

Economic Factors Affecting the Future of Iran-Turkey Relations on the Horizon of 2030

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Abstract

One of the most crucial facets of Iran-Turkey relations lies in its economic dimension. Economic ties between the two nations play an essential role and have remained intact even during challenging times and fluctuations in political issues. Hence, this study examines the economic factors that influence the future of Iran-Turkey relations. The objective is to enable policymakers and decision-makers in both countries to explore alternative options for effective decision-making. This research adopts an exploratory approach, aiming to serve a practical purpose. It utilizes a blend of data sources, and its analysis follows a correlational research method. The central inquiry of this study remains focused: What are the key economic factors that will shape the future of Iran-Turkey relations by 2030? To answer this question, the economic variables affecting the relationships between the two countries were studied. By distributing a questionnaire among 35 Iranian experts on Iran-Turkey relationships and using the IPA analysis method, the factors whose importance and uncertainty were higher than the threshold value were identified. Finally, after careful examination, two crucial economic factors have emerged as significant drivers impacting the future of Iran-Turkey relations: economic sanctions on Iran and competition over energy transmission lines. These factors demand close attention and analysis in order to navigate the dynamics of the bilateral relationship between these nations in the coming years.

Keywords: Iran, Turkey, Economy, Economic Relationships, Future Studies, Sanction, Economic Corridors.

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Introduction

Iran and Turkey, both important players in the Middle East (or West Asia) region, have a relationship that greatly impacts the developments in the area. Despite experiencing numerous ups and downs, particularly following the Islamic Revolution in Iran in 1979, what's remarkable is that peace between the two countries has remained stable for the past two centuries. This is notable considering their historical background of enduring long wars during different historical periods and the intense competition and occasional tensions they have faced in recent One of the crucial factors in the Iran-Turkey relationship is its economic dimension. The economy, while having the capacity to expand relationships between the two countries, is so important that even at the height of political tensions, economic relations have not been cut off. For instance, during Iraq's eight-year imposed war on Iran (1980-1988), Iran's necessity to provide essential goods, coupled with Turkey's aim for economic recovery, fostered stronger ties between the two nations, despite certain ideological contradictions. On the other hand, despite being on opposite sides of the Syrian crisis (2011-) and experiencing heightened political tensions, Iran and Turkey managed to sustain economic relations during the early years of the crisis, showcasing a remarkable resilience in their partnership. The issue of sanctions against Iran has indeed had a significant impact on Iran-Turkey economic relationships. Over the past two decades, Iran has made efforts to circumvent sanctions, while Turkey has been willing to take advantage of the situation. Turkey has played an important role in assisting Iran in countering sanctions and providing a breathing space for its economy. However, it's worth noting that such assistance by Turkey, while economically beneficial, has entailed penalties and risks for Turkey itself. Regarding Iran-Turkey relations, it should be noted that although the two countries are complementary in many areas due to different geopolitical and geo-economics capacities, several factors have caused them to be unable to use their neighborly capacity as much as they should. The trade volume between Iran and Turkey still has a significant distance to cover before reaching the desired target of \$30 billion. To close this gap, it is important to draw upon past experiences and adopt a forward-looking approach. Future studies help decision-makers gain insights into the factors that will shape the future and anticipate

potential scenarios. This, in turn, enables them to make informed decisions and mitigate the costs of any mistakes. With this perspective in mind, a present study was conducted to shed light on the economic factors that will influence Iran-Turkey relations up until 2030. This research aims to identify key factors without relying on preconceived hypotheses, maintaining a sense of exploration and openness. Given the importance of the economy in the relations between the two countries and its impact on other aspects, the question arises as to which economic factors affect the future of Iran-Turkey relations in the horizon of 2030? What are the key factors?

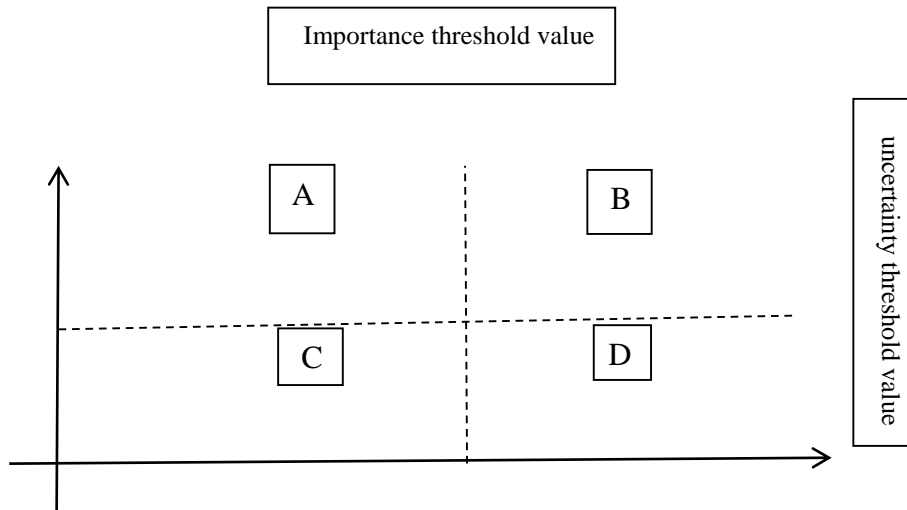
Research method

This research is exploratory in its nature, practical in terms of purpose, mixed in terms of data, and correlational in terms of data analysis. In this study, first, the economic variables affecting Iran-Turkey relations are identified, then by compiling a questionnaire and based on the opinion of field experts, their effectiveness, importance, and uncertainty will be examined. Variables whose impact is confirmed by experts will be considered as economic factors affecting the future of Iran-Turkey relations. Once the importance and uncertainty threshold value is determined by the significance-performance analysis method, factors that are above the threshold value will be key factors affecting the future of Iran-Turkey relations. Experts in this study fall into two categories: executive and academic. The characteristics of the experts in this study are:

1. Having at least a master's degree.
2. Iranian executive experts who have been on a mission in Turkey in the past 10 years or are in the field of Turkish expertise in governmental institutions within the country.
3. Academic experts who are prominent authors in the field of Turkish issues (at least 3 academic articles or books).
4. To better complement the sample community of experts, the snowball method is used to identify high-frequency experts.

In this questionnaire, two features are considered simultaneously crucial and uncertain for each variable. It is essential to examine the data set as a whole rather than analyzing these features separately. To address this, the IPA method has been utilized to analyze the questionnaire

results, ensuring a focused and fluid approach. Significance-Performance Analysis (IPA) is provided by Martilla and James and is a quantitative way of measuring opinions about the specific features of a subject or object. In this method, the variables that need to be measured are identified and the importance and performance of each are measured separately. A five- or seven-point scale (Likert scale) is often used for measurement. Then the arithmetic mean of the sum of views on the sum of the variables is used to determine the central tendency (threshold value). Finally, the relative position of each variable is specified in the matrix. (Martilla & James, 1977) Of course, in this study, instead of the performance item, uncertainty has been replaced, which does not cause a gap in the method.



Factors that are located in the region (B) of the vector, which means their importance and uncertainty are more than the value of the importance and uncertainty threshold at the same time, will be the key factors.

Theoretical framework

Futures Studies

There are numerous definitions of futures studies. In one definition, futures studies consist of a set of efforts that visualize potential futures

and plan for their realization through the analysis of resources, patterns, and factors of change or stability (Fatehrad et al, 2013:139).

In addition to the possibility of presenting a picture of the future, knowing the past and the present situation should be considered one of the goals and functions of future studies. According to Wendell Bell (2013: 530), while the study of futures revolves around understanding the future, it's crucial to recognize that the past and present profoundly influence what lies ahead. Consequently, futurists extensively explore the past and present as well. Unlike the future, the past and present hold tangible evidence that can be scientifically examined—a privilege of critical realists. Therefore, by maintaining this fluidity and referencing Bell's perspective, futurists can holistically investigate the dynamics of time. Futurists generally consider four types of futures: possible futures, plausible futures, probable futures, and preferred futures. Possible futures include all possible situations that can be realized in the future, although we do not know how these futures are realized. Plausible futures are those futures that are possible based on current human knowledge. Contrary to possible futures that may even contradict current human principles and knowledge, plausible futures conform to these principles. Probable futures refer to those futures that are likely to happen. For example, continuing the current trend is one of the futures that are likely to happen. Preferred futures are those that we want to happen (Hajjani, 2012:203-204). One of the most important methods in future studies is scenario writing. Peter Schwartz, lists eight steps for this method:

1. Identify the focal issue or decision
2. Identify key factors in the local environment which influence the decision
3. Identify driving forces that influence key factors in the local environment
4. Rank by importance and uncertainty
5. Select scenario logic
6. Flesh out scenarios
7. Consider implications
8. Selection of leading indicators and signposts (Schwartz, 2007: 211-2016)

The second step of this method - identifying key factors- which is the

most important step in scenario-based planning, along with the third and fourth steps, is the subject of this article. These steps are important in scenario-based planning because they provide a structured approach to understanding and anticipating future developments. In the case of Iran and Turkey relations, identifying key factors in the local environment—such as geopolitical tensions, economic interdependencies, and cultural influences—becomes crucial. By assessing driving forces that shape these factors and ranking them in terms of importance and uncertainty, strategists can gain valuable insights into potential scenarios and their implications for bilateral relations. Peter Schwartz's methodology offers a systematic framework for navigating the complexities of future-oriented analysis.

Economic variables affecting Iran-Turkey relations

The economic dimension is one of the most important aspects of Iran-Turkey relations. Economic relations are so important to both countries that they have not been severed, even in the worst of circumstances, despite fluctuations in political issues. The establishment of the Justice and Development Party in 2002 was effective in expanding trade relations between Iran and Turkey, and these relations mounted up until the Syrian crisis starting in 2011. During the Syrian crisis and the deep differences between the two countries in the early years of the crisis, trade relations were also affected but grew again. The main motivation for the economic relations between Iran and Turkey is the complementary economic resources of both countries. Given Turkey's dependence on importing oil and gas and its geographical proximity, its access to Iran's energy resources has been invaluable. On the other hand, Iran has emerged as a promising market for Turkish exports due to its large population and growing economy. Due to the international sanctions imposed by the United States and its Western allies against Iran, Tehran has become more sensitive to maintaining economic and trade relations with Turkey (Synkaya, 2019: 28).

Iran and Turkey enjoy a significant economic relationship, with various goods being exchanged between the two nations. Iran primarily exports gas, petrochemical and polymer products, bitumen, industrial oils, as well as agricultural products like watermelon, dates, and cement to Turkey. On the other hand, Iran imports health and beauty products,

detergents, clothes, industrial machinery, auto parts and accessories, medical supplies, and some mineral and construction products from Turkey.

To foster this economic bond, the Joint Economic Commission has successfully conducted 26 sessions, resulting in the signing of several important documents and memoranda of understanding. Notable agreements include the 26th Joint Economic Commission Memorandum of Understanding, the Preferential Trade Agreement, and the Memorandum of Understanding on Railway Cooperation, the Tax Cooperation Agreement, the Customs Cooperation Agreement, and the Trade Agreement with the National Currencies of the Two Countries (Deputy Minister of Economic Diplomacy Foreign, 2019). The following Table 1 shows the trend in exports and imports of Iran and Turkey over the last ten years.

Table 1. Volume of exports and imports of Iran and Turkey from 2009 to 2018

year	Iran exports to Turkey (Billion dollars)	Iran imports from Turkey (Billion dollars)	Total trade volume (Billion dollars)
2009	3405986	2024546	5430532
2010	7645008	3044177	10689185
2011	12461532	3589635	16051167
2012	11964779	9921602	21886381
2013	10383217	4192511	14575728
2014	9833290	3886207	13719497
2015	6096254	3663760	9760014
2016	4699777	4966176	9665953
2017	7492104	3259270	10751374
2018	9324036	2392778	9324036

(Source: Turkish Statistical Institute, 2019: id = 1046)

Although political issues have affected the economic relations between Iran and Turkey at different times, it is undeniable that the economic aspect has been one of the most important aspects of their bilateral relationship

While these political challenges have had their impact, the economic ties between Iran and Turkey have generally remained strong and resilient, showcasing the mutual benefits and shared interests that drive their cooperation. Efforts to maintain open channels of communication

and engage in diplomatic negotiations have played a crucial role in bridging political differences and preserving the flow and fluidity of economic exchanges between the two countries.

For example, one of the issues that affected the economic relations between the two countries was the approach of the two countries in regional issues. A clear example of this can be seen in the Syrian crisis. Due to the increase in the differences in the political relations between the two countries from 2012 onwards, economic relations also experienced a significant decline. Between 2012 and 2014, when political differences between the two countries peaked, trade relations between the two countries also declined. During this period, the issue of sanctions against Iran was also raised, and Turkey, to some extent, sided with the West. Turkey's accession to US unilateral sanctions against Iran, the reduction of oil purchases, and the imposition of banking restrictions can be seen as Ankara's cooperation with the West to put pressure on Iran (Banihashemi, 2012: 115). Of course, some factors in the decline of Tehran-Ankara relations should be considered outside the will and desire of the leaders of the two governments. Anti-Iranian sanctions imposed by the United States and the European Union and the imposition of Turkey's economic ties with the West on the one hand and the decline in Iran's oil revenues have pushed trade between the two countries in 2013 to be reduced from \$ 22 billion in 2012 to less than \$ 15 billion. During this period, White House officials put additional pressure on Ankara to reduce trade relations with Tehran and prevent Iran from circumventing sanctions through Turkey, especially in the transfer of money and precious metals. Nevertheless, the Turkish leaders, aware of the booming Iranian market, having the opportunity of the neighborhood and previous experience and contacts, hoped to gain a suitable share of this market in the light of the gradual lifting of sanctions. Iran, on the other hand, was looking to expand cooperation with its western neighbor to offset the very negative effects of sanctions and exit negative economic growth. The 2014 visit of the Turkish Prime Minister to Iran can be considered the beginning of the reconstruction of economic relations between Iran and Turkey. During Erdogan's visit to Iran in January 2014, several economic agreements were signed between the two countries and it was decided to establish a Joint High Council of Iran-Turkey Cooperation chaired by the Vice President and

Prime Minister of Iran with the presence of related ministers. (Haghpanah, 2013: 33-38). Based on the provided explanation, this section will focus on the variables that impact the economic relations between Iran and Turkey.

Membership in economic treaties

Iran and Turkey are members of the Economic Cooperation Organization (ECO) and Development 8 (D8) economic treaty. Although neither of these two treaties has achieved its goals as well as it should, there is capacity and ground for growth and convergence among members.

- Economic Cooperation Organization (ECO)

The Economic Cooperation Organization (ECO) is an intergovernmental regional organization comprising countries from Europe, the Caucasus and Central Asia, the Middle East, and South Asia with a population of more than 460 million people and more than 8 million square kilometers that connect Russia to the Persian Gulf and China to Europe (Economic Cooperation Organization, 2020). The overall goal of the organization is the sustainable economic development of member countries and the region as a whole. First established as the Regional Development Cooperation Organization (RCD) in 1964 by Iran, Pakistan, and Turkey, it was renamed the Economic Cooperation Organization (ECO) in 1985. In March 2017, the leaders of the member states at their 13th summit in Islamabad approved the "ECO Vision 2025", which outlines the main ECO paths for the coming years (Economic Cooperation Organization, 2020).

The process of convergence in this organization has been rather limited since its revival, and various challenges have surfaced among its members. Despite the presence of historical and cultural ties between its constituents, the organization has struggled to attain significant success in its endeavors. The Economic Cooperation Organization has tended towards a kind of political function and its economic function has been forgotten. At the same time, although ECO does not pursue political goals, the expansion of economic, trade, and cultural relations between members will automatically lead to the expansion of political relations and an increase in understanding between member countries (Afzali and Ansari, 2017: 338).

According to a 2013 study conducted by Basiri, Suri Qerlivand, and Janfeshan, several factors were identified as contributors to the organization's inefficient performance (p. 70). These factors encompassed: 1- Lack of components of efficient convergence, such as the belief in national rather than regional interests among the members of this organization. 2- Incomplete economic structure of member countries. 3- Weakness of some members such as Afghanistan and Central Asian countries. 4- Israeli and US interference in the affairs of member states and their subordination to powers outside the region. 5- Differences in political regimes and political and ideological conflicts between members. 6- Members' attachment to non-regional countries, such as Turkey's cooperation with the West, especially the United States and Europe, and its bid to join the European Union, Or Pakistan, which in its economic interactions has a view to the East and a view to the West, which considers equipping its economic resources to coordinate with the international economy to be more vital than strengthening cooperation with ECO. 7- The export of raw materials and being a single product is a problem that is prominent among members. 8- The fledgling government, lack of security and political stability in some countries, such as Central Asia, which is plagued by issues such as war and occupation by foreign forces, drug trafficking and ethnic and tribal conflicts, poverty, and deprivation. The presence of these factors likely hindered the organization's efficiency and overall success.

The ECO members encounter formidable obstacles when striving to attain a triumphant regional cooperation scheme. The endeavors exerted in pursuit of tangible outcomes necessitate unwavering perseverance from all participants. ECO possesses the potential to stimulate economic growth by fostering a cohesive and synchronized organization, thereby propelling nations to relinquish their reliance on larger countries and fulfill domestic requirements through collaboration amongst ECO member states. Because the expansion of trade and regional cooperation for these countries is a tool to achieve economic growth and development, which is done through cooperation between Iran, Pakistan, Turkey, and member countries, which paves the way for access to global markets (Bijan And Rahmani Vasokalaei, 2016: 75).

- Development 8 (D-8)

D-8 is an organization for development cooperation between Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan, and Turkey. The goals of the D-8 are to improve the position of member countries in the global economy, to diversify and create new opportunities in trade relations, to increase participation in international decision-making, and improve living standards. The idea of cooperation between important developing Muslim countries was emphasized by Professor Dr. Necmettin Erbakan, the then Prime Minister of Turkey, during a seminar entitled "Cooperation in Development" held in October 1996 in Istanbul. Representatives from Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, and Pakistan participated in the seminar. This conference was the first step towards the creation of D-8, and after a series of preliminary meetings, D-8 was officially held and began its activities with the Istanbul Declaration (D-8 Website, 2020).

Erbakan's goal in establishing the D-8 Group was the political and economic proximity between the Islamic countries, to increase their influence and role-playing in the Islamic world and the international system during the change of power in the international arena. An era in which there was a wider field for the acting of the middle powers. The Islamic world was also more prepared to move internationally; therefore, an organization of the largest Islamic countries could be used in this way. It seems that the founders of D-8 have largely sought to create a powerful group of Islamic countries by emulating the G-7 model. The G-7's approach was based on streamlining negotiations and facilitating decision-making processes. Erbakan also initially called for the formation of a group of Islamic countries with a flexible and efficient structure such as the G-7. The group's successful performance at the beginning of its formation was reflected in extensive media coverage. But the change of governments and leaders in these countries led to the decline of D-8. The Islamic Republic of Iran has been trying to reactivate D-8 in recent years. Iran's action in activating D-8 can be described as the government's motivation to find an international position in the period of changes in the international system. Iran's scenario for activating D-8 has been to establish a permanent secretariat and expand trade relations between member states. In their 2016 article, S. Shahabi and S. Nematollahi Sarvestani believe that this scenario cannot meet Iran's goals

to activate this group. This is because a similar scenario has been pursued in other mechanisms, such as ECO, and it is not advisable to repeat this scenario in D-8. In contrast to the proposed scenario, creating a flexible decision-making structure; non-bureaucratic is far from a rigid organizational structure in D-8. The leaders of the D-8 member states can formulate common views in the form of a flexible decision-making structure, and thus play an active role in the Islamic world and the international arena. In fact, the structure of non-bureaucratic decision-making along with the vast capacity of these countries allows the maximum use of this group to find a new role in the international arena and the Islamic world (Shahabi and Nematollahi Sarvestani, 2016: 88-88).

Bilateral trade agreements between Iran and Turkey and preferential trade agreements

As stated earlier, the economic aspect of Iran-Turkey ties holds significant importance, and despite occasional challenges in the overall relationship, their economic cooperation has demonstrated remarkable continuity. Trade agreements between the two nations have played a pivotal role in facilitating and strengthening their economic relations. Among these agreements, the preferential trade agreement deserves special mention due to its noteworthy impact on fostering bilateral trade. A history of trade agreements between Iran and Turkey includes:

- Agreement on the facilitation and expansion of transit and transportation of passengers and goods between Iran and Turkey, approved in 1955
- A trade agreement between Iran and the Republic of Turkey, approved in 1952
- Transit Agreement between Iran and the Republic of Turkey, approved in 1965
- Agreement on economic and technical cooperation between Iran and the Republic of Turkey, approved in 1978
- Law of the Agreement to Amend the Agreement on International Road Transport between the governments of the Islamic Republic of Iran and the Government of the Republic of Turkey approved it in 1980.

- Agreement on Reduction of Border Trade Tariffs approved in 2004 (Deputy of Economic Research, 2015: 5).
- Preferential trade contract in 2014.

One of the most important trade agreements between Iran and Turkey is the preferential trade agreement approved in 2014. Turkey is the only neighboring country with which a preferential trade agreement has been signed. In 2014, a preferential trade agreement was signed between the two countries, and with the implementation of the agreement, it was predicted that the volume of economic relations between the two countries would approach the goal of \$30 billion per year. However, despite initial optimism, the two countries trade relations not only did not increase, but also declined compared to previous years due to the cold political relations between the two countries as a result of the conflict in the Middle East, especially Syria, and the existence of some major customs and infrastructure barriers. Under the preferential agreement, Turkey has imposed preferential tariffs on 140 Iranian agricultural products and Iran on 125 Turkish industrial products. Analysis of trade between Iran and Turkey (before and after) the implementation of the agreement shows that Iran's choice of goods to request a preference from Turkey includes two important points; One is that Iran has not done the right thing in choosing its list of items (exports to Turkey). (Selected items in which, on average, 5% of them did not export to Turkey in the five years prior to the implementation of the agreement, or Turkey has no record of importing these items from Iran) and the other that the Iranian side has selected low-value items, the result of these two cases is the failure to achieve Iran's goals of receiving preference from Turkey (Golmohammadi, 2018b).

Proponents of the agreement emphasize the need to reduce tariffs and create an atmosphere of free competition to improve the quality of domestically produced goods and reduce smuggling. In addition, regarding the agreed export items, they point out that receiving a discount for the export of industrial goods to Turkey is not relevant due to the low tariffs on these goods in this country, and receiving a discount on tariffs for the export of agricultural products can be positively assessed. The argument of the proponents against not referring the agreement to the parliament for approval is also the decision of the

Cabinet regarding the option of reducing the commercial profit. Opponents of the agreement, on the other hand, see improving the quality of domestic production through tariff reductions as conditions that are not currently available and increasing imports by reducing tariffs to the detriment of domestic producers. In addition, justifying tariff reductions to encourage the legal entry of these goods is acceptable when the incentive to smuggle goods at tariff rates disappears after discounts are imposed; otherwise, tariff reductions will not have a significant effect on reducing smuggling into the country. On the other hand, Iran's products exported to Turkey listed in the agreement list are mostly raw and low-value-added products that are not compatible with the goals of a resilient economy and job creation in the country. Some opponents of the agreement believe that the annex to this agreement is outlined in a way that will not have a positive impact on the development of the country's domestic industries, this could be due to various reasons, including the weakness of the responsible organizations, the lack of serious studies in this regard, or the failure of the negotiating team to convince the Turkish side. While economic objectives often take center stage in trade agreements between countries, it's important to recognize that other factors like diplomatic, political, and security considerations can also significantly influence the formation and content of such agreements. These agreements can serve as a platform for enhancing overall bilateral relations, promoting regional stability, and fostering cooperation beyond the economic realm. Therefore, considering the different circumstances of Turkey in adopting common regional goals over the past few years and the emergence of differences in the political field, it seems that a review of the list of this agreement is available (Deputy Minister of Economic Research, 2015:16).

Iran's economic sanctions

The economic relations between Iran and Turkey have been impacted by political dynamics, including Iran's strained relations with the West and the subsequent imposition of sanctions, as well as Turkey's supportive stance towards Iran. A notable challenge for Iran's economy in recent years has been the escalation of economic sanctions. Following the revolution, the Islamic Republic of Iran faced a series of sanctions

imposed by the Western countries, particularly led by the United States. However, these sanctions intensified further in the wake of concerns regarding Iran's nuclear program, regional involvement, and missile-related activities. Despite the imposition of US sanctions, Turkey has maintained significant economic ties with Iran, making it a vital trading partner for the latter. Turkey has emerged as a beacon of hope for Iran, particularly during times of economic stagnation. Its significance became apparent when Turkey defied the US sanctions that were reintroduced in 2018. While most Western countries complied with the US orders and sanctions, Turkey refused. However, Turkey has decreased its oil imports from Iran as it boosted its import share from Russia and Iraq (Zweiri and Abusharar, 2022:69).

Following the successful implementation of the Joint Comprehensive Plan of Action (JCPOA) in 2015, the burden of sanctions on Iran eased slightly. However, the JCPOA's subsequent breakdown and the subsequent re-imposition of US sanctions dealt a severe blow to Iran. Once again, unprecedented sanctions targeted crucial sectors such as the Iranian oil industry and banking relations, which serve as vital lifelines for Iran's economy. Turkey plays a crucial role amidst the ongoing sanctions on Iran, finding itself both benefiting and suffering from the situation. The impact of these sanctions is two-fold for Turkey. On one hand, the decrease in trade volume with Iran and the restricted ability for Turkish investments in Iran bring about difficulties. Additionally, Turkey faces obstacles in accessing the Iranian market. Turkish Trade Minister Ruhsar Pekcan emphasized this point during the Iran-Turkey working conference held in Ankara in 2019. She highlighted how the resumption of US sanctions against Iran, which began on November 5, 2018, had a profound adverse effect on Turkey, second only to Iran itself (Saglam, 2019). However, amidst these challenges, Turkey also finds itself benefiting from its relationship with Iran. Iran's banking difficulties and its reliance on Turkey create favorable conditions for Turkey. Additionally, there's the matter of oil and gas sales, where Turkey requires such resources, and Iran may be compelled to offer them at reduced prices. Furthermore, the sanctions prevent Iran from capitalizing on the economic markets in the region, giving Turkey a competitive advantage. An examination of the banking relations between the two nations can prove insightful when considering their cooperation on

sanctions against Iran. After the AKP came to power in 2002, banking relations between Iran and Turkey were upgraded as support for future trade and commerce. The Turkish government allowed Mellat Bank of Iran, which has operated three branches in Istanbul, Ankara, and Izmir since 1981, to open new branches in 2004. In addition, Saman Bank is applying for a license to operate in Turkey. According to reports, Tejarat Bank and Pasargad Bank were also interested in entering Turkey, but none of the mentioned banks opened branches in Turkey until 2019. On the other hand, Iran did not allow foreign financial institutions to operate inside the country. Although two Turkish state-owned banks, Halk Bank and Ziraat Bank, are represented in Tehran, they are not fully operational in banking. While Iran was separated from the international financial system under the sanctions, the two governments focused on developing bilateral banking relations. Halk Bank specifically helped pay for oil exports to Iran; In addition, it solved the problem of India paying Iran in 2013. However, Halk Bank Deputy CEO Hakan Atilla was arrested by US authorities in New York in March 2017 and sentenced to thirty-two months in prison for helping Iran escape sanctions (Synkaya, 2019: 33).

It should be noted that Turkey's stance on the sanctions on Iran are somehow at a crossroads between cooperation with Iran and economic gain, and cooperation with the United States in sanctions against Iran due to strategic relations.

Ankara's diplomatic efforts are aimed at avoiding a dilemma between the United States and Iran in the first place, and then taking cautious steps based on cost-benefit analysis to address uncertainties and secure its national interests. If Ankara continues to maintain trade relations and access to Iran's energy resources, it must accept the risks of US punitive measures which could exacerbate the country's economic crises and lead them to deepen strategic relations with the Russian-Iranian axis, or, to prevent the rising costs of confronting the United States, to go along with sanctions and accept the costly consequences that result on its fragile economy. It should be added that Turkey, led by Erdogan, has always supported nuclear positions and opposed the imposition of hostile US sanctions on Iran, and in this regard has taken important steps to alleviate US economic pressure on our country. Such an approach from Turkey, whether in terms of cost-benefit and securing their national interests, and because of good

neighborliness and efforts to take advantage of such a bottleneck that Iran is in, Turkey has an undisputed structural capacity in the region in order to meet the vital needs during the sanctions period, and operational mechanisms should be established and implemented by the country's decision-making centers to use its capabilities (Golmohammadi, 2018a: 6).

In general, Turkey is an important player in the issue of sanctions for Iran, and the issue of sanctions against Iran and Turkey's role in banking relations and circumvention of sanctions is one of the variables affecting the economic relations between the two countries.

Competition in the Middle East economic markets

Another significant factor influencing Iran-Turkey relations in the economic realm is the competition for dominance in the regional economic markets. The extent to which countries in the region rely on trade with Iran and Turkey becomes a pivotal point of contention between the two nations. The level of competition revolves around vying for the position of being the primary economic partner and supplier, thereby enhancing their respective influence in the region. The degree of trade dependence of countries on each other is one of the issues that can be examined with the concept of the level of influence of each country in the market of the other party. By measuring the level of influence of each country in the market of its trading partner, in fact, it is possible to determine the power of the country under study in influencing the market of that partner. The higher the level of influence of the country in the market of the other party, the more dependence of the market of the other party is on the commercial goods of this country. One of the variables affecting the level of political relations between countries, which can be important, is the index of a country's influence in the market of its trading partner. If a trading partner supplies more of its imports from a particular country (ies), this could mean that the trading partner is dependent on that country (ies).

However, this issue may also mean that the very good political relations between the parties have caused their share in the import of this country to be very high (Shariatinia and Abedin Moghanaki, 2016: 32). Tables 2 and 3 show the number of exports of Iran and Turkey to

different regions and countries in 2017-2018 according to the World Bank statistics.

Table 2. Exports of Iran and Turkey to different regions of the world in 2018 (latest data available for Iran until February 2023) in thousand dollars.

Country	Iraq	UAE	Kuwait	Oman	Qatar	Azerbaijan	Afghanistan	Pakistan
Iran	8960694	5949219	253120	728569	225250	410530	2926661	1247234
Turkey	9437007	3254019	549607	439138	1244246	1701927	152802	509157

(Source: WITS, 2018)

Table 3. Exports of Iran and Turkey to different countries of the region in 2018 (Latest Data available for Iran in Feb. 2023) in thousand dollars

Country	Europe and Central Asia	Middle East and North Africa	Sub-Saharan Africa	East Asia And The Pacific	South Asia
Iran	5302260.61	16724108.42	249417.20	14367960.11	6367200.73
Turkey	106628906.86	39873121.23	4594090.64	8565774.83	2569638.68

(Source: WITS, 2018)

Upon examining the tables, it becomes apparent that a certain equilibrium exists in the competition for economic influence within the Middle East region. Iran maintains a dominant position in countries such as Afghanistan, Pakistan, the United Arab Emirates, and Oman. Conversely, Turkey exhibits a stronger presence in Iraq, Kuwait, Qatar, and Azerbaijan. These contrasting patterns illustrate a delicate balance of power between the two nations, as they strategically seek to expand their economic reach and solidify their foothold in the region.

Competition over Corridors

Situated at the crossroads of Europe and Asia, Turkey occupies a strategic position adjacent to the Mediterranean Sea, along with its domination over the Bosphorus and Dardanelles. This geographic advantage places Turkey as a neighboring country to the oil-rich nations of West Asia, the Middle East, and the Caspian Sea basin. Simultaneously, it enjoys accessibility to industrial Europe, a region in constant need of energy resources. Consequently, Turkey assumes a significant transit role in facilitating energy transportation from the aforementioned oil-rich countries to energy-dependent Europe, actively

capitalizing on its unique position to become an energy hub. Notably, Turkey's significance in energy corridors has experienced exponential growth following the Ukraine war starting 2014, further solidifying its pivotal role in the global energy landscape. Turkey certainly intends to strengthen its position between the East-West and South-North energy corridors. The East-West gas pipeline project, which is expected to transport gas from the Caspian and Middle East regions to Europe via Turkey, is called the Southern Gas Corridor (SGC). South Caucasus Pipeline (SCP), Baku-Tbilisi-Erzurum Natural Gas Pipeline (BTE), and Turkish-Greek Connections (ITG) are existing pipelines. The Trans-Anatolian Pipeline (TANAP) project, which forms the backbone of the Southern Gas Corridor, was inaugurated on June 12, 2018, and completed on July 1, 2019. (Transportation of the first commercial gas to Turkey began on June 30, 2018). It is expected that Azerbaijani gas will be delivered to Europe through the Trans Adriatic Pipeline (TAP) project in 2020. (Republic of Turkey-Ministry of Foreign Affairs, 2020).

On the other hand, Iran is trying to play a role in two corridors. The first corridor is the Iran-Iraq-Syria corridor, named the Friendship Pipeline. The initial agreement was reached between Iran, Iraq, and Syria, but regarding the Syrian crisis, this corridor was stopped in practice. The second corridor is the North-South Corridor with the participation of Azerbaijan-Russia-Iran. Of course, if it is completed, it will be of strategic importance for Iran.

Russia's need to come over the western sanctions has urged this eastern power to pay more attention to the north-south corridor. Russian President Putin likewise, speaking at the first anniversary of the Ukraine war, referred to the corridor by saying that Russia is developing International North-South Transport Corridor, which opens prospects for deeper cooperation with India, Iran, and Pakistan. (Mehr News Agency, Feb 2023)

Turkey's Energy supply by Iran

Turkey is a country that does not have enough indigenous fossil energy resources while it is economically thirsty for energy. Therefore, it needs to import oil and gas. Turkey imports 75% of its main energy sources, of which 60% is oil and gas (Ipek, 2017: 174). In 2018, Turkey imported 21

million tons of crude oil and consumed 49.3 billion cubic meters of gas. (Ministry of Energy and Natural Resources, 2019). On the other hand, Iran is one of the richest countries in the world in the field of oil and gas resources. This issue, i.e. Turkey's need for energy and Iran's need to sell oil and gas, has caused the two countries' economies to be complementary in the field of energy and to have a converging role in the relations between the two countries.

Iran and Turkey have been seeking to expand the natural gas trade since 1996. The two countries signed a 25-year agreement under which Iran pledged to export 10 billion cubic meters of gas a year to Turkey. In some cases, Iran has not complied with this obligation, citing domestic requirements. In 2002, the two countries completed the pipeline connecting the Tabriz gas fields to Ankara (Flanagan, 2012: 5). This agreement was implemented in 2001 and is valid until 2026. In 2018, Iran is the second-largest supplier of natural gas to Turkey after supplying 16% of Turkish gas after Russia, which supplies 47% of Turkish gas (PETFORM, 2019).

In terms of oil, Iran was among the top oil exporters to Turkey. In the first quarter of 2018, Iran was the number one oil exporter to Turkey, supplying 50.2% of Turkish crude oil (2.1 million tons of oil) (Tiryakioğlu, 2018). Of course, with the imposition of severe sanctions by the United States, this amount of exports has decreased by almost 51% to 84,000 barrels per day (Tasnim News Agency, 2019: News-ID 2105712). Despite all the restrictions, Iran's oil and gas exports to Turkey are still very important in the relations between the two countries and are among the converging variables. Iran's need to sell and on the other hand Turkey's need to supply energy resources and cost-effectiveness of Iranian oil and gas due to the quality and geographical proximity are among these factors. Of course, two issues are important regarding Iran-Turkey energy relations: The first is Turkey's energy diversification policy, which in recent years has sought to diversify its energy imports and not be dependent on one country. The second is Turkey's attempt to explore oil and gas in the Black Sea and the Mediterranean, which, if successful, would reduce Turkey's dependence on Iranian energy and affect future contracts.

Tourism economy in Turkey

Turkey is one of the most beautiful countries in the region and the world, with many historical and natural monuments. Only in 2019, Turkey's tourism revenue was \$ 34.5 billion (Sahin, 2020). Iranian citizens can travel to Turkey without a visa, and the main reasons for Iranian citizens to travel to Turkey are leisure, enjoyment of various natural, beach, and human attractions, along with trade, especially clothing. Tourism is one of the main economic stimuli in Turkey (Teymouri and Hakimi, 2017: 128).

According to the official statistics of the Turkish Ministry of Culture and Tourism, in 2022, 2,331,076 Iranians traveled to Turkey for tourism, and Iran ranks sixth in foreign tourists in Turkey (Ministry of Culture and Tourism, 2023). Of course, factors such as the dollar exchange rate affect the amount of Iranians traveling to Turkey. For example, in 2017, the number of Iranians traveling to Turkey was 2,501,948 people, (Ministry of Culture and Tourism, 2020).

Compiling of the questionnaire

In this study, economic variables affecting Iran-Turkey relations were observed and seven variables were identified. The obtained variables were adjusted in the form of a questionnaire. The questionnaire was prepared on the Likert scale and was judged by experts. In each questionnaire, experts were asked about each of the variables, and whether the variable affects the future of Iran-Turkey relations? If so, how important is it? What is the degree of uncertainty?

Selection method and statistical community of experts

Using the renowned Noormags scientific database, a thorough search was conducted to identify esteemed academic experts in Turkey, specifically those who have published a minimum of three scholarly articles within the past decade. With a focus on articles containing the keyword "Turkey" in their titles or keywords, an impressive total of 426 relevant articles were extracted. After a meticulous initial screening process, 285 articles successfully made it onto the final list for further examination. Delving deeper into the frequency of authors' names, a group of 24 individuals emerged as standout contributors, with three or more articles to their name. This meticulous approach ensures that only the most knowledgeable and prolific experts are recognized for their

academic endeavors. In the Executive Experts section, a list of 19 current and former officials at the Iranian Embassy in Turkey was prepared. Eleven prominent experts (Turkish desk officials and experts in the Ministry of Foreign Affairs and military-security institutions) were added to the list of experts by the method of snowball. Finally, a list of 54 experts on Turkish issues was prepared. While conducting the questionnaire, it's important to acknowledge certain limitations that were encountered. Regrettably, communication could not be established with three university experts, impacting the data collection process within this group. Similarly, four executive experts proved to be unavailable for communication during the survey. Despite these constraints, the research team made earnest efforts to engage with a broad range of participants, ensuring a diverse pool of insights and perspectives. By acknowledging these limitations, we strive for transparency and uphold the integrity of our research endeavors.

Validity and reliability of the questionnaire

The CVR ratio was used for the validity of the questionnaire. Lawshe considers the minimum validity with 35 experts to be 0.31. (Lawshe, 1975: 568). The reliability of the questionnaire was also calculated with Cronbach's alpha. Cronbach's alpha of this questionnaire was calculated 0.960 by SPSS software, which is evaluated as excellent. An alpha above 0.70 is acceptable.

Method of analyzing the results of the questionnaire Importance and uncertainty

To analyze the results of the questionnaire, as mentioned in the method section, the method of importance-performance analysis has been used. In this study, instead of the performance item, uncertainty has been replaced, which does not cause a gap in the method. Also, in analyzing the results of the present research questionnaire, the geometric average of the opinions of 35 experts about that variable has been used to summarize the opinions of experts about the importance and uncertainty of each variable. Then the arithmetic mean of the sum of the geometric means of the importance and uncertainty of the variables was determined as the value of the threshold of importance and uncertainty.

Results of the questionnaire

After collecting and aggregating the opinions of experts, the following results were obtained on the economic variables affecting Iran-Turkey relations:

Table 4. Economic Factors Affecting the Future of Iran-Turkey Relations

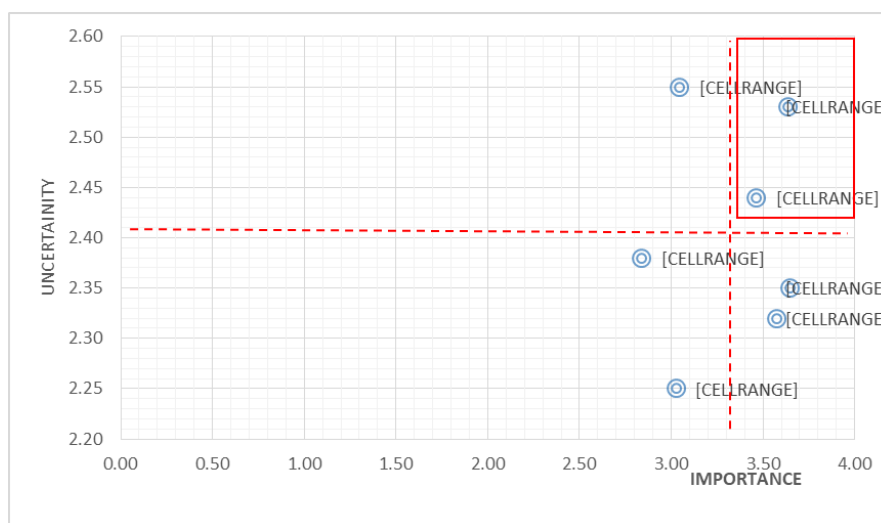
row	code	Statement	Frequency of positive responses to effectiveness	Lawshe ratio	Importance	Uncertainty
1	E1	Membership in Economic Treaties (Eco, D-8)	82.4	0.6	2.84	2.38
2	E2	Bilateral trade agreements between Iran and Turkey	91.4	0.88	3.65	2.35
3	E3	Economic sanctions on Iran	94.3	0.88	3.63	2.35
4	E4	Competition in the economic markets of the region	77.1	0.55	3.05	2.55
5	E5	Competition over corridors	88.6	0.77	3.46	2.44
6	E6	Energy supply (oil and gas) to Turkey by Iran	97.1	0.94	3.58	2.32
7	E7	The economy of tourism in Turkey and the trip of Iranians to Turkey	85.7	0.71	3.03	2.25
Threshold Value					3.32	2.40

Scatter diagram of economic factors

As can be seen in the results table of the questionnaire, the significance

threshold value was 3.32 and the uncertainty threshold value was 2.40. The small rectangle in the upper right corner of the scatter diagram shows two factors that have higher importance and uncertainty than the threshold value. These factors include:

- Iran Economic Sanctions (E3)
- Competition over corridors (E5)



Conclusion

In this article, focusing on the economic factors affecting the future of Iran-Turkey relations, seven economic factors affecting the future of Iran-Turkey relations in the next ten years were examined. These factors were then questioned in a questionnaire of 35 experts on Iran-Turkey relations. The validity of all seven variables was confirmed and identified as economic factors affecting the future of Iran-Turkey relations. The importance threshold value was 3.32 and the uncertainty was 2.40. Therefore, in the study of economic factors, factors whose importance and uncertainty are higher than these numbers will be the key economic factors affecting Iran-Turkey relations. The results show that the two factors of economic sanctions on Iran and competition over corridors, which their importance and uncertainty are above the threshold value, can be marked as key economic factors affecting Iran-Turkey relations.

Regarding the importance of the impact of Iran's economic sanctions on Iran-Turkey relations, it can be said that Turkey has provided a serious breathing space for Iran in severe economic sanctions, and therefore Iran prefers to maintain the atmosphere of cooperation in economic relations. Another aspect worth highlighting is the potential impact of Iran's economic resurgence following a possible agreement with the West. Iran possesses significant geo-economic potential, and if it rejuvenates its economic capabilities, it could emerge as a formidable competitor for Turkey within the regional economic markets. An activated Iranian banking system, for instance, could facilitate the revival of Iranian companies and businessmen in the realm of international trade. It is important to acknowledge that while Turkey may currently benefit from the existing tensions between Iran and the West, the presence of neighboring economic capacities could further drive economic cooperation between the two countries. Even if sanctions on Iran are lifted, the economic markets of both countries would continue to offer opportunities for collaboration. Therefore, it is crucial for Iran to prioritize mutual economic needs and consider Turkey's fundamental interests in nurturing and sustaining the complementary relations between the two nations, irrespective of the governing administrations involved. It is suggested that given that the economic dimension of relations has less uncertainty than other dimensions, a comprehensive and long-term roadmap of Iran-Turkey economic relations (20-30 years) should be developed to provide a strong legal basis for future Iran-Turkey relations, regardless of established governments.

Indeed, the presence of corridors holds considerable economic benefits for both Iran and Turkey, but it also amplifies the geopolitical and geo-economic influence of nations. Corridors serve as vital routes that enhance connectivity and facilitate trade, thereby generating substantial economic income. Furthermore, these corridors contribute to bolstering a country's geopolitical significance by strengthening its position within regional and international dynamics. By establishing and controlling corridors, nations can augment their bargaining power in political equations, as they possess strategic assets that are essential for the movement of goods, resources, and people. Consequently, corridors play a crucial role in shaping the political and economic

landscape, enabling countries to assert their interests and exert influence on a global scale.

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