspective on how to think about Turkey's role in the region and in the world as a whole. Davutoğlu recommended influencing Turkey's geopolitical location and historical depth, both of which have helped Turkey prosper. He also noted that he had put down a detailed perspective assessment of Turkey's geostrategic role and policy recommendations to accomplish the vision of Turkey as a global power at the crossroad between North-South and East-West. Davutoğlu forecast this approach would be led by substituting the current "security-oriented" views with a new "economy-oriented" policy with maximum benefit. In the autumn of 2010, Turkey made changes in its "Red Book", the guiding document on national security strategy. The main change was the official removal of Iran, Iraq, Greece and Russia as national security threats.¹⁰³

3.2.1. Arab Spring end of Honeymoon

Iran and Turkey, as two Muslim countries - though for radically different reasons -, supported the Tunisian uprising and the Egyptian revolts. Both countries were slow to recognize the Libyan revolution at first, opposing any external intervention, and firstly called on Muammer Gaddafi to pay attention to the rebels' demands and realize reforms to pave the way for a top-down

¹⁰² Bülent Keneş, "Iran Tehdit mi Firsat mı?" Timaş Yayınları, İstanbul, 2012, p 200

¹⁰³ Elliot Hentov, "Asymmetry of Interest, Turkish-Iranian Relations since 1979", Lap Lambert Academic Publishing, Germany, 2012, pp 212-261

democratic transition.¹⁰⁴ Turkey initially opposed any intervention and finally supported NATO's mission in Libya. Iran and Turkey take opposed side on the Syrian crisis. Syria is a critical corridor to the Israel-Palestine conflict. The Islamic Republic supports an inquisitive foreign policy that combines elements of Political Islam, Persian nationalism and anti-imperialist rhetoric. Bashar Assad's regime is secular but Iran also supports it. Iran's support for Syria is moderated by the principle of *maslahat*, or national interest.¹⁰⁵

Turkey supported the Assad administration at first and asked the Assad regime to implement reforms. The Turkish government supported the Syrian opposition and permitted them to organize in Turkey. The Syrian opposition many times met in Istanbul. Iran also realized the need for reform in Syria, and welcomed the "reform package" revealed by the Assad regime in April 2011. Iran's main reason for supporting Assad against opposition groups in Iran foreign policy makers views is what they describe Syrian opposition groups as a "puppet of the Zionist regime" and condemned the Western countries that aimed at breaking down the so-called "resistance front". Both countries accused each other over Syrian crisis; Iranian authorities have accused Turkey of intervening in Syria's internal affairs and assisting the West interests. Turkey has accused the Iranian government of encouraging the Assad regime to carry on violent repression instead of prompting it to make reforms.¹⁰⁶ It should be noted that when Turkey's urging Assad to implement reforms failed, the AKP made no effort to press Iran to use its good relation with Assad regime to encourage Syria to do so.¹⁰⁷

Turkey's decision to set out the NATO missile defense system in the Malatya region, in eastern Anatolia, was the major blow in Iran-Turkey relations by September 2011. It supplied a clear sign of the AKP's underlying opinion of Iran, than its lobbying in favor of Tehran over its nuclear program, where both sides' interests were covered by a veneer of supposed cooperation.¹⁰⁸ Iran is worried about NATO's defense system in Malatya first, because the place

¹⁰⁴ Aaron Stein, Philipp C. Bleek, "Turkish-Iranian Relations: From "Friends with Benefits" to "Its Complicated", Insight Turkey, Vol.14, No.4,2012,p.144

¹⁰⁵ Ibid p.143

¹⁰⁶ Bayram Sinkaya. Rationalization of Turkey-Iran Relations: Prospect and Limits, Insight Turkey, Vol.14, No.2, 2012, p.152

¹⁰⁷ Gareth Jenkins, "Occasional Allies, Enduring Rivals: Turkey's Relations with Iran", Silk Road Papers, the Central Asia-Caucasus Institute and the Silk Road Studies Program, May 2012, P.

⁷³<http://www.silkroadstudies.org/new/docs/silkroadpapers/1205Jenkins.pdf>, (accessed on 20 December 2012)

¹⁰⁸ Ibid p. 71

of defense system deployed is 1200 km away from Tehran; NATO can easily monitor Iran's military activities, second, its radar system would neutralize any missile attacks; in addition it might also effect the capacity of Iran to react to any attack, and third, Israel's role in deploying the radar system and potentially of intelligence sharing between NATO and Israel. Due to such concerns, Iranian authorizes and media seriously criticized Turkey's decision for deploying NATO's defense system.¹⁰⁹

3.3. Economic Relations under AKP

Bilateral agreement on the Prevention of Double Taxation implemented on March 7, 2005 under the AKP administration was signed on June 17, 2002. The AKP aimed at development in eastern Anatolia and adopted the rule in trying to increase cross-border trade with 13 provinces in the region with Turkey's neighbors. On March 2003, Turkey's government issued a law that for decreasing customs duties by 40% on agricultural products and 100% on industrial goods imported from Iran, Syria and Iraq. This decree came into effect on April 10, 2003. Iran and Turkey continued to pass new laws with the aim of facilitating trade between Iran and Turkey. On March 10, 2009, Turkey passed a law raising the last regulations on the use of the Iranian currency, the rial, by Turkish banks. On April 28, 2009, the Iranian side declared that its financial institutions were now allowed to handle transactions in Turkish lira. But by 2012, industry sources reported that about all foreign trade transactions between Iran and Turkey were being denominated in euros or US dollars.¹¹⁰

Iran and Turkey have signed several agreements and memoranda of understanding performing them to a closer economic relationship and bilateral trade has developed more than ten-fold. By 2012, Iran had become Turkey's largest supplier of crude oil and its second supplier of natural gas.¹¹¹ At the same time Iran was Turkey's tried largest goods export market. Turkish goods exports to Iran in 2012 were \$9,9 billion, up %176 (\$3,5 billion) from 2011, and up %2652 from 2001. The top export categories (2-digit SITC) for 2012 were: gold and golden plated silver

¹⁰⁹ Bayram Sinkaya. Rationalization of Turkey-Iran Relations: Prospect and Limits, Insight Turkey, Vol.14, No.2, 2012, p.153

¹¹⁰ Gareth Jenkins, "Occasional Allies, Enduring Rivals: Turkey's Relations with Iran", Silk Road Papers, the Central Asia-Caucasus Institute and the Silk Road Studies Program, May 2012, p p 51-52
<http://www.silkroadstudies.org/new/docs/silkroadpapers/1205Jenkins.pdf>, (accessed on 20 December 2012)

¹¹¹ EDPK, Republic of Turkey, Energy Market Regulatory Authority

(\$6,528 billion); iron and steel (\$629 million); textile yarn, fabrics (\$226 million); land transportation vehicles (\$209 million) electrical machinery, apparatus and appliances (\$171 million) Two high profile AKP commercial ventures were unilaterally cancelled for alleged national security reasons. First, in December 2003, the Austrian-Turkish consortium Tepe-Akfen-Vie (TAV), after having built the first terminal of Imam Khomeini Airport in Tehran, signed a Memorandum of Understanding to operate its brand in the airport, due to open in the spring 2004. After the airport opened, only one aircraft was handled for landing before the Revolutionary Guards drove tanks on to the runway and rushed the control tower. They claimed that they did for security concerns. The agreement and TAV received high-level support from the Turkish government. This incident irritated the Turkish government. A similar incident took place in the telecommunications sector. On February 2004, Turkcell won a \$385 million venture to receive a 70% stake in Iran's second mobile-phone operator, Irancell, but before realizing the agreement, the Guardian Council opposed the fact that about 30% were in Iranian hands. About a month later, the Iranian parliament passed a decree giving itself a veto over any projects involving foreign majority control, including TAV and Turkcell projects, and specifically annulling the terms of ownership. After a year of financial and legal negotiations, Turkcell left the projects. Such events gave the impression that Iran was an unreliable destination for foreign investment, even for its neighbors like Turkey.¹¹²

Iran was Turkey's sixth largest supplier of imports in 2012. Turkey imported goods from Iran were \$11,4 billion in 2012, up 63% (\$12,5 billion) from 2011, and up 1.324% from 2001. The top 5 imports categories (2-digit SITC) for 2012 were: coal and raw petroleum materials; natural gas, plastics in primary forms (\$456 million); metals other than iron (\$432 million) and organic chemicals (\$103 million). The trade deficit of goods with Turkey was \$2 billion in 2012, a 432% decrease (\$8,8 billion) over 2011. Although Iran's construction sector was in a recession in 2011, Iran has great potential for infrastructure construction and consultancy service trade. The government expedites the number of public housing projects and declares new projects for industrial zones. Turkish firms held 44 projects in Iran with a total value of \$4,6 billion through

¹¹² Gareth Jenkins, "Occasional Allies, Enduring Rivals: Turkey's Relations with Iran", Silk Road Papers, the Central Asia-Caucasus Institute and the Silk Road Studies Program, May 2012, p p 51-52
<http://www.silkroadstudies.org/new/docs/silkroadpapers/1205Jenkins.pdf>, (accessed on 20 December 2012)

the end of May 2013¹¹³ Houman Sadri about Iran-Turkey relations argued that, Turkey benefits Iran's oil and gas resources plus Iran is one of the largest Muslim country and has own place in Turkish foreign policy, Iran is under sanction that posed by western countries, when Turkey stay a little away from the west, it does not so strange for the west and then become more close to Iran. Turkey in compare of Iran always better. "We can call Iran as bad boys, Turkey is better the west with regard its bad boy neighbors. Obviously a lot of Turkish companies and businessman are active in Iran's market. Turkey is a country where Iranians can travel freely and they don't need to get visa and stay in Turkey for three months. For Iran also Turkey's position and trade with it is important. Mutual relations have benefits for both sides. Iran is worry about Turkey's influence in Central Asia".¹¹⁴

3.3.1. Turkey's Economic Problems with Iran

Turkey many times complained about gas price and also quality. In March 2004 Tehran rejected Turkey's call for reduce gar price and after it Turkey decided to take the case to arbitration. Following arbitration process in February 2009 the International Chamber of Commerce Court (ICC) commanded to immediate 18% price reduction.¹¹⁵ Bulent Keneş, noted that by 2012 trade volume between Iran and Turkey was about \$22 billion, Turkey exported about \$ 12 billion gold to Iran from such amount \$6.5 billion directly export to Iran and about \$5.5 billion indirectly export via Dubai to Iran, Turkey's gold export to Iran during 2010 and 2011 were about \$400 or \$500 million, Turkey use gold to paying oil price via transaction to Iran, I can't account on such trade volume as real business relations.¹¹⁶

As Arif Kesin, prominent political analyst, Turkey is trying to change volume with Iran in favors of herself but yet she cannot be succeeding. There are some reasons why Turkey cannot be successes to change balance in trade with Iran in favor of herself, first one, economic culture, second banking system, third imitation products, forth economy and politics in Iran is crowded

¹¹³Ministry of Economy of Republic of Turkey
<http://www.economy.gov.tr/index.cfm?sayfa=countriesandregions&country=ir®ion=4> (accessed on 13 August 2013)

¹¹⁴ Author's interview with Houman Sadri, on July 12,2013

¹¹⁵ Elin Kinnander, " The Turkish-Iranian Gas Relationship: Politically Successful, Commercially Problematic", Oxford Institute for Energy Study,2010,p.14

¹¹⁶ Author's interview with Bulent Keneş,on May 29 2013, Istanbul

and fifth, Turkey's firms working according EU standards, Turkish businessman can not get loans from Iran's Banks, they were concern about investment in Iran market due to problem which imposed to TAV and Turkcell companies from Iran side, they lost their confidence to Iran's market, Ülker has invested in Iran but some Iran's companies s begin to produce Ülker 's productions (imitate products) and finally Ülker left Iran. It should be note that how Iran is interested to see Turkey in her market, if Iran really is interested to see Turkey in her market should prepare all required conditions for freely economic activities for Turkish companies I have doubt about it, after the AKP came to power, they tried to change such conditions but could not succeed.¹¹⁷

According Bayram Sinkaya, a shift in Turkey's foreign policy began before the AKP came to power at 2002; Shifts began in 1999 after security condition such as political Islam in Turkey ... improved. For having better economic relations with neighbors it is required to solve security problems with them, after AKP came to power carried on such policy toward neighbors especially Iran, the AKP understood that if economic relations developed, a positive spillover into political relations could also help Turkey to solve and prevent security problems with its neighbors. The AKP's Islamic oriented policies also helped.¹¹⁸ According Bulent Keneş, there is more potential for mutual cooperation between the two countries, but the main problem is difference between governmental systems, if the governmental system were more alike relations developing so systematically.¹¹⁹ With regard to the good relations between Iran and Turkey especially during AKP era, Turkey asked Iran to reduce gas prices many times but Iran did not yeild. Russia and Azerbaijan, on the other hand, both renegotiated their deal to Turkey, whilst Iran sells its own resources for more than its worth on the international market.¹²⁰

Gareth Jenkins reported that, infrastructural challenges are one of the biggest challenges in developing normal relations between Iran and Turkey due to problem in good's transport. Turkey's businessmen prefer to send their goods via ship, Turkey needs much more financial resources to build suitable infrastructure and no one party is able to build it. If we look at the profile of what Turkey sent Iran in the last year and at the beginning of 2013, we see that Turkey

¹¹⁷ Author's interview with Arif Keskin, on, May 8, 2013, Ankara

¹¹⁸ Author's interview with Bayram Sinkaya, on May 8,2013, Ankara

¹¹⁹ Author's interview with Bülent Keneş, on, May 29, 2013, Ankara

¹²⁰ Ibid

has sent gold to Iran, but temporary US pressure on Turkey has impeded this. Infrastructure problems pose difficulties for companies trading with Iran, when you want to have trade find right person whereas you will be faced with different persons and different organizations to contract with one function. Azeri speaking near border has economic ties with Turkish companies; they can have a lot of trade.¹²¹“I don’t think in short-term we can see strong economic ties between Iran and Turkey; Political pressure coming from US is another problem in Iran –Turkey relations”.¹²²

According to Şaban Kardaş, from energy security perspective, diversification of resources is to important, Iran in some field provide diversification resources for Turkey, Iran holds the world’s second largest reserve of gas but can not benefit from it. Iran has the potential, whilst; Turkey can become a hub for exporting and transiting Iran’s gas to Europe.¹²³ Cavid Veliev believes that the main problems in Iran-Turkey economic ties are Iranian hard bureaucracy, more than half of trade is in the hands of the government or government–dependent foundations. Both countries with aim of solving such problems created some mutual commissions such as mixed economic commission, mixed transportation commissions, mutual trade committee and work council.¹²⁴ By the end of 2012, the only considerable Turkish investments in Iran belonged to private petrochemical company, Gübretaş; this company is the second largest producer of petrochemical fertilizers. In February 2008, Gübretaş paid \$656 million for a 96% stake in the state-owned Razi petrochemical plant in the free trade zone in southern Iran’s Mahshar region. The Turkish company bought the plant as part of Iran’s privatization program. Gübretaş was the only bidder and received marked political support from Turkey’s government. In early 2013, Gübretaş investment remained the largest foreign industrial investment at any time undertaken by a Turkish company in other countries.¹²⁵ By April 2008, the Iran Khodro Company (IKCO) automaker, which mainly state-owned, announced that it would create more than 1000 jobs with the opening of a car factory in the Marmara region of northwest Anatolia. In September 2010,

¹²¹ Author’s interview with Gareth Jenkins, on June 4. 2013, Istanbul

¹²² Ibid

¹²³ Author’s interview with Şaban Kardaş, on May 9, 2013, Ankara, Şaban Kardaş is Associate Professor in International Relations and Faculty Member at TOBB University, Ankara, Turkey

¹²⁴ Author’s interview with Cavid Veliev, on June 12, 2013

¹²⁵ Gareth H. Jenkins, “Occasional Allies, Enduring Rivals: Turkey’s Relations With Iran”, Silk Road Paper published by the Central Asia-Caucasus Institute and the Silk Road Studies Program, p.62

<http://www.silkroadstudies.org/new/docs/silkroadpapers/1205Jenkins.pdf> (accessed on 1 Dec 2012)

IKCO's official said that they would build that factory in the planned joint free trade zone on the Iranian-Turkish border. In February 2011, IKCO signed memorandum of understanding with Hema Endustri with the aim of preparing the condition for the construction of a €200 million plant which would produce cars and light commercial vehicles for sale in Turkey and other members of D8. But, by early 2013, there was still no evidence as to the factory would at all be built.¹²⁶

Turkey's Foreign Trade with Iran 2000-2011 (\$Million)¹²⁷

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

¹²⁶Ibid 65

¹²⁷The Turkish Statistical Institute (TURKSTAT)

Economic Agreements between Iran and Turkey since 1995¹²⁸

Date	Agreement
Aug.1996	Iran and Turkey sign a \$20 billion natural gas sales agreement that includes the construction of a 1,600- mile gas pipeline between Tabriz and Ankara. (This pipeline was completed in July 2001, whereupon gas delivery began immediately.)
Dec. 2003	Iran and a consortium of Turkish firms sign a \$193 million construction project for phase two of the Imam Khomeini International Airport in Central Iran. Under political pressure from conservative political factions, the Iranian government cancels the Turkish firm's contract and pays \$15 million in damages.
Jul. 2007	Iran and Turkey sign a Memorandum of Understanding (MoU) to transfer 30 billion cubic meters of Iranian and Turkmen natural gas to Europe via Turkey. Also, the Turkish Petroleum Corporation receives a license from Iran for the exploration and development of three sections of the South Pars gas field
Feb. 2008	A Consortium of four Turkish firms purchases the Razi Petrochemical Company (located in Southwestern Iran) for \$650 million
Mar. 2009	Iran and Turkey sign a Memorandum of Understanding (MoU) for cooperation in air, land, and sea transportation
Apr 2009	Iran, Iraq, and Turkey sign an agreement to link their electric power grids.
Jun. 2009	Iran and Turkey sign a telecommunications agreement which gives them access to each other's telecommunications network.
Mar. 2010	Iran and Turkey agree to build a prototype joint industrial park in border areas near the Iranian city of Makou
Feb. 2011	Iran's largest automaker, Irankhodro, and the Turkish firm Hema Endustri sign a \$200 million agreement to jointly produce a car in Turkey
May 2011	The energy ministers of Iran and Turkey sign an agreement to expand bilateral investments in the energy sector.
Jul. 2011	Iran, Iraq, and Turkey agree to establish a joint investment bank to facilitate trade and investment among them. The initial capital is \$200 million, and the main office of this bank will be in Tehran.
Oct. 2011	Iran and Turkey sign an agreement to cooperate on human resources development and exchange expertise in public administration.
Jan. 2012	Iran and Turkey sign a comprehensive economic cooperation agreement covering trade, transportation, and investment
Jan. 2012	The Turkish parliament approves a health cooperation agreement with Iran.

¹²⁸ Nader Habibi, "Turkey and Iran: Growing Economic Relations Despite Western Sanctions", Middle East Brief, May 2012, No 62, P.4

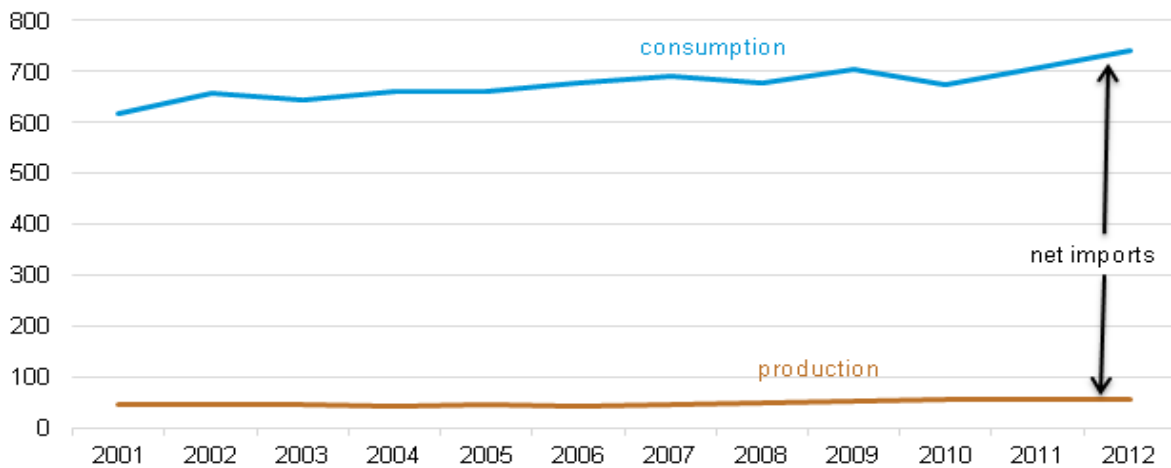
CHAPTER IV: TURKEY'S ENERGY POLICY

4.1. Turkey's Energy Profile

Studies shows that about 73 % of the world's proven oil and 72% proven natural gas reserves are located in the Middle East and Caspian Basin. Turkey is geographically located between this energy hub-region and the market with the highest demand. Due to its geographical location, the country becomes a natural bridge between energy source countries and consumer markets, and plays a vital role in energy security of Europe and diversification of supply source and routs. Turkish Straits also have specific significance in energy security whereas proximity 3.7% of the world's daily oil consumption is shipping via Turkish Straits.¹²⁹ More than 81 of Turkey's big cities have access to natural gas.¹³⁰

Turkey's liquid fuels consumption and production, 2001-2012

thousand barrels per day



Note: 2012 data are estimates

Source: U.S. Energy Information Administration, International Energy Statistics Database and *Short-Term Energy Outlook*

¹²⁹ Turkey's Energy Strategy, Ministry of Foreign Affairs of Turkey Republic, pp,1-5
[http://www.mfa.gov.tr/data/DISPOLITIKA/EnerjiPolitikasi/Turkey's%20Energy%20Strategy%20\(Ocak%202009\).pdf](http://www.mfa.gov.tr/data/DISPOLITIKA/EnerjiPolitikasi/Turkey's%20Energy%20Strategy%20(Ocak%202009).pdf) (accessed on 20 May 2013)

¹³⁰ Necdet Pmir, Meeting the New Challenges, A Social Democratic Approach to Turkey's Future Energy Policy, <http://www.fes-tuerkei.org/media/pdf/Publikationen%20Archiv/Ortak%20Yay%C4%B1mlar/2012/Pamir.pdf> (accessed on 25 June 2013)

4.2. Turkey's Energy Strategy

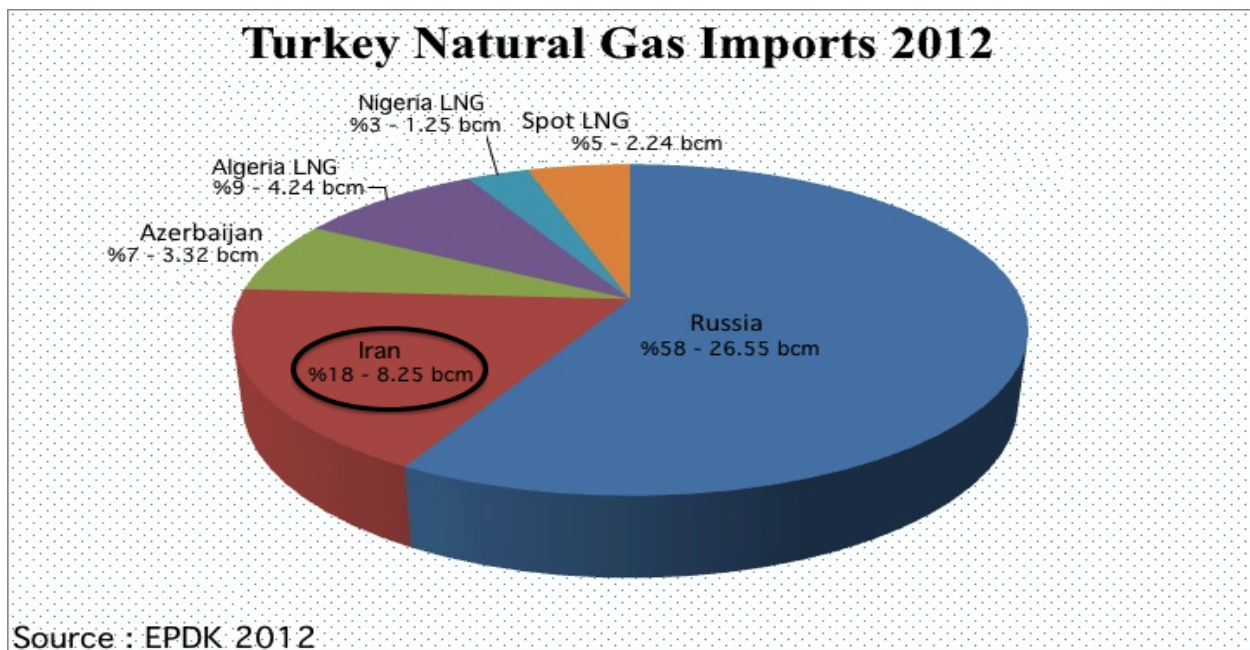
Tied up with the country's geographical location and energy consumption, Turkey has developed certain energy policies and plans which form one of the main determinants of Turkey's relations with Iran. Examining Turkey's energy plans indicates that main pillars in the Strategic Plan of the Ministry of Energy and Natural Resources of Turkey (2010-2014), are "Energy Supply Security", "the regional and global effectiveness of Turkey in the field of Energy", "Environment" and "Natural resources", the strategic plan aims to supply energy resources to all consumers adequately, with the best quality, the lowest prices, securely and in attention of the sensitivities about the environmental matters., in addition strategic plan aims to creating a liberal and competitive market will continue and trying to the realization of new production investments for meeting the electricity demand, within the structure of the market, production and distribution privatization of energy sector. The Strategic Plan, like Turkey's Energy Strategy, mentions the geo-strategic position of Turkey as "energy corridor" and estimated that Turkey has become the new and the deciding player of the multi-national oil and natural gas pipeline projects and the international energy arena. ¹³¹

In order to better understand Turkey's Energy Strategy, it is important to notice the volume of energy demand and increasing rate of energy demand in Turkey during last decade. Turkey is one of the fastest growing energy demands in the world. Over the last decade, in terms of the amount of increase in demand for natural gas and electricity, Turkey was the second country after only China, and a further increase in demand is expected, due to Turkey's burgeoning economy. Turkey suffers from domestic energy courses and at present only 26% of the total energy demand is met by domestic sources. Turkey has to import the rest of its energy demand via import from other countries.¹³² With regard to such conditions, Turkey is to recognize its special energy security and has subject to "diversify its energy supply routes and source countries, increase the share of renewables and include the nuclear in its energy Mix, take significant steps to increase energy efficiency and contribute to Europe's energy

¹³¹ Strategic Plan of Ministry of Energy and Natural Recourse of the Republic of Turkey (2010-2014), http://www.enerji.gov.tr/yayinlar_raporlar_EN/ETKB_2010_2014_Stratejik_Planı_EN.pdf, (accessed on 30, April 2013)

¹³² Turkey's Energy Strategy, Ministry of Foreign Affairs, <http://www.mfa.gov.tr/turkeys-energy-strategy.en.mfa>, (accessed on 24 April 2013)

security.”¹³³When it comes to the growing energy demand, limited domestic energy resources, geographical dissimilarity, technological tendencies and economic effects, energy security has been an important strategic feature of secure, continuous and ruthless energy policy. In Turkey’s Energy strategy energy security is divided into two filed, long term energy security related to suitable investment along the provide and demand chain to foster social and economic development. Short-term energy security is identified as the capability of an energy system to respond directly to sudden changes in supply and demand. Consequently, energy security has powerful ties to energy provide resources, routs, technologies and investments needed in order to mobilize all these. ¹³⁴Turkey dependence onforeign resources are about 74 %. Turkey’s annual energy demand is 4-5 % but this rate in EU countries is 1.6%. It is expected that Turkey’s energy demand will increase 4 % annually until 2020. And Turkey required more than \$100 billion investment in the next 15 years.¹³⁵ According to the International Energy Agency (IEA) growth in electricity demand is estimated to increase faster than any other energy demand in Turkey.¹³⁶



¹³³ Turkey’s Energy Strategy, Ministry of Foreign Affairs, <http://www.mfa.gov.tr/turkeys-energy-strategy.en.mfa>, (accessed on 24 April 2013)

¹³⁴ Yusuf Yazar, SETA Policy Brief, Foundation for Political, Economic and Social Research, ” Turkey’s Role and Priorities in Enhancement of Security of Oil and Gas Suppliers”, Nov,2010,p.3, <http://arsiv.setav.org/Ups/dosya/54331.pdf> (accessed on 10 March 2013)

¹³⁵ Tuncay Babali, Center for Strategic & International Studies,p.2 http://csis.org/files/attachments/120529_Babali_Turkey_Energy.pdf (accessed 25 April 2013)

¹³⁶ U.S .Energy Information Administration, Turkey’s Report <http://www.eia.gov/countries/analysisbriefs/Turkey/turkey.pdf>, (accessed on 24 April 2013)

Houman Sadri has noted that the energy relationship and its share on bilateral trade volume is extremely significant. Because Iran needs a market for its obviously vast potential revenue in oil and gas exports, and Turkey desires to be – not quite dependent on Iran – but more engaged in trading for Iranian energy resources as a means of diversification. Turkey is very wise in its energy cooperation with Iran – as is China, which receives oil and gas from different parts of the world. China is not dependent on one region in particular in Oil and Gas. It is good for Turkey to have three major oil and gas suppliers for importing because, if Turkey becomes more dependent on one of them that created dependency.” Let me give you an example, Armenia is dependent on Russia on Oil and gas Iran has established pipeline for Armenia. And they exported oil and gas.it is very interesting that Turkey is more independent in contrast other countries”.¹³⁷

Throughout the last year, Turkey has given importance in domestic and renewable energy resources and interest in using such sources for electricity production. Turkey is mainly dependent on other country’s resources and has to develop its domestic resources in energy policy. At the same time consumption of natural gas is increased and using natural gas in homes and industries is more beneficial than using natural gas for electricity production.¹³⁸ According to statistics of International Energy Agency oil and natural gas are the major energy sources in Turkey, Turkey’s demand for natural gas considerably increased from 0.7 bcm (2mcm/d) in 1987 to nearly 45.3 bcm (124mcm/d) in 2012. oil contains 28% of Turkey’s total primary energy supply (TPES) in 2011. Coal is also a large energy source that its TPES increased to 30% in 2011. Renewable energy including hydro energy supplied 10% of TPES. It is expected that to increase the share of renewable to 30% of its electricity production by 2023 at the same time installing 20 GW of wind capacity as well as 600 MW of geothermal capacity. Turkey wanted to build two nuclear power plants in order to make nuclear energy at least 5% of its electricity generation.¹³⁹

¹³⁷ Authors interview with Houman Sadri, On July 12, 2011

¹³⁸ Yusuf Yazar, SETA Analiz, Siyaset, Ekonomi ve Toplum Araştırmalar Vakfı “Türkiye'nin Enerji Durumu ve Geleceği.3”, Aralık 2012, pp 9-10, <http://arsiv.setav.org/ups/dosya/58085.pdf> (accessed on 12 Feb 2013)

¹³⁹ International Energy Agency, Report, 2013, Oil & Gas Security Emergency Response of IEA Countries, http://www.iea.org/publications/freepublications/publication/2013_Turkey_Country_Chapterfinal_with_last_page.pdf (accessed on 5 May 2013)

Necdet Pamir proposed seven principles for Social Democratic Approach to Turkey's Future Energy Policy:

- “1. A secure supply of energy for all citizens must be guaranteed by the government and independent regulating authorities.,
2. Energy security entails reducing Turkey's import dependency and developing its local and renewable energy source.
3. Reducing CO2 emissions is essential for an ecologically and economically sustainable energy policy.
4. Using energy more efficiently is the best way to reduce Turkey's energy bill and its dependency on imports.
5. Promoting renewable energy resources through higher incentives creates new green jobs, but renewable energy technologies require significant R&D and local manufacturing efforts
- .6. Nuclear power has proven to be a highly dangerous and unsustainable technology that Turkey should not pursue.
7. An integrated foreign energy policy must be designed in a way that contributes to the gradual improvement of Turkey's relations with its neighbors, as well as the opening of the EU energy chapter.”¹⁴⁰

Energy planning should be protected and preserve national and public interests and increase social interests. It is clear that Turkey's energy has own strategic importance and due to its strategic importance, requires unified structure for the coordination of regulation, planning, and controlling activities, for such importance it need a rational use of resources. A National Energy Platform for determining the policies required for energy sector should be founded where all sections of the society (universities, professional's organizations, chambers, trade unions, consumer associations, etc.) are represented. By methods of the National Energy Platform, strategic plans for all the energy sectors (i.e. petroleum, natural gas, coal, hydro, wind, geothermal, solar, nuclear, etc.) should be minded. At the same time sub-sector plans, a National

¹⁴⁰ Necdet pamir, "Meeting the New ChallengesA Social Democratic Approach to Turkey's Future Energy Policy", <http://www.festuerkei.org/media/pdf/Publikationen%20Archiv/Ortak%20Yay%C4%B1nlar/2012/Pamir.pdf>, (accessed on 25 June 2013)

Energy Strategy should be prepared. The strategy should be supported with action plans and roadmaps.¹⁴¹

The rapid growth of energy demand in Turkey, especially in 1990s, forced Turkey's energy policy makers to profit from the accessibility of Russian natural gas instead of confronting the financial trouble of required investment in alternative energy.¹⁴² The AKP administration took energy into account and paid greater attention in Turkey's foreign policy, and we can see some energy-prospected shifts in Turkey's foreign policy

1) Foreign affairs, which are highly related to Turkey's strategy to use energy as a leverage to foster regional economic cooperation;

2) Turkey's energy industry, which is related to the inability or unwillingness of its conventional allies to compensate for Turkey's energy mix flaws or the potential cost Turkey would incur if it does not develop relations as much as possible with partners such Russia, Azerbaijan, Iran and Iraq;

3) From the aspect of Geopolitics, seeing as Turkey would not want to miss a chance to build an energy transit system (which would lead to cooperation among its neighbors – including Russia, Azerbaijan, Georgia, Armenia, Iran, Iraq), International energy security as a part of geopolitical issues and international security mainly falls within the influence of the MFA. In this regard, energy cooperation is surely seen as the key policy with which to support interdependency and intensify relations between Turkey and its neighbors.¹⁴³

4.3. The actors and reserves in Turkey

There are some international firms in Turkey that operating in energy sector. TPAO (Turkish Petroleum Cooperation), BOTAS (Petroleum Pipeline Cooperation), TPAO is the state-owned firms and has privileged right in the Turkey upstream sector and it is the major exploration and

¹⁴¹ Oğuz Türkyılmaz, "Turkey's Energy Policy: Suggestions for a Change", Insight Turkey, Vol.12, No.3,2010,pp,53-54

¹⁴² Mert Bilgin, "Energy and Turkey's Foreign Policy: State Strategy, Regional Cooperation and Private Sector Involvement", Turkish Policy Quarterly, Vol.9,No.2 p.83, <http://www.turkishpolicy.com/dosyalar/files/81-92.pdf> (accessed on 21 Feb 2013)

¹⁴³ Ibid p.p 148-150

production entity in Turkey, also directly contends with private sector. No foreign country or firms could make investment in Turkey's upstream activities without joint ventures with TPAO. BOTAŞ is also state-owned which control the natural gas sector, builds and manages gas pipeline in Turkey and controls in the wholesale market and also in exports of natural gas.¹⁴⁴

The main functions of BOTAŞ are leading Turkey's midstream gas market, developing the Turkey's pipelines networks, obtaining enough natural gas supplies, ensuring competent supply for domestic market, participation in international pipeline projects that such projects can take benefits of Turkey's position as a key corridor between Europe as demand market and Middle East and Central Asia as energy hub region to play more active role in trans-regional energy supply.¹⁴⁵ Some other firms and organizations that are active in Turkey's energy sector including: the Ministry of Energy and Natural Resources (MENR) and the General Directorate of Petroleum Affairs, Energy Market Regularity Authority, Competition Authority and State Planning Organization. Finding shows that Turkey has 270 million barrels proven oil reserves which mainly located in Hakkari Basin, some new deposits has found in the Thrace in the northwest. When it comes to the energy reserves in addition to the above-mentioned reserves there are some importance reserves under the Aegean Sea. TPAO has some exploration activities in the Black Sea, which hold between 7-10 billion barrels of oil. TPAO's short term purpose is to develop the resources situated in the Black Sea, and Turkey's Ministry of Energy and Natural Resources hopes for commercial production to take place in the Black Sea by 2016.¹⁴⁶ TPAO's target by 2023 (the 100th anniversary of the foundation of Turkey Republic) is to meet Turkey's oil and natural gas demand. At the same time, the vision of the Ministry of Energy and Natural Resources in 2023 is: to make Turkey the leader of its region in energy and natural resources. In order to achieve an energy strategy, MENR is cooperating in some regional and international gas and oil pipeline projects and planning to complete some of the projects in 2014, last year of the energy strategy.¹⁴⁷ International energy security, as a one of the geopolitical issues and

¹⁴⁴ U.S. Energy Information Administration, Turkey's Report, <http://www.eia.gov/countries/analysisbriefs/Turkey/turkey.pdf>, (accessed on 24 April 2013)

¹⁴⁵ Ibid p.7

¹⁴⁶ Ibid.p.8

¹⁴⁷ "Strategic Plan of Ministry of Energy and Natural Recourse of the Republic of Turkey "(2010-2014), pp.1-30 http://www.enerji.gov.tr/yayinlar_raporlar_EN/ETKB_2010_2014_Stratejik_Planı_EN.pdf, (accessed on 30, April 2013)

international security concerns, mainly fall under the charge of the MFA, and in this regard, energy cooperation is surely seen as the key policy with which to support interdependency and intensify relations between Turkey and its neighbors.¹⁴⁸

Liberalization of the Energy Market

In addition to the state own companies' critical role in Turkey's energy policies, one of the main aspects of the policies is also the liberalization policy toward the market. Liberalization of energy market is one of the main pillars of Turkey's Strategic Plan for Energy and in this regard it can be some privatization in energy sector. The privatization policies have aimed to satisfy the benefits of capital to get maximum profit. It is clear that energy is a public and social service, and this must be the main principle by which all all works related in this field are viewed. In this regard, high quality energy with low prices should be provided to all consumers and in a sustainable, constant manner.

Weakness and the Problems of Turkey's Energy Policy

Turkey's energy policy, as with any policy, has its own weaknesses and shortcomings,

- 1) It is hard to claim that there will be continuity in Turkey's energy policies,
- 2) The numbers of actors in Turkey's energy decision making process is limited and some important actors don't participate in the energy decision making process,
- 3) Existing energy plans and forecasts do not give real advice to energy decision makers,
- 4) There is more co-ordination and cooperation needed between the actors in Turkey's energy policy making.¹⁴⁹

¹⁴⁸ Ibid p.p 148-150

¹⁴⁹ Hakan Akbulut," Energy Decision-Making : the Turkish Case ", Center for Strategic Research of the Ministry of Foreign Affairs of the Republic of Turkey (SAM), <http://sam.gov.tr/wp-content/uploads/2012/01/Hakan-Akbulut.pdf>, (accessed on 21,Dec,2012)

Turkey Energy Projects

During recent years, Turkey aims to supply its domestic energy demand and also play a key role in world energy market as a participant to some international pipeline projects. Such projects will help Turkey in diversifying its energy resources.

4.4. International Pipeline Projects

The main reason that makes Turkey a key Energy player in the region is the security and the stability of the country. Indeed, security, stability and prosperity in the Middle East and especially with Turkey's neighbors, became Turkey's new priority in its foreign policy. For achieving such aims it was required to establish a sub-regional institution and cooperation-integration schemes to moderate political disputes and dissimilarities. A close examination to Turkey's energy policies would easily indicated that Turkey's energy discourse has route for the capacity, number and direction of present and proposed gas and oil pipelines, it is clear that pipelines are important part of the energy policies, Turkey's main interests in being an energy transit, hub or center can be classified in four phases.

- 1- "Early phase with political-cultural concerns: 1991-1994
- 2- East-West energy corridor originating from Caspian: 1994-2005.
- 3- East-West energy corridor originating from Eurasia and the Middle East: 2005-2009
- 4- East-West and North-South energy transit hub originating from Russia, the Caspian Sea and the Middle East: 2009 and onwards."¹⁵⁰

In the first phase Turkey only hosted the Kirkuk-Ceyhan oil pipeline from Iraq, in that time showed a little interest in energy issue. Cold-war ear, Iran-Iraq war didn't permit to Turkey to foreign policy based on energy. In the second phase, Turkey faced with many gas and oil pipeline projects that aimed to transport Caspian Basin hydrocarbons to Turkey. Iran's political and economic isolation, and at the same time insufficient infrastructure, did not permit Turkey is to expand additional pipelines from Turkmenistan and Iran to Turkey. As mentioned above,

¹⁵⁰ Mert Bilgin, "Turkey's Energy Strategy : What Differences Does it Make to Become an Energy Transit Corridor Hub or Center? ", UNISCI Discussion Papers, No. 23", <http://pendientedemigracion.ucm.es/info/unisci/revistas/UNISCI%20DP%2023%20-%20BILGIN.pdf> (accessed on 21 May 2013)

Turkey has been trying to become an energy hub of the region. One of the major successes in this attempt is the Baku-Ceyhan crude oil and Baku-Tbilisi-Erzurum pipeline project. Turkey has realized an important energy project such as Baku-Tbilisi-Ceyhan crude oil pipeline and also, the Baku-Tbilisi-Erzurum gas pipeline. The project was launched in March 2007.¹⁵¹ As a project, Turkey provided an opportunity for Azerbaijan to transport its gas and oil to European markets via Trans-Anatolian Gas Pipeline (TANAP) project. It is hoped that TANAP will play key role in Turkey's mission of becoming "bridge" for transporting of energy from rich resources (Caspian Basin and Caucasus) to EU market.¹⁵² According TANAP project, Turkey purchase 6 billion cm³ natural gas but in Nabucco project Turkey only receive 2.5 billion cm³, in TANAP project Turkey faces with some problems, first, there is no guaranty about gas price second, until know transit through income is not clear. The SOCAR is the main winner in TANAP project.¹⁵³ Multiple gas and oil pipelines from Iran, Azerbaijan, Turkmenistan, with possible expansions from Qatar, and Iraq to Turkey were an issue to Russia because it could impact Russia's strong market in Europe.¹⁵⁴

According Mert Bilgin, there is a direct link between Turkey's Pipeline Politics and domestic energy issue. Turkey's energy discourse shifted into a "retrospective energy strategy", emerging from interaction of Turkey with related countries:

1. With the US, oil and gas pipeline from the Caspian Basin, which led to BTC oil and BTE natural gas pipelines
2. With the EU, especially with Italy and Greece with gas pipelines in the Turkey-Greece-Italy interconnections and the Nabucco project
3. With Russia over Blue Stream and Russia West natural gas pipelines as well as in the Samsun-Ceyhan oil pipeline

¹⁵¹ Baku-Tbilisi-Erzurum Gas Pipeline, <http://new.socar.az/socar/en/activities/transportation/baku-tbilisi-erzurum-gas-pipeline> (accessed on 29 August 2013)

¹⁵² Taner Yıldız, Interview with Turkish Policy Quarterly, http://www.turkishpolicy.com/dosyalar/files/vol_11-no_3%20taneryildiz.pdf (accessed on 21, Feb, 2013)

¹⁵³ Necdet Pamir, "Petrol Kanunu'nu AYM'ye götüreceğiz", <http://www.dunya.com/petrol-kanununun-aymye-goturecegiz-199636h.htm> (accessed on 6 August 2013)

¹⁵⁴ Mert Bilgin, "Turkey's Energy Strategy : What Differences Does it Make to Become an Energy Transit Corridor Hub or Center? ", UNISCI Discussion Papers, No. 23", p.120
<http://pendientedemigracion.ucm.es/info/unisci/revistas/UNISCI%20DP%2023%20-%20BILGIN.pdf> (accessed on 21 May 2013)

4. With Georgia and Azerbaijan over gas and oil transportation from Caspian Basin to Turkey
5. With Iran over Tabriz-Erzurum-Ankara gas pipeline and for transporting Turkmenistan gas to Turkey via Iran
6. With Iraq over Kirkuk-Yumurcalik oil pipeline and the possibility of involving Iraqi gas within the Nabucco project
7. With Syria, Egypt and Iraq over supplement of the Arab Gas pipeline to Turkey, and possibly to Europe via Nabucco
8. With Qatar over possible natural gas pipeline and more LNG trade with Turkey
9. With Israel over expansion pipeline from Ceyhan-Haifa¹⁵⁵

Oil Pipelines

In recent years Turkey has begun to host some important oil and gas pipelines, and worked on other projects.

1-Samsun-Ceyhan Pipeline,

Turkey will run 550km of the TAP pipeline from Samsun port in Black Sea to Ceyhan, TAP is designed with aim of prevent the need for oil tankers crossing the Bosphorus Strait. Initial capacity will be 1mn b/d and finally rise to 1.5mn b/d.

2-Kirkuk-Ceyhan Pipeline

The 970 km twin pipeline system links Iraqi Kirkuk to Ceyhan, about %25 of Iraq's crude oil exports from Kirkuk. The pipeline's capacity is 1.6 mn b/d.

3-Kurdistan Regional Government – Turkey (Proposed)

Bu 2012 discussion between Turkey and the Kurdistan Regional Government authorizes about construction oil pipeline between Kurdistan Regional Government – Turkey for linking the

¹⁵⁵ Ibid pp.124,125

Kurdish oil fields to Ceyhan port. The pipeline capacity is 1 mn b/d., and it is planning to complete pipeline at August 2013.¹⁵⁶As shown in the table below, international pipeline projects linking this energy hub to Europe is one of the best instruments for integration of the Caucasus and Central Asia with the West and will help carry stability and well-being in the region. At the same time, Turkey is trying to take a main role in transportation oil and natural gas from Caspian basin to Europe and became East-West Energy Corridor, such corridor often called as the Silk Road of the 21st Century.¹⁵⁷

¹⁵⁶ Turkey, Oil& Gas Report, Includes BMI's Forecast, Business Monitor International, www.businessmonitor.com, p.34

¹⁵⁷ "Turkey's Energy Strategy, Ministry of Foreign Affairs", p.2, <http://www.mfa.gov.tr/turkeys-energy-strategy.en.mfa>, (accessed on 24 April 2013)

International Projects

International Project	2010	2011	2012	2013	2014
Iraq-Turkey Crude Oil Pipeline (HPBH)	Iraq-Turkey HPBH Agreement extended				
Nabucco Natural Gas Pipeline (DGBH)	Conclusion of the talks over supporting agreement	Start of Construction	(Construction)	(Construction)	Shift to First Period of Operation
Turkey-Greece Italy DGBH Project		Commencement of the construction of Greece-Italy part (Poseidon Pipeline)	(Construction)	(Construction)	Completion of the construction and Shift to First Period of Operation
Iraq-Turkey DGBH Project	The bilateral and multi-sided cooperation relations with the source, consumer and transit countries will continue.				
Turkmenistan Turkey DGBH Project					
Qatar-Turkey DGBH Project					
Turkey-Israel Multiple Pipelines Project					
Blue Stream 2 DGBH Project					
Samsun-Ceyhan HPBH Project					

Gas Pipelines:

Trans Anatolian Pipeline (TANAP)

This pipeline was proposed as alternative to Nabucco project for its delayed. This aim is upgrading the current BOTAS pipelines network and/or construction a new pipeline through Turkey to transport Azerbaijan's natural gas from Shah Deniz II field. The pipeline capacity could carry around 30 billion cm³ per year.¹⁵⁸ TANAP's main advantage is that this pipeline is not dependent on a promise to purchase the gas before construction begins.¹⁵⁹

4.5. Main Problems in Turkey's Energy Sector

Turkey's energy sectors have their own problem and some analysts argued that under the current conditions it is too hard for Turkey to acquire its aims according the MENR and MFA's energy plan. Turkey's foreign policy toward the Arab spring and especially the Syrian crisis have caused some problems in Turkey energy sector. As Şaban Kardaş, the realization of the Nabucco Pipeline project with Iran has to join this project due to the volume of Azerbaijani and Turkmenistani gas which is not sufficient for the realization of the Nabucco pipeline. Turkey wanted to add Iran's gas to the supply, with the aim of realizing the Nabucco pipeline. Turkey begin energy cooperation with Iran, especially in the South Pars field, but US sanctions meant that Iran faced technical and financial problems. Turkey alone, has not enough money to invest sufficiently in Iranian natural gas projects and at the same time European countries refused to buy Iran's gas due to such condition realization of Nabucco project disappeared.¹⁶⁰ Tuncay Babli believed that during 1990s and 2000s rapid increase in Turkey's energy demands, made Turkey to diversify energy recourse and to be energy supply route. Baku-Tbilisi-Ceyhan and Baku-Tbilisi-Erzurum projects helped Turkey to play a role in Europe energy security and at the same time help Turkey to meet its domestic energy demands. Turkey was depending on Russia and thus tried to find alternative for diversification of energy resources. Turkey signed some oil and natural gas agreements with Iran, Azerbaijan, Iraq and KRG with the aim of reducing its

¹⁵⁸ U.S .Energy Information Administration, Turkey's Report,<http://www.eia.gov/countries/analysisbriefs/Turkey/turkey.pdf>, (accessed on 24 April 2013)

¹⁵⁹ Turkey, Oil & Gas Report, Includes BMI's Forecast, Business Monitor International, www.businessmonitor.com, p.37v

¹⁶⁰ Author's Interview with Şaban Kardaş, on May 9, 2013 Ankara

dependency, and as a result, energy security became one of the main elements of Turkey's foreign policy.¹⁶¹

According Necdet Pamir, the price that Russia sells natural gas to Turkey is expensive from the price that Russia gives to other European countries, Turkey signed an agreement with Russia for construction Turkey's first nuclear power plant, during 2012 Turkey imports % 12 of its oil and %58 of natural gas from Russia and why Russia did not give more discount to Turkey, Turkey's private sector purchase natural gas with low price form Russia and selling it to electricity central. 10 billion cm³ of natural gas that imported purchased by Turkey's private firms and it is expected to purchase about 4 billion cm³. Turkey supported Russia in the construction of the South Stream pipeline, but Russia give only a 12% discounts in its natural gas price at the same time gave about 20% discount to other European consumers.¹⁶²Turkey's gas demand was overestimated in the 1990s, when the ANAP Party was in power. Both BOTAŞ and the Ministry of Energy and Natural Resources estimated that natural gas demand in 2010 would be 55 billion cm³, but by 2010 gas demand reached at 37 billion cm³, there is 18 billion cm³ The difference between the two figures, with energy experts citing natural gas estimates, and the ANAP administration, basing it on the estimation four electricity was constructed by three private companies. "I think figures exaggerated for Blue pipeline be necessity. A gas agreement based on estimates made and due to take-or-pay conditions in the agreement, Turkey will have to pay penalties to Russia."¹⁶³ If BOTAŞ pay pays 100% for natural gas prices from Russia, private companies' transfer contracts (4 billion cm³) will pay around half the price to Russia, but at the same time they sell natural gas to electricity centrals with high price.Only private companies gain advantages from natural gas not all of consumers.¹⁶⁴

Iranian stakeholders are looking to have business relations which have some key characteristics, and Turkey is a country which has those characterizes. Turkey is a Muslim country, it is one of the Iran's strategic neighbors, Turkey's economy is able to support Iran financial and

¹⁶¹ Author's Interview with Tuncay Babali, on June 8,2013

¹⁶² Author's Interview with Necdet Pamir, on May 9, 2013 Ankara

¹⁶³ Ibid

¹⁶⁴ Necdet Pamir, "Petrol Kanunu'nu AYM'ye götüreceğiz", <http://www.dunya.com/petrol-kanununu-aymye-goturecegiz-199636h.htm> (accessed on 6 August 2013)

technologically assist in Iran's projects.¹⁶⁵ Arif Keskin believes that in the short term healing the energy cooperation sores between Iran and Turkey will be hard, but in the long-term, energy cooperation will increase depending on how democracy and liberalized markets develop in Iran. It should be noted that energy factors are vitally important in bilateral relations as an independent factor.¹⁶⁶

4.5.1. Increase in dependency on Russia

The important role played by Russia in Turkey's nuclear power plant projects is obvious. At present Turkish student are studying in nuclear energy and central operation fields in Russia, For safe using of nuclear central it is required to have expert engineers and also fuel supply is important. Fuel transportation and nuclear waste storage are vital. With regard to current relations, there is a common concern about Turkey's greater dependency on Russia regarding the nuclear energy issue. Turkey is trying to balance its nuclear energy dependency and Russia by signing a new agreement with a Japanese-French consortium. On the other hand, thorium is one of the future energy resources and there are a lot of thorium resources in Turkey, Turkey could acquire technologies for using such resources, thorium resources can be used as fuel in nuclear power plant. Boron mines can also be considered for such purpose.¹⁶⁷

Turkey has to develop a diplomatic bureaucracy (in both Foreign Affairs and the Ministry of Energy and Natural Resourced) in which young energy strategists can be aware of negotiations and knowledgable about energy policy. Experience accumulation is extremely important in the energy sector, and Turkey is a major player in this sector. It is necessary to build voluntary conditions with international companies and state interests. For such conditions, Turkey should consider the international energy market and energy geopolitics for its interest.¹⁶⁸ The Iraqi central government auctioned Turkey's policy toward this country and cancelled Turkey's share

¹⁶⁵ Bijan Khajepour, "The Role of Economic /Energy Relations with Turkey and Russia in Iran's National Strategy", Center for Strategic & International Studies, p.19
http://csis.org/files/attachments/120529_Khajepour_Russia_Turkey_in_Iran_National_Strategy.pdf, (accessed on 12 Jan 2013)

¹⁶⁶ Author's interview with Arif Keskin, on May 8, 2013, Ankara

¹⁶⁷ Author's interview with Tuncay Babali on June 8, 2013

¹⁶⁸ Ibid

in the ninth block of the Iraqi Southern Field. If Turkey continues its policies toward Iraq may cancel its four licenses formerly given to Turkey.¹⁶⁹

Necdet Pamir stated that during 2013, gas demand rapidly increased in Turkey, due to rapidly increased domestic consumption, Iran and Azerbaijan halted gas, what they called technical problems, energy security is availability of natural resources for energy, disburseable, adequate, diversification of energy resources, clean and uninterrupted supply of energy, if one of these elements were not ready we cannot discuss about energy security in one country. By 2002, when the AKP came to power, Turkey's energy dependency on foreign resources was 67% but after ten years by the end of 2012, energy dependency on foreign resources reached 72%. During these years, the AKP has had to reduce such a dependency rate, yet we have seen a 5% increase in dependency since. Moreover, it is against energy security policy for Turkey to import about 98% of its oil and about 98% natural gas demands from foreign countries. Indeed, from an energy security perspective Turkey under the AKP administration is totally dependent on foreign resources, thermal centrals and hydroelectric plants which have consequences on the environment.¹⁷⁰

According to Tuncay Babali, figures regarding the country's dependency on foreign resources are disputable; "I think %5 increase in dependency on foreign resource during AKP administration is not important if it compare with economic development in that period. We have to look on energy dependency on long term. In actual competitive environment, efficiency and in conditions in international market in long term approach important to guarantee. When compared to the past, it should be remembered that in the overall picture, the background and dimensions are taken into account. For example, during Turgut Özal's period of leadership, Turkey's natural gas supply was 100% dependent on Russia. But in that period, consumption of natural gas and also kind of consumption were difference. Apples and pears should not be compared, diversification of resources, supplier and routes are important".¹⁷¹

¹⁶⁹ Necdet Pamir, "Petrol Kanunu'nu AYM'ye götüreceğiz", <http://www.dunya.com/petrol-kanununu-aymye-goturecegiz-199636h.htm> (accessed on 6 August 2013)

¹⁷⁰ Author's interview with Necdet Pamir, on May 9, 2013, Ankara

¹⁷¹ Author's interview with Tuncay Babali, on June 8, 2013

According to Bulent Keneş, any increase in dependency of energy resources is related to an increase in energy demands. He points out that Turkey imported \$ 17 billion energy by 2002, but at the end of 2012 Turkey imported about \$ 64 billion, Turkey is investing in nuclear energy plants, and also in renewable energy filed to but oil and gas consume will increase too. Turkey and Russia have cooperation in some fields, Russia is constructing nuclear power plant for Turkey, Russia's tourist comes to Turkey every year, Turkish construction firms are active in Russia market, and more dependency in energy a sole country is not in favor of Turkey, I think Turkey-Russia relations is realized. It is said that Turkey by 2023 will be able to supply oil and gas demands form domestic resource but I have doubt about it, nuclear energy and hydroelectric central has own problems, Turkey has to create energy cart and use all kind of energy and imply share of any kind of energy, environment issue has to notice, Turkey can reach to its aims on energy filed but it is too hard.¹⁷²

4.5.2. Take or Pay Problem

Turkey paid a total of \$704 million to Iran under take-or-pay penalties according to estimates recording in 2008.¹⁷³ Turkey also paid \$605 million to Iran in take-or-pay penalties for 2009. Similarly, in 2010 Turkey paid \$1.65 billion for Russia and \$225 million for Azerbaijan for take-or-pay penalties, it is expected that Turkey paid \$1.580 million during 2011.¹⁷⁴ According to Gareth Jenkins, the high price that Iran gives to natural gas exports to Turkey is political, if you look at the geography that Iran and Turkey located in, gas agreements were signed many year ago, signed by Erbakan within six weeks of his coming to power. The signature constituted a political statement.¹⁷⁵

¹⁷² Author's interview with Bulent Keneş, on May 29, 2013 Istanbul

¹⁷³ Elin Kinnander, "The Turkish-Iranian Gas Relationship: Politically Successful, Commercially Problematic", Oxford Institute for Energy Study, 2010, p.11, 12 <http://www.oxford-energy.org/wpcms/wp-content/uploads/2010/11/NG38-TheTurkishIranianGasRelationship-ElinKinnander-2010.pdf> (accessed on 20 March 2013)

¹⁷⁴ Authors interview with Necdet Pamir, on May 9, 2013 Ankara, Necden Pamir is Instructor at Bilkent University (World Energy Politics), Chairman of Energy Commission, Republican People's Party (CHP), Chairman of Committee on Energy Policies, Chamber of Petroleum Engineers and Chief Editor of enerjienergy.com

¹⁷⁵ Authors interview with Gareth Jenkins, on June 4, 2013, Istanbul

Bayram Sinkaya believes that Iran is not a reliable supplier, after having signed an agreement with Iran, Turkey was faced with many problems – especially during 2006-2007. Iran used its energy factor as a means of political influence, while Turkey is still trying to solve its storage problem and is presently constructing two storage facilities in Trakya Tüzgözü (Marmara region). Iran is interested in exporting its gas to Europe, and duly, Turkey is already Iran's main gas buyer. Iran thus will not want to lose Turkey, both sides having rational reasons to continue their relations. Beyond gas delivery, we can see development in political relations. After any political crisis businessmen will soon withdraw from Iran.¹⁷⁶

Cavid Veliev believes that for an understanding of Iran's role in Turkey's energy policy we have to recognize certain issues, 1-Turkey's rapid increase in energy demand, Iran's role in supplying Turkey's energy demand, 2-Turkey's role for transporting gas and oil from Iran and Central Asia to Europe and Iran's attitude toward it, 3- Turkey's investment in Iran resources, 4- US's views to Iran-Turkey energy cooperation.¹⁷⁷ Tuncay Babali, Turkey's ambassador in Canada, noted that, after Soviet collapse, Turkey can't reach to its aims in transition of Caspian Basin resources from Turkey to world market, tried to apply and develop new energy politics as a part of national security and general foreign policy. We can see applying such policy in Turkey's new energy agreement with KRG (Kurdish Regional Government), 80% of Turkey energy agreement with Iraq, is signed with KRG and come to practice; the same result can be seen in trade relations. In the other hand, Israel's apologize over Mavi Marmara issue, and launch of normalization of bilateral relations, would be the important step in exploitation of hydrocarbons resources in the Mediterranean Sea. At the same time, Israel's role in exploitation and extraction of off-shore energy resources near Cyprus is important and decisive. The project, called Med Stream, that contains many pipeline projects will be called into action, based on the win-win scenario it can provide Eastern Mediterranean economies.¹⁷⁸

4.7.3. TPAO Privatization

According to Necdet Pamir, privatization of TPAO is one of the main problems in Turkey's energy sector, in the new privatization law that passed in Turkey's parliament, Turkey government no

¹⁷⁶ Author's interview with Bayram Sinkaya, on May 8, 2013, Ankara

¹⁷⁷ Author's interview with Cavid Veliev, on June 12, 2013

¹⁷⁸ Author's interview with Tuncay Babali, on June 8, 2013

more has a company for extraction or exploration and during a year ahead TPAO has to give all its licenses to private companies, Ministry of Energy and Natural Sources is claimed that it want to supply Turkey oil and gas demand by domestic resources by 2023 but for that time there will be no governmental company which able to extraction or exploration, only private companies would be active in Turkey's energy sector and naturally they would look for their benefits, with applying such policy during coming years decreasing of dependency in energy will be out of question.¹⁷⁹ TPAO Privatization law aims to reduction in foreign dependency on energy and increasing oil and gas exploration activities in Turkey. But the point is if TPAO can't operate under government rule how it can reduce oil and gas dependency? If foreign company for example Exxon find and extract oil and gas in Turkey's territory how it reduce Turkey's dependency in energy? Exxon only gives 31% to Turkey's government; we lost our best instrument for closing current account deficit¹⁸⁰

On the other hand, Tuncay Babali believes that the privatization process of TPAO is leading to natural channels of cooperation. TPAO cannot compete in the international energy market and the company has some structural problems. On the other hand, Turkey needs an effective energy company. For the purchase of natural gas by the government, and also for acting in internal and external operations, the establishment of a different company may be considered. In particular, in the international tenders, there is need for more effective and new configuration seems essential, For example it should be note that Turkish private companies purchase natural gas at a low price from Russia. By the 2023 pledge to meet Turkey's energy demands via domestic resources, it is require to make a serious investment in all kinds of energy resources; namely, in exploration activities, in renewable energy development and also in conventional energy sources. Rehabilitation of conventional resources such as heavy oil and coalfields should not be neglected, of course. For example, oil resources in Batman, have to be drilled more efficiently with the use of horizontal drilling technology and the increased efficiency of carbon injections. Turkey should be investing in new technologies, such as carbon capture technology

¹⁷⁹ Author's interview with Necdet Pamir, on May 9, 2013 Ankara

¹⁸⁰ Necdet Pamir, "Petrol Kanunu'nu AYM'ye götüreceğiz", <http://www.dunya.com/petrol-kanununu-aymye-goturecegiz-199636h.htm> (accessed on 6 August 2013)

integrated into the new generation of lignite-based power plants. This method also applies for production of nuclear fuel (thorium-based).¹⁸¹

¹⁸¹ Author's interview with Tuncay Babali ,on June 8, 2013

CHAPTER V: IRAN ENERGY POLICY

5.1. Iran's Regional Policy

Iran's energy policy has very close relations with its foreign policy. For a better understanding of Iran's energy policy, we have to understand its foreign policy and the role hydrocarbon resources play in it. The former Iranian foreign minister at the 1997 UN summit stated that: "Iran's highest policy priority... is to strengthen trust and confidence and peace in our immediate neighborhood." It is clear that attention to security and international relations were the main elements in such a decision, but it should be noted that energy and Iran's cultural and historical outlook have been reserved as major tools in achieving these goals. Iran's 20-Year Plan, which began in 2005, concentrated on regionalism and calls for Iran to be the region's top economic and technological power by 2025.¹⁸²

We can outline Iran's strategic interests in the region as:

- 1- Developing a positive relationship with Russia as a counter-balance to tensions with western countries;
- 2-Developing positive trade and investment relations with immediate neighbors, especially the larger markets such as Russia, Turkey, Iraq, and Pakistan;
- 3-Utilizing energy interdependency through cooperation in the fields of oil, gas, and electric power in order to put Iran's massive resource base to strategic and economic use;
- 4-Utilizing regional relations to undermine the effects of western pressure, especially in circumventing sanctions (traditionally the UAE was utilized for this purpose, but in recent years, Iran has been working more closely with Turkey and Central Asian states).¹⁸³

Energy interdependency has become a crucial feature in Iran's regional interaction, as it can be outlined:

- Iran is importing natural gas from Turkmenistan and exporting to Turkey

¹⁸² Bijan Khajepour, "The Role of Economic /Energy Relations with Turkey and Russia in Iran's National Strategy", Center for Strategic & International Studies, p.2
http://csis.org/files/attachments/120529_Khajepour_Russia_Turkey_in_Iran_National_Strategy.pdf, (accessed on 12 Jan 2013)

¹⁸³ Ibid p.3

- Iran is exporting gas to Armenia in turn back electricity
- Iran has gas swap deal with Nakhchivan and Azerbaijan
- Iran is also electricity network with most of its neighbors; Iran is exporting electricity to Turkey, Pakistan, Iraq, Armenia, Nakhchivan, Afghanistan. Iran is importing electricity from Armenia, Turkmenistan and Azerbaijan¹⁸⁴

With regard to Iran's multiple agreements with its neighbors in the energy field, it is clear that energy connectivity has been a significant parameter in Iran's regional politics, and due to its importance, Iran has not hesitated to invest in her infrastructure.¹⁸⁵ For example, some days ago Iran began to construct a gas pipeline for exporting natural gas to Pakistan according to the IP gas agreement.¹⁸⁶ Iran is trying to facilitate a localization of the technology as required for the construction of a gas pipeline.¹⁸⁷ Many analyst have predicted that Iran will be become an energy importer due to its energy track. A huge growth in energy production went parallel to a marginal rise in domestic consumption. For a better understanding of this status, it is necessary to mention some realities:

- Iran's ability to retain much of oil production capacity due to recent sanction on energy sector
- The future of gas production and gas fulfillment strategy
- Tendencies in domestic energy consumption in the shadow of subsidiary reforms as well as a movement towards greater energy efficiency.¹⁸⁸

Studies show that there are no assumptions about achieving the planned production of 5 mbpd by 2015. It is also expected that Iran's oil productive capacity will fall to 3.1 mbpd by 2016, with

¹⁸⁴ Bijan Khajepour, "The Role of Economic /Energy Relations with Turkey and Russia in Iran's National Strategy", Center for Strategic & International Studies, p.2
http://csis.org/files/attachments/120529_Khajepour_Russia_Turkey_in_Iran_National_Strategy.pdf, (accessed on 12 Jan 2013)

¹⁸⁵ Ibid 7

¹⁸⁶ Iran, Pakistan Inaugurate Gas Pipeline Project, Iran Petroleum Monthly, No.11, March 2013,p.9,
<http://iranpetroleum.ir/files/NO11.pdf>, (accessed on 25 June 2013)

¹⁸⁷ Bijan Khajepour, "The Role of Economic /Energy Relations with Turkey and Russia in Iran's National Strategy", Center for Strategic & International Studies, p.7
http://csis.org/files/attachments/120529_Khajepour_Russia_Turkey_in_Iran_National_Strategy.pdf, (accessed on 12 Jan 2013)

¹⁸⁸ Ibid 7

revenue-earning exports suffering consequently.¹⁸⁹ Iran's current gas production capacity is 500 mcm/d and Iran has plans to increase it to 1.480 by 2015. Iran consumes 1.7 million pbd or 2.2% of global crude oil production. Iran intended to increase refinery capacity to 985000 barrels/day by 2014, but it must import gasoline due to the growth of its gasoline demand along with price elasticity resulting from subsidies being lifted.¹⁹⁰

3.2. Iran Energy Strategy

Like other countries, Iran pursues energy diplomacy along the following lines: 1-structure, 2-agenda, and 3-process. Iran's weakness in structural: Iran shares some fields with her neighbors, such as Qatar, Kuwait, Iraq, and Saudi Arabia. Its diplomacy concerned with exploiting oil and gas from such shared fields is unknown, while UN sanctions directly affect the exploitation of oil and gas. Its counter strategy against the UN and American sanctions in the energy sector is unknown. Iran's weakness in agenda concerns the future of OPEC. Will it continue to operate in the oil market or not? Is it possible to establish other organizations in the energy field or not? Iran's weakness in process is the most important action after compiling energy diplomacy is to make a decision in favor of the national interest at present that has is not an active role in world energy structure. America's sanction directly target Iran's energy sector with sanctions on Iran's potential in energy sources, energy production, and energy trade.¹⁹¹

Energy diplomacy as such, is a reaction to geopolitical threats and limits. In other words, using diplomatic mobility, economic planning, developing technical capacities and using economic resources provides all conditions required for activating energy diplomacy. Iran holds the world's second largest natural gas reserves after Russia (before releasing last BP's last report) and the fourth largest oil reserves after the USA, Saudi Arabia and Russia, but despite this potential, Iran's share in the world energy market is insignificant. Iran could play a more active role in the world energy market, and mobility in production, export, marketing, exploration and

¹⁸⁹ Bijan Khajepour, "The Role of Economic /Energy Relations with Turkey and Russia in Iran's National Strategy", Center for Strategic & International Studies, p.7
http://csis.org/files/attachments/120529_Khajepour_Russia_Turkey_in_Iran_National_Strategy.pdf, (accessed on 12 Jan 2013) p.8

¹⁹⁰ Ibid p.11

¹⁹¹ Abou Mohammad Asgharkhani, "Elzamate Amaliyatiye va Manfumiye Tadvin e Diplomasie Enerji", Institute for International Energy Studies (ISES), <http://www.energydiplomacy.ir/Data/ContectFiles/29-11-90-002.pdf> (accessed on 10 Feb 2013)

extraction in the energy sector could create a special position for every country. In the years 1998 – 2003, Iran invested about \$50 billion in the oil industry; \$30 billion of such investment went to developing gas fields and increasing production levels. \$18 billion was invested in the petrochemical industry. The adaptation of suitable energy diplomacy could help to upgrade Iran's position on both a national and international level. Finally, active participation in the world sphere, and, in contrast, neglect of energy diplomacy could result in underdevelopment.¹⁹²

Energy diplomacy is using diplomatic instruments for presenting an international era and preserving its location in international system.

Requirements of Iran's energy diplomacy:

- 1- Correct and accurate management of sanctions and exchange of opportunity
- 2- Creation of a diversified energy portfolio and consumers to maintain consumers and preserving suitable prices
- 3- Conservation of raw material in oil productions with high value and prevention from selling raw material
- 4- Constructive interaction with other oil and natural gas producers
- 5- Expansion of new research in the oil industry, establishing scientific institution related to the oil industry for the education of new generations.¹⁹³

There is a direct relation between oil and national security, e.g. a crisis increase in oil prices on the world market. National security concerns will increase, i.e., Iran's economic dependence on oil products alone is fraught with security concerns. Iran shares a number of oil and natural gas fields with her neighbors. This may become a national concern when other countries extract oil and gas from such fields. But Iran lacks sufficient investment in exploitation and extraction in such fields. Saudi Arabia is planning to increase its oil production to reach 13 million barrel per day; at present, its production is 6 million. In addition, Iraq is planning to increase its oil

¹⁹² Ebrahim Mottaghi, "Diplomaciye Energiye Iran, Olghoha Ravandha," Institute for International Energy Studies (ISES), <http://www.energydiplomacy.ir/Data//ContectFiles/29-11-90-004.pdf> (accessed on 12 Dec 2012)

¹⁹³ -Mohammad Norouzi, "Chera Diplomaciye Energi Iran Zaif Ast? ", <http://borhan.ir/NSite/FullStory/News/?Id=3529>, (accessed on 25 Nov 2012)

production to 12 million bpd. Such a situation will no doubt decrease Iran's share in the world market.¹⁹⁴

Lack of investments in oil and gas industries has consequences:

1. Losing world energy market
2. Decreasing Iran's share and role in OPEC
3. Rapid extraction by Iran's neighbors from shared fields
4. Increasing national risk due to a decrease of oil revenues and a lack of timely repayment of foreign financial obligations¹⁹⁵

Concerning Iran's national energy strategy with regard to climate condition, geographical position, different energy recourse, quality and level of industry and technology, leaders will, public demand, technical knowledge, etc. the Islamic Republic of Iran can be annotated in four parts:

1- *Strategic Plan of Energy*: implying for more exports in energy sector

- 1) Increasing export volume of oil, gas, petrochemical products, etc.
- 2) Increasing exports of all kinds of energy products
- 3) Increasing exports of technical knowledge related to energy
- 4) Increasing export of diversity of energy technology and related industries.

2- *Operational Energy Plan*: changing *base of national* power from a single energy sources to a variety of different energy resources and a basis of resources with regard to logical and proportional division and distribution.

- 1) Determination on the share of fuel energies divided into natural gas, oil, and coal- in a base of resources of national power.
- 2) Determination on the share of nuclear energy in base of national power.
- 3) Determination on the share of renewable energy in base of national power

¹⁹⁴ Abbas Maleki, "Siyasat Ghozariye Energy", (Energy Policy), Sharif University of Technology Publications, 1390. (2011), pp. 61-63

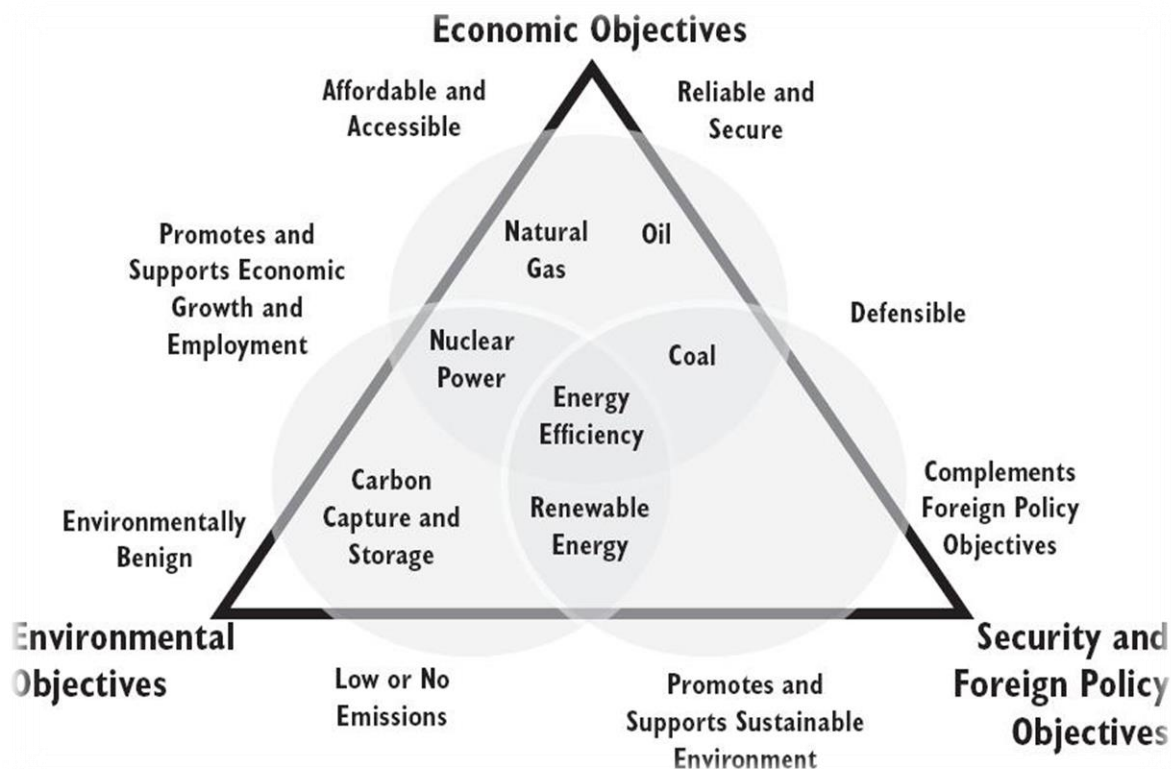
¹⁹⁵ Ibid

3-Tactical Plan of Energy: planning energy production line in different resources

- 1) Production of different kinds of energy by government, private or cooperation sectors
- 2) Production of different kinds of energy products by government, private or cooperation sectors
- 3) Production of specific energy knowledge and related science by government, private or cooperation sectors
- 4) Production of energy technology and related industry by government, private or cooperation sectors

4-Technical Plan of Energy: Focuses on the appropriate use and adequate and optimum energy. Proper use of energy, which requires tremendous artistic culture also, needs proper planning¹⁹⁶

Conceptual framework of Energy Policy in Iran¹⁹⁷:



¹⁹⁶ “Sterattghiye Melliye Enerj Jumphuriye Eslamiye Iran Dar Ofoghe 1414”, (Iran National Energy Strategy in 2035), pp 106-108, [http://media.farsnews.com/media/docs/11/2270-TAMA\[1\].pdf](http://media.farsnews.com/media/docs/11/2270-TAMA[1].pdf) (accessed on 22 June 2013)

¹⁹⁷ Ibid,p.67

Iran's current oil production is faced with a decrease in extraction level. Iran is losing 200,000 barrels per day of its oil production due to a decrease in production levels. Such a decrease is called depletion and it is natural, but if Iran wanted to create a 200,000 capacity with related investments, it could not achieve its aim of increasing the level of crude oil level production. Iran wanted to increase oil production capacity from 4,000,000 br/pd to 5,600,000 br/pd and required \$26 billion in its five years development plan, because the creation of every oil barrel production capacity requires an investment of \$10,000. Crude oil on the world market with fixed prices is different from natural gas because it is very important to find a market and consumer before production and also find a way to export it. Crucially, natural gas prices are not fixed. Iran's natural gas sector has required about \$50 billion investment in line with a fifteen year development plan from 2007 to 2022 and more than \$30 billion investment are required in purchasing foreign technology. It is clear that the attraction of \$85 billion for investment in Iran's natural gas sector for the next 15 years will be a challenge for Iran's main concern, along with its current political, economic and social position, to enable it to attract such huge foreign investment.¹⁹⁸

5.3. Iran Energy Profile

As stated, Iran holds the world's fourth-largest proven oil reserves and the world's second-largest natural gas reserves¹⁹⁹. In addition, the last Statistical Review of World Energy published by BP reveals that Iran is the world's first gas reserves holder with 33.6 trillion cm³.²⁰⁰ Iran holds the world's first natural gas reserves, but the gas sector is developing, and mostly for production used for domestic demand. Natural gas accounts for about 59 % of Iran's total domestic energy consumption while oil consumption accounted for 39% of total energy use in 2010.²⁰¹

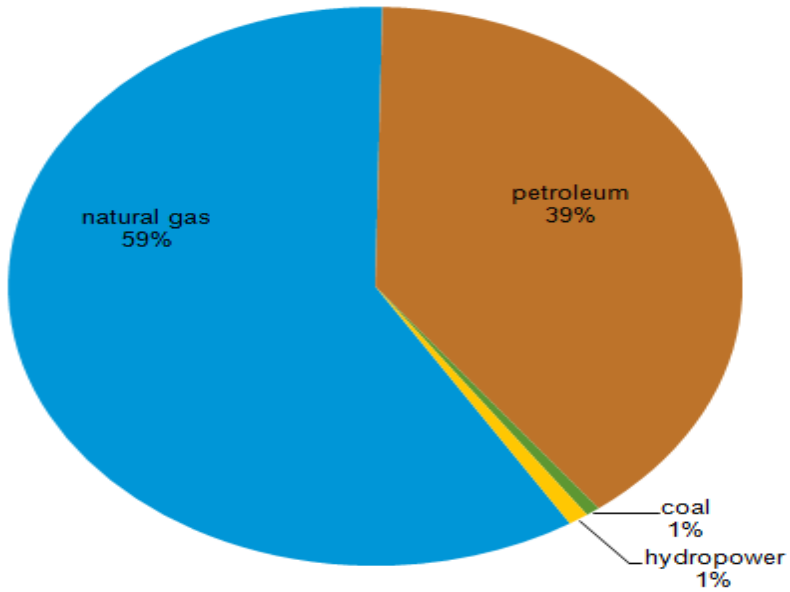
¹⁹⁸ Abbas Maleki, *Siyasat Ghozariye Enerji,, (Energy Policy)*, Sharif University of Technology Publications, 1390. (2011), pp. 64-69

¹⁹⁹ US Energy Information Administration, *Independent Static & Analysis, Iran Reports*, <http://www.eia.gov/countries/analysisbriefs/Iran/iran.pdf> (accessed on 25 April 2013)

²⁰⁰ BP classes Iran as world's number one gas reserves holder, <http://www.presstv.ir/detail/2013/06/13/308845/iran-worlds-top-gas-reserves-holder-bp/> (accessed on 23 June 2013)

²⁰¹ Ibid

Iran's total energy consumption share by fuel, 2010



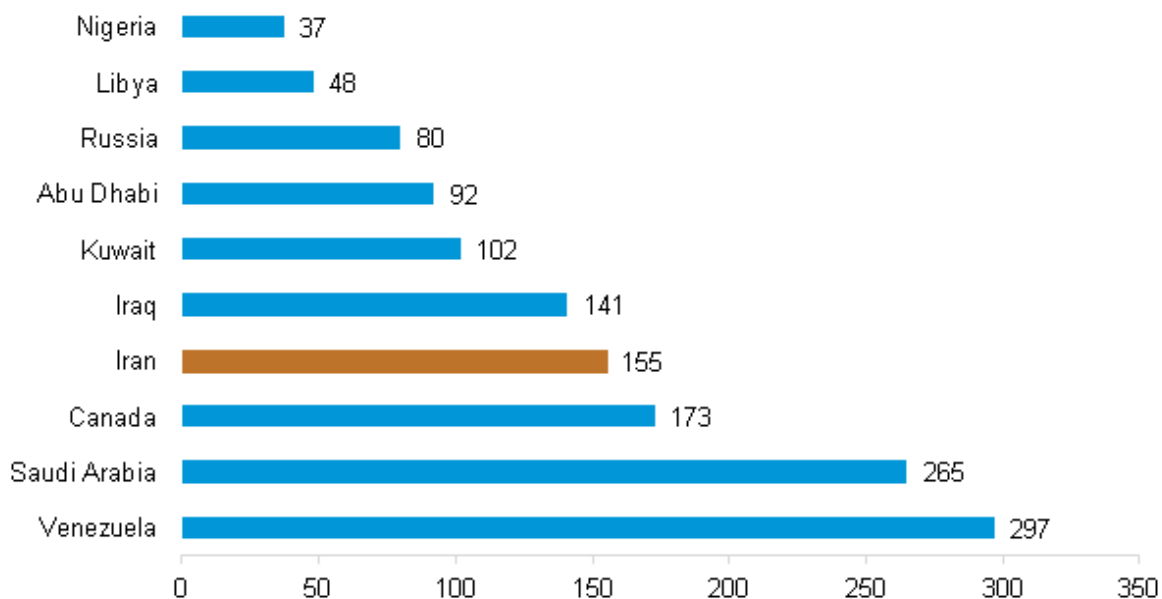
Source: U.S. Energy Information Administration, International Energy Statistics Database

Oil

The *Oil & Gas Journal* as of January 2013 estimated that Iran holds 154 billion barrels of proven oil reserves. Such an amount represents 9% of the world's total reserves and more than 12% of OPEC's reserves.

Largest proven reserve holders of oil, January 2013

billion barrels

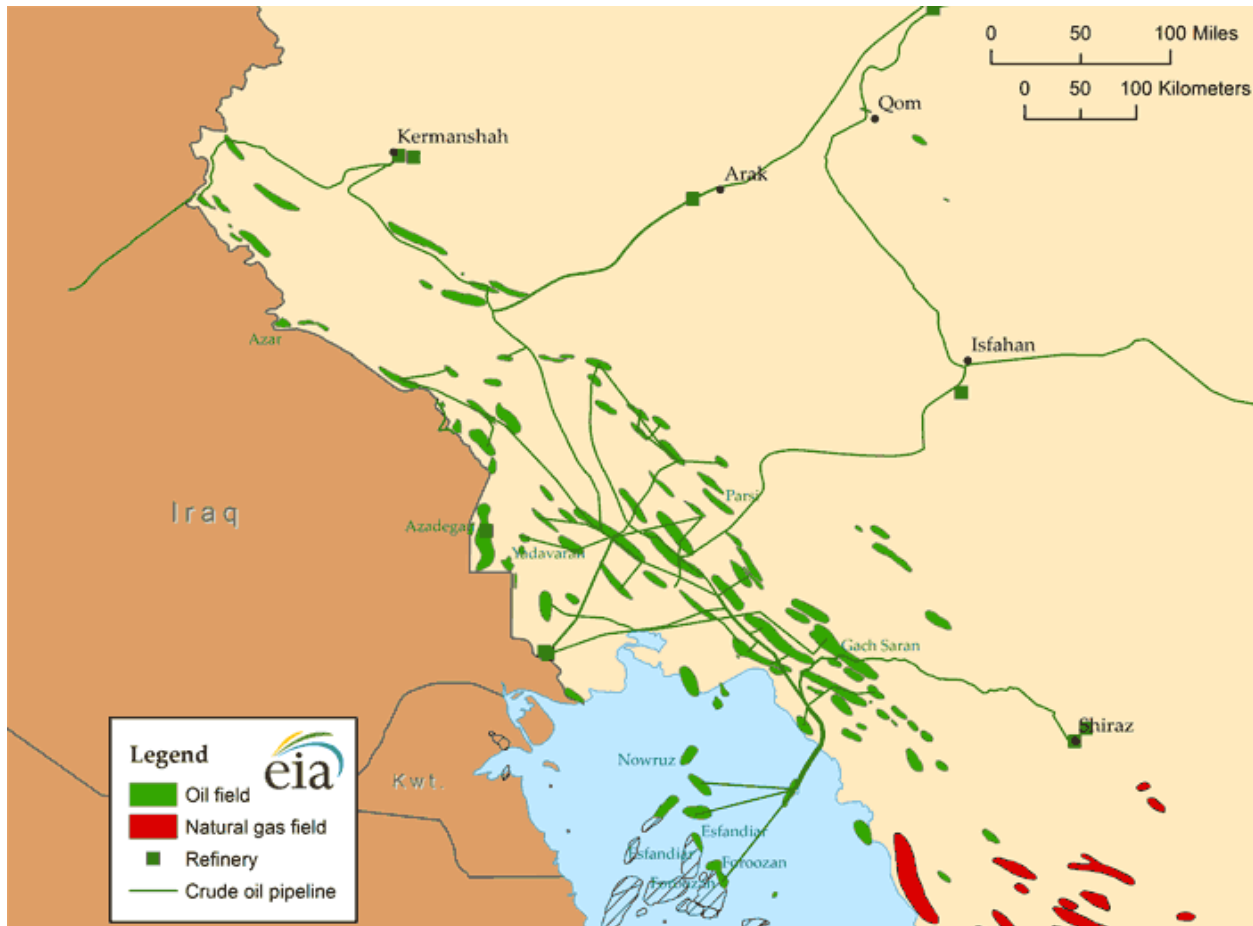


Source: Oil and Gas Journal

More than 50% of Iran's onshore oil reserves are restricted to five huge fields. Marun field (22 billion barrels) is the largest. Other fields are Ahwaz (18 billion barrels) and Aghajari (a billion barrels). More than 80% of Iran's oil reserves are located in the Kuzestan Basin, in the southwest. Iran also holds reserves in the Caspian Basin, according to FACTS Global Energy (FGE); these reserve amount to about 100 million barrels.²⁰²

²⁰² US Energy Information Administration, Independent Static & Analysis, Iran Reports, <http://www.eia.gov/countries/analysisbriefs/Iran/iran.pdf> (accessed on 25 April 2013)

Iran's oil reserves²⁰³

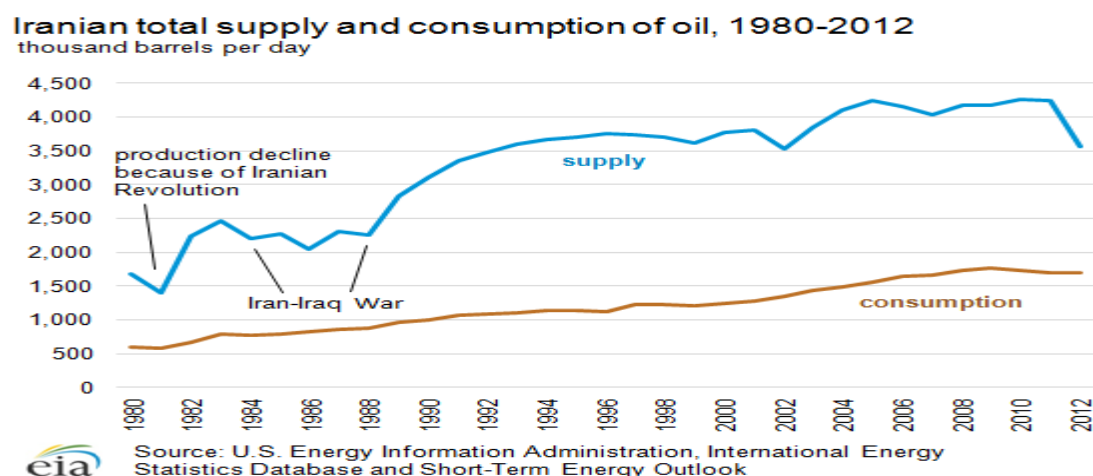


On May 10 2012, Mehr News Agency announced that Iran found a new oil reserve in the Caspian Basin with a capacity of 8-10 bn, a field located in the Iranian sector in the Caspian Sea. Mehr News reported that the Ministry of Petronius will officially announce this field in the coming months. Mehr News also announced that in the meantime, Iran had discovered new natural gas reserves in the Caspian Sea with a capacity of 50 trillion cm³.²⁰⁴ In 2012, Iran produced about 3.5 million barrels per day, of which 3.0 million bbl/d was crude oil. Production volume was 17% in contrast the same period in 2011 in which time Iran produced 4.2 million bbl/p. Estimates by the end of 2012 show that Iranian oil exports decreased by 1-million bbl/d compared with the previous year. All consumers decreased their amount of oil purchases from

²⁰³ Facts Global Energy (FGE)

²⁰⁴ "Iran Zakhaye Azime Naft Dar Daryaye Khazar Kashf Kard" (Iran Found Huge oil Reseve in Caspian Sea),Mehrnews Agency, <http://www.mehrnews.com/detail/News/1598665> (accessed on 23 June 2013)

Iran due to American and EU sanctions. In 2012, Iran's net oil export revenues measured to about \$69 billion but Iran's net oil exports were about \$96 in 2011.²⁰⁵



Estimates of Iran's monthly and annual average exports of crude oil and condensate in 2012, million barrels per day

	2011 average	2012 average
Japan and Korea	0.55	0.32
China and India	0.88	0.76
Other non-IEA	0.31	0.13
Greece, Italy, Spain, and Turkey	0.63	0.22
Other Europe	0.14	0.02
Total Exports	2.51	1.53

Note: IEA member countries are Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Japan, Republic of Korea, Luxembourg, The Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Spain, Sweden, Switzerland, Turkey, United Kingdom, and the United States.
Source: International Energy Agency, Lloyd's Analysis of Petroleum Exports Database (APEX)

²⁰⁵ US Energy Information Administration, Independent Static & Analysis, Iran Reports, <http://www.eia.gov/countries/analysisbriefs/Iran/iran.pdf> (accessed on 25 April 2013)

Estimates of Iran's monthly and annual average exports of crude oil and condensate in 2012, million barrels per day²⁰⁶

	Jan -12	Feb -12	Mar -12	Apr -12	May -12	Jun -12	Jul- 12	Aug -12	Sep -12	Oct -12	Nov -12	Dec -12	2012 averag e
Japan and Korea	0.57	0.51	0.43	0.44	0.26	0.38	0.1 3	0.10	0.25	0.34	0.38	0.39	0.35
China and India	0.96	0.70	0.66	0.66	0.77	0.98	0.6 6	0.56	0.68	0.82	0.65	0.87	0.75
Other non- IEA	0.12	0.26	0.32	0.15	0.09	0.07	0.0 9	0.13	0.03	0.00	0.33	0.09	0.14
Greece, Italy, Spain, and Turkey	0.63	0.42	0.54	0.40	0.29	0.39	0.0 5	0.22	0.11	0.07	0.11	0.10	0.28
Other Europe	0.06	0.04	0.02	0.00	0.02	0.00	0.0 0	0.00	0.00	0.00	0.00	0.00	0.01
Total Exports	2.35	1.92	1.96	1.65	1.42	1.82	0.9 3	1.01	1.07	1.24	1.47	1.46	1.53

Note: IEA member countries are [Australia](#), Austria, Belgium, [Canada](#), Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Japan, Republic of Korea, Luxembourg, The Netherlands, New Zealand, **Norway**, Poland, Portugal, Slovak Republic, Spain, Sweden, Switzerland, [Turkey](#), [United Kingdom](#), and the United States.
Source: IEA, APEX, Eurostat

²⁰⁶ US Energy Information Administration, Independent Static & Analysis, Iran Reports, <http://www.eia.gov/countries/analysisbriefs/Iran/iran.pdf> (accessed on 25 April 2013)

5.3.1. Energy Sector in Iran Fifth Five Year Development Plan

After end of Iran-Iraq War Iran begin to recover and development her destroyed economy and the Five Year Development Plan was written under Hashemi Rafsanjani. The first Five Year Development Plan was implemented between 1989-1993. The major objectives of the Islamic Republic's First Plan included:

- - Rapid movement towards a balanced and well-developed economy,
- - Transfer of greater and greater parts of the economy to the private sector,
- - Protection of the lower-income brackets of the community,
- - A shift from a centralized economy to a non-centralized (regional) economic structure.

While endeavoring to achieve these objectives, however, the government had to spend a good portion of the country's financial resources to satisfy the basic needs of the people in the form of subsidies and other state aids. According to the statistics available, during the First Five -Year Social and Economic Development Plan:

- - Gross domestic product (GDP), on the basis of 1988 factor prices, increased by 7.3%
- - Per capita GDP increased from 197,000 RIs at the start of the Plan to 240,000 RIs in 1993, And during the same period (of the plan):
- - Fixed gross domestic investments increased by 13.3%
- - Private consumption increased by 7.7% per annum,
- - Public Consumption increased by 5.5% per annum,
- - The ratio of fixed gross domestic investments to gross domestic product (GDP) which had been declining thus far, rose from 12.4% in 1988 to 16.3% in 1993”.²⁰⁷

The Fifth Five Year Development Plan was implemented between 2011-2015. In Article 125 of this plan, the Ministry of Petroleum was allowed to develop oil and gas fields with the aim of increasing 1,000,000 bpd oil production capacity and also to increase 2,500,000,000 cm³ natural

²⁰⁷ Esmail Abadi, “Second Five - Year Plan, Meeting Iran's Economic Needs, Iran Exports and Imports, Jan. - Feb. 1995”, <http://ivl.8m.com/IRAN22.HTM> (accessed on 12,May,2013)

gas capacity per day by developing current fields. The priority was on the fields Iran shared with its neighbors.²⁰⁸

According to the Fifth Five Year Development Plan, the National Iranian Gas Company (NIGC) had to reach to 328 million cm³ export capacity of natural gas via pipelines and LNG. Carrying on negotiations with consumer countries such as Kuwait, Bahrain, Jordan, India and European countries about natural gas exports as well as the NIGC has to complete the pipeline to export gas to Europe and Pakistan (pipeline form second phases Assaluye filed until Bazargan border length 1818 km, 110 million cm³ per days and another pipeline from Iranshahr to Pakistan length 255 km with 21.5 million cm³ capacity). The NIGC must continue its negotiations with major active international firms in the oil and gas sectors, such as Shell, Total, and Petronas, for the construction of the Pars and Persian LNG factories.²⁰⁹ Crude oil production capacity looks to increase to 5 million bbl/d by 2015. In addition, it is mentioned in the Fifth Five Year Development Plan that Iran requires \$35 billion per year upstream investment in the natural gas and oil sector, most of investments would come from foreign firms under buyback contracts. It should be noted that in the previous development plan implemented (2005-2010), Iran could attract only about \$10 billion for total upstream investment. That plan has faced some problems due to western sanctions in the period of its initial implementation²¹⁰

5.4. Iran's Natural Gas Plans

Exporting natural gas is the last priority after injection, domestic consumption and finally, the floating of gas-based industries. Joining the world gas market for Iran was behind economic considerations and it became part of Iran's international relations strategy. For achieving the gas export plan, it is trying to create some special zones for the development of gas-intensive

²⁰⁸ "Matne Kamele Barnameye Pnajome Toseye Jomhoriye Eslamiye Iran (1390-134)", (Iran Fifth Five Year Development Plan), <http://www.bazresi.ir/portal/Home/ShowPage.aspx?Object=News&CategoryID=11a5bf88-40f5-4b58-8ba5-7b9e6140f78d&WebPartID=b6fe6c90-8d74-472a-9b36-9ae69f6339f5&ID=526831a5-eb54-409a-bf37-3e1c04045b07> (accessed on 22 June 2013)

²⁰⁹ "Barnameriziye Esteratejik Dar Sherkate Melli Gas Iran" (Strategic Planning in National Iranian Gas Company), Asre Kimiyagari Vol.2 No.3, 2012, <http://www.asrekimiyagari.com/asrkimiagari/News.aspx?NID=157> (accessed on 22 June 2013)

²¹⁰ US Energy Information Administration, Independent Static & Analysis, Iran Reports, <http://www.eia.gov/countries/analysisbriefs/Iran/iran.pdf> (accessed on 25 April 2013)

industries, publicity of gas-based industries such as steel, cement, petrochemicals, etc., the promotion of integrated gas projects and a diversification policy.²¹¹

5.4.1. Natural Gas Sector

During the last two decades, Iran's Natural Gas faced a sharp rise from 0.9 trillion cubic feet (Tcf) in 1991 to 5.4 Tcf in 2011. This included 5% of the world's natural gas production. Domestic consumption was about 5.4 Tcf in 2011. By 2009, Iran imported 216 billion cubic feet (Bcf) and exported 209 Bcf, reaching an approximate balance, but the last piece of data indicated that during July 2011 to June 2012 it proposed that Iran's net natural gas imports have increased and reached 84 Bcf over that period.²¹²

The strategic dimension of energy is not only for its quantity but also for its distribution in the world. Energy studies are directly related to security because of a lack of balance in their distribution. Iran's weakness in energy diplomacy is in all fields, such as theorizing in the first place, and secondly in a lack of specificity in law. Iran's energy diplomacy is not only dependent on production, but also depends on production and exploitation methods, technology, and trade methods. According to the last Statistical Review of World Energy, released on 13 June 2013, BP classed Iran as the world's first gasholder, holding 33.6 trillion cubic meters.²¹³ More than 85% of Iran's natural gas reserves are located in non-associated fields. Such fields have required more development and investment, including South and North Pars, Kish, and Kangan-Nar. The South Pars field is the most important natural gas field in Iran and holds almost 47% of Iranian's natural gas reserves and approximately 35% of its total natural gas production.²¹⁴

²¹¹ US Energy Information Administration, Independent Static & Analysis, Iran Reports, <http://www.eia.gov/countries/analysisbriefs/Iran/iran.pdf> (accessed on 25 April 2013)

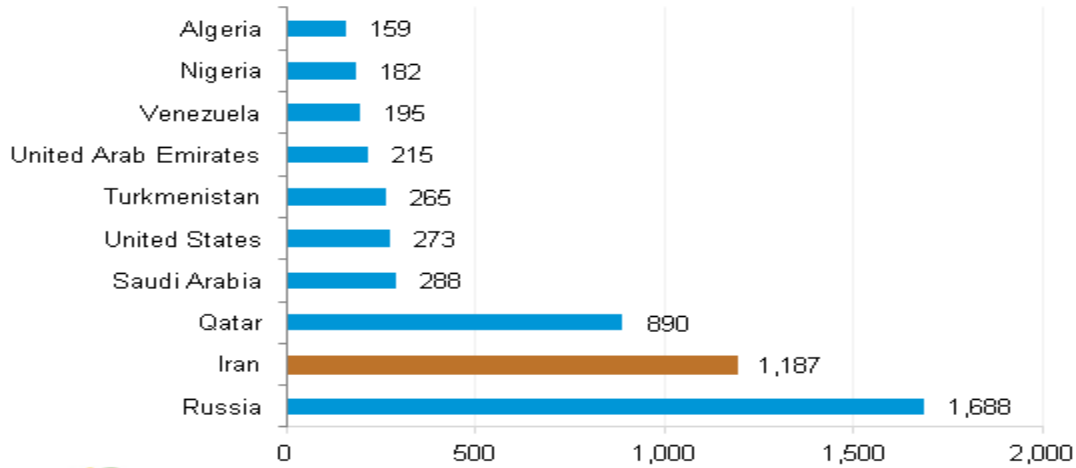
²¹² Natural Gas Exports from Iran, US Energy Information Administration, Independent Static & Analysis, A report required by section 505 (a) of the Iran Threat Reduction and Syria Human Rights Act of 2012, http://www.eia.gov/analysis/requests/ngexports_iran/pdf/full.pdf (accessed on 12 March 2013)

²¹³ BP classes Iran as top gas reserves holder in world, <http://www.imra.org.il/story.php3?id=61258>, (accessed on 24 June 2013)

²¹⁴ Natural Gas Exports from Iran, US Energy Information Administration, Independent Static & Analysis, A report required by section 505 (a) of the Iran Threat Reduction and Syria Human Rights Act of 2012, http://www.eia.gov/analysis/requests/ngexports_iran/pdf/full.pdf (accessed on 12 March 2013)

Largest proven reserve holders of natural gas, January 2013

trillion cubic feet



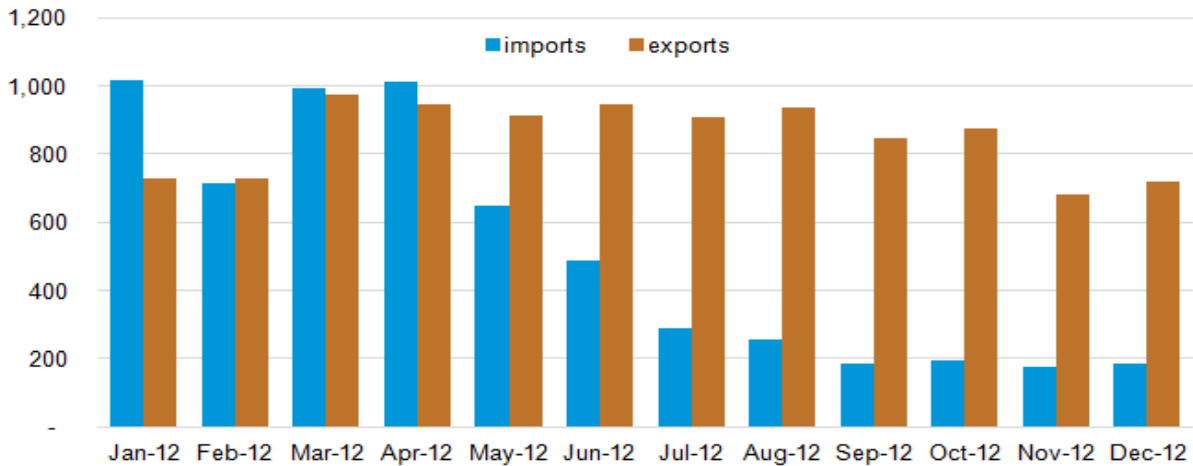
Source: Oil and Gas Journal

Iran's natural gas infrastructure



Iran's natural gas imports and exports, January-December 2012

million cubic feet per day



Source: FACTS Global Energy

5.4.2. South Pars Field

Iran's former president Mahmoud Ahmadinejad, in the last days of his presidency, opened two phases of the South Pars phases. Rostam Ghasemi, the former Ministry of Oil in opening ceremony stated rest of south phases will be come to on stream in end of 1394 solar year (March 2015). According to Ghamesi, at present, the development process is continuing in 17 phases and that after opening the rest of the phases, Iran will produce natural gas to the exact volume of Qatar's . Iran and Qatar are mutually involved in the South Pars Field. Ghasemi noted that US sanctions on Iranian the oil and gas industry had made Ahmadinejad administration invests \$24.6 billion in 1390 solar year (March 2011-March 2012) and \$19.5 billion in 1391 solar year (March 2012-March 2013).²¹⁵ The early opening of the South Pars phases 15 and 16 faced criticize from energy analyst and Iranian media. Mehdi Eetesami, president of Iran Marine Industrial Company (Sadra), argued that 35 months is not enough for development of South pars phases and such decision is political and unrealistic. According Eetesami, Ahmadinezhad administration gives financial resources of such phases to only for developing of 12, 15 and 16 phase. If required

²¹⁵ ،”Toseyeh 17 Faze Parse Junubi”, <http://www.mehrnews.com/detail/News/2107325>, (accessed on 12 August 2013)

financial resources supplied on time all phases come to stream on time.²¹⁶ Under the Ahmadinejad era especially his second presidency, none of phases not come to stream according one standard phase and even the promised of 35-months development plan of any phases of South Pars failed.²¹⁷ Musa Souri, former Managing Director of Pars Oil and Gas Company (POGC), speaking about the South Pars field, noted that, “this field is shared with Qatar but that country has been using modern American technologies to extract gas. Qatar extracts \$8 billion from 15 and 16 phases at present, while Iran has 9 developing plans for the remaining phases in South Pars. According to forecasts every developing plan takes 35 month, if Iran delays a year in extracting gas from such projects it may lose \$72 billion but if we extract according to our plan, we can obtain \$72 billion.”²¹⁸

5.4.3. Actors and Resources:

1- National Iranian Gas Company (NIGC)

The state-owned National Iranian Gas Company (NIGC) is in charge of natural gas infrastructure, transportation, and distribution. Another company was created in 2003 aiming to manage observe all international natural gas pipelines and LNG projects. National Iranian Oil Export Company was under the control of the National Iranian Oil Company until May 2010, but the Ministry of Petroleum transmitted NIGEC, including it under NIGC in order to target responsibility for future natural gas projects.²¹⁹ According to EIA estimates, between July 2011 and June 2012, Iran’s exported of natural gas averaged almost 810 million cubic feet (M cf) per day, and Iran’s average monthly revenues during that period were approximately \$320 million or about \$10.5 million per day, i.e. almost 5% of the estimated \$231 million per day revenues from crude oil and condensates exported over the same periods. By 2010 and 2011, Iran exported and

²¹⁶ Toseye 35 Maheh Parse Junubi Siyasi Bud.(35 Mooth Developments of South Pars was Political), <http://isna.ir/fa/news/92050804090/%D8%AA%D9%88%D8%B3%D8%B9%D9%87-35-%D9%85%D8%A7%D9%87%D9%87-%D9%BE%D8%A7%D8%B1%D8%B3-%D8%AC%D9%86%D9%88%D8%A8%DB%8C-%D8%B3%DB%8C%D8%A7%D8%B3%DB%8C-%D8%A8%D9%88%D8%AF-%D8%A7%D8%AE%D8%AA%D8%B5%D8%A7%D8%B5> (accessed on 10 August 2013) .

²¹⁷ “Faze 15 va 16 Parse Junubi Nesfe Nime Rahandazi Shod”, <http://www.mehrnews.com/TextVersionDetail/2107133> (accessed on 15 August 2013)

²¹⁸ “ Peymankarane Kamkare Dolati Harghez Jarimeh Nashodand”, <http://www.farsnews.com/newstext.php?nn=13920204000786> (accessed on 25 June 2013)

²¹⁹ Ibid,p.3

imported less than 1 percent of the world’s dry natural gas.²²⁰ But Iran expected to gain a 10% share in global trade in the coming five years (2011-2016). To reach such a goal, Iran has to maintain its gas exports. More than five bcm of gas were exported to neighboring countries up to the end of the seventh month of the Iranian year. It was up one percent year-on-year.²²¹ Ekbar Torkan, former deputy of the Minister of Oil, believed that during the last three years, the Iranian National Oil Company spent more than \$46 billion for developing and extracting natural gas from the South Pars fields but yet none of the phases have come online and South Pars needs all phases to come online. Torkan believes that sanctions cost more on the South Pars fields’²²²phase developments. Despite the fact that more investments have been made in those phases, none of them have come to yield. Masoud Samivand, CEO of Natural Gas Storage Company (NGSC), told Mehrnews Agency that Iran is going to open the largest natural gas storage facilities in the Middle East at in the province of Khorasan before the winter of 2014 and after that Iran has a plan to cut off natural gas import from Turkmenistan. According to its Strategic Development Plan, Iran has to share 10% of the world’s natural gas market, and due to this, Iran has to increase natural gas to its consumers and also continue to transport natural gas projects with her neighbors.²²³

	Imports	Exports
Armenia	--	44
Azerbaijan	35	56
Turkey	--	670
Turkmenistan	770	--
Total	805	770

Source: FACTS Global Energy, Iran Oil and Gas Monthly Reports

²²⁰ “Peymankarane Kamkare Dolati Harghez Jarimeh Nashodand”, <http://www.farsnews.com/newstext.php?nn=13920204000786> (accessed on 25 June 2013)

²²¹ “Iran Eyes % 10 of World Gas”, Iran Petroleum Monthly, No.7,November 2102,p.7, <http://iranpetroleum.ir/files/NO7.pdf> (accessed on 24 May 2013)

²²² Akbar Torkan, “Toseye Parse Jounoubi ba 40 Milliard Dolar, 46 Miliyard Hazine Shod ama Fazi be Tolid Naresid “,(Developing South Pars fields with \$40 billion, \$46 billion spent but no Phase Doesn’t Come to Online), <http://www.mehrnews.com/detail/News/2082992>, (accessed on 24 June 2013)

²²³ Masoud Samavand , “Khodkafayie Iran as Varedate Gaze Turkmenistan”, (Iran Sufficiency to Import Turkmenistan Gas), <http://www.mehrnews.com/detail/News/2082961> (accessed on 24 June 2013)

Average Iranian imports and exports of natural gas, 2012 (million cubic feet per day)²²⁴

2-The National Iranian Oil Company (NIOC)

This state-owned company is one of the biggest oil firms in the world and has little chance of privatization. The NIOC's main challenges are delivering increased oil capacities, increasing productive capacity, decreasing products imports, and exploiting the state's gas resources. According to Business Monitor International, NIOC's strengths are "Dominant domestic oil and gas producer, Unrivalled access to exploration acreage, controls oil export facilities, weakness are limitation of economic and functional freedom, cost and competence disadvantages, increasing investment requirement."²²⁵

3- The National Iranian Oil Refining and Distribution Company (NIORDC)

Very important to the development of Iran's refining sector is the prevention of a further increase in gasoline imports. INORDC is planning a great expansion program, according to official estimates, which could nearly double Iran's national refining capacity by 2015 (last year of the Fifth Five Year Development Plan). At present, Iran imports about 30-40% of its gasoline demands due to its limited refining capacity. INORDC has as its sole responsibility to downstream the oil segment, though it has started to share the task by looking for an external participant in new refinery projects. The strengths of NIORDC are a near monopoly on refining, control over the fuel distribution segment, the main pipeline infrastructure system. The weakness are a lack of sufficient financial or functional freedom, cost and efficacy disadvantages, an increasing investment demand, international sanctions required for progress in high-level investment, any change in Iran Energy policy, and the last one powerful regional contest.²²⁶

²²⁴ US Energy Information Administration, Independent Static & Analysis, Iran Reports, <http://www.eia.gov/countries/analysisbriefs/Iran/iran.pdf> (accessed on 25 April 2013)

²²⁵ Iran, Oil & Gas Report Includes BMI's Forecasts, Business Monitor International Ltd, October 2012, p.64

²²⁶ Ibid 67

5.4.4. Iran Energy Sector Projects

1-Gas Pipelines

Iran has extensive domestic natural gas and oil pipelines. This pipeline network involves 12 pipelines that are between 63 and 630 miles long. The pipeline which connects the Bandar Abbas refinery to the Isfahan refinery is the longest. Its capacity is 300 thousand bbl/d. The second longest pipeline connects the Ahvaz oil field to the Tehran refinery. Its capacity is 300 bbl/d.²²⁷ In addition, Iran owns some international pipelines which are used to transport oil and natural gas. Iran is planning to build some new pipelines. Iran's main international gas pipelines are:

The Iran-Turkey Gas Pipeline

The Iran-Turkey Gas Export Pipeline was the first pipeline that built to export Iran's natural gas to Turkey. Its construction began in 1996 after signing Iran-Turkey Gas Agreement and completed in 2001. Its capacity is 28 Mcm/d, its length is 2,577 km and it links Tabriz in the Northwest of Iran to Ankara. It joins the Baku-Tbilisi-Erzurum (BTC).²²⁸

The Iran-Armenia Gas Export Pipelines

The Iran-Armenia gas pipeline with 2.3 bcm capacity was completed in 2009. It links Tabriz to Armenia. Its length is 140 km. Iran runs 100 km and rests run by Armenia. A 20-years gas agreement signed in 2004 between two countries.²²⁹

The Iran-Pakistan Gas Pipeline (IP Pipeline)

Iran and Pakistan began to work on the IP Pipeline on March 2013. The 2700 km pipeline transports gas from the Assalouyeh Energy Zone to Pakistan. 2000 km of it is run by Iran and 700 km by Pakistan. The revenue made looks to be about \$7.5 billion. According to the contract,

²²⁷ US Energy Information Administration, Independent Static & Analysis, Iran Reports, <http://www.eia.gov/countries/analysisbriefs/Iran/iran.pdf> (accessed on 25 April 2013)

²²⁸ Iran Oil& Gas Report, Includes BMI's Forecast, Business Monitor International, www.businessmonitor.com, p.45

²²⁹ Ibid

it is scheduled to be constructed by December 2014. Iran is planning to export 1.5 mcm per day natural gas to Pakistan.²³⁰

The Iran-Turkmenistan Gas Pipeline

Iran is considerably dependent on Turkmenistan gas through 2015 because all of its development of new gas projects , especially in the South Pars fields, have been delayed.²³¹ The first gas pipeline between the two countries was opened in 1996. On Iran's side (the Northern provinces) received 8 bcm per annum. The second pipeline was begun in December 2009 and Iran increased gas capacity to 20 bcm. Iran added 4 bcm of Turkmen gas late in 2010 by annexing the Dauletabad-Khangeran pipeline.²³²

2- Oil Pipelines

Iran has five separate domestic oil pipeline. Two oil pipelines connect country's largest refinery at Abadan in Khuzestan, to Arak refinery. Iran is planning to sign oil pipeline agreement with Iraq that link the southern Iraqi city of Basra and Abadan.²³³

5.5. Main problems in Iran Energy Policy

Energy diplomacy according to the Iranian Ministry of Foreign Affairs is “using diplomatic and political means for developing energy trade in Iran” and “energy policy making with regard to the national interest and political issues,” but energy diplomacy according to energy experts in the Ministry of Petroleum is selling oil, natural gas and other products at a higher price and under the best conditions for supplying the technology required to invest in Iran. If energy experts in the Ministry of Petroleum and the National Oil Company (especially in international field) has high capacity and is more powerful then energy in Ministry of Foreign Affairs accept their point

²³⁰ Iran, Pakistan Inaugurate Gas Pipeline Project, Iran Petroleum Monthly, No.11, March 2013,p.9, <http://iranpetroleum.ir/files/NO11.pdf>, (accessed on 25 June 2013)

²³¹ Suleyman Elik,” Iran-Turkey Relations, 1979-2011: Conceptualizing the Dynamics of Politics, Religion and Security in Middle-Power States”, (Durham Modern Middle East and Islamic World Series), England,2011,p.148

²³² Iran Oil& Gas Report, Includes BMI's Forecast, Business Monitor International,www.businessmonitor.com,pp.44-45

²³³ Ibid,p.42

of view in choosing according to their agenda.²³⁴The Iranian political economy lacks a coherent approach towards energy policy making in the international dimension and especially in accessing efficient energy diplomacy (a lack of national strategy and long term planning) as well as a lack of a knowledge discourse on technical and political versions of energy. In general energy issues proposed by the government. The weakness is in the ministry cabinet due to the number of ministers who have no chance to check deeply and specialize in the energy issue in the final decision making in the framework of licenses assigned to the Ministry of Petroleum. Such a decision making process is done with limit number of managers.²³⁵With any increase in oil prices, the government's commitments will be increased and made without attention to income taxes and a lack of commitment to capacity and, finally, a negative price shock, lack of commitment, and delay in time operations from projects.²³⁶Energy experts believed that the technologies used for constructing Iran nuclear power stations are not up to date and will be out of date in the near future. It should be noted that the construction process of the Bushehr nuclear power plant took twenty to thirty years and other investments in this field took twenty to thirty years as well. It may be that the main concern on which Iran spends huge sums to develop, nuclear technologies may face Iran with technical and environment problems in the future. And for such conditions, the best solution is to develop technical cooperation with the International Energy Agency and insistence that International Energy Agency is the last and most modern technology given to Iran.²³⁷

5.5.1. US's Sanction against Iran and Turkey

Cavid Veliev, Iran expert from Baku based Azerbaijan Strategic Center noted that Turkey many times declared that is against ant sanction over Iran, Iran is Turkey's neighbor and sanction disaffect Turkey, I n any sanction implemented against Iran all states did not follow sanctions against Iran, Turkey's president Abdullah Gül, stated that if all countries followed sanctions against Iran, Turkey would follow sanctions, but it is clear that Turkey wont to disaffected its

²³⁴ Hossein Pour Ahmadi, Mehdi Zolfaghari, "Diplomasiye Enerji va Manafee Melli Jomhiriye Eslami", Danish Siyasi, Vol.5, No.1. Bahar, Tabestan 1388, p.24

²³⁵ Ibid 27

²³⁶ Ibid 28

²³⁷ Abbas Maleki, Siyasat Ghozariye Enerji (Energy Policy), Energy, Sharif University of Technology Publications, 1390. (2011), p 81

economic and political relations with Iran due to sanctions which implemented by other countries. Turkey lost so much money in Iraq sanctions.²³⁸

5.5.2. Sanctions on Natural Gas Sector:

Iran's economy and especially energy sector faced with US and EU's sanctions due to Iran's nuclear program. Sanctions not only slows down Iran's plan for development in natural gas field and energy sector but also have enforced Iran to become more pro-active in employing the Tehran's major aggressive advantage in consolidating regional relations.²³⁹ Some of more active foreign companies in energy sector which in charge of some projects in Iran's energy sector have withdrawn from participation in Iran due to US pressure, the Iran's flow political situation makes any investment especially in energy sector difficult. No international bank or financial institutes is willingly to return an energy project in Iran. The lack of international companies such as Royal Shell Dutch, Repsol, Total and Sorfegaz on Iran's oil and natural gas development has influenced oil and gas production levels.²⁴⁰

Gholamhosein Khajeh Ali, CEO of the biggest contractor in South Pars Filed believed that none of South Pars phases would be online due to lose of financial recourses, he criticized policies of Ministry of Petroleum, the main reasons for delay in construction, installation and launch in platforms and wells in the phases 15 and 16. Khajeh Ali stated that sanction is the main reason for any delay in South Pars phases to be online. Due to sanction firms which are active in South Pars couldn't open LC for money transport. The only way for all South Pars phases to be online is removal sanctions.²⁴¹ Due to sanction foreign companies withdrew from Iran's energy sector development operation of South Pars phases was given to Iranian firms. But none of these firms couldn't achieve in completing any phase. Iran is a mutual in South Pars with Qatar, Qatar

²³⁸ Author's interview with Cavid Veliv on June 12, 2013

²³⁹ Ibid p

²⁴⁰ Elin Kinnander, "The Turkish-Iranian Gas Relationship: Politically Successful, Commercially Problematic", Oxford Institute for Energy Study, 2010, p.12 <http://www.oxfordenergy.org/wpcms/wp-content/uploads/2010/11/NG38-TheTurkishIranianGasRelationship-ElinKinnander-2010.pdf> (accessed on 20 March 2013)

²⁴¹ Gholamhosein Khajeh Ali, Enteghad "Bozorgtarin Peymankare Parse Junubi az Vezerate Naft", (The biggest contractor criticizes Ministry of Oil, Mehr News Agency, <http://www.mehrnews.com/detail/News/2087955>, (accessed on 3 July 2013))

herself produces 450000 bpd oil and such amount is 13 times more than Iran's oil production per day. Also 2.5 times more than produce natural gas from South Pars.²⁴²

5.6. Iran's New Energy Policy under Rouhani Administration

Bijan Zanganeh, Iran's new oil minister plans to boost oil output. He presents short-term and long-term plans to recover Iran's oil production capacity. Zanganeh in his long-term program says concerning the sanction situation,

- The first step in oil production is recovering crude oil productive capacity of 2005
- Making efforts for marketing and increasing the export of crude oil capacity and other petrochemical products
- Giving priority to increasing gas production from the South Pars field
- Taking maximum advantage of oil diplomacy with the aim of reducing problems in the oil industry
- Eliminating barriers to the production and export of petrochemical products
- Eliminating barriers to the production and export of LNG and Condensates
- Optimizing energy consumption ...

The long-term plan of Iran's new oil minister includes:

- First place in the region's oil and gas industry
- Second place in OPEC's oil production
- Third gas in the world's production
- First place in terms of the value added in the production chain of oil and gas
- Becoming a hydrocarbon corridor in the region and center for selling oil and gas

The strategic purpose of the Iranian oil and gas industry in the next two decades can be to "gain a greater share of global energy demand". This means maximizing the benefits of international energy markets and dependency increase on oil from other countries and finding strategic position for

²⁴² "Enteghad az Tamien Maliye Projeye Gas: "Parse Junubi Be Tolid Nemiresad" (Critiques for Financial security for Gas Project), http://www.radiofarda.com/content/f12_south_pars_gas_project_faces_difficulties/25034029.html (accessed on 3 July 2013)

Iran in the global energy market. Maximizing oil income required the adaption of coordinated measures, increasing export volume and stability or increasing the price of oil.

NIOC has to become an international company and its operations should be expanded beyond Iran's geographical borders. It is the world's fourth oil company. It has to maximize national interest and income within in Iran's geographical borders but not be limited to Iran. It should invest and cooperate in the world's oil upstream projects and so can obtain prosperity for the country and preserve and guaranty Iran's interests, such as the stability of oil, natural gas and LNG markets in the long run.²⁴³

²⁴³ "Barname Mohandes Zangeneh Baraye Edareye Sanate naft Montasher Shod", (Zangeneh's plan for operating Oil Indusrty Has Published), <http://www.shana.ir/fa/newsagency/206420> (accessed on 12 August 2013)

CHAPTER VI: IRAN-TURKEY ENERGY RELATIONS

6.1. Iran-Turkey Energy Relations

The energy relations between the two countries are one of the main determinants of the economic relations. Houman Sadri about Iran-Turkey energy relations stated that, in recent years, with the start with Iran's revolutions the relationship between Iran and Turkey, going upset down, but the same time they were good trade partner, Turkey needs Iranian oil and gas for diversification of its resources. Iran needs Turkey to use its connection with other countries.²⁴⁴ According Arif Keskin, it is clear that Iran-Turkey economic relations have been increased, especially during AKP era, but the main question is who is the winner in the bilateral economic relations? Trade volume is in favor of which country? Trade volume is in favor of Iran not Turkey, it is clear that the volume of hydrocarbon (oil and natural gas) in Iran-Turkey economic relation is too high and without notice to the volume of energy relations it can see the real volume of trade between two countries.²⁴⁵

Every year more than 90000 Turkish truck crossing Iran for transiting and exporting Turkish goods for other countries, Turkey many times asked Iran to give fuel free of charge to Turkey's truck but Iran didn't accept, Iran's offered price is too expensive for Turkish transport firms and they wont to carry goods from Iran's route, Iran did not sign any international trade agreement, Iran can cancel any bilateral agreement whenever want, Iran can withdraw any company without paying damage, if Iran faced with any attack in such conditions no one Turkish businessman wants to invest in Iran.²⁴⁶ Cavid Veliyev believed that bilateral relations between Iran and Turkey in AKP era has to looked into views competition and cooperation, Turkey's increasing energy demand, AKP's neoliberal economy oriented policy, new political status in the Middle East made AKP to has good relations with Iran. AKP's policy toward Iran faced with west reaction. It should be note that competition is in cooperation between two countries. Competition over Middle East region is evidence Turkey is trying to solve problems with Iran over Middle

²⁴⁴ Authors interview with Houman Sadri, on 9 July 2013, Dr. Houman Sadri, Associate Professor and Faculty member of Department of Political Science, University of Central Florida

²⁴⁵ Author's interview with Arif Keskin, on May 8, 2013, Ankara

²⁴⁶ Ibid

East and at the same time face with US pressure.²⁴⁷ Iran is also trying to have good relations with Turkey due to international pressure.²⁴⁸

As Dalga Kahtinoglu, since 2000, trade turnover between Turkey and Iran has increased by 2500 percent, from \$1 billion annually in 2000 to \$25 billion annually. Turkey is an industrial country with increasing demands to oil and high economy growth; on the other hand Iran is a great market, reliable oil/gas supplier with huge amount of reserves. First round of AKP ruling had faced with economic crises in Turkey and in Iran, reformist ruling party headed by Mohammad Khatami was in his second presidency term and challenged with rivals inside, but two sides could boost bilateral trade fourfold until late 2004. After 2005, Turkey economy was established with high growth rate, on the other hand principles coalition backed by IRGC and Supreme Leader Ali Khamenei got ruling in Iran. During past 8 years, with regard Iran's isolation by Western sanctions, Turkey became as Iran's major way to keep non-oil trade with abroad. On the other hand, Iran became to a market without western rivals for Turkish goods. However, during mentioned time two nations involved in influence competition in Iraq and Lebanon which lead to Iran's victory in both cases. Iranian backed forces have been ruling in these countries, but Turkey also got its interest there partly, especially in economic and energy projects sphere. These conflicts damaged Iran-Turkey trade growth rate, for instance after 2010 two nations' trade remained at around \$20 billion and increasing this figure to around \$25 billion occurred because Turkey's \$7-billion worth gold export to Iran to pay off Iranian gas import debts.²⁴⁹

6.2. Energy agreements

Despite the existence International sanctions on Iran Turkey has signed energy agreements with Iran. The agreements were mainly related with natural gas. Signing natural gas agreement between Iran and Turkey has some advantages for both sides. Before Iran Islamic Revolutions

²⁴⁷ Author's interview with Cavid Veliev, Cavid Veliev is Senior Researcher in Sam (Baku Based, Strategic Research Center, Azerbaijan Republic), Veliev is expert in Turkey issue.

²⁴⁸ Ibid

²⁴⁹ Author's interview with Dalga Khatin Oglu, on May 26, 2013

Turkey and Iran signed an agreement for the supplying one million tons of oil that paid by Iranian loan in the amount of \$150 million.²⁵⁰

Turkey's aims for signing natural gas agreement with Iran, Iran was interested to reduce US sanction against her and signing new agreement with Turkey was the best chance to reduce sanctions effects on her economy, that agreement was the base of developing Iran-Turkmenistan pipeline and Iran could become transit route from Central Asia countries oil and natural gas pipeline, agreement will challenge Russia's influence in Central Asia, Iran became Russia partner in supplying Turkey's natural gas and oil demands, Russia has to give more discount to Turkey in natural gas price.²⁵¹ Bayram Sinkaya believed that signing first natural gas agreement between Iran and Turkey help to moderated bilateral relations, Turk phobia in Iran decreased, Iran can cut off natural gas and Turkey fears for cut off made Turkey to drive growth some issues.²⁵²

6.2.1.2007 and 2008 MOU

As Tuncay Babali argues, during 2007 and 2008, Iran and Turkey signed two MoU but due to sanctions and Iranian abstruse demand and models to formalize can't come to practice. Nonetheless Turkish private firms can invest in Iran's natural gas sector and use the gas procures in such fields for electricity production. The main problems that raised by the Iranian side in South Pars fields were: extraction, transportation and financing and partnership modalities and purchasing gas, such modalities how develops to be noted.²⁵³

²⁵⁰ Elliot Hentov, *Asymmetry of Interest, Turkish-Iranian Relations since 1979*, Lap Lambert Academic Publishing, Germany, 2012, P.40

²⁵¹ Arzu Celalifer Ekinici, "İran Türkiye Enerji İşbirliği", USAK – Uluslararası Stratejik Araştırmalar Kurumu, <http://www.usak.org.tr/dosyalar/enerjii%C5%9F.pdf>, (accessed on 25,Nov 2012) p.13

²⁵² Author's Interview with Bayram Sinkaya, on May 8, 2013 Ankara

²⁵³ Author's Interview with Tuncay Babali on June 8. 2013

6.2.1.1.2007 MOU (Memoriam of Understanding)

Between 2003 and 2010, Turkey signed two Memoranda of Understanding (MOU) and Iran became Turkey's major energy partner.²⁵⁴ According to the MOU of 13 July 2007, which was signed by Prime Minister Erdoğan and President Ahmadinejad in Tehran, Iran's natural gas from the South Pars field was transported via Turkey to the European market. It is estimated that more than 14 trillion m³ of gas were in 24 phases of the South Pars field and was the largest proven natural gas reserve in Iran. On the Turkish side, the TPAO had to invest in the South Pars field for the exploration and extraction of natural gas and Turkey had to extract 20 billion m³ gas from South Pars and give some amount to Iran and another amount for Turkey's domestic demand and the rest would be transported from the Ceyhan port via the Nabucco pipeline to the European Market. It was required to build a pipeline for transporting gas from South Pars to Turkey with a length of 1880 km. According to the agreement, Turkey had the right to re-export the gas bought from Iran to other countries. It is estimated that the agreement would be ready for signing in the years ahead.²⁵⁵

6.2.1.2. US reaction to the 2007 MOU

Signing MOU between Iran and Turkey was important for EU's energy security policy but at the same time USA reacted to MOU and asked Turkey to consider it again. Turkey is NATO member and at the same time USA's ally in the region and investing via Turkey in Iranian natural gas industry affected USA's sanctions on Iran. According to Arif Keskin, oil and gas industries in Iran are nationalized and Iran did not permit foreign investment in such industries under hard conditions and MOU at 2007 was under such condition and it led to MOU not coming to practice.²⁵⁶

²⁵⁴ Behzat Ekici, "Is Turkey Realigning? A Three Dimensional Investigation of Turkish-Iranian Security Rapprochement". PhD Thesis. university of pittsburgh, 2010

²⁵⁵ Arzu Celalifer Ekinci, "İran Türkiye Enerji İşbirliği", USAK – Uluslararası Stratejik Araştırmalar Kurumu, <http://www.usak.org.tr/dosyalar/enerji/C5%9F.pdf>, (accessed on 25, Nov 2012) pp. 4-5

²⁵⁶ Author's interview with Arif Keskin, on May 8, 2013, Ankara

6.2.2.008 MOU

After signing first MOU at 13 July 2007, it did not come to practice for some reasons mentioned above Iran and Turkey came to conclusion that to sign a new MOU to solve the first MOU's problems. On 17 November 2008, Iran and Turkey signed second MOU on natural gas extraction and export. MOU also mentions to Turkmenistan gas, transiting Iran and Turkey to Europe. TPAO aims to produce up to 16 Bcm/year of gas from three fields from South Pars (22, 23 and 24), half for Turkey domestic consumption and half for transfer to Europe. The MoU obviously says that a huge part of the gas will be transited from Iran to Europe via Turkey.²⁵⁷

TPAO was to produce 46 Bcm from South Pars field, half would be exported to Turkey, with the rest being provided to the Iranian domestic market. On October 27, 2009, Ibrahim Radafzoun, the Iranian Deputy Oil Minister, reported that Turkey had given them an investment of between \$3.5-4 billion in developing Phases 6 and 7 of the South Pars field.²⁵⁸ According MOU TPAO would participate in the construction of the 1,850km IGAT-9, the upstream agreement between Iran and TPAO is based on an important contract that called buy-back contract, the aim of which is to avoid foreign control over Iran's resources. "Buy-back contracts are formulated in such way that a foreign company develops oil and gas resource and it repaid from sales revenues, but has no share in the project after being repaid." The National Iranian Oil Company is thereafter responsible for operation and management.²⁵⁹

According MOU 2008, Turkey has to invest about \$12 billion for development. The exploration and production gas from three phases form such amount, \$ 8 billion was required to developing three phases and \$4 billion required for building pipeline, and Turkey will be partner in South Pars field due to MoU.²⁶⁰ According to Arzu Celalifer Ekinçi, Turkey's aims of signing of MOU in 2007 and 2008 were: 1-diversification of resources 2- energy demand supply 3- Turkey wants to be corridor for transiting Iran's oil and gas to Europe 4- Turkey give money for transiting Iran's gas 5-Iran'a

²⁵⁷ Elin Kinnander, "The Turkish-Iranian Gas Relationship: Politically Successful, Commercially Problematic", Oxford Institute for Energy Study, 2010, p.11

²⁵⁸ Gareth Jenkins, "Occasional Allies, Enduring Rivals: Turkey's Relations with Iran", Silk Road Papers, the Central Asia-Caucasus Institute and the Silk Road Studies Program, May 2012, <http://www.silkroadstudies.org/new/docs/silkroadpapers/1205Jenkins.pdf>, (accessed on 20 December 2012)

²⁵⁹ Elin Kinnander, "The Turkish-Iranian Gas Relationship: Politically Successful, Commercially Problematic", Oxford Institute for Energy Study, 2010, p.13

²⁶⁰ Arzu Celalifer Ekinçi, "İran Türkiye Enerji İşbirliği", USAK – Uluslararası Stratejik Araştırmalar Kurumu, <http://www.usak.org.tr/dosyalar/enerji/C5%9F.pdf>, (accessed on 25, Nov 2012) p.11

willingness to has energy relations with Turkey in contrast with other Middle East countries.²⁶¹According Dalga Kahtinoglu, despite oil, gas prices are set based on different conditions and contract terms. Then we can't say the expensiveness of gas price, just regarding the figure of price. But, Turkey demanded Iran to decrease gas price and appealed against Iran in International Arbitration Court in March 2012, and figures published officially in Iran in 2013 show that Iran decreased gas price to around \$416 in 2012 from \$500 per 1000 cm in 2011.²⁶²

Dalga Khatinoglu believed that despite good political relations between Iran and Turkey they have some problems in their economic ties, Of course Turkey is enjoying from sanctioned Iran, for instance Iranians put about \$4 billion direct investment in Turkey in 2011 and hundreds of Iranian companies were registered there. This country is going to replace UAE as Iran's major import gate, etc. However, after all, Turkey's priority is the West. For instance, Turkey's oil import from Iran dropped from 180,000 bpd in 2011 to 160, 000 in late 2012 and this figure is decreasing, so that this figure is around 120 to 130 thousand bpd today. The figures show Turkey recognizes western sanctions seriously. On the other hand sanctions circumvent attempts by Iranian private and semi-private companies have been increasing. Then, this sort of activities can lead to hidden illegal trades, corruption, smugglings groups, etc. This may damage Turkish economy a little but not seriously.²⁶³

6.3. Iran's Role in Turkey's Energy Policy

Houman Sadri stated that energy cooperation has a unique position in bilateral economies relations. Energy is a significant part of cooperation between Iran and Turkey, because Iran need market for its obviously oil and gas for export and Turkey dose want to become independent of Iran, but wants to use Iran as source for diversification of its energy resources, Turkey is very wise in energy cooperation with Iran, China do the same, China receive oil and gas from different parts of the world, China is not dependent on one region in oil and gas. It is good for Turkey to have three major oil and gas supplier, source for importing because, if Turkey became more dependent to one of them that created dependency. For example, Armenia is dependent on Russia on Oil and gas Iran has established pipeline for Armenia. And they exported oil and gas.it

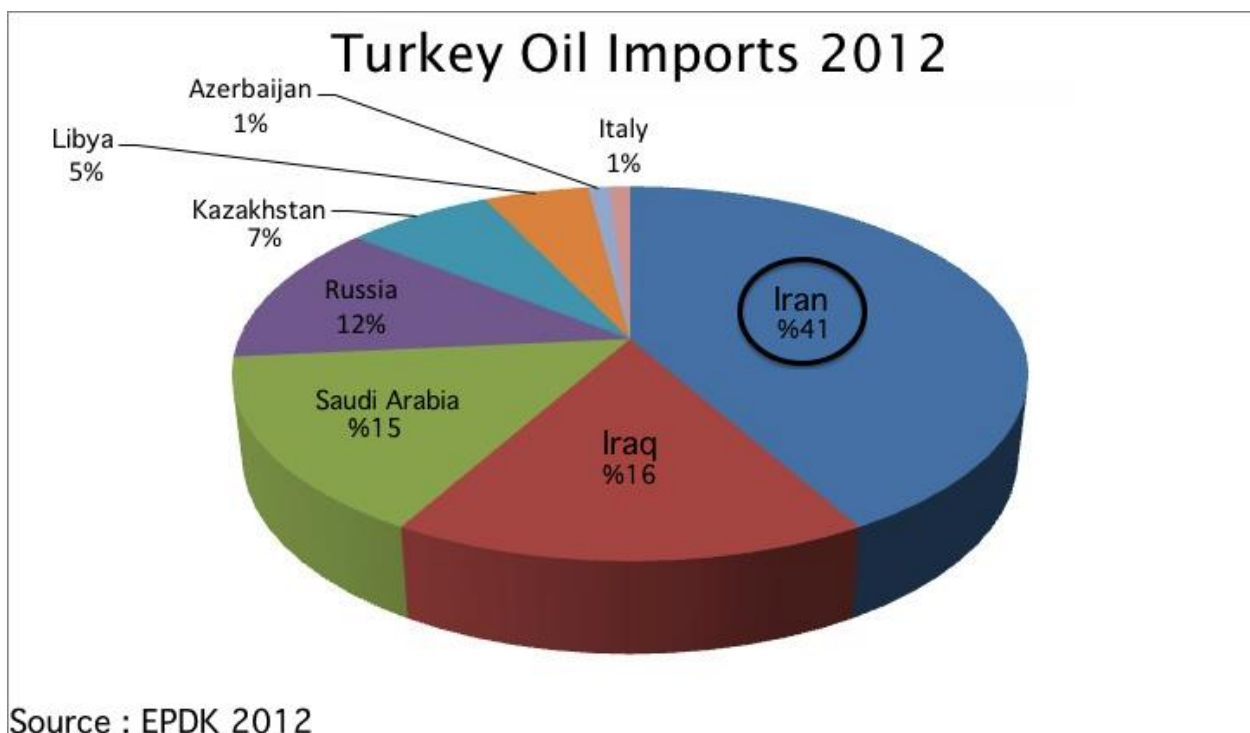
²⁶¹ Ibid pp.11-13

²⁶² Author's interview with Dalga Khatinoglu, on May 26,2013

²⁶³ Ibid

is very interesting that Turkey is more independent in contrast other countries.²⁶⁴ According to Arzu Celalifer Ekinci, Turkey's aim in signing MoU in 2007 and 2008 were: 1- the -diversification of resources, 2- energy supply, 3- being a corridor for transiting Iran's oil and gas to Europe, 4- giving money for transiting Iran's gas, 5- Iran's willingness to have energy relations with Turkey instead of other Middle East countries.²⁶⁵

Tuncay Babali noted that, by 2011 Turkey imported about %51 of its oil demand from Iran, due to US sanction over Iran energy sector, Turkey reduced oil import of Iran, sanctions are not in favor of Turkey, and Turkey suffer from sanctions, Turkey will continue to purchase gas and oil from Iran, Turkey is trying to supply new energy resources and suppliers, but faced with some problems, USA has to introduce alternative energy resource to Turkey instead of Iran, or recognize Turkey exception from Iran sanctions.²⁶⁶



²⁶⁴ Author's interview with Houman Sadri on July 12, 2013

²⁶⁵ Arzu Celalifer Ekinci, "İran Türkiye Enerji İşbirliği", USAK – Uluslararası Stratejik Araştırmalar Kurumu, <http://www.usak.org.tr/dosyalar/enerji/C5%9F.pdf>, (accessed on 25, Nov 2012) pp, 11.13

²⁶⁶ Author's Interview with Tuncay Babali on June 8, 2013

6.4. Iran-Turkey Natural Gas Cooperation

Turkey-Iran energy cooperation especially regarding natural gas field began in the Erbakan era but negotiations about gas agreement was started before Refah party came to power, in 1995 natural gas agreement was ready to sign by Iran and Turkey but for technical problems signing agreement postpone until 1996.²⁶⁷ By 1990s energy demand increase due to industrialization some parts of Turkey; in that time Turkey in natural gas % 100 dependent on Russia and Russia became sole natural gas supplier. With regard Turkey's political and economic situation in that time gas agreement was so important for Turkey. Turkey was looking for diversify its natural gas supplier for guaranty energy security; Iran became second gas supplier after Russia and alternative for Russia. Turkey after signing gas agreement with Iran went to sign another gas agreement with Turkmenistan.²⁶⁸

According Behzat Ekici: there are five major factors which manage the energy cooperation between Iran and Turkey:

- 1) Growing energy demand and increasing vulnerability
- 2) Struggles to decrease energy dependency on Russia
- 3) Provide disruptions in Iraq
- 4) Strategic profits and Nabucco Project
- 5) Cost efficiency and security of pipeline through Iran²⁶⁹

Two countries agreed to build a pipeline and every country was responsible to build pipeline in own territory, according gas agreement Iran has to supply 3 billion m³ gas per years for Turkey and this amount will be reach in 10 billion m³ at 2007. Agreement was signed at 8th August 1996. Duration of agreement was 15 years and came to practice in 2001.²⁷⁰ Iran's energy resources are a good chance for Turkey. When we look the geographical position of Turkey gas agreement was sign before Erbakan. According Gareth Jenkins, an economic agreement has to sign for

²⁶⁷ Author's interview with Bayram Sinkaya, on May 8, 2013, Ankara

²⁶⁸ Author's interview with Şaban Kardaş, on May 9, 2013, Ankara

²⁶⁹ Behzat Ekici." Is Turkey Realigning? A Three Dimensional Investigation of Turkish-Iranian Security Rapprochement". PhD Thesis. university of pittsburgh,2010

²⁷⁰ Arzu Celalifer Ekinci, "İran Türkiye Enerji İşbirliği", USAK – Uluslararası Stratejik Araştırmalar Kurumu, <http://www.usak.org.tr/dosyalar/enerji/C5%9F.pdf>, (accessed on 25,Nov 2012)

economic consideration but Erbakan administration wanted to diversify its resources and same time, when came to power wanted to show statement to the West and sign gas agreement with Iran, If Erbakan was more patient and negotiate more with Iran, he could price down.²⁷¹

Arif Keksin believed that Iran's natural gas agreement is "Prestige Project" in Iran gas industry. With regard Iran huge gas reserve Iran became importer of gas rather than exporter. Iran imports gas from Turkmenistan and at the same sell some parts of this gas into Turkey. Iran has only one pipeline that exports gas to Turkey. At present more than fifteen agreements was signed between Iran and other countries for selling natural gas but for financial and technological reasons such agreements didn't come to practice.²⁷²Iran-Turkey gas pipeline has the most successful gas export agreement between Iran and other country after 1979 Islamic Revolutions.²⁷³ Turkey many times asked Iran to reduce gas price but Iran didn't accept Turkey's appeal. Turkey appealed against Iran in March 2012 in International Arbitration Court statics published officially in Iran in 2013 shows that Iran decreased gas price to around \$ 416 in 2012 from \$500 per 1000 cm³ in 2010.²⁷⁴

As Houman Sadri: Iranian technologies in oil and gas industries were advance before sanctions, other countries which exporting oil and gas using cheaper technologies and due to their price to lower with regard Iran's gas and oil price. Iran cannot access to new technologies due to decades of sanctions. It should be note that Iranian oil and gas is nationalized, and foreign companies faced problems in dealing with Iranian national oil and gas industries when they want made an agreement. Azeri's uses the last US and EU technologies in their oil and gas sector. Azerbaijan is trying to be closer and take a side near Turkey, they have special relationship, and Azerbaijan needs Turkey, selling its gas so cheaper to Turkey in contrast with Iran and Russia gas price that they sell Turkey. For political reason, look at the Russian prices is related what market supposed to be. If Iran can get new technologies the price may be reduce. Turkey has wants to be much more independent. Turkey is using economic relations as a part of foreign policy and is due to

²⁷¹ Author's interview with Gareth Jenkins, 4 June 2013,Istanbul

²⁷² Author's interview with Arif Keskin, on May 8, 2013,Ankara

²⁷³ Elin Kinnander, "The Turkish-Iranian Gas Relationship: Politically Successful, Commercially Problematic", Oxford Institute for Energy Study,2010,p.1

²⁷⁴ Author's interview with Dalğa Khatin oglu, on May 26, 2013,Dalga Khatinoglu is Energy analyst in Baku based, Azerbaijan Republic, Trend News Agency' He is also Chief of Iran Service Department .

pay most expensive gas price to Iran.²⁷⁵Turkey's appeals against Iran in International Abbreviation Court contains two things:

- 1) The price is too high, in recent months Iran signed agreement with Pakistan to project so called" Peace Project" and propose lower price to Pakistan rather than Turkey
- 2) Pay or back, according agreement Turkey has to pay gas price if she cannot buy gas for any problems²⁷⁶

According Bulent Keneş, Turkey's growing energy demand and depending to foreign resources are the main reasons to have more close relations with Iran. Turkey is trying to create balance with signing gas agreement with Iran and Azerbaijan whereas Turkey will not to be more dependent in Russia natural gas resource²⁷⁷.

²⁷⁵ Author's interview with Houman Sadri, on July 12, 2013

²⁷⁶ Author's interview with Arif Keskin, on May 8,2013 Ankara

²⁷⁷ Author's interview with Bulent Keneş, on May 29, 2013, Istanbul, Dr. Bulent Keneş is editor-in-chief of Todayszaman Newspaper

CHAPTER VII: IRAN NUCLEAR PROGRAM

7.1. A Brief History of Iran's Nuclear Program

Iran's quest of a nuclear capacity goes as far back as the 1950s. The US was the first country to support Iran's obtaining nuclear technology. It provides a five-megawatt research reactor to Iran which started operation in 1957. Iran joined the Nuclear Non-Proliferation Treaty (NPT) in 1968 and approved it in 1970.²⁷⁸ In 1957, Iran and the USA signed a peaceful nuclear energy agreement called "Atom for Civil Program" and two years later US built Tehran Nuclear Research Center (TNRC).²⁷⁹ The US, the United Kingdom, Germany and France agreed to Iran's obtaining enriched uranium from a multinational enrichment company, Eurodif, and which signed another nuclear agreement with Iran. By the 1970s the US, France, Canada, Germany, the United Kingdom and India agreed to sell nuclear technology to Iran. They agreed to build two 1200-megawatt nuclear reactors in Bushehr, in southern Iran. The French company agreed to provide two 900-megawatt reactors. By 1975, the Atomic Energy Organization of Iran (AEOI) signed an agreement with the Massachusetts Institute of Technology (MIT) to training the first group of Iranian nuclear scientists.²⁸⁰ After the Islamic Revolution, nearly all of these countries stopped nuclear cooperation with Iran.²⁸¹ There are some conclusions about the nuclear cooperation between the US, France, Germany, the United Kingdom and India with Iran. First, international cooperation by the 1970s supposed that the West was ready to carry nuclear knowledge to other countries. Second, the West continued to sell nuclear reactors to Iran when they were sure that Iran had huge oil and gas resources. Third, the documents released prove that the US intelligence community in the mid-1970s was concerned about the risks of nuclear proliferation and the possibility of Iran's civil nuclear program being diverted towards military use. Fourth, by 1970s, India and Pakistan had begun their secret programs for make nuclear

²⁷⁸ Nihat Ali Özcan, Özgür Özdamar," Iran's Nuclear Program and the Future of U.S.-Iranian Relations", Middle East Policy, Vol.XVI, No.1, Spring 2009,p.122,

²⁷⁹ Bulent Keneş, " Iran Tehdit Mi, Firsat Mı",Timaş Yayınları, İstanbul,2012, p.304

²⁸⁰ Nihat Ali Özcan, Özgür Özdamar," Iran's Nuclear Program and the Future of U.S.-Iranian Relations", Middle East Policy, Vol.XVI, No.1, Spring 2009,p.122,

²⁸¹ Rahman G.Bonab, " Turkey's Emerging Role as a Mediator on Iran's Nuclear Activities",Insight Turkey, Vol.11, No.3,2009,p.162 http://file.insightturkey.com/Files/Pdf/insight_turkey_vol_11_no_3_2009_bonab.pdf (accessed on 20 Jan 2013)

bombs. The Soviet Union had sold a heavy water reactor to North Korea and Israel had attained a plutonium bomb.²⁸²

By 1979, one of Bushehr reactors about 90% completed, 60% of its apparatus installed; another reactor was 50% completed. After the Islamic Revolution, the first Prime Minister, Mehdi Bazargan, decided that Iran did not need nuclear energy and suspended the project.²⁸³ Ayatollah Khomeini believed that the nuclear program made Iran dependent on foreign countries and ordered nuclear activities to be called off and the facilities not to be completed. During the Iran-Iraq war (1980-1988), Iran's nuclear facilities were bombed by Iraq six times.²⁸⁴ After the end of the Iran-Iraq war, Iran's demand for electricity increased. The Rafsanjani administration decided to continue Iran's nuclear energy project. Iran negotiated with some countries, such as Germany, Spain, Italy, Poland, the Czech Republic and Argentina, to complete nuclear facilities. After long negotiations with Russia, finally in 1995 Iran and Russia signed an agreement to finish the Bushehr reactors.²⁸⁵ The Bushehr nuclear power plant supplies only 2 percent of Iran's electricity demands, while 15 percent of Iran's generated electricity is wasted through aged and ill-maintained transfer lines.²⁸⁶

7.2. The Iran Nuclear Crisis

Iran's nuclear crisis started in August 2002. The Iranian exile opposition group, the National Council of Resistance (a front for the People's Mojahedin), charged Iran with hiding uranium enrichment facilities in Natanz, in central Iran, and a heavy-water plant at Arak. Satellite photographs confirmed the existence of these sites. Iran had previously announced that its nuclear program had civil and peaceful aims and that it would allow to IAEA inspections.²⁸⁷ Iran seeks an "independent nuclear fuel cycle," the domestic capability to produce enriched uranium

²⁸² Rahman G. Bonab, "Turkey's Emerging Role as a Mediator on Iran's Nuclear Activities", *Insight Turkey*, Vol.11, No.3, 2009, pp. 162-163

http://file.insightturkey.com/Files/Pdf/insight_turkey_vol_11_no_3_2009_bonab.pdf (accessed on 20 Jan 2013)

²⁸³ Nihat Ali Özcan, Özgür Özdamar, "Iran's Nuclear Program and the Future of U.S.-Iranian Relations", *Middle East Policy*, Vol.XVI, No.1, Spring 2009, p.123

²⁸⁴ Bulent Keneş, "Iran Tehdit Mi, Firsat Mı", *Timaş Yayınları*, İstanbul, 2012, p.305

²⁸⁵ Nihat Ali Özcan, Özgür Özdamar, "Iran's Nuclear Program and the Future of U.S.-Iranian Relations", *Middle East Policy*, Vol.XVI, No.1, Spring 2009, p.123

²⁸⁶ Ali Vaez, Karim Sadjadpour, *Iran's Nuclear Odyssey: Costs and Risks*, <http://carnegeendowment.org/2013/04/02/iran-s-nuclear-odyssey-costs-and-risks/fvui> (accessed on 20 August 2013)

²⁸⁷ *Ibid*

and plutonium to fuel nuclear reactors for electricity production. But the West has voiced concerns about Iran's aversion to allowing inspectors to view nuclear facilities. A nuclear capacity has already been achieved, but the production weapons-grade material is but a few steps out.²⁸⁸

7.3. Turkey and Iran's Nuclear Programs

Turkey had reasons to support Iran's nuclear program. First, there is energy. Turkey needs Iran's oil and gas... Accordingly, trade has been an essential element in Iran-Turkey relations. Second, the AKP's religious stems have contributed to Turkey's enhanced position with Iran. Turkey's commitment to Iran's nuclear program is another attempt to actualize "strategic autonomy" by the augmentation of its problem-solving capacity and demonstrations of problem-solving capability. The common opinion in Turkey was that the West hesitated to "recognize Iran's right to develop peaceful nuclear energy since they wanted to carry on their monopoly of nuclear energy and technology".²⁸⁹ Iran's anti-American and anti-Israel attitude built up after the US invasion of Iraq, are so extreme that anything seen as damaging American or Israeli interests is normally welcomed.²⁹⁰

7.3.1. The Outlook for Turkey's Mediation Role

In the spring of 2009, the US and Russia supported the proposal of Mohamed El-Baradei (former Director General of the International Atomic Energy Agency (IAEA)), about Turkey's cooperation in Iran nuclear program. As a result, Turkey became more active in Iran's nuclear program negotiations.²⁹¹ On May 17, 2010 a uranium swap agreement was signed between Iran, Turkey, and Brazil. Due to the joint proposal of Turkey and Brazil, Iran agreed to swap low-enriched uranium (LEU) with fuel grade material. According to the swap agreement, Iran would hand about 1200 kg of low enriched uranium to Turkey for further enrichment in either France or

²⁸⁸ Kayhan Barzegar, "The Paradox of Iran's Nuclear Consensus", World Policy Journal, Fall 2009, p.21

²⁸⁹ Aylin G. Güzelö Eyüp Ersoy, "Turkey and Iran's Nuclear Program", Middle East Policy, Vol. XIX, No.1, Spring 2012, <http://www.mepc.org/journal/middle-east-policy-archives/turkey-and-irans-nuclear-program> (accessed on 20 Jan 2013)

²⁹⁰ Mustafa Kibaroglu, Barış Çağlar, "Implications of a Nuclear Iran for Turkey", Middle East Policy, Vol.XV, No.4,2008, p.70 <http://www.mustafakibaroglu.com/sitebuildercontent/sitebuilderfiles/Kibaroglu-Caglar-MEP-04December2008.pdf> (accessed on 11 Nov 2012)

²⁹¹ Bulent Keneş, "Iran Tehdit Mi, Firsat Mı", Timaş Yayınları, İstanbul,2012, p.320

Russia. This represents 58% of Iran's LEU stores up.²⁹² In other words, Iran would hand 1200 kg of low enriched uranium (3.5%) to Turkey and gives 120KG highly-enriched uranium (20%).²⁹³

Houman Sadri argued that Turkey and Brazil offered to mediate the Iran nuclear issue. Iran proposed some other congeries should play a role as mediator and the US accepted Turkey and Brazil. The Iranian leadership trusted Turkey, especially under the AKP. The Iranian leadership liked Turkey's policy toward Israel and other some western countries. It emphasizes nonalignment. They wanted Turkey to mediate.²⁹⁴

According Behzat Ekici, Turkey's foreign policy toward Iran especially on Iran nuclear program is:

- 1 -Iran has a right to develop nuclear energy under the NPT,
- 2- Iran is not developing nuclear weapons, Iran nuclear activities is only for energy,
- 3- Iran nuclear program poses no serious threat to Turkey national Security,
- 4-Any military invention would bring tragic results
- 5-Economic sanctions will not work,
- 6-Contempt for the NPT reign and American nonproliferation strategy,
- 7- Denuclearization of the region should begin with abolishing Israel's nuclear weapons,
- 8- Iran nuclear crisis should be solved with diplomacy.²⁹⁵

It is clear that Turkey had great potential for mediating Iran's nuclear problem, but at the same time, there were some concerning the future of Turkey's mediation role. First, arms-control issues come with a measure of high politics and mediation in these affairs which is not easy to take on even for the great powers. Second, Iran's nuclear program is on the agenda of the 5+1 Group, which contains the obligatory great powers that are supposed to control it as their own

²⁹² Behsat Ekici, "Is Turkey Realiging? Three Dimensional Investigation of Turkish-Iranian Security Rapprochement", PhD Thesis, University of Pittsburgh, 2010, p.164

²⁹³ Bulent Keneş, "Iran Tehdit Mi, Firsat Mı", Timaş Yayınları, İstanbul,2012, p.343

²⁹⁴ Autor's interview with Houman Sadri, on July 12, 2013

²⁹⁵ Behsat Ekici, "Is Turkey Realigning? Three Dimensional Investigation of Turkish-Iranian Security Rapprochement", PhD Thesis, University of Pittsburgh, 2010, p.123

private area. Third, in the post-Cold war era, thought is progressively being given to regional strategies and mechanisms in arms control. Fourth, mediation on Iran's nuclear program by 2006 was not the consequence based on long-term confidence building measures between Turkey and Iran.²⁹⁶

According to Bayram Sinkaya, Turkey has a chance to be moderator in Iran's nuclear program, but it lost its confidence to Iran. It is required to get an official request from the Iran authorities. By March 2012, Turkey's Prime Minister went to Iran and met Spiritual Leader Ayatollah Khamenei in Mashhad, because he was there. After the initial agreements over the 5+1 meeting in Istanbul and changing the meeting's location to Bagdad as proposed by the Iranian side, there was no high level meeting between the Iranian and Turkish authorities. The Ministers Foreign of Affairs did not meet each other, only their spokesman. If Iran were really interested in acquiring nuclear weapons in such circumstance, Turkey would not be satisfied. Turkey's Ministry Foreign of Affairs began to see Iran as destabilizing agent in the region. I think hosting radar systems in Turkey is means to show mid-term insecurity falling from Turkey.²⁹⁷ Cavid Veliev, Iran issue expert from the Baku-based Center for Strategic Studies (CSS) stated that Turkey believed that if Iran acquires nuclear weapons, Turkey would be in weak position in its geopolitics struggle with Iran. Because of this, Turkey asked for an international organization to have control over Israel's weapons. Turkey supported Iran's peaceful nuclear activities, while Turkey has own peaceful nuclear program. Turkey is trying to increase its geopolitics value and importance by taking advantage of the tension between Iran and West.²⁹⁸

As Arif Keskin, prominent Iran and Middle East expert, said, Turkey supports peaceful nuclear activities. It is against Iran or any other country in the region having nuclear weapons. It is also against any military interference in Iran's nuclear program. It supports negotiations for solving Iran's nuclear program. It has many times declared that it is ready to help a negotiation process. The governments before the AKP were concern about Iran's nuclear program and saw them as a threat. Prime Minister Erdoğan declared that Iran's nuclear program is peaceful and Iran isn't

²⁹⁶ Rahman G.Bonab, " Turkey's Emerging Role as a Mediator on Iran's Nuclear Activities", Insight Turkey, Vol.11, No.3,2009, p 174,http://file.insightturkey.com/Files/Pdf/insight_turkey_vol_11_no_3_2009_bonab.pdf (accessed on 20 Jan 2013)

²⁹⁷ Authors' interview with Bayram Sinkaya on May 8 2013. Ankara

²⁹⁸ Authors' interview with Cavid Veliev on June 12. 2013

pursuing nuclear weapons. He added that Israel included nuclear weapons in Iran's nuclear program in order to make this an international issue. Turkey also tried to mediate in the negotiation between Iran and Turkey. It was aware that a nuclear-armed Iran would change the balance of power in the Middle East and the Caucasus in favors of herself. Turkey could lose influence over Azerbaijan. In the Iran, Turkey and Azerbaijan triangle, the balance shift towards Iran. In such circumstances, Turkey has to pursue its own nuclear weapons program.²⁹⁹ At present Turkey's army is the strongest in the Middle East. If Iran acquired nuclear weapons, her army would overtake Turkey's. Iran-US tensions benefit Turkey. Turkey is trying to show herself in the region and in the world as being able to negotiate with any country and solve any problem. Iran wanted to add some negatives to the 5+1 meeting with the aim of expanding the area. Iran added Turkey and Brazil to the negotiations process to face the West with a challenge. The swap agreement has inclusiveness problem. The main problems in it were: 1- Iran has to stop uranium enrichment, 2- Iran has to let go of the enriched Uranium, 3-the Ferdo facilities has to close. The swap agreement was concerned only with the enriched uranium that Iran has. The West inquired into the uranium enrichment problem. What happen to this problem? The swap agreement has no such difficulties. The West believed that Iran was playing for time. Iran did not give Turkey a chance to mediate; Turkey showed itself to be a facilitator, but the Iran nuclear program is beyond Turkey. It cannot solve it; neither Turkey nor any other country can solve the Iran nuclear problem. The problem is not only a nuclear problem; nuclear tension is going to negatively impact on economic relations between countries.³⁰⁰

One interviewee, Bulent Keneş, pointed out that 1- I have doubts about whether Iran's nuclear program is really peaceful. 2- If Iran is really interested in using its nuclear program as an energy resource, why does it not try to develop its petrochemical industries? Iran imported gasoline and benzene from foreign countries. Turkey is dependent on the energy issue. Turkey has to develop its own nuclear program. If Turkey begins its own nuclear program, it is likely that it will sooner or later face the same problems Iran faces. Turkey is interested in struggling with its nuclear issue through Iran without encountering such problems in the future. It supports Iran's right to a peaceful nuclear program in accordance with the NPT, due to its future nuclear

²⁹⁹ Authors' interview with Arif Keskin on May 8 2013. Ankara

³⁰⁰ Ibid

program. It vetoed resolutions against Iran, but some days later hosted a NATO anti-missile system. This showed that it did not put all its eggs in one basket. It did not join a meeting with Iran.³⁰¹ On June 9, 2010, as a temporary member of the UN Security Council, Turkey voted against UN Security Council resolution 1929 proposed by U.S. Secretary of State Hillary Clinton.³⁰²

As Houman Sadri argued about Iran's nuclear program and the American reaction against it, "Iran has a very good argument for using nuclear energy to generate electricity, but the Iranian government had done a very bad job with marketing and public relations. You know, the publicity has been very bad. Why? Iran is not a small country like Kuwait or Saudi Arabia, or others. It has 75 million peoples. Its oil and gas industries only for one or two decades have faced problems. In a country like Iran, many people live in cities like Tehran, Tabriz, and Esfahan. Their consumption of electricity is increasing every year. Some parts of Iran need electricity more than other; especially when air-conditioners are on during summer, Iran needs more electricity. In addition, more factories and industries in Iran prefer to use electricity rather than gasoline or other fuels. Iran's government, especially during the Ahmadinejad era, had a problem presenting its nuclear program correctly. They didn't present why Iran need nuclear program for generating electricity. I don't know why. Sometime it is so hard to read their minds".³⁰³

"When I was in Iran, I interviewed with some members of the Revolutionary Guards and others. When I asked about Iran's nuclear program, nobody talked to me about nuclear weapons. The Iranian leadership I think without mentioning it clearly looks at nuclear technology as deterrence. ... The US, wants to attack Iran. The US wanted to attack North Korea, but it cannot because North Korea has nuclear weapons. Iran should have that technology; I do not think they want to use such technology to make nuclear bombs. But they want to show they have it. They want act like Japan. Japan has nuclear technology. It can make a bomb, but Japan won't to do that. I think Iran wants to do something like that. It wants to have the technology. It should be noted that Israel has bombs. Iran wants to have the technology but not for making bombs. This situation becomes

³⁰¹ Authors' interview with Bulent Keneş on May 29, 2013, Istanbul

³⁰² Behsat Ekici, "Is Turkey Realigning? Three Dimensional Investigation of Turkish-Iranian Security Rapprochement", PhD Thesis, University of Pittsburgh, 2010, p.121

³⁰³ Author's interview with Houman Sadri, on July 12, 2013,

competitive. Israel does what Iran does and so on. Saudi Arabia cannot do anything without American support.³⁰⁴

³⁰⁴ Ibid

CHAPTER VIII: CONCLUSION

This dissertation examines the essential reasons for Turkish –Iranian economic relations in general, and in energy cooperation in particular, from 1996, when Erbakan administration signed its first gas agreement with Iran, to 2002, when the Erdoğan administration came to power. Since 2000, the volume of trade between Iran and Turkey rose by 2500%, from \$1 billion annually in 2000 to \$25 billion annually by end of 2012.³⁰⁵ By 1990s, rapid industrialization in some parts of Turkey increased gas consumption. By 1996, Turkey supplied 100% of its natural gas demands from Russia. Turkey was interested in diversifying energy resources. Before the Erbakan administration, there was some negotiation between Turkish and Iranian foreign decision-makers to purchase Iran's gas. Six week after Erbakan came to power; he visited Iran as his first foreign trip and signed gas agreement.³⁰⁶

My interviewee believed that Turkey wanted to show a political statement to West, and due to such a position signed a gas agreement with Iran at the highest price. Any economic agreement has to be signed for economic consideration.³⁰⁷ But according my interviewee, the Iran – Turkey gas agreement was signed to show that Turkey is a dependent country and considering its national interest. If Erbakan was more patient, Turkey could negotiate the price down. It should be noted that during the signing of the Iran-Turkey gas agreement, the US banned investing more \$20 million in Iran's gas and oil industry. But Turkey announced that they are only constructing a pipeline on its own territory. My Iranian-American interviewee believed that technologies in oil and gas industries were so advance before US sanctions. Other countries exporting oil and gas use cheaper technologies, and due to their oil and gas price lower than Iran's oil and gas. He said that Turkey paid a high price for Iran's gas for this situation.³⁰⁸

By 2012, Turkey import 41% of its oil and 18% of its natural gas from Iran. Iran became one of Turkey's three main energy suppliers, along with Russia and Azerbaijan.³⁰⁹ But from December 2007 to January 2013, Iran cut gas off to Turkey due to what Iran called an increase in domestic consumption and technical problems. Turkey was not satisfies by Iran's gas quality and price.

³⁰⁵ Author's interview with Dalğa Khatin oğlu, on May 26, 2013,

³⁰⁶ Author's interview with Şaban Kardaş ,on May 9 ,2013, Ankara

³⁰⁷ Author's interview with Gareth Jenkins, on June 4. 2013, Istanbul

³⁰⁸ Ibid

³⁰⁹ EPDK, Republic of Turkey, Energy Market Regulatory Authority

Another problem in the Iran-Turkey energy relationship has been the take-or-pay character of the natural gas agreement. Turkey is constructing some gas storage facilities in the Marmara region, with a capacity of current storage facilities of about 2.6 million cm^3 , but the annual consumption is 46 billion cm^3 and Turkey hadn't enough facilities to store unconsumed gas purchased from Iran and Russia. By 2007 on, Turkey has paid about \$1.85 billion take-or-pay penalties to Russia and Iran. Energy dependency on foreign resources went from 67% at end of 2002 to 72% at the end of 2012. Statics show a 5% increase in dependency on foreign resources. Some analysts argued that a 5% increase in dependency on foreign resources is not significant in Turkey in economic development terms. The main issue is the diversification of energy supplies, and Turkey is successful in this field, which is important, but other energy experts believed that any increase in dependency on foreign resources is against Turkey's energy strategy and current politics with oil and gas suppliers over the Syria crisis, which is a threat to Turkey's energy security.³¹⁰

My interviewees argued that Turkey is interested in having its own nuclear program and tried to challenge international reaction against Iran nuclear program. Turkey is carefully watching international organizations' reactions to Iran Turkey imports about 98% of its oil and about 98% of its natural gas demands from foreign countries, From an energy security perspective, Turkey, under the AKP administration, is totally dependent on foreign resources and thermal and hydroelectric power stations and their negative impact on the environment.³¹¹ Russian firms are interested in getting a license for the distribution and storage of natural gas in some Turkish cities. In recent years, Turkey signed an agreement to construct its first nuclear power plant. According to this agreement, Russia is to supply fuel and nuclear waste and Turkey will be more dependent on Russia.³¹² In past years, Iran became Turkey's major oil supplier. In contrast with other oil suppliers, Iran has three significant advantages. First, Iran is a rather stable country with complicated energy and security organizations. Second, Iran's energy resources are under the supervision a single authority. Third, Turkey purchases oil from Iran and makes payments after 60 days. But the US sanctions on Iran's energy sector forced Turkey to reduce the volume of oil that it imported from Iran. By 2011, Turkey's oil imports from Iran dropped from 180,000 bpd to

³¹⁰ Author's interview with Necdet Pamir, on May 9, 2013, Ankara

³¹¹ Author's interview with Bulen Kenes, on May 29, 2013, Istanbul

³¹² Author's interview with Necdet Pamir, on May 9, 2013, Ankara

160,000 in late 2012, and this figure is decreasing, so that it is between 120 to 130 thousand bpd today.³¹³ My interviewees generally were of the opinion that Iranian-Turkish energy cooperation in the short-term it is very hard to improve and develop, but in the long-term, if market liberalization continues and democracy expands in Iran, energy cooperation will be increased. Energy is going to be the sole economy factor in Iran-Turkey relations. In Russia-Ukraine relations, energy plays a more important role.³¹⁴ Turkey believes that every country has the right to develop peaceful nuclear energy under Article 4 of the Non-proliferation of Nuclear Weapons Treaty (NPT) and supports Iran's nuclear program. Turkey is against any military intervention against Iran by the US. The attack on Iraq imposed hard economic conditions on Turkey. It is concerned about any possible military attack against Iran. It believed that US sanctions against Iran do not work and Iran's nuclear problem has to be solved by diplomacy.³¹⁵

My interviewees noted that the Turkish energy sector faced with some problems,

- 1) Increase in dependency on foreign resources,
- 2) There are some restricting laws about development in renewable energy resources,
- 3) More dependency on Russia on natural gas supplying,
- 4) There are not enough storage natural gas facilities,
- 5) Take-or-pay contract in natural gas contracts,
- 6) More dependency on natural gas for electricity production, when gas flow cuts off after a few days electricity production cut off any increase in gas price directly affected electricity price,
- 7) Energy efficiency problem and high rate of leakage,
- 8) Excessive tax on energy, the most expensive Benzie consumed in Turkey,
- 9) Turkish private firms purchases natural gas with low price but sells with high price to elasticity power plants.³¹⁶

³¹³ Author's interview with Dalga Khatinoglu , on May 26,2013

³¹⁴ Author's interview with Arif Keskin , on May 8, 2013, Ankara

³¹⁵ Author's interview with Bulen Kenes , on May 29, 2013, Istanbul

³¹⁶ Author's interview with Necdet Pamir, on May 9, 2013, Ankara

According to Tuncay Babali's calculations, dependency on foreign resources is changeable. I think a 5% increase in dependency on foreign resource during the AKP administration is not important if it is compared with economic development in that period. We have to look at energy dependency in the long run, in an actual competitive environment, efficiency and in conditions in the international market in a long-term approach important to guarantee accuracy. When compared to the past, we should look at the overall picture, with the background and dimensions taken into account. Apples and oranges should not be compared. The diversification of resources, supplier and routes are important. Unless having access to the east of the Caspian Sea, particularly Turkmenistan, and Iraqi oil fields it would be impossible for the US to create an alternative route to Russian with its only access to the Azerbaijani fields. Turkey has to develop a diplomacy bureaucracy (in both Foreign Affairs and the Ministry of Energy and Natural Resources) in which young energy strategists could be aware of negotiations and also know about energy policy. The accumulation of experience is so important in the energy sector and Turkey is a major player in it. It is necessary to build voluntary conditions with international companies and states interests. For such conditions, Turkey should consider the international energy market and energy geopolitics for its interests. Turkey needs young diplomats who are experts in energy diplomacy and how to apply energy diplomacy and be more active in international energy markets. Turkey has to educate young energy diplomats.³¹⁷

Iran holds the world's fourth proven oil reserves and the world's second-largest natural gas reserves. The last Statistical Review of World Energy published by BP revealed that Iran is the world's first gas reserves holder with 33.6 trillion cm³. Iran holds the world's first natural gas reserves but the gas sector is developing, and most of its production is used for domestic demand. In 2010, natural gas accounted for about 59% of Iran's total domestic energy consumption while oil consumption accounted for 39% of its total energy use. Iran has huge oil and gas reserves, but in recent years its energy sector has been faced with many problems owing to the US sanction imposed against it. Studies show that natural gas production capacity is a quarter of its potential capacity. Iran annually produces 130bcm³ of natural gas while Russia produces between 460-470 bcm³. It should be noted that Russia's reserves are lower than Iran's but it produces three times more than Iran does. Iran requires direct investment as well as

³¹⁷ Author's interview with Tuncay Babali, on June 8, 2013

technical capacity, but due to US sanctions, Iran cannot find financing for own oil and gas projects. Another problem for Iran's natural gas sector is high domestic consumption. Iran is the world's third gas consumers and it shows that its gas consumption patterns are not suitable.³¹⁸Iran is planning to export LNG. Its oil exports are reduced because of US sanction. Iran tried to compensate by exporting LNG. Studies show that establishing NLG factories with 40 million ton capacity would require about 10 years. At the same time, the US and Canada are planning to reduce the price of LNG by about 35%. This may be affected by Iran's decisions for LNG productions.³¹⁹

As Houman Sadri commented, of the three decades' sanctions against Iran, the most significant sanctions were last ones. Such sanctions really targeted Iran industries and energy sector and created inflation in Iran and also damage the currency's value. American sanctions on Iran's energy sector were so effective. Iran's oil and gas production reduced. Iran trying to produce more but has problem. Iran has 75 million people and needs to feed them. They may be rebel. The sanctions are very effective. Iran is doing the best as can. Iran's main gas field, South Pars, is being sanctioned and Iran is faced with problems in production and exporting gas from it," When I was in Iran I visited the South Pars field and saw Iranians working so hard in the gas industries, I was impressed by the Iranian experts in charge of this field and is working in more phases. They built their international airport and petrochemical facilities. Iran is interested in building a pipeline from South Pars to Sarakhs to connect with Turkmenistan. When I asked the authorities, they told me that the construction of such a pipeline required more time and investment."³²⁰

By 2009, Iran became Turkey's main oil supplier. By 2012, Turkey imported about 41% of its oil demands from Iran, up from 2011, when it imported 51% of its oil demands from there. The US pressured Turkey to reduce its oil imports from Iran. It should be noted that Iran is one of Turkey's main oil and gas suppliers and played an important role in its energy strategy and diversification of resources. Turkey expected the US to introduce an alternative oil supplier for it or to be granted an American exemption for these sanctions. In addition, US sanction on Iran's

³¹⁸ Reza Taghizadeh, "Tehan va Opec Gasi," (Tehran and Gas OPEC), http://www.radiofarda.com/content/f4_iran_gas_production_low_opec/25034930.html, (accessed on 30 June 2013)

³¹⁹ "Yek Dahe Toul Mikeshad Iran Gase maye Sader Konad", (Iran required a decade for exporting LNG), <http://www.radiofarda.com/content/f8-iran-lng-1/25043511.html> (accessed on 29 June 2013)

³²⁰ Authors interview with Houman Sadri, on July 9, 2013,

energy sector has its own problems; there are differences in points of view between experts in the Ministry of Foreign Affairs and the Ministry of Oil on this question: Under what conditions should Iran export its oil? Is it the price which is important? Or the political conditions? Should Iran sell oil to optimize income or political impact?

According to Iran's fifth five year development plan, plants The Ministry of Oil has had to increase oil production capacity by 1,000,000 bpd and increase natural gas capacity 250,000,000 cm per day by developing current fields. In addition, Iran had to prioritize fields shared with its neighbors. However, it is clear that Iran cannot reach its aims in the fifth five-year development plan. The Iranian Oil Minister rejected the OPEC report that implies that Iran has dropped to fifth place as OPEC's biggest producer. Iran argued that it stands in second place as second biggest oil producer among the OPEC countries. OPEC's monthly reported that was released on May 2013 showed that Iran's oil production capacity stood around 2.695 million bpd. By March 2013, Iranian consumers received only 810,000 bpd, and by April of the same year they received 1.08 million bpd. Iran's Parliament Research Center confirmed that oil production capacity had dropped by one million bpd during the last solar year (1391, March 2012- March 2013).³²¹Iran's Oil Minister announced that Iran spent \$46 billion in last three years (March 2010-March 2013) to developing 15 new phases of the Iran's major gas field (South Pars). South Pars has 24 phases, which came on line under Khatami and Ahmadinejad's first term. Because western countries had withdrawn from Iran's oil and gas sectors, the developments of other phases were handed over to Iranian companies (Khatam-ol -Anbiya). China's CNPC was the last firm to leave Iran's gas sector. CNPC was in charge of developing phase 11, but its contract was canceled by March 2013 with no progress in its work. Akbar Torkan, the former oil minister, stated that Iran needs a \$40 billion investment to develop South Pars' 15 new phases. Torkan criticized the considerable rise in development costs. He noted that about 46% billion had been invested, but not a single phase of the South Pars has yet to be realized.³²²

According to the Strategic Plan of Ministry of Energy and Natural Resources of Turkey, Turkey is enthusiastic about becoming an energy hub, in turn, making Ceyhan as significant a port as

³²¹ Dalga Khatinoglu, "Iran's oil output, 2.7 or 4.2 mbpd?", <http://en.trend.az/regions/iran/2150126.html> (accessed on 15 May 2013)

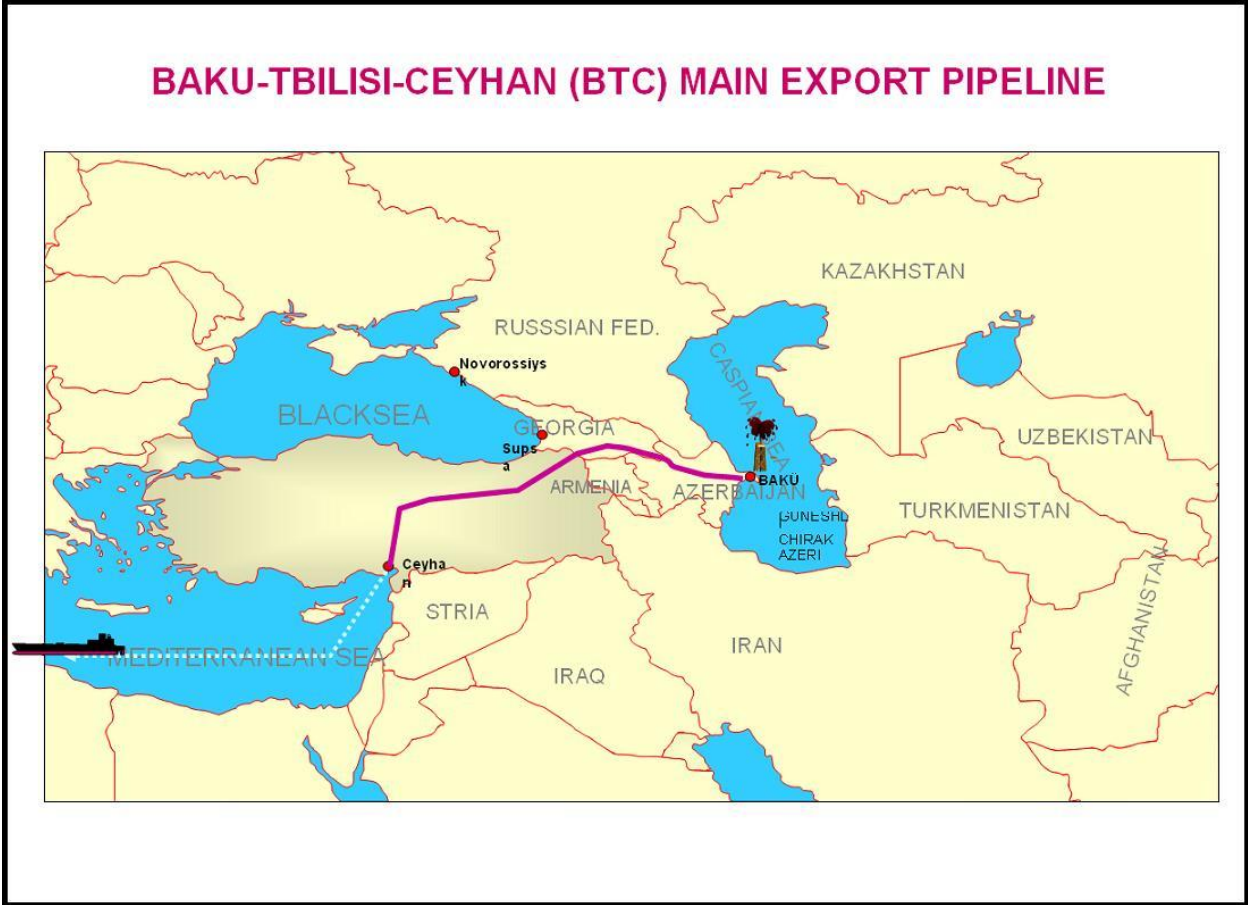
³²² Dalga Khatinoglu, "Production hits snag, costs doubled at Iran's South Pars", <http://en.trend.az/regions/iran/2164730.html> (accessed on 25 June 2013)

Amsterdam in the long term. To make Ceyhan the energy distribution center of global energy markets and exploit the countries geopolitical location to become a transit country as the 4th main arterial road to integrate with the EU energy market could quite possibly become a reality³²³ at the roughly the same time as Iran's 20 years development plan comes to fruition. Iran aims to becoming a hydrocarbon corridor in the region and center for selling oil and gas.³²⁴ It is clear that Turkey needs Iran for diversification of energy resources and Iran needs Turkey to transit oil and natural gas to European market, it seems that during coming years energy transit from Caspian basin and Persian Gulf to European market would be new competition era in bilateral relations.

³²³ Strategic Plan of Ministry of Energy and Natural Recourse of the Republic of Turkey (2010-2014), http://www.enerji.gov.tr/yayinlar_raporlar_EN/ETKB_2010_2014_Stratejik_Planı_EN.pdf, (accessed on 30, April 2013)

³²⁴ “Matne Kamele Barnameye Pnajome Toseye Jomhoriye Eslamiye Iran (1390-134)”, Iran Fifth Five Year Development Plan, <http://www.bazresi.ir/portal/Home/ShowPage.aspx?Object=News&CategoryID=11a5bf88-40f5-4b58-8ba5-7b9e6140f78d&WebPartID=b6fe6c90-8d74-472a-9b36-9ae69f6339f5&ID=526831a5-eb54-409a-bf37-3e1c04045b07> (accessed on 22 June 2013).

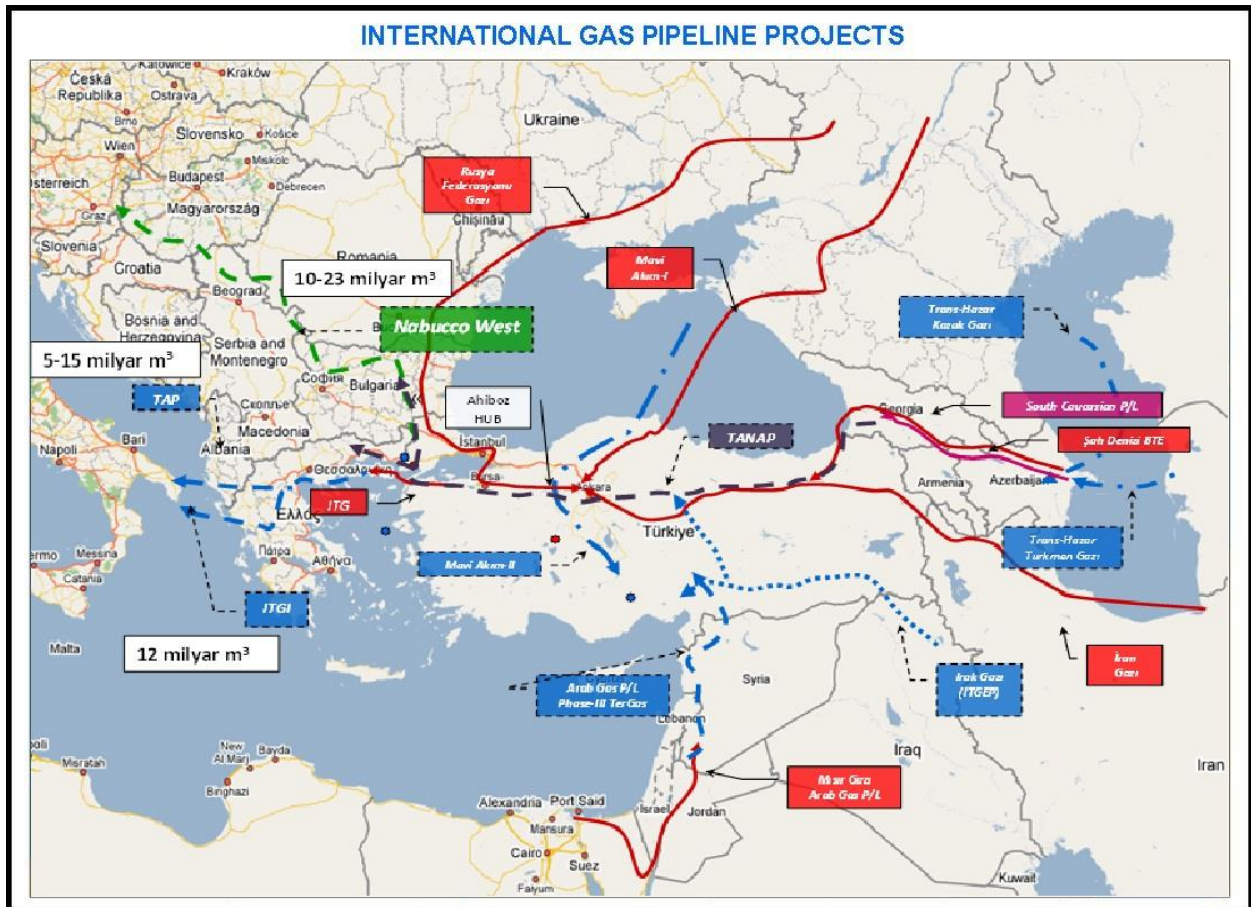
APPENDIX 1: Baku-Tbilisi-Ceyhan Pipeline



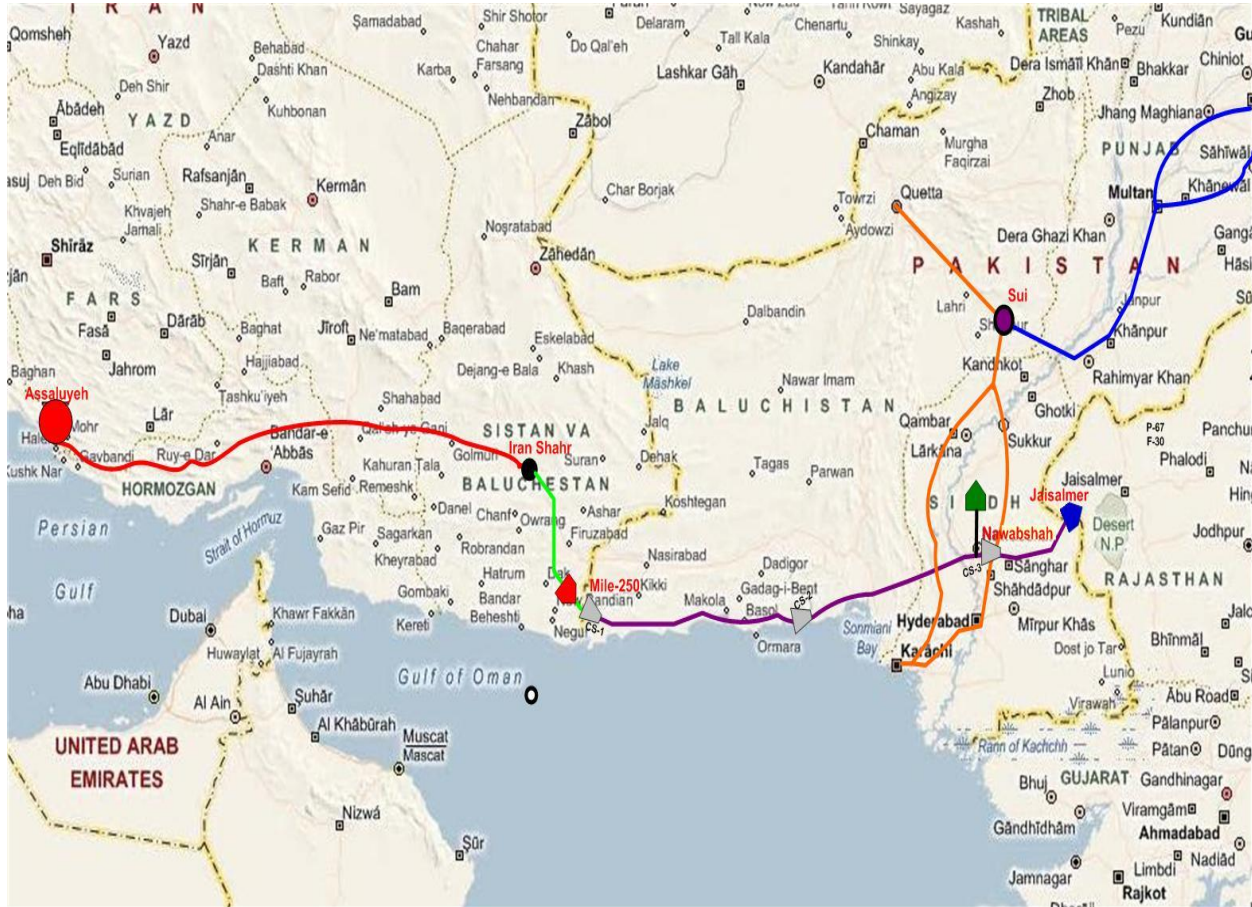
APPENDIX 2: Trans Anatolian Natural Gas Pipeline



APPENDIX 3: International Gas Pipelines Projects



APPENDIX 4: Iran-Pakistan Gas Pipeline



Legends

- Assaluyeh to Iran Shahr
- Iran Shahr to Mile-250
- Mile-250 to Pak-India Border
- SNGPL Transmission Network
- SSGC Transmission Network
- Gas Source
- ▴ Delivery Point for Pakistan
- Proposed Compressor Station (Pak Segment)
- ▴ Pakistan Offtake
- ▴ India Offtake

Length of Pipeline (Estimated)

- Assaluyeh to Iranshahr = 902 Km
- Iranshahr to Mile 250 = 255 Km
- Mile 250 to Nawabshah = 781 Km
- Nawabshah to IP Border = 162 Km

BIBLIOGRAPHY

BOOKS AND ARTICLES

Aras, Bülent. "Turkish Foreign Policy towards Iran: Ideology and Foreign Policy in Flux." *Journal of Third Worlds Studies*, Vol.XVIII, No.1, 2001.

Babaali, Tuncay. "Regional Energy Equalities and Turkish Foreign Policy: The Middle East and the CIS." *Insight Turkey*, Vol.12, No.3, 2010.

Balamir, Çoşkun Bezen. "Energizing the Middle East: Iran, Turkey, and Persian Gulf." *Turkish Policy Quarterly*, Vol.9, No.2. .

Barzegar, Kayhan. "The Paradox of Iran's Nuclear Consensus." *World Policy Journal*, fall 2009.

Başkan, Birol. "Republicanism vs. Monarchy: Why Did Turkey and Iran Choose Different Forms of Government in the 1920s." *Northwest University*, Department of Political Science Publications, 2010.

Benli, Altunışık Meliha. "Turkey's Changing Middle East Policy." *UNISCI Discussion Papers*, No.23, May 2010.

Bishku, Michael B. "Turkey and Iran during the Cold War." *Journal of Third Studies*, Vol. XVI, No.1.

Calabres, John. "Turkey and Iran: Limits of a Stable Relationship." *British Journal of Middle Eastern Studies*, Vol.25, No.1, 1998.

Cheinizadeh, Gholam Ali. Khosh Andam, Behzad. "Taamol va Taghabol PIRAMUN GHARAYI VA GHARB GHARAYI DAR SIYASETE KHAREJIYE TORKIYE." *Faslnameye Rahbord*, Tehran, Vol.19, No5, summer 2010.

Demiryol, Tolga. "The Limits of Cooperation between Rivals: Turkish-Iranian Relations since 2002." *Ortadoğu Etütleri*, Vol.4, No.2, January 2013.

Donnelly, Jack. *Realism and International Relations*. Cambridge University Press, (Virtual Publishing), 2003.

Ekici, Behzat. *Is Turkey Realigning? A Three Dimensional Investigation of Turkish-Iranian Security Rapprochement.* *PhD Thesis*. University of Pittsburgh, 2010.

Ekşi, Muharrem. "The Role of Energy in Turkish Foreign Policy." *The Turkish Yearbook of International Relations*, Vol.41,2010.

Elik, Suleyman. *Iran-Turkey Relations, 1979-2011: Conceptualizing the Dynamics of Politics, Religion and Security in Middle-Power States*. (Durham Modern Middle East and Islamic World Series), England, 2011.

Habibi, Nader. "Turkey and Iran: Growing Economic Relations despite Western Sanctions." Middle East Brief, Grown Center for Middle East Studies, No 62, May 2012.

Halliday, Fred. *The Middle East in International Relations: Power, Politics and Ideology*. Cambridge: Cambridge University Press, 2005.

Hentov, Elliot. *Asymmetry of Interest, Turkish-Iranian Relations since 1979*, Lap Lambert Academic Publishing, Germany, 2012.

Iran, Oil & Gas Report Includes BMI's Forecasts, *Business Monitor International Ltd*. October 2012.

Flanagan, Stephan J. "The Turkey-Russia-Iran Nexus: Eurasian Power Dynamics." *The Washington Quarterly*, Winter 2013.

Keneş, Bülent. *Iran Tehdit mi Firsat mi?* Timaş Yayınları, İstanbul, 2012.

Keohane, Robert O. S. Nye, Josef. *Power and Interdependence*. Harper Collins Publishers, 2nd Editions, 1989.

Kinnander, Elin, "The Turkish-Iranian Gas Relationship: Politically Successful, Commercially Problematic." *Oxford Institute for Energy Study*, 2010.

Kurşat, Çağrı Yuce. *Kafkasya ve Orta Asya Enerji Kaynakları Üzerinde Mucadele*. Otuken, Istanbul, 2006.

Maleki, Abbas. *Siyasat Ghozariye Enerzhi*. Sharif University of Technology Publications, 1390.

McCurdy, Daphne. "Turkish-Iranian Relations: When Opposites Attract." *Turkish Policy Quarterly*, Vol.7, No 2, 2011.

Olson, Robert. "Turkey-Iran Relation, 1997 to 2000: the Kurdish and Islamist Questions." *Third World quarterly*, Vol21, No 5.2000.

Özcan, Nihat Ali, Özdamar, Özgür. "Iran's Nuclear Program and the Future of U.S.-Iranian Relations." *Middle East Policy*, Vol. XVI, No.1, spring 2009.

Özcan, Nihat Ali. Özdamar, Özgür. “Uneasy Neighbors: Turkish-Iranian Relations since the 1979 Islamic Revolutions .” *Middle East Policy*, Vol. XVII, No.3, fall 2010.

Pour Ahmadi, Hossein, Zolfaghari, Mehdi. “Diplomasiye Enerji va Manafee Melli Jomhiriye Eslami.” *Danish Siyasi*, Vol.5, No, 1. Bahar, Tabestan 1388.

Rahimi, Babak. *Between Chieftaincy and Kingdom: A Comparative Study of Ottoman and Safavid Origins. Thesis Eleven*, 2004.

Rezazade, Sakahvat. “Stratejye Khavarmiyani-Torkiye va Mahdudiyat va Matlubiyathaye Iran.” *Nashriye Ulume Siyasi, Pazhuheshnameye Siyasate-e Kharehi*, Esfand 1387.

Shaffer, Brenda. *Energy Politics*. University of Pennsylvania Press, USA, 2009.

Sinkaya, Bayram. “Turkey-Iran Relations in the 1990s and Role of Ideology.” *Perceptions*, Spring 2005.

Sinkaya, Bayram. “Rationalization of Turkey-Iran Relations: Prospects and Limits.” *Insight Turkey*, Vol.14, No.2, 2012.

Smith, Marian E. “the Muslim Empires of the Ottomans. Safavid and Mughals.” *Iranian Studies*, 2012.

Stein, Aaron and C. Bleek, Philipp. "Turkish-Iranian Relations: from Friends of Benefits to it's Complicated." *Insight Turkey*, Vol.14, No.4, 2012.

Turkey, Oil & Gas Report Includes BMI's Forecasts, *Business Monitor International Ltd.* October 2012.

Türkyılmaz, Oğuz. "Turkey's Energy Policy: Suggestions for a Change." *Insight Turkey*, Vol.12, No, 3, 2010.

Üstün, Kadir. "Turkey's Iran Policy: between Diplomacy and Sanctions." *Insight Turkey*, Vol.12, No.3, 2010.

Yıldız, Taner. "Turkey's Energy Policy, Regional Role and Future Energy Vision." *Insight Turkey*, Vol,12, No.3, 2010.

Online Resources:

Abadi, Esmail. "Second Five - Year Plan, Meeting Iran's Economic Needs, Iran Exports and Imports, Jan. - Feb. 1995." <http://ivl.8m.com/IRAN22.HTM> (accessed on 12, May, 2013).

Akbulut, Hakan. "Energy Decision-Making: the Turkish Case." *Center for Strategic Research of the Ministry of Foreign Affairs of the Republic of Turkey (SAM)*, <http://sam.gov.tr/wp-content/uploads/2012/01/Hakan-Akbulut.pdf>, (accessed on 21, Dec,2012).

Arab, Alierza. "Rabete ba Torkiye Ghorbaniye Rabete ba Suriye Nashavad." <http://www.irdiplomacy.ir/fa/page/1900649/%D8%B1%D8%A7%D8%A8%D8%B7%D9%87+%D8%A8%D8%A7+%D8%AA%D8%B1%DA%A9%DB%8C%D9%87+%D9%82%D8%B1%D8%A8%D8%A7%D9%86%DB%8C+%D8%B1%D9%88%D8%A7%D8%A8%D8%B7+%D8%A8%D8%A7+%D8%B3%D9%88%D8%B1%DB%8C%D9%87+%D9%86%D8%B4%D9%88%D8%AF.html> . (accessed on 30 April 2013).

Asgharkhani ,Abou Mohammad. "Elzamate Amaliyatiye va Manfhumiyeh Tadvin e Diplomasiyeh Enerzhi." Institute for International Energy Studies (ISES). <http://www.energydiplomacy.ir/Data//ContectFiles/29-11-90-002.pdf> . (Accessed on 10 Feb 2013).

Ayin Tarihi, <http://www.byegm.gov.tr/ayin-tarihi2-detay.aspx?y=1995&a=1>, (accessed on 12 July 2013).

Babali, Tuncay. "The Role of Energy in Turkey's Relations with Russia and Iran." Center for Strategic & International Studies http://csis.org/files/attachments/120529_Babali_Turkey_Energy.pdf. (accessed 25 April 2013).

“Baku-Tbilisi-Erzurum Gas Pipeline.” <http://new.socar.az/socar/en/activities/transportation/baku-tbilisi-erzurum-gas-pipeline> (accessed on 29 August 2013).

“Barnameriziye Esteratejik Dar Sherkate Melli Gas Iran.” *Asre Kimiyagari*, Vol.2 No.3, 2012. <http://www.asrekimyagari.com/asrkimiagari/News.aspx?NID=157> (accessed on 22 June 2013).

Bilgin, Mert. “Energy and Turkey’s Foreign Policy: State Strategy, Regional Cooperation and Private Sector Involvement.” *Turkish Policy Quarterly*, Vol.9, No.2 <http://www.turkishpolicy.com/dosyalar/files/81-92.pdf> (accessed on 21 Feb 2013).

Bilgin, Mert. “Turkey's Energy Strategy: What Differences Does it Make to Become an Energy Transit Corridor Hub or Center?” *UNISCI Discussion Papers*, No. 23. <http://pendientedemigracion.ucm.es/info/unisci/revistas/UNISCI%20DP%2023%20-%20BILGIN.pdf> (accessed on 21 May 2013).

“BP classes Iran as world’s number one gas reserves holder.” <http://www.presstv.ir/detail/2013/06/13/308845/iran-worlds-top-gas-reserves-holder-bp/> (accessed on 23 June 2013).

Celalifer Ekinci, Arzu. “İran Türkiye Enerji İşbirliği.” *USAK – Uluslararası Stratejik Araştırmalar Kurumu*, <http://www.usak.org.tr/dosyalar/enerji%C5%9F.pdf>, (accessed on 25,Nov 2012).

Davudođlu, Ahmet. "Turkey's Foreign Policy Vision: An Assessment of 2007." *Insight Turkey*, Vol. 10, No. 1, 2008. <http://arsiv.setav.org/ups/dosya/9595.pdf> (accessed on 25 June 2012).

"Davutođlu hopes Rohani will change Iranian stance on Syria." <http://www.todayszaman.com/news-322843-davutoglu-hopes-rohani-will-change-iranian-stance-on-syria.html> (accessed on 11 September 2103).

Energy Information Administration. "Independent Static & Analysis, Iran Reports." <http://www.eia.gov/countries/analysisbriefs/Iran/iran.pdf> (accessed on 25 April 2013).

"Enteghad az Tamien Maliye Projeye Gas: Parse Junubi Be Tolid Nemiresad." http://www.radiofarda.com/content/f12_south_pars_gas_project_faces_difficulties/25034029.html (accessed on 3 July 2013).

G.Bonab, Rahman. "Turkey's Emerging Role as a Mediator on Iran's Nuclear Activities." *Insight Turkey*, Vol.11,No.3,2009. http://file.insightturkey.com/Files/Pdf/insight_turkey_vol_11_no_3_2009_bonab.pdf (accessed on 20 Jan 2013).

G. Güzel, Aylin. Ersoy, Eyüp. "Turkey and Iran's Nuclear Program." *Middle East Policy*, Vol. XIX, No.1, spring 2012. <http://www.mepc.org/journal/middle-east-policy-archives/turkey-and-irans-nuclear-program> (accessed on 20 Jan 2013).

Hassan-Kkani , Mohammad. “Iran and Turkey Can Adopt a Cooperative Competition.” *Center for Middle Eastern Strategic Studies, (ORSAM)*,

<http://www.orsam.org.tr/en/showArticle.aspx?ID=1492>, (accessed on 30 April 2013).

“International Energy Agency, Report, 2013, Oil & Gas Security Emergency Response of IEA Countries.” http://www.iea.org/publications/freepublications/publication/2013_Turkey_Country_Chapterfinal_with_last_page.pdf. (accessed on 5 May 2013).

“Iran, Pakistan Inaugurate Gas Pipeline Project.” *Iran Petroleum Monthly*, No.11, March 2013. <http://iranpetroleum.ir/files/NO11.pdf>, (accessed on 25 June 2013).

“Iran, Pakistan Inaugurate Gas Pipeline Project.” *Iran Petroleum Monthly*, No.11, March 2013, <http://iranpetroleum.ir/files/NO11.pdf>, (accessed on 25 June 2013).

“Iran Eyes %10 of World Gas.” *Iran Petroleum Monthly*, No.7, November 2102. <http://iranpetroleum.ir/files/NO7.pdf> (accessed on 24 May 2013).

“Iranian, Turkish FMs discuss Egypt, Syria.” <http://www.presstv.com/detail/2013/07/13/313627/iran-turkey-fms-talk-egypt-syria>. (accessed on 31 July 2013).

Jenkins, Gareth. “Occasional Allies, Enduring Rivals: Turkey’s Relations with Iran.” *Silk Road Papers, the Central Asia-Caucasus Institute and the Silk Road Studies Program*, May 2012.

<http://www.silkroadstudies.org/new/docs/silkroadpapers/1205Jenkins.pdf>, (accessed on 20 December 2012).

Kaya, Kemal. Central Asia-Caucasus Institute- Johns Hopkins University, *ORSAM*, <http://www.orsam.org.tr/en/showArticle.aspx?ID=1603> (accessed on 12 February 2013).

Khajeh Ali, Gholamhosein. “Enteghade Bozorgtarin Peymankare Parse Junubi az Vezarate Naft.” Mehr News Agency, <http://www.mehrnews.com/detail/News/2087955>, (accessed on 3 July 2013).

Khajehpour, Bijan. “The Role of Economic /Energy Relations with Turkey and Russia in Iran’s National Strategy.” *Center for Strategic & International Studies* http://csis.org/files/attachments/120529_Khajehpour_Russia_Turkey_in_Iran_National_Strategy.pdf, (accessed on 12 Jan 2013).

Khatinoglu, Dalga. “Iran's oil output, 2.7 or 4.2 mbpd?” <http://en.trend.az/regions/iran/2150126.html> .(accessed on 15 May 2013).

Khatinoglu, Dalga. “Production hits snag, costs doubled at Iran's South Pars.” <http://en.trend.az/regions/iran/2164730.html> .(accessed on 25 June 2013).

Kibaroglu, Mustafa. Cağlar, Barış, “Implications of a Nuclear Iran for Turkey.” *Middle East Policy*, Vol. XV, No.4,

2008.<http://www.mustafakibaroglu.com/sitebuildercontent/sitebuilderfiles/Kibaroglu-Caglar-MEP-04December2008.pdf>. (accessed on 11 Nov 2012).

Kinnander, Elin. “The Turkish-Iranian Gas Relationship: Politically Successful, Commercially Problematic.” *Oxford Institute for Energy Study*, 2010.<http://www.oxfordenergy.org/wpcms/wp-content/uploads/2010/11/NG38-TheTurkishIranianGasRelationship-ElinKinnander-2010.pdf> .(accessed on 20 March 2013).

Laçiner, Sedat. “Mistrust Problems in Turkey-Iran Relations.”*The Journal of Turkish Weekly*, February 21, 2008. <http://www.turkishweekly.net/columnist/2839/mistrust-problem-in-turkey-iran-relations.html> (accessed April 29,2013).

“Matne Kamele Barnameye Pnajome Toseye Jomhuriye Eslamiye Iran (1390-134).”

<http://www.bazresi.ir/portal/Home/ShowPage.aspx?Object=News&CategoryID=11a5bf88-40f5-4b58-8ba5-7b9e6140f78d&WebPartID=b6fe6c90-8d74-472a-9b36-9ae69f6339f5&ID=526831a5-eb54-409a-bf37-3e1c04045b07>. (accessed on 22 June 2013).

Mottaghi, Ebrahim. “Diplomacy of Energy of Iran, Olghoha Ravandha.”, *Institute for International Energy Studies (ISES)*, <http://www.energydiplomacy.ir/Data/ContentFiles/29-11-90-004.pdf> (accessed on 12 Dec 2012).

“Natural Gas Exports from Iran US Energy Information Administration.” *Independent Static & Analysis, A report required by section 505 (a) of the Iran Threat Reduction and Syria Human*

Rights Act of 2012, http://www.eia.gov/analysis/requests/ngexports_iran/pdf/full.pdf (Accessed on 12 March 2013).

Norouzi, Mohammad. “Chera Diplomasiye Enerzhi Iran Zaif Ast?”<http://borhan.ir/NSite/FullStory/News/?Id=3529>, (accessed on 25 Nov 2012).

Sadr, Seyyed Mohammad. “Nabayad Ravabet ba Torkiye ra Fadaye Masale Digar Kard”, <http://www.irdiplomacy.ir/fa/page/1900917/%D9%86%D8%A8%D8%A7%DB%8C%D8%AF+%D8%B1%D9%88%D8%A7%D8%A8%D8%B7+%D8%A8%D8%A7+%D8%AA%D8%B1%DA%A9%DB%8C%D9%87+%D8%B1%D8%A7+%D9%81%D8%AF%D8%A7%DB%8C+%D9%85%D8%B3%D8%A7%D8%A6%D9%84+%D8%AF%DB%8C%DA%AF%D8%B1+%DA%A9%D8%B1%D8%AF.html>, (accessed on 24 January 2013).

Samavand, Masoud. “Khodkafayie Iran as Varedate Gaze Turkmenistan.” <http://www.mehrnews.com/detail/News/2082961> (accessed on 24 June 2013).

“Sterattghiye Melliye Enerj Jumhuriye Eslamiye Iran Dar Ofoghe 1414.”[http://media.farsnews.com/media/docs/11/2270-TAMA\[1\].pdf](http://media.farsnews.com/media/docs/11/2270-TAMA[1].pdf) (accessed on 22 June 2013).

“Strategic Plan of Ministry of Energy and Natural Recourse of the Republic of Turkey.”(2010,2014),http://www.enerji.gov.tr/yayinlar_raporlar_EN/ETKB_2010_2014_Stratejik_Planı_EN.pdf, (accessed on 30, April 2013).

Taghizadeh, Reza. "Tehan va Opec Gazi."
http://www.radiofarda.com/content/f4_iran_gas_production_low_opec/25034930.html(accessed on 30 June 2013).

Torkan, Akbar . "Toseye Parse Jounoubi ba 40 Miliyard Dolar, 46 Miliyard Hazine Shod ama Fazi be Tolid Naresid."<http://www.mehrnews.com/detail/News/2082992>, (accessed on 24 June 2013).

"Turkey's Energy Strategy, Ministry of Foreign Affairs of Turkey Republic."
[http://www.mfa.gov.tr/data/DISPOLITIKA/EnerjiPolitikasi/Turkey's%20Energy%20Strategy%20\(Ocak%202009\).pdf](http://www.mfa.gov.tr/data/DISPOLITIKA/EnerjiPolitikasi/Turkey's%20Energy%20Strategy%20(Ocak%202009).pdf) (accessed on 20 May 2013).

"Turkey's Energy Strategy, Ministry of Foreign Affairs."<http://www.mfa.gov.tr/turkeys-energy-strategy.en.mfa>, (accessed on 24 April 2013).

U.S .Energy Information Administration "Turkey's Report."<http://www.eia.gov/countries/analysisbriefs/Turkey/turkey.pdf>, (accessed on 24 April 2013).

Vaez, Ali. Sadjadpour, Karim. "Iran's Nuclear Odyssey: Costs and Risks."<http://carnegieendowment.org/2013/04/02/iran-s-nuclear-odyssey-costs-and-risks/fvui>. (accessed on 20 August 2013).

Yazar, Yusuf. “*SETA Analiz, Siyaset, Ekonomi ve Toplum Arařtırmalar Vakfı. Trkiye'nin Enerji Durumu ve Geleceęi.*” Aralık 2012. <http://arsiv.setav.org/ups/dosya/58085.pdf> (accessed on 12 Feb 2013).

“Yek Dahe Toul Mikeshad ta Iran Gase Maye Sader Konad.” <http://www.radiofarda.com/content/f8-iran-Ing-1/25043511.html> (accessed on 29 June 2013).

Yıldız, Taner. “Interview with Turkish Policy Quarterly.” http://www.turkishpolicy.com/dosyalar/files/vol_11-no_3%20taneryildiz.pdf (Accessed on 21, Feb, 2013).