

Political and Economic Relations between Iran and Turkey during the Justice and Development Party Era

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Abstract:

Iran and Turkey, as two powerful countries in the Middle East, are involved in a series of regional competitions that shape the political issues and trade exchanges within the framework of their relations. These dynamics create fluctuations in the relationship between Iran and Turkey. This research aims to examine the relations between Iran and Turkey and the issues that lead to opportunities and challenges in their political relations, as well as the impact of political issues on economic relations between the two countries. The article employs a quantitative and analytical approach, utilizing previously published articles and works in this field, and applies the theory of neo-functionalism to address the question: What opportunities and challenges have characterized the relations between Iran and Turkey during the era of the Justice and Development Party? The findings indicate that despite the challenging issues and regional competitions affecting the political relations between the two countries, Iran and Turkey are striving to reduce divergence and steer their relations toward convergence. The economy can play a role as either an opportunity or a challenge in the relations between the two countries. In conclusion, it is determined that factors such as sanctions and regional competition have negatively impacted the political relations and trade exchanges between Iran and Turkey.

Keywords

Iran - Turkey - Middle East - Economy – Caucasus

Introduction:

Iran and Turkey, as two countries in the Middle East, have had political and economic relations since the establishment of the Republic of Turkey. However, since the rise of the Justice and Development Party (AKP), the relations between the two countries have experienced numerous ups and downs. Since 2011, with the onset of the Arab Spring and the beginning of sanctions against Iran, the relationship between Iran and Turkey has faced various challenges, which have also impacted trade exchanges between the two countries.

In recent years, issues such as disagreements over Syria, disputes regarding the Azerbaijan-Armenia conflict, U.S. sanctions, and the decline in economic relations between Iran and Turkey, as well as competition over energy markets, have led to the emergence of geopolitical and geoeconomic rivalries between Iran and Turkey in the region, creating divergences in their relations. Other factors, such as the coup attempt in Turkey and Iran's support for Erdoğan against the coup plotters, have also contributed to a convergence in the relations between Iran and Turkey. This article will attempt to examine the aforementioned issues and their effects on the relations between the two countries.

Additionally, the article will seek to analyze the effects of economic relations and Iranian investments in Turkey, as well as the impact of these economic interactions on the convergence and divergence of political relations between Iran and Turkey. It will also explore the role of politics in the economic relations between the two countries.

This research aims to examine the economic and political relations between Iran and Turkey during the era of the Justice and Development Party, the impact of political equations on trade relations between the two countries, and conversely, how economic relations influence trade relations.

The significance of this research lies in the fact that Turkey is neighboring Iran and has historically had extensive trade and economic exchanges with it. Moreover, Turkey is one of the countries competing with Iran in the region. Analyzing three factors—regional competition, trade exchanges, and political relations—and summarizing them can provide a comprehensive view of the political relations between Iran and Turkey. Studying the relations between Iran and Turkey and the trajectory of these relations during the era of the Justice and Development Party can offer a clearer perspective and a more accurate prediction of the future of Iran-Turkey relations.

Article Main Text:

1. Political Relations

In general, the main factors affecting the strengthening or weakening of political relations between Iran and Turkey include the weakening of secular forces in Turkey, the Turkish government's policy towards Islamic communities, the Kurdish issue, Turkey's relationship with NATO, Iran's nuclear issue, trade and transit matters, and the impacts arising from regional issues. These factors have influenced the relations between Iran and Turkey.

There are three main asymmetries in the relations between the two countries:

- Asymmetry over energy resources
- Asymmetry over the axis of resistance and the Shia crescent
- Asymmetry over Iranian nationalism and the nation-building process in Iran

(ÜNAL, Eyüp ERSOY, 2014: 159)

Potential problems in the relations between Iran and Turkey are related to Syria, relations with the Kurdistan Region of Iraq, Iraqi elections, the nuclear agreement, and the missile capabilities of the Islamic Republic. After the signing of the JCPOA in 2015, relations between Iran and Turkey deteriorated due to geopolitical reasons. While the two countries resumed their relations, they were unable to overcome their geopolitical differences and concerns.

1-1 The Nuclear program of Iran

Iran's nuclear program was revealed in 2002, and during that time, some military and security officials in Turkey, including the Chief of General Staff of the Turkish Armed Forces, expressed concerns about Iran's nuclear program, describing it as a threat to regional security and Turkey's national interests. However, at the same time, the Justice and Development Party (AKP) was seeking economic relations with Iran and was largely indifferent to this issue (SİNKAYA, 2016: 86). Turkey has consistently supported Iran's peaceful nuclear program and welcomed the negotiations between Iran and the P5+1 Western countries, seeking a diplomatic solution to Iran's nuclear program and hoping for the lifting of sanctions against Iran. However, Turkish officials were very cautious about the implications of this agreement and, while welcoming it, wanted Iran to reconsider its regional policies (SİNKAYA, 2016: 83). Turkey supported the development of Iran's nuclear industry while also advocating for nuclear disarmament in the Middle East, believing that the nuclear issue should be resolved within a framework of peaceful negotiations with international organizations such as the International Atomic Energy Agency and the United Nations.

In 2005, Mahmoud Ahmadinejad came to power, and nuclear negotiations failed, leading to Iran's nuclear file being transferred to the UN Security Council. As a result, Turkey faced pressure from its Western allies to clarify its position regarding Iran's nuclear program. Following this period, the subsequent conflicts and increased tensions between Iran and the United States further unsettled Turkey. The Turkish government was concerned about a potential military operation by the U.S. to eliminate Iran's nuclear industry or heavy sanctions aimed at isolating Iran, as they feared the consequences of regional instability resulting from an attack on Iran. Turkey was keen to maintain good neighborly relations with Iran, as Iranian markets were valuable to Turkey, and Turkey hoped that Iran would supply a significant portion of its demand for oil and natural gas (SİNKAYA, 2016: 87).

After the sanctions on Iran, Turkey decided to abandon its passive policy and took on a mediating role in negotiations between Iran and major powers to achieve a political solution to the Iranian nuclear dispute. Turkey sought to balance its close allies with its relations with Iran and tried to prevent any adverse effects from a potential confrontation between Iran and the U.S. In this context, in April 2005, Turkey hosted a meeting between Javier Solana, the then High Representative of the European Union and head of the nuclear negotiations with Iran, and Ali Larijani.

After the failure of negotiations in 2006 and again in 2008, then-Prime Minister Erdoğan stated during a visit to Washington that Turkey could play a mediating role between Iran and the United States based on its previous negotiations. During this time, Erdoğan's government faced significant criticism for its attempts to mediate between Iran and the West.

Following the failure of negotiations, Turkey proposed supplying fuel for Iran's research reactor in exchange for sending Iran's enriched uranium reserves abroad; however, Iran was cautious about this proposal as well. After the sanctions on Iran, Turkey had become disillusioned with resolving Iran's nuclear issue and directed criticisms towards the West.

Ultimately, the lifting of sanctions following the JCPOA negotiations led to strengthened trade relations between Turkey and Iran, with Iran becoming a desirable market for Turkish exports. At that time, Reza Asgarian, the head of the Turkish Chamber of Commerce, estimated that Turkey's exports to Iran could increase from the current \$4 billion to \$10 billion. Additionally, Turkey sought to become a regional energy hub by importing oil and gas from Iran. However, subsequent events and the U.S. withdrawal from the JCPOA posed challenges to the improvement of relations between the two countries.

3-1 Regional Disputes and Alliances:

In general, it can be said that Turkey and Iran are competing with each other in various regional matters; however, when faced with common international threats, they cooperate, repair bilateral relations, and then move towards trust, cooperation, and alliances. During the era of the Justice and Development Party, Iran and Turkey have had disagreements in several areas, including:

1. Competition over Iraq

2. Competition between Iran and Turkey in Syria

3. Competition between Iran and Turkey in the Caucasus and differing views on Azerbaijan and Armenia

4. Statements by Turkish politicians regarding Iran's support for Kurdish groups

Nevertheless, alliances have also formed between Iran and Turkey on regional issues:

1. An alliance to break the blockade of Qatar

2. An alliance regarding the referendum in the Kurdistan Region of Iraq

Regarding the blockade of Qatar, the regional rivalries between Iran and Saudi Arabia, as well as Turkey's interests in Qatar, directed both Iran and Turkey towards this alliance.

Some analyses suggest that the conflicting relations between Iran and Turkey have the potential to create instability in the Middle East and the Caucasus. Pro-Iran groups in Turkey have been competing with each other in Iraq and Syria. Some statements within Iran regarding the increasing regional power of Iran and control over several Arab capitals have led to the expansion of negative perceptions towards Iran's regional policy in Turkey, resulting in Saudi Arabia and Turkey aligning against Iran in the regional balance.

After the nuclear agreement, Turkey accused Iran of seeking hegemony in the region, destabilizing it, and promoting sectarianism. Before he visited Tehran in April 2015, Erdoğan accused Iran of hegemony in the region and urged Iran to withdraw its advisors from Iraq, Syria, and Yemen, and to respect the territorial integrity of those countries. Simultaneously, Iran officials made similar accusations against Turkey. Subsequently, in January 2016, Turkey again called on Iran to play a constructive role in regional politics, and these statements led to increased tensions in the relations between Iran and Turkey.

1-3-1 Syrian Crisis:

At the beginning of the Syrian crisis in 2011, Iran supported Bashar al-Assad's government, while Turkey and some Arab countries supported opposition groups. Ankara accused Iran of supporting Bashar al-Assad, while Iran opposed Ankara's support for the Syrian opposition against Assad. The Syrian crisis posed a challenge to Iran's geopolitical position, while Turkish President Recep Tayyip Erdoğan supported opposition groups against Bashar al-Assad. The regional consequences of the Arab Spring led to increased tensions between Iran and Turkey, and Iran's positions on the Syrian crisis faced strong opposition from Turkey, which supported the opponents of Assad's government. Despite their differences on regional issues, Ankara and Tehran attempted to maintain bilateral relations, and in 2014, during the Syrian war, the two countries signed a preferential agreement.

Turkey's potential attack on northern Syria led to indirect military confrontations between the two countries through proxy forces. Tehran had delineated Shiite-populated areas in northern Syria as part of its strategic influence and ideology, considering them strategic points for itself. However, Turkish proxy forces were present close to these areas and in the city of Aleppo, which heightened Iran's sensitivities. In mid-2016, after failing to support Bashar al-Assad, Turkey reduced its assistance to its affiliated groups and shifted its focus to preventing Kurdish dominance in northern Syria, launching attacks on Kurdish militants along the Syria-Iraq border, which did not provoke a negative reaction from Tehran, as northern Syria held less military value for Iran. At the same time, Turkey was expanding its presence in northern Syria, while Iran was active in southern and southeastern Syria. Iran understood that Turkey's objectives extended beyond northern Syria, as Ankara sought to establish a sphere of influence in northern Syria. In practice, all of Turkey's military activities in Syria during the civil war exacerbated tensions in the relations between Iran and Turkey.

2-3-1 The Kurdistan Region of Iraq and Syrian Kurdistan:

Iran and Turkey share common goals regarding the Kurdistan Region of Iraq and separatist movements, and both countries oppose the disintegration of Iraq and the establishment of an independent Kurdish state. (Habibi, 2012: 3) Concerns about the Kurdish issue are also shared between Iran and Turkey; for example, the Kurds' efforts for autonomy in northern Iraq and the support for the autonomy of the Kurds in northern Iraq are common concerns for both Iran and Turkey. Turkey's increasing political and economic influence in the

Kurdistan Region has added to the competition between Iran and Turkey in Iraq, and it is said that Turkey is seeking to establish a military base in the Kurdistan Region of Iraq. (Tahmasb, 2013: 306) Turkey widely accuses Iran of supporting the PKK and PYD, claiming that for Iran, these two groups are important partners in reaching the Mediterranean Sea. (TAMER, 2018: 31) Meanwhile, Iran considers armed Kurdish groups a serious threat to its national sovereignty and has repeatedly bombarded the bases of pan-Kurdish terrorist groups in the Kurdistan Region of Iraq in recent years, which contradicts Iran's statements against armed groups in the Kurdistan Region of Iraq. In 2017, during the referendum in the Kurdistan Region of Iraq, armed Kurdish groups gathered for independence, leading to a convergence between Iran and Turkey to prevent the independence of the Kurdistan Region of Iraq. The behavioral pattern of Iran and Turkey regarding the Kurdish issue is such that under normal circumstances, Turkey accuses Iran of supporting Kurdish groups; however, whenever a common threat, such as the Kurdish independence referendum, arises for both sides, Iran and Turkey move towards an alliance.

4-3-1 Iraq:

The increase in tensions in Syria has been a fault line in the relations between Iran and Turkey. Turkey's policy in Iraq and the disagreements between Iran and Turkey over Iraqi issues have not led to a halt in their cooperation and discussions regarding bilateral political and economic matters. Nevertheless, in general, Iran supports the rise of the Shia governments in Iraq, while Turkey focuses on supporting the Sunni population in Iraq. There are rivalries between the Iranian-backed Shia militias in Iraq, such as Hashd al-Shaabi, and Turkey. (TAMER, 2018: 27)

There is economic competition between Iran and Turkey in Iraq, and Turkey has always tried to replace Iran in the Iraqi markets and increase its profits in these markets. This issue has also led to a divergence in the relations between Iran and Turkey.

5-3-1 Azerbaijan and the Pan-Turkism Dilemma:

Iran's primary concern is the expansion of Turkey's influence in Azerbaijan and the South Caucasus, with the issue of the war between Azerbaijan and Armenia and Turkey's support for Azerbaijan consistently acting as a source of tension in Iran-Turkey relations. Iran is worried about the issue of pan-Turkism, and the alliance between Turkey and Azerbaijan amplifies Iran's concerns regarding this ideology. According to unofficial statistics, approximately 20% of Iran's 85 million population consists of Azerbaijanis, and there are no signs of large-scale separatist tendencies within this population. Nevertheless, officials and analysts in Tehran are deeply concerned about this issue, and any inclination from Turkey to incite Iranian Azerbaijanis heightens tensions between Iran and Turkey (Vatanka, 2020).

The South Caucasus region holds economic dimensions for both Iran and Turkey. Iranian officials have long sought to utilize this region as a transit route connecting West Asia to Eastern Europe, while Turkey aims to establish a Caspian Sea corridor, which it refers to as a middle corridor connecting through Georgia and Azerbaijan, and then linking via maritime routes to Central Asia and China. Turkey is also looking to revive the New Silk Road in the region, which creates competition and tension between Iran and Turkey over the Caucasus issue. Erdogan's statements regarding the unity of Turkey and the Republic of Azerbaijan further add to Iran's concerns.

4-1 The Coup of July 15, 2016:

One of the turning points in the relations between Iran and Turkey was the coup that took place on July 15, 2016, in Turkey. While Western allies were anticipating the success of the coup, Iran, in contrast, was hoping for its failure. The Turkish Foreign Minister stated that on the night of the coup, he had the most conversations with his Iranian counterpart, Mohammad Javad Zarif and that Iran supported the elected government of Ankara that night (Çağdaş, 2016: 1). Iran believed that the coup was orchestrated by the Americans and held the view that Fethullah Gülen was openly hostile towards Iran and Shia Islam. In response to the West's dual approach, Mevlüt Çavuşoğlu remarked that one of the countries that closely followed the developments in Turkey and supported the Turkish government was Iran.

A crisis committee regarding the coup was established at the Iranian Foreign Ministry. Ali Shamkhani, the Secretary of the Supreme National Security Council, announced Iran's official position in support of the legitimate Turkish government and against the coup. Ali Larijani, the then Speaker of Parliament, congratulated the Turkish parliament on the failure of the coup. Despite Iran's dissatisfaction with Turkey over the Syrian civil war, with some blaming Erdoğan for part of the heavy costs and casualties Iran faced in Syria, the outcome of

the coup concerned Iranian officials. The notion that the U.S. was behind the coup placed the Iranian government in a position of uncertain risks (Sinkaya, 2016).

1-5 Turkey's Geopolitical Efforts to Become an Energy Hub:

During the era of the Justice and Development Party, Turkey has made numerous geopolitical efforts to transform itself into an energy hub. These geopolitical endeavors in the Mediterranean Sea and North Africa have led to confrontations between Saudi Arabia, Egypt, France with Turkey. However, the Caucasus and the Middle East have not been exempt from this situation. Turkey's geopolitical efforts to route pipelines through its territory and turn its land into an energy hub have resulted in regional and geopolitical rivalries with Iran, contributing to the divergence in relations between Iran and Turkey.

In addition to the geopolitical competition between Iran and Turkey in the Caucasus and Syria over energy lines, Turkey's efforts to reduce its dependence on Iranian energy and secure its energy resources from Azerbaijan, Turkmenistan, and the Kurdistan Region of Iraq have also led to a decrease in economic interdependence between Iran and Turkey. Consequently, this has increased geopolitical and regional competition between the two countries.

2- Economic Relations between Iran and Turkey:

Although Turkey and Iran have often found themselves on opposite sides politically, the two countries have a long history of prioritizing economic relations over political ones. This does not mean that their economic relations have been free of disputes; Iran and Turkey have repeatedly disagreed over issues related to oil and gas contracts. Nevertheless, at times, Turkey has preferred its economic relations with Iran over its diplomatic relations with the United States. (Wald, 2018: 139) The lack of mutual investment between the two countries and the absence of cooperation on important issues such as energy, along with regional competition between Turkey and Iran, have posed challenges to the continuation of their economic relations. (Pulat, 2018: 110)

1-2 Exchanges between the two countries:

One of the foundations of relations between Iran and Turkey has traditionally been based on transportation and mutual trade. In the past, Turkey's energy imports from Iran were a significant factor in improving relations between the two countries. Since 2010, Iran has supplied nearly 25% of Turkey's imported natural gas and oil. Cross-border trade between Iran and Turkey increased from one billion dollars in 2000 to four billion dollars in 2005, and by 2008, Turkey had become Iran's fifth-largest economic partner, with trade volume rising to over ten billion dollars. However, in 2009, due to the global recession, this figure decreased to 5.6 billion dollars (Ebrahimi, Yuosoff, 2017: 73-74). By 2014, energy imports, especially natural gas from Iran, were the most important aspect of trade between Iran and Turkey. Iran's exports to Turkey mainly included gas, oil, coal, and electricity. Turkey's negative trade balance reached nine billion dollars in 2011, but it decreased to two billion dollars in 2012. On average, the total trade volume between the two countries has been around 12 billion dollars annually. However, while Turkey's exports are mainly industrial products, Iran's exports to Turkey primarily consist of oil, natural gas, and petrochemical products.

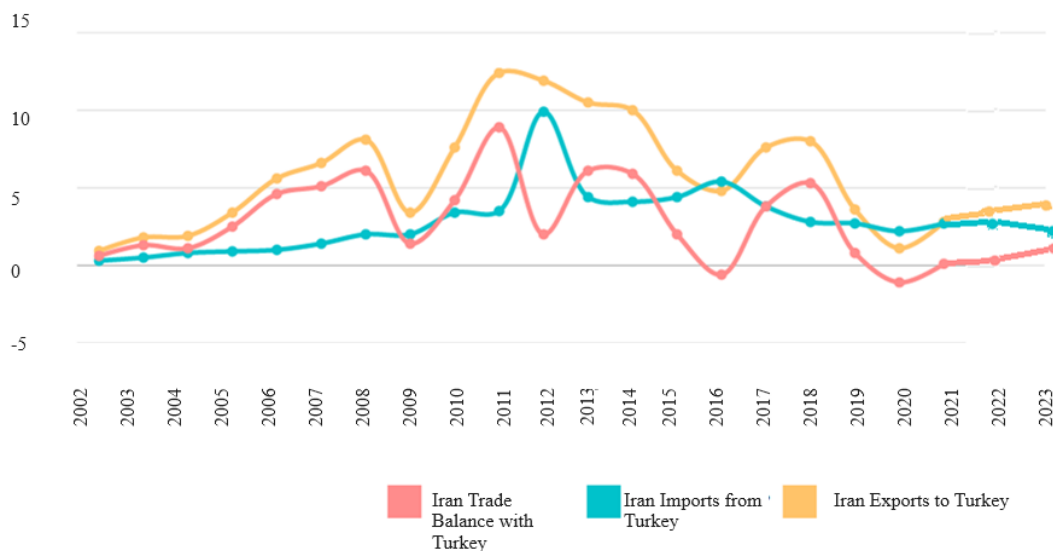
From 2002 to 2012, trade served as the main driving force behind the improvement of economic relations between the two countries (Habibi, 2012: 2). Iran's exports of gas and oil to Turkey were of high importance, and from the 2000s until 2014, energy imports were the main trade between the two countries. Between 2004 and 2014, Turkey had the highest demand for oil imports from Iran, and by exporting 15% of its natural gas to Turkey, Iran became the second-largest energy exporter to Turkey after Russia in 2014.

In the first quarter of 2011, Iran was the third-largest exporter of crude oil to Turkey, supplying 30% of its imports, and it provided Turkey's natural gas after Russia. In most years, there was a trade deficit in exchanges between Iran and Turkey, and the reason for this imbalance was the high volumes of oil and natural gas that Turkey imported from Iran (Pulat, 2018: 106)

Table No. (1) shows the volume of trade and the trade balance between Iran and Turkey from 2002 to ۲۰۲۲ based on official statistics from Turkey (in billion dollars).

Year	Iran exports to Turkey	Turkey imports from Iran	Iran's trade balance with Türkiye
۲۰۰۲	۰/۹۲	۰/۳۰۲	۰/۶۱
۲۰۰۳	۱/۸	۰/۵	۱/۳
۲۰۰۴	۱/۹	۰/۸	۱/۱
۲۰۰۵	۳/۴	۰/۹	۲/۵
۲۰۰۶	۵/۶	۱	۴/۶
۲۰۰۷	۶/۶	۱/۴	۵/۱
۲۰۰۸	۸/۱	۲	۶/۱
۲۰۰۹	۳/۴	۲	۱/۴
۲۰۱۰	۷/۶	۳/۴	۴/۲
۲۰۱۱	۱۲/۴	۳/۵	۸/۹
۲۰۱۲	۱۱/۹	۹/۹	۲
۲۰۱۳	۱۰/۵	۴/۴	۶/۱
۲۰۱۴	۱۰	۴/۱	۵/۹
۲۰۱۵	۶/۱	۴/۴	۲
۲۰۱۶	۴/۸	۵/۴	-۰/۶
۲۰۱۷	۷/۶	۳/۸	۳/۸
۲۰۱۸	۸	۲/۷	۵/۳
۲۰۱۹	۳/۶	۲/۷	۰/۸
۲۰۲۰	۱/۱	۲/۲	-۱/۱
۲۰۲۱	۲/۸	۲/۷	۰/۱
۲۰۲۲	۳/۱	۲/۹	۰/۲
۲۰۲۳	۳/۳	۲/۱	۱/۱

Chart No. (1) examines the trade relations between Iran and Turkey during the period from 2002 to 2023 (in billion dollars).



As you can see, during the period from 2002 to 2008, when the Justice and Development Party came to power, Iran's exports to Turkey had an upward trend, and Iran's trade balance with Turkey was positive. However, from 2011 to 2016, with the imposition of Obama's sanctions against Iran and the onset of the Syrian crisis, Iran's exports to Turkey declined. In 2016, after Iran's support for Erdoğan during the 2016 coup attempt, Iran's exports to Turkey increased again and continued this trend until 2018. However, in 2019, with the outbreak of the COVID-19 virus, Iran's exports to Turkey decreased. Iran's imports from Turkey were also on the rise until 2012, but after that, they seem to have declined due to reasons such as sanctions and disagreements over the

Syrian crisis. Only during the period from 2016 to 2017, with a temporary improvement in relations between Iran and Turkey, Iran slightly increased its imports from Turkey

Table number (2) examines Iran's share of Turkey's imports and exports during the Justice and Development Party era (in percentage)..

Year	Iran's share of Turkish exports	Iran's share of Turkish imports
۲۰۰۲	۰/۸۶	۱/۸
۲۰۰۳	۱/۱۳	۲/۶۸
۲۰۰۴	۱/۲۹	۲/۰۱
۲۰۰۵	۱/۲۴	۲/۹۷
۲۰۰۶	۱/۲۵	۴/۰۳
۲۰۰۷	۱/۳۴	۳/۰۹
۲۰۰۸	۱/۵۴	۴/۰۶
۲۰۰۹	۱/۹۸	۲/۴۲
۲۰۱۰	۲/۶۷	۴/۱۲
۲۰۱۱	۲/۶۶	۵/۱۷
۲۰۱۲	۶/۵۱	۵/۰۶
۲۰۱۳	۲/۷۶	۴/۰۴
۲۰۱۴	۲/۴۹	۴/۰۱
۲۰۱۵	۲/۷۳	۲/۸۸
۲۰۱۶	۳/۶۶	۲/۳۷
۲۰۱۷	۲/۳۵	۳/۱۹
۲۰۱۸	۱/۵۶	۳/۰۵
۲۰۱۹	۱/۵۱	۱/۷۲
۲۰۲۰	۱/۳۳	۰/۵۴

Chart number (2) analyzes Iran's share of Turkey's imports and exports. As you can see, since 2012, due to political reasons such as sanctions and the disagreement between Iran and Turkey over the Syrian war, Iran's share of Turkey's total imports and exports has decreased

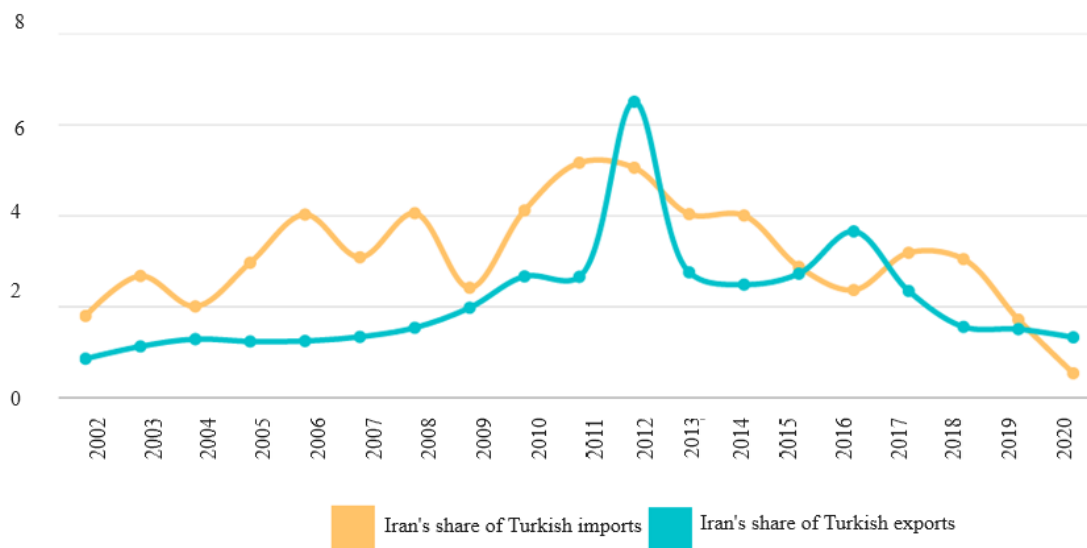


Table 3 shows the most important export goods of Iran to Turkey in 2021.

Object	Value
Plastic	۰/۷۶۵
Copper	۰/۴۹۵
Aluminum	۰/۴۸۰
Roy	۰/۲۵۲

Citrus greens	۰/۱۲۳
iron and steel	۰/۱۰۵
Table 4 shows the most important export goods of Turkey to Iran in 2021.	
Objecy	Value
Machinery	۰/۳۹۵
Electrical equipments	۰/۱۸۸
Plastic	۰/۱۶۴
Vegetable oils	۰/۱۵۱
thread, yarn	۰/۱۴۹
MEAT	۰/۱۲۶

Turkey's foreign trade with Iran rapidly increased from 2010 to 2014, reaching approximately \$14 billion despite the sanctions imposed. Although the development of economic relations during that period was swift, it did not lead to mutual dependency between the two countries. The \$14 billion trade volume between the two countries in 2014 was relatively insignificant considering Iran's population of 80 million.

2-2 Tourism

In 2010, the number of Iranian tourists in Turkey reached 2.7 million, which was an increase of 1.7 million compared to 2008. By 2017, this number was 2.5 million per year.

3-2 Joint Foreign Investment:

1-3-2 Iranian Investments in Turkey:

Iran's share of foreign direct investment in the Turkish economy was below one percent from 2004 to 2014, and Iran was not among the countries favored by Turkish traders. In 2017, the number of companies registered by Iranians in Turkey was 350; however, in 2018, with the onset of sanctions, this number increased to 1,019 companies. In 2019, 970 Iranian companies were established in Turkey, with a total investment of 153 million lira. Of these, 423 companies were in the construction sector, 37 in food and accommodation, 94 in manufacturing, 90 in retail, and 79 in support activities and services. (Garip, 2019)

Turkey's foreign trade with Iran rapidly increased from 2010 to 2014, reaching approximately \$14 billion despite the sanctions imposed. Although the development of economic relations during that period was swift, it did not lead to mutual dependency between the two countries. The \$14 billion trade volume between the two countries in 2014 was relatively insignificant considering Iran's population of 80 million.

The official statistics on property purchases by Iranians in Turkey from 2018 to 2021 show a 22-fold increase, and in 2020 and 2021, this figure rose to 15 times. During the years 2019 to 2021, Iranians spent seven billion dollars on buying housing in Turkey. In September 2021, Iranians purchased 1,323 homes in Turkey, marking a 59% increase in just one year. Antalya, Izmir, Istanbul, and Ankara have been the preferred destinations for Iranians looking to buy property. Additionally, the depreciation of the Turkish lira against the dollar has also influenced the increase in housing purchases by Iranians (PORGHAM, 2021). The influx of foreign investors, including Iranians, in 2019 led to an 11.2% increase in housing prices within a year.

One of the factors contributing to the rise in Iranian investments in Turkish real estate has been the concerns over U.S. sanctions against Iran, which have resulted in a growing desire to purchase property in Turkey and obtain Turkish citizenship (Euronews, 2019). In 2020, the majority of investments in Turkey were related to the real estate sector, with over 50% of property buyers in Turkey being Iranians (Sterk, 2021).

In 2019, there were significant investments in the Turkish real estate sector, and Iranians ranked second after Iraqis, having purchased 5,432 properties in Turkey that year. Additionally, 978 Iranian companies were established in Turkey for the first time that year, with around 600 Iranian companies operating in Izmir, Turkey. Turkish investments in Iran also increased in 2019. In 2019, Iranians opened the highest number of companies in Turkey, and after Iraqis, they purchased the most property in the country. The demand for Iranian citizenship through investment ranked first. That same year, statistics showed that Germany ranked first in investments with 1.93 billion lira, while Iran ranked third with an investment of 138 million lira. Although Iranians were third in terms of investment that year, they registered the highest number of companies.

2-3-2 Turkey's Investments in Iran:

The investments of Turkish nationals in Iran increased to \$163 million between 2002 and 2013, while during the same period, direct investments by Iranian nationals in Turkey reached \$1 million (ÜNAL, Eyüp ERSOY, 2014: 150).

By 2014, the number of Iranian investors in Turkey was very low, and the number of Turks investing in Iran was also minimal. The power struggle between the two countries and the U.S. sanctions against Iran were political factors that hindered mutual economic dependence between Iran and Turkey (Pulat, 2018: 96).

5-2 Relations between the Two Countries within the Energy Framework:

The capacity of the natural gas pipeline between Iran and Turkey decreased in 2017 and never reached full operational capacity. In 2002, the flow of Iranian gas to Turkey was cut off, and Turkmenistan was substituted; however, in 2004 and 2005, negotiations took place as Turkey complained about the technical specifications of Iranian gas. In 2006, the natural gas supply from Iran to Turkey was halted. (Kinnander, 2010: 9)

After the signing of the Joint Comprehensive Plan of Action (JCPOA) in 2016, international sanctions on Iran were lifted, leading to an increase in Turkey's imports of Iranian natural gas and oil. In the first half of 2016, Turkey increased its imports of Iranian natural gas by 14%, importing 121 million barrels of oil from Iran. In 2017, this amount rose to 52.8 million barrels, and during the first four months of 2018, Iran supplied 50% of Turkey's imported oil. The export of Iranian natural gas to Turkey also increased after the lifting of sanctions. In 2017, Iranian natural gas exports to Turkey rose by 14%, and between January 2017 and February 2018, Iranian natural gas exports to Turkey reached 8 billion cubic meters.

At the end of January 2018, Iran and Turkey signed a long-term contract under which Turkey committed to purchasing half a billion cubic meters of natural gas from Iran, which was to continue until 2026. However, after Trump's withdrawal from the JCPOA, secondary sanctions against Iranian institutions and individuals affected this contract and Iran's exports to Turkey, leading to a downward trend and a reduction in Turkey's dependence on Iranian energy resources, as well as a shift towards energy resources from the Caucasus.

6-2 Sanctions of Iran:

Although the United States and Turkey are considered allies in NATO, Turkey did not fully comply with the U.S. sanctions against Iran. By the end of 2014, Turkey, with a GDP of \$800 billion, was among the top 20 economies in the world, while Iran, despite the imposed sanctions and its energy sector, had a GDP of \$406 billion. The foundation of Iran's economy was energy, and the economic relations between Iran and Turkey were significantly low due to these sanctions (Pulat, 2018: 104).

Iran's national GDP reached \$231.5 billion in 2020, which was nearly halved compared to 2014, while Turkey's national GDP in 2021 reached \$815 billion, indicating that Turkey's economy had remained relatively stable while Iran's economy had shrunk by about 50%. As a result, sanctions have been a destabilizing factor in the trade between the two countries. During the U.S. sanctions, Turkey was inclined to maintain bilateral economic relations with Iran and assist Iran in circumventing the imposed sanctions. Between 2011 and 2012, Turkey's gold exports to Iran increased.

Since 2011, Turkey has emerged as a vital economic lifeline for Iran. When financial sanctions severely pressured and complicated Iran's banking transactions, European banks and Asian banks in Dubai refrained from transferring funds to Iran; however, some Turkish financial institutions came to Iran's aid and ignored Iran's sanctions (Habibi, 2012: 6). In 2013, the United States imposed further sanctions to limit gold trade in exchange for gas for Turkey. These sanctions targeted Turkish banks that conducted financial transactions for Iran, and subsequently, Iran was forced to import from Turkey industrial products instead of gold or other precious metals.

Over time, as the sanctions tightened, they led to a reduction in trade volume between the two countries, which has been a key factor in Iran-Turkey relations. Despite the decrease in the volume of economic relations, they have continued and remained a key factor in bilateral relations (KARİMİMİRZANEZAM, 2021: 5).

Despite U.S. and UN sanctions against Iran, Turkey continued to import natural gas and oil from Iran; however, it faced difficulties in making payments for Iranian natural gas. The EU and U.S. sanctions prohibited the use of dollars and euros in any financial transactions with Iran, and during this period, Iran accepted the Turkish lira as an alternative currency for gas payments (Wald, 2018: 142).

The U.S. maximum pressure campaign against Iran, consisting of economic sanctions and political efforts to isolate Iran, has significantly impacted the economic relations between Iran and Turkey. The unilateral U.S. sanctions against Iran in late 2018 caused the volume of bilateral trade between Turkey and Iran to drop from \$10.7 billion in 2017 to \$5.6 billion in 2019, representing a 50% decrease (BADAWI, 2020).

Conclusion:

Turkey and Iran have experienced a decade of tension in their relations over the past ten years due to political and regional reasons. These political tensions, such as the sanctions against Iran, disagreements over Syria, disputes regarding Azerbaijan, and competition between the two countries in Iraq, Syria, and the Caucasus, have led to the past decade becoming a particularly tense period in their bilateral relations.

The political tensions arising from regional issues, compounded by U.S. sanctions against Iran, have resulted in a decline in economic relations between the two countries over the past decade, with trade in 2021 dropping to a quarter of what it was in 2012. This decline, in turn, negatively impacts the increasing tensions between the two nations.

However, it is clear that both countries are attempting to de-escalate tensions in their relations and prevent them from exceeding a certain threshold. For example, Turkey did not fully side with the U.S. during the sanctions and even made efforts to secure the release of Iranian businessman Reza Zarrab after his arrest by the U.S. Iran also supported Erdogan's government during the July 15 coup attempt and condemned the coup.

Ultimately, it can be said that Iran's relations during the Justice and Development Party era have been characterized by a series of convergences and divergences, as well as ups and downs, with both countries striving to improve their relations.

In general, during the years of the Justice and Development Party's presence in Turkey, Turkey's involvement in the Caucasus and Azerbaijan, as well as Iran's presence in Syria and the competition between Iran and Turkey in Syria and the Caucasus, have negatively impacted the relations between the two countries. Initially, sanctions had a positive effect on the relations between the two countries; however, after the completion of the sanctions regime, due to a decrease in exchanges, the sanctions have led to a divergence in the relations between Iran and Turkey. Additionally, Iranian investments in Turkey and the establishment of Iranian companies have also been a converging factor in the relations between Iran and Turkey.

Regarding energy, it has acted as a double-edged sword, leading to both convergence and divergence in the relations between Iran and Turkey. During the period when Turkey sourced part of its energy needs from Iran, this was a converging factor in the relations between the two countries. However, when Turkey sought to obtain its energy resources from the Caucasus, Turkmenistan, and the Kurdistan Region of Iraq, this led to a divergence in the relations between Iran and Turkey.

At the same time, instances such as Iran and Turkey's agreement on the independence referendum of the Kurdistan Region of Iraq and the breaking of the blockade on Qatar have led to a convergence in the political relations between Iran and Turkey during the time of the Justice and Development Party.

During the era of the Justice and Development Party, the relations between Iran and Turkey have experienced various ups and downs, and the factors mentioned have consistently led to both divergence and convergence in the relations between Iran and Turkey, shaping patterns of divergence and convergence. These factors have prevented the bilateral relations between the two countries from improving significantly and moving towards convergence, or conversely, from leaning towards divergence and conflict, resulting in the relations between Iran and Turkey remaining at a moderate level. It should be noted that in recent years, with the easing of the Syrian crisis and the joint statement by Turkey and Azerbaijan regarding part of the corridor in question passing through Iranian territory, there is potential for a reduction in geopolitical competition between Iran and Turkey and an increase in convergence between the two countries. This could strengthen other indicators in the relations

between Iran and Turkey, as the easing of geopolitical competition can act as a positive factor in enhancing convergence between Iran and Turkey.

It should be noted that in addition to the aforementioned factors, economic potentials, energy resources, and the existence of common threats in the future can significantly improve convergence in the relations between the two countries. Turkey is largely dependent on energy resources for its development, and Iran is also a suitable market for Turkish consumer goods. Emphasizing economic issues, along with highlighting common identities such as the similarities between the Turkish and Azerbaijani languages and Islamic brotherhood in the face of regional competition or the spread of Pan-Turkism, can significantly lead to the convergence of relations between the two countries.

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