

World Economic Situation and Prospects

Weekly Highlights

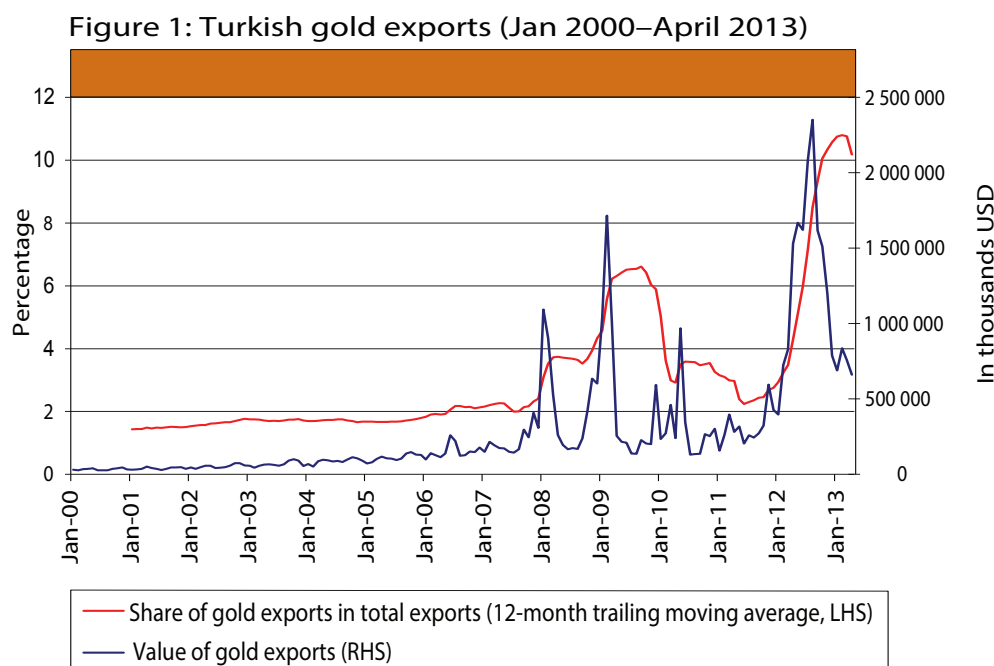
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3 July 2013

The end of the Iranian-Turkish oil-for-gold trade?

Turkey imports more than 93 per cent of its domestic oil consumption. The share of Iranian crude in total Turkish oil imports decreased from 51 per cent in 2011 to 39 per cent in 2012 as political pressures mounted on Iranian crude importers to shift towards other suppliers. In the wake of new sanctions imposed by a number of Western countries targeting Iranian oil revenues by preventing foreign financial institutions from conducting oil transactions with Iran's central bank, Turkey devised an alternative way to clear remaining Iranian oil trades using gold as a means of payment.

The Iranian-Turkish oil-for-gold trade consisted of Turkey paying for its Iranian oil imports with Turkish liras, because sanctions prevent the use of dollars or euros. Iranian authorities then used those liras, held in Turkish banks, to buy Turkish gold that was later carried to the United Arab Emirates, where it could be sold for foreign currency or shipped to Teheran. According to Turkstat, gold exports surpassed the peak reached during the illiquid times of the global financial crisis, accounting for 18.3 per cent of total exports in August 2012 and averaging more than 10 per cent over the last 12 months (figure 1). Bilateral trade with the Islamic Republic of Iran and the United Arab Emirates skyrocketed too (figure 2).

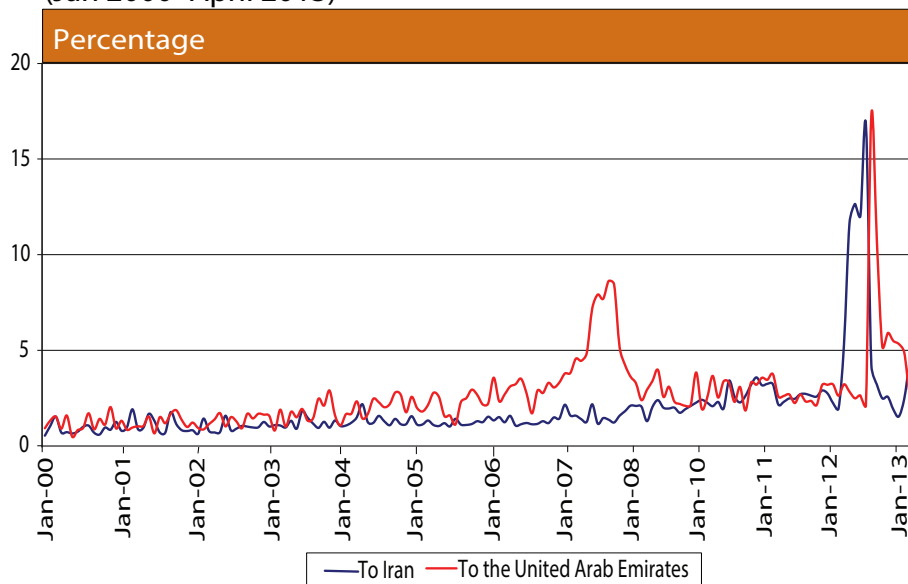


Source: Turkstat.

Note: Gold represents the majority of the value in a broader category including "precious stones, precious metals, pearls and articles thereof".

Mounting pressures led to a significant decrease in the Iranian-Turkish oil-for-gold trade starting in September 2012. Since February 2013, a new provision of the multi-lateral sanctions further restricts the use of Iranian money placed in Turkish banks to the purchase of sanctions-free goods, such as food, medicine and industrial products. Turkish dependency on Iranian oil carries on, however, and April data show that Turkish gold exports (and imports to maintain the level of gold stocks) remain above their historical average.

Figure 2: Bilateral exports as a share of total exports
(Jan 2000–April 2013)



Source: Turkstat.