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Turkish-Iranian Energy Cooperation and Conflict: The Regional Politics

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The outcome of the March-April 2015 nuclear negotiations between Iran and the P5+1 (China, United Kingdom, France, Russia, United States, plus Germany) increased economic and trade optimism towards easing of sanctions on Iran. This optimism had a strong energy dimension in Europe, as the EU has long been scrambling to find alternatives to its dependence on Russian gas.[1] While individual EU members have been looking after their national energy interests, a common EU energy policy has not been forthcoming.[2] For its part, Turkey has long been supportive of pipeline projects that would strengthen its bid to emerge as the region's energy-transit hub and prioritized this as a main foreign-policy goal.[3]

In exporting Iran's gas to Europe, LNG transit is the most immediate option. However, given the increasingly violent Saudi-Iranian rivalry in Yemen, LNG transit through Aden will likely be problematic in the short term.[4] Also, in order to render the Iran deal politically meaningful, with the prospect of opening up Iran to world markets more sustainably, construction of an Iran-Europe pipeline seems more strategically sound. Among possible Iran-origin pipelines was the proposed "Persian Pipeline," which would connect Iran's South Pars gas field with European markets through Turkey. In Iran's westbound pipeline options, Turkey is difficult to overlook, with an already existing natural-gas pipeline infrastructure and another major project — the Trans-Anatolian Pipeline (TANAP) — already underway as a future connector.[5]

Both Turkey and Iran see themselves as critical energy hubs — Iran exporting oil and gas to the eastern markets of Pakistan, India and China, and Turkey sending Middle Eastern and Central Asian gas to Europe. Iran has an important advantage: as a producer and potential large-volume exporter, it is less vulnerable to political pressures from large-volume importers; Turkey has to balance the political pressures of buyers. Nonetheless, Iran's eastern export options fall short in terms of infrastructure financing options, long-term pipeline security and pricing transparency. Thus Tehran has been looking with more favor towards European options.[6] This means that Turkey will grow increasingly relevant in the post-sanctions period in planning for the export of Iran's gas. However, there are significant political and strategic disagreements between Ankara and Tehran that need to be smoothed out before any agreement can be reached on exporting and transporting gas from Iran's South Pars field.

ECONOMIC DYNAMICS

Turkish-Iranian rivalry and cooperation have been fundamental structural dynamics of the Middle East since Shah Ismail I proclaimed the Safavid Dynasty in 1501 and united all Persia as a Shiite empire in 1509. Since then, the main ideological poles in the Middle East have been the Shiite Safavid Empire and the Sunni Ottoman Empire, fighting direct and proxy wars to expand their respective Islamic ideologies. Despite these conflicts, however, Ottomans and Safavids continued to trade, mainly through Armenian and Arab merchants who oscillated between the Hamadan-Antioch and the Baghdad-Tyre-Aleppo routes along the western end of the Silk Route.[7] Both empires learned to fight and trade simultaneously, without war necessarily restricting the flow of merchandise.

It was only after the Treaties of Erzurum in 1823 and 1847 that the Ottomans and Persians (the Qajar dynasty after 1789) finally agreed to recognize each other as autonomous parts of the world *ummah* and enter a period of relative stability. Despite this, religious-ideological differences prevented both empires from rising above mutual mistrust.[8] Not until the 1930s were the two able to expand and deepen their cooperation, largely due to the similar secular-modernization ideologies of Turkey's Mustafa Kemal Ataturk and Iran's Shah Reza Pahlavi. Momentum built through the marginalization of sectarian and historical differences, and through secularism, led to the unprecedented Treaty of Friendship in 1926, a definitive border treaty in 1932 and a nonaggression pact in 1937.

Perhaps the sharpest negative shift in Turkish-Iranian relations was the 1979 Islamic Revolution, which was comparable to Shah Ismail's consolidation of Persia as a Shiite empire. This time it was not Islamic doctrine per se, but the ideological difference in state-religion and state-society relations that drove the two neighbors apart. An Islamic Republic ruled by sharia law was the direct ideological opposite of a secular republic ruled by a European legal system.[9] Turkey maintained strong economic ties to both Iran and Iraq even during 1980-88 war, but ideological differences produced conflict in the 1990s as Iran supported the outlawed Kurdistan Workers' Party (PKK) in order to destabilize Turkey.[10]

The rise of the Justice and Development Party (AKP) in Turkey (2002), followed by the election of Mahmoud Ahmedinejad as president of Iran (2003), took place during the wars in Afghanistan and Iraq. Iran, seeing U.S. interventions on both sides of the country — plus being named part of an "axis of evil" — shifted its strategic thinking into a defensive mode, expecting an imminent U.S. invasion.[11] Tehran sought to activate its proxies in neighboring countries and stabilize its existing problems. In this context, the Kurdish question — more specifically, the PKK and its Iranian offshoot, PJAK — brought Turkey and Iran together during 2007-11.[12] Following joint military cooperation against PKK-PJAK, the two countries engaged in economic cooperation, sidelining political and sectarian differences.[13]

The primary rationale for Turkey's decision to expand its economic ties to Iran has been multi-tiered, beginning with its dependence on Russian natural gas. Since 2002, the Turkish economy witnessed impressive yet inconsistent growth, which increased the demand for energy at a substantial but unforeseeable rate. In order to reduce a politically restrictive dependence on natural gas from Gazprom, Turkey turned to Iran. In late 2008, Turkey and Iran signed an agreement that would allow Turkey to invest $5.5 billion in Iran's South Pars gas field in exchange for the operating rights to three off-shore fields there. Momentum increased further during President Recep Tayyip Erdoğan's visit to Tehran during the following year, ultimately ending in a failure to reach consensus over the technical specifics of marketing South Pars gas. This high-level failure to invest in South Pars, along with the failure to reduce the price of gas imported from Iran, became a low point in Turkish-Iranian relations. Coupled with the fact that Iran's gas is the most expensive in Turkey's import file and that there have been occasional disruptions in flow due to Iran's inefficient transit infrastructure, Turkish-Iranian gas relations have gone downhill since 2009. Following the international sanctions against Iran, they declined further. Upon Washington's insistence, Turkey also decreased its oil imports from Iran in late-2012 and initiated "gas-for-gold":[14]

> The Turks exported some $13 billion in gold to Tehran directly, or through the UAE, between March 2012 and July 2013. In return, the Turks received Iranian natural gas and oil. But because sanctions prevented Iran from getting paid in dollars or euros, the Turks allowed Tehran to buy gold with their Turkish lira — and that gold found its way back to Iranian coffers.[15]

Miscalculating Iranian and Russian stakes in Syria, Turkey gambled on a quick victory against Bashar al-Assad and became frustrated as Damascus refused to give in to Washington's and Ankara's demands.

No incident has been as poisonous for Turkish-Iranian relations, however, as the Syrian civil war. It has been the second-most-damaging factor in relations since the 1979 revolution. Through roughly a half millennium of history, whenever there has been a substantial change to the sectarian balance of power along the divide between Sunni and Shiite territories, Turks and Persians have fought, either directly or through local proxies.

When the Arab Spring occurred, Turkey and Iran approached its various manifestations quite differently. For Iran, these movements were reminiscent of the 1979 revolution: people were rising up to topple their leaders.[16] For Turkey, the movements were about an anger caused by decades of repression and widespread corruption.[17] Both countries saw them as opportunities for involvement. Iran saw a disruption of the established Sunni Arab strategic entrenchment that would allow Tehran to pursue its strategic goals. Turkey saw a call for the elusive "Turkish model," demanding Turkey's guidance toward a more democratic future. The most visible of such state-rebuilding roles was Turkey's involvement in Egypt. Turkish intelligence chief Hakan Fidan went to Cairo in August 2013 to counsel President Mohammad

Morsi on a number of important political issues, such as government inclusivity, prevention of isolation and even garbage collection.[18] Iran pursued similar influence options in Afghanistan, Bahrain and Iraq, with various levels of success.

The Syrian civil war also brought an opportunity for proxy wars. Miscalculating Iranian and Russian stakes in Syria, Turkey gambled on a quick victory against Bashar al-Assad and became frustrated as Damascus refused to give in to Washington's and Ankara's demands.[19] Iran and Russia, by contrast, believed that Assad's removal would create long-term regional conflict involving multiple radical groups, destabilizing all the neighboring countries.[20] Turkey would be spared, as Ankara had already planned for an interim proto-government that would be established by pro-Turkey Syrian opposition figures.[21] The spillover from Syria had a negative effect on Turkish-Iranian political relations, but not on business or trade. As mentioned earlier, Turkey and Iran have learned to cooperate and fight simultaneously. Even in 2014, when Ankara-Tehran disagreements over Syria had intensified, the Turkish-Iranian trade volume was $13.7 billion.

Following President Erdoğan's Tehran visit on April 7, 2015, the two countries agreed to disagree on Syria,[22] while simultaneously expanding their trade volume to $30 billion by the end of 2015.[23] With sanctions lifted, Turkey's main agenda was to reduce the price of imported natural gas from Iran. President Erdoğan stated this would significantly increase the volume of gas Turkey purchased.[24] Despite this direct request, Turkey simultaneously brought the issue of high gas prices to international arbitration in an attempt to force a 25 percent reduction in price from Tehran. The verdict was decided in May 2015 in Turkey's favor; Iran was forced to pay $760 million to Turkey's BOTAŞ Petroleum Pipeline Corporation and to promise fewer disruptions in flow during winter.[25] It was expected that Turkey would now purchase more natural gas from Iran, contributing to the $30 billion trade-volume goal.

However, the source of this gas, the South Pars field, does currently yield enough output to allow Turkey to successfully diversify away from Russia or send it to European markets via pipeline. According to one estimate, Iran will likely have 24.6 billion cubic meters (bcm) of natural gas for export within five years.[26] The field requires substantial development in order to produce politically meaningful levels of gas — at least to the extent of rendering Iran a political alternative to Gazprom.[27] Turkey had agreed to invest in South Pars in 2008, allocating $5.5 billion to bring the field up to a level at which it could produce 20 to 35 bcm per year.[28] Turkey would, in turn, gain operational rights to three South Pars gas fields. The deal was cancelled due to sanctions; now Turkey is particularly eager to revive the South Pars talks. Whether Iran is politically willing to enter into such talks, and to what extent the Syrian conflict has generated resistance from Tehran to Ankara's gas demands, are as yet unknown.

REGIONAL POLITICS

A Turkish-Iranian natural-gas partnership would have been much more feasible politically before the Arab Spring. As transnational Arab discontent rattled old regimes in the Middle East, it also shook the foundations of Turkish-Iranian relations, which need a relatively stable sectarian balance in the region in order to flourish. Both governments have to be secular in order to mitigate sectarian identity as a state ideology. As political developments in Tunisia, Libya, Egypt, Syria, Yemen and Bahrain created power vacuums, Turkey and Iran have both used their respective ideologies to fill them.

With the Syrian civil war, this situation took an even more negative turn, as five nodes of conflicting interests emerged between Ankara and Tehran regarding energy cooperation:

1) The emergence of the Islamic State in Iraq and Syria (ISIS, ISIL, IS or Daesh)
2) The Kurdish backlash following the civil war
3) Saudi-Qatari regional counterbalancing against Iran
4) The influence of the Iranian Revolutionary Guard Corps (IRGC) over the energy sector
5) The controversial Babak Zanjani-Reza Zarrab episode, which manifested as a corruption scandal in Turkey

Gambling on a quick victory in Syria, Turkey had planned for the swift removal of Bashar al-Assad, followed by the installation of a pro-Sunni interim administration and free and fair elections.[29] Unforeseen was the extent to which Assad's rule was reinforcing Iran's and Russia's regional geostrategy. For Iran, Syria was a substantial span of territory that connected the northern reaches of the Shia Crescent, a hypothetical area defining the Iranian zone of influence in the Middle East.[30] The replacement of Assad with a Sunni administration would impede Tehran's reach into Lebanon and its ability to deter Israel. For Russia, the removal of Assad would lead to uncertainty over its naval base at Tartus and its air base at Latakia,[31] its only direct access to the Mediterranean. These bases are important to Russia's larger interests in the Middle East. As Syria descended into chaos, the Turkish-American axis has supported groups diametrically opposed to those supported by Russia and Iran, effectively rendering Ankara and Tehran proxy combatants. Meanwhile, ISIS has consolidated itself as a protostate. Originally spawned as al-Qaeda in Iraq, the group represented Sunni resistance to the pro-Shiite Nouri al-Maliki administration in Baghdad, later spilling over into Syria as Assad's operations radicalized Syrian Sunnis as well. Effectively erasing the Syrian-Iraqi border, ISIS has become a defense against Iranian dominance in Iraq and influence in Syria. Ankara is seen by Tehran as part of a Sunni front.[32]

The second issue is the rise of a Kurdish awakening, a reflex against the expansion of ISIS. In late 2012, Turkish decision makers believed it was only a matter of time before the chronic "Kurdish question" would finally be resolved, and on peaceful terms.[33] The government had good relations with the Kurdistan Regional Government (KRG) in Iraq and was undertaking "positive negotiations" towards the disarmament of the outlawed PKK. With the expansion and unexpected strengthening of ISIS, along with its push towards the Turkish-Syrian border and KRG territory, the PKK did not disarm but reorganized itself to fight with ISIS, mainly in Syria.[34] Newly emerging Kurdish groups in Syria such as the Democratic Union Party (PYD) and People's Protection Units (YPG), with varying degrees of connection to the PKK,[35] were thus the main outlets of this newly emerging Kurdish awakening in Syria. Despite their target's being ISIS, Turkey was mostly concerned about the fact that these groups were extensions of the PKK and thus excuses for not disarming, as the group had promised in its peace negotiations with Turkey. There have also been several Syrian opposition statements that warned Turkey that the PYD was under "Iranian influence," along with the YPG.[36] This alienated Turkey further. With the eventual collapse of Turkey's Kurdish peace process in mid-2015, Turkey defined the PKK, PYD and YPG "as dangerous and as terrorist as ISIS"[37] though it only targeted the PKK. The connections of the PYD and YPG to the PKK, as well as their alleged ties to Tehran, forced Ankara to view this transnational Kurdish awakening with alarm. It runs from PKK cells in Kars across Turkey's Iranian, Iraqi and Syrian borders, creating an uninterrupted "Kurdish belt" that almost reaches the Mediterranean coast. Denying it access to the Mediterranean is a primary policy goal for Turkey. Iran would seem to benefit from Turkey's being cut off from the Sunni-Arab world by a Kurdish belt.[38]

The prospect of Bashar's removal and the collapse of the Assad dynasty in Syria was seen as a welcome development by Saudi Arabia, intent on denying Iran the strategic advantage it gained from the Iraq War of 2003.

The Turkish-Persian conflict is mirrored by the Saudi-Qatari rivalry in the Gulf region. The prospect of Bashar's removal and the collapse of the Assad dynasty in Syria was seen as a welcome development by Saudi Arabia, intent on denying Iran the strategic advantage it gained from the Iraq War of 2003.[39] To that end, Saudi Arabia became a major source of funds and arms for the Syrian rebels: according to *The New York Times*, not only Yugoslav-made M79 Osa guns, but also Croatian anti-tank weapons, shipped through Jordan.[40] Along with Turkey and Qatar, Saudi Arabia has backed the Syrian Jaish al-Fatah, which also included the al-Qaeda branch in Syria, the Al-Nusra Front.[41] The latter group turned into a more problematic investment for all three countries after the United States declared it a terrorist organization. Riyadh at the highest levels took part in efforts to topple Bashar al-Assad, but both Riyadh and Washington miscalculated Iran's and Russia's stakes in the Assad regime.[42] As Saudi Arabia pushed harder on Turkey and Qatar to escalate in Syria, Tehran increased its efforts to counter such influence. Complementing Tehran's commitment to the Assad regime in the form of Quds Force deployments and military supplies, Iran also lobbied Moscow directly to get Russia's active military support in Syria.[43] When Assad's forces lost the strategically key Idlib province in mid-2015, threatening his own survival as well as the Russian bases in Latakia and Tartus, Moscow officially joined the fight in October 2015.

The entry of Russian military forces into the Syrian theater effectively shifted the balance of power eastward, leading to the intensification of airstrikes against the Free Syrian Army and the so-called "moderate" rebel groups concentrated around Idlib and operating within Aleppo.[44] Russia's frequent airstrikes so close to the Turkish border from early October led to an escalation of tensions over airspace violations, culminating in Turkey's downing of a Russian SU-24 multi-role fighter on November 24, 2015.[45] The decision was momentous; this was the first time a NATO country had shot down a Russian plane since 1952. November 24 marked a new phase of escalation in Syria and served as a warning to the countries running proxy wars that they, too, could end up in direct interstate conflict. More important for Turkey, the prospect that its escalation with Russia could affect its 57 percent dependence on Gazprom[46] renders gas-supply security a critical national issue. This, in turn, creates greater momentum for Turkey to diversify as much as it can from Russia. Iranian gas imports become more relevant.

ENTER THE IRGC

There are two views in Tehran on the political plausibility of Turkey as a gas partner. On December 12, 2015, Javad Amin-Mansour, director for trade and energy negotiations at Iran's Ministry of Foreign Affairs, stated that Turkey is indeed a reliable partner in exporting Iranian gas to Europe in the post-sanctions period. Responding to a question on whether political disagreements may limit the extent of cooperation, Amin-Mansour followed up: "I don't see any problem basically, because Iran has the second-largest gas reserves in the world. So potentially it has enough reserves for that purpose, but by that time, it will depend on contracts between the two countries."[47]

This seems to be a favorable scenario for the European market, which has long been dreaming of diversifying away from Gazprom through Iran, sanctions being the main impediment. The sanctions had prevented both the flow of direct investment and the technology transfer to establish a large-volume natural-gas export infrastructure, forcing Tehran to resort to domestic financing to increase export capacity.

Javad Amin-Mansour's statement contrasts with that of Iranian Oil Minister Bijan Namdar Zanganeh, who also asserted on November 21, 2015, that Turkey isn't the only export route to Europe, that its transit pricing conditions are too high, and that Iran could just as well send its gas to Europe via LNG tanker shipments.[48] In early December, Iran had halved its gas exports to Turkey amid rising Ankara-Moscow tensions. This was understood in Turkey as a warning that Iran and Russia were enacting a joint natural-gas policy towards Turkey, and that alienating Russia would prevent Turkey from diversifying through Iran. Although the dispatching director of the National Iranian Gas Company, Manouchehr Taheri, said the boost came after a technical problem with the supply facilities was fixed,[49] it did not allay Turkish media fears that the gas cut was, in fact, a threat: Iran was using natural-gas supply as an "energy weapon."

A significant factor in Iranian opinion regarding exports to Turkey is the Iranian Revolutionary Guard Corps (IRGC). In authoritarian systems, the armed forces tend to develop great influence over the economy of the country. In Egypt, for example, the Egyptian armed forces exert substantial control over several economic sectors, and they increased it following the 2013 ouster of President Mohammad Morsi. In Shana Marshall's words:

> The Egyptian Armed Forces' contemporary influence must be situated within the broader context of mid-twentieth-century Pan-Arab nationalism and the prevailing development model, which identified the military as a key protagonist in indigenous industrialization and economic modernization. Under the theory of state-led development, the public sector was central to economic growth, and Egypt's military became the engine

of industry and the supplier of public services.[50]

Ayesha Siddiqa explored a similar trend in Pakistan, where she came up with the concept of "Milbus": "military capital that is used for the personal benefit of the military fraternity but is neither recorded nor part of the defense budget."[51] Just as in Egypt, the Pakistani armed forces have also carved out substantial business interests in the economic sector, nearing about $10 billion of investments by 2007.[52] In Turkey as well, the military retained substantial influence over the economy until the early 2000s, developing a hybrid model of state-led development while adapting to the liberalized market system in the post-Cold War world.[53]

Natural resources — especially fossil fuels — are critical within the context of military involvement in the economy; armed forces tend to monopolize these strategic commodities, citing independence and autonomy. The relationship between the IRGC and the energy sector has grown increasingly interlinked since the 1979 revolution, rendering the corps a significant decision maker.[54] The IRGC's involvement is also part of the historical narrative of anti-Western influence. It has been fueled by the domination of Iran's oil sector by the Anglo-Iranian Oil Company from 1908 to 1953. That year, the CIA's Operation Ajax toppled Prime Minister Muhammad Mossadegh, who planned to nationalize the oil sector.[55] In a way, these two events set the tone for Iranian resource nationalism and define the way the IRGC thinks about exporting gas to Europe or allowing Western international oil companies (IOCs) to operate in Iran.

The IRGC's involvement in the economic sector started in 1989, when it created Khatam ul-Anbia (Seal of the Prophets) as an engineering contractor to provide employment for IRGC veterans and use their acquired skills to build infrastructure. Today, Khatam has around 40,000 employees, making it one of the largest enterprises in Iran.[56] During the 1990s, when Total and Royal Dutch Shell signed deals in Iran, Khatam had a small presence in the sector. This changed after 2005 as Ahmedinejad used government tools to subsidize Khatam's expansion into the gas sector as a way of nationalizing it.[57] As post-2010 sanctions forced IOCs out of the Iranian market, Khatam filled the gap and tightened IRGC control over the sector. Khatam's involvement in both the gas sector and the nuclear program rendered it even more powerful. The company was able to use its dominance to leverage terms with international energy companies intending to enter the Iranian market. Thus, even though sanctions have been permanently lifted, Khatam's dual role within the Iranian energy sector may prohibit IOCs from developing infrastructure to export Iran's gas.

It must be underlined that the very reason Khatam expanded its interests in the natural-gas sector was the sanctions regime. As international sanctions created a vacuum in the Iranian economy, it was filled by the IRGC, and to a certain extent by China and Russia.[58] During the Ahmedinejad period, the IRGC was awarded no-bid contracts, along with substantial funds channeled through state loans, that specifically enabled Khatam to monopolize natural-gas infrastructure and achieve an influential role in any future involvement of IOCs in the energy sector.[59]

Sanctions, through weakening the state's ability to financially communicate with the world, are thought of as a way to coerce more cooperative behavior. However, Takeyh and Malone argue that the U.S.-led international sanctions had mixed success, and after 2006 had direct adverse effects on Iran's reformists.[60] In attempting to weaken Iranian hawks and facilitate a broader regional transformation, President Bush sought to cordon off Iran from the Middle East's broader regional transformation. This alienated Iranian moderates and strengthened the hardliners, enabling the IRGC to dominate the energy sector. In turn, Takeyh and Malone argue, the Iranian regime has skillfully managed to foster Iran's indigenous capabilities and control over key resources. European companies had to exit the Iranian market and make way for the Russian Instrument Design Bureau (KBP), Rosoboronexport (ROE) and the Russian Aircraft Corporation (RAC), and the Chinese BST Technology and Trade Company and the Tianjin Flourish Chemical Company.[61] During that period, Khatam and Petropars were awarded 18 stages of the South Pars gas field, effectively dominating a substantial portion of its development.[62]

However, Khatam is not an uncontested power in Iran's energy sector. The company's weight is determined by Iranian power politics, namely the struggle between the IRGC and the reformists. Ayatollah Khomeini strictly forbade the IRGC to get involved in politics; it was to remain a regime-protection unit.[63] However, in 2005, hostile U.S. rhetoric, along with the ongoing Iraq War, led Tehran to go into "survival mode." Supreme Leader Ali Khamenei and the IRGC supported Mahmoud Ahmedinejad in the face of voter fraud and ballot-box stuffing.[64] In return, Ahmedinejad granted larger contracts and loans to the IRGC, expanding its stake in the economy and politics. This, conservatives argued, was necessary, given the imminent threat of U.S. invasion and growing hostility in Europe.[65]

It was against this backdrop that Mir Hossein Mousavi was denied victory in the 2009 presidential elections; the IRGC made sure that Ahmedinejad won re-election. The reformists and Green Movement then asserted that this amounted to a coup on the part of the IRGC. Therefore, when he ascended to the presidency in 2013, Hassan Rouhani had to tread a fine line between ending Iran's economic isolation and retaining the IRGC as a safety valve in case negotiations with the West went awry. The signing of the sanctions deal has strengthened Rouhani's bid to minimize the IRGC's involvement in the economic sector and use natural-gas exports as a political tool to gain more domestic leverage. This political rivalry is central to any discussion of Iran's gas exports, especially through Turkey. In 2004, the IRGC had prevented the Turkish consortium Tepe-Akfen-Vie from building Tehran's Imam Khomeini International Airport, citing security concerns.[66] In 2009 as well, Turkey's cell-phone provider Turkcell was forced out of Iran by the IRGC shortly before the latter took over the Telecommunications Company of Iran.[67]

The most significant event related to the IRGC's energy dealings with Turkey was the Babak Zanjani/Reza Zarrab episode. Babak Zanjani, a key facilitator of Iranian oil and natural-gas deals through his involvement with the Naftiran Intertrade Company and the National Iranian Oil Company, was arrested in December 2013.[68] Targeted by both the United States and the EU due to his involvement in the export financing of Iranian oil and natural gas, Zanjani was effectively acting as the IRGC's main actor in bypassing energy sanctions. Zanjani's point man in Turkey, Reza Zarrab, was exposed, also in December 2013, as a part of the so-called "17-25 December process," during which a number of audio leaks shook Turkey's Justice and Development Party.[69] These leaks included senior AKP officials' and ministers' conversations with Reza Zarrab, which became the basis of his detention, along with the sons of the ministers of the interior and foreign trade. Since 2011, Reza Zarrab had been in charge of Safir Gold Trading Limited, through which he ran the "gold-for-oil" deal with Iran, in which Turkey bought oil and paid in gold, bypassing international sanctions.[70] In 2012, Zarrab's Safir Trading company covered 46 percent of the $12 million in gold exports.

The arrests of Babak Zanjani and Reza Zarrab came months after the June 2013 election of Hassan Rouhani, who allied himself with Iranian Intelligence Ministry officials and the IRGC's old guard to purge Ahmedinejad-era officials and IRGC members.[71] More significant, the newly appointed oil minister, Bijan Zangeneh, strongly criticized the IRGC's role in the energy sector, accusing it of bribery and other misconduct. The Guards hit back, claiming that, without them, there would be no way for Iran to steer through international sanctions and signaling that they would retain their interests in the energy sector.[72] Just as Iran's decision to export its gas through Turkey is negatively influenced by the two countries' ongoing rivalry in Syria, it is also influenced by the extent to which President Rouhani will be able to keep the IRGC out of that decision-making process.

Will Iran decide to export natural gas through Turkey or not? The IRGC might argue that Iran must not open up its gas market to international business before the IRGC creates an internal and regional monopoly over it and the ongoing dispute in Syria is settled. This partly originates from Iran's troubled history with exploitation by Western countries over its oil sector, but it is also a function of Iran's domestic power politics. The IRGC will seek to mimic Gazprom's weight in Russian foreign policy, through dominating foreign-policy and intelligence decision making, but also through using natural-gas deals to lay the foundations of political influence over the region's capitals. In doing so, the IRGC, encouraged by the fact that Iran's proven reserves merit such a regional role, will seek to exert the same systemic dependency network in its environment that Gazprom enjoys. IOCs seeking energy investments in Iran, or Turkish negotiators aiming to connect Iran to Western markets, will therefore become part of the power struggle between the reformists and conservatives and their historical memories of the AIOC and Operation Ajax.

CONCLUSION

In a comprehensive recent study, Michael Tanchum posits that both Iran's westbound and eastbound gas-export options are almost equally feasible.[73] What will determine the eventual direction from a political standpoint, according to Tanchum, is the extent to which Caspian exports are secured by the EU or China. If Iran's gas exports end up going westward, through a pipeline, then connecting it to Turkey's existing Trans-Anatolian Pipeline Project (TANAP) would be most logical. However, Iran's decision to connect to Europe through Turkey is a more difficult one than the macro-decision of exporting to the EU or China. The direction of Iranian exports will also determine Iran's long-term relations with its neighbors. While Turkey offers comparatively better infrastructure and a relatively more open and amenable energy sector, there are also high-profile disagreements in play that affect both countries' national-security considerations.

As ISIS, the Syrian civil war, Iraq's territorial integrity and Russia's entry into the Middle Eastern theater dominate this agenda, the most important but less verbalized issue is how the IRGC views Turkey and to what extent that view is going to influence Tehran's energy relations with Ankara. As the IRGC, through its business extension Khatam, influences Iran's economy and natural resources, it will certainly seek to retain the gains it made during the Ahmedinejad period. However, it will have to battle the Rouhani government, which has gained immense international prestige and domestic popularity by negotiating the nuclear deal. As Supreme Leader Khamenei is currently taking a step back to assess the struggle between reformists and conservatives, Iran's decision to export natural gas to Europe through Turkey in the post-sanctions period becomes an issue of regime security, rather than a mere economic decision. In that regard, the political future of the Iranian energy industry is largely dependent on whether Bijan Zanganeh can survive against the IRGC, even though he is supported by Rouhani and tacitly endorsed by the supreme leader, who is willing to retract IRGC gains in the sector. However, Zanganeh's ability to survive politically will hinge on keeping the IRGC's core interests in consideration without forcing them to make too many concessions.

However, in whichever direction (China-bound one-belt, one-road; or Europe-bound Southern Gas Corridor) Iran eventually chooses to export its gas, it will not be able to afford to overlook Russian interests. Whichever political system Iran will fuel through its gas exports will be less dependent on Russian gas. It is thus a decision for Moscow, too, whether it can afford its gas monopoly to be challenged by Iran in Europe or China. Given that two of Russia's current military engagements, Ukraine and Syria, involve substantial NATO and EU aspects, it is unlikely Russia will allow its gas leverage to be challenged by Iranian exports. This, however, is what Turkey and the EU specifically want.

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