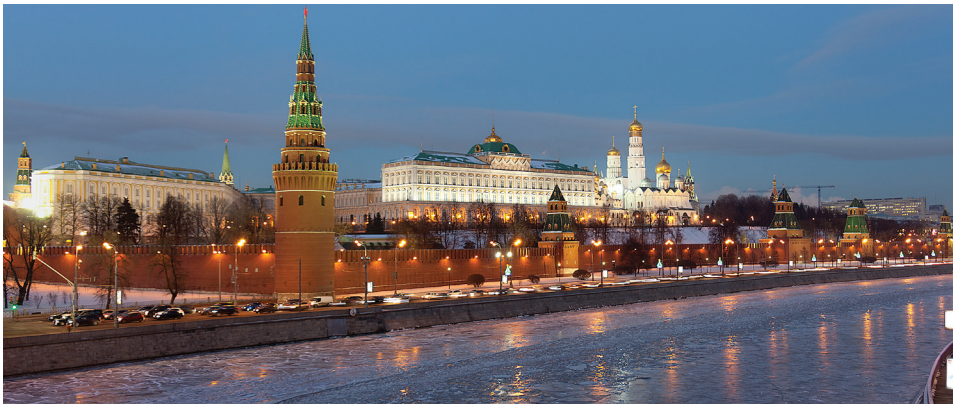


ABBREVIATED EDITION

The Turkey, Russia, Iran Nexus

DRIVING FORCES AND STRATEGIES



March 2013

Project Director

Authors

Project Manager

Stephen J. Flanagan

Bulent Aliriza

T.J. Cipoletti

Jon B. Alterman

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PREFACE TO THE ABBREVIATED EDITION

This report presents the key findings of an 18-month CSIS project to assess the forces and interests shaping relations among Turkey, Russia, and Iran; the strategies that these governments are pursuing to manage differences and sustain cooperation; and, how these dynamics are influencing regional developments in the Eastern Mediterranean, Caucasus, and Central Asia. It includes an executive summary and the second chapter, “Strategies and Driving Forces in Turkey, Russia, Iran Relations,” of a longer report that will be published in June. The full report will examine the regional and geostrategic implications of these dynamics and offer further recommendations for managing U.S. relations with each of the three countries and influencing regional developments in the advancement of critical U.S. interests.

The project has involved five CSIS programs and been enriched by our partnership with the Economic Policy Research Foundation of Turkey (TEPAV) and the Institute of Oriental Studies of the Russian Academy of Sciences (IVRAN). With generous support from the Carnegie Corporation of New York, the CSIS team worked with our partners to organize workshops in Ankara and Moscow that brought together a diverse group of analysts and officials. The workshops promoted a rich dialogue that, together with several commissioned papers, has enhanced our analysis and given it a deeper multinational character. We are most grateful to Dr. Guven Sak, managing director of TEPAV, and Academician Vitaly Naumkin, director of IVRAN, and all their colleagues, as well as the many other scholars, officials, and journalists who shared their insights.

The project has been led by Stephen J. Flanagan, Henry A. Kissinger Chair in Diplomacy and National Security, and included Bulent Aliriza, director and senior associate, Turkey Project; Jon B. Alterman, Zbigniew Brzezinski Chair in Global Security and Geostrategy and director, Middle East Program; Andrew C. Kuchins, director and senior fellow, Russia and Eurasia Program; Jeffrey Mankoff, deputy director and fellow, Russia and Eurasia Program; and Edward C. Chow, senior fellow, Energy and National Security Program. The senior scholars benefitted from superb research and program support from T.J. Cipoletti, program manager; Craig Bonfield, Andrew Haimes, Leigh Hendrix, Daniel Holodnik, Deni Koenhems, Sung In Marshall, Rebecka Shirazi, and Aigerim Zikibayeva, research assistants, as well as a number of talented interns. We are also grateful to James Dunton, CSIS director of publications, for his sound editorial guidance and to Alison Bours, creative director, for her design work.

Stephen J. Flanagan
March 2013



EXECUTIVE SUMMARY

Why This Triangle?

Complex and often-contradictory interactions among Turkey, Russia, and Iran are shaping regional dynamics in the Eastern Mediterranean, Caucasus, and Central Asia, as they have for centuries. The nexus of the three pairs of relations are influencing each country's dealings with the other two as well as with the United States, and are being whipsawed by unfolding events that continue to surprise the leaders of these historic rivals. Starkly differing policies toward the Syrian civil war and the Arab Spring have strained Ankara's previously cooperative relations with Moscow and Tehran.

Understanding these dynamics is essential to avoiding a wider war in the Middle East, renewed conflict in the Caucasus, and instability in Central Asia. Most immediately, in order to broker a political transition in Syria and resolve the Iranian nuclear crisis peacefully, the United States and the international community will need to engage these three powers effectively.

Driving Forces and Strategies

Turkey-Russia: The Limits of “Strategic Partnership”

The current Turkish government has made improving relations with Russia a priority since it took office in 2002. Trade with Russia began to grow in the last decade of the Soviet period, and Ankara has sought to use deepening economic and energy ties to pave the way for cooperation on political and security issues. The Kremlin has tried to leverage those ties to encourage Ankara to pursue a more independent stance in international politics, periodically challenging U.S. and European policies.

Trade, investment, and tourism between Turkey and Russia have grown enormously over the past decade. Russia has been Turkey's leading trade partner (after the European Union as a bloc) since 2008. Total bilateral trade topped \$33 billion in 2012, with Turkish energy imports accounting for about 80 percent of this volume. Still, Russia is Turkey's third-biggest export market and each country has sizable direct investments in the other. The two governments aim to triple trade by 2015, but this goal is unrealistic.

Bilateral energy relations reflect some mutual interests, but are also competitive. Turkey's energy strategy seeks to balance its needs for secure supplies from Russia with its ambition to become a vital energy bridge to Europe and the West. Turkey seeks to reduce its heavy dependency on Russian natural gas and oil through diversification. Meanwhile, Russian efforts to control the flow of energy from the Black Sea and Caspian Basin regions threaten Turkey's ambition to play a key role in expanding the East–West energy transit corridor—even as it further develops its own North–South energy axis with Russia.

The two governments have been successful in insulating mutually beneficial commercial and energy ties from sharp differences over Syria and the Arab Spring. This will be increasingly difficult unless Moscow elects to work with the international community to foster a political transition in Syria and play a more constructive role in the Eastern Mediterranean and unless they develop some rules of the road in the Caucasus.

- Despite the declaration of a “strategic partnership” in 2010, the relationship remains more tactical than strategic, as the two countries lack a common political agenda and have more divergent than convergent interests.

Iran-Turkey: A Wary Partnership under Strain

Turkey’s relations with Iran have had their ups and downs. There are, however, fundamental limitations on what remains a wary partnership, given enduring rivalry, suspicion, and deep sectarian and cultural differences. Both governments have a strategy of using mutually beneficial economic and energy ties as a way to keep their competition peaceful. Iran’s ties to Turkey are also important in avoiding further international isolation.

The Turks have been repeatedly disappointed in a number of trade and investment deals with Iran over the past decade. Still, Iran has become Turkey’s fifth-largest trading partner. The two governments are committed to expanding annual trade to \$30 billion, but this goal is unrealistic. Iranian travel to and investment in Turkey have grown significantly. Iranian firms are increasingly operating in Turkey as a way to access international markets.

Iran and Turkey have sought to expand natural gas trade since 1996. Iran has become Turkey’s second-largest supplier of natural gas after Russia, but has yet to fulfill its supply commitments. Due to high price, quality concerns, and uncertain supplies from Iran, Turkish energy planners are focusing on attaining more Azeri gas in the near term and Iraqi as well as Turkmen gas over the longer term. Iran has also been a major supplier of oil to Turkey, but in 2012 Ankara yielded to pressure from the United States to reduce these imports in order to avoid financial sanctions related to Iran’s nuclear program.

Turkish and Iranian interests diverge on gas transit and Caspian Basin development. Turkey seeks to serve as a transit corridor for Caspian, Central Asian, and Iranian gas supplies that might one day head to Europe. Iran opposes the Trans-Caspian pipeline to transfer Central Asian gas to Europe via Turkey and favors other routes to reach European markets.

Political and security cooperation between the two governments has been mixed. The two have convergent policies on the Palestinian issue, but sharp differences on the Arab Spring, Syria, and Iraq. Turkish officials remain greatly alarmed by Iran’s fanning of Shi’a–Sunni tensions in the region. Limited cooperation to counter affiliated Kurdish terrorist groups has collapsed in the face of Iranian and Syrian support to terrorist groups operating against Turkish interests.

- Turkey–Iran relations have entered a volatile phase. Despite the efforts of both governments to suggest an enduring partnership, growing differences could lead to a rupture in bilateral relations or even conflict. The Turkish government still hopes that its diplomatic and economic engagement will facilitate a political transition in Syria, a dampening of Shi’a–Sunni tensions, and peaceful resolution of the crisis over Iran’s nuclear program. Ankara’s decisions to accept deployment of a NATO missile-defense radar on Turkish territory reflects some hedging. Tehran hopes that Ankara’s pragmatism and quest for energy and export markets sustain the relationship, but Iran needs Turkey more than Turkey needs Iran.

Iran-Russia Relations: Limited Cooperation

Russia–Iran relations are the least-developed side of this triangle. During the last decade, the Kremlin viewed Iran as a growing market (including for conventional arms) and a potential partner in balancing U.S. and Turkish influence in Central Asia and the Caucasus.

The Kremlin has never viewed Iran as an urgent or even looming security threat. Russian leaders find Tehran’s anti-Americanism useful as a way to balance U.S. political influence, and have used their policies on Iran’s nuclear program as a bargaining chip with Washington to gain other concessions. Iran has developed its cooperation with Russia—despite abiding historical suspicions about Moscow’s intentions and its policies toward Muslim communities—in support of its larger strategic goal of counterbalancing U.S. dominance and promoting a multipolar world.

Bilateral relations soured after 2010 due to Russia’s support of further UN sanctions on Iran, delays in finishing construction of the Bushehr nuclear plant, and cancellation of the sale of the S-300 air-defense missile system. President Putin does not get on well with President Ahmadinejad, but as differences with Washington on arms control, missile defense, Syria, and other developments in the Middle East have grown, Moscow has found some scope for cooperation with Tehran.

Total annual bilateral trade between Iran and Russia has tripled over the past decade, but volume remains quite small. Russia accounts for about 1.8 percent of Iranian foreign trade volume, and Iran represents only 0.5 percent of Russia’s. The two governments have expressed a desire to expand volume to \$10 billion annually, but this does not seem like a high priority for either side and the potential for dramatic growth seems unlikely as the economies are not very complementary.

There is little quantifiable energy trade. Both have worked together in exploiting gas reserves in the Caspian and signed a treaty in 2008 agreeing to cooperate on development of Iran’s gas and oil reserves but there is no joint commercial production. The two governments hold divergent positions on demarcation of the Caspian Sea, but both oppose development of the trans-Caspian pipeline. The two see themselves as long-term competitors in the European market and while they are founding members of the Gas Exporting Countries Forum policy coordination has been declaratory.

Regional Implications and U.S. Interests

Understanding the shifting dynamics of the Turkey, Russia, Iran nexus is essential to advancing critical U.S. interests in the Eastern Mediterranean, Caucasus, and Central Asia and for calibrating and balancing relations with each of these three countries. The policies each of the three countries is pursuing toward the others are often designed to impact relations with the United States and can be influenced—positively or negatively—by U.S. policies.

Eastern Mediterranean

Given their continuing support to the Assad regime and fears about the political forces behind the Arab Spring, Russia and Iran now find themselves aligned against Turkey, the United States, and much of the rest of the international community. Iran sees its ties to Syria, and through it links to Hezbollah in Lebanon, as the central pillar in maintaining its “axis of resistance” to Israel and its allies. As the civil and proxy wars in Syria grind on and more radical elements gain traction, the potential for wider conflict is growing.

- Turkey could be drawn inadvertently into war with the Assad regime and possibly Iran, which would trigger collective defense obligations for the United States and other NATO allies.
- To avoid this outcome, the United States should work with Turkey and other governments to expand support to the Syrian opposition and initiate a new diplomatic effort, engaging Turkey, the European Union, Russia, and Iran, to end the fighting and outline the terms of a political transition in Syria that would provide the context for Moscow and Tehran to facilitate Assad's abdication.
- While both Tehran and Moscow stand to benefit from continued tensions in the Middle East over the short term, their support of the Assad regime and slowness to engage new governments have been detrimental to the long-term standing of both countries in the region. Turkey's embrace of political change and popularity in the Arab world provide an as-yet unrealized opportunity for U.S.–Turkey cooperation to support development and good governance in the region.
- While U.S. and Turkish interests in the region are in closer alignment, significant policy differences on the Palestinian question and relations with Israel and Iraq will require close consultations to avoid new strains.
- Moscow and Tehran have been disappointed with Ankara's close alignment with U.S. and Western stances in the Middle East and North Africa and support for NATO missile defense, but pragmatism on both sides has prevented this from disrupting commercial and energy ties. Ankara's continuing dialogue with Tehran and good relations with Moscow could yet prove helpful in facilitating a peaceful resolution of the Iranian nuclear crisis.

Caucasus

The interests of Turkey, Russia, and Iran clash quite pointedly in the Caucasus. The Soviet legacy still shapes the strategic landscape and Russia retains a dominant role. Ankara seeks to promote interdependence among the three South Caucasus states in order to strengthen their sovereignty and to expand commercial and energy links to Turkey, though following the rejection of its 2009 effort to normalize relations and open the Turkish-Armenian border, Turkey has moved more firmly behind Baku. Iran's engagement in the region includes deepened ties to Armenia, efforts to intimidate Azerbaijan, but caution with respect to Nagorno-Karabakh. Iran does not want Russia heavily involved in the South Caucasus, but has avoided confronting Moscow, and has benefited from a mistrust of Turkey in the region. Washington's interests of stability, enhanced sovereignty, democratization, and diversification of commercial relations are closely aligned with Turkey's.

Some Russian officials and analysts see the potential for more intense competition for influence with Turkey in the Caucasus. They expect that Turkey's bid to become a leading player in the Middle East will fail, and that the Turks will redirect their considerable energies and resources back to the Caucasus. They assess that Turkey is becoming more Islamist under the Justice and Development Party (AKP) government, and that the Turkish General Staff is no longer an effective defender of secularism or check on Prime Minister Erdoğan's power. Some Russians also fear that Turkish cultural, religious, and educational activities in the Caucasus, Crimea, and Central Asia with Circassian and other Muslim communities could, over time, foster radical Islamist movements in Russia and neighboring states.

In the aftermath of the 2008 Georgia War, Iran did become more active diplomatically in the Caucasus to offset Russian influence and protect its own interests in developing economic ties and energy routes there. While tensions with Azerbaijan have deepened, Tehran made a conscious decision to avoid causing problems for Moscow in the Caucasus. In part, this restraint seeks to induce Moscow to oppose further sanctions on Iran. The insurgents and foreign fighters operating in the North Caucasus are Sunni Salafists not aligned with or supported by Iran.

- Turkey and Russia seem likely to manage their differences in the Caucasus and Caspian Basin in the near term, but divergent energy and political interests, as well as enduring cultural and religious suspicions, seem likely to rekindle historical rivalries—also involving Iran—over the long term.
- Russia and Iran have tacitly agreed to avoid confrontations in the Caucasus and to support mutual goals with respect to Caspian energy routes. Nevertheless, this alignment is likely to have limited durability in light of enduring mutual suspicions and largely competing commercial and political interests.
- Key elements of the regime in Tehran view the Caucasus as a side show and want to focus on the unfolding struggle for influence in the Middle East and North Africa, where they see much higher stakes.
- Washington and Ankara will need to find more effective mechanisms to engage both Moscow and Tehran in order to resolve lingering regional disputes.

Central Asia

The three governments and the United States have largely diverging but some common interests in Central Asia—including concerns about instability following the withdrawal of NATO and partner forces from Afghanistan after 2014. Longstanding ties and infrastructure links tip the regional balance of influence in Moscow's favor.

While Turkey has commercial interests and wants to prevent Russia from retaining a controlling position over energy flows from the region, it has limited capacity and commitment.

Iran remains concerned about the Taliban and the problems of drug trafficking in the region and seeks to have more Central Asian energy flow through Iran. It is likely to pursue these interests with greater or lesser intensity depending on the overall direction of relations with the United States and the West and in the Middle East.



DRIVING FORCES AND STRATEGIES IN TURKEY, RUSSIA, IRAN RELATIONS

Introduction

This chapter examines the regional and global strategies of Turkey, Russia, and Iran and assesses the interests that underlie those strategies and are shaping bilateral relations among these three countries. Cooperation and competition in economic and energy affairs have been the principal drivers of their bilateral relations over the past decade. These three longtime rivals have been using trade and energy ties, along with political dialogue, to manage divergent interests and enduring mutual suspicions as they compete for markets and influence and pursue often-conflicting regional and global agendas.

Bulent Aliriza and Stephen Flanagan describe how Ankara's "zero problems" strategy has sought to leverage economic ties and cooperative relations with all its neighbors, to achieve economic growth, regional stability, and wider global influence. Turkey's relations with Russia and Iran are driven largely by its quest for export markets and energy sources. Despite important political differences with Moscow and Tehran, Ankara has pursued a pragmatic *realpolitik* and worked to insulate economic and business ties with both partners from disruption.

Andrew Kuchins describes how Russia's strategies for dealing with Turkey and Iran reflect the quite different basis of each relationship. Russia's positive interests with Turkey are principally economic. Turkey is a major energy export market, but there have also been dramatic increases in trade, investment, and tourism. Iran is a minor trading partner and energy competitor. Moscow's engagement with Tehran is driven by geopolitical goals vis-à-vis the United States and a desire to temper Iranian influence over Muslim populations in Russia and neighboring countries.

Jon Alterman explains that Tehran's wary economic and political engagements with Ankara and Moscow are designed to buffer Iran from what its leaders see as an unfair international system and to undermine efforts to further isolate the country. Relations with Turkey seek to use energy and other trade to prevent Ankara from undertaking hostile political and military actions. Tehran's ties with Moscow are shaped by larger strategic considerations, particularly balancing U.S. power. The scope of Iran–Russia relations are, however, constrained by abiding mutual suspicion between the two leadership elites.

Internal political developments in each country and growing polarization in the Muslim world are also influencing this triangle. While the vestiges of empire provide certain advantages and liabilities, Moscow lacks the resources to dominate Eurasia to the extent that imperial Russia and the Soviet Union did. Turkey and Iran have become more capable competitors, and China is an increasingly important actor in Central Asia. As the Syrian crisis and tensions between Sunni and Shi'a communities in the Middle East continue to unfold, the wary partnership between Turkey and Iran has been strained. A more intense struggle for regional influence is developing as those two governments pursue starkly different policies toward the Arab Spring and the uprising in

Syria. Kremlin leaders have greeted political change in the Middle East with trepidation, fearing the loss of longtime client regimes and what they perceive as a building wave of Islamization that could ripple through Eurasia. This stance, coupled with Moscow's support for Assad's brutal repression, have strained relations with Turkey, the United States, and Europe, and diminished Russia's regional influence. However, Moscow and Ankara have found a way to insulate their trade and investment ties from differences over political developments in the Eastern Mediterranean.

Just a few years ago, instances of trilateral cooperation led to speculation that these three countries might come together in a nascent regional alignment. The most prominent manifestation of policy coordination came on June 8, 2010, when leaders of the three countries met in Istanbul the day before a UN Security Council vote to oppose U.S. and EU-backed sanctions on Iran relating to its nuclear program. This display of solidarity, on the margins of the third summit of the Conference on Interaction and Confidence Building Measures in Asia (CICA), was calculated to temper Western efforts to isolate Iran.¹ The prospects of Turkey, Russia, and Iran coming together in a new regional alignment appear quite remote given enduring political differences and divergent national interests.

1. Sabrina Tavernise, "Russia, Turkey and Iran Meet, Posing Test for U.S.," *New York Times*, June 8, 2010, http://www.nytimes.com/2010/06/09/world/09iran.html?_r=0. CICA, an initiative of Kazakh president Nazarbayev, was founded in 2002 and seeks to promote confidence and cooperation on economic, environmental, cultural, and security issues among its 24 members. Turkey is serving as chair of the organization 2010–14. <http://www.s-cica.org/page.php?lang=1>.



TURKEY'S EVOLVING RELATIONS WITH RUSSIA AND IRAN

Bulent Aliriza and Stephen J. Flanagan

Turkey's Foreign Policy, Regional, and Global Strategies

Since the election of the Justice and Development Party (AKP) in 2002, Turkey, under Prime Minister Recep Tayyip Erdoğan, has pursued a policy of “zero problems” with neighbors. Ahmet Davutoğlu, previously Erdoğan’s foreign policy adviser and currently foreign minister, was a key player in developing this strategy. Davutoğlu’s vision seeks to leverage Turkey’s geostrategic location in the center of Eurasia, as well as its historical Ottoman ties and Muslim affinities, to give Turkey “strategic depth” and wider influence. A key element of this policy is expanding trade and economic cooperation with all of Turkey’s neighbors, especially with Russia and Iran.

Turkey’s regional strategy is an integral part of its wider global ambitions. It is the 16th-largest economy in the world and aims to become one of the 10 largest economies by 2023, the centennial of the founding of the republic. Ankara has been a vigorous proponent of the G-20, which it sees as both recognizing its growing influence and leveling the international playing field, and an active participant in the United Nations, the Organization of Islamic Cooperation, and many regional forums. Turkey’s diplomatic activism and a dynamic business community are vital instruments in this effort, and Ankara has been leveraging both those assets in developing new partnerships and expanding trade with China and other countries in East Asia, sub-Saharan Africa, and other regions.

In close coordination with the United States, its most important ally and a supporter of its effort to act as a bridge between the West and the Muslim world, the Turkish government fully embraced the Arab Spring, which it saw as underlining its own role as a democratic model to fellow Muslims in the Middle East in the region’s defining struggle. Ankara enthusiastically supported the changes in Tunisia and Egypt and has established close political and economic relations with the Islamists who came to power through the ballot box like the AKP. As the popular uprising in Syria gained momentum, Turkish leaders tried to encourage Damascus to move away from its suffocating one-party system. When this proved unsuccessful, Turkey became one of the first countries to call on Bashar al-Assad to step down and a strong supporter of the Syrian insurgency.

However, the conflict in Syria, in addition to raising questions about the “zero problems” policy, has also introduced strains into Turkey’s relationship with both Iran and Russia. It remains to be seen how resistant these relationships, which rest on solid mutual economic interest, are to political differences.

Russia-Turkey: The Limits of Strategic Partnership

With greater diplomatic coordination in regional and to some extent global affairs, Turkey and Russia have moved beyond the legacy of centuries-old enmity and rivalry. Although the conduct of its relationship with Moscow is less affected by considerations relating to the attitude of Washington than by its relationship with Tehran, Ankara is conscious of the need to avoid entanglements with its northern neighbor that would be perceived as negative from the perspective of U.S.-Turkish relations.

Building on the steady expansion of trade and other economic ties with Russia, which had begun to grow in the last decade of the Soviet period, the AKP has made the improvement of relations with Russia a priority during its decade in power. Substantial mutual economic benefits have, thus far, allowed the two countries to largely insulate their trade and investment ties from major foreign policy differences in the Eastern Mediterranean and the Caucasus and their competition to control energy flows from the Caspian Basin.

A number of Turkish constituencies, particularly the energy distribution, construction, and tourism sectors, have benefited greatly from closer economic ties and have developed into an influential lobby in Turkey. Both business interests and the AKP government are anxious to preserve these ties, which have been an important element in fueling—literally and figuratively—Turkey’s remarkable growth over the past 10 years.

With considerable fanfare, the two governments launched a “strategic partnership” in 2010, including a High-Level Cooperation Council, annual summits, and a Joint Strategic Planning Group charged with advancing economic, political, cultural, and security cooperation.¹ Yet, the relationship remains more tactical than strategic, as the two countries lack a common political agenda and have more divergent than convergent interests.

Trade, investment, and tourism between the two countries have grown enormously over the past decade. Russia has been Turkey’s leading trade partner (after the European Union as a bloc) since 2008. Total bilateral trade topped \$33 billion in 2012, although Turkish energy imports from Russia accounted for about 80 percent of this volume.² Still, Russia is Turkey’s third-biggest export market (accounting for 4.4 percent of exports in 2011), leading with sales of produce, textiles, and some consumer products. In 2011, Turkey exported \$1.09 billion of textiles, \$942 million of vegetables and fruits, and \$831 million of vehicles to Russia.³ Turkish foreign direct investment (FDI) in Russia was valued at \$7.3 billion at the end of 2011 and Turkish contractors have found Russia a dynamic and stable market, with 1,396 projects valued at over \$38.5 the same year.⁴ (See Figure 1.)

The two governments have set in motion a number of deals designed to more than triple trade to over \$100 billion a year by 2015. Among these are an agreement to boost cooperation between small and medium-sized enterprises in each country and efforts to promote joint projects that

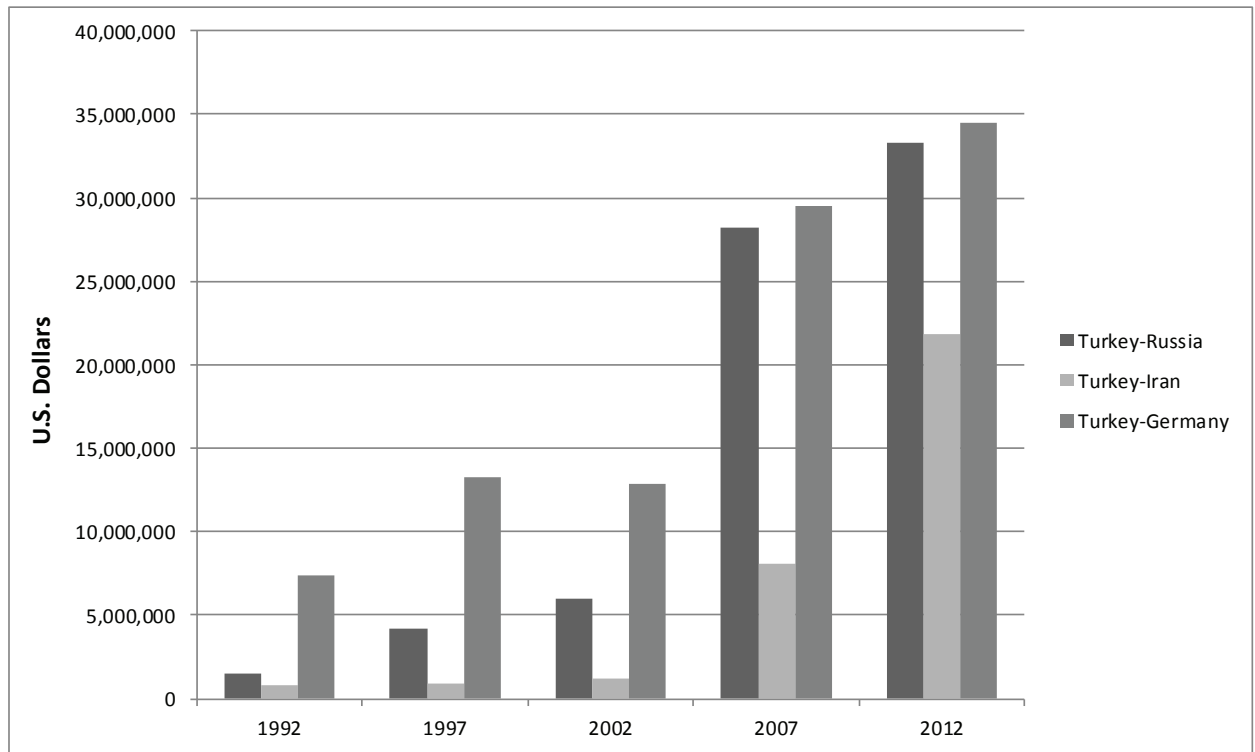
1. Hasan Kanbolat, “Davutoğlu in Moscow: New Era in Turkish-Russian Relations,” *Today’s Zaman*, January 23, 2012, <http://www.todayzaman.com/columnist-269380-davutoglu-in-moscow-new-era-in-turkish-russian-relations.html>.

2. See Turkish Statistical Institute, Foreign Trade, Foreign Trade Statistics, Data, Foreign Trade by Countries, “Exports by Countries,” http://www.turkstat.gov.tr/PreIstatistikTablo.do?istab_id=624, and “Imports by Countries,” http://www.turkstat.gov.tr/PreIstatistikTablo.do?istab_id=625.

3. Republic of Turkey, Ministry of Economy, “Russian Federation,” <http://www.economy.gov.tr/index.cfm?sayfa=countriesandregions&country=RU®ion=2>.

4. Ibid.

Figure 1. Growth in Turkey's Bilateral Trade with Russia, Iran, and Germany



Source: Turkstat.

would pair dynamic Turkish small and medium-sized enterprises with Russia's substantial industrial investment potential. Shuttle (suitcase) trade and tourism between the two countries have also expanded over the last two decades, and have grown further with the initiation of visa-free travel after April 2011. The Turkish Mediterranean coast, particularly Antalya, has many hotels and resorts that now cater to Russian patrons. While trade is continuing to expand, most economists believe this \$100 billion goal is unrealistic.⁵

Bilateral energy relations reflect some mutual interests, but can also be competitive. Turkey's energy strategy seeks to balance its needs for secure supplies from Russia with its ambition to become a vital "energy bridge" to Europe and the West. In recent years, Turkey has sought to reduce its heavy dependency on Russian natural gas (58 percent of imports in 2012) and oil (12 percent of imports January–September 2012) through diversification. The percentage of gas imports from Russia actually grew by 3 percent between 2001 and 2012, but oil imports from Russia have steadily declined over the past decade and Iraq displaced Russia as Turkey's second-largest oil supplier (17 percent) after Iran in 2012.⁶ (See Figures 2 and 3.)

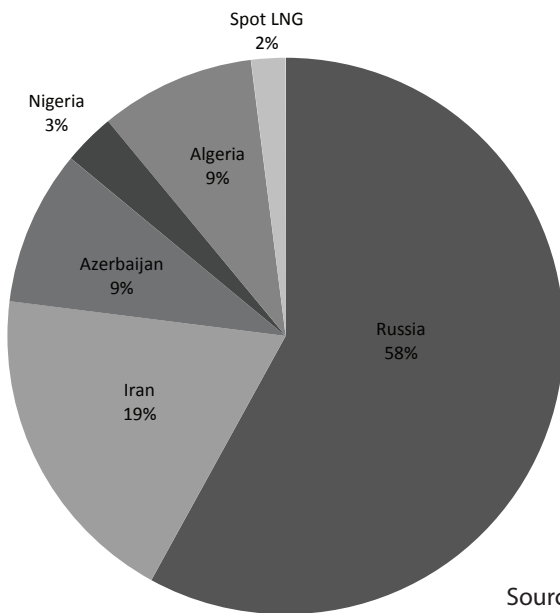
5. See "The Turkey, Russia, Iran Nexus: Economic and Energy Dimensions," Proceedings of an International Workshop, organized by the Center for Strategic and International Studies, the Economic Policy Research Foundation of Turkey, and the Institute of Oriental Studies of the Russian Academy of Sciences, Moscow, Ankara, March 29, 2012, p. 4, http://csis.org/files/attachments/120529_Turkey_Russia_Iran_Nexus_Ankara_Workshop_Proceedings.pdf.

6. See Tuncay Babali, "The Role of Energy in Turkey's Relations with Russia and Iran," discussion paper at the workshop on The Turkey, Russia, Iran Nexus: Economic and Energy Dimensions, hosted by the Economic Policy Research Foundation of Turkey, Ankara, March 29, 2012, p. 2, <http://csis.org/files/attach->

Russian efforts to control the flow of energy from the Black Sea and Caspian Basin regions threaten Turkey’s ambition to play a key role in expanding the East-West energy transit corridor—even as it further develops the North-South energy axis with Russia. To realize its aspiration to serve as a major gas transit state, Turkey must also be able to import enough gas to satisfy both domestic demand and any re-export commitments as well as to provide enough pipeline capacity to transport Caspian natural gas across Turkey to Europe. While Turkey had sizable excess import capacity a few years ago, this excess pipeline capacity has eroded as Turkey now uses most of its pipeline capacity to meet its domestic demand.⁷

Ankara has long supported development of the Southern Gas Corridor involving various pipelines through its territory to carry Caspian and possibly also Iranian or Iraqi gas to Europe. As doubts about the viability of the long-delayed Nabucco project grew, Azerbaijan and Turkey struck a deal in June 2012 to construct the Trans-Anatolian pipeline (TANAP) to bring 16 billion cubic meters (bcm) of Azeri gas to Turkey by 2018, with 10 bcm of that throughput for European consumers. TANAP construction is set to begin by the end of 2013, and a decision is expected before then as to whether the truncated Nabucco West or the Trans-Anatolian (TAP) pipeline will receive financing to transport the Azeri gas from the Turkish border to Europe.⁸ Moscow has pushed development of the rival South Stream pipeline, a subsea route running from its Black Sea coast to Bulgaria. Turkey procrastinated for several years before reaching agreement with Russia in late 2011 on the route South Stream could take through its maritime exclusive economic zone in the Black Sea, most likely as part of an effort to gain concessions on the price of imported gas from other pipelines. While Gazprom began work on South Stream in December 2012 with the goal of completion by 2015, the project still faces significant financial and technical hurdles.

Figure 2. Share of Turkey's Natural Gas Imports by Country, 2011



Source: PFC Energy.

ments/120529_Babali_Turkey_Energy.pdf; and U.S. Energy Information Administration, “Analysis: Turkey,” February 1, 2013, <http://www.eia.gov/countries/cab.cfm?fips=TU>.

7. U.S. Energy Information Administration, “Analysis: Turkey,” February 1, 2013.

8. David O’Byrne, “Tanap: Pipeline Offers Security with Demand for Energy Growing,” *Financial Times*, November 21, 2012, <http://www.ft.com/intl/cms/s/0/fae21f4e-17af-11e2-8cbe-00144feabdc0.html#axzz2NG4I6qZK>.

A number of bypass options have been advanced to limit increasing oil tanker traffic through the Bosphorus Strait, which poses serious environmental and security challenges for Turkey, and to provide needed pipeline capacity for the anticipated increase in flows of oil from the Caspian Basin. Some of these proposals involve routes through Bulgaria, Romania, and Ukraine. The Turkish government has been keen to build a bypass pipeline from its Black Sea port of Samsun to Ceyhan on the Mediterranean as a way to bolster Ceyhan's role as a regional energy hub. Samsun–Ceyhan would bring more oil from Kazakhstan (via Russia, the Black Sea, and overland in Turkey) to the Mediterranean. However, talks between Russia and Turkey on this project have stalled. Moscow has political reservations about the project and has been questioning its economic viability from the outset.⁹

Ankara seeks to promote interdependence among the three South Caucasus states in order to strengthen their sovereignty and to expand commercial and energy links to Turkey, though following the rejection of its 2009 effort to normalize relations and open the Turkish-Armenian border, Turkey has moved more firmly behind Baku. While Turkey has commercial interests and wants to prevent Russia from retaining a controlling position over energy flows from the region, it has limited capacity to do so.

Turkish leaders have promoted the development of a number of regional institutions to advance economic and security cooperation with Russia in the Black Sea region. The Conference of the Black Sea Cooperation (BSEC) involves all the littoral states as well as Armenia, in promoting trade and commerce. Ankara opposes an expanded presence of the U.S. and other NATO naval vessels in the Black Sea, contending that it is unnecessary and would only feed Russian fears of encirclement. The Turks chose to engage littoral states in the Black Sea Naval Force (BLACKSEA-FOR), a multinational naval task force, and Black Sea Harmony, a naval counterterrorism operation, as the preferred mechanisms for regional security. While these institutions have promoted regional cooperation, they have also helped the Russian Black Sea Fleet remain the dominant force on the sea and did nothing to prevent Russia from violating Ukrainian sovereignty and using the fleet in operations against Georgia during the 2008 Russia-Georgia War.

Turkey's post-Georgia War proposal for a Caucasus Stability and Cooperation Platform did not gain traction with Russia or other countries in the region and its efforts to play a larger role in the Organization for Security and Cooperation in Europe (OSCE) Minsk Group, which is seeking to resolve the conflict in and around Nagorno-Karabakh involving Armenia and Azerbaijan, have also been rebuffed by Moscow. The two countries have advanced their cooperation on combating terrorism as part of their rapprochement and movement to visa-free travel.

Ankara has sought to insulate mutually beneficial economic and energy ties from mounting political tensions with Moscow over Syria and other developments in the Arab world.¹⁰ A crisis was contained in October 2012 when Turkish authorities forced a Syrian civilian airliner, flying from Moscow to Damascus with 17 Russian citizens onboard, to land in Turkey and confiscated

9. See Vladimir Likhachev, "The Role of Energy in Russia's Relations with Turkey and Iran," discussion paper at the workshop on The Turkey, Russia, Iran Nexus: Economic and Energy Dimensions, hosted by the Economic Policy Research Foundation of Turkey, Ankara, March 29, 2012, p. 4, http://csis.org/files/attachments/120529_Likhachev_Russia_Energy.pdf.

10. "Turkey and Russia Commit to Deep Strategic Ties Despite Syria Tensions," *Today's Zaman*, July 18, 2012, <http://www.todayszaman.com/news-286937-turkey-and-russia-commit-to-deep-strategic-ties-despite-syria-tensions.html>.

what Turkey said were military radar components.¹¹ On December 3, 2012, Turkish and Russian delegations met in Istanbul to discuss trade, energy ties, and mutual foreign policy goals. This was the third meeting of the Russia-Turkey Cooperation Council, led by Prime Minister Putin of Russia and Prime Minister Erdoğan of Turkey. A number of issues were discussed, including trade, direct investment, and energy. Discussions on Syria highlighted enduring differences between Ankara and Moscow with regards to Assad and the deployment of NATO Patriot missiles to defend Turkey. Nevertheless, the two leaders agreed to have their foreign ministers continue dialogue on the transition in Syria, and the Turks reportedly presented “a creative formula” for Assad to yield power to the opposition National Coalition.¹²

Despite the deepening economic and energy ties, frequent high-level political contacts, and personal ties between Erdoğan and Putin, officials in Ankara appear to be reassessing the limits of the relationship with Moscow. In addition to sharp differences over Syria and the Arab Spring, Ankara is concerned that Putin will pursue more assertive policies in the Caucasus and Central Asia to the detriment of Turkish interests. Unless Moscow elects to work with the international community to foster a political transition in Syria and play a more constructive role in the region, Ankara may find it increasingly difficult to continue business as usual. Turkey and Russia seem likely to manage their differences in the Caucasus and Caspian Basin in the near term, but divergent energy and political interests, as well as enduring cultural and religious suspicions, seem likely to reinvigorate historical rivalries—also involving Iran—in the region over the long term.

Turkey-Iran: A Wary Partnership under Strain

Turkey’s relations with Iran over many centuries have generally been competitive and cooperation has been circumspect, particularly since the 1979 Iranian Revolution. There are fundamental limitations on what is, in essence, a wary relationship, with enduring rivalry and mutual suspicion, as well as deep sectarian differences, which have been underlined as the proxy war in Syria and a broader struggle for influence in the Middle East unfolds.

Turkish-Iranian relations have also been shaped by Ankara’s relationship with Washington. With U.S. encouragement, Turkey has maintained a dialogue with Iran, and Washington in turn has generally tolerated the nuanced policy of Ankara. The aborted 2010 nuclear deal exposed, however, fissures in the triangular relationship between Washington, Ankara, and Tehran. Turkey sought a separate deal on the nuclear issue with Brazil, which was opposed by the United States. In response, Turkey voted against a U.S.-sponsored package of sanctions at the UN Security Council in June 2010.

Under the AKP government since 2002, Turkey has pursued a strategy of using mutually beneficial economic and energy ties with Iran as a way to avoid or to limit the adverse consequences of policy differences. Turkish economic development has benefitted from access to Iranian energy and markets as well as steadily increasing trade. Iran is now Turkey’s fifth-largest trading partner (see table 1). Total bilateral trade volume rose from about \$1.05 billion in 2000 to \$16 billion in

11. “Turkey Had Right to Force Syrian Plane to Land, Russian FM Lavrov Says,” *Today’s Zaman*, October 15, 2012, <http://www.todayszaman.com/news-295455-turkey-had-right-to-force-syrian-plane-to-land-russian-fm-lavrov-says.html>.

12. Agence France Press, “Turkey Proposes to Russia New Syria Plan: Report,” *Hürriyet Daily News*, December 17, 2012, <http://www.hurriyetdailynews.com/turkey-proposes-to-russia-new-syria-plan-report-.aspx?pageID=517&nID=37011&NewsCatID=359>.

2011. Iranian exports to Turkey, particularly energy, account for over \$12 billion of that total.¹³ In 2010, the two governments pledged to reach a further expansion of trade to \$30 billion, including through opening more border crossings, but have yet to conclude a free trade agreement.¹⁴ However, independent analysts and business leaders believe this goal is unrealistic. Turkish executives also continue to express great frustration in navigating the complex, opaque, and corrupt business environment in Iran.¹⁵ The Turks have been repeatedly disappointed in a number of trade and investment deals with Iran over the past decade. Tehran has failed to fulfill deals with Turkey on supply and exploitation of gas and oil resources and has canceled major contracts with Turkish firms for high-profile projects such as modernization of the Tehran airport and development of the Iranian mobile telephone network. Commerce with Turkey accounts for less than 6 percent of Iran's total trade volume, and some voices in Iran argue their big emerging markets for goods and energy are to their east and north.

Two significant growth areas in economic relations have been Iranian travel to and investment in Turkey. Iranians constitute the fourth-largest group of foreign tourists in Turkey thanks to visa-free travel, with nearly 2 million visitors in 2010 and 2011. This fell off significantly in the first five months of 2012 in the face of growing bilateral political differences and sharply reduced Iranian purchasing power.¹⁶ On the investment side, due to sanctions and a subsequently more restrictive business climate in Dubai and other Gulf states, Iranian firms are increasing their presence in Turkey as a way to access international markets. More than 1,470 Iranian firms were operating in Turkey at the end of 2010, up from only 319 firms in 2002.¹⁷ Turkish banks have also positioned themselves as an acceptable international intermediary for financial transactions between the Islamic Republic of Iran and states such as India that do not want to infringe on U.S. sanctions or incur U.S. condemnation for such conduct. The U.S. government has been concerned about Iran using these commercial links to evade sanctions.¹⁸

Iran and Turkey have sought to expand their natural gas trade since 1996, when they concluded a 25-year agreement whereby Iran pledged to supply Turkey 10 bcm of gas annually. Iran, citing domestic requirements, has never met this commitment. In 2002, the two countries completed a pipeline connecting the gas fields of Tabriz to Ankara, which provides the current supply to the Turkish capital. Iran has become Turkey's second-largest supplier (19 percent; see Figure 2.) of natural gas after Russia, and exports reached 8.2–8.3 bcm in 2011. The Turks have sought to increase this supply further (to 16 bcm annually); however, our research and interviews suggest

13. See Turkish Statistical Institute, "Exports by Countries" and "Imports by Countries."

14. "Turkey, Iran Open Third Border Crossing in Regional Cooperation Effort," *Hürriyet Daily News*, April 17, 2011, <http://www.hurriyetdailynews.com/default.aspx?pageid=438&n=turkey-iran-azerbaijan-move-to-deepen-regional-cooperation-2011-04-17>.

15. Interviews by the authors in Ankara, May and November 2011. See also, "The Turkey, Russia, Iran Nexus: Economic and Energy Dimensions," workshop proceedings, pp. 5–6.

16. "The Turkey, Russia, Iran Nexus: Economic and Energy Dimensions," workshop proceedings, p. 5; and Aydin Albayrak, "Number of tourists from Iran visiting Turkey drop by 41 percent," *Today's Zaman*, July 10, 2012, <http://www.todayszaman.com/news-286112-number-of-tourists-from-iran--visiting-turkey-drop-by-41-percent.html>.

17. These are official figures from the Turkish Union of Chambers and Commodity Exchanges (TOBB). See Abdullah Bozkurt, "Turkey Uneasy with Mushrooming Iranian Firms, Fears Clash with Allies," *Today's Zaman*, March 4, 2012, http://www.todayszaman.com/newsDetail_getNewsById.action?newsId=273196.

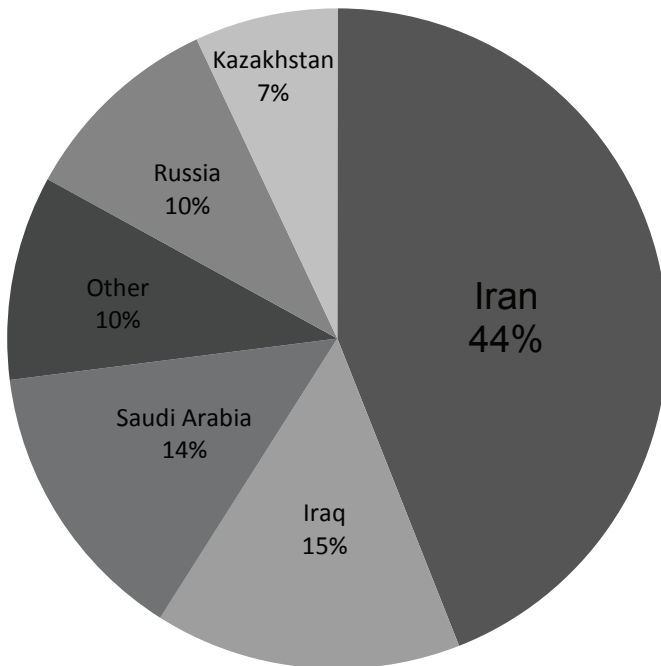
18. Gökhan Kurtaran, "Iranian Firms Break into World Markets via Turkey," *Hürriyet Daily News*, April 18, 2011, <http://www.hurriyetdailynews.com/default.aspx?pageid=438&n=iranian-firms-break-into-world-markets-via-turkey-2011-04-18>.

that Turkish energy executives have given up on securing more Iranian gas, at least in the near term, due to its high price, quality concerns, uncertain supplies, and the general frustrations of doing business in Iran. In addition, Turkey has taken Iran to arbitration over gas prices. Accordingly, Turkish energy planners have decided to focus their efforts on attaining more Azeri gas in the near term and Iraqi as well as Turkmen gas over the longer term.¹⁹

On the issue of gas transit and Caspian Basin development, Turkish and Iranian interests diverge. Turkish planners hope to serve as a transit corridor for expanded Iranian and Central Asian gas supplies that might one day head to Europe. Iran has indicated a preference for other routes through Middle East countries to reach European markets and opposes the Trans-Caspian pipeline to transfer Central Asian gas to Europe via Turkey.²⁰

Iran has also been a major supplier of oil to Turkey, accounting for 30–32 percent of Turkish imports for several years. Iran has extended price concessions to Turkey on oil, which led to Iran accounting for 51 percent of Turkish oil imports in 2011. Turkey came under considerable pressure from the United States and the European Union to reduce imports of Iranian oil or risk financial sanctions directed at Tehran over its nuclear program.

Figure 3: Share of Turkey’s Oil Imports by Country, January–September 2012



Source: Eurostat.

19. Interviews by the authors in Ankara, November 2011; and Babali, “The Role of Energy in Turkey’s Relations with Russia and Iran,” pp. 6–7. Expansion of the Turkey-Iraq Pipeline would give Turkey access to Iraq’s natural gas resources. Although a memorandum of understanding was signed a number of years ago, planning for construction has yet to take place.

20. Bijan Khajehpour, “The Role of Economic & Energy Relations with Turkey and Russia in Iran’s National Strategy,” paper prepared for an international workshop, “The Turkey, Russia, Iran Nexus: Economic and Energy Dimensions,” hosted by the Economic Policy Research Foundation of Turkey, Ankara, March 29, 2012, pp. 6 and 15, http://csis.org/files/attachments/120529_Khajehpour_Russia_Turkey_in_Iran_National_Strategy.pdf.

The Iran sanctions issue has been at the core of the triangular relationship between Ankara, Tehran, and Washington. Sanctions run counter to Ankara's strategy of using deepening commercial ties to foster cooperative relations with Tehran and efforts to broker a resolution of the Iranian nuclear crisis.²¹ Turkey agreed to abide by UN Security Council sanctions but not the additional U.S. and EU financial measures. When Turkey was not among a group of 11 countries granted exemptions by the United States from the financial sanctions because it had not reduced Iranian oil imports, Ankara relented. It cut oil imports from Iran by 20 percent and was granted a 180-day waiver in June and again in December 2012. It was later revealed that Turkey had been increasing gold exports in exchange for imports of Iranian natural gas, effectively breaching U.S. sanctions on Iran. In 2012, U.S. Senators Robert Menendez and Mark Kirk pushed new sanctions to punish foreign banks for handling transactions with a wider range of industries in Iran. As these sanctions took effect, a Senate staff member noted the new regulations would effectively end "Turkey's game of gold for natural gas."²²

Political and security cooperation between the two governments has also been mixed. As Turkey's relations with Israel have deteriorated, particularly following the 2008–9 Gaza incursion and the 2010 flotilla incident, Erdoğan has increasingly challenged Iranian President Mahmoud Ahmadinejad as the harshest critic of Israel and strongest champion of the Palestinian cause. At the same time, sharp differences remain between the two governments with respect to the Arab Spring, and especially vis-à-vis the Syrian civil war. Turkish officials remain greatly alarmed by Iran's fanning of Shi'a–Sunni tensions in Bahrain, Lebanon, and Iraq as well as in Syria, and support for radical Shi'a groups in Azerbaijan and see this as an ideological struggle for influence. While the AKP government has expanded its economic and energy ties with Saudi Arabia and other Gulf States, it has generally resisted their entreaties to become a more visible partner in an anti-Iranian/Shi'a alliance, fearing that it would exacerbate the deepening "Cold War" in the region and undermine economic ties that have been so essential to its growth.

Tehran and Ankara agreed to undertake limited counterterrorism cooperation in 2008 that included both sharing intelligence and coordinating national operations against the affiliated Kurdish terrorist groups, the Party of Free Life of Kurdistan (PJAK), which targeted Iran, and the Kurdistan Workers Party (PKK), which targeted Turkey. Despite this earlier tactical cooperation, there have been recent allegations of resumed Iranian and Syrian support for PKK terrorism inside Turkey as well as for its Syrian affiliate, the Democratic Union Party (PYD), as a way of pressuring Turkey to ease off its campaign against the Assad regime.²³ Turkey has also intercepted illegal shipments of weapons from Iran to Syria on its territory on several occasions.²⁴

21. For a discussion of Turkey's efforts to resolve the Iranian nuclear crisis, see Aylin Gürzel, "Turkey's Role in Defusing the Iranian Nuclear Issue," *Washington Quarterly* 35, no. 3 (Summer 2012): 141–52, <https://csis.org/files/publication/twq12SummerGurzel.pdf>.

22. Reuters, "New Iran Sanctions to End Turkey's 'Gold-for-Gas' Gambit, Senior US Aide Says," *Hürriyet Daily News*, November 28, 2012, <http://www.hurriyetdailynews.com/new-iran-sanctions-to-end-turkeys-gold-for-gas-gambit-senior-us-aide-says.aspx?pageID=238&nid=35646>; and Aslı Kandemir, "Exclusive: Turkey to Iran Gold Trade Wiped Out by New U.S. Sanction," Reuters, February 15, 2013, <http://www.reuters.com/article/2013/02/15/us-iran-turkey-sanctions-idUSBRE91E0IN20130215>.

23. "Iranian Spy Scandal Sparks Outrage in Turkey," *Journal of the Turkish Weekly*, September 12, 2012, <http://www.turkishweekly.net/news/141727/iranian-spy-scandal-sparks-outrage-in-turkey.html>.

24. "Turkey Stops Suspected Iranian Arms Shipment to Syria," Voice of America, August 5, 2011, <http://blogs.voanews.com/breaking-news/2011/08/05/turkey-stops-suspected-iranian-arms-shipment-to-syria/>.

Despite this mixed record, the Turkish government apparently still hopes its enduring diplomatic and economic engagement will encourage Tehran to take a more pragmatic and less ideological stance that would allow a political transition in Syria, diminished ideological competition in the Middle East, and a peaceful resolution of the international dispute over Iran's nuclear program.

Turkey's effort to balance growing security concerns and cooperation with Iran is reflected in Ankara's decisions on missile defense. The Turkish government does not assess Iran's nuclear program and testing of long-range ballistic missiles as an imminent threat. Erdoğan and other officials have repeatedly defended Iran's right to develop a nuclear-fuel cycle and accepted that the program is peaceful. Iran's prospective acquisition of nuclear weapons is still seen as inimical to Turkey's security, but Turks often link it to the "wider nuclear problem," that is, Israel's undeclared nuclear arsenal. With Western encouragement, Turkey worked with Brazil to broker a high-profile fuel swap deal with Tehran in May 2010 on the eve of a new round of sanctions. While rejected by the United States and Europe as inadequate, the deal provided Iran with valuable diplomatic support. The Turks remain convinced that diplomatic and economic engagement offer the best route to convincing Tehran to forswear its quest of nuclear weapons and continued to play an intermediary role in facilitating negotiations. While it endorsed development of NATO's missile defenses at the 2010 Lisbon Summit and a year later agreed to the deployment of U.S. missile-defense radars on Turkish territory, it insisted that no country be cited as the threat rationale for either action. Tehran denounced the deployment as a U.S. effort to spur tensions in the region and urged Ankara to reconsider, asserting that the two friendly nations can provide for their own security without foreign interference. Ankara steadfastly defended the missile-defense deployment as part of national defense and alliance obligations. This stance, coupled with the 2013 deployment of NATO Patriot air-defense batteries in Turkey (at its request) to defend against attacks from Syria, suggest at least some hedging about the course of relations with Tehran.

Turkey–Iran relations have entered a volatile phase, despite the efforts of both governments to sustain an enduring partnership. All elements of bilateral relations are now clouded by the divergence over Syria and political change in the Middle East, compounded by the uncertainties of the internal power struggle in Tehran. However, Ankara will continue to try to insulate economic and energy ties from deepening differences in political and security affairs that have the potential to cause a major rupture in bilateral relations.²⁵

A Balancing Game

Ankara seems determined to expand bilateral trade, tourism, and other elements of economic cooperation with Russia and Iran, and to insulate these ties from various regional political differences. This strategy has proven increasingly difficult to sustain as the crisis in Syria has deepened, but appears to be holding, particularly vis-à-vis Russia. The denouement of the Syria crisis could be a crucible in defining the future course of Turkey's relations with Iran and Russia, as well as the nature of their enduring competition for regional influence.

25. For a more sanguine view of Turkey-Iran relations, see Henri J. Barkey, "Turkish-Iranian Competition after the Arab Spring," *Survival* 54, no. 6 (December 2012–January 2013): 139–62, <http://www.iiss.org/publications/survival/survival-2012/year-2012-issue-6/turkish-iranian-competition-after-the-arab-spring/>.

RUSSIA'S CONTRASTING RELATIONS WITH TURKEY AND IRAN

Andrew C. Kuchins

Russian Interests

Russia's interests with Turkey and Iran are quite divergent and cross-cutting and have become even more so in the wake of the Arab Spring. Put simply, Russia's positive interests with Turkey are principally economic and very much focused on oil and gas. The impressive Turkish-Russian rapprochement that began a little over a decade ago has been principally fueled by dramatic increases in trade, investment, and tourism. But on regional foreign and security policy, Turkey remains only an occasional partner for Russia, and the deepening conflict in Syria has exposed fundamental differences in interests and policies between Ankara and Moscow, with Turkey siding with the forces of political change in the Middle East while Russia seeks to uphold the status quo.

Russia's interests with Iran, however, and perhaps contrary to conventional wisdom, have relatively little economic significance for Moscow. Total annual bilateral trade between Iran and Russia is estimated to have tripled over the past decade, but volume remains quite small—about \$3.7 billion in 2011. Iran represents only 0.5 percent of Russia's total foreign trade volume (ranking 13) and Russia represents only 1.8 percent of Iran's volume. (See Table 1.) The two governments have expressed a desire to expand volume to \$10 billion annually, but this does not seem like a high priority for either side and potential for dramatic growth seems unlikely as the economies are not very complementary.

Table 1. Turkey, Russia, Iran Bilateral Trade Ranks and Percent Totals, 2011

Direction of Trade	Imports (Rank; percent total)	Exports (Rank; percent total)	Total Trade Volume (Rank; percent total)
Turkey-Russia	#2; 10%	#3; 4.4%	#2; 8.0%
Russia-Turkey	#8; 1.8%	#5; 3.1%	#7; 2.6%
Turkey-Iran	#5; 5.2%	#6; 2.7%	#5; 4.3%
Iran-Turkey	#5; 4.2%	#4; 9.0%	#5; 6.9%
Russia-Iran	#39; 0.1%	#12; 0.7%	#13; 0.5%
Iran-Russia	#6; 3.8%	#16; 0.2%	#8; 1.8%

Source: European Commission, Trade Statistics, Countries and Regions, January 10, 2013, <http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/statistics/>.

Iran's principal value to Moscow stems from a convergence of regional security interests. Just as Turkey's divergence from Moscow on regional security has increased with the Arab Spring, Iran's convergence has become closer. Moscow has tended to view the Arab Spring as driven by competing interests of Saudi Arabia and its Sunni allies/supporters versus Iran and its Shi'a and non-Sunni friends in the region. The Russian political elite is predisposed to skepticism about democracy in Islamic states, and the evidence they have seen in Egypt and Libya so far has only confirmed their concerns. Their expectation has been that deposing authoritarian leaders in the Greater Middle East from Saharan Africa to Pakistan will only result in more Islamic governments that are likely to provide entrée for 'radical' groups to find legal representation and more influence in government. Russians are not quite sure what to make of Turkish Prime Minister Erdoğan, but there are strong suspicions that he is exploiting democratic means to advance Islamic goals that are not coincident with those of Russia in the region.

On the other hand, the Russians have been appreciative of Tehran's support for Moscow's policies in Chechnya and the Northern Caucasus over the past two decades as well as in Central Asia—where they worked together to conclude the Tajik Civil War in the 1990s and in an informal coalition with India to support the Northern Alliance against the Taliban in Afghanistan well before 9/11. But Moscow has no illusions of trust with Iran, a country and empire that has contended and conflicted with Russia for hundreds of years, not dissimilarly from the Turkish-Russian relationship. However, because of the Iranian nuclear program, its support of terrorist groups, and sharp conflict with Israel, the United States casts a much larger shadow over Moscow-Tehran ties than those between Moscow and Ankara. Moscow understands that Tehran's extremely adversarial relationship with the United States makes it expedient for Iran to have a Moscow card in its deck. And the Tehran card in Moscow's deck is also useful for Russia's broader relationship with Washington.

But if someday Iran were to, if not normalize, then improve, ties with Washington, they may not feel as compelled to avoid raising Moscow's ire in Central Asia and the Caucasus as now. But like for Turkey, the Caucasus and more so Central Asia for Iran, are strategic side shows compared to the hotbed of the Middle East. Iranian distrust of Moscow has been heightened since 2009 by Russian support of the American position on much tougher economic sanctions on Iran as well as holding back on arms sales, most notably the cancellation of the contract for the S-300 anti-air defense system. The Iranians responded to the Russian withdrawal from the S-300 deal by bringing a case against Russia in early 2011 in the International Court of Arbitration.¹

Russia's Regional Strategies and Turkey and Iran

Relations with Turkey and Iran figure significantly to a greater or lesser extent to Moscow in three different regions, all of which Russia considers to fall into the Greater Middle East: the Eastern Mediterranean, the Caucasus (South and North), and Central Asia. All three of these regions have very significant if not dominant Muslim populations, and this is an important factor for Russia since the Muslim population inside Russia is growing quite rapidly in the volatile North Caucasus as well as the Volga region including Tatarstan and Bashkortostan. The other obvious reason for

1. See John W. Parker, *Russia and the Iran Nuclear Program: Breakthrough or Replay*, Institute for National Strategic Studies (INSS) Strategic Perspectives 9 (Washington, DC: National Defense University Press, March 2012), pp. 3–17, for an extensive discussion of the S-300 issue, <http://www.ndu.edu/press/lib/pdf/strategic-perspectives/Strategic-Perspectives-9.pdf>.

the importance of these three regions to Russia is their status as oil and gas producers and key roles as hydrocarbon transit states. Moscow has especially proprietary feelings about the South Caucasus (Armenia, Azerbaijan, and Georgia) and Central Asia (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan) given their former status as Soviet republics.

Regional Security and Politics

Strengthening security and stability in the North Caucasus is the number one priority for Russia as it develops its regional security strategies and policies toward the South Caucasus, Central Asia, and the Eastern Mediterranean. This is by far the most volatile region of Russia with the greatest frequency of violence and terrorist attacks, and while failed policies have contributed greatly to the problem, the Russian government has been exceedingly sensitive to perceptions of pernicious foreign influence in the North Caucasus. For Vladimir Putin, this is the epicenter of his “war on terror.” His credibility as a national leader was founded in 2000 with his aggressive and initial successes in the second Chechen War.

While the trade relationship started to build in the late 1980s, the Russian-Turkish political rapprochement really began in 2001 when Putin agreed to stop supporting Kurdish separatist groups and Erdoğan reciprocated by ceasing Turkish support for Chechen rebels.² And as noted above, Moscow has appreciated the fact that Iran has also not supported any separatist or terrorist groups in the North Caucasus. And in Central Asia, Russian and Iranian interests have been closely aligned because of their mutual opposition to the Taliban in Afghanistan and Salafi-dominated terrorist groups in Central Asia such as the Islamic Movement of Uzbekistan. In Central Asia, Moscow does not regard Turkey as a significant player on security issues. In Afghanistan, the Russian government is skeptical about efforts to reach out and co-opt “moderate” Taliban members and thus has not been enthusiastic about Turkish efforts to mediate between the Taliban and the Afghan government.

We should note at the outset that Moscow is not enthusiastic about *any* state increasing its influence in Central Asia and the Caucasus, be it Turkey, Iran, China, the United States, or whomever. As then-President Dmitri Medvedev stated in September 2008 just after the five-day Georgia War, Russia regards the post-Soviet states as its “zone of privileged interests.” Having noted that, Iran’s presence and activities in Central Asia have been viewed as very much aligned with those of Moscow while Turkey’s as neither significant nor malign enough to draw too much attention.

The picture in the South Caucasus, however, is quite different. First, this region is viewed much more strategically important for Moscow than Central Asia because of its proximity to the North Caucasus, and its dual role as an energy-producing and key transit region to Europe and the Middle East. Second, other international players, including Iran and Turkey but especially the United States and Europe, have been far more active. Third, the region has been much more prone to conflict since the Soviet collapse, including for the first time since the Afghan campaign in the 1980s the deployment of Russian troops abroad in the 2008 Georgia War. For now, Turkish

2. Andrew Kuchins and Alexandros Peterson, “Turkey, Russia, the Black Sea, the Caucasus, and Central Asia,” in *Turkey’s Evolving Dynamics: Strategic Choices for U.S.-Turkey Relations*, ed. Stephen Flanagan et al. (Washington, DC: CSIS, March 2009), pp. 63–64, http://csis.org/files/media/csis/pubs/090408_flanagan_turkeyreport_web.pdf.

policies in the South Caucasus are probably a bigger concern for Moscow than those of Iran. Many Russian analysts talk of a North/South axis of Russia, Armenia, and Iran that is opposed to an East-West axis of Turkey, Georgia, and Azerbaijan.³

It was very striking in the heat of the 2008 Georgia War when Prime Minister Erdoğan stated that, “Some are trying to push us toward the U.S. and some toward Russia.... One of the sides is our closest ally, the United States. The other side is Russia with which we have an important trade volume.... [I] will not allow Turkey to be pushed to one side or the other. We will act in accordance with Turkey’s national interests.”⁴ Turkey then did play, in fact, a useful role in trying to mediate and convince the Russian government that attacking Tbilisi would be going too far. The Turkish proposal for the establishment of a Caucasus Stability and Cooperation Platform was not received with great enthusiasm in Moscow because it was seen as providing a larger institutional role for Turkey in the region. While this idea never really took off, in early 2009, with considerable support from the Obama administration, Turkey and Armenia appeared to have a chance to normalize relations and open their closed border, a development Moscow could not have viewed with much enthusiasm either. These talks broke down in the spring of 2009 over the question of linking Turkish/Armenian normalization with Azeri-Armenian resolution of the Nagorno-Karabagh conflict, and soon Turkish attention was diverted back to the Middle East.

Although Turkey has its hands more than full at the moment with the Arab Spring and a number of setbacks in its supposed “zero problems” foreign policy, the Russians expect that sooner or later Ankara will return to the Caucasus and ultimately Turkish influence will grow. Virtually all of the national and ethnic groups in the Caucasus have large diaspora populations in Turkey. The most natural partner for Turkey is secular and Islamic Azerbaijan. Already Turkey and Georgia and Azerbaijan are linked through energy pipeline and transit infrastructure, and at some point, it seems inevitable that Turkey and Armenia will reengage more successfully, open their borders, and extend trade and transit ties. All of these developments come to some degree at the expense of traditional Russian domination. Still, for now at least, Turkey is reluctant to provoke the ire of Moscow in the Caucasus, especially as it is highly dependent on imports of Russian gas (58 percent of gas imports in 2012) and oil (which dropped from 40 to 12 percent of imports between 2009 and 2011).⁵ This situation of extreme dependence could shift as the regional gas market is experiencing great change, and Turkey seeks to diversify its energy imports.

This brings us to one of Russia’s most important foreign policy goals linking the Caucasus and Central Asia, and that is to prevent any agreement between Azerbaijan and Turkmenistan that would lead to a Trans-Caspian pipeline that would bring Turkmen gas West. Russia adamantly opposes this development and will go to great lengths to prevent it since large quantities of Turkmen gas going West could further erode Gazprom’s hegemonic position in Europe, still Russia’s most important gas-consuming market. Turkey’s interests clearly do not coincide with Russian interests, and Ankara has tried to mediate the dispute between Azerbaijan and Turkmenistan, to no avail so far. At this point the Russian position is quietly supported by Azerbaijan, which wants to ensure that all of its gas supplies find reliable and lucrative markets before allowing for such a large competitor as Turkmenistan to enter Western markets. Moscow and Tehran also hold divergent positions on demarcation of the

3. See Jeffrey Mankoff, *The Big Caucasus: Between Fragmentation and Integration* (Washington, DC: CSIS, March 2012), pp. 8–14, http://csis.org/files/publication/120326_Mankoff_BigCaucasus_Web.pdf.

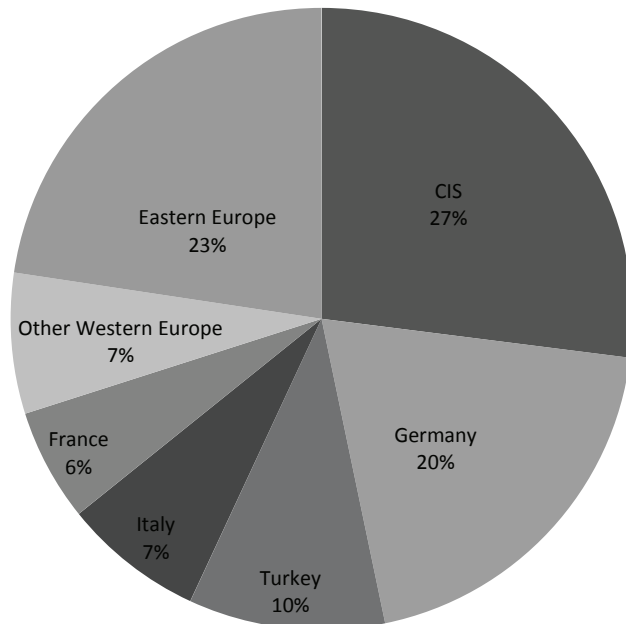
4. Bulent Aliriza, “Turkey and the Crisis in the Caucasus,” *CSIS Commentary*, September 9, 2008, http://www.csis.org/component/option,com_csis_pubs/task/view/id,4868/.

5. See Babali, “The Role of Energy in Turkey’s Relations with Russia and Iran,” p. 2.

Caspian Sea. Russian support for a median-line solution would severely limit Iran's share of Caspian energy resources.

Russian policymakers also remain concerned that Iran could, over the long term, emerge as a major competitor for the European gas market. Russia is Europe's largest supplier of natural gas, accounting for a quarter of the region's overall imports. Roughly 65 percent of Russian gas exports flow to Western and East Central Europe (see Figure 4). Iran possesses the second-largest reserves of conventional natural gas in the world. Obviously, Iranian gas will not flow to Europe soon, given economic sanctions and the time needed to develop transmission infrastructure. Like many others, the Russians have been surprised by the U.S. shale gas revolution, which has already depressed global prices to a 10-year low and could result in the United States emerging as a significant gas exporter. The confluence of these two developments would be a major game changer for Russia. While Iran and Russia are founding members and promoters of the Gas Exporting Countries Forum and together hold about 40 percent of global conventional natural gas reserves, policy coordination has been largely declaratory.⁶

Figure 4. Share of Russia's Natural Gas Exports by Destination, 2010



Source: Eastern Block Energy, U.S. Energy Information Administration.

There is little quantifiable hydrocarbon energy trade between Russia and Iran. Both have worked together in exploiting gas reserves in the Caspian and signed a treaty in 2008 agreeing to cooperate on development of Iran's gas and oil reserves. There are reports of some Russian companies working on projects in Iran, but there is no sign of any commercial production. Most reports suggest that Russian companies left or suspended operations in Iran over fears of sanctions and unpredictability on the Iranian side.⁷ Russian enterprises could provide extraction or other energy technologies that the Iranians lack and want, but it is unlikely that Iran is really open to foreign participation to develop its energy sector. Despite delays in the completion of the Bushehr-1 plant,

6. See Likhachev, "The Role of Energy in Russia's Relations with Turkey and Iran," p. 7.

7. See Parker, *Russia and the Iran Nuclear Program*, p. 18.

Iran has approached state-controlled Rosatom about construction of additional nuclear reactors at Bushehr. (A 1992 Russian–Iranian intergovernmental agreement originally envisaged the construction of four nuclear reactors in Iran.)

Iran's influence in the Caucasus has been relatively limited to date, although their open border with Armenia provides Yerevan with its only transit access to the South. Iran's ties with Azerbaijan are fraught by Azeri concerns about possible Iranian influence to support a more clerical regime in Baku. Iran is likewise nervous about the example an independent, sovereign Azerbaijan sets for the huge Azeri minority population in Iran. Azerbaijan's close security ties with Israel also are a concern for Tehran, but we will return to this topic in the next section on regional/global issues.

As discussed above in the introductory section, the Eastern Mediterranean constitutes the third key region of trilateral interaction between Iran, Russia, and Turkey, and in the wake of the Arab Spring Russian interests have more closely coincided with those of Iran and far less so with Turkey. At this point of writing, with the Assad regime holding on to power with arms and other support from Moscow and Tehran while Turkey is openly supporting and (clandestinely) arming the opposition, the possibility of the Syrian Civil War escalating beyond its borders are growing.⁸ To date, Turkey and Russia have been able to insulate their bilateral relationship from the Syrian imbroglio, but as the conflict intensifies, sustaining the impressive Turkish/Russian relationship is all the more challenging. Turkey's status as a NATO member further complicates any escalation scenario.

Russian Ties to Iran and Turkey in the Global Context

Iran's nuclear program is the principal but not the only issue that takes Russian considerations of relations with Iran and Turkey beyond regional to global security concerns. Above we laid out a number of reasons why Russia considers Iran a valuable geopolitical partner in some regional contexts including Central Asia and the North and South Caucasus, especially in contending with strains of Salafi and Wahhabi Islam that Moscow sees inflaming a broadening insurgency in the North Caucasus and even spreading potentially to Muslim populations in Russia's heartland. Russia clearly opposes Iran acquiring a nuclear weapons capability, but this is not viewed as urgent a threat for Moscow as for the United States, let alone Israel. Most Russian analysts view a military strike on Iran as potentially more destabilizing for regional security and Russian interests than the prospect of Iran acquiring a nuclear capability.

Russia has also been reluctant to inflict as tough of sanctions on Iran as Washington or even Europe, and part of its rationale stems from a more traditional Westphalian view of the inviolability of national sovereignty, a position Moscow often shares with Beijing. This has been a long-standing bone of contention for Washington and Moscow dating back to the Yugoslav wars of succession in the 1990s, to Iraq, and now to Syria. As such, Moscow views itself as a status quo power and guardian of legal norms in the international system and regards the United States as the revisionist power quick to intervene in foreign states whose governments and policies it finds distasteful.

8. For example, on October 3, 2012, Syrian missiles killed five Turkish citizens, and then on October 10, Turkish military jets intercepted and forced down a Syrian civilian airliner en route from Moscow to Damascus on Turkish territory, with the Turkish government claiming the plane was carrying Russian arms. See Ellen Barry and Rick Gladstone, "Turkish Premier Says Russian Munitions Were Found on Syrian Jet," *New York Times*, October 11, 2012, http://www.nytimes.com/2012/10/12/world/middleeast/syria.html?_r=0.

Moscow has also been reluctant to take more aggressive action to thwart Iran's nuclear program because their intelligence assessments suggest that Tehran is not as close to developing the technical capability for nuclear weapons as those of U.S. intelligence. During his second term as president in 2006 and 2007, Vladimir Putin tried to mediate the Iranian/Western standoff by offering constructive proposals to Tehran for more transparent uranium enrichment and spent-fuel disposition, but he was rebuffed by Ahmadinejad. Tehran's obstinacy frustrated Moscow, and Putin's personal attitude toward Ahmadinejad, in particular, soured. Russia's response to delay the final completion and opening of the Bushehr nuclear plant until September 2011, coupled with signing on to United Nations Security Council Resolution (UNSSCR) 1929 and withdrawal of the S-300 deal, all deeply disappointed Tehran, and Ahmadinejad's ire was evident in the hardly veiled threats he made about Russia's poor judgment and kowtowing to Washington.

It is certainly true that Moscow's support of UNSCR 1929 in June 2010, placing the toughest economic sanctions on Iran for its nuclear program, marked one of the highlights of the "reset" in U.S.-Russia relations. In fact, getting stronger support from Moscow in efforts to curtail the Iranian nuclear program was the most important factor contributing to the Obama administration's desire to "reset" relations with Moscow.⁹ A standard talking point in any Obama administration official's discussion of U.S. Russia policy was the effort to convince Moscow that its relations with Washington were more important than relations with Tehran. Moscow perceived the Obama administration's decision to ditch the Bush administration's European missile-defense plans for the Phased Adaptive Approach as a concession for Russian support on tougher sanctions toward Iran. Again, late 2010 marked the highpoint of amity in U.S.-Russian relations as in addition to the sanctions on Iran, the United States and Russia concluded the New START Treaty, continued to ramp up cooperation on transit of supplies to our troops in Afghanistan, and the successful conclusion on the agreement on civilian nuclear cooperation ("123 Agreement").

The "reset," however, began to lose steam in the first half of 2011 over the failure of NATO and Russia to reach agreement over European missile-defense cooperation. Then in the summer and especially in the fall of 2011, the disagreement over how to handle the unrest in Syria further spoiled the cooperative spirit in Washington and Moscow. With the announcement on September 24 effectively that Vladimir Putin was returning to the presidency as the Russia parliamentary campaign was launched, the frequency of vitriolic anti-American statements from leading Russian politicians, including Putin, increased dramatically. All of these events have contributed to the sense that the "reset" is over, and further cooperation with Russia on many issues, notably Iran, will be much more difficult for Washington to achieve.¹⁰

For Russia, the Iranian nuclear program is more of a global issue because of the large impact and role of the United States and how this issue has consistently been a leading indicator for nearly two decades for the U.S.-Russia bilateral relationship. The conflict over Syria is a regional security problem that is gradually taking on more global proportions, notably through the showdown at the United Nations where Russia and China have three times teamed up for double vetoes of stronger UN positions against the Assad regime. One reason China and Russia have drawn a red line on Syria is because of its status as a close ally of Iran. On both policies toward Syria and Iran as well as U.S. ballistic missile defense, an issue also intrinsically tied to Iran, the Russia/China

9. The other most important factors for Washington behind the "reset" were secondly the war in Afghanistan and thirdly Obama's goals in nuclear arms reductions.

10. Andrew C. Kuchins, "Perspective: What's to Follow the Demise of the US-Russian "Reset?" *Current History* 111, issue 747 (October 2012): 281.

strategic partnership finds itself in close alignment. For Russia, these issues must be considered in more of a global context because they not only have implications for ties with the United States, but China as well. And unfortunately for U.S. policymakers, it appears for now that Russia's positions on Syria and Iran are far closer to Beijing's than to those of Washington.

In sum, at the global level over the first term of the Obama administration, Russian-Iranian ties worsened because of Moscow's decisions to delay completion of Bushehr, support UNSCR 1929, and renege on the delivery of the S-300 anti-air system. At the regional level, however, Moscow and Tehran have found themselves in agreement over the Arab Spring and Syria in particular, although it is not clear that Moscow and Tehran are coordinating their support for the Assad regime. Interestingly, Vladimir Putin's return to the Russian presidency in 2012 and the worsening of relations between Washington and Moscow has not been accompanied by any appreciable improvement in relations between Moscow and Tehran. And while Moscow clearly opposes any military intervention against Iran and its nuclear facilities, it seems unlikely that Moscow would take major concrete measures to support Iran under attack.

Strategically the Russian-Turkish relationship has been under siege, especially compared with the equidistant position struck by Erdoğan in response to the Russia-Georgia war in 2008. As the missile-defense dispute between Moscow and Washington has become more fraught in the past 18 months, the Russian government was not pleased by the Turkish decision to site components of the European Phased Adaptive Approach missile-defense system. But much more significantly has been the direct dispute over Syria, with Moscow and Turkey being principal arms suppliers and conduits for arms to the government and the opposition. As noted earlier in the report, to date this dispute has been insulated from the bilateral relationship, which has a strong grounding in economic and energy cooperation.



IRAN AND THE TURKEY- RUSSIA-IRAN TRIANGLE

Jon B. Alterman

Iran's Worldview and Foreign Policy

A profound sense of vulnerability drives Iranian foreign policy, compounded by a belief that the international system is systematically biased against Iran. Iran's relations with its most powerful neighbors, Turkey and Russia, are intended to buffer Iran from that system. In part, Iran uses trade ties and strategic links to persuade these countries that Iran is better managed through engagement than confrontation. In addition, Iran plays on Turkey and Russia's misgivings about a U.S.-led global order to help undermine efforts to isolate Iran.

One can interpret Iran's foreign policy as an expression of its revolutionary Islamic ideals. The government of the Islamic Republic has spared little effort in promoting the idea of Islamic solidarity, and conflict with the Gulf Cooperation Council states sometimes comes across as Shi'a resistance to Sunni domination rather than a national struggle. The prominence of clerics in the Iranian policymaking establishment and the regime's frequent references to Islamic ideals add to this impression. Yet, time after time, Iran's foreign policy has revealed itself as a nationalist foreign policy, seeking to reclaim the regional influence that Iran (and Persia) had in the past, and which the present government considers to be its birthright. Time after time, as well, Iran's foreign policy reveals a clear-eyed focus on advancing national goals over pan-Islamic ones, for example through sustaining closer ties with non-Muslim nations such as Armenia than with Muslim nations such as Azerbaijan or Saudi Arabia.

And yet, even while Iran follows a nationalist course in foreign policy, there is still something unique about Iran in international relations. Iran's rejection of the international order as fundamentally unfair lies in tension with its desire for greater standing in that order.¹ In addition, Iran's distrust of formal alliances and its refusal to enter into such agreements exacerbates its feelings of vulnerability and isolation.² These tendencies create an uneasiness in Iranian foreign policy and suggest Iran's resignation that it must manage its tensions rather than resolve them, and that it must modulate difficult relations with other countries rather than grow too close to any of them. To this extent, Iran seems destined to treat its near neighbors with a large amount of wariness while remaining keen to engage superficially with them.

1. See, for example, Farideh Farhi and Saida Lotfian, "Iran's Post-Revolutionary Foreign Policy Puzzle," in *Worldviews of Aspiring Powers*, ed. Henry R. Nau and Deepa M. Ollapally (New York: Oxford University Press, 2012), p. 120.

2. "On Iranian Foreign Policy with Dr. Kamal Kharrazi," *Discourse: An Iranian Quarterly* 3, 4 (Spring 2002): 2-3. Cited in Farhi and Lotfian, p. 120. Kharrazi was Iran's foreign minister.

On a global level, Iran strains against the Westphalian state system, which it sees as “unnatural, illegitimate, and unsuitable in all the three structural, normative and institutional dimensions.”³ Iran instead advocates for a system in which all states are equal regardless of their size, wealth, and strength; in which all are bound by rule of law and international law; and in which no bloc dominates others.⁴ One Iranian government official suggests that the world is divided into a “domineering camp [in which] players are trying to preserve the tyrannical and unjust Westphalia system and its rules of the game,” and a “counter-domineering camp”—which of course, Iran leads—that “is trying to break the hegemonic system that has been in place for over one hundred years and explain to the world community new plans, goals and regulations of the game.”⁵ Iran even sees efforts to ameliorate tensions through this prism. Thus, says one Iranian writer, President Barack Obama’s 2009 “tactical visits and public diplomacy in Turkey and Egypt, as well as his conciliatory pronouncements toward the broader Islamic world, were all seen as efforts to shore up regional support against Iran and weaken its ability to withstand international pressure.”⁶

Iran’s attack on the global status quo seeks to appeal first and foremost to mass publics but also to rising and aspiring powers such as Brazil and India. They were relatively weak powers when the UN system was established after World War II, and arguably continue to experience the consequences of their relative weakness a half-century ago rather than the benefits of their expected future strength.

Courtship of the rising powers does not mean that Iran does not energetically pursue ties with major global powers. For example, Iran has pursued deep ties with China in part because of the sway that the Chinese hold in international organizations and because of the country’s status as a major and growing energy consumer. And yet, there is a certain disparity in Iran’s relations with China, certainly not lost on the Chinese and perhaps not lost on the Iranians either. China is Iran’s largest oil export market, but Iran is not China’s principal source of oil. Chinese trade accounts for 7.3 percent of Iran’s total trade, but Iranian trade accounts for only 0.98 percent of China’s.⁷ To be sure, China shares Iran’s skepticism about U.S. hegemony, and it considers it a wise hedge to obtain oil from sources other than U.S. allies so that, in case of tensions with the United States, energy is not a tool with which the United States can pressure China. Nevertheless, the relationship is neither a relationship of equals nor especially deep. Despite periodic references to historic trade in the medieval period, Chinese traders treat Iranian oil as a distressed asset and hold out for steep discounts, and they are willing to walk away from deals if the terms are not financially advantageous.⁸ Iran relies on China, but the reliance is not mutual.

3. Dehghani Firooz-Abadi, “Iran and the Ideal International System,” in *Iran and the International System*, ed. Anoushirvan Ehteshami and Reza Molavi (New York: Routledge, 2012), p. 46.

4. *Ibid.*, pp. 46–47.

5. Manouchehr Mohammadi, “The Islamic Republic of Iran and the International System: Clash with the Domination Paradigm,” in *Iran and the International System*, ed. Ehteshami and Molavi, p. 80.

6. Kayhan Barzegar, “Iran’s Foreign Policy Strategy after Saddam,” *Washington Quarterly* 33, no. 1 (January 2010): 25–40.

7. Computed from International Trade Centre (www.trademap.org), using data from 2010.

8. See, for example, Indira A. R. Lakshmanan and Gopal Ratnam, “China Gets Cheaper Iran Oil as U.S. Pays Tab for Hormuz,” *Bloomberg*, January 12, 2012, <http://www.bloomberg.com/news/2012-01-12/china-gets-cheaper-iran-oil-as-u-s-pays-tab-for-hormuz-patrols.html>.

Relations with Turkey

Closer to home, Iran has assiduously courted trade ties with its neighbors, chief among them Turkey. Overall, Iran has far higher trade volume with the United Arab Emirates, but much of that is mere re-export trade that runs through Dubai and involves neither the production nor consumption of goods and services. Turkey is both a traditional trade partner of Iran and a major one, with total bilateral trade of \$21.8 billion in 2012.⁹ While Iranian exports dropped precipitously to almost half that in 2009 due to the global economic downturn, trade reached record levels in 2010 and the two sides agreed to seek to double it by 2015.¹⁰ Almost 90 percent of Iranian exports to Turkey are crude oil and natural gas. In exchange, Turkey exports machinery, motor vehicles, iron and steel, and other manufactured goods to Iran. As trade with Dubai becomes more difficult due to financial sanctions against Iran, some expect Turkey to increase its transshipment trade in the coming years.¹¹

Iran was surely encouraged by the declared Turkish foreign policy of “zero problems with the neighbors,” as it suggested Turkey would defy global efforts to isolate Iran because of its widely assumed efforts to develop a nuclear weapons capability. That policy, however, has broken down in the face of Turkish tensions with Syria, a client of Iran. As Iran continues to arm the Syrian government, and as Turkey gives overt and presumably covert support to rebel groups seeking to overthrow Bashar al-Assad, the historic Ottoman-Persian fault lines over control of the Levant have reemerged. Further, Turkey’s hosting of more than 160,000 Syrian refugees has become an increasingly charged domestic issue, putting the government under increased pressure for diplomatic results, not only with Syria, but with Iran as well.

While Turkish-Iranian relations have not ruptured over Syria, the conflict has clearly raised tensions. Turkey’s broader pursuit of closer ties with Saudi Arabia have not made it a proxy for Saudi hostility to Iran, but it has certainly opened up alternative trade relationships and energy supplies for Turkey that originate in the Gulf. Turkey increased oil imports from Saudi Arabia and Iraq in 2011–2012 as replacement for some of its reduced imports from Iran, which require a waiver from U.S. sanctions. (See Figure 3.) Iraq therefore becomes a cornerstone of alternative Turkish routes to the Gulf, and Iraq can afford to alienate neither Iran nor Turkey.¹² Iran and Turkey will continue to struggle for influence in Iraq, although the deepening Turkish engagement with the Kurdish Regional Government in Erbil opens the prospect that Ankara and Tehran could carve separate spheres of influence at opposite ends of the country.¹³ Iranian leaders are also quite concerned about Turkey’s increasing regional influence and leadership on the Palestinian issue. The impact of these regional developments is likely to be a muddled one in which tensions do not cut ties, but they certainly limit their growth regardless of the economic attractiveness of doing so.

Overall, Iranian diplomacy need not resolve Turkish-Iranian differences over Syria, but it does need to limit them, for Iran is far more reliant on a good relationship with Turkey than the reverse.

9. Total bilateral trade in 2012 was in excess of \$21.8 billion. See Republic of Turkey, Ministry of Foreign Affairs, “Turkey-Iran Economic and Trade Relations,” http://www.mfa.gov.tr/turkey_s-commercial-and-economic-relations-with-iran.en.mfa; and Turkish Statistical Institute (TurkStat), “Exports by countries,” and “Imports by countries,” http://www.turkstat.gov.tr/VeriBilgi.do?alt_id=12.

10. Ibid.

11. See Khajehpour, “The Role of Economic & Energy Relations with Turkey and Russia in Iran’s National Strategy,” p. 18.

12. See Sean Kane, “The Coming Turkish-Iranian Competition in Iraq,” Special Report, U.S. Institute of Peace, June 2011, <http://www.usip.org/publications/the-coming-turkish-iranian-competition-in-iraq>.

13. See Barkey, “Turkish–Iranian Competition,” 148–55.

Turkey has assiduously carved out a position as a trade and energy hub and prides itself on positive relations with virtually all of its neighbors; Iran traditionally sees hostile borders on all sides and seeks outlets to avoid isolation.

Relations with Russia

In comparison, Iran's relationship with Russia relies far more on strategic considerations than trade. Russia, as a global power and a permanent member of the UN Security Council, is an important Iranian tool in blunting efforts to isolate it. Not only has Russia vetoed UN Security Council resolutions seeking to sanction Iran, but the prospect of a Russian veto has shaped global efforts to influence Iranian behavior.

Iran and Russia share a variety of interests, perhaps chief among them opposition to a U.S.-led order in the broader Middle East. While each approaches the prospect of what it sees as U.S. hegemony differently, each comes to the same conclusion: that it would be detrimental to its interests. In the Middle East, Russia seeks relations with governments that have fundamentally friendly relationships with the United States but do not wish to be wholly reliant on the United States—covering a range from the United Arab Emirates to Algeria, both of which it supplies with arms. In so doing, the prospect of a “Russian alternative” to U.S. weapons sales creates competition for the United States, both in terms of cost and in terms of the conditions that the U.S. government imposes on sales. The Iranian approach to what it sees as a U.S. effort at regional hegemony is more indirect, seeking to win public support as an enemy of the status quo, which it portrays the United States as supporting. That effort has run into significant challenges as publics rising to displace authoritarian leaders have done so with little reference to Iran, at a time when it represses its own protest movements and aligns itself with the repressive government of Syria. Still, Russia and Iran share an overall goal, which is to undermine the prospects of what they see as a pro-U.S., anti-Iranian order among the countries of the Middle East. One author sees Russo-Iranian ties partly as a Russian defensive gesture against the United States. He writes, “Russian analysts have long worried that an Iranian-American rapprochement could result in Western firms’ crowding out Russian ones in Iran. Beyond this, they want to prevent Washington from working with Tehran to provide an alternative route to Russia for the export of Caspian Basin oil and gas.”¹⁴ Seen this way, Russia needs to stoke tension in the U.S.-Iranian relationship specifically to protect its own interests.

While the United States is a major focus of Russo-Iranian agreement—and Iran's foreign policy focus on the United States is even greater than Russia's—there are other areas of broad agreement. One is a shared sense of threat from Sunni extremists in the Caucasus, who have presumed support from the Gulf Cooperation Council (GCC) states and who threaten Russia directly. The two countries similarly have shared interests in strong energy prices, as both are major energy exporters. They further have a shared interest in ensuring that Europe looks eastward for its natural gas supplies, rather than south, as the opening of alternative gas supplies from the Mediterranean threatens both countries' markets.

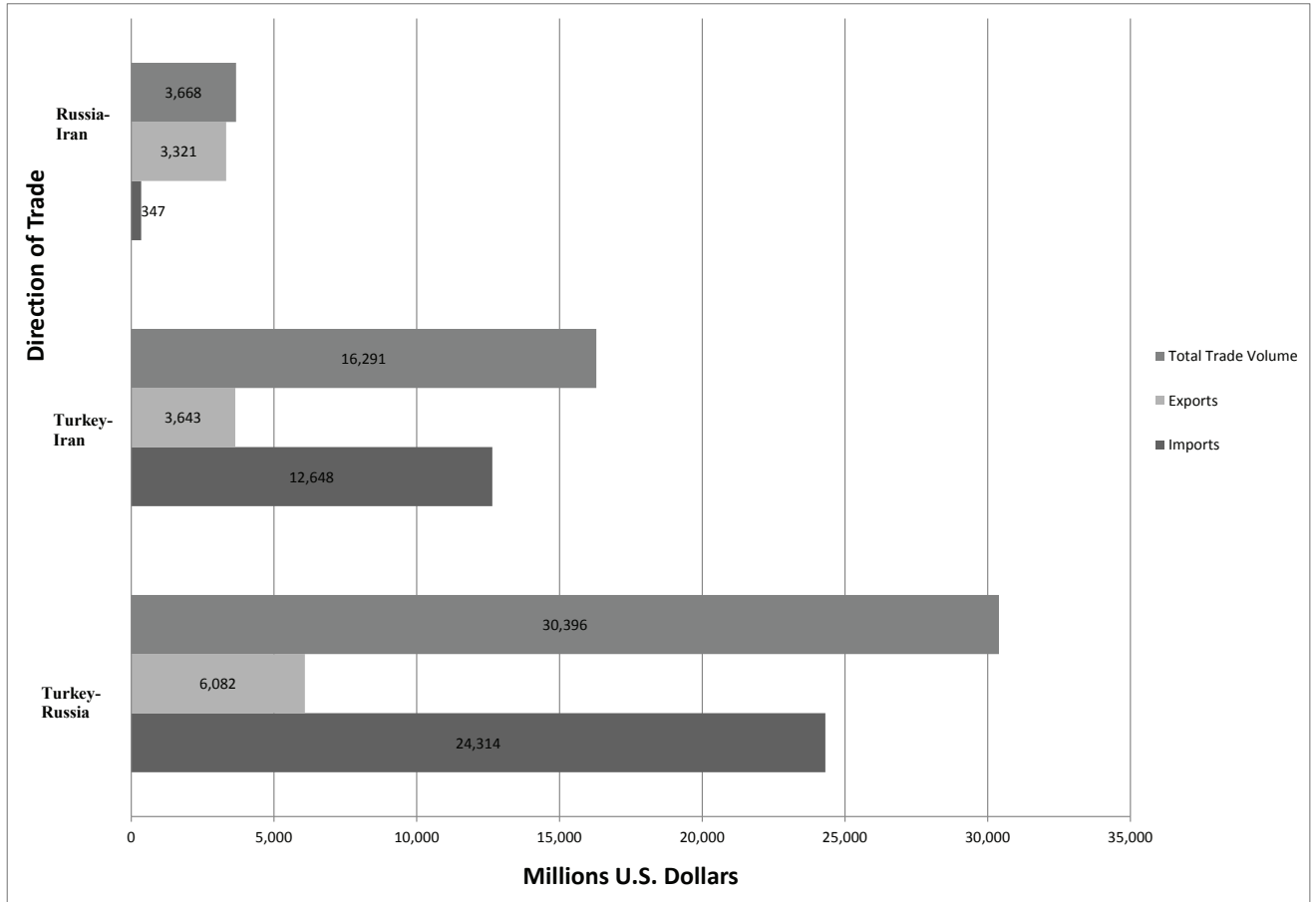
Bilateral trade remains relatively modest (0.2 percent of exports; 1.8 percent of total trade volume), with Iran importing about \$3 billion worth of Russian goods, largely iron and steel, and exporting about \$300 million, consisting largely of foodstuffs (see Table 1).¹⁵ And yet, on the

14. Mark N. Katz, “Russia and Iran,” *Middle East Policy* XIX, no. 3 (Fall 2012): 62.

15. Data derived from www.trademap.org.

strategic level, Russian support for Iran’s Bushehr nuclear reactor—which it completed, fuels, and operates—is a potent symbol of economic and technical cooperation between the two countries, and further cooperation on nuclear power remains a possibility.

Figure 5: Turkey, Russia, Iran Bilateral Trade Flows, 2011



Source: European Commission, Trade: Statistics, January 10, 2013.

Driving Forces in Relations

As best can be judged, there are somewhat different constituencies for close bilateral relationships with Turkey and Russia within Iran. The Turkish relationship is principally an economic one, with strategic overtones. Longstanding trade routes and Turkey’s ambitions as an energy hub argue for a policy of cooperation and open borders. Iranians do not need a visa to visit Turkey, and Turks do not need a visa to visit Iran (although this privilege was suspended prior to the non-aligned summit in Tehran). Despite rising political differences, Turks have a keen economic interest in maintaining ties with Iran. Notably, however, Iran needs Turkey more than the opposite is true. Turkey’s economic ties to Europe and the Middle East are larger than their ties to Iran, and it remains a NATO ally of the United States. Taken as a whole, Turkey’s global relationships work in opposition to deepening Turkish-Iranian ties. Turkey retains many alternatives to Iranian trade, and rising global hostility to Iran is likely to drive many to seek greater Turkish compliance with international sanctions. While the world is willing to turn a blind eye to the “natural” trade be-

tween the two countries, it is clear that Turkey's strategic goal is modulating the Iranian relationship so that its benefits outweigh its very clear costs.

Iran has far fewer options and much less leeway. With Dubai becoming a more difficult destination for Iranian trade and investment (in part because of Abu Dhabi's rising influence on Dubai following the 2008 financial crisis there), and persistent instability in Iraq, Turkey becomes one of the only neighboring countries in which Iran can do business, and certainly the most advanced of them.

Because of this growing dependence, Iran must temper its disappointment with Turkish actions toward Iran's ally, Syria, and accept the terms of the bilateral relationship that Turkey outlines. Because the business lobby in Turkey is Iran's biggest booster, Iran must ensure favorable trading terms for Turkish partners, even at a time when Iranian wallets are being squeezed tight by economic sanctions.

There does not seem to be a corresponding business lobby for Russia. Instead, boosters of that relationship think principally of the importance of having a major ally who can help blunt the efforts of the Europeans and Americans to isolate Iran. The Russian role is in contrast to the Chinese role, which has some of the strategic overtones but also has a large trade overlay (Chinese-Iranian trade was over \$33 billion in 2011 according to the IMF¹⁶ and topped \$45 billion according to Iranian sources¹⁷). But for strategic purposes, China has a far smaller footprint in the Middle East and far less of an ability to help Iran meet its strategic challenges. Further, as a major energy importer, China's greatest interests are in stability and low oil prices, which are not Iranian priorities (or, arguably, desires). As a fellow energy exporter, Russia does not feel a need to keep energy prices down, and the Soviet Union's legacy in the region was as a player rather than as a spectator. While some Iranian strategists have reportedly argued for cooperation with Russia in developing interdependence between Euro-Asian hydrocarbon producers and growing East Asian energy markets, this seems unlikely to emerge given that the prospect of a deepening competition for European and Turkish markets over the long term. Iranian energy experts are also said to be wary of the Gas Exporting Countries Forum as a vehicle for advancing the Russian agenda of limiting competition in various geographical markets. As long as Iran remains focused on East Asian markets, these two leading gas reserve holders can probably avoid a clash.¹⁸

The challenge for Iran in the Russian relationship is predicting whether the future leadership of Russia will have the same attitude toward the United States. Should Russia seek to reduce tensions with Western countries, Iran could be a logical place to start. Further, Russia has already demonstrated it is not a staunch ally of Iran, both through its periodic efforts to pressure Iran through the P5+1 process, as well as its decision in 2010 not to sell Iran advanced air-defense systems. While there is clearly strategic overlap between the two countries—and cooperation over Syria is the most obvious recent sign of it—Russia retains far more options for its international relations than Iran does.

Where this leaves Iran, then, is largely on the defensive. Iran needs Turkey, yet it seeks to tear down the very system of international relationships that have so bolstered Turkey's prospects in

16. European Commission, "Trade: Statistics," January 10, 2013, <http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/statistics/>.

17. "Iran-China trade volume exceeds \$45bn" (citation from Iran's Press TV), <http://www.payvand.com/news/12/jul/1054.html>.

18. Khajepour, "Role of Economic & Energy Relations with Turkey and Russia in Iran's National Strategy," p. 16.

the last decade. Turkey wants a working relationship with Iran, but in the context of a multiplicity of countervailing partnerships. Iran needs Russia, too, but it has little to offer besides its rancor toward the global system. It is dependent on Russian conflict with the Western powers, and it has found that Russia has a dynamic set of interests and may not always seek more conflict.

Should Iran pursue rapprochement with Western powers, it would have far more of an impact on its Turkish relationship than its Russian one. While such a step would presumably reduce pressure to reroute trade from Dubai, Turkey has much more of value to offer Iran, and Iran has much more of value for Turkey than either has for the United Arab Emirates. Further, Iran and Turkey have a variety of shared interests in Iraq, and each can profoundly affect the other's interests there. Turkey's stated vision for the global order is consonant with many Iranian interests, with a major exception: Turkey sees its growth as consonant with strong relations with the United States and its allies, while Iran seems to see such relations not only as antithetical to its interests, but perhaps even to the interests of the Islamic Revolution itself.

The result, therefore, is likely to be one in which Iran ultimately limits its own relations with its near neighbors rather than fully leveraging them.



CONCLUSION

The foregoing analysis has demonstrated that complex and often contradictory interactions among Turkey, Russia, and Iran are having a major influence on regional dynamics in the Middle East, Caucasus, and Central Asia, with important implications for U.S. interests. The policies each of the three countries is pursuing toward the others are often designed to impact relations with the United States and can be influenced—positively or negatively—by U.S. policies.

Given their continuing support to the Assad regime and fears about the political forces behind the Arab Spring, Russia and Iran now find themselves aligned against Turkey, the United States, and much of the rest of the international community. Iran sees its ties to Syria, and through it links to Hizbollah in Lebanon, as the central pillar in maintaining its “axis of resistance” to Israel and its allies. As the civil and proxy wars in Syria grind on and more radical elements gain traction, the potential for wider conflict is growing, particularly given the influx of over 160,000 Syrian refugees into Turkey and numerous cross-border incidents. Turkey could be drawn inadvertently into war with the Assad regime and possibly Iran. The Syrian civil war is the most volatile element of a building powder keg in the Middle East that could see a number of regional conflicts and disputes erupt into a wider conflagration. Sunni-Shi’a tensions in the region are already heating up. Iran is engaged in a proxy struggle with Saudi Arabia and other Gulf states in Bahrain and supporting terrorist activities in Lebanon and Turkey.

The interests of Turkey, Russia, and Iran clash quite pointedly in the Caucasus. The Soviet legacy still shapes the strategic landscape and Russia retains a dominant role. Ankara seeks to promote interdependence among the three South Caucasus states in order to strengthen their sovereignty and to expand commercial and energy links to Turkey, though following the rejection of its 2009 effort to normalize relations and open the Turkish-Armenian border, Turkey has moved more firmly behind Baku. Iran’s engagement in the region includes deepened ties to Armenia, efforts to intimidate Azerbaijan, but caution with respect to Nagorno-Karabakh. Iran does not want Russia heavily involved in the South Caucasus, but has avoided confronting Moscow, and has benefited from a mistrust of Turkey in the region. Washington’s interests of stability, enhanced sovereignty, democratization, and diversification of commercial relations are closely aligned with Turkey’s. Washington and Ankara will, however, need to engage both Moscow and Tehran in efforts to resolve lingering regional disputes.

The three governments and the United States have largely diverging but some common interests in Central Asia—including concerns about instability following the withdrawal of NATO and partner forces from Afghanistan after 2014. Longstanding ties and infrastructure links tip the regional balance of influence in Moscow’s favor. While Turkey has commercial interests and wants to prevent Russia from retaining a controlling position over energy flows from the region, it has limited capacity and commitment. Iran remains concerned about the Taliban and the problems of drug trafficking in the region and seeks to have more Central Asian energy flow through Iran. It is

likely to pursue these interests with greater or lesser intensity depending on the overall direction of relations with the United States and the West and in the Middle East.

The scope and future trajectory of these regional dynamics are explored in more detail in the forthcoming full report. A few years ago, some analysts raised the possibility that common regional and economic interests, aspirations for a more multipolar international order, statist governance, strained relations with Europe and the United States, nationalism, and problems with ethnic minorities could combine to bring this trio together as a “coalition of the rejected.”¹⁹ Despite the suggestion by Prime Minister Erdoğan that if the EU doesn’t want a Muslim country as a member, Turkey might consider joining Russia and China (and fellow observer country, Iran) in the Shanghai Cooperation Organization (SCO), the prospects of a new regional alignment emerging seem remote in light of the largely divergent strategic interests among these three countries.²⁰ Indeed, an early post-Cold War assessment that such regional cooperation would likely be “subordinated to the continuing rivalry among the major players for influence in southern Eurasia, especially if a more assertive and nationalist regime gains ascendancy in the Kremlin,” is proving to be prescient.²¹

19. Comments of Andrzej Ananicz, then-deputy director of the Polish Institute of International Affairs, cited in Barçın Yınaç, “Turkey, Russia, Iran could form ‘rejected coalition,’ says expert,” *Hürriyet Daily News*, May 14, 2010, <http://www.hurriyetdailynews.com/n.php?n=turkey-iran-russia--a-coalition-of-the-rejected--why-is-it-possible-but-still-unrealistic-2010-05-14>.

20. In a January 25, 2013, television interview, Erdoğan said that if the EU doesn’t want a Muslim country as a member, then the Shanghai Cooperation Organization (SCO) would be a good alternative. Erdoğan had also joked about seeking SCO membership in a meeting with Putin in 2012. Some observers see this comment as simply another Turkish frustration with the EU process. In an early February visit to Prague, Erdoğan said, “Any deviation from the goal of EU membership is absolutely out of the question for our government. We are not looking for alternatives on this issue. But we are unhappy.” That said, he also hinted membership in SCO was still an option and not incompatible with EU membership. See Cengiz Çandar, “Erdoğan on Brussels-Shanghai Pendulum,” *Al-Monitor*, February 6, 2013, <http://www.al-monitor.com/pulse/originals/2013/02/erdogan-european-union-shanghai-five-eu-sco.html>; and Emre Uslu, “Erdoğan considering Shanghai Five,” *Today’s Zaman*, January 27, 2013, <http://www.todayszaman.com/columnist-305321-erdogan-considering-shanghai-five.html>.

21. See Alvin Z. Rubenstein and Oles M. Smolansky, “Conclusion,” in *Regional Power Rivalries in the New Eurasia: Russia, Turkey, and Iran*, ed. Alvin Z. Rubenstein and Oles M. Smolansky (Armonk, NY: M. E. Sharpe, 1995), pp. 271–77.



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